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FEBRUARY/MARCH 2025

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IS **NOVO NORDISK'S** OZEMPIC TOO BIG TO FAIL?

P. 54

EUROPE'S MOST INFLUENTIAL **WOMEN IN TECH**

P. 59

EUROPE EDITION NUMBER 1

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The ***Leadership Next*** podcast is back for a new season. Diane Brady and Kristin Stoller sat down with Deloitte US CEO Jason Girzadas to discuss what to expect from top CEOs in 2025. (*fortune.com/topic/leadership-next*)

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MARTIN WESTLAKE—GALLERY STOCK

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FOREWORD

A CAUTIONARY TALE FOR EUROPE

The rise of juggernauts such as Novo Nordisk and Nokia poses a bigger question: When is a company too big to fail?

ALEX WOOD MORTON
Executive Editor, Europe, *Fortune*
@alexwoodmorton

NOVO NORDISK has ballooned to become one of Europe's most valuable companies, thanks to skyrocketing sales of Ozempic, the diabetes medicine that's grown into a world-leading weight-loss drug.

Our waistlines have also ballooned—and not just from the excesses of the festive period. Novo Nordisk estimates there are 1 billion people worldwide suffering from obesity, and already an estimated 8 million people are trusting next-generation weight-loss drugs like Ozempic to shed those extra pounds.

Novo Nordisk's rapid rise is a story worth celebrating. The pharma giant ranks No. 116 on the Fortune 500 Europe list and appears on the latest World's Most Admired Companies list (page 61). In recent years, few European companies have achieved global scale at such a pace. Novo Nordisk's valuation briefly surpassed the entire economy of its home country, Denmark, in late 2024, and Ozempic remains the overwhelming market leader, despite challenges from American juggernauts like Eli Lilly.

Novo Nordisk's outsize success raises a bigger question: When is a company too big to fail? As Ryan Hogg explores on page 54, Denmark's economy would have entered negative growth in 2023 if it weren't for the country's pharmaceuticals sector, dominated largely by Novo Nordisk. And when disappointing clinical trial results for the company's new weight-loss drug were revealed, its share price tanked by almost 20%, wiping billions off its market capitalization.

It's a problem that has plagued European governments for decades, from the credit-crunch bank bailouts of 2008 to more recent rescue packages for the likes of Lufthansa (€9 billion) and Air France–KLM (€7.7 billion), after those airlines were battered by pandemic-era lockdowns.

Nokia provides a cautionary tale for Denmark and Novo Nordisk. Once a market leader in mobile phones, Nokia contributed 25% of Finland's GDP growth before the smartphone era. When Nokia's models succumbed to Apple's iPhone, Nokia took down much of the Finnish economy with it, coining the term "the Nokia effect."

Despite this, Nokia, like many tech-first businesses, left a legacy of innovation that lives on in many new companies. In that spirit, we celebrate Europe's Most Influential Women in Tech (page 59), our inaugural list of female leaders driving digital transformation across the biggest businesses. Curated by *Fortune*'s Grethe Schepers, the list proudly showcases titans of tech like Sabine Klauke, CTO of Airbus; Barbara Lavernos, deputy CEO at L'Oréal; and Hauke Stars, on the executive board of Volkswagen.

Diageo, the drinks empire behind Guinness, Don Julio, and Johnnie Walker whisky, grew into a global powerhouse through both innovation and smart acquisitions. In the first of her series of features on European companies that have grown global brands, Prarthana Prakash reveals Diageo's fascinating history (page 35) and the strategies it used to take on the world's biggest drink companies.

This issue also features a special package of stories to help you navigate the Trump presidency (page 26) and what it could mean for global business. With the threat of tariffs looming, 2025 may just call for a stiff drink. F

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IN FOCUS

YOUNG PEOPLE ARE DRINKING LESS ALCOHOL. CAN CEO MICHEL DOUKERIS PERSUADE THEM TO KEEP DRINKING AB INBEV'S BEERS?

BY VIVIENNE WALT

SOME TIME AGO, top CEOs at an invitation-only seminar at Harvard Business School were asked to imagine the four crises they would likely confront during their tenure at the top: a health emergency, a geopolitical conflict, an economic downturn, and a trade war.

For one participant in particular—Michel Doukeris, CEO of the world's biggest brewer, Anheuser-Busch InBev—the list hit home. "So, according to your research, I'm ready to retire," he recalls telling the Harvard professor. "Because I have seen all that in the first two years."

Doukeris had been promoted in July 2021 to lead AB InBev (as the brewing giant is known). It was a baptism by fire, beginning at the height of COVID, when millions of drinkers were under lockdown or avoiding crowded bars. Then came Russia's invasion of Ukraine, spiraling inflation, and deepening trade disputes between the U.S. and China. And in 2023, American drinkers launched a boycott against Bud Light—one of AB InBev's best-known and bestselling beers—after the company hired transgender influencer Dylan Mulvaney to promote it on Instagram. The backlash briefly clobbered AB InBev's stock, and the company estimates that the boycott cost it $1.4 billion in U.S. sales.

Today, Doukeris has no stated plans to retire (despite what he told the professor). But he says he gleaned an important insight at the seminar: Upheaval is the new normal. "Change is coming much faster," he says, sitting one rainy morning in AB InBev's office in Brussels, overlooking the Belgian capital's soaring 15th-century City Hall. "The cycles are shorter than what they used to be."

For AB InBev, the churn has been challenging. Analysts estimate that the company generated $60 billion in revenue in 2024, but neither its size nor its portfolio of iconic brands—which also includes Budweiser, Corona, and Stella Artois—has shielded it from economic gyrations. In the third

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A CEO IN MODERATION Doukeris drinks beer regularly but is in bed each night by nine: "You need that to perform."

PHOTOGRAPH BY AARON RICHTER

quarter of 2024, its earnings rose, but beer sales fell about 3.1% compared with the year-earlier period, thanks largely to a slump in spending in China.

Doukeris and his competitors also face a potentially daunting demographic change: Younger generations are drinking far less than their parents did. Among Americans 34 or younger, the number who say they ever drink alcohol has dropped from 72% to 62% since 2000, and only 40% drink regularly, according to a Gallup poll. That change has been fueled in part by greater health-consciousness; the U.S. surgeon general's recent recommendation that alcoholic beverages carry a cancer warning label could increase consumers' wariness.

That means Doukeris's legacy may be determined by how well he competes in what's now one of the fastest-growing segments of the industry: nonalcoholic beer. Doukeris says that "NA" beers have gone from being a niche product sold largely in Europe to "an everywhere type of growth." And he argues that AB InBev is well-positioned to tap that growth because of its long-term approach to planning. He favors a 10-year plan, in fact—a practice he says he learned in China, where he watched Asian companies set business targets decades out.

"If you think about non-alcohol beer as it was two years ago, maybe one would not invest," he says. "But because we are projecting 10 years down the road, we decided to invest globally."

It has been a sharp pivot for a company that became dominant by expanding rapidly through acquisitions. AB InBev is a sprawling portfolio of global and local brands, the result of having acquired beermakers in St. Louis (home of Anheuser-Busch), South Africa, Brazil, and elsewhere. AB InBev's 2016 merger with SABMiller made it the world's biggest brewer, with about 500 beers in production.

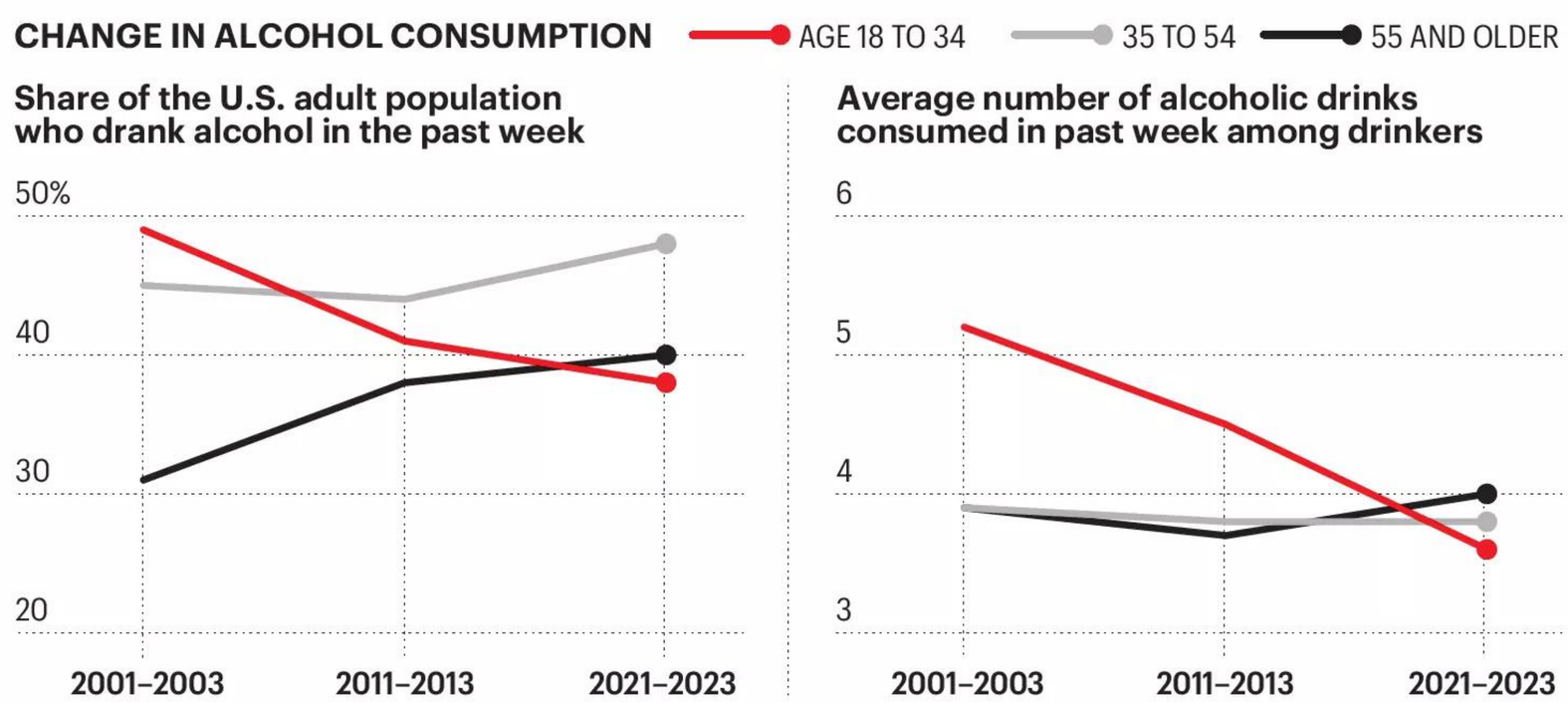
While AB InBev trades on the Belgian and New York stock exchanges, about half the company is owned by a small group of Brazilian and Belgian shareholders, who exercise crucial influence over its direction. "They are very much behind the scenes," says Trevor Stirling, beer analyst at Bernstein in London. "For these shareholders, this is their family heritage." And after years of expansion, Stirling says, "[AB InBev's] directors realized there was no one left to buy. If they wanted to create value, they had to reorient the business."

Doukeris, who grew up in Brazil, has the credentials to do just that. He joined the company at 23 with degrees in chemical engineering and marketing. After a stint in Latin America, he spent seven years in China, building AB InBev's presence in Asia and cementing his reputation among brewers. As CEO, he now shuttles between the company's main offices in Manhattan and Leuven, Belgium.

Lean and soft-spoken, Doukeris shares the health-consciousness that seems to be driving consumers' retreat from alcohol. (He's not a teetotaler; he says he drinks a variety of beers several times a week.) The day I met him, he had woken at 5:30 a.m. and exercised for 85 minutes, including a 35-minute treadmill run in his hotel gym—all tracked by the Oura Ring he wears. He says he is in bed nightly "at 9 p.m., no later ever, and most times earlier. You need that to perform."

Alcohol's generation gap

Particularly in the U.S., people age 34 and under are less likely than members of older generations to drink alcoholic beverages at all, and those who do drink don't drink as much as their elders.



SOURCE: GALLUP POLL OF U.S. ADULTS 18 AND OLDER

NONALCOHOLIC BEER has been the focus of a long, arduous effort within AB InBev. That much is clear inside headquarters in Leuven, a town where monks began brewing beer more than 600 years ago, fermenting hops with water from the town's polluted river in the belief that drinking the brew made it safer to eat the fish from the water.

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"NA" BEER, IN BULK
Bottles of AB InBev's alcohol-free Corona Cero on a production line in Leuven, Belgium.

KENZO TRIBOULLIARD—AFP/GETTY IMAGES

Today, a strong yeasty aroma still emanates from AB InBev's giant facility on the riverfront. Inside its gates are vast halls with stainless steel fermentation tanks, and a sprawling tangle of 10 conveyor belts where more than 8.5 million bottles and millions more cans zip by in a blur every day, 24/7.

But the heart of the operation is the Global Innovation and Technology Center, or GITEC. For 14 years, AB InBev's engineers have worked here to create a formula for zero-alcohol beers whose taste is virtually indistinguishable from alcoholic versions. AB InBev's innovation chief, David De Schutter, says that when he was tapped in 2010 to oversee GITEC, he was given strict orders. "We need to make no-alcohol beer taste like beer," he remembers execs telling him. "Do whatever you need to do, but you need to achieve it."

Nonalcoholic beers are hardly new; U.S. breweries, including Anheuser-Busch, sold several during the Prohibition era. But attempts at NA innovation by major brewers had resulted in drinks that tasted burned or cooked, or had a cloying aftertaste, and lacked the heady aroma of real beer. They were either brewed too hot, in an effort to burn off the alcohol, or with fermentation times too short to re-create beer's distinctive smell and consistency. "They tasted quite vile, to be honest," says Stirling, the analyst.

By the 2010s, mass-market brewers were taking the NA market more seriously and beginning to make headway on flavor. The industry's first big breakthrough came when Heineken launched a zero-alcohol version in 2017. NA brands still represent a tiny fraction of total beer sales, but since 2018, their sales have grown more than 10 times as fast as those of alcoholic beers.

It took AB InBev until 2020 to release Budweiser Zero, its first nonalcoholic version of a big brand. De Schutter says the work involved researchers at several Belgian universities, as well as at Oregon State University. Engineers experimented with sugars and enzymes, tweaking the formula so that beer could be brewed at low enough temperatures to retain its flavor and aroma; AB InBev also developed a technology to mimic beer scents.

AB InBev says that NA beers now make up a "low-single-digit" percentage of its sales, and that it commands about 20% of the NA market. (Based on outside estimates of the size of that market, that would amount to around $2.6 billion in annual sales.) It has 28 brands, from Budweiser Zero to Corona Cero—the Spanish word for "zero"—which made a splashy debut at the Paris Olympics last July.

That special formula, meanwhile, sits in AB InBev's top-secret "global yeast bank," a refrigerated room housing more than 2,000 yeast cultures, some dating back decades, in subzero temperatures. Each culture is unique to a particular beer, so that it can be flown to any of the company's 260 breweries, ensuring that any brand can be produced with the identical taste, no matter where in the world it's sold.

THE WEEKEND I met Doukeris in Brussels, he had flown in from New York City for Belgian Beer Weekend—a blowout annual fair for which the city's central square was turned into a crowded open-air beer hall. Inside City Hall, the Belgian Brewers trade association held an ornate ceremony where beermakers in red robes trimmed with fur marched solemnly through a hall hung with old tapestries; the association later bestowed a knighthood on Doukeris.

The romantic trappings couldn't dispel the industry's financial worries, however. "We won't beat around the bush," the organization's president, Bernard Deryckere, told the audience. Beer companies, he said, had been hit hard by "spiraling inflation, rising labor costs, and increased taxes," and several had been forced out of business.

For Doukeris, the challenge will be shielding AB InBev from that maelstrom—a task made easier, he says, by focusing on a longer-term horizon. "When you project the world in 10 years, you understand things are very low today," he says. "But the compounding effect of 10 years: That represents the real opportunity." F

TECH APPLE GOES SEARCHING FOR ITS MOJO BY DAVID MEYER

APPLE FINISHED 2024 in record fashion, with a staggering $3.6 trillion market capitalization that not only topped every other company on the planet, but also eclipsed the economic value of all but a handful of the world's countries.

Even more incredible: It was a year likely to be remembered for Apple's many disappointments and setbacks.

In February 2024, the company killed its decade-long effort to create the car of the future. That same month, Apple released the Vision Pro virtual reality headset—its first new-category product since 2015's Apple Watch—only to reportedly sharply reduce production of the device by year's end. A late start to generative AI put Apple in the embarrassing position of shipping the newest iPhone without its marquee features available at launch. And European law is forcing Apple to open certain parts of its mobile operating system, while U.S. regulators sued Apple for allegedly abusing a smartphone monopoly.

The new year also looks unexciting so far: A thinner iPhone and an iPad-like tablet to control home appliances are in the offing, according to Bloomberg. Nice, but nothing that will dramatically boost Apple's business.

You can't blame Apple fans for staying positive. With nearly $120 billion in annual operating cash flow and a brand synonymous with innovation and elegance, the Cupertino, Calif., company led by CEO Tim Cook is a corporate paragon—even 13 years after the death of Steve Jobs. For the 18th consecutive year, Apple has earned the top spot in *Fortune*'s survey of the world's most admired companies, winning praise from the executives, directors, and analysts polled.

Industry titans tend to fade gradually, though, losing momentum and relevancy as they fall out of step with the times. And so, even as Apple's accomplishments and balance sheet give comfort to the faithful, a nagging question is likely to shadow the company as 2025 unfolds: Does Apple still have its mojo?

PRICEY LESSONS

Recent product misfires are not inspiring for a brand famous for creating the "next big thing," even if some industry observers see broader explanations.

UBS analyst David Vogt said the abandoned car likely fell victim to changing market dynamics. When Apple began the project, a new electric car cost around $100,000, but EVs can now cost under $30,000, and Apple plays only a premium game.

As for the Vision Pro, the estimated 500,000 units sold may have missed some analysts' bullish targets, but they were in line with UBS's expectations. The technology itself is "nothing short of amazing," Vogt says, but the steep $3,500 price and "technical limitations" such as the external battery and lack of applications kept it in a niche.

"I wouldn't classify it as a technology flop. I would say it is a product that

TAYFUN COSKUN—ANADOLU/GETTY IMAGES

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REALITY BITES
Apple's $3,500 Vision Pro is impressive tech for a niche audience.

has a limited addressable market given the price point and the use cases," says Vogt, who has a neutral rating on Apple stock.

Without knowing Apple's goals, it's hard to judge the success of the Vision Pro, said Raphaël Mermet-Lyaudoz, a virtual reality analyst at Yole Group. (Apple did not respond to requests for comment.) By seeding a developer ecosystem, the device could benefit future Apple VR releases, he noted.

And the insight gleaned by starting with a high-end device will help Apple decide which features it can safely prune on a lower-cost version and which to double down on, Mermet-Lyaudoz said.

Still, it's telling that Apple's Vision Pro struggles coincided with the buzz surrounding Meta's AI-equipped Ray-Ban smart glasses, which start at $299. Apple is now said to be working on its own such smart glasses, though Bloomberg reports the product is still a couple of years away.

Bad optics have also come with generative AI. Apple's failure to build a cutting-edge AI model forced it to rely on OpenAI to handle more complex queries in Apple Intelligence—the marketing name for Apple's various AI features.

AN AI JOLT

With roughly $400 billion in annual revenue, more than half of which comes from the iPhone, Apple is confronting the challenge of large numbers: New products that might make great businesses at other companies can't move the revenue-growth needle at a behemoth like Apple.

Plus, Apple's iPhone, now in its 18th year of life, is not the growth engine it once was. iPhone revenue has declined in four of the past eight quarters.

For years, investors have eagerly waited for the company to reveal its next iPhone-like hit product. Some now believe the iPhone itself will be the next iPhone, thanks to AI. Wedbush Securities analyst Dan Ives, a prominent Apple bull, believes Apple's "golden installed base" estimated at 1.5 billion iPhones, combined with the irresistible appeal of AI, will create a demand-driving feedback loop that lifts Apple to new heights.

"Cupertino will own the consumer AI revolution as we estimate 25% of the world's population will access AI through an Apple device over the coming years," he said in an email.

The bull case goes something like this: Because only the two most recent generations of iPhones (last year's iPhone 16 and 2023's top-of-the-line iPhone 15 Pro) have the horsepower to run Apple Intelligence, the stage is set for a wave of upgrades. Better cameras and faster chips didn't persuade consumers to replace their old phones, but a smarter Siri virtual assistant, automated meeting summaries, and AI-generated pictures should do the trick.

A burst of AI innovation—in the form of new homegrown Apple software features and buzzy third-party apps—has the potential to supercharge Apple's second-most important business, its $96 billion services group.

The caveats are not inconsequential, though.

Apple has a clear path to monetize interest in AI tools and services through the 30% cut it collects from App Store sales and subscriptions. But the strategy hinges on app developers, whom Apple has only limited control over. Apple's in-house AI tools, meanwhile, are an unproven business.

Apple CEO Cook declined to forecast Apple Intelligence's impact to its services revenue when asked during the company's October earnings call. "I definitely believe that a lot of developers will be taking advantage of Apple Intelligence in a big way," Cook mused, referencing a great "ecosystem."

Limits to this ecosystem are already showing. Apple Intelligence is not authorized for use within China—Beijing insists that Apple partner with a local AI provider—and it isn't available yet in Europe owing to unspecified issues with the region's new interoperability rules.

More important, there is little evidence so far that consumers are going wild for Apple's AI features. "What we've seen in the last six to nine months since they've really started talking about Apple Intelligence is, excitement has far outpaced ultimate demand," said UBS's Vogt. "We don't think there's anything over the next six to nine months that's going to change that demand driver."

Patience is something Apple has been able to count on from investors throughout its year of challenges. As Apple searches for its next big hit, its greatest risk may be what happens if patience runs out. F

INVEST AMID ALL THE AI HYPE, THESE IPOs COULD BE POISED FOR LONG-TERM SUCCESS

BY GREG MCKENNA AND LEO SCHWARTZ

THE AI SECTOR went on a massive tear last year, and there are few signs the pace will slow anytime soon. For investors, this presents a dilemma. While plenty of public companies offer exposure to AI—from chip giant Nvidia to the utilities that power massive sets of data—their sky-high share prices pose a risk of buying at the top.

But what about AI firms that have yet to go public? That's where all the action seems to be, as companies like OpenAI attract the world's top venture capital firms with record-breaking funding rounds—a process that mostly excludes everyday investors.

Venture capitalists may have the inside track when it comes to the likes of OpenAI, but the coming months are still poised to offer other intriguing new AI investments. Not only are more AI startups ready for the big time, but after a spell when uncertain economic conditions forced firms to stay private, a new era of public offerings is underway. Dzung Nguyen, a Wells Fargo banker, says she expects the tide to shift in the coming months, even if we don't see the frenzied action of 2021 when a rash of firms went public, often at implausible valuations.

