

Alex Krapp (A)

An Enticing Offer



Oliver Alexy; Nicole Beaven

TUM School of Management Case Series

Case: #TUM-2017-101

First published on: 05.09.2017; last revised on: 05.09.2017

This case was developed solely as the basis for class discussion. Cases are not intended to serve as endorsements, sources of primary data, or illustrations of effective or ineffective management.

An Enticing Offer

It was a sunny late Friday afternoon in April 2015, one of the first days of the year that the sun's heat could be felt and the smell of spring flowers held the promise of seasonal change and of a summer to come. The day's gentle breeze had also brought with it a possibility of change in Alex Krapp's work life. He had just come from a meeting with a headhunter in Munich. After a long winter of hard work with long hours and difficult clients (and less skiing than he would have liked) it was a proposal that would not have been as enticing at any other time: a large consulting company was looking for someone for their new business area around potential high-growth Internet startups, and Alex Krapp, with the experience and expertise he had gained over the last decades as a serial entrepreneur, would be exactly the right candidate for the position of "Head of Entrepreneurship."

Reversing his car out of the parking space in Kaulbachstrasse, just at the west end of Munich's beautiful 'English Garden,' he dialed his wife's number and set off in the direction of his hometown, Rosenheim, about an hour's drive toward the Alps away. He was eager to tell his wife the good news, and took the first opportunity to do so when hitting a traffic jam after just a few minutes of driving.

"That's an unbelievable offer," she gasped, "So much money! I can't believe it! But Alex, I'm not at all sure if you'd like it...what about the freedom that being an entrepreneur gives you? I don't know if any amount of money could possibly compensate for that."

His wife, as always, had been able to pinpoint his biggest worry, he sighed,

"I know. I'm not at all sure what to do. I have until next Monday to decide, they need to fill the position quickly. Oh, but I have to put the phone down, the traffic jam's clearing up."

Finally able to join the motorway to Salzburg he turned up the radio and accelerated, hoping the drive would clear up his head so that he would be able to answer his wife's question by the time he arrived home.

A Not-so-standard Resume

Alex Krapp, born in Regensburg in 1980, grew up Landshut, Germany, a town about an hour's drive north-east of Munich, and like all great entrepreneurs was busy earning money while other teenagers were contemplating how best to spend their allowances. He had gained first-hand work experience during high-school in diverse jobs ranging from working at his local brick factory as the quality control manager where he checked the quality of 20,000 bricks a day, to selling mobile phones, to working at a hardware store to delivering medical supplies. However, while his bank balance was steadily increasing, his academic grades were, unfortunately, heading in the opposite direction, and he had to leave high school during his last academic year in 2000.

Realizing the benefits of being financially independent, he was not too heartbroken and decided to use this setback as an opportunity to make money. Growing up, Krapp and his friends had divided their time between the basketball court and playing with the Krapp family computer. And due to this

in-depth computer knowledge and self-taught IT skills coupled with the impressive array of work experience he had already gained, he was soon employed as a quality manager by IPC Archtec AG, a €300m-per-year manufacturer of laptop and desktop computers near his home town. Soon, he was responsible for a team of thirty whose main task was to check master hard drives. He greatly enjoyed the job and it worked as a balm, soothing away the wounds to his self-confidence inflicted by having been thrown out of school.

While realizing how much he enjoyed working in IT, and that he was quite talented in that space, Krapp also felt less and less challenged by the work in quality control. Hoping to find a new, exciting opportunity in IT, he decided it was time to leave the hardware manufacturer IPC.

“I had a great time at IPC, it was a great job and it was great for my self-confidence after being kicked out of school.”

