APPLE: THE RACE TO $1 TRILLION / THE HIDDEN COST OF HURRICANES

FORTUNE

OCTOBER 1, 2017
FORTUNE.COM
ASIA PACIFIC EDITION
NUMBER 13

PEPSICO CEO INDRA NOOYI

THE QUEEN OF POP

PepsiCo's CEO talks Amazon, phony health food—and business in the age of Trump

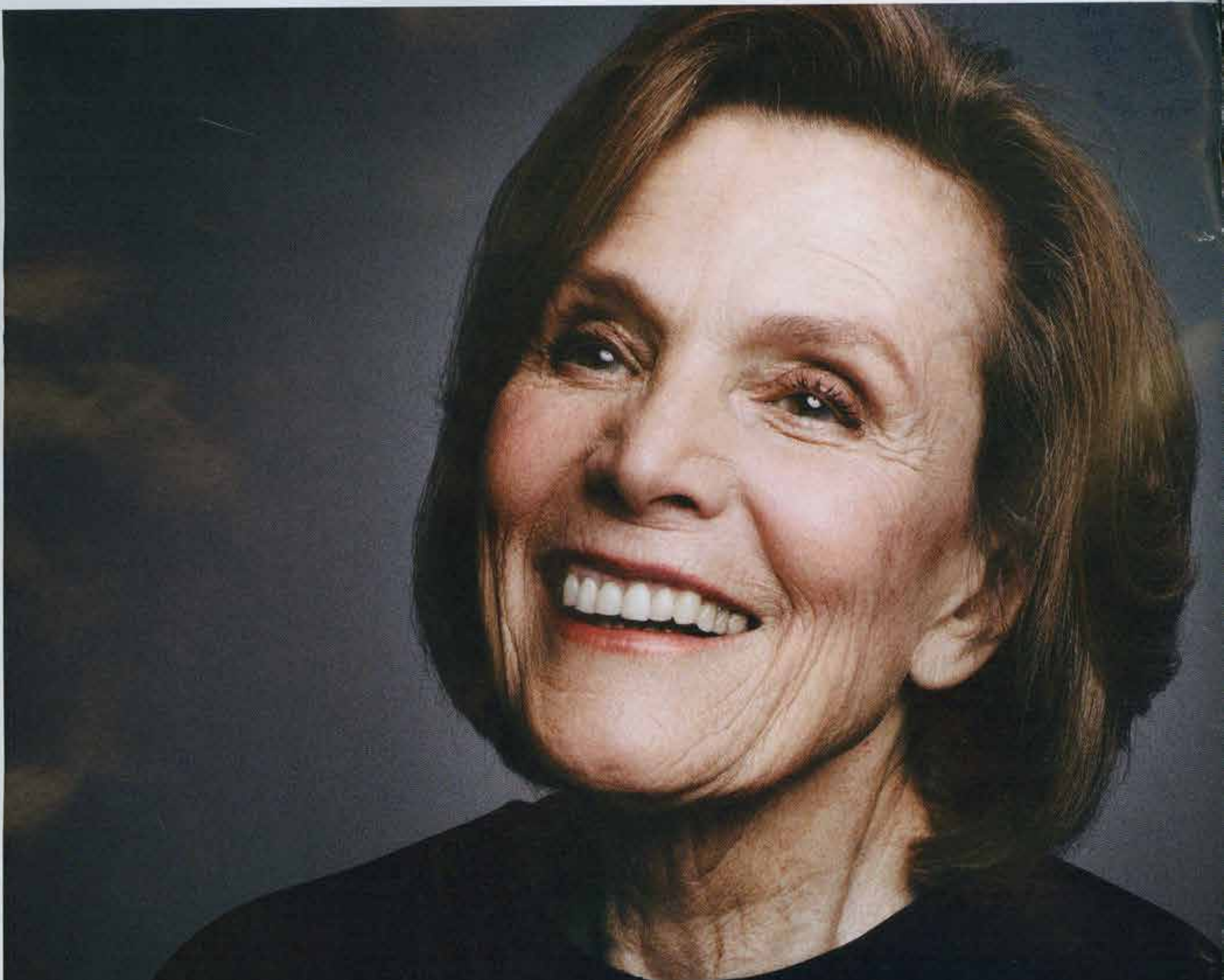
TECH ATTACKS TOYLAND

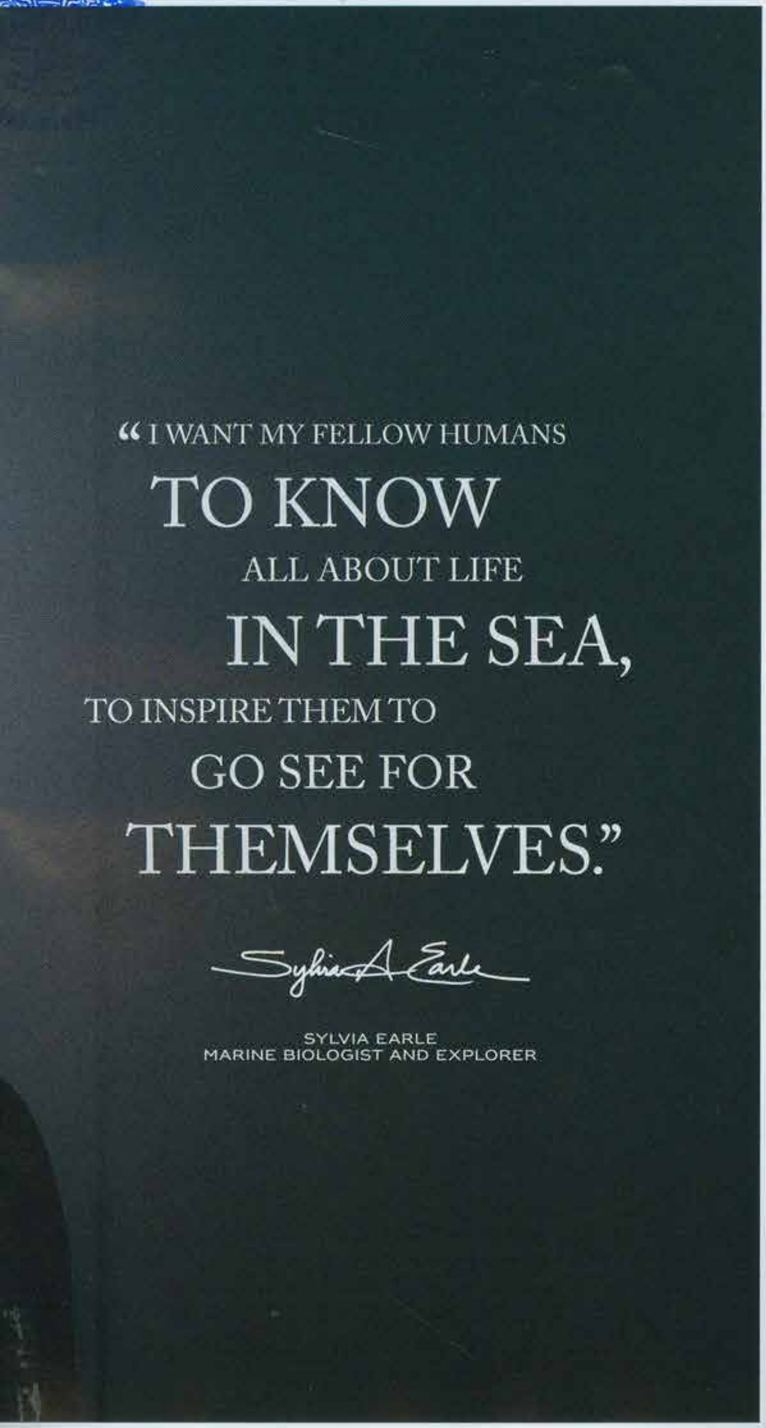
Mattel, Lego, and Hasbro Fight to Survive in a Digital Age

20TH EDITION

THE 50 MOST POWERFUL WOMEN

Mary Barra: GM takes on Tesla
Sheryl Sandberg: Facebook fights fake news
Abby Johnson: Fidelity bets on Bitcoin



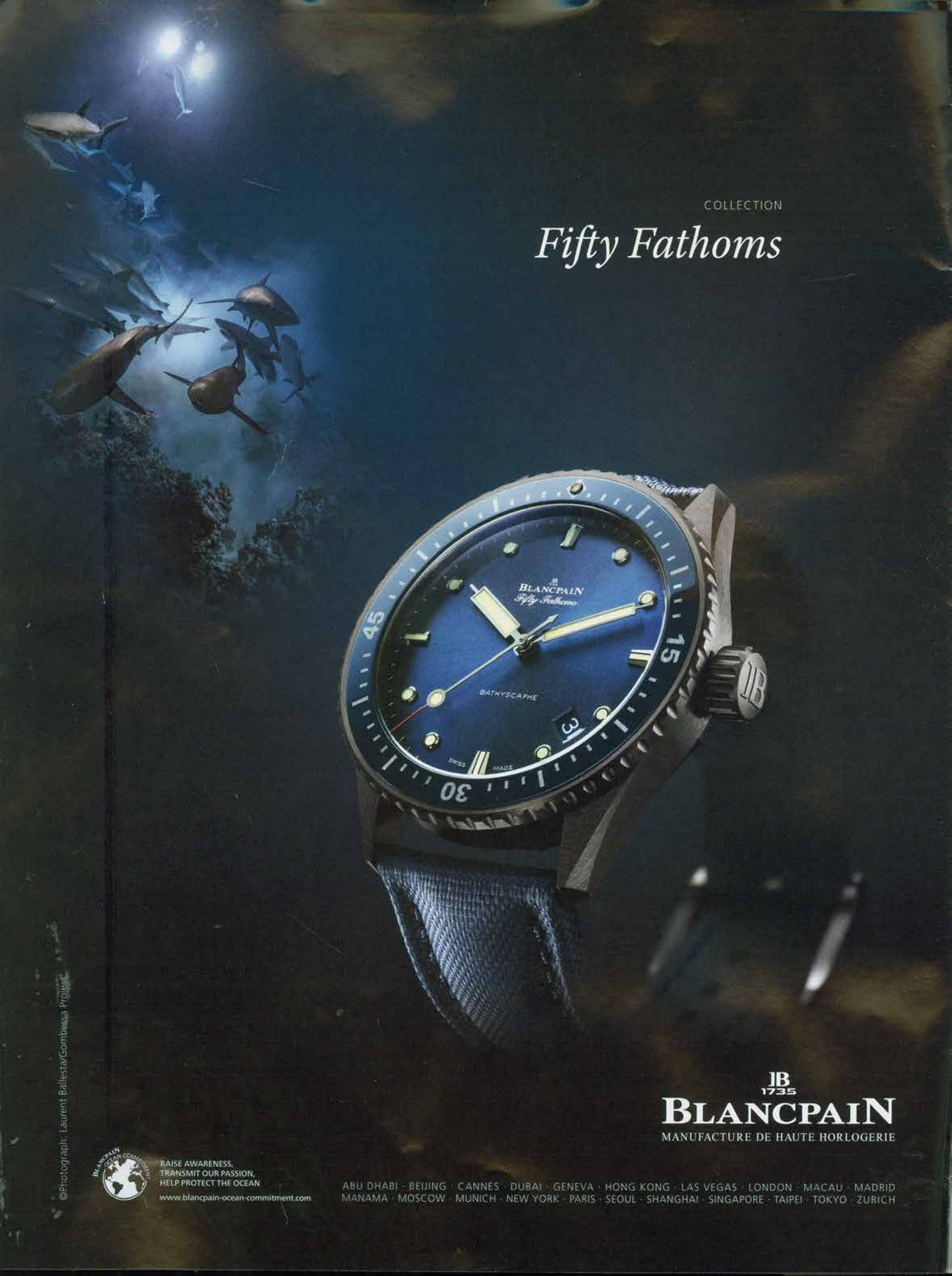


INSPIRING.