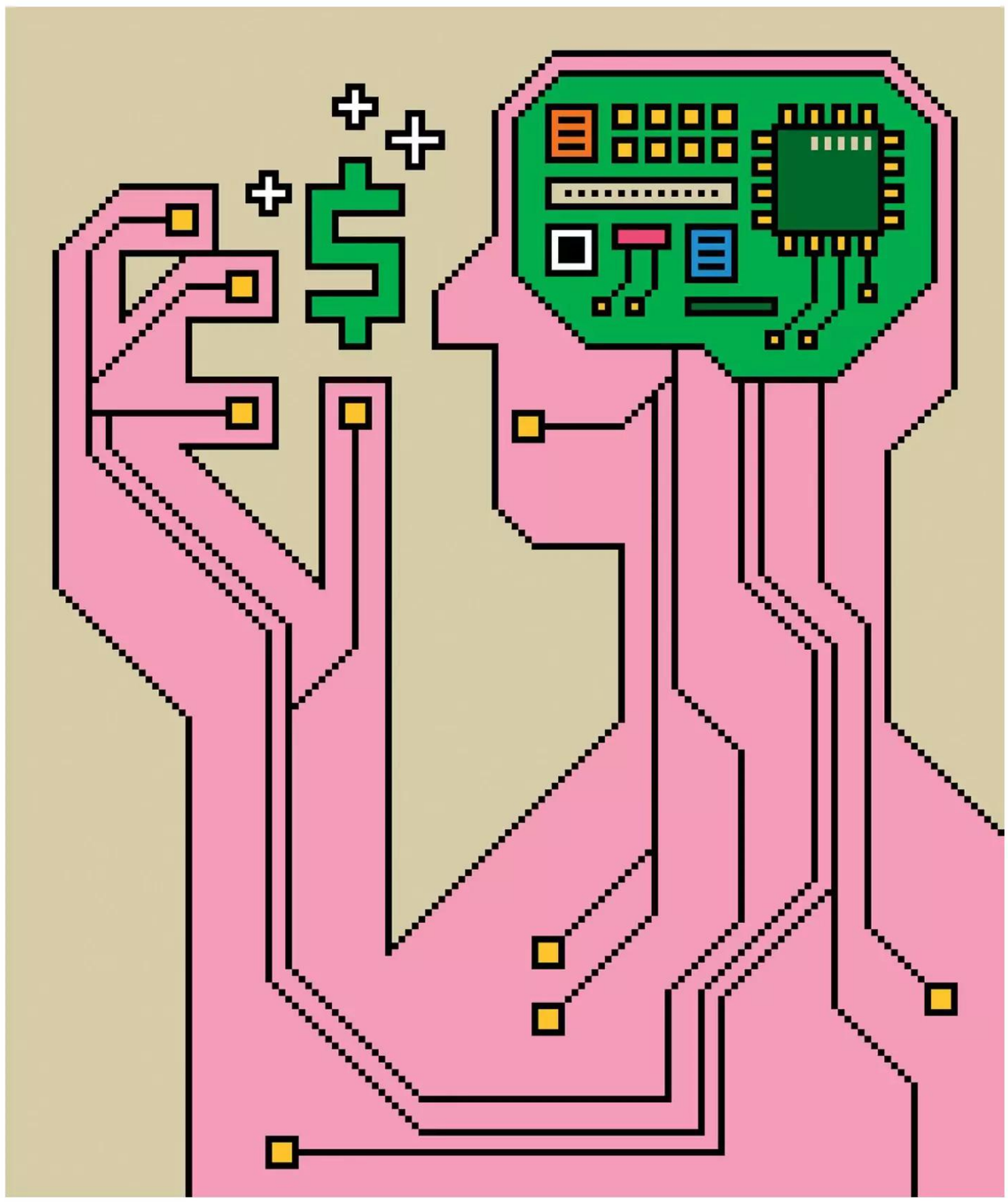


ILLUSTRATION BY NICK LITTLE

WHO COULD GO PUBLIC?

Stock pickers can expect a handful of late-stage AI companies to test the IPO waters this year, with some already close to listing. Those include **Cerebras,** a California-based chipmaker competing against mighty Nvidia. Even though Cerebras is dwarfed by Jensen Huang's chip behemoth, it has a huge opportunity for growth as firms of all sorts scramble for hardware to power their AI ambitions. But its expansion plans

face an impediment: a national security review related to a proposed United Arab Emirates–backed investment. Cerebras declined to comment, but investors have expressed measured confidence it will go through.

Another AI native gearing up for an IPO is **CoreWeave,** a cloud-computing company, which is reportedly targeting a $35 billion public offering in 2025. Joe Endoso, president of investment platform Linqto, says that CoreWeave's data center services are necessary for companies building bespoke AI applications. "It's the difference between buying a sports car and an everyday sedan," he says.

Both Cerebras and CoreWeave are "interesting AI companies to watch," says Kelly Rodriques, CEO of secondary trading platform Forge Global. That said, he adds, "I don't think they're in the same category as OpenAI, xAI, and Databricks."

The problem is, there could be a long wait for those best-in-breed AI companies to go public. That's because AI startups are able to raise massive rounds from venture investors without needing to test public markets, where increased scrutiny and disclosure can lead to deflated valuations. "Public company investors are a lot more unforgiving if you miss a quarter," explains Garrett Hinds, a senior analyst at PitchBook.

At the same time, Rodriques notes, there is less pressure from employees and early investors for IPOs, owing to a growing number of forums for trading privately held shares.

Databricks is a perfect example. Founded over a decade ago, the AI-powered data analytics platform seems like the ideal IPO candidate thanks to billions in venture funding and robust demand from investors. But instead of going public, Databricks last year raised a huge funding round at a whopping $62 billion valuation while allowing employees to cash out.

Investors hungry for artificial intelligence exposure may, though, have more options than they think—especially if they are willing to consider nonpublic shares or broaden their view of what makes an AI company.

ACCESSING PRIVATE SHARES

For investors too eager to wait for IPOs, there are other ways to invest in hot AI startups. Those include platforms like Forge that connect buyers and sellers of shares in privately held firms. Such platforms, though, are mostly restricted to so-called accredited investors with a household income above $300,000 or a combined net worth above $1 million (excluding primary residence), in part because it is harder to gain an accurate valuation when a company's shares are private.

Meanwhile, other new vehicles are rolling out that provide everyday investors exposure to venture-backed companies, including the Private Shares Fund, which holds a swath of stakes in pre-IPO companies such as Betterment, Databricks, and Cerebras. Forge has partnered with asset management firm Accuidity to launch a competing product, though it's not yet available to nonaccredited investors.

Another option for investors looking to gain exposure to the sector is to focus on firms whose primary business is not AI but that can make a strong case the tech is part of their growth strategy. That includes payment processing unicorn **Stripe,** another tech firm that, like Databricks, has been flirting with an IPO for years. Stripe's valuation tanked along with the broader financial technology sector during the pandemic, forcing the company to accept a dreaded down round—a new funding round that produces a lower valuation—in 2023. Stripe also conducted tender offers in 2024, allowing current and former employees to sell shares.

While it remains unclear whether Stripe will attempt an IPO in 2025, the company has touted its AI adoption, including partnerships with Nvidia and OpenAI. Still, professional investors are skeptical as to whether shoehorning the AI narrative will garner any premium. "Stripe is not an AI company," says Zeya Yang, a partner at IVP. "I just don't think that's something the public markets are going to reward arbitrarily."

The digital banking platform **Chime** falls into a similar bucket. The company, which has raised $2.65 billion to date, reportedly plans to go public in 2025, and confidentially filed IPO paperwork late last year. Like Stripe, Chime saw its valuation take a hit during the pandemic and has since touted its AI adoption. Last year, cofounder Ryan King told *Forbes* that a Google-powered chatbot had automated about 70% of its 1.5 million monthly customer inquiries.

"A lot of fintech companies are leveraging AI," Wells Fargo's Nguyen says. "But it's how they tell the story to the public that's going to be the telltale here."

Finally, investors should brace themselves for the possibility that opportunities to invest in AI could shrink if the market turns bearish as a result of the threat of tariffs under President Trump or other macroeconomic events. "I don't know that it's [automatic] the gold rush is going to begin," says venture investor and political strategist Bradley Tusk.

In the meantime, there's always Nvidia. F

A PAST, ERASED A burned-out bank building in Pacific Palisades, Calif.

EUGENE GARCIA—AP PHOTO

WILDFIRES

AN INCOMPLETE ACCOUNTING: WHAT LOS ANGELES LOST IN THE FIRES

BY ALLIE GARFINKLE

ROSS SIMONINI carried his 3-month-old baby, his dog, and some clothes. He had some hard drives and his computer, but the charger never made it out of his house, which had stood in Altadena, Calif., for almost 100 years.

Simonini fled the Eaton Fire with his family on the morning of Tuesday, Jan. 7. Eight hours later, his home would be gone, consumed by flames. A writer, sculptor, musician, and painter, Simonini's art has been featured globally. He left a lifetime of work at home.

"All my archives, 20 years of work, it's all gone," said Simonini. "I lost everything I've ever made. It's hard to understand how to go forward when your past has been erased."

Simonini faces a fathomless question, one thousands across Los Angeles County are asking: What now? When filing an insurance claim, you commonly have to list all the items lost. But what does that list look like when the answer is "everything"?

As of this writing, total damages were projected to be as high as $275 billion. At least 5,000 homes and businesses were razed in Pacific Palisades; in Altadena, there were accounts of entire neighborhoods and shopping blocks gone. These are more than numbers—they're indicators of how impossible it will be to make people whole.

Case in point: Close your eyes and list everything in your home. I tried. I thought of my grandmother's earrings, family photos I've had at my bedside since college. I thought of the Polish 1980s *Indiana Jones: Raiders of the Lost Ark* movie poster that would be difficult to find again. I thought of everything I wouldn't be able to think of.

Now you try. I promise: Any accounting will be incomplete, and even the most complete accounting will fall short.

For someone who lives in L.A., the destruction feels surreal and random. The restaurant I went to for my 30th birthday, Moonshadows, is gone, as is the Bunny Museum, a repository for 46,000 "bunny-related" artifacts. In some scarred neighborhoods, scattered houses survive, but many of those will sit empty indefinitely, as the land they rest on has now been rendered toxic.

Soon, Angelenos will begin the accounting of a new life, a forced fresh start. But for the road to lead somewhere better, businesses will need to act with profound care. Employers will need to help employees who've lost homes, not just today but possibly for years to come. Investors and entrepreneurs will need to double down on everything from better firefighting tech to resurrected local retail. Above all, leaders in private enterprise will need to acknowledge and adjust to the gravity of what has been taken away.

Because government, the insurance industry, and the system at large won't be able to help individuals regain those lost pieces of their lives. But neighbors will go above and beyond for one another. At least, that's the Los Angeles I hope to wake up to, when the smoke clears. F

ICING ON THE CAKE The only thing better than climbing an ice cave in Patagonia, Argentina, is having someone else book every detail of the adventure for you.

PASSIONS

HOW TO PLAN YOUR NEXT $100,000 VACATION

BY JIM GORANT

ON AN EXCURSION to the ancient city of Petra, Jordan, clients helicoptered in after-hours so they could tour the ruins alone. Another trip, this one to Camp Sarika, the Utah desert retreat billed as America's most luxe glamping experience, offered visitors the run of the place before it opened to the public. Then there was the tour of Frogmore, the closed-to-the-public English "cottage" where Harry and Meghan lived before decamping to the U.S.

MR. HARTER— ESSENTIALIST

All are worthy contenders, but the ultimate example of the latest trend in super-luxe travel has to be a particular Bahamas angling adventure: A stealth diver with a stash of previously captured live fish was concealed beneath the boat to hook one onto the line if the anglers failed to catch enough fish on their own.

"As long as it's legal, we'll try to make it happen," says Max Rosenthal, operations manager at New York–based Fischer Travel, which arranged all of the above trips.

In the game of constant one-upmanship that luxury travel has become, the glamorous destinations and Instagrammable accommodations that once wowed well-heeled vacationers are now a given. Agencies like Fischer offer a new level of concierge service, delivering something akin to what czars and industry barons of the past might have expected.

The desire for more—more luxury, more exclusivity, more surprise and delight—is what drives the rise of such agencies, which serve a growing moneyed clientele seeking meaningful experiences but lacking the knowledge, connections, and time to create them on their own.

"People want to have these great, life-changing experiences, but they don't want to deal with the chaos of travel," says Amanda Teale, founder and CEO of Minerva Private Travel in Cobham, U.K., which plans trips for a coterie of high-end clients on both sides of the Atlantic. "We provide very serious hand-holding and do everything we can to eliminate the hassle factor and the drama."

Demand is on the rise. Although no industrywide statistics track the emergence of these exclusive concierge travel agents, both Fischer and Minerva have expanded their operations since the end of the COVID-19 pandemic.

Fischer's members-only client list has grown from about 100 to 130, with more on a wait list. "As great as it would be to keep growing, we don't want our standards to drop," says Rosenthal. Minerva has never advertised and only takes on clients through recommendations—and also has a wait list.

Fischer charges each client a $25,000 membership fee per year, plus per-service costs. "We bill somewhat like a lawyer," Rosenthal says. "It depends on the difficulty of the request and how many hours it takes to arrange." Teale eschews the membership model: Minerva's commission is 3.5% of the total cost of the trip, with full packages running, on average, from $75,000 to $100,000—and rising. The most expensive trip Teale has ever booked—a private island takeover in the Indian Ocean—rang in at nearly $1 million. "Some clients book three times a year, and some book 12 times," she says. "They're not all going to be big trips.

If you want to buy your kid a train ticket to come home from college, we'll take care of that too."

Wealth alone isn't enough to secure Teale's services. She interviews prospective clients to make sure "that we vibe and that I can make their dreams come true." She says she frequently passes on clients, and has even fired a few for being rude to staff or vendors. Assuming they behave, clients get one phone number—hers—and can call anytime, from anywhere, day or night.

Among the amenities these agencies provide are greeters who whisk clients through private security checkpoints and immigration stations to a lounge or suite, and from there to a car that drives across the tarmac to the plane. Of course, many clients simply fly private—an option that has become so popular, Teale is considering assembling her own jet service.

She already has a collection of electric Mercedes sedans manned by uniformed drivers for transport around the U.K. that are outfitted with cashmere blankets embroidered with the Minerva logo, chilled water bottles, and the latest issue of the company's self-published biannual lifestyle magazine.

"We know your favorite snacks, and we'll have them in there," she says. "And if your kid needs a car seat, that'll be installed before we arrive." One client's three children love cheese sandwiches, so Teale makes them herself and packs them in a picnic basket that's waiting on the back seat. "We believe your trip starts when you step out the front door," Teale says. "And we handle

COURTESY OF CAMP SARIKA; KILLIAN CARTIGNIES—ESSENTIALIST

▲

A DESERT TO YOURSELF
From left: Super-luxe glamping at Utah's Camp Sarika. A calanque in Cassis, southern France.

everything ourselves, so we maintain full control."

When clients sign up at Fischer, they're assigned a two- or three-person team with one point of direct contact available 24/7, on call to solve problems and leverage the company's vast network. One recent example: A client was on his way to a South African safari when he called to say his kid had broken his dental retainer in-flight. Fischer arranged for an orthodontist "to be waiting for them in the bush when they landed," Rosenthal notes.

Beyond the hassle avoidance, these wealthy clients are seeking truly unique experiences—that elusive "wow" factor for people whose elevated lifestyles make them very hard to impress. Fischer has placed clients among heads of state at the Paris Olympics; helicoptered them into a Taylor Swift concert 20 minutes before she hit the stage; and even arranged for one to go through an exorcism at the Vatican.

Essentialist, another membership-driven travel company, based in Majorca, Spain, uses a network of local experts to identify unique venues and design personal interactions that tap into their clients' passions. Itineraries might include visits with renowned artists and writers, cooking sessions with Michelin-starred chefs, or grape-harvesting and wine-tasting hosted by the family who owns the vineyard. For a client traveling to Tokyo with teenagers, the company had the influencer Akane Chuma take the family on an epic shopping spree that included Japan's top designers, as well as boutiques and vintage stores offering everything from antique kimonos to tableware.

Annual membership at Essentialist runs $2,600 plus fees, and combines an app with personal "experience managers." Founder Joan Roca came up with the approach after working at Travelocity. "I wanted to go deeper, beyond simply 'where to go' and into 'who to meet,'" he says.

Even as travel sites promise to simplify the booking process, tech has actually made planning a trip even more overwhelming for some. "I've always done a lot of traveling and always did all the arrangements myself, but as the tech evolved, it got more complex," says Jim Durgin, 77, a retired American Express executive from Cumming, Ga. "I don't want to do the work anymore. I want to be taken care of, especially because I'm the kind of person that worries about every detail."

Durgin and his wife have used Essentialist's services since 2017, and among the memorable trips they have taken was a visit to Teatro Colón, the national theater in Buenos Aires, that included a private audience with Paloma Herrera, an internationally renowned prima ballerina who became artistic director of the theater's ballet company.

"Most of our clients are looking to optimize their time with loved ones," says Elyssa Roberts, a senior travel manager at Marchay in New York City, an agency that charges $8,500 a year. "They want that attention to detail, access, and intelligence."

Marchay regularly persuades museums to open early for clients, private castles to admit guests, and eminent people to meet and chat with visitors. On a recent trip to Paris, the company arranged a tour of the Eiffel Tower—led by a great-great-grandson of its architect, Gustave Eiffel.

Of course, there are some trip details even these incredibly resourceful agencies can't control. It's one thing to make sure the fish are biting, but all the money in the world still can't make the sun shine. ■

1

[1] **OURA RING 4**
Over 2.5 million people trust the Oura Ring to track their sleep, stress levels, and overall well-being. This Finnish take on the Fitbit is as stylish as it is smart, encased in precious metals to match your aesthetic in gold (pictured), rose gold, silver, titanium, and black. Now valued at $5.2 billion, Oura has grown a cult following, with Cristiano Ronaldo, Jennifer Aniston, and Prince Harry proudly wearing its next-generation health gadget. *From $349*

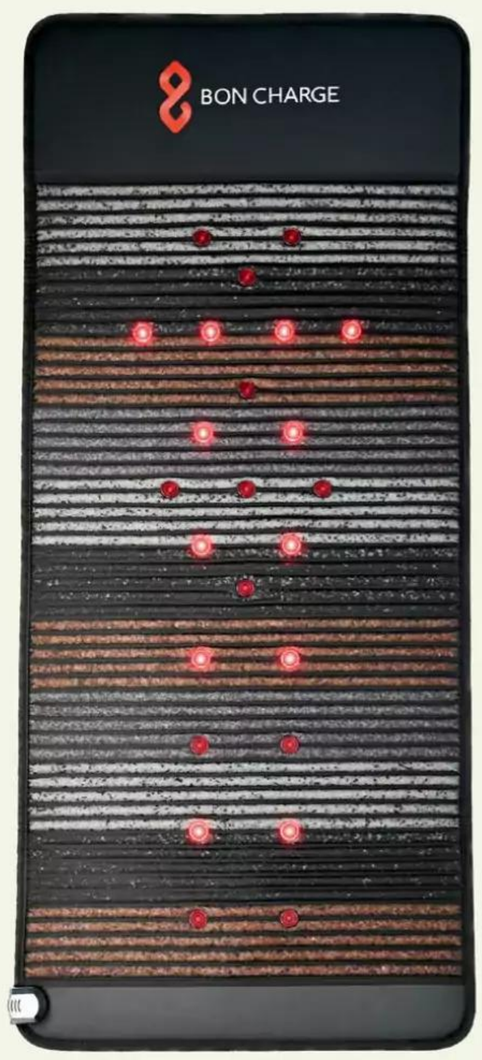
BUYERS' GUIDE
NEXT-GENERATION TECH BY THE EDITORS OF FORTUNE

Tried-and-trusted treasures for executives who enjoy the finer things in life: With health and wellness on our minds and Barcelona's Mobile World Congress around the corner, we curate the latest and greatest in luxury technology, from designer cases for your AirPods to fitness solutions that are as stylish as they are cutting-edge. Each product tells a story—an unconventional spin on beloved items and gadgets that you'll be proud to add to your collection.

COURTESY OF OURA

[2] **BON CHARGE INFRARED PEMF MAT MAX** This smart mat is a top tool for recovery, offering a mix of advanced features like infrared light therapy, pulsed electromagnetic field (PEMF) technology, and healing crystals, all aimed at promoting relaxation, sleep, and general wellness. *$1,275.* [3] **PELOTON ROW** Peloton, the darling of the pandemic at-home workout, now comes in the form of a smart rower. Perfect for anyone looking for a low-impact way to burn calories. *$3,295.* [4] **EIGHT SLEEP POD 4 ULTRA** Loved by Mark Zuckerberg, Bryan Johnson, and Lewis Hamilton, this is the ultimate sleep upgrade. The Pod 4 Ultra ends marital bedtime disputes by cooling and heating two separate zones of your bed, and can reduce snoring by automatically lifting your mattress. *$4,599*

2



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COURTESY OF BON CHARGE, PELOTON, AND EIGHT SLEEP

[5] **FJORDEN GRIP** Put the power of your favorite SLR in your pocket with Fjorden's accessory for smartphones. Its precision controls, just like the kind you'd find on a full-size camera, will enhance your mobile photography. As part of German camera giant Leica, Fjorden makes its Grip compatible with professional-grade lenses, produced by camera marketplace Moment. The free Fjorden app also offers different shooting modes, and paired with the Grip, the app provides full control of your iPhone camera. *From $159.99*

THE FJORDEN CAMERA APP

A QUICKLY SWITCH BETWEEN IPHONE LENSES OR SMOOTHLY ZOOM IN AND OUT.

B HALF-PRESS TO FOCUS, FULL-PRESS TO CAPTURE.

C ADJUST EXPOSURE, SHUTTER SPEED, ISO, AND OTHER PARAMETERS WITHOUT CHANGING YOUR HAND POSITION.

D TOGGLE FLASH MODES, USE FOCUS PEAKING, TRIGGER SELFIE MODE, OR SWITCH BETWEEN OTHER CUSTOM SETTINGS.

