

## The Blue Economy

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It was end of June 2019 and John Janssens was admiring the stunning landscape surrounding the Halsberg Estate. He was driving back to his office after a meeting at the Halsberg family manor. Janssens enjoyed these meetings in the countryside, not only because of the beautiful scenery, but also because the drive gave him the time to digest the information he had received and prepare for the coming steps. As he was leaving the private driveway and getting onto the highway for the 90 minute trip back to Frankfurt, Janssens was wondering what his recommendation should be regarding the investments suggested during the two-hour long meeting he had just had.

Janssens was a 35-year-old mechanical engineer and had graduated from a top European Master's in Business Administration (MBA) program and worked for four years as an investment banker in Goldman Sachs's Frankfurt office before he was headhunted for his current role as the head of the Halsberg family office. He had just attended a meeting with Johannes Halsberg, Johannes's granddaughter Linda Halsberg, and Gunter Pauli, a Belgian author, entrepreneur, and public speaker.

Johannes was 84 years old and had taken his father Wolfgang Halsberg's welding shop and turned it into a global supplier of prefabricated metallic structures, which were used in a wide variety of advanced construction projects from bridges and buildings to football stadiums and airports. The family business had global sales of over €2.2 billion per year and had been professionally managed since Johannes stepped down as CEO in 2010 on his 75th birthday. Johannes and Gertrude Halsberg had three children, and since none of them had shown any real interest or talent in the business, Johannes had sold 27% of the company to a private equity fund managed by Goldman Sachs and used the money to set up his own family office.

It was Linda Halsberg who had set up the meeting with Johannes, Janssens, and Pauli. Linda was 24 years old and was the youngest daughter of Johannes's and Gertrude's oldest son Hans, who in turn was a very successful psychologist working in the Frankfurt area. Linda was one of eight

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grandchildren, all of whom had equal shares in the family business and whose rights and privileges were spelled out in a detailed family charter. While the Halsberg family was effectively shut out of the family business by the charter, the document did state that one of the grandchildren would eventually be chosen by Johannes to manage the family office, and rumor had it that Linda was her grandfather's favorite.

The problem was that, up until now, Linda had not shown too much interest in the family's investment portfolio, which mainly included blue-chip stocks and some investments in infrastructure in Africa. Linda had been a Greenpeace activist in high school and was also a passionate member of Germany's Green Party. In June 2019, she was finishing a master's in environmental science at the University of London's School of Oriental and Asian Studies (SOAS).

Having heard Pauli speak at SOAS in February of that same year, Linda found his ideas and examples very compelling. After the talk, she bought *The Blue Economy 3.0* and read its 288 pages on her Kindle in just a couple of days. Her professor managed to put her into contact with Pauli and—after a few hiccups—she eventually set up a meeting at the family estate.

Linda believed that her family's wealth could be serve a more noble purpose by investing in some of Pauli's projects. Her grandfather was encouraged by her interest in investment opportunities and agreed to the meeting, as he had always had a soft spot for the passionate young woman.

On the day of the meeting, Linda was captivated by Pauli's pitch: he presented compelling stories and generated strong emotions. By the end of the meeting, she was actively encouraging Johannes to put millions of euros into some of Pauli's ventures.

Janssens found the pitch entertaining and found the science and engineering parts of the projects interesting, but was a bit put off because Pauli had rebuffed his questions about the return on the proposed investments and essentially refused to supply detailed profit and loss (P&L) forecasts or cash flow projections. At Goldman Sachs, Pauli would have been summarily shown the door.

Pauli, however, encouraged the family to invest in three different Blue Economy projects, which had all generated cash from day one, and insisted that the revolutionary technology used in his projects could not be reduced to the nonsense that was taught in an MBA program.<sup>1</sup> The projects that currently required investment were expanding urban mushroom farming, investing in a company that could harness wind power using high altitude kites steered by a robot and artificial intelligence (AI), and setting up Europe's first stone paper factory.