For over 50 years, Dr. Sylvia Earle has dedicated her life to exploring and preserving the oceans. She holds the depth record for untethered dives, helped develop the Deep Rover submersible and has authored over 200 publications. Now, with her Mission Blue project, the first female National Geographic Explorer-in-Residence is helping identify, highlight and protect the most threatened ecosystems on the planet. Rolex is proud of its long-term relationship with a true pioneer, as she continues her inspiring quest to make a difference. It doesn't just tell time. It tells history.

OYSTER PERPETUAL LADY-DATEJUST 28

ROLEX



COLLECTION
Fifty Fathoms
BLANCPAIN
Fifty Fathoms
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FEATURES
MOST POWERFUL WOMEN

▲ ON THE COVER: INDRA NOOYI PHOTOGRAPHED BY **SPENCER HEYFRON**

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LAST BYTE

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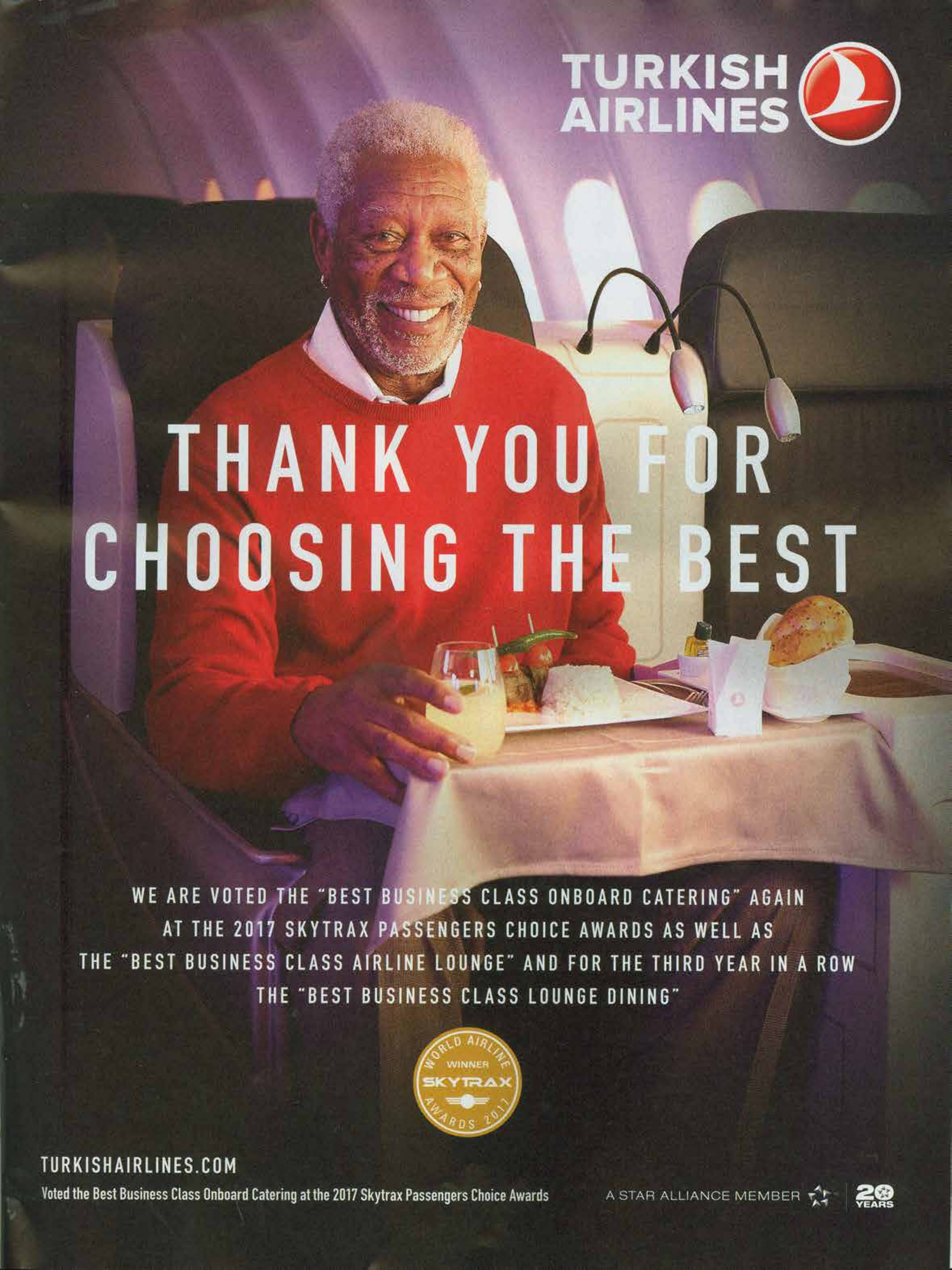
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20 YEARS

BRIEFING

A woman and her father try to recover items from their flooded home in Texas.

© EMILY KASK—AFP/GETTY IMAGES

A Category 5 Business Problem

The economies of hurricane-battered cities could see a boost as the recovery gets underway. But as U.S. storms become more frequent and more intense, the devastation will get harder to undo.

By Clay Dillow

CLIMATE

DESPITE THE MYRIAD hardships visited upon cities when hurricanes strike, economists can usually find a silver lining in the post-storm data: Though natural disasters can bring local and regional businesses to a temporary standstill, the ensuing recovery efforts often bring a spending jolt that offsets—sometimes more than offsets—the economic wreckage.

Such should be the case for Houston, Miami, and other cities recently impacted by hurricanes Harvey and Irma, which together may end up ▷▷

▷▷ costing between $150 billion and $200 billion in damage and lost productivity, according to estimates from Moody's Analytics. Experts generally agree cities' recovery from both storms should be relatively swift. "Eighty percent of the economy will be back in six months, 90% in a year, 100% three years from now," Mark Zandi, Moody's chief economist, says of Houston. A similar comeback is also likely in any U.S. city hit by Maria, which at press time was gathering strength in the Atlantic.

First comes the influx of insurance and relief cash, which fuels massive new purchases of goods and materials that lift GDP and boost business. Companies like Lowe's and Home Depot stand to profit as communities rebuild, alongside players as disparate as Walmart, Procter & Gamble, and the Big Three automakers, whose sales rise as people replace storm-damaged goods. Workers may see gains as well, particularly in sectors like construction, where spiking demand drives up wages.

Rebuilding, Slowly

But the recovery bump doesn't manifest itself evenly. Post-disaster, people with the means to pay a premium for labor and materials tend to bounce back faster than those who do not—worsening entrenched inequalities. Meanwhile, workers who flee ahead of a storm are often slow to return, and some don't return at all, contributing to labor shortages (which could be exacerbated by tightening immigration restrictions this time around).

Cities ignore these problems at their peril, experts warn, particularly as climatologists predict more frequent and more powerful hurricane events.

What can the U.S. do to become more resilient? The obvious solutions are buying out residents in flood-prone areas, discouraging building there with new zoning laws, and requiring more residents to buy flood insurance.

Forecast: Cloudy

But those fixes alone are likely inadequate for the storms to come. More governments and companies will need to reimagine both existing infrastructure and construction. Think roadways designed to better transport floodwater, building codes requiring new developments to better manage storm runoff, and initiatives that engage major companies as partners in better flood management as they rebuild.

The stakes are high, particularly in a hub like Houston. Industries such as energy, petrochemicals, and shipping may be bound to coastal areas by geography, but companies in other sectors critical to its economy—health care, tech, and finance—can leave.

"If you think about it from the perspective of a *Fortune* 500 company, it's 'Yeah, I'm happy to help clean up and be a part of Houston this time,'" says Andrew Salkin of 100 Resilient Cities. "But if there's another flood, another storm that drops 30 or 40 or 50 inches of rain, I don't know how many more times I'm going to be able to take the hit."

RELIEF

TESLA'S GOOD DEED SPARKS A (MISPLACED) BACKLASH

Tesla used software updates to extend the battery range of its cars in Florida, raising eyebrows from some critics.

MIKE BLAKE—REUTERS

IT STARTED with a single request from a Florida man preparing to evacuate as Hurricane Irma barreled toward the state. The Tesla Model S 60 owner asked if the automaker would "unlock" the battery capacity of his electric car to get the extra range to hasten the trip.

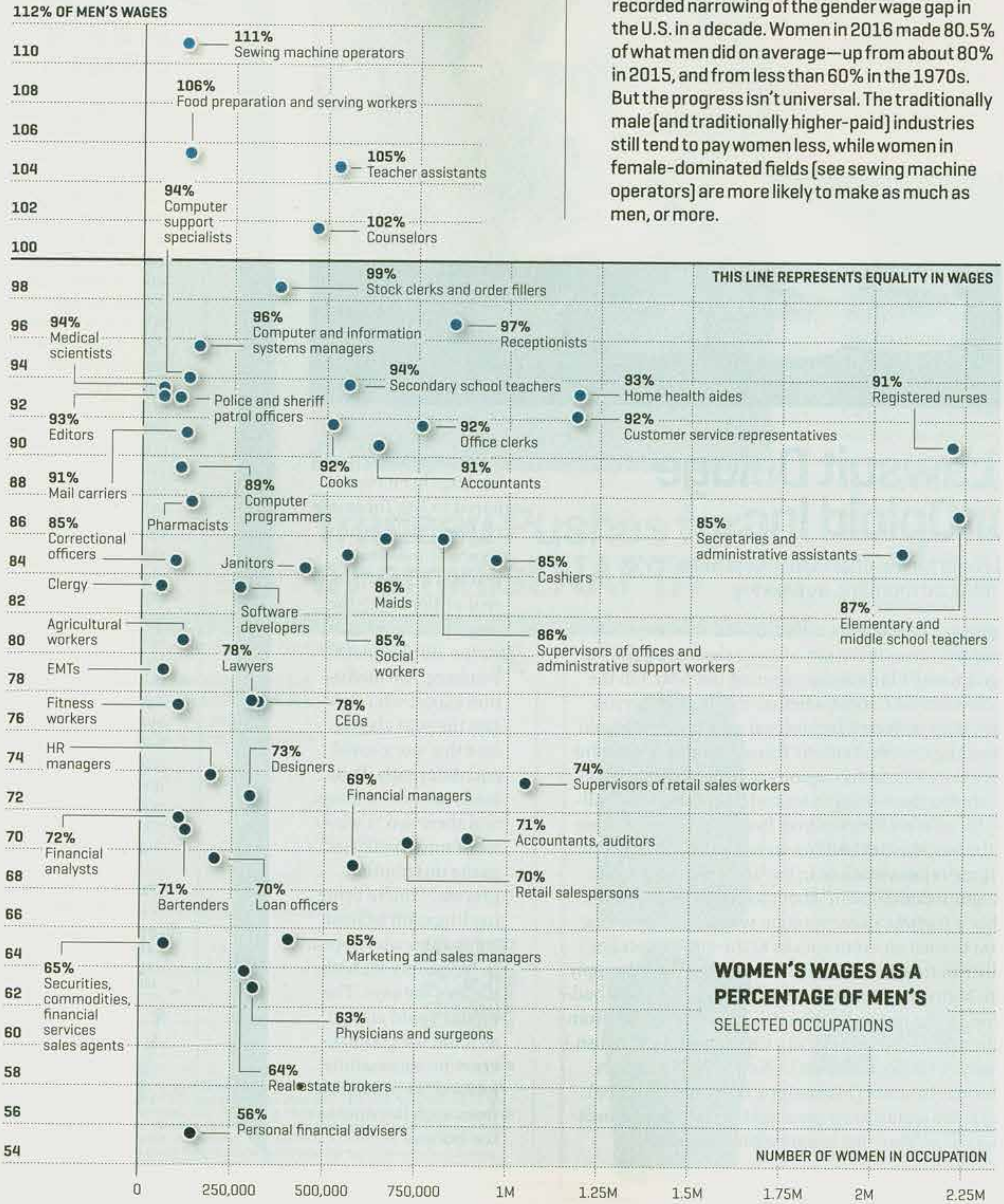
The owner knew what the non-Tesla driving world is just learning: The automaker produced the Model S and the Model X sport-utility vehicle with 75-kilowatt-hour battery packs and used software to limit the energy— *and in turn, the car's* battery range—to 60 or 70 kwh (owners can access the rest at any time for a fee). The strategy limits costs and helps Tesla charge different prices for a single battery design.