5

COURTESY OF FJORDEN

[6] **ASPINAL ELLA PHONE POUCH** Handcrafted from full-grain leather, this phone and credit card pouch with a cross-body strap is all you need to step out the door. *$185.* [7] **ANKER MAGGO (3-IN-1) WIRELESS CHARGING STATION** Keep your AirPods, iPhone, and Apple Watch topped up in transit with this Apple-certified accessory. *$89–$99.* [8] **NATIVE UNION (RE)CLASSIC POWER BANK** The slimmest power bank with enough juice to charge an iPhone to 100%. Using MagSafe technology, this stylish charger snaps effortlessly onto your smartphone. *$69.99.* [9] **ANYA HINDMARCH WINK EAR PHONES TRAVEL POUCH** Designer brand Anya Hindmarch now offers a stylish way to store your favorite earphones on the go. *$260*

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8 9

COURTESY OF ASPINAL OF LONDON, ANKER, NATIVE UNION, AND ANYA HINDMARCH

CONTENT BY REO COMMUNICATIONS

Revolutionizing Welfare Services in Côte d'Ivoire

The Military Welfare Fund in Côte d'Ivoire is committed to enhancing benefits and services for its members through the implementation of its new Strategic Governance Plan that extends to 2030.

The Military Welfare Fund (FPM) in Côte d'Ivoire is launching a new Strategic Governance Plan (2024–2030) designed to elevate the quality of life of its members. Focusing on health care and financial security, the plan prioritizes governance, beneficiary relations, and social sustainability. By strengthening these areas, the fund aims to become the leading social mutual fund in the West African Economic and Monetary Union (WAEMU) region by 2030. The fund's primary schemes—the Sickness-Maternity-Death scheme and the Retirement Savings Plan scheme—are designed to provide members with high-quality health care and enhance their material, moral, and social well-being.

The fund is dedicated to improving the Sickness-Maternity-Death scheme through a series of strategic initiatives that are strengthening benefit controls, modernizing health care infrastructure, digitalizing medical services, and establishing a reference international military mutualist hospital.

Commissioner Colonel Major Olivier Oka, Director General of FPM

The Retirement Savings Plan is strategically focused on investing in the real estate and hotel sectors, and on acquiring stakes in promising companies. This investment portfolio, valued at US$400 million, demonstrates the fund's commitment to generating sustainable returns for its members.

A comprehensive action plan, consisting of 64 priority initiatives to be implemented between 2024 and 2030, guides the fund's strategic objectives. These initiatives are categorized into projects related to governance and the fund's two foundational schemes. Governance-related projects encompass legislative updates, information system modernization, capacity-building, improved working conditions, and the establishment of an efficient communication system.

The FPM is continuously elevating its first subsidiary, Société de Gestion Touristique et Hôtelière, known as Palm Club Hotel, to meet the highest industry standards. It also plans to expand the range of services offered by its second subsidiary, Centre de Santé et d'Analyses Médicales (Center for Health and Medical Analysis), which provides medical services.

The fund supports the "One Ivorian, One Roof" vision of President Alassane Ouattara, which aims to provide housing solutions to Côte d'Ivoire's residents. Adapting the president's initiative into the "One Serviceman, One Roof" project, fund initiatives such as the FPM Latrille real estate program and the Social Housing Plan for military personnel provide housing solutions to the public and military personnel, respectively. The fund aims to market 2,550 housing units.

The Strategic Governance Plan is inspired by the government's National Development Plan (NDP) 2021–2025, signifying a direct link between the FPM's objectives and national development priorities.

The Military Welfare Fund has identified key areas for reform to ensure the successful implementation of its strategic governance plan. These reforms include improving governance, developing innovative business models, strengthening the legal framework, creating a study fund to support promising projects, fostering stronger public-private partnerships, introducing an optional supplementary retirement instrument, and investing in real estate infrastructure. By addressing these areas, the fund aims to enhance its operations, expand its services, and improve the lives of its members.

The fund underscores the critical role of collaboration in ensuring the successful implementation of its Strategic Governance Plan. By fostering a participatory approach, the FPM seeks to engage a diverse range of stakeholders, including government ministries, private-sector partners, and beneficiaries, in shaping and executing its initiatives.

The 2024–2030 Strategic Governance Plan's emphasis on strengthening governance, marked by solidarity, integrity, professionalism, and fairness, is crucial for ensuring transparency, accountability, and efficient resource management. Equally important is the FPM's ability to develop innovative business models to generate revenue and sustain its initiatives.

The FPM's 2024–2030 Strategic Governance Plan, developed in collaboration with key government ministries, requires a unified commitment from all stakeholders to ensure its successful implementation. The plan equips the Mutual Association with the necessary tools to build upon its past successes and envision a prosperous future for the soldiers and gendarmes of Côte d'Ivoire. The FPM intends to leverage its existing resources, including investment income from its Retirement Savings Plan scheme, to fund its projects. To drive the implementation of the plan, the FPM is open to national or foreign funding partnerships to secure the necessary financial resources.

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COLONEL MAJOR KOUADIO APPIA SIMON-PIERRE, GENERAL ADMINISTRATOR OF THE PALM CLUB HOTEL AND THE TOURISM AND HOTEL MANAGEMENT COMPANY

Experience the Best of Côte d'Ivoire With World-Class Servic

Known for its service that blends modernity and tradition, and its prime location in the heart of Abidjan, Côte d'Ivoire's Palm Club Hotel provides comfortable accommodations and an exceptional experience for travelers.

Could you please tell us about the Palm Club Hotel and your organization?

The Palm Club hotel, a Ministry of Defense initiative, was established thanks to funding from the Military Providence Fund. It's a three-star hotel in Abidjan which boasts 84 rooms, 11 conference rooms, and a pool. The adjacent Merchant Gallery, a shopping center with 12 shops, complements the hotel. Together, the Palm Club Hotel and the Merchant Gallery form the Société de Gestion Touristique et Hôtelière (Tourism and Hotel Management Company). The hotel's revenue benefits the military members who contributed to its creation. The Palm Club receives all the guests of the Minister of Defense, and it's a popular choice for foreign delegations visiting Côte d'Ivoire. We've hosted various events, including the launch of the World Cup and the Security Commission of the Nations Cup. The hotel is also a frequent venue for pharmaceutical groups and government agencies.

Colonel Major Kouadio Appia Simon-Pierre

Could you elaborate on the competitive advantages of Palm Club Côte d'Ivoire?

Palm Club is conveniently located in Abidjan on a major route near the Ivoire Hotel. It offers competitive rates for a chic stay. Since the Palm Club Hotel is an emanation of the Military Providence Fund, the emphasis is, of course, on security. Anyone who comes to this hotel naturally benefits from guaranteed security. Beyond its prime location and security, the Palm Club boasts comfortable rooms, conference facilities, and a swimming pool. It's a preferred choice for those seeking a blend of comfort, convenience, and security in Abidjan.

What are the main strengths of the tourism sector in Côte d'Ivoire?

The tourism sector has flourished thanks to our robust infrastructure development, including roads and hotels that meet international standards. Visitors arriving at the airport can easily find top-notch accommodations and amenities. Abidjan, a bustling hub, attracts numerous investors seeking opportunities in Africa. This combination of modern amenities and African charm makes Côte d'Ivoire a compelling destination. The Palm Club embodies this blend of modernity and tradition with an African urban concept. My vision is to give all our guests a specific African experience. Our location near the sea and lagoon adds to the allure of our country.

Where do you see the most opportunities for investment in the tourism sector in Côte d'Ivoire?

The tourism sector presents exciting investment opportunities in entertainment-related activities. By offering engaging packages and experiences, we can ensure that visitors truly make the most of their stay. They can go to different places for ecotourism; they can go to natural reserves where they can be in contact with nature and animals; they can enjoy the seaside. The Ivory Coast has 500 km of coastline, with breathtaking tourist sites including the Assinie site. This is all facilitated by air and road transport and soon, the metro. I encourage investors to start their business in Côte d'Ivoire because the process is straightforward. The CPC, a local organization, streamlines company setup. With minimal paperwork, you can be operational in just a couple of weeks.

What actions are you taking to promote the Palm Club Hotel brand?

We emphasized social networks in our advertising strategy. Today, reaching potential guests means connecting with them online. As an international hotel, traditional advertising isn't enough. We're active on all major social media platforms, interacting with our customers and tailoring our offerings based on their feedback. Our TikTok videos provide virtual tours of the hotel, giving potential guests a glimpse of what we offer.

Why do you think now is an ideal time to invest in Côte d'Ivoire?

The recent Africa Cup of Nations showcased Côte d'Ivoire's transformation. Visitors noted the security that prevailed and the warm hospitality of Ivorians, with all the assets that a businessperson can dream of. Investors should seize this opportunity today. The post-AFCON period offers a unique window for investors, where we set up infrastructures for the AFCON, but at the same time for the economic sector.

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PALM CLUB HOTEL
L'hospitalité Ivoirienne

FORTUNE CEO AGENDA

CARSTEN KNOBEL

Henkel's CEO stepped up during the pandemic, and is guided by the company's mission to be "pioneers at heart, for the good of generations." By Peter Vanham

THIS INTERVIEW HAS BEEN EDITED FOR BREVITY.

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HENKEL'S RANK ON THE FORTUNE 500 EUROPE

CEO Agenda provides unique insights into how leaders think and lead and what keeps them busy in a world of constant change. We look into the lives, minds, and agendas of CEOs at the world's most iconic companies.

AS THE GERMAN Bundesliga kicked off, Henkel CEO Carsten Knobel was heartbroken to see his favorite teams, Hertha Berlin and Fortuna Düsseldorf, relegated to the second-tier league.

Knowing how to deal with the ups and downs of his favorite football clubs is a skill that comes in handy for business. Henkel, a family-controlled, DAX-listed chemicals and consumer goods company, has had its share of ups and downs since the company veteran took over as chief executive in early 2020.

In business, as in sports, you need a steady hand at the top and a well-oiled and motivated team to make it all happen. Knobel benefits from both. His chairwoman, Simone Bagel-Trah, is a member of the family that founded the company over 140 years ago. He can talk to her at any time of day.

Henkel is undergoing a true transformation. Like its rivals, the company wants "purposeful growth" and to have a positive impact on society. But when rivals toned down their ambitions recently, Henkel doubled down. It now wants to be climate-neutral by 2030, and exited its operations in Russia even when other companies demurred. "We should act and not only talk," Knobel says. "You have to be able to put [your purpose] into reality."

DOWN TO BUSINESS

Which long-term trend are you most bullish about for society and the economy at large?

First of all, I tend to be an optimist in general. I believe we need to convert to a more sustainable way of living and consumption,

which has huge potential, and we should all work toward making that a reality. And what am I worried about? The rise of extremism and division in many countries around the world. Whether political or religious, it's dangerous and harms us all. We need collaboration and trust, not division and hate.

BEING PRODUCTIVE

What part of your morning routine sets you up for the day?
I am an early riser—usually around 6 a.m. I like to start the day with sports: running, indoor cycling, or a workout. I like to be at my desk early to have some extra time and get things done before my meetings or travel schedule starts.

Do you continue sending emails during the night and/or weekends?
I usually try to leave the office around 7 p.m. However, as we work internationally, there are always emails, calls, or videoconferences that I handle later in the evening. I try to keep my weekends free from formal appointments or work as much as possible.

What apps or methods do you use to be more productive?
To prepare for meetings, I really appreciate succinct "pre-reads" and materials upfront, so we can get to the core of the issue without the need for lengthy introductions.

Who is on your "personal board"?
I am close with Simone Bagel-Trah, the chairwoman of our shareholders' committee. She brings together representatives from the Henkel family as well as very experienced, international top managers. All of them offer their experience, perspective, and feedback, which is so important in my role.

GETTING PERSONAL

If you could ask your idol one question, who would it be, and what would you ask?
I cannot offer an idol, but in sport and in business, it is never individual performance that brings success—it is always the team that makes the difference. So my question would be: "How can completely different characters in a team be motivated to achieve the best performance?"

As a consumer, what is your favorite company and why?
I am a great fan of German cars—the great engineering; the affection for detail; the performance, reliability, and quality; as well as the constant flow of innovations that makes a Porsche, Mercedes, or BMW unique.

And to end on a lighter note: What was the last costume you wore?
It wasn't really a costume, but the jersey of the German national soccer team. I wore it at a public viewing event that we held on our site for employees during the last European soccer championship in Germany. For a devoted soccer fan like me, it was great to see how fans from other countries supported their teams, peacefully and in a fantastic spirit. F

COURTESY OF HENKEL

PHOTO ILLUSTRATION BY KATIE MARTIN

FEDERAL RESERVE NOTE
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How much can DOGE do? Elon Musk and Donald Trump aim to cut as much as $2 trillion in federal spending. It'll be even harder than it sounds.

BY GEOFF COLVIN

ELON MUSK has a new job doing something he knows a great deal about: firing people. Lots of people. Now he's about to test his axing skills on the greatest downsizing challenge in American history.

Musk is head of the Department of Government Efficiency (DOGE), a nongovernmental group formed in November by then President-elect Trump to cut back government regulations, dismiss unneeded workers, and save money. Musk has said DOGE could cut "at least $2 trillion" from the $6.75 trillion federal budget.

Since the election, Musk and his allies have rallied tech-industry luminaries to pitch ideas for rooting out cumbersome rules and eliminating waste: Venture capital titan Marc Andreessen described himself on a recent podcast as an "unpaid intern" for DOGE.

DOGE's overall ambition is staggering; its leaders' most specific rhetoric, however, has focused on slashing jobs. In a *Wall Street Journal* op-ed, Musk and Vivek Ramaswamy, the former 2024 GOP presidential candidate who co-led DOGE before leaving in mid-January, wrote that they anticipate "mass headcount reductions across the federal bureaucracy," which they said would be a primary tool for cutting costs. Ramaswamy has suggested firing 75% of federal employees.

If that's the goal, Musk looks like the ideal man for the job. He has sacked significant numbers of workers at SpaceX and Tesla—he's CEO of both. For sheer exuberant terminating, nothing can match his performance at Twitter, since renamed X. When he bought the company in 2022 he began mass layoffs almost immediately, firing thousands of Twitter's 8,000 workers overnight. Some got the news by email. Others could only infer they were dismissed when they couldn't log into the internal computer system. A few were even fired by accident and had to be brought back. Musk later said he had reduced staff by about 80%.

Among federal employees, DOGE anxiety has been rising, enhanced by the fact that the group has shrouded its plans in deep secrecy and has been ultra-disciplined about avoiding leaks. It's easy to picture Washington trembling at the thought of being subjected to the Twitter playbook.

But as other captains of industry have painfully found, government is different from the private sector in peculiar ways. Shrinking any element of it—from

PHOTOS FROM GETTY IMAGES

ILLUSTRATIONS BY DOUG CHAYKA

headcount to the budget to the pages of rules in the Federal Register—is a thankless and often Sisyphean task.

DOGE and the Trump transition team did not respond to requests for comment for this story. But here's what they're up against.

• Dismissals and regulatory change go hand in hand—very slowly. DOGE's publicly stated plan is to identify federal regulations that appear to be invalid under two Supreme Court decisions, from 2022 and 2024, that limit the rulemaking power of federal agencies. President Trump will then nullify "thousands of such regulations," Musk and Ramaswamy said in their op-ed. Fewer regulations mean a lighter workload and fewer employees. But Musk and Ramaswamy say that to reach their goals, regulations will have to be "fully rescinded." That's a potentially multiyear process that requires explaining proposed changes and inviting public comments. Many regulations have constituencies, including in the business world, with a stake in the status quo, and any changes are subject to legal challenges even after the regulation is gone. Bottom line: Some regulations won't succumb easily.

• Layoffs don't save much money. Musk and Ramaswamy emphasize that cost savings are central to their mission, but labor costs are a small part of federal spending—between 4% and 5% of Uncle Sam's budget. Payrolls are not where the money is. "If you eliminate 25% of all federal jobs, you would save roughly 1% of federal spending" says Brian Riedl, a Washington-based economist who has been a Senate staffer and worked for Republican officeholders. The vast majority of government spending goes out the door in the form of benefits to voters—Social Security, veterans' benefits, food stamps, and many more. All those benefits have powerful constituencies and are extremely difficult to reduce.

• Federal workers will fight back. About 1 million federal employees belong to unions, according to the Bureau of Labor Statistics, and they have been preparing to take on the new administration since before the election. On his inauguration day, Trump signed an executive order imposing an employee category called Schedule F, reclassifying career civil service employees as political employees, who lack civil service protections and can be fired quickly. Government unions are trying to protect their members from being classified as Schedule F by appealing to the federal Office of Personnel Management and the Merit Systems Protection Board. Even if they lose, they may throw sand in the gears.

• DOGE won't have the power a CEO enjoys. Musk could fire employees of his companies in an eyeblink because he's CEO (and at Twitter, majority owner). But DOGE "doesn't have any power," says Douglas Holtz-Eakin, former director of the Congressional Budget Office and now president of the center-right American Action Forum. "They're an outside advisory group who are going to generate ideas. They are essentially a very high-profile think tank." DOGE's power arises from President Trump's presumed willingness to execute its recommendations; he could ignore any or even most of them if the political price of job and spending cuts were to become too high.

MOMENTUM, as represented by Trump's decisive win in November, is on DOGE's side. History is less so. DOGE is looking broadly for ways to reduce costs. But in the past 50 years, annual federal spending has shrunk from the previous year only five times, never by more than 8%—and only in the aftermath of elevated spending during the financial crisis of 2008–09 and the COVID-19 pandemic. Even under Ronald Reagan, who created a commission to cut costs and commanded its members to "work like tireless bloodhounds," spending increased every year.

The hounds of DOGE have signed up to work "80+ hours per week on unglamorous cost-cutting," as the group's X account puts it, but their results may be similar to Reagan's. Spending is in the hands of Congress, and as Musk will learn, Congress can't resist spending more. (Case in point: Congress routinely passes an annual defense spending bill that includes projects the Pentagon doesn't want.) Even as lawmakers on both sides of the aisle wring their hands about the federal government's $35 trillion in public debt, federal projects bring dollars to legislators' homes, and their incentives aren't likely to change.

Reality may be setting in at DOGE. In a January interview, Musk allowed that his projected 30% cut in the federal budget might not be achievable. "I think that's like the best-case outcome," he said. "I think if we try for $2 trillion, we've got a good shot at getting 1 [trillion]."

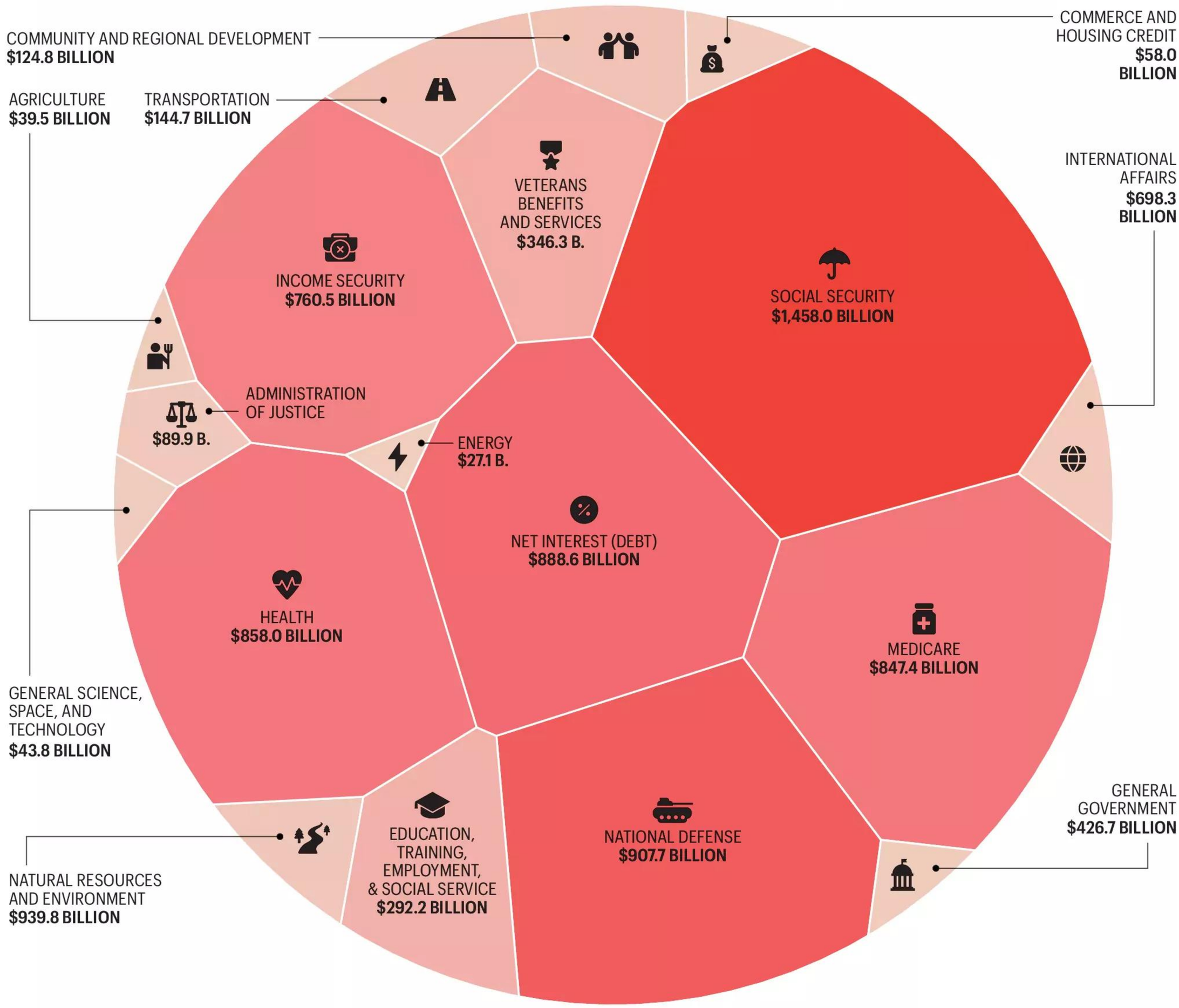
Even that objective may be a reach. Social Security, Medicare, defense, and net interest on the national debt consume 59% of the federal budget. If those expenses are considered untouchable, a trillion-dollar cut would have to come out of the $2.8 trillion a year that funds all the other federal programs—Veterans Affairs, Homeland Security, the federal judiciary, the Food and Drug Administration, and many more services that taxpayers rely on. Tellingly, DOGE insiders told the *New York Times* in January that DOGE planned to station recruits for longer stints inside federal agencies—seemingly an acknowledgement that real cost-cutting reform will require a deeper intimacy with the costs being cut.