Hoping to get back to what his mother referred to as “the straight-German-way” he tried to land an apprenticeship with a leading German IT company in the area of web design. However, Krapp soon learned that, having been kicked out of school, German employers were wary of him: in spite of his years of work experience, he sent out over 85 applications. Succeeding at last he joined the Internet Provider SpaceNet, one that had particularly appealed to him due to their early adoption of the operating system Linux, their can-do attitude, and their willingness to take on risk and technological challenges. For example, when Krapp was there, SpaceNet sent out the newsletter for the first German edition of the TV show “Big Brother” to 90,000 people, a number so unheard of at the time that leading German email provider GMX.net called them and begged to stop, as their servers were breaking down under the enormous amount of data—a feat the technologist at SpaceNet would feel proud of for years to come.

Krapp’s love affair with technology blossomed more every day and he was a valuable asset for the company when it came to customer service, where Krapp started to discover he was particularly talented. However, Krapp soon learned that there was little chance of him climbing up the career ladder. Already, Krapp had realized how missing a high school degree was holding back his ambitions, which had lead him to complete it by taking evening and weekend classes. In order to fulfill his career goals, Krapp thus enrolled in a degree program in Industrial Engineering at the University of Applied Sciences in Rosenheim, to start in October 2005.

Still, in January 2005, he found himself at a loose end and without a job, when fortune struck: knowing of his predicament, a friend living in Austria running a skiing school – and knowing of Krapp’s love for all kinds of winter sports – invited him to spend some time enjoying the slopes. An outdoorsy person and talented skier, Krapp saw a chance for an adventure and he took it: he joined a training program to become a certified Austrian ski instructor (**see Exhibit 1**), the toughest training of this kind in the world, which Krapp passed with flying colors.

The new job reminded Krapp of his work in sales and customer service at SpaceNet. It was highly interactive, and he particularly enjoyed the networking side of his new-found job, coming into contact with, and getting to know a wide range of different people from all over the world. Going down the slopes in his time off, he also used the time to think about what to do next. Krapp felt pressured to take a more conservative route, to embark on the kind of typical career path that German society deemed to be sensible and productive. He told himself that he had still a lot to learn, and that he could greatly benefit from continuing his education. Yet, October was still a long way away, and the

summer season started to loom ever larger on the horizon.

But as luck would have it, fortune struck again, with Krapp learning about opportunities for skiing instructors at the other end of the world: Australia. Krapp decided to segue seamlessly from one winter season into the next, arriving in Australia just as spring arrived in Austria, ready for three months of travel and three months of work. As Austrian-trained ski instructors are viewed as being the best in the world he was in great demand and was fully-booked every day with customers wanting to have the best ski-lessons money could buy. As Krapp himself explained, "*Australians adore Austrian ski instructors, it's like having a surf instructor from Hawaii!*" Krapp gave lessons in French, German and English, teaching local celebrities and senior business executives, such as the founder of Pizza Heaven (the Australian version of Pizza Hut), or senior executives at leading companies such as Goldman Sachs. He continued developing his networking skills and making new and interesting contacts, realizing the importance of good communication skills, empathy, and being able to get along with people from all walks of life.

A First Venture into the World of Business

Upon returning to Germany, Krapp took up his studies in Industrial Engineering at the University of Applied Sciences in Rosenheim. But once again, Krapp spent much more time on all things around his education rather than focusing on ironing out his weaknesses. During his first year at university, he not only became part of a team of student research assistants creating an online database that could hold all students' grades, he also founded his first venture called AK IT services in 2005, a small network administration, web services, and consulting company.

Thanks to his love for IT, his technological experience and his skill for networking, he quickly grew more than comfortable in his new role. He increasingly felt that he might not be cut out to be a full time student; he thought that the breaks between terms were too long and the financial opportunities too few. As he had an apprenticeship as a computer network specialist he could earn double that which he could as a student working for his own company! As AK IT services was a roaring success, Krapp soon found himself investing more and more time in his company and even less in his studies. As a result, while Krapp had no trouble mastering the business administration side of the degree, the engineering part proved to be more problematic and so he changed course, realizing that he had been doing what he thought he should be doing instead of that which he wanted to be doing and so decided to do a degree in management.