Tesla complied with the request and *went a step further,* upgrading every eligible car registered in Florida. But the move prompted a backlash over why it stunted its batteries in the first place. The outcry, however, was overblown. Carmakers often limit engine power in lower-priced *vehicles (via computer chip).* Tesla isn't greedier, just savvy enough to do the upgrade remotely. —**KIRSTEN KOROSEC**

■ WOMEN AT WORK

WHITHER THE WAGE GAP?

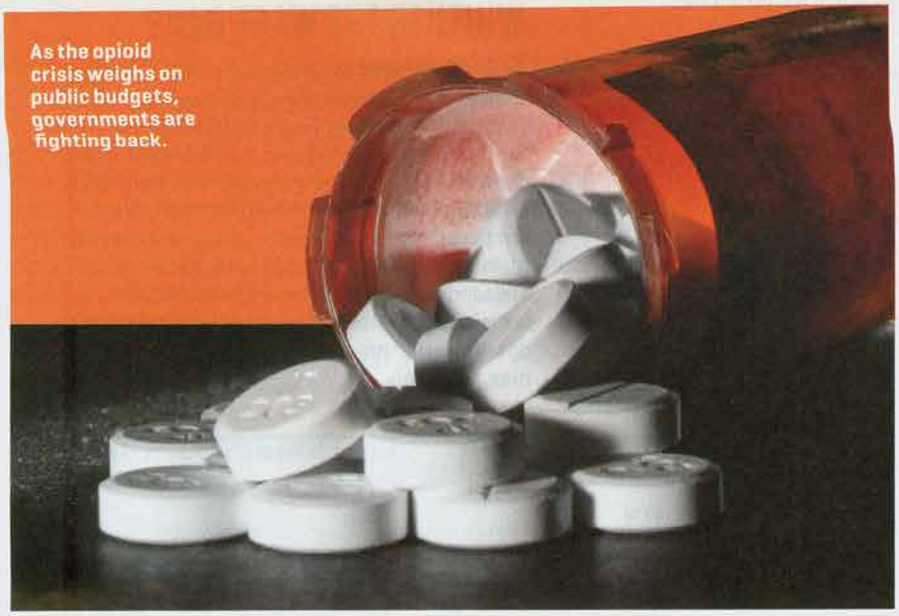
New government data released in mid-September offered some good news: the largest recorded narrowing of the gender wage gap in the U.S. in a decade. Women in 2016 made 80.5% of what men did on average—up from about 80% in 2015, and from less than 60% in the 1970s. But the progress isn't universal. The traditionally male (and traditionally higher-paid) industries still tend to pay women less, while women in female-dominated fields (see sewing machine operators) are more likely to make as much as men, or more.



WOMEN'S WAGES AS A PERCENTAGE OF MEN'S
SELECTED OCCUPATIONS

SOURCE: BUREAU OF LABOR STATISTICS, 2016 DATA

▲ GRAPHIC BY NICOLAS RAPP



As the opioid crisis weighs on public budgets, governments are fighting back.

A Lawsuit Deluge for Opioid Inc.

This could be the pharmaceutical industry's Big Tobacco moment. By Erika Fry

PHARMA **IT WASN'T A COINCIDENCE** that corporate types from out of town showed up for the Mingo County Commission meeting last May. On the agenda was a vote about whether the 26,000-person county, deep in West Virginia coal country, should join a lawsuit against the nation's three major drug distributors for their role in the region's opioid epidemic. (Collectively, the three companies had distributed 423 million pills in West Virginia over five years.) One of those distributors, the $121-billion-in-sales Cardinal Health, had three representatives in the audience "to educate the County Commission" about local opioid litigation.

That a *Fortune* 15 corporation would send even one person to such an event speaks to the growing stakes for distributors and manufacturers in the opioid supply chain. Many governments (at *all* levels), with their budgets hit by the public health crisis, have filed suit—from municipalities (Kermit, W.Va.; Chicago; Everett, Wash.) to counties (Mingo; Nassau in New York; Orange in California) to states (Mississippi, Ohio, New Mexico). There's also a multistate investigation into opioid makers and more than one congressional inquiry.

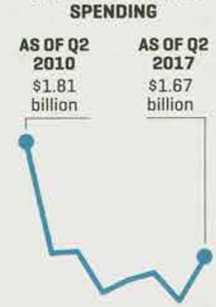
The mounting caseload has been compared to Big Tobacco's plight in 1998, when cigarette makers reached a $248 billion civil settlement—the largest ever—with 46 states. But Kenneth Feinberg, the mediation expert who oversaw the 9/11 claims, says this story could end differently. Pain meds are lawful drugs, and there are "a whole lot of intermediaries" in the distribution process. "You're bringing litigation against companies who appear to be complying with the law," he says. The matter could also go as it did for gunmakers, who successfully lobbied for protection from such lawsuits in the 2000s.

POLITICS

THE TAX REFORM HUNGER GAMES ARE AFOOT IN WASHINGTON

AS PRESIDENT TRUMP takes his call for tax reform on the road this fall, high-stakes campaigns are already raging over what that reform will look like. Because while everyone likes cutting loopholes in theory, it gets far trickier when those loopholes save your industry billions of dollars a year. Through the second quarter of this year, there's been a $52 million increase in lobbying spending, the biggest hike since Obamacare passed in 2010 (and an anomaly as official lobbying spending has been trending down). One thing business can agree on? Whatever cuts it gets, it wants to make them permanent, to avoid uncertainty—and political scrambling—down the line. **—ANNE VANDERMEY**

FEDERAL LOBBYING SPENDING



SOURCE: CENTER FOR RESPONSIVE POLITICS

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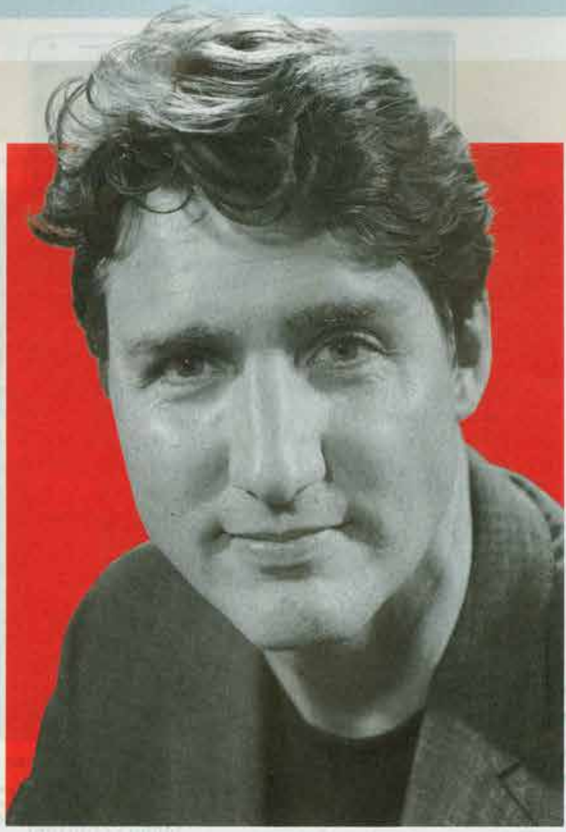
AMAZON'S PARTIAL PAYCHECK

-1.2%

AVERAGE DECLINE in price of a group of items in one Whole Foods store after Amazon bought the chain, according to analyst Chuck Grom at Gordon Haskett. Amazon said it planned to lower the grocer's famously high price tags, and the cost of some foods Grom surveyed fell substantially (Talenti Gelato's dropped 40%), but most saw no change. The good news? Analysts expect more discounts could come soon.



Trudeau Pushes for a Feminist NAFTA

Canada brought an unusual wish list to the free-trade negotiating table. By Claire Zillman

GOOD DEALS

IN AUGUST, the government of Canadian Prime Minister Justin Trudeau—self-described feminist and appointer of a gender-balanced Cabinet—took its progressive battles to a new front: the renegotiation of the North American Free Trade Agreement with the U.S. and Mexico.

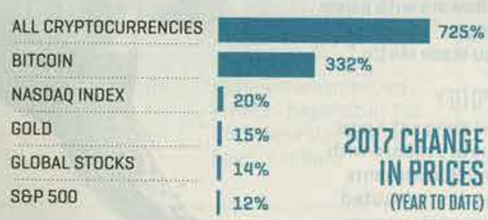
It hasn't been all tension and strife so far. All three countries, for example, agree that the 23-year-old pact must be modernized during the ongoing renegotiation process. (After all, it was written before the rise of e-commerce.) But Canada wants American states to bolster union protections—an irony, given U.S. workers' complaints about low-wage labor in Mexico. And Foreign Affairs Minister Chrystia Freeland said Canada would also seek to make the trilateral pact more progressive by beefing up environmental provisions—and adding chapters on gender and indigenous rights.

A new chapter in Canada's trade pact with Chile included a similar "promise" by both countries to talk to each other on gender issues, says Gary Hufbauer of the Peterson Institute for International Economics. But such an agreement is still "very weak tea," Hufbauer points out. And yet such promises can eventually develop into real benchmarks, he says, with real enforcement mechanisms. Trade agreements aren't just about exporting goods, they're about exporting values too.

MODERN MANIAS

BITCOIN INVESTORS ARE FEELING GOLDEN, FOR NOW

CRYPTOCURRENCY'S METEORIC RISE sputtered this fall after China shut down exchanges and Jamie Dimon of JPMorgan Chase called Bitcoin a "fraud." Yet as of mid-September, those currencies still had huge year-to-date gains (besting tech stocks' pre-2000 rally). Even with over $100 billion in value, crypto-dollars are a small-numbers game, with all the volatility that implies. —ROBERT HACKETT



SOURCES: COINDESK; S&P GLOBAL. DATA THROUGH SEPT. 12

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PAGE 6

TECH

THE NEW IPHONE HAS COMPETITION

Apple has unveiled a suite of sleek devices, but the new iPhones' competition is also fiercer than ever. Here's what they're up against. —AARON PRESSMAN

SAMSUNG GALAXY NOTE8

The new Note's 6.3-inch screen is larger than the iPhone's, and its narrow bezels mean it covers most of the phone. Also, this one doesn't explode.

LENOVO MOTO X4

Motorola's new phones compete on a different feature: price. While iPhones start at $699 (and top $1,000), the Moto X4 costs less than $500.

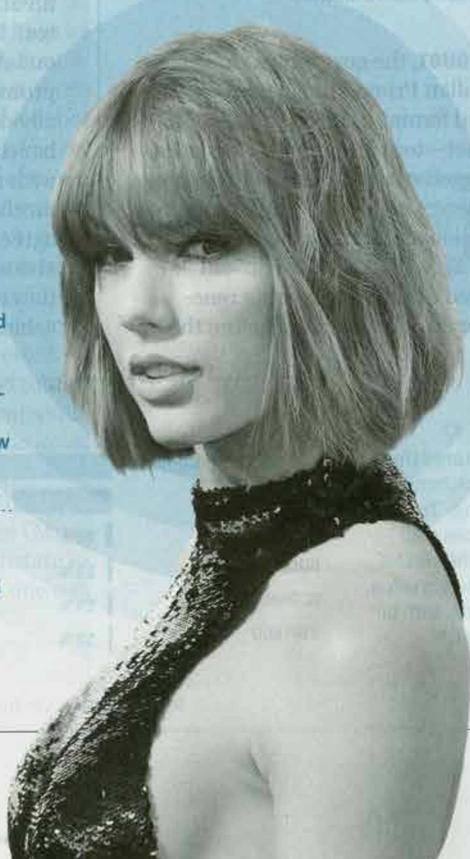
SONY XPERIA XZ1

One of the first phones with the newest Android operating system, Sony's latest also has an industry-leading 19-megapixel camera.