Musk and Ramaswamy said in their op-ed that their "top goal for DOGE is to eliminate the need for its existence by July 4, 2026." Ostensibly that expiration date was chosen to celebrate DOGE's work as America celebrates its 250th anniversary. Practically, it's to leave six months with GOP control of Congress in case its work requires legislation. Given the complexity of government and its deep roots across the country, the DOGE team is going to need every moment. F

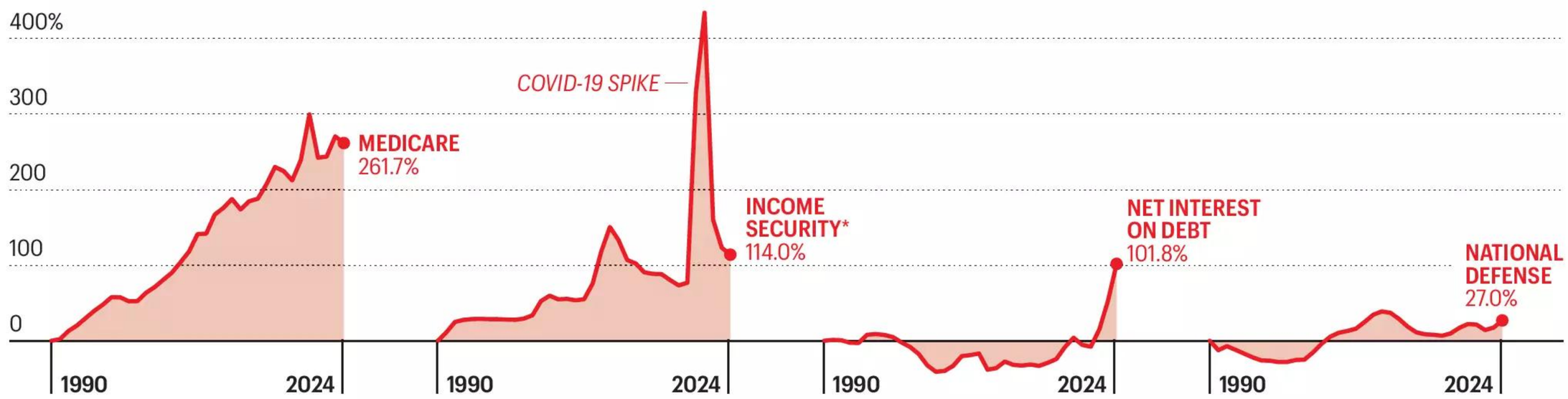
WHERE UNCLE SAM SPENDS

Nearly 60% of the $6.75 trillion federal budget goes to hard-to-cut programs like defense, Social Security, and Medicare.

U.S. GOVERNMENT OUTLAYS BY FUNCTION, 2024



CUMULATIVE GROWTH IN SELECTED GOVERNMENT EXPENDITURES SINCE 1990, ADJUSTED FOR INFLATION



*INCLUDES RETIREMENT AND DISABILITY INSURANCE, UNEMPLOYMENT COMPENSATION, HOUSING AND NUTRITION ASSISTANCE, FOSTER CARE, SUPPLEMENTAL SECURITY INCOME, EARNED INCOME AND CHILD TAX CREDITS

SOURCE: BUDGET OF THE UNITED STATES GOVERNMENT; 2024 DATA IS ESTIMATED

COST-CUTTERS
Steve Davis (left) with his longtime employer, DOGE leader Elon Musk.

THE TRUMP ECONOMY | STEVE DAVIS

When Elon Musk has a really tough job, he turns to Steve Davis. DOGE might do the same.

BY JESSICA MATHEWS

IT WAS THE FALL OF 2022 when employees at Elon Musk's Boring Company began to notice Steve Davis wasn't around.

Davis, the president of the tunnel-digging startup, had stopped showing up at the R&D facility in Bastrop, Texas, and at the project sites in Las Vegas he was known to frequent. It's not as if you could miss him when he was around: Davis was a hard-driving and seemingly tireless boss.

But Davis had temporarily shifted gears to another Musk passion project. After Musk closed the deal to buy Twitter for $44 billion, Davis made his way to San Francisco. There, he was seen pacing the halls of the 10th floor of the company's headquarters—peppering people over the phone with questions about what parts of the organization he could cut, with seemingly little regard to who might overhear him.

Davis—Musk's 22nd hire at SpaceX—has earned a reputation as a tenacious cost-cutter and as one of the few confidants Musk relies on to get something done. People who have worked closely with Davis say they think he'd be able to carry out any task Musk gave him—no matter how unrealistic it might seem, and regardless of whose jobs might be erased.

So in the run-up to President Trump's inauguration, it was no surprise when Davis's name popped up in stories by Bloomberg and the *New York Times* as a key player in Musk's new preoccupation: the Department of Government Efficiency, or DOGE, the cost-cutting endeavor that Trump tasked Musk with leading shortly after his election in November.

DOGE is mostly an advisory body;

DAVIS: PATRICK T. FALLON—BLOOMBERG/GETTY IMAGES; MUSK: SAUL MARTINEZ—GETTY IMAGES; MEN'S SUITS: GETTY IMAGES

it can't make big changes without help from Congress. (See our accompanying story.) But Musk's stated plans for the department are as lofty as the ones he publicizes for his space travel and satellite company SpaceX or electric-vehicle juggernaut Tesla. In this case: to cut $2 trillion in government spending—about 30% of the federal budget—in a few years' time.

If there were one Musk allegiant who could be up for such a titanic task and able to see it to fruition, it would be Davis.

DAVIS HAS RUN the Boring Company for the past eight years, ever since Musk got the idea of speedy underground travel while sitting in Los Angeles traffic. He first oversaw an effort to build a high-speed tunnel system between Baltimore and Washington, D.C. When that project failed—shortly after the federal highway regulator didn't approve the company's environmental assessment—he pivoted to a tunnel network below the Las Vegas Convention Center, where drivers now chauffeur passengers in Teslas. Davis has shuttled between Nevada and Texas as the company builds new iterations of its proprietary tunnel-boring machine, the Prufrock, then uses them to dig earth in Vegas.

Typically seen in jeans and a ball cap, Davis has managed the company with a demanding hand and a relentless focus on efficiency—expecting long hours and a high work ethic, two former Boring employees said. *Fortune* granted them anonymity because they feared retaliation from the company for speaking publicly about it. Davis, Boring Company, and X did not respond to requests for comment about multiple points in this story.

Ex-employees' accounts make Davis sound like an apt hire for anyone aiming to cut government bloat. "He hates waste," one says, adding, "He wants to be involved in all decision-making." Another noted that every expense—no matter how small—had to cross Davis's desk, which made it difficult to get things approved but kept budgets tight. Boring employees had to use free tools like Google Suite for spreadsheets or documents, and even small outlays were challenged.

Davis's cost-cutting ethos carried over to X. "He was the one in charge of finding everything we were spending money on, who we don't need, what offices we can close," says a former X employee who worked at the company when Davis joined, and who spoke on condition of anonymity because they feared retaliation.

Davis has been in Musk's orbit for more than 20 years. As a Stanford aerospace engineering student, he was handpicked by Musk to join SpaceX back when it was far from clear whether building reusable launch vehicles was possible. Musk had called Davis's teaching assistant and asked for hardworking grad students who didn't have families, according to *Elon Musk,* Ashlee Vance's 2015 biography. Davis fit the bill. He started out working on the Falcon 1 in the Marshall Islands, sometimes sleeping under a tent shelter next to the rocket. He later labored on the Falcon 9, SpaceX's workhorse rocket, and the Dragon Capsule. When Musk asked him to buy a part, an "electro-mechanical actuator" quoted at $120,000, with a budget of $5,000, Davis did the impossible—designing a new actuator in nine months that cost $3,900.

"One thing he has proven through all of his endeavors is he can do a lot more with a lot less," one of the former Boring employees says.

But the three people who have worked with Davis describe someone who was sometimes "ruthless" or insensitive. One former Boring employee recalled an incident when Davis scheduled a meeting for the same day as the employee's 13th wedding anniversary. Davis refused to reschedule, the person asserts, then never showed at the meeting.

The former X employee said that Davis would call at any hour of the day, mentioning one Friday evening where Davis called at 11 p.m. with pointed questions about their division within the company.

IT REMAINS TO BE SEEN whether Davis's cost cuts pay off for the organizations where he wields them. In eight years, the Boring Company has completed just a short stretch of tunneling in Las Vegas, and former employees say turnover has been high. Davis served only briefly at X, but according to an estimate by Fidelity, an investor in the now privately held company, its value as of the end of 2024 had declined 72% since Musk bought it.

At X, Davis and Musk's lightning-strike cost-cutting also had unintended consequences. Their rapid layoffs and team reductions preceded glitches and a major outage. In government, "the stakes are a little bit higher than a social media platform," notes the former Twitter employee (who has no specific knowledge of DOGE). "Cut too many engineers at a platform, services may degrade. Features might not work. But, generally speaking, people aren't going to die." Take an ax to the ranks of, say, the veterans' health care system, and the results might be more dire.

Employees at the Boring Company have seen some of these risks firsthand. As *Fortune* reported in an investigation last year, pressure to meet management's ambitious goals led to dangerous episodes for workers as well as tussles with regulators.

So, how will Musk and Davis's high-risk, high-reward approach pair with the government's historically risk-averse culture? "These guys are incompatible with the way government works," one of the former Boring employees says. "People want to cut things in the abstract, but not in reality." Then again, Davis has shown that he can help make abstract ideas very real, very quickly. F

THE TRUMP ECONOMY | CHINA

Trump's first trade war caused U.S. firms to flee China. Now comes round 2.

BY NICHOLAS GORDON

DURING HIS FIRST TERM as president, Donald Trump shook up global trade by imposing new tariffs on China, the world's epicenter for manufacturing. Companies importing Chinese-made goods into the U.S. suddenly found themselves having to pay extra duties—sometimes 30% more—if they continued using that country as a supplier.

The response by U.S. businesses was swift: Many relocated at least some of their production from China to countries like Vietnam, India, and Mexico, which weren't in Trump's economic crosshairs.

Now, with Trump's second term underway, the tariffs plan is again on the table. But this time, he's promised an expanded version that, if implemented, would create even more corporate upheaval and turn some previously winning countries in his trade war into big losers.

"Trump Two is not Trump One," warns Deborah Elms, head of trade policy at the Hinrich Foundation, a Singapore-based think tank that advocates for sustainable global trade. "I'm not convinced that everyone recognizes the extent of the danger. It's going to catch a number of folks in the region really off guard."

Trump's specific road map for reshuffling global trade will emerge in the months and years ahead—or perhaps there will never be a map, leaving business leaders in the dark on a critical issue impacting their all-important planning. What is clear from his previous dance with tariffs is this: Even after nearly a decade of tensions with China, U.S. companies still haven't been able to find a replacement for Chinese manufacturing.

PHOTOS FROM GETTY IMAGES

In reality, Trump's tariffs—largely unchanged under President Joe Biden—accelerated a transition from China that was already underway. Companies had already started to move lower-value manufacturing, like textiles, to other countries as labor there became more expensive. "A lot of this diversification was the Chinese factories themselves, picking up their equipment and moving the whole thing to Vietnam and Cambodia," says Joe Ngai, chairman for the Greater China region at consulting firm McKinsey.

Beijing's harsh COVID-era lockdowns, which closed factories nationwide and snarled the country's well-oiled supply chain, added even more urgency to the shift. U.S. companies realized that they didn't want to depend too much on a single country.

Vietnam's status as a manufacturing hub in particular soared from the new push to diversify and avoid tariffs. Apple, HP, and Dell are among the major companies that have moved manufacturing to the Southeast Asian country, part of the $290 billion in foreign investment there since 2016—or more than during the entire two decades prior. "From an Asian perspective, Trump One was disruptive but not, on balance, that dreadful," Elms says.

Biden-era laws related to China add another complication to the supply-chain story. The Inflation Reduction Act, partly aimed at increasing domestic manufacturing, made China less attractive as a supplier to the clean energy and automotive industries. Electric-vehicle makers, for example, can't collect subsidies offered by the legislation if they use components from countries of concern—namely, China.

Additionally, Biden has banned exports of U.S. advanced semiconductors and chipmaking equipment to China. The crackdown has made it more complicated for chipmakers like TSMC, Samsung, and Intel that have existing factories there. The bans, combined with the impact of higher tariffs, have pushed some chip producers to add plants in other countries.

"We are still incredibly addicted to the China supply chain in the global sense."

KEITH HARTLEY,
CEO of LevaData

As a result of the long list of obstacles, China's share of all U.S. imported goods has dropped sharply in recent years. After peaking at 21.6% of all imports in 2017, China's share had fallen to 13.5% in November, according to the U.S. Census Bureau.

One reason China has retained a substantial footing after Trump's broadsides during his first term, as well as Biden's more surgical strikes, is its strength in high-end manufacturing. Not only is China's labor cheap, relatively speaking, but it's also skilled. "For stuff that's very intricate, there's just no country that can match the scale that China has," says Keith Hartley, CEO of LevaData, a platform that gives companies insights into their supply chain.

In reaction, many companies have pursued a "China plus one" strategy—or more accurately, a "China plus one plus one" strategy, according to Hartley. It involves establishing a manufacturing base in China, a second elsewhere in Asia, and a third on yet another continent.

That strategy is also being pursued, ironically, by Chinese companies, some of which are now exploring opening new factories closer to markets in Europe, Southeast Asia, and Latin America. China electric-vehicle giant BYD, for example, has committed to building new plants in Thailand, Brazil, Hungary, Turkey, and Pakistan, and is reportedly considering one in Mexico.

So as a second round of Trump tariffs looms, where might companies reshore next? One option is India, already home to a small but growing share of Apple's iPhone manufacturing. Smartphones are now India's largest export to the U.S., thanks partly to Apple and its suppliers' investments there. India "is seen as an ally of the U.S. and is also eager to limit its own exposure to trade with China," says Eswar Prasad, a Cornell University economist.

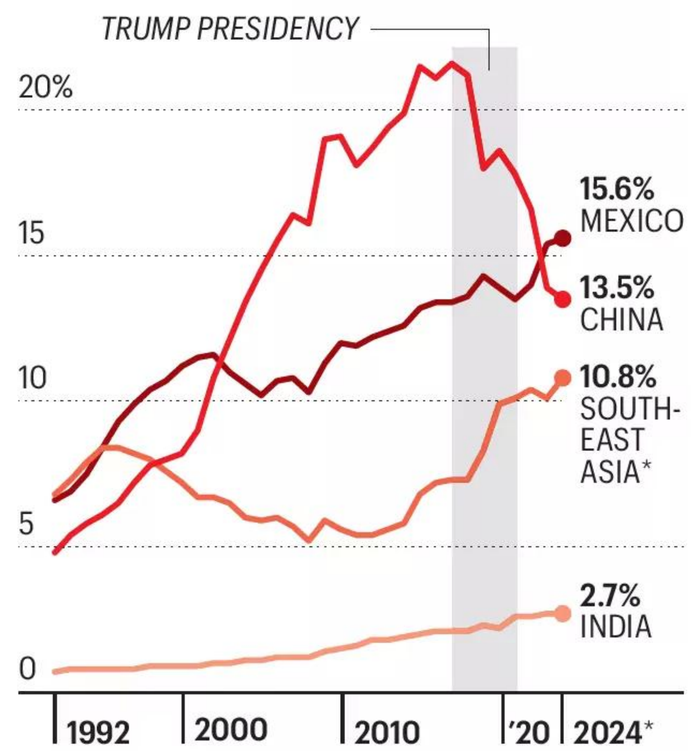
But India still hasn't quite caught up to China's well-developed supply chain, with Indian factories reportedly struggling to match the low defect rates of Chinese counterparts. "Indian manufacturing is not stepping in to be a regional manufacturing hub, let alone a global manufacturing one," Hartley says. "It befuddles me."

But will Trump Two present the

GOODBYE, CHINA

In recent years, U.S. companies have shifted some of their supply chains from China to other nations, to avoid extra tariffs and to reduce their dependence on one country.

SHARE OF U.S. IMPORTS OF GOODS



*ASEAN COUNTRIES

SOURCE: CENSUS BUREAU

same opportunities as Trump One? It's unclear.

The first Trump administration was largely willing to limit tariffs on products made with Chinese components but assembled in South Korea or Vietnam. Now the U.S. seems determined to cut China off entirely.

The problem, many experts say, is that it's nearly impossible to manufacture products without at least some Chinese-made components. No other country—in Asia or elsewhere—offers the breadth of production at a similar cost. "We are still incredibly addicted to the China supply chain in the global sense—not just the U.S.," Hartley says.

In his second term, Trump is expected to aim his tariffs more broadly, in terms of the number of countries targeted, than he did previously. One strategy may be to slap tariffs on all U.S. imports or on goods from countries that have a trade surplus with the U.S.

Several Asian countries, for example, export more to the U.S. than they import. The most dangerously exposed may be Vietnam, which has the third-largest trade surplus with the U.S., after China and Mexico. In 2019, Trump went as far as blasting Vietnam as "the single worst abuser" on trade. As a result, Sheana Yue, an economist with Oxford Economics, told *Fortune* in December, "We expect Vietnam to be the only Southeast Asian economy the Trump administration will implement higher tariffs on when he gets into office."

That's bad news for Vietnam, which smashed expectations in 2024 with a 7.1% GDP growth rate thanks to strong exports. This year, its government expects an even faster 8% in economic growth, despite Trump.

New tariffs on Vietnam and other countries, if implemented, would be a major hit to companies that have spent millions of dollars to shift production there. Years of planning are usually involved, making it impossible to hopscotch between countries for lower tariffs. "Creating a factory is a big capital expense. You can't move these things," McKinsey's Ngai says.

▲

VIETNAM RISING
Foxconn, a major Apple supplier, is among the many companies with manufacturing plants in Vietnam.

Meanwhile, after almost a decade of worsening tensions between Washington and Beijing, Chinese companies are increasingly giving up on ever breaking into the U.S. market. Instead, many are focusing on growing in Indonesia, Africa, and the rest of what's now known as the Global South. "If, at the end, I don't sell to the U.S., it's not the end of the world," Ngai says, wearing the hat of Chinese CEOs.

U.S. companies, too, are planning for a world without the Chinese market—partly because Chinese products are increasingly high-enough quality to compete against them. Apple, Nike, and Starbucks, for example, now face fierce competition from local Chinese brands that offer good products at cheaper prices.

Instead, Ngai thinks, tariffs will complicate life for Western companies that still rely on low-cost Chinese goods: "The nightmare is not for Chinese companies. The nightmare is for Walmart and Costco if they can't import from China."

Both Costco and Walmart have warned that broad tariffs on U.S. imports translate into higher prices for U.S. consumers. "Tariffs raise costs," Costco chief financial officer Gary Millerchip said during a recent earnings call. "When it rains, it rains on everybody."

Walmart's dependence on Chinese imports to stock its store shelves has declined, however, as it seeks to diversify its suppliers. During the past five years, Chinese imports to the U.S. have declined to 60% of the company's total merchandise from 80%, according to Reuters, while imports from India have soared to 25% from just 2% overall.

Many U.S. consumers would feel the financial impact of higher tariffs from the countless small and medium-size manufacturers in China that send cheap goods to the U.S. Online retailers that facilitate cross-border commerce and are increasingly popular with U.S. shoppers would also be impacted. "The days of Chinese companies like Shein and Temu sending low-value packages to the United States that are not subject to taxes are numbered," says Prasad, referring to two of the biggest Chinese e-commerce sites in the U.S.

Just as some U.S.-based companies haven't quite kicked their addiction to Chinese supply chains, some Chinese manufacturers haven't been able to quit the U.S. consumer. Says Elms, of the Hinrich Foundation: "It's not so easy to find a replacement market for the U.S." F

LINH PHAM/BLOOMBERG/GETTY IMAGES

IN BLOOM

Diageo once owned Burger King and Häagen-Dazs. Now it's a drinks empire with Guinness, Baileys, and 11 other billion-dollar brands.

BY PRARTHANA PRAKASH

ILLUSTRATION BY FORTUNE; ALL IMAGES COURTESY OF DIAGEO

IF DIAGEO DREW its family tree, its roots would go all the way to the 17th century, further back than many New World countries like the U.S. or Canada. Since then, its brands have become an essential party guest, whether through Johnnie Walker whisky, Guinness beer, or Smirnoff vodka.

Still, the London-headquartered company we know today is just 27 years old. Some of its most iconic brands were started by accident or were the experiment of a single individual. But today they're household names around the world.

Diageo was born in 1997 from the marriage of Grand Metropolitan and Guinness, two British companies that had become globally significant in their own ways. Guinness, already a multibillion-dollar brewer 30 years ago, was in a joint venture with the luxury conglomerate LVMH Moët Hennessy Louis Vuitton, and Bernard Arnault was one of its board members. Grand Metropolitan, on the other hand, owned alcohol brands and food chains like Burger King and Häagen-Dazs.

The merger, worth $33 billion at the time, ultimately created a food and beverage juggernaut. It wasn't until a few years after the deal that Diageo shed its food segment and transformed into predominantly a spirits brand.

Establishing trust with consumers under a new name took little time, as most well-known Diageo brands have a vivid look and origin story. Take Johnnie Walker, for instance. Its labels are precisely at a 20-degree angle so shoppers can easily identify its bottles. Meanwhile, Baileys, the only creamy liqueur in the market when it came to be in 1974, started as an experiment to mix two of Ireland's signature items: top-notch dairy and whiskey.

After all these years, Diageo's attention to detail and nod to its brands' provenance aren't lost. The company runs a sprawling archive in the village of Menstrie in Scotland that's as big as 55 football pitches, with over 5,000 bottles spanning the history of its oldest brands. It includes 18th-century recipe books and the Johnnie Walker founder's original account statements.

"It's the corporate memory of the business," said Christine McCafferty, Diageo's head archivist based in Scotland, adding that the company always "looks back to look forward."

Diageo has spent years fine-tuning its business by snapping up brands like Captain Morgan and Don Julio and shedding its wine business. While most drinkers would have no more than cursory knowledge of Diageo's brands, its legacy is still alive in its innovation and product ideas. For instance, Tanqueray was born when one Charles Tanqueray dabbled with botanical-themed recipes to infuse into gin in 1830. Today, the spirit comes in various shapes and forms, from its alcohol-free variety to a can of ready-made gin and tonic, loved by busy commuters and summer festivalgoers.

◂

BOTTLE SERVICE
Diageo runs a sprawling archive in Menstrie, Scotland, that's as big as 55 football pitches and stores over 5,000 bottles.

Diageo is now a powerhouse, generating over $20 billion in sales globally and ranked No. 155 on the Fortune 500 Europe list. It's also home to 13 billion-dollar drink brands. Its secret lies in catering to Scotch connoisseurs, booze-loving bakers, and alcohol-shy Gen Z—all at once.

"We're at the heart of social occasions," Ewan Andrew, Diageo's global supply-chain and sustainability chief, told *Fortune*. He started his career as a shift manager 27 years ago at United Distillers, which was part of Guinness before its merger.

3 THINGS THAT HELPED DIAGEO CONQUER THE WORLD

1. NEVER CONFINED

The strategy of dividing and conquering can be a hit or a miss for businesses. In Diageo's case, it was a game changer.

One of its standout features has been its ability not to pigeonhole itself within the alcohol category and to operate across product ranges and regions so everyone feels catered to. Despite being born out of a stout giant, Guinness, it didn't focus primarily on beer as its Belgian rival, AB InBev, did. Neither did it focus solely on high-end liquor like Pernod Ricard. Instead, it did it all in a way that didn't diminish any of the brands and their individual histories.