In an attempt to organize his time-keeping more effectively, Krapp started to work extensively with freelancers, designating a large load of the company's programming work to them, while he himself used his skill as a networker to acquire more customers. Still, his studies began to take on an increasingly minor role in his everyday life and he realized that he enjoyed running AK IT services so much that he decided to become a full-time entrepreneur. He also found that providing computer support and web services was not always a pleasant experience as, firstly, most of the time if a computer was broken, or something was not working everyone was in a foul mood, creating a less than pleasant atmosphere to work in and secondly, if something had to be repaired the repairs usually had to take place during the evenings and weekends when the servers were not needed by the company in question meaning that he had to work very unsociable hours. He therefore started to focus more on web programming and web server administration, and in 2006 founded soul-surf

together with, Thomas Huber, whom he had first met in 1996. Originally, they had wanted to found the company in 2000 and had, naively, at that time presumed that founding a company did not involve much apart from thinking of a name, coming up with a great logo and creating a website.

“We said to ourselves, the customers will come to us. We thought, “Let’s wait.” We waited until 2007.... and then we founded soul-surf properly. “

Ever-entrepreneurial, with Expansion in Mind

Soul-surf (see Exhibits 2-3) started out as a small, private company that had around five to ten customers. Huber and Krapp, however, worked together so well that the company began to grow steadily, its success becoming ever more noticeable. In fact, the duo began to do so well that they even outbid one of Krapp’s former employers at a call for proposals. Building on Krapp’s sales expertise and Huber’s technology experience the company expanded and became a GmbH (the German equivalent of a LLC), hired its first full-time employee and moved into its first own offices, in a co-working space in Munich in 2009. Krapp’s role evolved, becoming an increasingly managerial one, as the company grew, taking on ten full-time employees. Putting his networking skills to use, he managed to procure two major automotive players, BMW and MAN, as customers.

Krapp and Huber consistently tried to expand, to move on and, in Krapp’s own words, “*to have fun and remain self-employed*” so they wanted to found another start-up. They launched the Internet consulting company g2s media in collaboration with two other small Munich-based firms in 2013.

They also wanted to create a kind of business matchmaking platform. With this in mind they came up with the idea of a web platform called Congreet that connects people together before business events, described by Krapp as a kind of Facebook for business events.

As the months passed by and Krapp continuously attempted to grow his businesses, he realized that there were two major factors holding him back: bigger companies for the most part refused to view a small web-development company such as his own as a potential business partner, and a lack of a university business degree meant that some of the more traditional companies were cautious about placing their trust in him. Deciding to tackle the lack of business degree, he sacrificed countless weekends in order to complete a distance-learning Bachelor’s degree program.

He soon learned that having both an apprenticeship and a university degree proved to be extremely advantageous: people were impressed by his practical skills and they took him seriously due to his academic degree. Krapp grew increasingly convinced that by having founded his own company, he finally found something that he believed himself to truly excel at and enjoy, and which was also a way of being financially solvent, free to make choices, and be his own boss.

Entrepreneurial Life, Good Life?

Passing Holzkirchen, Krapp caught the first glimpse of the beautiful Alpine mountains, and his thoughts turned back to the job offer. If he were to draw up a mental list of pros and cons, he pondered, one of the first aspects would have to be his family’s thoughts on entrepreneurship. They

had never understood his need for freedom, viewing not having a safe job at a big company or a bank as risky, and they constantly asked him if he did not want to get a job that guaranteed more of a safe future financially. This longing for a career change went so far that every time he went home, his mother would have cut out various job adverts from newspapers and would pester him to apply for them. His dad was not only concerned, but also could simply not fathom how Krapp managed to make the money he did as someone who was self-employed. “No, no, no,” he would tut frequently, “*it must be drugs or girls.*” It had taken Krapp years to assuage their fears and accept his career choice, but he still was not quite sure whether he had truly won them over.

