



Introductory Address: Annual Forum: Navigating in Turbulent Times

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The Economic Crisis

Good evening and welcome to the Second Annual Forum “Navigating in Turbulent Times.” I am Lars-Hendrik Röller, and I am president of the European School of Management and Technology ESMT. And it is an honor and privilege to welcome each of you to be with us.

To our ESMT Board of Trustees, the ESMT Supervisory Board and the ESMT Academic Board; your Excellencies, dear colleagues, ladies and gentlemen:

These are turbulent times indeed. Trying times. The financial meltdown is having a profound impact on societies and economies everywhere. It doesn't matter if you're a factory worker on the assembly line; a knowledge worker on the front line; or a manager in the firing line. We all have the sense that we've crossed a threshold. And no one can predict with any certainty where the crisis is headed.

The Great Recession, as many are now calling it, is a realigning event. It is reshaping political landscapes; industries; individual companies; and lives. In just a few short months, we have witnessed the destruction of an entire generation of wealth. And we have witnessed the creation of an equally vast amount of debt.

GDP in the euro area shrank by 2.5 percent just in the first quarter of this year. And since the recession began, German GDP has fallen 7 percent. By some estimates, 40 percent of the world's entire wealth has been destroyed. Countries are taking on levels of debt not seen since World War II. The most shocking example is the United States. Each individual household's share of the national debt is now \$483,000.

Responses by elected government leaders around the world have been forceful: passing stimulus packages, creating Bad Banks, subsidizing firms, regulating financial markets and incentives, and erecting trade barriers. Some of these developments and investments are needed, others are downright dangerous. Quite simply, the seeds of future growth are being planted right now. Getting it wrong will risk the future of our social market economy, as it is called in Germany.



The MBA Under Fire

But we all understand that this is more than just a crisis of finance. It is also a crisis of confidence: in our institutions; in our business leaders; and in the MBA schools that train them.

Not so long ago, the MBA was seen as a legitimate path to success. Now many are calling it a path to destruction. The MBA used to be seen as part of the solution. Now, it is too often seen as part of the problem.

MBA schools on both sides of the Atlantic are under pressure.

In a recent Business Review survey, large majorities of both Americans and Europeans said that MBA schools played a major role in this current financial crisis. And many MBA schools now openly admit that they need to put more emphasis on values-based leadership and ethics.

There is a loud call to rethink the MBA degree: to teach aspiring young leaders a renewed sense of social commitment; to teach the value of long-term benefits rather than short-term profits.

The ESMT Philosophy

ESMT welcomes this dialogue. Better yet, we welcome putting many of these ideas into place. And that's exactly what we've been doing. Not since last week. Or even since last year. We understood that an international business school based in Germany needs to integrate responsible leadership and business education. At ESMT, responsibility isn't a special one-hour seminar; it is embedded in our School's vision.

ESMT is an international, research-driven business school that stands for responsible leadership. We partner with some leading companies to promote, teach, and research these themes:

- E.ON actively supports ESMT with the Chair in Corporate Responsibility;
- Ernst&Young with a Chair in Governance and Compliance;
- Lufthansa has supported a Chair in Competition and Regulation.
- Ferrero has supported a new Chair in International Marketing

In this way, we seek to build what we call integrative leaders – men and women who can draw on many different skill sets; who can think outside the case study; who stop to ask themselves questions like: will my actions have unintended consequences? Will my decisions have long-term benefits, and for whom? And how will they affect the double bottom line?

Es gilt das gesprochene Wort. – Check against delivery.



Much has been said recently about market failures and the role of government - and indeed government failures – in response to the economic crisis. No doubt, government and governance will be a key determinant of getting us out of the crisis, and hopefully will prevent us from getting into another crisis of this magnitude in the foreseeable future.

Yet to a large extent our future prosperity depends upon how the next generation of business leaders acts responsibly and creates value. Business value. And societal value.