For instance, Diageo offers the casual pint of Guinness at a local pub and Pimm's for a summer picnic. But it also makes the highly coveted Port Ellen single-malt whisky, and a cask of ancient Don Julio tequila bottles sold on auction for $218,000.

Still, Diageo has to be careful where it invests to deliver returns to shareholders. The company's longstanding former CEO, Ivan Menezes, who died in 2023, was instrumental in consolidating its position as the world's biggest distiller.

Some bets have paid off in a big way: Within 10 years of its purchase by Diageo, Don Julio became the world's top tequila brand (it even got a big moment at the 2024 Academy Awards, which prompted Diageo to make smaller tequila bottles).

"For a company that was going to be a major top FTSE company, you needed to make sure that you weren't just [putting] too many eggs in one basket with the volatility in the world," Andrew said.

On the flip side, the company has cut many brands from its portfolio to focus on its core products, which, Andrew admits, makes him "a bit sad" even though it's part of running the business.

Diageo has built much of its business around a premiumization trend, wherein consumers drink less alcohol but want it to feel more indulgent. This is true of most markets around the world. So the company's deals aren't just about bulking up its portfolio of alcohol brands—which currently stands at over 200—but also about breaking into new geographies.

"Socializing and creating memories remain top priorities and are still seen as reasons to spend," Anna Ward, a senior consultant at Euromonitor, said in a note last March. "Distillers are releasing ready-to-serve, sharing bottles of well-known cocktails, recognizing the fact that communal consumption inherently favors premium choices."

Diageo now makes premade Old-fashioned and Cosmopolitan cocktails—one of the primary growth drivers in its largest market, the U.S., in the past fiscal year.

The British company built facilities in markets from America to Australia. In addition to its recognizable brands, Diageo owns local labels that help it

"THE COMPANY ALWAYS LOOKS BACK TO LOOK FORWARD."

blend into each distinctive drinking culture. For instance, the company's subsidiary in India owns several whisky and vodka brands.

2. READING THE ROOM

London-headquartered Diageo has recently faced several storms. The pandemic threw the supply chain and inventory process out of whack and left the company to deal with leftover alcohol stockpiles. It also gave Diageo a more significant challenge: How should it cater to consumers around the world confined to their homes?

Although the demand for alcohol had changed, it hadn't ceased. Sales began booming online, and people started making cocktails in their bars and kitchens. One instance of how Diageo cashed in on the trend is when homebound drinkers became creative by using Baileys in their bakes. Observing this, Diageo doubled down on its social media campaigns to reach more bakers who were experimenting with liquor in their recipes. That ultimately proved a bright spot, as the billion-dollar Baileys brand became more than just a festive treat.

"The brand team on Baileys had struggled for a while about being only sold at Christmas and Easter," said Andrew. But the tide changed during the pandemic when the drink "took off like never before."

Another case of Diageo catering to and fueling a trend is with its nonalcoholic beverages. The slow lifting of the taboo around them has opened the door for a whole new product category. Diageo caught wind of it early and spent years developing low- or no-alcohol variations of its top spirits. The goal? Making sure there was a taste equivalent to the original drink for those staying away from alcohol.

The company encountered blips along the way, like when it recalled its first attempt at the Guinness 0.0 drink in 2020, fearing possible contamination. The product relaunched the following year in Britain and has been a whopping success. It now accounts for about 3% of Guinness volumes globally despite being available in limited markets. Guinness connoisseurs and experts agree that it resembles the stout's taste and could one day even potentially outstrip demand for the original beer.

The 0.0 variation's sales more than doubled in Europe during the 2024 financial year and has grown double digits every year since 2021.

"We made a difficult decision for a brand like Guinness," Andrew said. "We actually ended up with a slightly improved liquid. These are huge brands and, in many cases, founders that go back a long way, so we have a great responsibility to kind of steward that."

▼

GLOBAL BRANDS
Diageo boasts countless household names, including Smirnoff vodka.

◂ Ewan Andrew, Diageo's global supply-chain and sustainability chief.

VALERIE PLESCH—BLOOMBERG/GETTY IMAGES

Next, Diageo wants to get its innovative drink in as many places as possible, inking a partnership for Guinness 0.0 with the English Premier League. Its Gordon's brand also offers a no-alcohol version, and its Seedlip line is solely alcohol-free.

3. LIVING AND BREATHING HISTORY

When you think of the spirits business, embracing breakthrough tech isn't the first thing that comes to mind, as consumer preferences are often tied to traditions and habits.

But Diageo was not going to wait and watch on the sidelines. It made big bets on tech, shaping every aspect of its business, from how alcohol is sourced, brewed, and packaged to how it is marketed.

Last year the British company created a new team dedicated to making tech the center of customer experiences and a way to do well for local farming communities. For instance, one of Diageo's tools asks people to answer questions on their preferred flavors to point them to a whisky best suited to their tastes. It has also created a MicroDraught to dispense the perfect Guinness at home. Diageo's use of AI-powered tools extends into other parts of its business, wherein it scrapes the web to get a read on the next big taste trends for consumers and tweaks its suite of beverage options to cater to them.

Tech also lies at the center of Diageo's sustainability initiatives, which aim to reduce carbon emissions and secure access to natural resources for local communities in regions experiencing climate change risks through its grain-to-glass program. As part of this effort, the company has changed how it packages some of its drinks in the U.S. and Ireland to eliminate single-use materials. Andrew gave the example of Mexico, where agave leftovers after the sugar is extracted are used to fuel boilers to process the alcohol, creating a circular system.

"I'd say that we're not sitting at the bleeding edge. We're definitely leading, but you have to be careful," he said. "We need to grow the business, and we need to do it sustainably."

BREWING FOR THE FUTURE

While Diageo has matched up to the fast-evolving and ever-demanding consumer thus far, it now faces pressure as drinkers tighten their purse strings in response to inflation globally. The company saw sales drop in the 12 months to June for the first time since the pandemic, amounting to $20.3 billion. Price hikes owing to high raw-material costs push some consumers to look for alternatives to Diageo's bestselling drinks.

The company's share price has slumped 28% in the past five years. Still, Diageo's operating profits are up roughly 50% from pre-pandemic levels.

CEO Debra Crew said in July that the broad strokes impacting the alcohol industry, such as rising income in emerging markets and the popularity of spirits over beer and wine, will ultimately work in Diageo's favor.

"In the face of a tumultuous four years marked by COVID-19's impact, Diageo has demonstrated resilience and adaptability in the spirits sector, which is notably sensitive to economic cycles," said Verushka Shetty, equity analyst at Morningstar. "The rising popularity of Guinness and tequila, alongside robust performance in India, further underscores Diageo's ability to leverage market tailwinds and maintain its competitive edge."

The wild, seemingly unquenchable thirst for Guinness has caused an unexpected problem: too much demand. Diageo was forced to cap Guinness supplies in December, much to the annoyance of pub operators and drinkers in the U.K. The company has invested in new projects to grow its production capacity for the original and the 0.0 varieties of the stout.

Nick Train, a famed U.K. fund manager, has seen the drop in Diageo's share prices hurt his £11 million holding in the company. But he's bullish on its long-term prospects because its brands "will still be being enjoyed many decades hence: Investors sometimes forget how unusual and valuable such longevity is," Train told the *Times* late last year.

After all, Diageo's brands have endured prohibitions, wars, pandemics, and more. Diageo's collective clout across spirit categories gives it room to maneuver depending on what consumers are aching for.

"We've been quite public on our desire to grow more share in what is a growing market [for total beverage alcohol]," Andrew said. "If you've got an intelligent failure where you know there's a risk, you're pushing the boundaries of things, but you're managing that risk… that's generating an entrepreneurial, experimental culture, and that's what we need as a company. We can't just become a big machine that runs and then becomes irrelevant." F

CLUTCH PLAYER
After a 32-year career at Nike, Elliott Hill retired. Four years later he was back, this time as CEO.

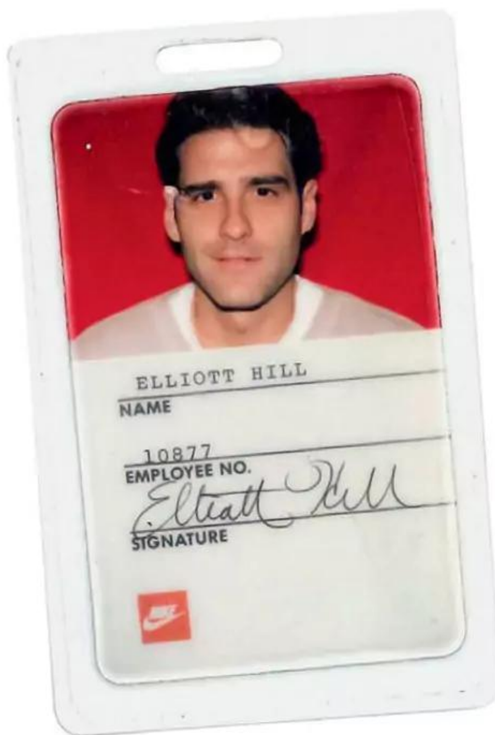
ELLIOTT HILL × NIKE

JUST DOING IT

Staffers and brand loyalists cheered when Nike's new CEO came out of retirement to lead the company he has had an "irrational love" for since he began there as an intern. Turning it around will take more than good vibes.

By **DEVIN GORDON**

PHOTOGRAPH BY SPENCER LOWELL



COURTESY OF ELLIOTT HILL

IN THE SUMMER OF 1990,

Nike threw itself a rager of a party to celebrate the opening of its now-iconic campus in Beaverton, Ore. On the banks of a glittering pond at the heart of the campus, cofounder Phil Knight, the Shoe Dog himself, hosted the sneaker and apparel company's biggest partners in retail, wholesale, and manufacturing, its superstar athlete endorsers, and the company's top executives. The distinguished guest list very much did not include a 26-year-old third-year sales associate named Elliott Hill.

In his short time at the company, though, Hill had already turned a few heads. After a Nike exec came to speak to his sports marketing program at Ohio University, Hill had cajoled his way into what he thought was a job at the company's Memphis facility; it turned out to be a six-month internship. (He didn't tell his mom.) He busted his butt, moved boxes, filled out forms, did whatever needed doing. When his six months were up, he was offered a sales job and inherited 168 apparel accounts across north Texas and Oklahoma.

Over the next two years Hill put 120,000 miles on a Chrysler minivan, carting clothing racks in and out of the back entrance of every dry goods store in the Panhandle. Selling Lycra in Texas in the late 1980s was a much tougher pitch than selling the latest Nike Air Force 1s, and far less lucrative. Still, one particular Michael Jordan tracksuit line paid off most of Hill's college loans.

Everyone took an instant liking to Hill. He was affable and passionate and he treated every client the same, whether it was Joe Bob Wright at DuPree Sports in Stillwater or Ralph Parks, the CEO of FootAction, a 16-store city-based chain. (Both remain friends of Hill's to this day. Parks still sends him a prayerful text every morning.) Back then, Hill dressed head to toe in Nike, even though salesmen had to pay for their own product samples. It was the start of what he calls an "irrational love" for the brand. After two years on the road, he got the big call-up: Beaverton. It was just an entry-level job in team sales, but still, he was headed for the mother ship.

The grand opening party was scheduled for shortly after Hill arrived, and invite or not, he wasn't missing it. Many things about the Nike campus have changed in the decades since that night. A large swath of land on the far side of the pond is now Nike campus too. Back in 1990, though, it was just a thick patch of woods—and the entire campus had only one security guard. Hill and a few of his junior-level Nike pals hatched a plan: They snuck through the woods with beach chairs and a case of beer and settled in at the water's edge for their own little soiree, with a perfect view of the festivities.

The highlight of the night was a thunderous fireworks display over the pond. In the smoky aftermath, technicians projected a laser show of American distance runner Steve Prefontaine, Nike's foundational athlete muse and spiritual hero, who had died in a car crash in Eugene, Ore., while training for the 1976 Olympics.

Hill teared up at the sight of Pre striding across the water, and he knew he'd found the place he belonged. Someday soon, he swore to himself, he'd be on the other side of that pond. Phil Knight and the legendary shoe designer Tinker Hatfield and everyone else over there would know his name. Who knows—maybe someday he'd run this whole company.

H

Hill recounted his youthful misadventures while sitting in the front row at the Dallas Cowboys' AT&T Stadium, which we had to ourselves on this Wednesday afternoon in December, save for a few grounds staff. Hill was in town for the NFL owners meetings, where he had successfully dodged his first bullet as the new CEO of Nike.

The relief had been palpable earlier that day as

▲

LET'S STAY TOGETHER NFL commissioner Roger Goodell (left) and Elliott Hill re-upped the league's uniforms deal with Nike in December.

DESIREE RIOS FOR FORTUNE

he stood beside NFL commissioner Roger Goodell at a brief press conference to announce an extension of Nike's uniforms deal with the football league through 2038. Maybe Goodell had just been bluffing last fall when he hinted that he was flirting with other uniform suppliers. Maybe Nike's hold on America's favorite sport was never in genuine peril. But losing the NFL? That would have been a crisis. Hill couldn't risk it.

"Roger was my first phone call when I took over," Hill told *Fortune* during the first of two extended conversations over back-to-back days in Dallas and Beaverton—his first interviews since coming out of retirement last October to lead the company he'd worked at for his whole adult life.

Crises are relative, of course: Since the night of that party in 1990—back when the shoe and apparel brand was worth a measly $3 billion—Nike has become one of the world's most lucrative companies, dominating the sneaker market and boasting a valuation north of $105 billion. But there's also no sugarcoating the reality that 2024 was arguably Nike's worst year in its vaunted six-decade history. Sales have declined year over year for the last three quarters, across all geographies. After the company's grim June earnings call, share prices plunged 20% in a single day, vaporizing $28 billion in shareholder value, and by the end of the year, Nike stock was down nearly 60% from its November 2021 high. In July, Nike laid off some 750 employees, which may not sound like much at a company of 84,000, but it was the kind of purge that spells high-level trouble, including 32 vice presidents, 112 senior directors, and 174 directors.

Under Hill's predecessor, John Donahoe, the bleeding had seeped beyond the spreadsheet. The Summer Olympics in Paris were meant to be a triumphal global showcase for Nike, but instead the brand attracted far more attention, and all the wrong kind, for a skimpy track-and-field uniform for female athletes that was derided online for looking like a *Baywatch* swimsuit. That drama came right on the heels of another public debacle: Nike's redesigned MLB uniforms, which got shredded by sports fans for their teensy nameplates and infuriated the players by covering them in high-resolution sweat stains. Nike wasn't just hemorrhaging money; it was getting clowned.

Employee morale across the campus was cratering. Inside Nike's Sebastian Coe Building in Beaverton, where all the C-level executives sit, the consensus was gathering: Something had to be done.

A September *Bloomberg Businessweek* article on Nike made the board's next move easy by pointing the finger at one specific person: Donahoe, a company outsider from Silicon Valley with an e-commerce and management consulting background, who arrived in January 2020 with a mandate to ramp up the Swoosh's digital and direct-to-consumer businesses. In less than five years he had become, according to *Businessweek*'s headline, "The Man Who Made Nike Uncool." One week later, Donahoe was out.

(*Fortune* was unable to reach Donahoe for comment, but in a statement in September when he stepped down, he said, "It became clear now was the time to make a leadership change, and Elliott is the right person. I look forward to seeing Nike and Elliott's future successes.")

"Nike is a unique place, and bringing in an outsider is tough," said Nico Harrison, who spent 20 years at the shoemaker and led its North America basketball division, forging deep ties with star players such as

MICHAEL JORDAN ON ELLIOTT HILL

"I'm a huge fan of Elliott. He's exactly the right person to guide Nike right now. His passion for the company, his experience, and his incredible leadership speak for themselves."

Kobe Bryant, until he left to become general manager of the NBA's Dallas Mavericks in 2021. Only one other Nike CEO has arrived from outside the company, he pointed out—William Perez in 2004—and that didn't work out either. Perez lasted just two years before Nike lifer Mark Parker took over.

From his vantage point now inside the NBA, Harrison said, Nike's recent problems come down to a shift away from its core culture. "I know athletes who feel Nike's become transactional. Whereas back in my day, we weren't perfect, but if you were in Nike basketball, you were part of the Nike family, and that meant something. And when everything becomes transactional, it no longer means anything."

On a December earnings call, Hill said all the right things: He vowed that Nike would "put sport back at the center of everything we do"; repair relations with retailers burned by the company's shift toward a direct-to-consumer and e-commerce business; reset its upside-down supply curve; and rededicate itself to performance innovation and athlete-focused storytelling. He didn't sugarcoat the pain still ahead: "I recognize that some of these actions will have a negative impact on our near-term results, but we're taking the long-term view here," Hill said.

President Donald Trump's tariff threats, meanwhile, loom as a significant unknown. "We're concerned with things we can't control, but we try to spend more time on things we can," said Parker, the former CEO and now Nike's executive chairman. "That potential of extra tariffs—that's a boat that a lot of people are in. We just have to keep our head down, and we'll deal with it as best we can."

The bottom-line numbers were as brutal as anticipated, but Nike stock held steady after Hill's call, a sign that Wall Street will give the new boss some time to right the ship. Mostly, though, investors seemed to be responding on a gut level to the sheer sound of Nike sounding like Nike again—a hopeful indication of Hill's ability to execute on everything he learned over his decades in Beaverton at the knee of the master.

AIR JORDAN 1
The shoe—and the athlete—that changed Nike and the sneaker industry.

SABRINA 2
Named for the WNBA's Sabrina Ionescu, this line has been a hit in the NBA too.

JORDAN: FOCUS ON SPORT/GETTY IMAGES; IONESCU: ADAM BETTCHER—NBAE/GETTY IMAGES

A

Another eight years passed following the Nike campus's grand-opening bash in 1990 before Elliott Hill finally spoke directly with Phil Knight. Hill's name had reached the cofounder's ears as a rising star with a managerial gift for cleaning up messes, and Nike had just gotten itself into a big one that came to be known internally as "Kansas-Gate." Nike was the University of Kansas's official uniform provider, but on one game night their basketball jerseys didn't arrive in time, so the team had to play in the previous year's unis.

Whatever Hill did to reassure Nike's partners in Kansas and fix the issues internally, Knight came away impressed. Over the years, as Hill ascended the ranks, through various VP positions to president of consumer and marketplace, their relationship deepened, and Knight evolved from business mentor into something like a father figure. In a podcast interview, Hill once said that Knight was "the person I most want to make proud."

He seems to have done that. Knight wrote in an email, "Having Elliott step back in to lead Nike is both a full-circle moment and a necessary one. He knows the company inside and out, not just how it runs, but what makes it special. His leadership isn't about looking back; it's about moving forward with experience, clarity, and an unshakable commitment to what's next."

At 61, Hill has a lantern jaw, a tall forehead, and enviably wavy silver hair, and his voice often recalls in twang and timbre another Texan, George W. Bush. He has a great story about every famous athlete you know, and he was there, in person, for pretty much every major sporting event this century. And he has kept every ticket stub. They fill up a glass-topped coffee table in his office in Beaverton, a can't-miss conversation starter for any visiting sports dignitaries.

By the time Parker stepped down in 2019, Hill was a beloved and decorated 32-year veteran of the company—an obvious inside-track candidate for the CEO job. Instead, he retired in June 2020, a

ELLIOTT HILL ON RETRO SNEAKERS

few months after Donahoe got the nod. Hill insists that he didn't call it a career because he got passed over. His name was only in the hat, he says, because his résumé made him a logical option for the board, but he withdrew from consideration and announced an exit date before Donahoe was chosen. (Parker verified this account.)

"Frankly, I was tired," Hill said during our conversation in Dallas. "I was flying all the time. I was either jet-lagged where I was going or I was jet-lagged at home."

The first person to call when he announced his decision was Phil Knight, well into his emeritus phase, demanding to know why Hill was quitting.

"I didn't quit, Phil," Hill recalls saying. "I'm retiring."

"No," Knight replied. "You quit!"

Hill pleaded his case. "I've had a budget and a deadline for 114 quarters," he told his hero and mentor. "The numbers just kept getting bigger. The territory just kept getting bigger. It was the same job I was doing in Oklahoma. It just became the globe. I wanted a break, and I wanted to see if I could turn the page."

For a while, he succeeded. He moved back home to Austin, where his grown daughter lived. He and his wife bought a house in Montepulciano, Italy, and got their Italian citizenship. He made a rule not to work before 10 a.m. He stayed in the loop at Nike, "but I always try to give everybody space, so I waited

"I don't know if we'll ever see again where we are today—three shoes being as big of a piece of a pie as they are. I don't think it's healthy. We need to be looking forward."

for them to call me versus me calling them. I became the guy that would fly in and offer thoughts, suggestions, perspectives, and then I'd get on a plane and go home. And for a while that was liberating to me. Getting on the plane and going home was liberating to me."

Then, four years into retirement, still not yet 60 years old, Hill realized he'd done everything he wanted to do, and now what? "I'm already starting to get itchy. And this is before Nike calls."

It was Mark Parker who called. This was during last summer's bleakness, weeks before Donahoe stepped down. The board considered other candidates, both internal and external, according to Parker, in part because they weren't sure at first that Hill was even interested. "But it was clear his passion hadn't gone away," Parker said, "so the conversations went from light to a lot heavier very quickly. And for me, he's like central casting. He's more ready for this job than ever."

After his appointment was announced, Hill's honeymoon phase began right away. Nike stock shot up 6% on the news. Company veterans rejoiced on social media. "We are so back!" one global director posted. "Go time, prayers answered," wrote another. John Hoke, the company's chief of innovation and another Beaverton lifer, told *Fortune* that his old pal Elliott is more than just the company's next CEO: "He's the refounder."

"I was almost in disbelief when I heard the news because I didn't think they could be so lucky to get him," Harrison said. "And the first thing that he has to do, he's already done—he's energized the base."

That base includes the most famous name on Nike's payroll. "I'm a huge fan of Elliott," Michael Jordan wrote in an email to *Fortune*. "He's exactly the right person to guide Nike right now. His passion for the company, his experience, and his incredible leadership speak for themselves."

The two men first worked closely together in 2010, when it fell upon Hill to persuade His Airness that it was time to expand the iconic Jordan Brand into global markets. Jordan, ever the relentless competitor, worried about a drift in focus.

As Hill recalls the conversation, Jordan asked if Hill knew his shoe size. "Of course," Hill replied. "Size 13." Correct, Jordan said. Then he warned that if Hill was wrong about the expansion, he'd be back in a year to ram a size-13 Air Jordan up his rear-end.