Taylor Swift's Battle of the Brands

MUSIC

FEW THINGS GO BETTER TOGETHER than Taylor Swift and capitalism. This summer, when the pop icon announced the long-awaited follow-up to her multiplatinum *1989*, her fans ("Swifties") rejoiced. They weren't alone. A new album is big business for Swift herself, but also for the many corporations in her orbit. Here, five big players cashing in on Swift's *Reputation* (due out Nov. 10). —TOM HUDDLESTON JR.



FACEBOOK/ INSTAGRAM

For a few days in August, Facebook-owned Instagram was ground zero for Swift's surprise release of her first new solo music in three years. Swift initially wiped her social media presence clean of all posts, then dropped cryptic hints (like grainy videos of a snake) before thrilling her 103 million followers with a new single, "Look What You Made Me Do."

SPOTIFY

The song set a new Spotify record with 8 million streams the day it debuted. It proved a proper capper for Swift's return to Spotify just two months earlier, after years of feuding with streaming services over royalties.

GOOGLE/YOUTUBE

The official video for the single also had a record-setting debut on Google-owned YouTube, with 43.2 million views in 24 hours (topping the 36 million South Korea's Psy got for "Gentleman" in 2013).

UPS

Swift's face will adorn UPS's fleet of brown delivery trucks to mark the album's release, and fans who preorder it from UPS.com will enter a contest to win concert tickets, merchandise, etc.

TARGET

Swift is teaming up with the retail giant again—she promoted her past three albums in Target commercials. Stores will sell an exclusive version of *Reputation*, including collectible magazines featuring Swift's lyrics and poetry.

"WHOEVER BECOMES THE LEADER IN THIS SPHERE WILL BECOME THE RULER OF THE WORLD."

—Vladimir Putin on A.I.

Putin isn't the only world leader dreaming about artificial intelligence. China recently pledged to become the world's A.I. leader by 2030. Why? A.I. could make governments run much more smoothly. It also could supercharge militaristic endeavors from advanced surveillance to drone warfare.
—JONATHAN VANIAN

PHONES: COURTESY OF SAMSUNG, LENOVO, AND SONY; PUTIN: MIKHAIL SVETLOV—GETTY IMAGES; SWIFT: STEVE GRANITZ—WIREIMAGE/GETTY IMAGES

The Business of Getting Dirty

The CEO of Tough Mudder talks slop, er, shop.

Q&A

FORGET ROPES COURSES: Big business's new favorite bonding exercise is a grueling 10-mile, mud-soaked obstacle course called Tough Mudder. But the company Will Dean built isn't just about events (for more on the increasingly crowded industry, see page 62). This year, Tough Mudder is launching a gym chain, Tough Mudder Bootcamp, and Dean is releasing a new book, *It Takes a Tribe*. He sat down with *Fortune* to talk about the lessons he's learned at the races.

What's the key takeaway you want people to have from your book?
The importance of purpose in any organization. I really believe the best companies don't just exist to make money; they serve a higher purpose. We don't pretend we're curing cancer, but we are getting people to live more healthy, active lives and spend time with one another.

How many Tough Mudders have you run?
I have run 22.

Who came up with the electroshock obstacle?
I'm afraid I have to take some credit for that.

There's a lot of competition in this space. Do you have any hard feelings toward the Spartan Race guys?
I think whenever you have a Coke-and-Pepsi-type rivalry, the media likes to stoke that. But honestly the truth is there's enough space in the industry for several players.

Running USA says obstacle race participation is down 40% since 2013. Will you diversify away from events?
I think you may see one or two players rise to the top. But you know, there's a 1960s article from the *New York Times* that asks, "Is jogging a fad?" There's a parallel here.

#PSL

MERE LATTES CANNOT SLAKE OUR THIRST FOR PUMPKIN SPICE

STARBUCKS' cult-favorite Pumpkin Spice Latte, introduced in 2003, has driven a $414-million-a-year market for the flavor, according to Nielsen 2017 estimates. Its growth has slowed slightly, to 6% this year, down from 10% in 2016 and 2015. But the cooldown has hardly deterred a small army of corporate imitators (see list, at right). Grab your PSL deodorant while it's in season.

Cheerios • Milano cookies • Native Deodorant • Pringles • HIT Supplements whey protein • Oreos • Simply Beyond flavor spray • Jet-Puffed marshmallows • M&M's • Republic of Tea • Breckenridge Brewery beer • Clif Bars

TOUGH MUDDER: JOE GIDDENS—PA IMAGES VIA GETTY IMAGES; PUMPKIN: RYASICK—GETTY IMAGES

INDIA'S ECONOMY IS FLOURISHING, AND GLOBAL COMPANIES SUCH AS FEDEX ARE SET TO BENEFIT.

OPPORTUNITIES ABOUND IN INDIA'S BOOMING ECONOMY

Economic reforms, pro-business positions, and a thriving logistics industry are creating the market that companies looking to expand were waiting for.

FOR THE PAST DECADE, BUSINESSES HAVE BEEN focused on China and its rapid growth, but many are now starting to refocus their attention on another emerging-market nation: India. With the implementation of business-friendly reforms, a young demographic, and a middle class willing to spend, the country is starting to see growth explode.

"It's a desirable location for global business," says Philip Cheng, Vice President, Ground Operations, for FedEx Express in India. FedEx has been present in the country for more than three decades. "It offers a globally unmatched workforce with a nation of vibrant, dedicated, and talented youth."

For fiscal year 2017-18, India's GDP is expected to expand by 7.2%, according to the World Bank. It's also the sixth-largest manufacturing nation in the world. With numbers like that, it shouldn't be a surprise that more companies are excited about the increasing number of opportunities in the country.

India has become a priority for numerous international businesses, and nearly every sector, from aerospace and aviation to automotive and fashion, is expanding.

The nation's logistics industry is also expected to experience massive growth. According to CARE Ratings, the sector is forecast to expand by up to 20% on a compound annual growth rate basis by 2020. "There's a strong demand for logistics and transportation services that offer exceptional local and global connectivity," says Cheng.

The country is also benefiting from the Goods and Services Tax (GST), introduced by the government of India on July 1, 2017, which is applicable throughout India and merges most of the existing taxes into a single system of taxation.

Many companies are encouraged by the country's adoption of e-commerce, too. According to Statista, a market research site, e-commerce penetration is only 28%, which means there's plenty of room to grow. "Local businesses using or looking to adopt e-commerce channels demand logistics service providers with warehousing facilities, excellent tracking systems, and outstanding customer service," says Cheng.

The company already has a large operation in India, with more than 6,000 employees and 22 weekly flights. It also uses more than 1,000 vehicles that connect cities nationwide. In addition, customers can access 19,000-plus postal codes in India, says Cheng.

As more companies big and small open their doors in India—51 million micro, small, and medium enterprises (MSMEs) already exist in the country, almost twice the number of small companies in the U.S.—the opportunities for FedEx and others will only grow. Says Cheng: "With the increasing growth of modern retail chains, high-tech industries, and e-commerce sites that rely on the efficiencies and intelligence of their supply chain, we offer customized, industry-specific solutions." ●


TAKING LOCAL TRADITIONS TO GLOBAL DESTINATIONS.
Representing the roots of Indian culture, the saree's popularity saw an international demand and a need to export.
FedEx Express provides access to over 220 countries and territories, giving Pothys the global distribution network they need to reach customers the world over.
FedEx connects you to a world of opportunity.
Learn more at fedex.com/in/global
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Medium Box
Varun Ramesh
Managing Director, Pothys
FedEx® Express

PAGE 8

The 10 Best Workplaces for Women

For our third annual list of women's favorite companies to work for, *Fortune* partner Great Place to Work surveyed thousands of female employees at companies across the country. See our full list of the 100 best companies on Fortune.com. **By Christina Austin**

01

TEXAS HEALTH RESOURCES

HQ............. Arlington, Texas
EMPLOYEES............... 21,686
WOMEN EMPLOYEES....... 80%

This health network offers "strong support" for growth, its female staff say, and an egalitarian culture where "the best idea wins."

02

ULTIMATE SOFTWARE

HQ................... Weston, Fla.
EMPLOYEES................. 4,005
WOMEN EMPLOYEES...... 49%

Women at this software firm love that it "understands family is important," offers remote work opportunities, and has a "comfortable" and "warm" vibe.

03

EDWARD JONES

HQ......................... St. Louis
EMPLOYEES............. 42,950
WOMEN EMPLOYEES....... 62%

The brokerage is great for anyone "who wants to establish, continue, or further develop a career," staff say. Employees "feel valued," and bosses operate "without any bias."

04

MARRIOTT

HQ................. Bethesda, Md.
EMPLOYEES............ 136,781
WOMEN EMPLOYEES...... 54%

Women at the hotel giant say it "cares about putting people first and taking care of associates." Its formidable social responsibility efforts win praise too.

05

COOLEY

HQ........................... Palo Alto
EMPLOYEES................ 1,628
WOMEN EMPLOYEES....... 57%

Employees tout the "diversity of opinions, ages, and backgrounds" at this law firm, where attorneys are "the nicest" and staffers "truly feel like a team."

06

PINNACLE FINANCIAL PARTNERS

HQ.......................... Nashville
EMPLOYEES................ 2,278*
WOMEN EMPLOYEES....... 68%

The culture at this fast-growing bank is "utterly unique," staffers say, and coworkers feel like they're part of "a big, happy family."

07

WEGMANS FOOD MARKETS

HQ............... Rochester, N.Y.
EMPLOYEES............. 47,084
WOMEN EMPLOYEES....... 54%

"It's not a good ol' boys club," says one employee at the grocery chain, beloved for its "flexibility, understanding, and compassion."

08

NAVY FEDERAL CREDIT UNION

HQ........................ Vienna, Va.
EMPLOYEES............. 14,462
WOMEN EMPLOYEES....... 68%

Women at the bank say it encourages time off for "future career growth" and that coworkers get along: "We are all friends."

09

INTUIT

HQ...... Mountain View, Calif.
EMPLOYEES................. 6,389
WOMEN EMPLOYEES....... 41%

"Bring yourself to work" is the motto at this tech titan where "you are made to feel welcomed," and bosses offer "so many opportunities" for career advancement.

10

DELTA AIR LINES

HQ.............................. Atlanta
EMPLOYEES............... 86,979
WOMEN EMPLOYEES....... 42%

Delta "takes very good care of its employees," says one woman at the airline, where staffers are "willing to go above and beyond."

NOTES: EMPLOYEE COUNTS ARE GLOBAL TOTALS.
*PINNACLE EMPLOYEE COUNT UPDATED AFTER ITS RECENT MERGER WITH BNC BANK.

WHEN GUANGZHOU MEETS FORTUNE

Headquarters economy booms in Guangzhou

In mid-August the Cold Spring Harbor Laboratory in the United States and Guangzhou Development District signed a memorandum of cooperation to jointly establish a research institute, a scientific and technological achievement transformation center and a biomedicine industry fund. The laboratory, which has been home to eight Nobel Prize laureates, focuses on research programs of cancer, neuroscience, plant genetics, genomics, and quantitative biology.

Earlier than that, AsiaInfo, a first Chinese NSDAQ company and the telecommunications software and IT services provider, established its South China regional headquarters and global data headquarters to the city's *Nansha* district.

So far, 289 of the *Fortune Global 500* companies have made investments or set up offices in Guangzhou, while 120 of them have established headquarters or regional headquarters in the city. That means that at least one out of two *Fortune Global 500* companies has made an investment in Guangzhou and about one out of four has set up headquarters in the city.