Would all the years of proving his family wrong, hard work, and investing his own money in new ventures have been pointless if he were to give up? Some weeks were simply bad ones, he told himself, and he had been having a run of them of late. The constant pressure to be one step ahead of the competition had started to irk him, and this had been made increasingly challenging the last two months due to two of his most talented employees leaving his company to start up their own ones. And his employee troubles did not end there, another one of his employees was proving to have been a bad choice—unreliable, coming in late, and expending the least amount of effort whilst completing any task.

Managing employees was turning out to be a major downside, it was something that he had found impossible to learn. He had been on several courses to try and improve his management skills. Another thing that was taking a toll on his energy levels was the need to constantly be at the forefront of innovation. His sector was one that had expanded enormously in the last few years, but this expansion brought the constant need to be ahead of competitors with it. Although, to be honest, he thought grinning to himself, this race to be the best and most innovative was something that he found exhilarating and something that spurred him on. Success was like nectar to him; still one of his favorite memories was being able to get his very own company table at the Oktoberfest.

Passing by the turning to Miesbach his thoughts naturally turned to the Spitzingsee ski resort and the great powder snow that had covered the slopes there last winter. He had recently given a talk to a group of university students, and with skiing on his mind had tried to impress upon them just how liberating it was to be an entrepreneur, to be responsible for oneself and have to answer to no one. How fantastic it was to be one’s own timekeeper and just how important it is never to forget that life is more than just work – and that while there will always be work that needs to be done, life must also be lived to its fullest. He had attempted to show them that there are other ways of living than simply following the stereotypical German, conservative life path and that, while this life path has its benefits – a stable income, a feeling of security and conducting oneself in a way society sees fit – great rewards can also be reaped from rebelling, from creating one’s own way of living life. The ability to make one’s own decisions was perhaps the biggest upside, he mused. The freedom that being an entrepreneur provided; being self-employed meant no longer being a slave to stereotypical societal values as one has already dropped out of the rat race. The continuous striving and battling for the next promotion does not exist, and the endless comparing of which rung one has managed to haul oneself up to on a company’s ladder has no significance. He had to admit to himself he enjoyed his independence enormously.

Always on Fire

Passing a motorway sign announcing that he only just about 10km to go until the Rosenheim turn-off, Krapp realized that he was nowhere nearer making a decision than when he first joined the motorway. All the years of proving his family wrong, schmoozing bank employees, and investing his time, money, and passion in new ventures only to then take up a secure job? And yet, with a wife and one child, his life was now a totally different one than the one he had led when he started his first business venture. It would also be nice not to be solely responsible for all the business choices he made. The resources he was offered as Head of Entrepreneurship seemed fantastically impressive, and he could clearly see the possibility to be involved in countless exciting projects, helping others make the same way he had travelled. And yet, he had come so far, even if some choices had been bad ones, he had always tried to turn negatives into positives, and the importance of failing could not be ignored. He had stood back up and tried again.

Indicating right for the Rosenheim turn-off he was still not entirely sure what to do. With the help of his wife, he would need to go over his mental list of pros and cons numerous times over the course of the weekend. Winding down the windows so as to be able to enjoy the balmy spring air, he wound his way through Rosenheim's streets towards his house.

Exhibits

Exhibit 1: Ski instructor Alex Krapp



Source: Alex Krapp

Exhibit 2: Soul-surf



Downloaded on 02.09.2016

Exhibit 3: Key financials

Year	2013	2012	2011	2010
Revenues	665.230	496.660	286.930	170.527
EBIT	13.918	-6.259	1.810	15.675
Net Income	10.306	-5.912	520	9.256
Total Assets	177.273	144.647	80.677	66.672

Source: Amadeus. All figures in EUR.

Technische Universität München
TUM School of Management
TUM SoM Case Center

Arcisstraße 21
80333 München

www.cases.wi.tum.de