Hill wasn't wrong: The expansion is a big part of the reason the Jordan Brand alone is an $8 billion business today. The charisma and humility that won over sports retailers in the Oklahoma Panhandle doesn't seem to have faded a bit. "He has this ability to just take the temperature down and make everyone feel like they're at the same level," said Nike's chief marketing officer, Nicole Hubbard Graham. "He's not trying to outsmart you. He's not trying to gotcha you."

The goodwill is undeniable, but the task ahead for the new CEO of this wounded juggernaut will test the limits of how much patience it can buy. "This is not a quick fix," said Matt Powell, chief analyst for the footwear industry consulting firm Spurwink River. "The previous regime really put them in a deep hole."

Nike's grim 2024 stands out as that rare instance when everyone with any expertise on the subject—Wall Street analysts, the financial and cultural media, Elliott Hill—seems to agree on what went wrong. It's a classic case of a failure that begins with being misled by success: Donahoe's aggressive push into digital sales was supremely well-timed for a global pandemic.

Soon after the world closed down in the spring of 2020, his leadership team established a goal

of earning 50% of its revenue through Nike.com. To get there, the company cut ties with a number of Nike's long-standing wholesale accounts, including Designer Shoe Warehouse (DSW) and Olympia Sports—relationships that Hill had spent his career cultivating. Nike shifted marketing dollars from brand storytelling to Google search and digital ads.

With everyone locked inside their homes, living and working remotely, Nike also wound down its tastemaking street teams in 12 global cities—the people out there making sure all the right local influencers were wearing the latest Nike swag in all the right places. And perhaps most consequentially, the company's product focus shifted from innovation—a tricky task in socially distanced isolation—to nostalgia. Nike cranked out endless new remixes of Nike's three greatest-hit sneaker lines, the Air Jordan, the Air Force 1, and the Dunk.

All of which made perfect sense given the once-in-a-century macro conditions, Hill was quick to point out: "And oh, by the way, revenue takes off, and you're now selling retail, so you're getting 2x revenue, not just the wholesale revenue." Nike's DTC and digital businesses took off, driving the stock price to its November 2021 historic peak. It wasn't so long ago, in fact, that Nike was considered one of the corporate world's big winners of the pandemic.

"The mistake we made," Hill said—even though he was sipping wine in Italy while it was made—"is that when things started to normalize, we didn't shift back to running the offense that we know so well." The strategy worked, in other words, until it didn't.

The company's fatal error was believing that the pandemic had changed consumer behavior forever—that brick-and-mortar was dead. Instead, it turned out that people still liked going to stores, checking out the new styles, trying on their sneakers before they bought them. And when they walked into Foot Locker or Dick's or DSW, all those shelves that used to be filled with Nikes now held new brands like Hoka and On Running. Meanwhile, all the new Nike stuff was old stuff.

"It felt like a bunch of people had discovered their abandoned campus and went through their computers and were just sort of putting stuff back together," said Russ Bengtson, the author of *A History of Basketball in 15 Sneakers*. (Eight of those 15 sneakers are Nikes.) "If you're just giving people what they want, you're losing discovery, and to me discovery was the biggest thing in sneakers. It's like, 'We're just going to deliver push notifications now.'"

Which brings us up to date on Nike's current predicament: an unprecedented supply glut, a mountain of wheezy old classics piling up in its own warehouses that will require a couple more quarters of steep discounts to burn through.

"I don't know if we'll ever see again where we are today—three shoes being as big of a piece of a pie as they are. I don't think it's healthy," Hill said. "We need a broader base ... We need to be looking forward and trying to take consumers somewhere they've never been before."

W

When Hill described tearing up as he watched a laser Steve Prefontaine sprint across a lake in 1990, I believed him because he also teared up when he told me about his father, who was largely absent from his childhood and, Hill later discovered, self-exiled and isolated because of being gay in an intolerant era. ("He never really articulated this," Hill said, "but I want to believe that part of his separation was giving me space to be who I could be and not have to deal with who he was.") And then he teared up again later while recounting a story about the time he had a spare ticket for what would turn out to be Michael Jordan's legendary "flu game" in the 1997 NBA Finals, and got it into the hands of a 12-year-old boy who'd just lost his father under tragic circumstances.

Hill's reputation as a bit of a crier is well-known in Beaverton. "We always say we know we've got him if we can make him laugh or we can make him cry," Hubbard Graham said. "Truly it is a bit of a joke at times, like: *Can we get Elliott to cry?* Because he feels it so much." The task ahead of Nike is going to require a lot of conversations and presentations that end with a wet-eyed CEO.

And we should at least consider the possibility that it's already too late—that perhaps Nike is a 60-year-old company on the downslope of its golden age, that once you become uncool you tend to stay that way. Bengtson, who has written about sneaker culture since the dawn of it, is a little worried: "So the Air Jordan 29 came out this year, and I have yet to see a pair in person at all," he said.

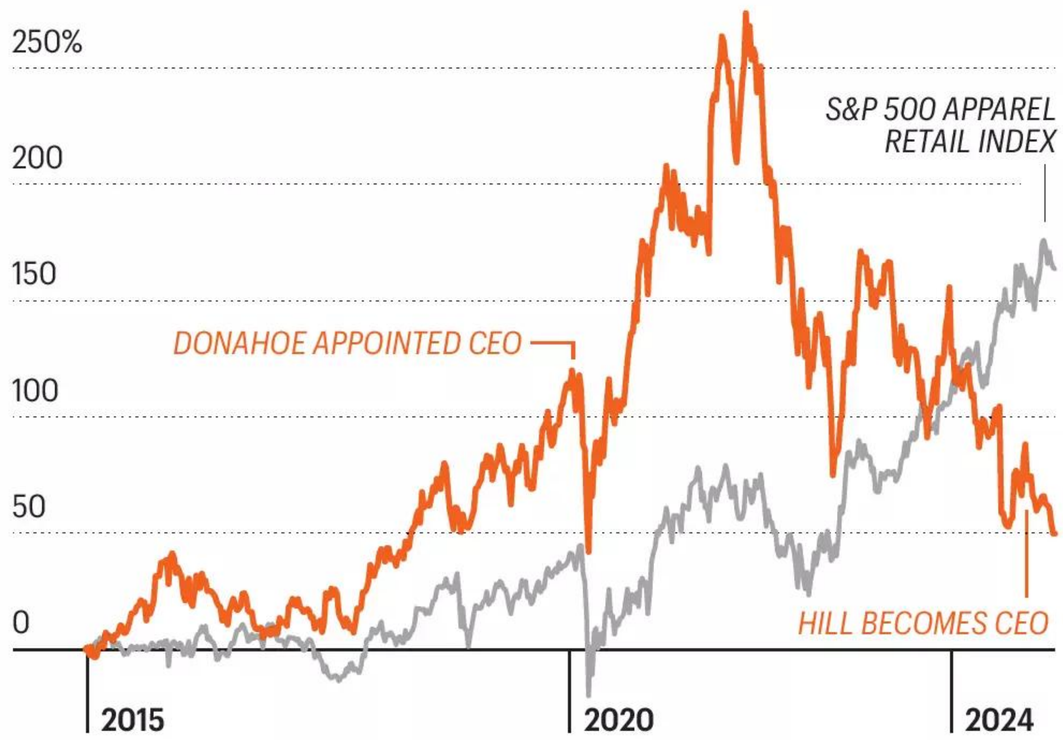
I asked Hill if the Air Jordan number was becoming like the Super Bowl, where it starts to sound a bit comical the higher it goes and also a bit, well, old. He smiled and looked over at Nike's longtime director of communications, KeJuan Wilkins, who shot back the universally recognized look that means *See?* Suffice it to say the conversation is ongoing, but Hill is under no illusions about the hurdles ahead for a brand that's nearing Social Security age.

A good salesman knows that you've got to keep blowing people's minds to stay relevant. Innovation also comes in various forms. "There's evolutionary innovation—you're making tweaks to materials, foam construction, how you laced the shoe, the

NIKE'S UPSIDE-DOWN SWOOSH

Nike's successful strategic pivots drove its stock to a pandemic-era high in 2021. But by the end of 2024, it was down nearly 60%.

CUMULATIVE NIKE SHARE PRICE CHANGE SINCE JAN. 1, 2015



SOURCE: S&P GLOBAL

outsole pattern, et cetera," Hill said. "And then there's revolutionary innovation: groundbreaking, jaw-dropping, *what-the-hell-did-Nike-just-do?* innovation. You've got to do both." The last time Nike released a jaw-dropper was arguably 2017's Vaporfly, a running shoe so lightweight it was considered cheating in some corners at first. Since then, upstarts in the sneaker landscape are the ones blowing people's minds: On Running—with its buzzy spray-on concept shoe debut at the Paris Olympics—and the multihued, bulbous Hoka, among them.

Hill was blunt about Nike's problem during that December earnings call: "We lost our obsession with sport." And he's tackling it one employee at a time: During a tour of Nike's headquarters in seasonally appropriate Portland weather—cold, windy, spitting wet—Hill asked nearly every employee we encountered if they were taking a break to get in a workout. (The campus has so many gyms it can sometimes seem like a giant athletic complex that happens to house a $100 billion corporation.) We passed more people on their way to work out than on their way to work—which is exactly how Hill wants it.

The key to Nike getting back on the front foot, he believes, is a workforce of people who think like athletes, because they are athletes.

C

Cultural dominance of the scale that Nike used to routinely achieve is also nearly impossible now—the global marketplace is too crowded; social media is too fractious; sports has gotten, frankly, too big. There are no larger-than-life American heroes like Michael Jordan now. LeBron James is 40. The king of the NBA, Victor Wembanyama, is a 7-foot-5 Frenchman who likes Isaac Asimov novels and playing speed chess in the park when he's in New York for games against the Knicks. Wemby is a Nike athlete, the head of a generational vanguard that includes Zion Williamson and Ja Morant, but he has a very different relationship with American kids than LeBron or MJ had.

"Do we have a Jordan in our portfolio?" Hill said. "Don't know yet, but it's our job to be planting those seeds."

One seedling already exists on the company's new product roster: The Sabrina line, named for sharpshooter Sabrina Ionescu of the WNBA champion New York Liberty, is a commercial hit that has also unexpectedly become a popular shoe among male NBA players.

"The reason why—cue prop—is it's a beautiful shoe," Hill said back at his office. He leaped out of his seat at the mere mention of it and raced over to grab a Sabrina 1 off a table jammed with Nike swag. "The fit on it is phenomenal. The feel is phenomenal. It was built for her—a smaller, lighter athlete. Quicker, faster. So you'll see it's the guards in the NBA—the ones, the twos—that are wearing it. And by the way: That's how you use sport to become culturally relevant."

The top WNBA stars, including Caitlin Clark and A'ja Wilson, both Nike athletes, are American-born. Maybe one of them will be Nike's next Jordan.

For her part, Ionescu told *Fortune,* the Sabrina 1 is more than just a shoe: "It's exciting to have that stamp of approval from world-class athletes, knowing that it doesn't matter that I'm in the WNBA and they're in the NBA. It's just basketball."

The birth cycle of a Nike product line, from conception to store shelf, is about 18 months, so Hill's fingerprints on the shoe lineup won't really begin to emerge until 2026. Hoke, Nike's innovation chief, told me that his team is cooking up product drops that "we hope will blow athletes' minds and shock the world of sports."

He's particularly excited about what he called "hyper-personalized" apparel and footwear that's "empathic and predictive."

"So you're out for a run, you're hot—your garment decides to open up, cool you off," Hoke explained. "Or you're on a trail and you're running downhill. Your shoe wedge adjusts to accommodate down versus up." Is it AI? Responsive materials? Something else? Hoke declined to share more about how it works, "but," he said, "I can tell you we're there."

For Hill and the entire Nike brand, the future can't get here fast enough. F

PHOTOGRAPH BY BRAD OGBONNA

90 DAYS.
DOZENS OF INTERVIEWS.
BILLIONS ON THE LINE.
HOW BLACKSTONE'S CEO-MAKER GETS THE JOB DONE.

BY RUTH UMOH

The Blackstone Edge

THE WOMAN BEHIND MANY THRONES Courtney della Cava has transformed Blackstone's executive recruitment process from an art to a more precise science.

THE

CEO candidate seemed like a perfect fit. Blackstone, the private equity titan, had acquired a real estate company and was searching for the ideal leader to helm it. The candidate had excelled as a senior executive at another Blackstone-owned real estate company and had greatly impressed interviewers on the CEO search committee.

But soon after he was hired to the new position, problems began to surface. The role required a chief executive who had a strong grasp of the local market, relationships with regional policymakers, and expertise in managing regulatory affairs—areas where his experience was limited. Within six months, it was clear that the CEO was struggling. The company had fallen significantly behind on its growth plan and failed to meet key financial milestones. Blackstone initially attempted to hire its way out of the problem, adding a chief transformation officer, an executive to restructure costs, and a more active advisory board chair. The CEO was also given feedback and coaching. But despite those efforts, his tenure lasted only two years.

"If we had simply stepped back and asked ourselves, 'What do we uniquely need this CEO to do to get us where we need to be?' we would have realized he wasn't the right fit," admits Courtney della Cava, Blackstone's senior managing director and global head of portfolio talent and organizational performance. "Instead, we became enamored with his past success—and it set us back."

It was a costly error, but one that Della Cava says highlights the importance of Blackstone's current approach to hiring CEOs for the 250 companies in its portfolio.

Blackstone has reached the top of the private equity pyramid by mastering the art of acquiring promising companies, improving their operations and profitability over a few years, then selling them at a higher value. It's a strategy that has grown its portfolio of companies and real estate assets to a value of $1.1 trillion—a nearly 13-fold increase compared to the $88 billion in assets under management when it went public in 2007.

The success of this model hinges on having the right leaders in place. And Della Cava was hired in 2021 to transform the firm's CEO recruitment from an art to a more precise science.

Landing a C-suite role at a Blackstone portfolio company is exceptionally competitive, and most candidates won't make the cut, says Dan Kaplan, a senior client partner at Korn Ferry's CHRO practice. "Everyone wants to be there," Kaplan says. "It has become a brand synonymous with being best in class."

Under Della Cava, each aspiring company leader now undergoes a rigorous and time-consuming three- to four-month recruitment process that includes nearly a dozen interviews with Blackstone stakeholders, advisors, and consulting partners, as well as board presentations, third-party assessments, exhaustive feedback from references, and a nearly five-hour psychometric evaluation that's designed to deeply probe the candidate's cognitive ability, character, motivations, and essence as a leader.

Selecting a CEO is about betting on potential, and Della Cava has found that each component of Blackstone's search process improves the likelihood of making the right appointment. This playbook, she says, is especially critical for a role that is grueling, fast-paced, and requires a person who can handle the volatility of being celebrated as a hero one day and criticized as a villain the next.

"Being a CEO is a high-intensity sport," says Della Cava. "For the right person, it's extraordinary. But it's not for everyone."

BLACKSTONE'S

CEO recruitment framework, which Della Cava and her team have refined over the past four years, has quickly become the envy of other private equity firms, according to several executive recruiters. Her 11-person team often works on dozens of companies' leadership searches at once.

With billions of dollars at stake, the importance of selecting the right CEO for a Blackstone portfolio company is extraordinarily high—for not only a company's financial success but also its culture. "An underperforming leader results in an underperforming company," says Della Cava. Put simply, she says: "Leadership is the No. 1

MADE THE CUT
Ross Shuster, CEO of the climate tech firm Copeland.

driver of value creation."

And getting a hire wrong can be a cascading disaster. Studies conducted by management consulting firm ghSMART found that a typical hiring mistake costs a company 15 times the employee's base salary in hard costs and lost productivity. For example, a single error in hiring a $100,000 employee could result in losses exceeding $1.5 million. The stakes are even greater for executive roles.

BORN and raised in San Diego and now living in San Francisco, Della Cava defies the stereotype of the laid-back, sun-chasing Californian. Impeccably dressed, well-groomed, and tall, she exudes a polished self-assuredness and sophistication reminiscent of a corporate Manhattan power player. She's warm and highly personable, but also mentally shrewd, with a thoughtful and deliberate way of choosing her words.

Della Cava says she has always been introspective, and was curious from a young age about what drives people's actions and decisions—partly the result, she says, of being the youngest of four kids. "I was the kid who put herself to sleep," she recalls. "When you're the baby in a large family, you become self-sufficient, and I became very observant, which turned out to be a gift."

Her father, an attorney, and her mother, a homemaker, often hosted dinner parties. "I would sit under the dining room table as a kid and just listen," she says. "My parents didn't know I was there, but it was a wonderful learning experience. I was enthralled by their conversations, trying to connect the dots and understand what they were discussing."

This fascination with people and their motivations initially led Della Cava to a career in marketing. "I wanted to understand why people make the choices they do. Why Pepsi over Coke? Why Mazda over other car companies?" she says, seated in a 43rd-floor boardroom at Blackstone's headquarters overlooking Manhattan's Park Avenue.

Her career eventually shifted to management consulting, including stints at Bain & Company and Russell Reynolds. At Bain, much of her work centered on "the what"—as in, the strategy, she explains: "How do you figure out a business model quickly? What are the market dynamics, and what adds value?"

In 2010, Della Cava joined Russell Reynolds as the firm transitioned from being generalist to becoming expert in select industries. It was there that she had a pivotal realization: While much of the management consulting industry focuses on "the what," success largely hinges on finding the right "who" to execute it: the staff, and especially company leaders.

This epiphany came from her relationship with a longtime client, a retail CEO, who followed Della Cava from her previous role in management consulting to her new position in executive search. Their dynamic evolved from "sterile" strategy discussions to deeply personal coaching about his ambitions, legacy, succession planning, and building a strong executive talent pipeline.

"I had this aha moment," she explains. "If we could help companies get the right people in, they could figure out the 'what' because good leaders know the right questions to ask. But equally, you can't get the right people in until you're clear on strategy."

From her front-row seat working with Fortune 500 clients, Della Cava found that the most successful companies focus intensely on the "what" *and* the "who." Both are encompassed in what Blackstone calls an "investment thesis" for each company.

$1.1 trillion

VALUE OF THE 250 COMPANIES AND THOUSANDS OF REAL ESTATE ASSETS IN BLACKSTONE'S PORTFOLIO

A Blackstone investment thesis identifies three to five key levers for creating maximum value, which may include M&A, digital investments, or expansion into adjacent markets, and always incorporates a leadership component. It also sets the time horizon for achieving these objectives and, if applicable, outlines the exit plan.

THE CEO selection process is extensive—and can be exhausting for candidates going through its many phases. It begins during the due-diligence process for a potential new investment. "Step one is figuring out how to drive the most value for the company," says Della Cava. "Step two is finding leaders who can stay the course and deliver on it."

Della Cava's group assesses the company's organizational structure, culture, and incumbent C-suite. They collaborate with external advisors, business heads across private equity and real estate, and Blackstone's network of approximately 100 senior advisors to translate the emerging investment thesis into leadership requirements.

About 85% of the time, there is some C-suite reshuffling, which Della Cava acknowledges can be anxiety-inducing for incumbent executives. But she stresses that the process is not a one-sided slashing and burning of the existing leadership team. "It's a transpar-

PREVIOUS SPREAD: HAIR AND MAKEUP: YOKO FUMOTO; SHUSTER: COURTESY OF BLACKSTONE AND COPELAND

ent dialogue where we're assessing whether the current team has the capabilities and skills required," she explains. "And they're also determining if they want to stay."

For each mission-critical C-suite and board role, Della Cava's team creates a leadership scorecard that aligns their responsibilities with value-driving levers. After a deal is finalized, the CEO search begins in earnest. Blackstone works with executive recruitment firms such as Spencer Stuart to identify potential candidates to replace the current leadership.

During the early stages of a CEO search, around 10 to 15 candidates are considered, with only two advancing to the final stages. The process typically takes 90 to 120 days, with CEOs selected after an executive chair has been appointed.

In some cases, no changes are made to the C-suite. Other times, a new role is added, or an existing executive is promoted. By the end of the first year of the investment, however, the go-forward team is firmly in place.

In November 2022, Ross Shuster, then CEO of Scotland-based industrial company Howden, got such a call from Spencer Stuart. Would he be interested in a CEO opportunity at a Blackstone portfolio company?

The previous month, Blackstone had announced its $14 billion acquisition of a majority stake in the engineering firm Emerson's climate technologies business, forming a new company later named Copeland. It was a complex transaction: Though Blackstone had acquired the business, Emerson retained a 40% equity stake. Copeland, an HVAC compressor company, needed a CEO capable of carving out and transforming a noncore division of a larger conglomerate into a stand-alone entity—all while driving significant growth.

What followed for Shuster was an intensive four-month process that included multiple interviews with nearly a dozen people. He flew from the U.K. to New York City twice to meet the Blackstone team and spent countless hours preparing for each interview and the final board presentation—while still managing his CEO responsibilities at the time. "It was definitely time-consuming," says Shuster, who officially assumed Copeland's corner office in April 2023. "But it was intentional. It was focused."

THE most probing interview that Shuster went through before he was hired was with Rosanna Trasatti, a clinical psychologist and leadership consultant who has helped administer many of Blackstone's psychometric analyses.

Trasatti's job is to get past the spiel that most candidates come prepared to deliver. Those who have reached the highest levels of corporate America tend to present a polished persona. "They've reflected deeply, are self-aware, and have crafted a well-rehearsed narrative they've shared countless times," says Trasatti.

The nearly five-hour psychometric assessment, with its probing and incisive questions, is designed to push candidates to move beyond their practiced narratives and offer deeper insights into how they think, learn, lead, and communicate. "By hour three—and certainly by hour four—most candidates let their guard down," says Trasatti. "It's challenging to maintain a polished story for that long."

Some of the questions prompt candidates to provide specific examples of their tasks and results, while others are designed to encourage deeper reflection on the candidate's life journey. "We take people back to their childhood and ask them to explore where they believe their drive originates," she explains.

For instance, prospective CEOs might be asked to select six colleagues from the past five years and explain how those coworkers would describe them. This encourages candidates to imagine themselves through the eyes of peers, reports, and bosses. "We're cognitively playing with getting them to access and share their stories in different ways," says Trasatti. "I don't allow them to sit in a space of practiced responses or emotional detachment from their narrative."

The psychometric results are shared with participants during the session, where they're able to discuss and pressure-test them. Sometimes candidates get defensive because they don't agree with the results. Sometimes the insights challenge their understanding of their own leadership style. If a candidate's analysis suggests they thrive in entrepreneurial environments with minimal structure, for example, Trasatti might ask how they would handle implementing extensive structured processes. Doing so allows candidates to engage with the data, reflect on whether it resonates, and navigate unexpected or even difficult conversations that deviate from their prepared narrative.

For Shuster, the assessment highlighted his leadership style as that of a team builder. While capable of taking charge when necessary, he prefers to act as a facilitator, empowering others and fostering a shared ownership of decision-making. "My ideal executive team is, if someone walked into a room and saw the 12 of us talking, it would be hard to identify who the CEO, CFO, or CHRO is because everyone is passionate about every aspect of the business," says Shuster.