Johannes seemed to enjoy Pauli's presentation, although it seemed to Janssens that he spent most of the time watching Linda. As the meeting wound down, he turned to Janssens and asked him to do whatever due diligence was required, but to come back with a recommendation within 48 hours, as his granddaughter would be returning to London that Sunday.

Before leaving, Johannes took Janssens aside to say he was highly skeptical of Pauli. He had built his company on well-understood engineering principles which could easily be calculated and forecasted. Pauli's ideas of scaling effects and paradigm shifts seemed both simplistic and too good to be true. On the other hand, he wanted to encourage his granddaughter's involvement

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<sup>1</sup> For more information on the Blue Economy, see: Gunter Pauli, "Blue Economy.mov," *YouTube* video, 3:26, December 22, 2010, <https://youtu.be/1af08PSlals>.



in the family's investments, and he confided that she was one of his best hopes for the future management of the family fortune.

In the two years he had been managing the family office, Janssens had increased the yield of the €620 million portfolio from 4 to 5.5% but had yet to offer Johannes a groundbreaking investment proposal. Janssens therefore felt that his own future was, to some degree, subject to his making the right call under the given circumstances.

Clearly, if he opposed the deal and Linda later went on to lead the family office, he would be out on his ear when she took over. On the other hand, he had carefully built up his own reputation with Johannes and could not, in good faith, recommend a course of action which went against his own judgement—which, in the end, was what he was hired for.

As he drove down the dark highway, Janssens decided to do what he always did. He would dig into the facts as best he could, seeking to separate the reality from the hype, and make the best recommendation he could to the Halsberg family.

## Gunter Pauli

*“Let us not accept that doing less bad is good enough. This is the basics of ethics.”<sup>2</sup>*

A Belgian entrepreneur, Pauli has been named the “Che Guevara of sustainability” by French newspaper *Edeni*,<sup>3</sup> and the “Steve Jobs of sustainability” by *Le Point*.<sup>4</sup>

He studied economics and went on to receive an MBA from INSEAD.

He founded 12 companies. Among them was ECOVER, a Belgian organic detergent producer. As a chairman of the company, he built the first zero-emission factory in 1992. In 1993, he became aware of how the palm oil used to produce biodegradable soaps was destroying orangutans' habitat. Realizing that a less toxic solution is still a toxic solution, he decided to leave the company and sell his shares.

His slogan “stop doing less bad, start doing more good” was born, and he dedicated himself to designing and implementing solutions for industry and society that respond to people's needs using what is locally available.

He founded ZERI, the Zero Emissions Research and Initiatives at the United Nations University in Tokyo, and structured its research network as a foundation. The aim of the foundation was to redesign production and consumption into clusters of industries, inspired by natural systems. As a result of his work, Pauli lectured all over the world. In 2000, for example, he presented seven projects at the World Expo in Germany in the largest bamboo structure ever made.

To learn more about the man he would be dealing with, Janssens downloaded a more complete biography of Gunter Pauli (see **Exhibit 1**).

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<sup>2</sup> Gunter Pauli, *The Blue Economy 3.0: The Marriage of Science, Innovation and Entrepreneurship Creates a New Business Model that Transforms Society*, (Bloomington: Xlibris, 2017) 288 pages.

<sup>3</sup> By H el ene “Unter Pauli, Le Che Guevara du d veloppement durable,” *Edeni*, 14 October 2017, <https://www.edeni.fr/interview-gunter-pauli/>.

<sup>4</sup> Idriss J. Aberkane, “Gunter Pauli, le Steve Jobs du D veloppement durable,” *Le Point*, 26 September 2014, [http://www.lepoint.fr/invites-du-point/idriss-j-aberkanne/idriss-j-aberkanne-gunter-pauli-le-steve-jobs-du-developpement-durable-26-09-2014-1866831\\_2308.php](http://www.lepoint.fr/invites-du-point/idriss-j-aberkanne/idriss-j-aberkanne-gunter-pauli-le-steve-jobs-du-developpement-durable-26-09-2014-1866831_2308.php).