A place of headquarters economy will certainly be a gathering place of high-caliber talents. The different districts of Guangzhou have each rolled out their own incentive policies to woo and retain talent individuals. The Guangzhou Development District, for example, offers academicians, Nobel Prize winners and PhDs of world-renowned universities a maximum of 10 million *yuan* settling-in allowance and a project support fund of 200 million *yuan*.

Also, in its effort to boost the headquarters economy, Guangzhou gives priority to the emerging industries of strategic importance by implementing a plan to develop projects of new generation information technology, artificial intelligence and biomedicine (IAB) and creating a number of industrial clusters valued at 100 billion *yuan*. A batch of leading IAB projects of such companies as Foxconn, Cisco, GE, BeiGene, AsiaInfo and GAC have broken ground since January this year. The total investment involved amounted to nearly 100 billion *yuan*. In 2016, the output value of the IAB sectors was estimated at 472 billion *yuan*.

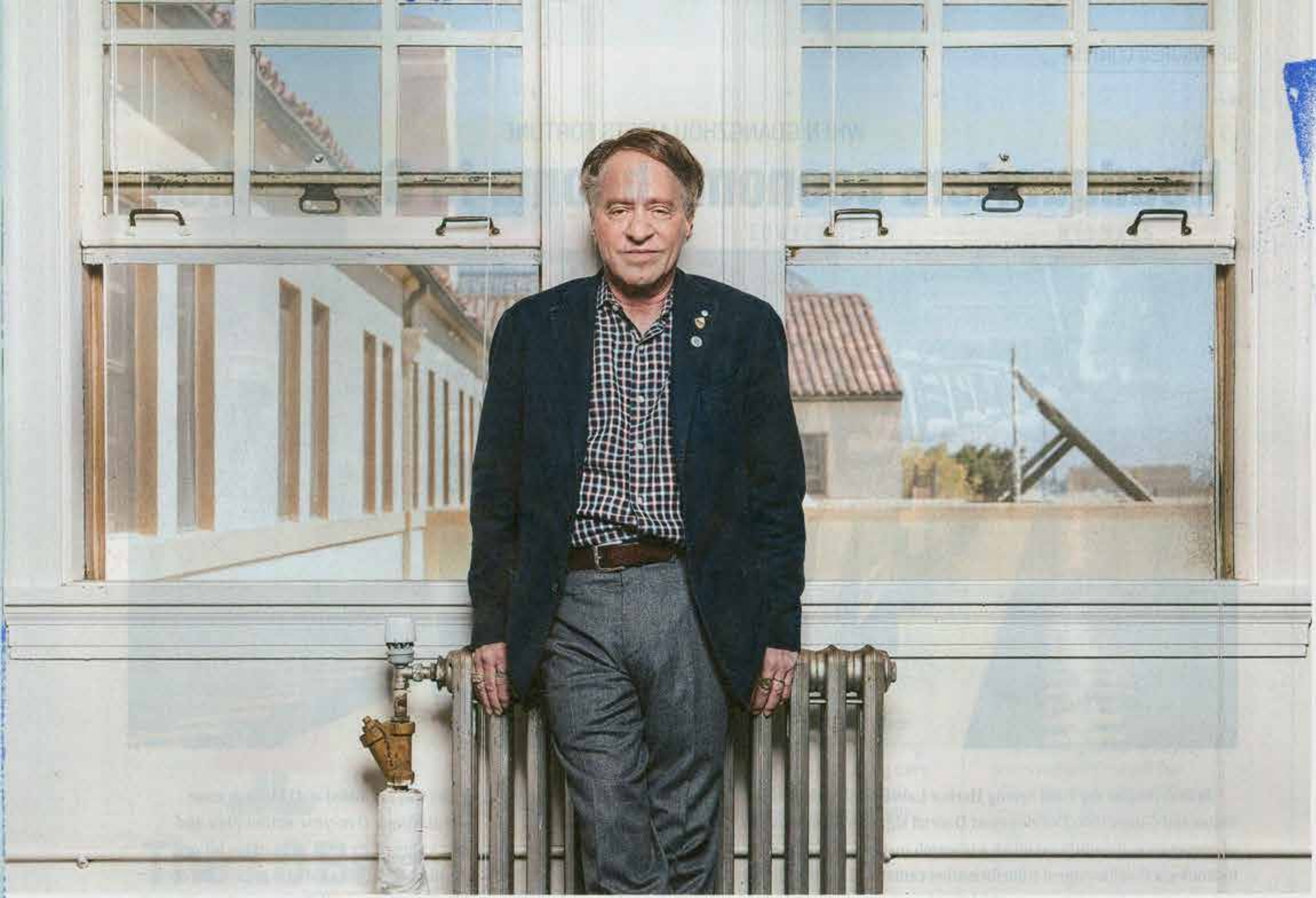
Guangzhou is also formulating a five-year action plan and striving to make the output value of its IAB industries hit one trillion *yuan* by 2021. The plan was revealed at a press conference on August 2 on Guangzhou becoming a pilot city for the nation's "Made in China 2025" strategy.

These efforts, however, are considered far from enough by the Guangzhou authorities. This year, they also proposed to build Guangzhou into a city most favored by global enterprises for investment and development, vigorously pushing the headquarters economy, and attracting more multinationals, state-owned and private enterprises to set up headquarters and launch key projects in the city.

Guangzhou recently was rated as an alpha-level city, along with Melbourne, Washington D. C. and San Francisco, in the World Urban System Rankings released by the Globalization and World Cities Research Network (GaWC), which represents a recognition of Guangzhou's headquarters economy. According to GaWC's grading criteria, the more international institutions related to advanced producer services are distributed in a city and the higher their grades are, the higher scores the city will get.

"With South China's ever growing status in the global economy, multinationals tend to move their advanced producer services to the region to improve efficiency, and Guangzhou naturally becomes their top choice in South China," said *Xue Desheng*, director of the Center for Urban and Regional Studies, Sun Yat-sen University. "Meanwhile, the local institutions of advanced producer services have also grown stronger and expanded their global influence, further consolidating Guangzhou's status."

Clay Chandler, Time Inc. International Executive Editor said at promotion of the 2017 *Fortune Global Forum* in Shanghai, "We can't take a better place or moment to draw the globe's attention to China and all the changes and innovations that are happening in China."



TECH'S MAGIC 8 BALL SAYS EMBRACE THE FUTURE

Longtime futurist Ray Kurzweil predicts artificial intelligence will do more good than harm. **By Michal Lev-Ram**

You know a topic is trending when the likes of Tesla's Elon Musk and Facebook's Mark Zuckerberg publicly bicker about its potential risks and rewards. In this case, Musk says he fears artificial intelligence will lead to World War III because nations will compete for A.I. superiority. Zuckerberg, meanwhile, has called such doomsday scenarios "irresponsible" and says he is optimistic about A.I.

Ray Kurzweil [above] says innovation's benefits outweigh the inevitable downsides.

But another tech visionary sees the future as more nuanced. Ray Kurzweil, an author and director of engineering at Google, thinks, in the long run, that A.I. will do far more good than harm. Despite some potential downsides, he welcomes the day that computers surpass human intelligence—a tipping point otherwise known as "the singularity." That's partly why, in 2008, he cofounded the aptly named Singularity University, an institute that focuses on world-changing technologies. We caught up with the longtime futurist to get his take on the A.I. debate and, well, to ask what the future holds for us all.

***FORTUNE*: Has the rate of change in technology been in line with your predictions?**

Kurzweil: Many futurists borrow from the imagination of science-fiction writers, but they don't have a really good methodology for predicting when things will happen. Early on, I realized that timing is important to everything, from stock investing to romance—you've got to be in the right place at the right time. And

▲ PHOTOGRAPH BY WINNI WINTERMEYER

COURTESY OF RAY KURZWEIL

Kurzweil [above left] with Stevie Wonder in 1985, at a postconcert party held by Kurzweil Music Systems.

so I started studying technology trends. If you Google how my predictions have fared, you'll get a 150-page paper analyzing 147 predictions I made about the year 2009, which I wrote in the late '90s—86% were correct, 78% were exactly to the year.

What's one prediction that didn't come to fruition?
That we'd have self-driving cars by 2009. It's not completely wrong. There actually were some self-driving cars back then, but they were very experimental.

Why are we so bad at predicting certain things? For example, Donald Trump winning the presidency?
He's not technology.

Have you tried to build models for predicting politics or world events?
The power and influence of governments is decreasing because of the tremendous power of social networks and economic trends. There's some problem in the pension funds in Spain, and the whole world feels it. I think these kinds of trends affect us much more than the decisions made in Washington and other capitals. That's not to say they're not important, but they actually have no impact on the basic trends I'm talking about. Things that happened in the 20th century like World War I, World War II, the Cold War, and the Great Depression had no effect on these very smooth trajectories for technology.

What do you think about the current debate about artificial intelligence? Elon Musk has said it poses an existential threat to humanity.
Technology has always been a double-edged sword, since fire kept us warm but burned down our houses. It's very clear that overall human life has gotten better, although technology amplifies both our creative and destructive impulses. A lot of people think things are getting worse, partly because that's actually an evolutionary adaptation: It's very important for your survival to be sensitive to bad news. A little rustling in the leaves may be a predator, and you better pay attention to that. All of these technologies are a risk. And the powerful ones—biotechnology, nanotechnology, and A.I.—are potentially existential risks. I think if you look at history, though, we're being helped more than we're being hurt.

"TECHNOLOGY HAS ALWAYS BEEN A DOUBLE-EDGED SWORD."

How will artificial intelligence and other technologies impact jobs?
We have already eliminated all jobs several times in human history. How many jobs circa 1900 exist today? If I were a prescient futurist in 1900, I would say, "Okay, 38% of you work on farms; 25% of you work in factories. That's two-thirds of the population. I predict that by the year 2015, that will be 2% on farms and 9% in factories." And everybody would go, "Oh, my God, we're going to be out of work." I would say, "Well, don't worry, for every job we eliminate, we're going to create more jobs at the top of the skill ladder." And people would say, "What new jobs?" And I'd say, "Well, I don't know. We haven't invented them yet."

That continues to be the case, and it creates a difficult political issue because you can look at people driving cars and trucks, and you can be pretty confident those jobs will go away. And you can't describe the new jobs, because they're in industries and concepts that don't exist yet. ■

FINDING AN 'OCEAN' FREE FROM RIVALS

Every buzzy startup is trying to upend the establishment, so why play the same game?
By Leigh Gallagher

Renée Mauborgne [above] looks past the competition in *Blue Ocean Shift*, cowritten with W. Chan Kim.

IN 2005, W. Chan Kim and Renée Mauborgne, professors of strategy at Insead, published the bestselling *Blue Ocean Strategy*, which posed a simple but breakthrough premise: Companies should stop trying to beat the competition and instead focus on finding "blue oceans"—new markets or innovations devoid of competition that will create new demand. The authors have now followed it up with *Blue Ocean Shift: Beyond Competing—Proven Steps to Inspire Confidence and Seize New Growth*, which details a systematic process for identifying those uncharted waters and turning them into new markets. *Fortune* spoke with Mauborgne.

You talk a lot about the notion of "nondisruptive creation." What do you mean by that?
We were always taught that to have growth and innovation we needed creative disruption because of [the theory of] Joseph Schumpeter. Later on came Clayton Christensen and disruptive innovation. The theory of these kinds of disruptions is that a superior product comes in and displaces an existing one. Disruption is a powerful way to create growth. But thinking only about disruption leaves a lot of opportunities off the table. One is to solve a brand-new problem and capture a brand-new opportunity—and that leads to nondisruptive creation.

What are some examples of nondisruptive creation?
Life coaching is a $2 billion industry that didn't exist 25 years ago, and today it's the second-fastest-growing profession in America. Viagra is another example. Men have these issues and challenges, and this solved a brand-new problem no one else had solved and created a multibillion-dollar global market where there wasn't one before.