"Being a CEO is a high-intensity sport. For the right person, it's extraordinary. But it's not for everyone."

—COURTNEY DELLA CAVA, BLACKSTONE

THE psychometric analysis also assesses the traits that are predictive of high performance, grouping them into "success modes" and "failure modes." Success mode traits include resilience, grit, humility, and a track record of cultivating loyalty and followership, while failure modes often involve insecurity and low cognitive ability.

"Cognitive ability" might seem too obvious a requirement to note. But there's more to the quality than simple intelligence. Candidates complete a timed test to measure their mental processing speed and gauge whether they can operate at the fast pace required for the corner office. "It's not 'Are you smart or stupid?'" says Della Cava. "It's 'Can you keep up? Do you have the cognitive speed, the ambition, the intellectual rigor, and mental agility to meet the demands of the role?'"

While candidates who score well below a certain threshold are more likely to fail as CEOs, a higher-than-average cognitive score does not necessarily predict success. "You kind of have to be tall enough to ride the ride, but being taller doesn't make you enjoy the Ferris wheel more," Trasatti explains.

References offer yet another assessment opportunity. Della Cava's team goes beyond the references provided by CEO candidates, back-channeling and reaching out to its own network for deeper insights into the candidate's work history. The group could include board directors, CEOs, customers, clients, former sponsors, or direct reports.

By the time candidates reach the board presentation stage, Blackstone has narrowed the CEO pool to two or three finalists. These hour-long presentations provide candidates with an opportunity to share their thoughts on the investment thesis and outline their plans for execution. "It's a bit of a dress rehearsal for how they'll engage with us," says Della Cava.

IT'S an incredibly comprehensive approach, but as with anything involving human judgment, it's not 100% error-free. Missteps have occurred when the firm overlooked obvious warning signs or overestimated its ability to mitigate them, says Della Cava.

Even with all the information and data gleaned from the extensive selection process, she concedes that it's easy to become enamored with a candidate. "You start to build a character in your head instead of asking, 'What do I uniquely need them to do? What specific qualities should I prioritize? What are the pragmatic tradeoffs, and how can we address their shortcomings with the right support and scaffolding?'" F

The recipe for success as a Blackstone portfolio CEO

Blackstone's rigorous process for selecting C-suite executives to run its portfolio companies includes a nearly five-hour psychometric evaluation to assess whether candidates possess the qualities required to excel in these high-pressure roles. Based on hundreds of assessments of C-suite candidates, the firm has identified key traits that indicate a candidate's potential for success—or risk of failure. Here are a few of them.

SUCCESS MODES

- **RESILIENCE**
  Leaders are able to thrive under pressure, steadily managing a rapid pace, complex changes, ambitious goals, and constant scrutiny without buckling.

- **CONFIDENT LEADERSHIP**
  Leaders can rally their staff during periods of change because they have a compelling presence and can quickly capture attention, establish credibility, and earn trust.

- **HIGH EMOTIONAL INTELLIGENCE**
  Leaders have emotional awareness and empathy and can self-regulate their feelings. They build strong relationships, navigate complex interpersonal dynamics with ease, and are exceptional communicators.

- **SELF-AWARENESS**
  Leaders demonstrate humility, take accountability for their mistakes, understand the impact of their behavior on the company, and understand their strengths and weakness.

FAILURE MODES

- **BELOW-AVERAGE COGNITIVE HEFT**
  Candidates whose problem-solving ability and mental processing speed are below average relative to their executive peers are unlikely to succeed.

- **INFLEXIBILITY**
  An unwillingness to adapt, change, or compromise in response to new circumstances or ideas works against candidates.

- **INSECURITY**
  Candidates who often seek reassurance and answers from others, or who try to keep up an appearance of success by withholding information, avoiding issues, or presenting an overly optimistic outlook increase their risk of failure.

IS NOVO NORDISK TOO BIG TO FAIL?

By Ryan Hogg

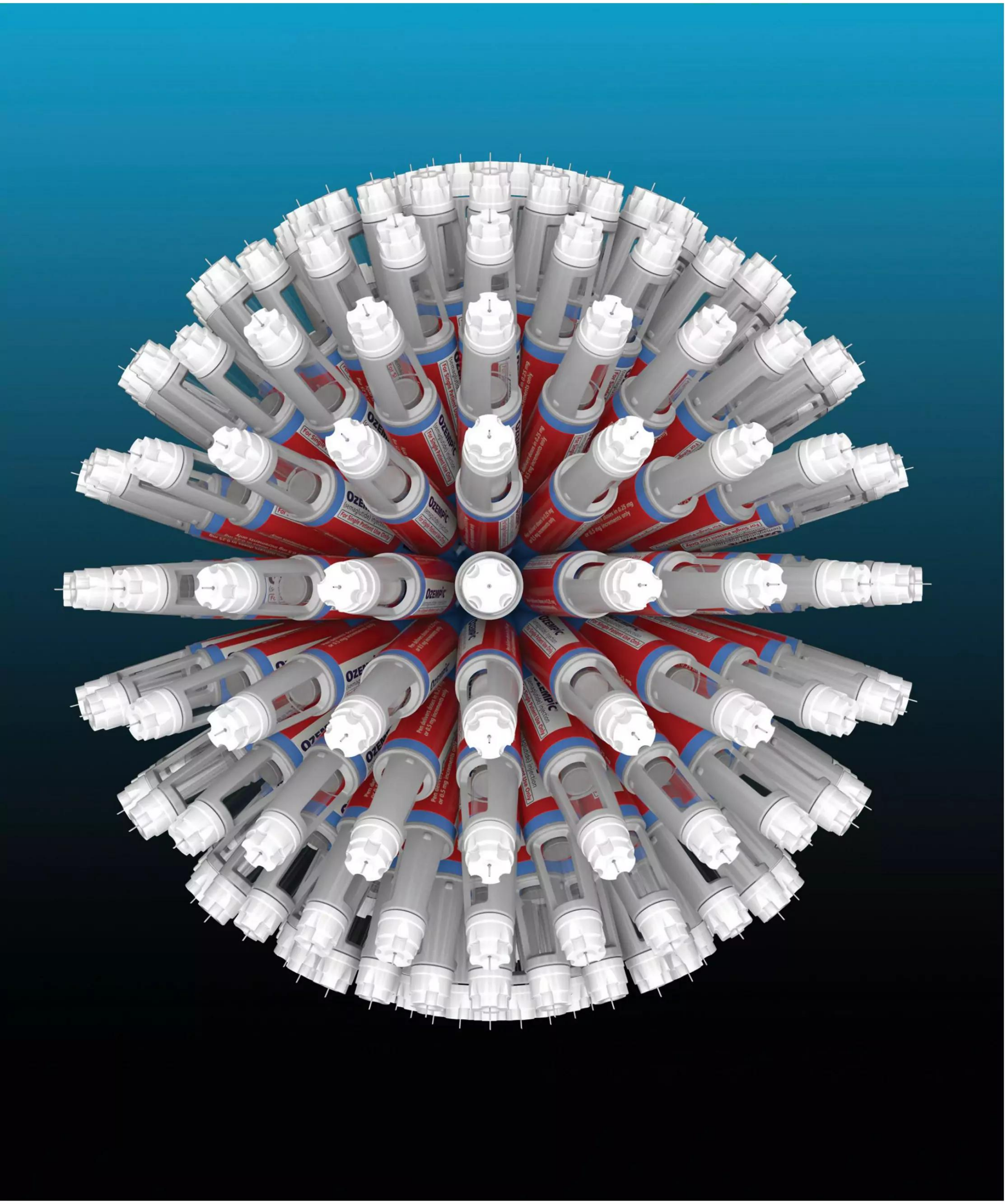


ILLUSTRATION BY EDDIE GUY

A weekly jab. That's all it has taken to shrink millions of waistlines across the developed world and create one of Europe's most valuable companies.

In just five years, Denmark's Novo Nordisk has propelled itself from a niche pharmaceutical group best known for commercializing insulin 100 years ago to a company that has the power to shape its home country's monetary policy and create one of the world's wealthiest charitable organizations.

Such influence, though, brings inevitable scrutiny, not to mention precarity. Rising competition; pressure from lawmakers in its biggest market, the U.S.; and disappointing trials have exposed dents in the company's armor. However, to identify its biggest risk, Novo's backers should take lessons from the past.

DENMARK'S "NOKIA RISK"

Novo Nordisk has experienced a meteoric rise on the back of surging demand for Ozempic and Wegovy, brand-name versions of its GLP-1 medication semaglutide, which have become world-famous tools in the fight against obesity. At a valuation of $380 billion as of mid-January, the pharmaceutical company was Europe's largest by market capitalization and was briefly worth more than the entire Danish economy.

The Novo Nordisk Foundation, a charitable organization that is the majority owner of the pharmaceutical company, has become a major philanthropic force as a result. The company responsible for the foundation's endowment reported in 2023 it has €149 billion ($156 billion) in assets under management, dwarfing the $75.2 billion endowment of the Gates Foundation. It's an astounding legacy for what a decade ago was a middling pharmaceutical group.

Trouble, though, is never far away.

Cautious analysts have flagged the "Nokia risk" as a potential danger for the Danish economy should it become too reliant on a single company, in this case Novo Nordisk.

Finland's economy built a reliance on Nokia at the turn of the 21st century, with the company contributing 25% of Finland's GDP growth between 1998 and 2007. However, Nokia's business model collapsed with the proliferation of smartphones, leaving Finland's economy in a yearslong economic mire.

Nokia is now worth about a tenth of its peak valuation back in early 2000.

There are parallels between Nokia and Novo Nordisk in their relationship to their respective economies, at least in their rise. Denmark's economy would have shrunk by 0.1% in 2023 rather than growing by 1.8% without its pharmaceuticals sector, in which Novo Nordisk is its biggest player.

Danske Bank believes Novo Nordisk will play a significant part in the growth of Denmark's economy, which is expected to have grown by an estimated 2.4% in 2024. The company is also a huge taxpayer, sending $2.3 billion in income taxes to the Danish government in 2023.

It raises the question of whether a sudden shock or a more insidious rise in competition could see Denmark go the same way as Finland.

NOVO NORDISK'S SCALE

The Novo Nordisk Foundation's CEO, Mads Krogsgaard Thomsen, is dismissive of comparisons between his native Denmark's prized asset and Finland's.

"You cannot compare Novo and Nokia from a dynamic perspective," Thomsen told *Fortune* during a conversation in London. "The Nokia risk is fundamentally different.

"Because the Nokia, the one we all had, was an old-fashioned but wonderful, robust telephone," he explained. "Then suddenly comes the first iPhone that's totally changing the technology. Now you could email, you could do things you never could before with smartphones. And that was a technology disrupter."

Detractors, however, say Novo Nordisk faces a different risk, namely the expiration of its valuable patent on its weight-loss-aiding drugs, with the core patent for Ozempic expiring in 2026. After this point competitors will be able to access these patents to make their own GLP-1s, threatening the company's chokehold on the industry.

Again, Thomsen is naturally bullish.

"You will have Chinese, Russian, Brazilian, Indian companies producing stuff like semaglutide sooner rather than later, but they will [only] be able to fulfill some of the local demands, probably nationally speaking," Thomsen admitted. However, he argued, if you look at the history of the diabetes hormone insulin, Novo Nordisk and Eli Lilly have continued to lead the market in the wake of patent expirations (French group Sanofi is the other major player in the global insulin market). "The same is expectedly going to happen with GLP-1s," said Thomsen. His main argument for this is scale.

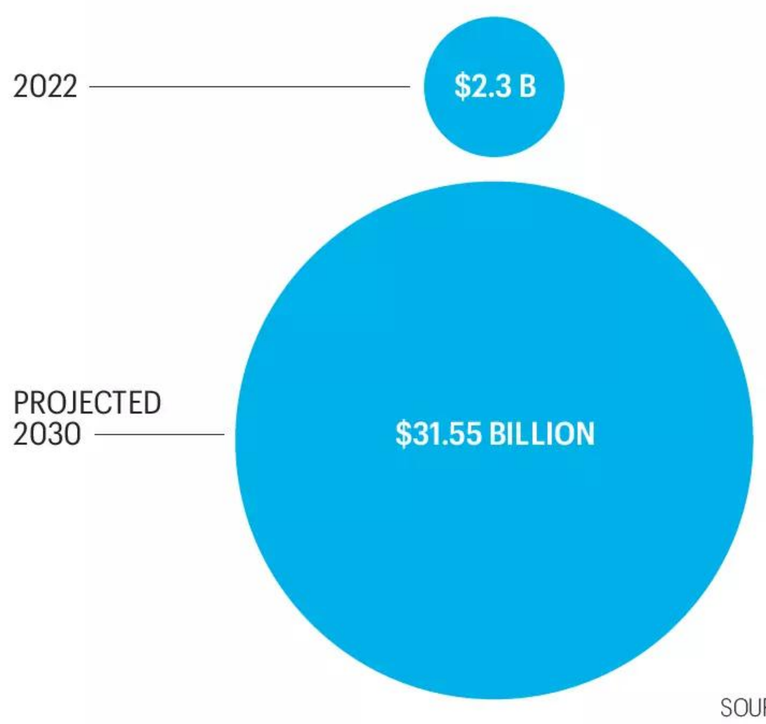
Thomsen said that currently, only about 9 million people are making use of GLP-1-based treatments against an estimated 1 billion people living with obesity around the globe.

"So you can multiply it by effect to 10, 15, 20, 30, the amount of volumes of these molecules needed to take down the obesity burden, the diabetes burden," he said.

"So I think what will happen is there's going to be a massive scale-up, where the biggest contributor to that scale-up will be the existing companies ... while there will be a multitude of small regional players that will be making biosimilars."

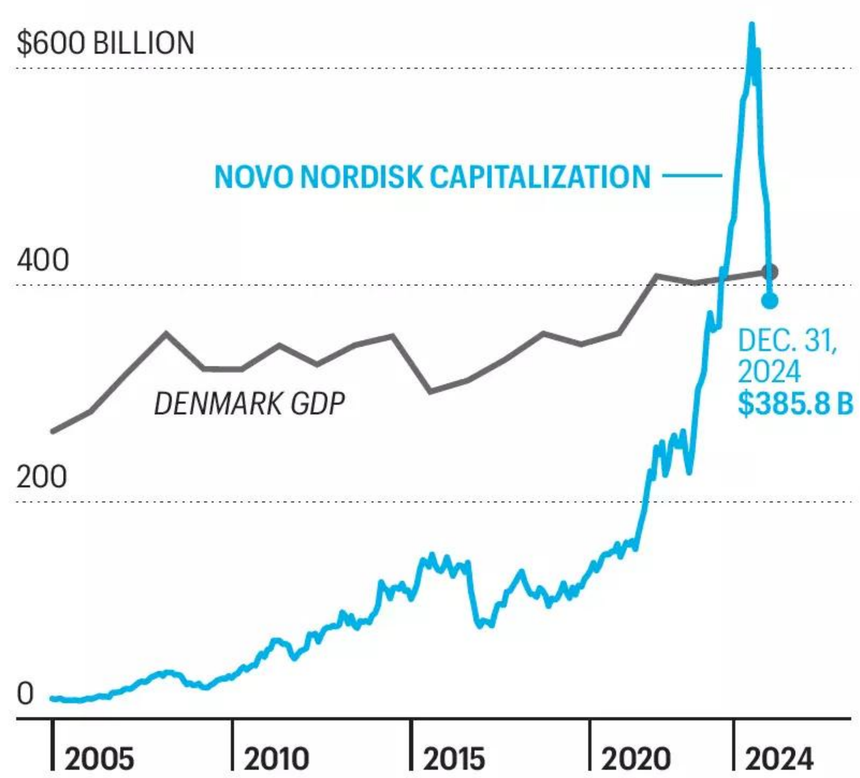
Without the benefit of foresight, it's difficult to argue with Thomsen's analysis of Novo's strengths.

NOVO NORDISK OBESITY-RELATED GLP-1 SALES



SOURCE: UBS

NOVO NORDISK MARKET CAPITALIZATION



SOURCES: IMF; S&P GLOBAL

NOVO NORDISK'S SPEED BUMPS

There are signs, however, that Novo Nordisk's honeymoon phase is over.

Despite its early dominance, Novo Nordisk is by no means the only player in the GLP-1 space.

Zepbound, U.S. pharma group Eli Lilly's GLP-1 iteration for weight loss, has made waves as a competitor to Novo's offering and threatens semaglutide's long-term dominance.

In December, Eli Lilly announced its tirzepatide-based drug beat Novo Nordisk's Wegovy in an Eli Lilly–backed trial to discover which drug helped users shed the most pounds.

In a note published in January, an otherwise bullish UBS acknowledged that a ramp-up in the supply of Novo Nordisk's GLP-1s could fall flat if Eli Lilly eats up extra demand.

That has put more pressure on new-drug discovery, where Novo Nordisk has also been found wanting.

In December, shares in the group plunged by nearly 20%, wiping tens of billions off its market value, after its new weight-loss drug, CagriSema, disappointed in a 68-week trial. Candidates' average loss of 22.7% of their original weight fell below the expected 25%.

Novo Nordisk Foundation CEO Mads Krogsgaard Thomsen (left) sits alongside Bill Gates at a global summit hosted by Novo in May 2024.

LUKA KAUZLARIC—AP IMAGES

Novo Nordisk's volatility after a disappointing trial proved the company wasn't an outlier in the pharmaceutical sector. Whatever its past successes, it needs to capitalize on them to stay competitive.

The group has also gotten into a scrap with lawmakers in the U.S., by far its biggest and fastest-growing market, where it reported sales of 115 billion Danish kroner ($15.7 billion) in the first nine months of 2024.

Novo Nordisk's CEO, Lars Fruergaard Jørgensen, volunteered to testify before the Senate Committee on Health, Education, Labor, and Pensions in September of last year after Sen. Bernie Sanders of Vermont claimed that his company was ripping off the American public.

The group has pushed blame for its price structure in the U.S., which sees Ozempic cost 1,300% more than in the U.K., onto the "complex" U.S. health care system, while highlighting its billions of dollars of investment in the country. Jørgensen was one of several Danish Fortune 500 Europe bosses summoned by the country's prime minister in January to discuss U.S. President Donald Trump's increasingly threatening rhetoric over his ambitions to purchase the self-governing Danish territory of Greenland. Trump has posed the possibilities of damaging import tariffs and even using military force to wrest control of the island.

Despite those pressing obstacles, Novo Nordisk is attacking them from a place of unprecedented strength. UBS expects the group's profits to double in the next four years, arguing it will experience sector-leading growth at least through to the end of this decade.

The Danish economy should still heed the warnings from Finland and its former darling, Nokia. F

FORTUNE

TECH LEADERS

EUROPE'S MOST INFLUENTIAL WOMEN 2024 IS THE DEFINITIVE LIST OF INSPIRING EUROPEAN TECH LEADERS—WHO ALSO HAPPEN TO BE WOMEN.

BY ALEX WOOD MORTON, ASLESHA MEHTA, ELENA MEDINA, AND GRETHE SCHEPERS

NAVIGATING a male-dominated world, these leaders have risen through the ranks to the C-suite and now drive digital transformation across the most important companies on the Fortune 500 Europe.

There's a theme connecting our top 20 leaders this year: laying the path for the next generation. Through mentorship, talent development, and even guest-lecturing at the world's top universities, these inspiring women are building a business legacy that will live on for decades to come.

The companies led by these women are among Europe's largest, generating a combined revenue of $1.2 trillion and employing more than 3 million collectively—highlighting their continental impact.

Women on the list hail from various industries including aerospace, beauty, and energy. From intern to C-suite, Barbara Lavernos, deputy CEO of L'Oréal, now oversees research, innovation, and technology, leading a global team of over 4,000 scientists and 8,000 employees.

Meanwhile, with a 20-year-long tenure at Accenture, Shaheen Sayed has a key role in the company's growth and success in the U.K., Ireland, and Africa. She's no stranger to breaking boundaries.

Others on the list include Pravina Ladva of Swiss Re and Ursula Soritsch-Renier, chief digital and information officer of manufacturing company Saint-Gobain, who have also grown their companies as members of the C-suite.

Pharmaceuticals is an industry notable for its significant technological transformation over the past decade. Shobie Ramakrishnan, a Silicon Valley veteran and now chief digital and technology officer (CDTO) of GSK, has turned the biopharma giant into a tech powerhouse, focusing on creating "exceptional medicines and vaccines," she told *Fortune*.

Improved tech capabilities are anticipated to help reduce the $2.3 billion average cost of bringing a drug onto the market, along with improving on the usual 90% failure rates of trial medicines. As CDTO, Ramakrishnan introduced the use of AI and data at GSK for faster drug discovery, highly optimized supply chains, and a greater awareness of consumer demand.

From founders to members of the C-suite, these women on our list are breaking barriers, shaping the future of technology, and inspiring the next generation of tech professionals.

Turn the page to see all 20 tech leaders. ▶

EUROPE'S MOST INFLUENTIAL WOMEN

Our list celebrates outstanding women across Fortune 500 Europe companies who are breaking new ground in technology. Delivering extraordinary success in their own field and blazing a trail for others, these are the women to watch.

Elena Breda
Chief Technology and Sustainability Officer
ELECTROLUX
FORTUNE 500 EUROPE RANK: 313
REVENUES ($MIL): $12,673

Armelle Levieux
Group Vice President, Innovation and Technology
AIR LIQUIDE
RANK: 136
REVENUES: $29,846

Annika Ölme
Chief Technology Officer and Senior Vice President, Technology Development
SKF
RANK: 377
REVENUES: $9,791

Liz Rowsell
Chief Technology Officer
JOHNSON MATTHEY
RANK: 257
REVENUES: $16,138

Hauke Stars
Board of Management, Information Technology
VOLKSWAGEN
RANK: 1
REVENUES: $348,408

Sabine Klauke
Chief Technology Officer
AIRBUS
RANK: 41
REVENUES: $70,751

Antonietta Mastroianni
Chief Digital and Information Technology Officer
PROXIMUS
RANK: 487
REVENUES: $6,538

Victoria Ossadnik
Chief Operating Officer, Digital, Innovation, and In-house Consulting
E.ON
RANK: 21
REVENUES: $101,280

Shaheen Sayed
Market Unit Lead—United Kingdom, Ireland, and Africa
ACCENTURE
RANK: 48
REVENUES: $64,897

Mariona Vicens
Head of Digital Transformation and Advanced Analytics
CAIXABANK
RANK: 149
REVENUES: $26,646

Pravina Ladva
Group Chief Digital and Technology Officer
SWISS RE
RANK: 75
REVENUES: $49,800

Laura Miller
Chair of the Technology Committee
ROYAL AHOLD DELHAIZE
RANK: 25
REVENUES: $95,835

Christina Raab
Market Unit Lead—Austria, Germany, and Switzerland
ACCENTURE
RANK: 48
REVENUES: $64,897

Hege Skryseth
Executive Vice President, Technology, Digital, and Innovation
EQUINOR
RANK: 17
REVENUES: $107,174

Grazia Vittadini
Member of the Executive Board—Technology and IT
LUFTHANSA GROUP
RANK: 96
REVENUES: $40,455

Barbara Lavernos
Deputy CEO, Research, Innovation and Technology
L'ORÉAL
RANK: 91
REVENUES: $44,521

Claudia Nemat
Board Member for Technology and Innovation
DEUTSCHE TELEKOM
RANK: 13
REVENUES: $121,046

Shobie Ramakrishnan
Chief Digital and Technology Officer
GSK
RANK: 104
REVENUES: $37,692

Ursula Soritsch-Renier
Chief Digital and Information Officer
SAINT-GOBAIN
RANK: 68
REVENUES: $51,830

Deborah Waters
Chief Technology Officer and Member of the Executive Committee
AEGON
RANK: 250
REVENUES: $16,409

METHODOLOGY This list highlights women who have made significant contributions in technology roles across Europe, achieving remarkable success for example as chief technology, information, or data officers. All women on this list are on leadership teams at Fortune 500 Europe companies (the 500 largest companies in Europe by revenue), providing strategic direction and ensuring alignment with their organization's goals. All roles are rooted in technology and its applications managing IT infrastructure, guiding data strategy, or overseeing technological innovations. Achievements include transformative leadership and strategic application of technology to drive organizational success, inspiring the next generation of female tech leaders. Information for this list was gathered from a range of sources, including annual reports, company websites, internet articles, and direct communication with companies.