Do you always have to come up with an entirely new product category?
Not at all. Another way to find blue oceans is to redefine and solve an existing industry problem. Kimberly-Clark applied this thinking to the toilet-paper market in Brazil. They found that the average Brazilian travels to the hypermarkets by bus, often with children in tow, so carrying toilet paper is a huge hassle for them. And they can't store it easily, because the average home is small. The company realized that if they were able to condense the toilet paper in a certain way, they could address people's biggest pain points—and at the same time drop their transportation costs, create a lower carbon footprint, and lower their cost structure. They created [a brand called] Compacto, which revolutionized the industry.

Any other advice?
You won't win if you try to imitate. You can't create the new Uber or the new Airbnb. That's not how blue oceans are created.

COURTESY OF BLUE OCEAN STRATEGY

RESISTING ACTIVISTS, AND WINNING

Shareholder activist campaigns promise to boost a stock's value. The truth is, investors often fare better when management says no. By Ryan Derousseau

INVEST **SO FAR, NELSON PELTZ'S** shareholder assault on Procter & Gamble has followed a familiar script—one that has investors riveted.

In July, Peltz, the veteran activist fund manager, announced that he would pursue a proxy fight to secure a seat on the board of the consumer staples giant. Peltz and his hedge fund, Trian Fund Management, mean business: They're leaning on P&G CEO David Taylor and his board to address the company's lackluster growth. Trian is the company's sixth-largest investor, with 1.4% of its shares in a stake worth $3.5 billion, and Peltz says he and other investors would fare better if P&G cut costs more aggressively and reorganized the firm into more fully independent business divisions.

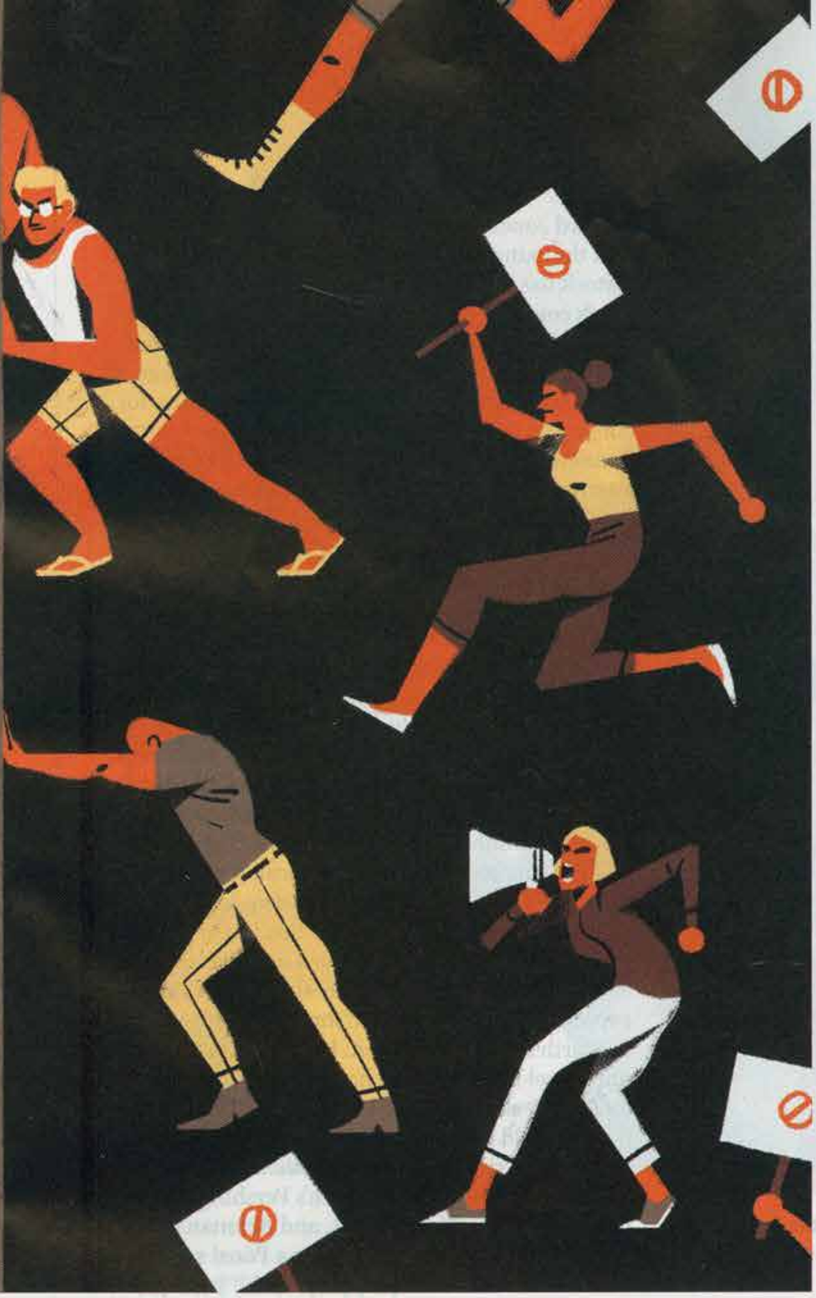
As companies typically do in these scenarios, P&G has resisted Peltz's overtures. In September the two sides upped the rhetorical stakes, with Trian publishing a white paper that accused P&G of settling for "mediocrity," and the company releasing a statement calling Peltz's view of its operations "outdated and misinformed." A showdown is scheduled for the P&G shareholder meeting Oct. 10; the two sides reportedly plan to spend more than $60 million to woo investor votes.

Perhaps the most familiar thing about the spitting contest is this: The stock market has been eating it up. Since Peltz went public with his intentions, P&G's stock has risen 8%, while the S&P 500 has been essentially flat. Indeed, shares often rise after an activist sets its sights on management: After all, activist wins usually pay off for all shareholders, don't they?

Actually, the truth is a bit more complicated.

Activist investing—where a major shareholder or group of shareholders uses its leverage to pressure management to change strategy—has become more commonplace of late. Since 2012 the number of activist campaigns launched annually has increased 18%, according to research firm FactSet, and activists like Peltz, Carl Icahn, and Bill Ackman are more likely than before to target larger, better-known companies. In the short term, the market usu-

▲ ILLUSTRATION BY **TOMMY PARKER**



ally treats the ballyhooed bullying like it's bulletproof. The activists' bandwagon has become so popular that mutual fund firms have birthed ETFs that track their every move and buy stock in the companies they target.

But new research into what happens *after* an activist campaign suggests that these efforts to unlock potential can just as quickly create headaches—and that when a campaign fails, the target company often does just fine.

FactSet studied a total of 175 activist campaigns that were launched between 2012 and 2016, and compared the subsequent returns of two groups: companies where the dissident shareholders won, and companies where they withdrew their demands. One year after the campaigns' end, shares of companies where activists triumphed had a median *loss* of 0.7%; shares of companies that fended off their advances, on the other hand, had a median gain of 9%. The gap widened after two years, with a median loss of 2.4% after activist wins and a median gain of 10.9% for successful resisters. Separate research, from Bank of America Merrill Lynch, found similarly deflating results: The one-year alpha—the amount by which a stock outperforms its benchmark—after the beginning of the average activist campaign dropped from 52% in 2012 to –5% in 2015.

Why are activists underperforming? For starters, a company that draws attention from an activist may have problems that take more than two years to fix. (The average one-year returns for activist-targeted stocks trailed the S&P 500's over this stretch, whether activists won or lost.) And companies whose shares have a big run-up during a campaign may see a letdown after it ends. Another problem may be that activism itself is now too common. When the narrative of an activist coming in and cleaning house becomes "de rigueur as opposed to special," more investors yawn, says Savita Subramanian, BofA Merrill Lynch's head of equity and quantitative strategy.

The current bull market, now eight years old and counting, is yet another factor. Activists who win often call for stock buybacks to reward shareholders. But when shares are already pricey, adds Subramanian, buybacks do little to generate further gains.

A high-priced market also means that it's more expensive for activists to buy shares in weak companies where they can make a big impact. Frank Aquila, a partner at the law firm Sullivan & Cromwell who focuses on governance and mergers, says activist managers now more frequently take on larger, more stable companies. The percentage of campaigns involving companies with market capitalization of $1 billion or more has risen from 9% in 2009 to 24% in 2016, according to FactSet. But bigger companies are exactly the kind whose management is more likely to have a long-term plan to thrive without the activists' help.

WITH P&G'S SHOWDOWN LOOMING, *Fortune* looked at several companies that have recently fended off incursions by activists, to see what lessons investors can glean—and to spot past "rejecters" whose shares look promising.

P&G is just one of several consumer giants ▷▷

▷▷ Peltz has targeted. In 2013, Trian bought 4 million shares of **PepsiCo** (**PEP**, $116), and Peltz called for the company to split its beverage unit from the better-performing snacks division. CEO Indra Nooyi disagreed, arguing that the combined company provided valuable economies of scale. The two sides eventually called a truce in January 2015, with PepsiCo adding one board seat for a Trian adviser. Just over a year later, Trian divested, and the idea of splitting up the firm became passé, says Jefferies analyst Kevin Grundy.

Since the 2015 truce, PepsiCo's 20% return has kept pace with the broader market. It hasn't all been smooth sailing: The Frito-Lay snacks division remains more than twice as profitable as the larger North America beverage division, returning 31% of revenues in operating profit. (For more about the company's challenges, see our interview with Nooyi in this issue.) The beverage group's margins are improving, however, and Grundy says the market hasn't given PepsiCo enough credit for that; to him, the stock "still screams cheap."

In 2011, Carl Icahn set his sights on **Clorox** (**CLX**, $135), building a 9% stake before offering to purchase it outright. Icahn's end game was to persuade Clorox's board to sell to a large competitor, says Edward Jones analyst Jack Russo, but the idea never caught on, and the campaign ended after a couple of months. Since then, Clorox stock has risen 95%, compared with about 87% for MSCI's benchmark consumer staples index. Clorox's 2.4% dividend yield has lured buyers of late, and its share price, at 24 times next year's estimated earnings, is higher than the sector's average of 22. Today's income-hungry investors happily pay that premium for the stock, Russo notes.

In 2015 the investment group Land and Buildings (L&B) called for **MGM Resorts International** (**MGM**, $33) to spin off its Las Vegas real estate—which includes MGM Grand Las Vegas and Bellagio—as an independent real estate investment trust (REIT), while also selling the then-struggling MGM China unit in another IPO. The fight made headlines, but L&B didn't have the clout to get its way (it owned a 0.4% stake), and it never won the support of the largest shareholder at the time, the late Kirk Kerkorian.

MGM did eventually create a REIT, but the Grand and Bellagio weren't included in the assets, and MGM retained a 75% ownership stake. Since L&B ended its proxy fight in May 2015, MGM's stock has climbed a stellar 66%. The China unit will open its second casino in Macau by the end of 2017. Thanks to that space, its acquisition of Atlantic City's Borgata Hotel & Spa last year, and a bullish near-term outlook for Las Vegas tourism and business travel, Gabelli analyst Adam Trivison expects MGM's revenues to jump 14% this year.

Worth a special mention: **Herbalife** (**HLF**, $69), the multilevel marketer that has been the target of a long-term campaign by Bill Ackman. The nearly five-year-old battle doesn't meet the strict definition of an activist campaign: Rather than accumulating Herbalife stock, Ackman's Pershing Square fund has been selling it short, and Ackman has accused the company of running a Ponzi scheme and declared his intention to drive the stock price to zero. Still, for sheer heat generated, it matches or exceeds any other recent activist clash.

The Los Angeles–based company, which has uniformly denied Ackman's allegations, appears to have weathered the worst of the campaign, especially after settling a Federal Trade Commission investigation in July 2016. The FTC's scrutiny pushed Herbalife to change its incentives so members focus on sales instead of attracting new sellers. The company is rolling out new products and has a growing international presence; Ivan Feinseth, director of research at Tigress Financial Partners, believes Herbalife can sustain an 8% yearly growth rate.