BREDA: COURTESY OF ELECTROLUX; LEVIEUX: COURTESY OF AIR LIQUIDE; ÖLME: COURTESY OF SKF; ROWSELL: COURTESY OF JOHNSON MATTHEY; STARS: COURTESY OF VOLKSWAGEN; KLAUKE: COURTESY OF AIRBUS; MASTROIANNI: COURTESY OF PROXIMUS; OSSADNIK: COURTESY OF E.ON; SAYED: COURTESY OF ACCENTURE; VICENS: COURTESY OF CAIXABANK; LADVA: COURTESY OF SWISS RE; MILLER: COURTESY OF ROYAL AHOLD DELHAIZE; RAAB: COURTESY OF ACCENTURE; SKRYSETH: COURTESY OF EQUINOR; VITTADINI: COURTESY OF LUFTHANSA GROUP; LAVERNOS: COURTESY OF L'OREAL; NEMAT: OLIVER BERG—PICTURE ALLIANCE VIA GETTY IMAGES; RAMAKRISHNAN: COURTESY OF GSK; SORITSCH-RENIER: COURTESY OF SAINT-GOBAIN; WATERS: COURTESY OF AEGON

FORTUNE

THE WORLD'S MOST ADMIRED COMPANIES

Leaders in all industries rely more than ever on Big Tech. And as we've learned from the 27th edition of the Fortune World's Most Admired Companies All-Stars list, those leaders *really* appreciate the giants that deliver goods and services reliably, at scale, and without drama. For a stunning 18th straight year, Apple finished first in our annual ranking of corporate reputation, based on a poll of 3,380 executives, directors, and analysts; for the sixth year in a row, Amazon and Microsoft rounded out the top three. Nvidia, whose GPU chips are fueling the generative AI explosion, rose six spots to No. 4 as its influence continued to grow. Elsewhere, cloud software provider ServiceNow (No. 42), global chip giant Taiwan Semiconductor (No. 45), and weight-loss drug pioneer Novo Nordisk (No. 46) became first-time All-Stars. (FOR MORE DETAILED RANKINGS, VISIT FORTUNE.COM.)

THE 50 ALL-STARS THESE COMPANIES WON ADMIRING VOTES FROM INSIDE AND OUTSIDE THEIR INDUSTRIES.

1	APPLE	1*	COMPUTERS AND COMMUNICATION
2	MICROSOFT	2	COMPUTERS AND COMMUNICATION
3	AMAZON	3	COMPUTERS AND COMMUNICATION
4	NVIDIA	10	PRECISION
5	BERKSHIRE HATHAWAY	4	FINANCIALS
6	COSTCO WHOLESALE	6	STORES AND DISTRIBUTORS
7	JPMORGAN CHASE	5	FINANCIALS
8	WALMART	9	STORES AND DISTRIBUTORS
9	ALPHABET	7	COMPUTERS AND COMMUNICATION
10	AMERICAN EXPRESS	8	FINANCIALS
11	DELTA AIR LINES	11	TRANSPORT
12	COCA-COLA	15	CONSUMER PRODUCTS
13†	MARRIOTT INTERNATIONAL	13	MEDIA AND ENTERTAINMENT
13†	WALT DISNEY	12	MEDIA AND ENTERTAINMENT
15	NETFLIX	23†	MEDIA AND ENTERTAINMENT
16	HOME DEPOT	19	STORES AND DISTRIBUTORS
17	SALESFORCE	21	COMPUTERS AND COMMUNICATION
18	GOLDMAN SACHS GROUP	30	FINANCIALS
19	PROCTER & GAMBLE	18	CONSUMER PRODUCTS
20	FEDEX	17	TRANSPORT
21	ELI LILLY	34	NATURAL RESOURCES
22	BLACKROCK	26	FINANCIALS
23	BMW	28	TRANSPORT
24	NIKE	14	CONSUMER PRODUCTS
25	TOYOTA MOTOR	25	TRANSPORT
26	USAA	23†	FINANCIALS
27	TARGET	22	STORES AND DISTRIBUTORS
28	SINGAPORE AIRLINES	29	TRANSPORT
29	STARBUCKS	16	STORES AND DISTRIBUTORS
30	ACCENTURE	33	COMPUTERS AND COMMUNICATION
31	JOHNSON & JOHNSON	27	NATURAL RESOURCES
32	NORDSTROM	31†	STORES AND DISTRIBUTORS
33	MORGAN STANLEY	36	FINANCIALS
34	VISA	38	FINANCIALS
35	UPS	31†	TRANSPORT
36	BANK OF AMERICA	42	FINANCIALS
37	DANAHER	41	PRECISION
38	PFIZER	20	NATURAL RESOURCES
39	PUBLIX SUPER MARKETS	49	STORES AND DISTRIBUTORS
40	CATERPILLAR	N.R.	TRANSPORT
41	L'ORÉAL	43	CONSUMER PRODUCTS
42	SERVICENOW	N.R.	COMPUTERS AND COMMUNICATION
43	IBM	48	COMPUTERS AND COMMUNICATION
44	PEPSICO	35	CONSUMER PRODUCTS
45	TAIWAN SEMICONDUCTOR	N.R.	PRECISION
46	NOVO NORDISK	N.R.	NATURAL RESOURCES
47	LOWE'S	47	STORES AND DISTRIBUTORS
48	MASTERCARD	40	FINANCIALS
49	SAMSUNG ELECTRONICS	45	PRECISION
50	ADOBE	46	COMPUTERS AND COMMUNICATION

*LAST YEAR'S RANK

N.R. COMPANY NOT RANKED LAST YEAR

†A TIE IN RANK

DROPPED OUT OF THE TOP 50
MODERNA (37 LAST YEAR), 3M (44), SOUTHWEST AIRLINES (39), AND CVS HEALTH (50)

THE 50 ALL-STARS BY CATEGORY

- COMPUTERS AND COMMUNICATION
- CONSUMER PRODUCTS
- FINANCIALS
- MEDIA AND ENTERTAINMENT
- NATURAL RESOURCES
- PRECISION
- STORES AND DISTRIBUTORS
- TRANSPORT

INDUSTRY STANDOUTS
EARNING PROPS FROM THEIR PEERS

Few companies in history can match the recent meteoric ascent of **Nvidia**. The company and its GPU chips have both tapped into and helped unleash demand for generative AI. Over the past three years, Nvidia's revenue has more than quadrupled, while its share price is up 525%.

What might seem like overnight success was decades in the making, of course. (Nvidia was founded in 1993.) And the Fortune World's Most Admired Companies list has been tracking Nvidia's ascent since well before AI made it a $3 trillion business.

Our reputational research generates two lists (see our methodology below), and Nvidia ranks high on both. The All-Stars list ranks companies by the acclaim they earn in surveys of the wider business community. Nvidia first made that list in 2021; this year it reached No. 4.

The other list focuses on industry rankings. We ask insiders about their own companies and their competitors, letting them score companies on a numerical scale in nine categories. (You can find the results at fortune.com.) With these numbers, people in the know spill the tea. Nvidia has been winning among the insiders for far longer than it's been a household name: It first topped the semiconductor industry ranking in 2017. This year, it finished No. 1 among *all* companies in all industries in six of our nine categories—the first time a company has accomplished that feat since Apple in 2016. Categories Nvidia won included quality of management, quality of products, and innovativeness.

Nvidia also finished in the top 10 in all nine categories, a feat only **Procter & Gamble** could match. **Apple**, No. 1 on the All-Stars list, wasn't far behind among insiders, earning top 10 slots in seven categories. In a year when Apple was criticized by some for having fallen behind in the AI race, it was telling that the experts we surveyed showed confidence in the company over the long term.

Lengthy streaks aren't uncommon in the industry rankings. This year, **Accenture** topped the information technology services industry for the 12th year in a row; **BlackRock** finished first in securities asset management for the 13th straight year; and **UnitedHealth Group** won in health insurance for the 15th consecutive time, even as the murder of one of its executives underscored consumer frustration with Big Health Care.

In property and casualty insurance, Warren Buffett's **Berkshire Hathaway**, which owns Geico, has finished first every year in the history of this survey—27 times in all.

That said, this year also saw plenty of churn: In all, there were changes at No. 1 in 16 of the 47 industries we tracked. Among superregional banks, **PNC Bank** took the top spot, riding a wave of growth in its asset-management business. Its win ended a 14-year streak for U.S. Bancorp.

Some changes reflected deeper turmoil. In apparel, **Ralph Lauren** took the top spot for the first time since 2014, capping a year in which its shares rose 65%. It dethroned Nike, which had enjoyed 10 straight years at No. 1 but suffered in 2024 from a sharp revenue slump exacerbated by a dearth of new products. (See our story in this issue.) And in a food service industry roiled by inflation, **McDonald's**, home of the $5 Happy Meal, finished first. That ended a 12-year reign at No. 1 for coffee giant Starbucks, whose growth has leveled off amid dissatisfaction among customers and employees alike.

Those survey results suggest that industry insiders believe both Nike and Starbucks would benefit from a reboot. Perhaps not coincidentally, both companies replaced their CEOs in 2024. And as their presence on our All-Stars list shows, each still has a strong reputation on which to build.
—Matt Heimer and Scott DeCarlo

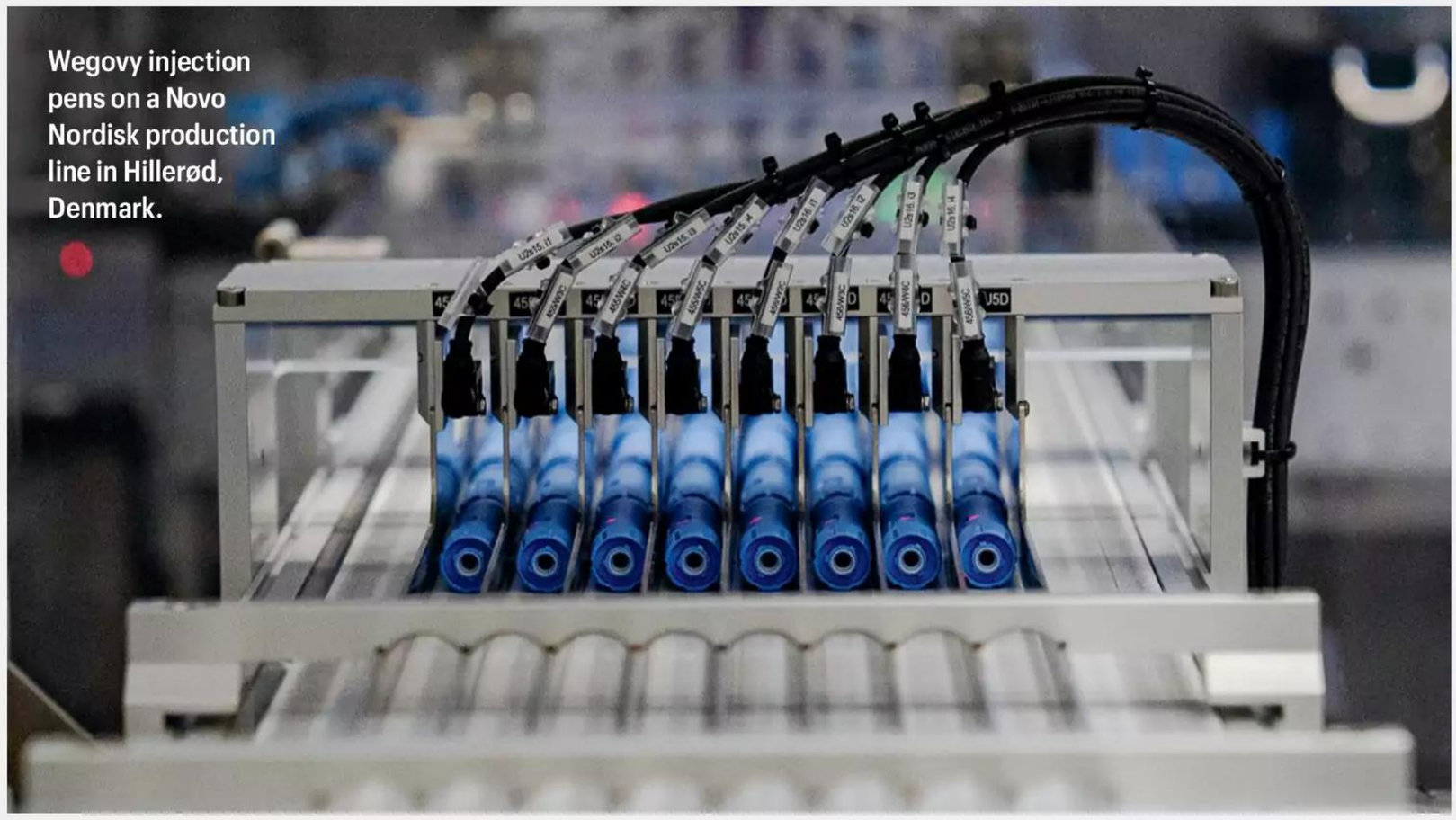
HOW WE DETERMINE THE LIST

As we have in the past, *Fortune* collaborated with our partner Korn Ferry on this survey of corporate reputation. We began with a universe of about 1,500 candidates: the 1,000 largest U.S. companies ranked by revenue, along with non-U.S. companies in the Fortune Global 500 database that have revenues of $10 billion or more. We winnowed the assortment to the highest-revenue companies in each industry, a total of 650 in 30 countries. The top-rated companies were picked from that pool of 650; the executives who voted work at the companies in that group.

To determine the best-regarded companies in 51 industries, Korn Ferry asked executives, directors, and analysts to rate enterprises in their own industry on nine criteria, from investment value and quality of management and products to social responsibility and ability to attract talent. A company's score must rank in the top half of its industry survey to be listed. (For complete rankings, visit fortune.com.)

To select our 50 All-Stars, Korn Ferry asked 3,380 executives, directors, and securities analysts who had responded to the industry surveys to select the 10 companies they admired most. They chose from a list made up of the companies that ranked in the top 25% in last year's surveys, plus those that finished in the top 20% of their industry. Anyone could vote for any company in any industry.

HOW REPUTATIONS RISE AND FALL
HIGHLIGHTS FROM THIS YEAR'S SURVEY



Wegovy injection pens on a Novo Nordisk production line in Hillerød, Denmark.

ANTI-OBESITY DRUGS LIFT ELI LILLY AND NOVO NORDISK

Over the past two years, Eli Lilly (No. 21 on our All-Stars list) and Novo Nordisk (debuting at No. 46) have seized center stage in the pharmaceutical industry—thanks to drugs that could help tackle the global obesity crisis. GLP-1s include Novo's Ozempic and Wegovy and Lilly's Mounjaro and Zepbound—medications that help lower blood sugar in people with diabetes, but that also appear to curb hunger and support weight loss.

Both companies' share prices fell sharply in the second half of 2024, as the drugs encountered new headwinds—including heavier competition and some insurers' reluctance to pay for the pricey medications. But Lilly and Novo have invested heavily in their research pipelines, increasing the odds that their businesses will thrive even after the GLP-1 gold rush ends.

WEIGHING IN ON CEOS

For the ninth straight year, Satya Nadella was voted the "most underrated" Fortune 500 CEO by our respondents—having helped make Microsoft 10-fold more valuable during his tenure, thanks to timely pivots to the cloud and AI. Other top vote-getters: Nvidia's Jensen Huang, Doug McMillon of Walmart, Ed Bastian of Delta, and Mary Barra of General Motors. In contrast, respondents chose Tesla's Elon Musk as the "most overrated" CEO for the third straight year. Musk, of course, has increased his prominence enormously by helping Donald Trump win the presidency; his reputation as a leader may be seen as inflated, but his influence is unmatched.

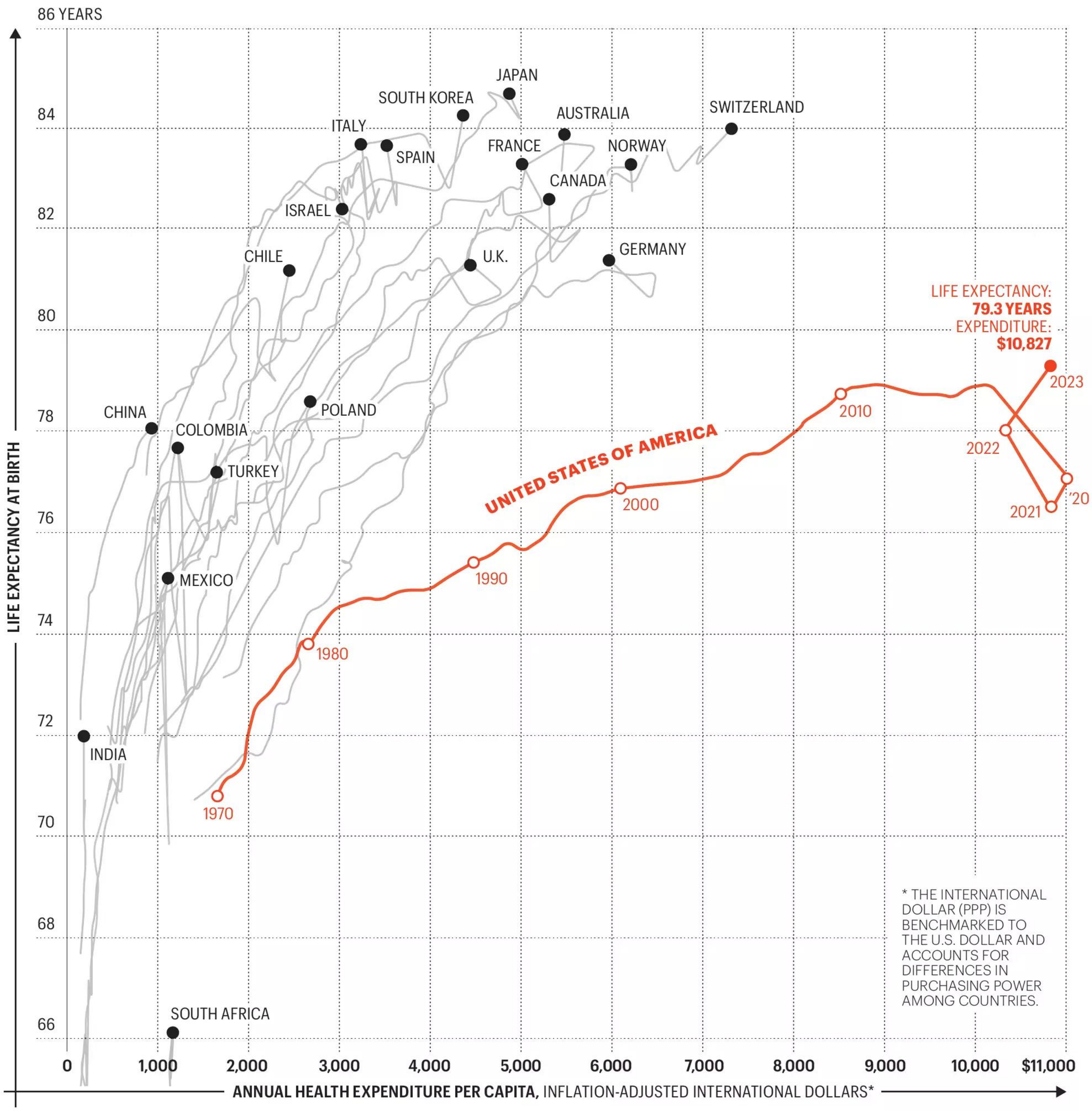
NIKE AND STARBUCKS STUMBLE

Nike and Starbucks each had a 2024 they'd rather forget—and each slid lower on our All-Stars list. Nike (No. 24) lost ground to competitors and suffered plummeting sales after it stopped selling through some retail partners. Starbucks (No. 29) faced surging consumer annoyance over long waits at its coffee shops, which the company blamed on aging technology and complex drink orders. In some cities, meanwhile, baristas went on strike for better pay and benefits. The brands' rebound strategies are a study in contrasts: Look for Nike to launch a host of new shoe models, while Starbucks aims to simplify its menus and spruce up stores to better serve people in a hurry.

Workers picket outside a Starbucks in Burbank, Calif., in December 2024.

FROM TOP: CHARLOTTE DE LA FUENTE—BLOOMBERG/GETTY IMAGES; FREDERIC J. BROWN—AFP/GETTY IMAGES

CHANGE IN LIFE EXPECTANCY AND HEALTH EXPENDITURE FROM 1970 TO 2023



THE CARTOGRAPHER

For the Average American, Money Can't Buy Longevity

Greater spending on health *should* correlate with gains in life expectancy—but the U.S., the planet's biggest per capita spender, lags significantly behind other developed nations by that measure. (Australians spend half as much, but live almost five years longer.) U.S. rates of opioid abuse, gun violence, and maternal and infant fatalities all exceed those in most other advanced economies, driving down average life spans. And in a largely for-profit system where insurance often depends on employment status, access to the basic care that leads to longer lives can be tenuous at best. Even people with access often feel uncared for, as we learned from the polarized reactions to the murder of UnitedHealthcare chief executive Brian Thompson. —*MATT HEIMER*

GRAPHIC BY NICOLAS RAPP

SOURCES: UN; OECD; OUR WORLD IN DATA
ALL DATASETS END IN 2023, EXCEPT EXPENDITURE DATA FOR CHINA, TURKEY (2022); INDIA, SOUTH AFRICA (2021).

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