The controversies around Herbalife may make investors squeamish, but the stock has delivered for those with strong stomachs: It's up 16% since its settlement with the FTC—and 85% since Ackman's campaign began. Ackman hasn't relinquished his short position, however, so there may be more drama ahead. ■

WINNING ISN'T EVERYTHING

In recent years, shares of companies whose management defeated activist campaigns have fared better, on average, than those where activists won.

SOURCE: FACTSET

Sandrine Stern, head of creation at Patek Philippe, at the brand's headquarters in Plan-les-Ouates, Switzerland.

TIME FOR SOMETHING MORE

Women's watches have typically been designed favoring diamonds and bling over the mechanical marvels found in men's timepieces. Patek Philippe's Sandrine Stern and a new breed of women collectors are changing that. **By Stacy Perman**

AMONG THE BUZZY standouts at this year's Baselworld, horology's world's fair, was Patek Philippe's 7130G, a stunning 36mm, white-gold wristwatch. The newest version of Patek's World Time Reference, it boasted a peacock-blue dial with a guilloche center, a sunburst outer chapter ring indicating all 24 time zones, and a bezel set with 62 diamonds. The watch's mechanical movement, visible through the sapphire crystal case-back, showed off its gold microrotor and a 48-hour power reserve. Coming in at just over $51,000, it was precisely the kind of complicated, mechanical timepiece that the fervid boys' club of watch enthusiasts likes to obsess over, except for one thing: The 7130G was made for women.

Once the exclusive domain of men gripped

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by whiz-bang micromechanical engineering and the status that comes with strapping a power toy around one's wrist (along with a price tag approaching a small mortgage), increasingly women, no longer satisfied with simple, bejeweled, battery-powered watches, desire a mechanical timepiece with a technically complex movement of their own. Like their male counterparts, they're also willing to spend upwards of six figures for the privilege.

In part, the growing interest in mechanical watches among women reflects the broader shift of women coming into their own, entering the top echelons of business and politics, as well as expanding their buying power. "I have one female client who owns 30 Pateks," says Denis Boulle, the CEO of De Boulle Diamond & Jewelry, based in Texas. "We opened our second salon in Houston two years ago, and 50% of our inventory is ladies' watches," he says. "That was almost unheard of; it shows how much this segment is growing."

What women want, says Sandrine Stern, the head of watch creation at Patek Philippe, are timepieces with both substance and style. "When I speak with ladies, their first priority is how it looks," she says. "They prefer complications that are useful, like a date indication." While men, she notes, "like visible complications like a chronograph, something that looks high-tech. For them, it's a bit like buying a sports car."

For the past several years Stern, 44, who began working at Patek in 1995 (she married Thierry Stern, president and fourth generation of the family that has owned the maison since 1932), has helped to spearhead this gendered watchmaking evolution, overseeing the development of women's complicated watches alongside those for men, heavy on technical innovations but with an appreciation of aesthetics and design.

Caroline Williams, owner of the Curated Cellar, a wine consulting business in Connecticut, began collecting Patek Philippes 11 years ago after attending a watch auction. "Initially, I was interested in the histories and backstories of the pieces," she says. "Later I became more interested in the art and science." Today, Williams's collection, comprising nearly two dozen pieces, both vintage and contemporary, could go dial-to-dial with any man's collection. "I like the idea of problem solving," she says, "and watches solve these amazing problems with time. It's this whole world that combines physics and engineering, art and music, and it just hooked me, completely."

What's more, she says, "if I am wearing a watch, and I sit at a table with a bunch of men, they notice it. For me it has become a great connector in the business world. I'm a blond woman, and if I walk into a room, people have ideas about me. But this cuts through the small talk and draws people out. It becomes another point of discussion."

Until recently, women's luxury watches were basically smaller versions of men's models with simple quartz-battery movements and pretty diamond-encrusted dials. The success of Patek's Twenty-4, a modern interpretation of its iconic Gondolo timepiece for ladies, while quartz-

Clockwise from left: Patek Philippe Reference 7130G Ladies World Time; Ref. 5062/450R Ladies High Jewelry Aquanaut; Ref. 7000/250G Ladies Minute Repeater.

© COURTESY OF PATEK PHILIPPE

Left: Sandrine Stern looks over Patek Philippe designs at the brand's headquarters. Right: The first Swiss wristwatch. Made by Patek Philippe in 1868 and sold to Countess Koscowicz of Hungary in 1876.

FROM LEFT: GUIA BESANA—THE NEW YORK TIMES/REDUX; COURTESY OF PATEK PHILIPPE

powered, changed all that, demonstrating there was an appetite for watches made expressly for women, not just a man's watch redesigned for them. "It proved that there was a real interest," says Stern, who thought expanding into women's complicated watches seemed a logical next step. "Since we are a family business we can do what we want and not wait for all the figures and analysis."

The move was not entirely a break from tradition. The 178-year-old firm has a storied history of crafting innovative and beautiful ladies' timepieces. In 1868 Patek produced the first Swiss wristwatch, a key-winding bracelet for Countess Koscowicz of Hungary. In 1916, Patek blazed a new trail when it introduced a ladies' Five-Minute Repeater.

Stern's instincts proved correct. After launching its men's Annual Calendar in 1996, Stern says Patek began hearing from many clients that their wives and girlfriends were "stealing their watches." Patek launched its ladies' Annual Calendar in 2005. Since then, Patek has designed an entire universe of complicated ladies' timepieces including moon phases, minute repeaters (which indicate the time with chimes at the touch of a button), split-seconds chronographs, and skeleton watches—where the movement is visible through the dial. In a twist, in 2009, it introduced Reference 7101, the Ladies First Chronograph, whose movement was originally built for women and later adapted for men, hence the name.

$10.3 BILLION
THE SIZE OF THE WOMEN'S LUXURY WATCH MARKET IN 2015, A 60% INCREASE FROM 2005, ACCORDING TO EUROMONITOR.

At the moment, Stern says, Patek's customer ratio is 30% to 70% women to men with room to grow. Highlighting the importance of this market segment, the house released in July several new limited-edition women's complications, including a World Time Reference with the Manhattan skyline embossed on the dial to coincide with its 11-day Grand Exhibition in New York.

More than a singular trend, luxury marques such as Breguet, Harry Winston, Vacheron Constantin, and many others now manufacture their own in-house movements, with complications, specifically for women. "Brands see it as a new opportunity, especially in the American market," says Hyla Bauer, a watch consultant and journalist. "They see there's an interest and demand placed by women and therefore have found it of value to create timepieces and movements specifically for them."

Watch brands are also beginning to bring the feminine touch to the executive suite. In March the luxury conglomerate Richemont named Chabi Nouri as global chief executive of Piaget. It was the first time that Richemont, owner of 11 watch and jewelry brands including Cartier and Panerai, put a woman in charge of one of them.

In many respects, the focus on the women's market is not so much about micromechanical engineering as it is about math. The segment represents a growth opportunity in an otherwise slumping industry (according to the Federation of the Swiss Watch Industry, last year exports fell nearly 10% to $19.4 billion, the sharpest decline since the global financial markets imploded in 2009). "I think the brands understand not only that women are showing more interest but that they've long disregarded one part of the market," says Karine Szegedi, head of luxury for the Swiss Market at Deloitte in Geneva.

The days when luxury timepieces are almost exclusively the province of men are clearly numbered. Offers Sandrine Stern: "Women have more independent spending power than ever before. She's making purchases for herself, and we see that with watches. It's not like that every day, but I think it will be." F

01

MARY BARRA

Chairman and CEO, 55, **General Motors**

2016 RANK: ● 01

Roaring into No. 1 for her third straight year, Barra remains in the driver's seat even as crosstown rival Ford ousted CEO Mark Fields in May. Proving that GM won't be counted out in this era of disruption, she beat Tesla's much-hyped Model 3 to market with the Chevrolet Bolt EV, which launched in 2016 with a battery that can outlast Tesla's; it's now the top-selling non-luxury pure electric car. Barra also has her eyes on a driverless future: After acquiring self-driving tech startup Cruise Automation last year, GM has begun testing autonomous Bolts, and its new car-sharing service Maven is offering deals to Uber and Lyft drivers. The stock is starting to respond, climbing 25% over the past 12 months, and revenue ticked up 9% in 2016—GM's biggest sales growth in years.

02

INDRA NOOYI

Chairman and CEO, 61, **PepsiCo**

● 02

PepsiCo filled the long-vacant role of president in July, sparking talk that the CEO might be heading toward retirement. But Nooyi claims she has no plans to step down, and why should she? While revenue was flat in 2016, profits jumped 16%, and the stock has outpaced most of its Big Food brethren as the industry tries to adjust to massive consumer shifts. Nooyi has responded by moving the portfolio toward healthier fare. The company recently launched a premium water line and in 2016 acquired kombucha maker KeVita.

03

MARILLYN HEWSON

Chairman, President, and CEO, 63, **Lockheed Martin**

● 03

While President Trump has called Lockheed's F-35 fighter-jet program too expensive, the Commander-in-Chief remains an invaluable—if fickle—ally for the company, which counts the U.S. government as its biggest customer. The contractor is also a prime beneficiary of the White House's defense budget increase, as well as new arms deals with the likes of Saudi Arabia: Lockheed's stock price has risen some 26% over the past year, handily beating the S&P, while revenue jumped 17% in 2016.

04

ABIGAIL JOHNSON

Chairman and CEO, 55, **Fidelity Investments**

▲ 05

Fidelity posted $15.9 billion in revenue in 2016—its fourth consecutive record year—while assets under administration climbed some 11%, to $5.7 trillion. Yet it is still struggling to stop the bleeding from its actively managed equity mutual funds; investors pulled $58 billion out of the products last year. In response, Johnson, who assumed her father's chairman title in 2016, is goosing other parts of the business—lowering fees on passive investing products and allowing customers to track their Bitcoin holdings.

05

SHERYL SANDBERG

COO, 48, **Facebook**

▲ 06

Facebook's blockbuster 2016 ad revenue growth (57%, to $26.9 billion) propelled the company—and its stock price—to new heights under Sandberg. While Facebook and its Internet peers grappled with how to handle fake news and online hate groups, the fiery political environment pushed Sandberg to speak up more frequently about issues important to her, including women's health and immigration reform. Her book about grief and the loss of her husband, *Option B*, topped the bestseller list this spring.

06

GINNI ROMETTY

Chairman, President, and CEO, 60, **IBM**

▼ 04

The pressure on Rometty keeps growing—as IBM's revenue continues to shrink. In July the tech behemoth reported that sales had contracted yet again, marking its 21st consecutive quarter of decline. Earlier, in May, famed investor Warren Buffett sold off a third of his company's shares in IBM, sending the stock tumbling. But there are bright spots too. Revenue from newer businesses like analytics, cloud, mobile, and security now account for 45.6% of sales, up nearly five percentage points from the year before.

$1.1 TRILLION

MARKET CAP CONTROLLED BY THE 26 CEOs ON OUR LIST

14%

OF THE 2017 MPW ARE NEWCOMERS

◀ PHOTOGRAPH BY **MARVIN SHAOUNI**

KEY ● NO CHANGE ▲ MOVED UP ▼ MOVED DOWN ★ NEW

O 2: MONICA SCHIPPER—GETTY IMAGES; 3: BLOOMBERG/GETTY IMAGES; 4: COURTESY OF FIDELITY INVESTMENTS; 5: ALEX BRANDON—AP; 6: PATRICK T. FALLON—BLOOMBERG VIA GETTY IMAGES

07

MEG WHITMAN

CEO, 61, **Hewlett Packard Enterprise**

● 07

Nearly two years after cleaving HP in half in the biggest split by revenue in corporate history, Whitman has continued trimming divisions off the piece she still runs. That's meant that sales for HPE, which specializes in servers and networking systems, are still decreasing, even as its profits have started growing again. Still, five years since unveiling her plan to rescue HP, Whitman—who was a finalist for the Uber CEO job—is now under pressure to deliver on the promised results, namely revenue growth.

08

SAFRA CATZ

Co-CEO, 55, **Oracle**

▲ 10

As co-CEO, Catz is leading a major expansion: hiring 5,000-plus new engineers, salespeople, and other staff to beef up the enterprise tech giant's cloud business. The division, Oracle's fastest-growing, brought in $4.6 billion in the company's last fiscal year, up 60% from the one prior. Catz also spearheaded the 2016 $9.3 billion acquisition of NetSuite, the largest deal in Oracle's history. In her spare time she oversees a $3.5 billion company investment in STEM initiatives and was on President Trump's transition team.

09

PHEBE NOVAKOVIC

Chairman and CEO, 59, **General Dynamics**

▼ 08

Novakovic now runs a government contractor a third more valuable than it was a year ago, benefiting from a political environment favorable toward military outfitters. Still, sales fell slightly in 2016 as defense spending shifted toward aircraft and weapons systems and away from the boots-on-the-ground technology in which the company specializes. But Novakovic's push to expand cybersecurity capabilities has been a boon, helping GD land new contracts and record operating earnings and margins last year.

10

RUTH PORAT

SVP and CFO, 59, Google, **Alphabet**

▲ 13

When Porat was told her nickname at Google is "Ruth Vader"—thanks to her relentless focus on the bottom line—her response was, "That's fantastic!" Wall Street thinks so too: Since she became CFO in May 2015, shares have jumped more than 70%; it's currently the world's second-most-valuable company after Apple. And while the Morgan Stanley vet's discipline is seen as a major reason behind the end of some of its moonshot projects, she insists she is more focused on investment than cost cutting.

11

LYNN GOOD

Chairman, President, and CEO, 58, **Duke Energy**

● 11

Good became the first female chief of Duke Energy, the nation's largest utility, in 2013. She has unloaded billions in overseas assets to refocus the company on surefire profitmakers like natural gas, completing a $4.9 billion acquisition in the sector late last year. Going forward, Good plans to steer the company even further away from coal and aims to reduce carbon emissions by 40% from 2005 levels by 2030. Over the next 10 years, Good says Duke will invest $11 billion in gas and renewable energy projects.

12

HELENA FOULKES

President, 53, CVS Pharmacy, EVP, **CVS Health**

● 12

Though she oversees an $81 billion operation, Foulkes is struggling to keep customers in the habit of buying general merchandise when they visit a CVS to pick up a prescription. Comparable sales of so-called front-store items fell 1.5% last year and continue to decline as Foulkes's efforts to enhance beauty and health care offerings have not been enough to replace the tobacco products it dropped three years ago. She is facing enormous pressure in what her boss, CVS Health CEO Larry Merlo, calls a "rebuilding year."

13

ANGELA AHRENDTS

SVP, Retail, 57, **Apple**

▲ 14

Since being persuaded by Tim Cook to join Apple in 2014 [she previously led British fashion brand Burberry], Ahrendts has been heads down on the tech behemoth's largest store redesign in 15 years. In May the company launched its long-awaited "Today at Apple" initiative, which seeks to supplement public education through free courses on everything from coding to music production to photography. Apple's highest-ranking woman, she oversees 60,000 retail employees and is responsible for the in-store experiences of a more than a million daily customers. Research firm eMarketer estimates that the combined revenue from in-store and online sales is nearly $50 billion. Ahrendts was the second executive after Cook—and the only woman—to take the stage at September's keynote, where she spoke at length about Apple's "town squares"—the new moniker for its retail stores.

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14

SUSAN WOJCICKI

CEO, YouTube, 49, Google, **Alphabet**

▲16

YouTube came under attack this spring, when advertisers revolted after discovering their ads next to offensive content from one of the platform's homegrown stars. Wojcicki navigated the scandal deftly, winning back many disgruntled customers. Despite increased competition as rivals like Apple and Snap pour money into video streaming, YouTube remains king of online video ads. Analysts estimate it's on track to drive $10 billion to $15 billion in revenue this year, making the unit a key growth driver for Google parent Alphabet.

15

TRICIA GRIFFITH

President and CEO, 52, **Progressive**

▲18

Under Griffith's watch, Progressive has moved into the home insurance market and persuaded customers to buy multiple policies from the company, increasing premiums sold by 14%, to $23.4 billion in 2016. This bundling strategy has allowed Progressive to keep its rates relatively low and grow revenue, helping boost its stock price by nearly 50% over the past 12 months. Still, last year profits dropped some 18% to just over $1 billion—and now the insurer could be impacted by the 2017 hurricane season.

16

CATHY ENGELBERT

CEO, 52, **Deloitte**

▼15

Since 31-year company vet Engelbert took the helm 2½ years ago, the professional services firm has grown at a steady pace. Deloitte's revenue has increased nearly 6% year over year to $18.6 billion, and the company has added 6,000 new employees. Engelbert's focus this year has been on positioning Deloitte, which already serves 80% of the *Fortune* 500, as an "innovation catalyst." To that end, she has established a number of strategic partnerships with big tech companies, including Apple, Amazon, Facebook, and HP.

17

PAM NICHOLSON

President and CEO, 57, **Enterprise Holdings**

● 17

During Nicholson's tenure, the world's largest car rental company has grown its revenue to more than $22 billion across its three major brands—Enterprise Rent-A-Car, National Car Rental, and Alamo Rent A Car. For a sense of scale, the company employs 100,000 people, and has locations in 90 countries (next up, Vietnam). Enterprise is one of the largest recruiters of university graduates in the U.S. and is still staffing up: The company has plans to expand its van-pooling service and truck rental business.

18

ANN-MARIE CAMPBELL

EVP, U.S. Stores, 52, **Home Depot**

▲20

Campbell runs Home Depot's three U.S. operating divisions—a roughly $87-billion-in-sales business that's on fire. In August the company topped earnings estimates for the 13th quarter in a row and upped its guidance for the second time this year. It was Home Depot's highest-ever quarter by revenue and a period that saw online sales tick up 23%. The 32-year company veteran has also played a critical role in the retailer's push into e-commerce, working to streamline operations for the more than 40% of digital sales picked up at its stores.

▲ PHOTOGRAPH BY **JOE PUGLIESE**

▶ PHOTOGRAPH BY **MELISSA GOLDEN**

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19

20

DEBRA REED

Chairman, President, and CEO, 61, **Sempra Energy**

▲22

Reed became Sempra's first female CEO in 2011 and has overseen a 128% increase in its share price since, vs. 64% for the S&P's utilities index. And the growth is still coming. In August, Reed made the $10.2 billion energy giant's largest deal ever—paying $9.5 billion for Texas's Energy Future Holdings. Notably, her bid beat out Warren Buffett's. The company also now draws half of its energy through hydro, solar, and wind power, and one of its subsidiaries owns the world's largest lithium-ion battery energy storage facility.

21

KAREN LYNCH

President, 54, **Aetna**

▲26

Lynch, who oversees businesses that account for more than 95% of Aetna's revenues, suffered a blow this year when a federal judge blocked the insurer's acquisition of Humana—an integration the executive would have helped lead. Despite the companies' decision to call off the merger, Aetna's stock reached a record high this year. The share price was buoyed by the company's decision to withdraw from all state Obamacare exchanges by next year, a move intended to reverse last year's dip in profits.

22

SANDRA PETERSON

Group Worldwide Chair, 58, **Johnson & Johnson**

▲27

Peterson has expanded her reach at the world's largest health care company, adding medical devices to a portfolio that includes brands ranging from Band-Aid to Tylenol. She now oversees some $40 billion in revenue—more than half of J&J's total. She's been on an acquisition tear, shepherding six deals in the consumer business in the past 18 months and 23 in medical devices during the first half of 2017. The moves are meant to help transform J&J, whose stock has underperformed the S&P over the past 12 months.

23

HEATHER BRESCH

CEO, 48, **Mylan**

●23

Last year's scandal over Mylan's 500% price hike of the EpiPen, a potentially lifesaving allergy treatment, tarnished Bresch's reputation, but it didn't hurt her business as much as some expected. The company grew revenue 18%, to more than $11 billion in 2016, and forecasts growth of up to 13% this year, in part thanks to its acquisition of Swedish drugmaker Meda. But the EpiPen debacle took its toll in other ways: The company coughed up a $465 million settlement fine, prompting profits to drop 43%.

GEISHA WILLIAMS

President and CEO, 56, **PG&E**

★NEW

Williams made history this year by becoming the first Latina CEO on the *Fortune* 500. In March the Cuban-born immigrant took the helm of PG&E, California's largest utility, after running its electric unit for nearly a decade. Under Williams, the $17.7 billion enterprise reached its most recent target of generating a third of its electricity from renewable sources by 2020—years ahead of schedule. Now she's tasked with leading the utility's makeover from pure energy supplier to administrator by enabling the flow of electricity to and from customers who are generating their own from sources like solar panels.

▲ PHOTOGRAPH BY **DREW KELLY**

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24

MARIANNE LAKE

CFO, 48, **JPMorgan Chase**

▲ 28

JPMorgan Chase just had the most profitable year in its history, earning $24.7 billion in 2016. [The stock is up 37% over the past 12 months.] The woman reporting this news to investors was Lake, the company's financial chief. With an office right next to CEO Jamie Dimon's, the 18-year company veteran continues to be a major force within the firm. In addition to overseeing the bank's finances—including its $96 billion in revenue—she has stepped up her game as a mentor and role model for other female executives within the bank. This year she became the operating committee sponsor of Women's Interactive Networks, the firm's largest resource group.

25

MARGARET KEANE

President and CEO, 58, **Synchrony Financial**

▲ 29

Synchrony made news in August when Berkshire Hathaway revealed a big stake in the company. Warren Buffett's vote of confidence has been a breath of fresh air for the lender and white label credit card issuer, whose stock had been feeling the pain of the retail industry's doldrums [Synchrony partners with the likes of Gap and J.C. Penney]. Now Keane, who oversaw the company's 2014 split-off from General Electric, is looking to expand its online bank—which increased deposits 20% last year, to $52 billion.

26

AMY HOOD

EVP and CFO, 45, **Microsoft**

▲ 31

Microsoft's first female CFO played a leading role in driving the tech stalwart's stock to surpass its 1999 high for the first time this past year. The onetime banker is now the financial yin to CEO Satya Nadella's yang, shepherding the company's dramatic push into cloud computing, with profits up 26% in the last fiscal year. Hood has not only helped the Azure cloud business challenge Amazon, but also presided over acquisitions such as LinkedIn, which contributed $2.3 billion to the company's $90 billion in revenue.

27

MARY CALLAHAN ERDOES

CEO, JPM Asset and Wealth Management, 50, **JPMorgan Chase**

▲ 30

JPMorgan Chase's asset and wealth management business, led by Erdoes, hit a record $2.5 trillion in client assets in 2016. In addition to bringing in $12 billion in revenue last year, Erdoes is building out a long-term strategy to serve investors in China, one of the bank's key markets. As of last September, her division is the first non-Chinese asset management enterprise in Shanghai's free trade zone. Along with Marianne Lake [No. 24], she continues to be a front-runner to succeed CEO Jamie Dimon.

28

JUDITH MCKENNA

EVP and COO, 51, Walmart U.S., **Walmart**

▲ 33

McKenna is playing a crucial role as Walmart amps up its battle against Amazon. As COO of the $308 billion U.S. business, she's preparing for an e-commerce world by fast-tracking the rollout of an online grocery pickup program to almost 1,100 locations by the end of January. In test mode: a high-tech vending machine for online orders and a program that has store employees delivering some digital purchases. In August the U.S. business had its 11th quarter in a row of a rise in customer store visits.

29

BARBARA RENTLER

CEO, 60, **Ross Stores**

▲ 34

Ross delivered a stellar year amid a tumultuous period for retail. As apparel brands declared bankruptcy and retailers closed, Rentler added 87 stores and increased revenue and profits. So far Ross's off-price model—selling branded goods up to 60% below regular prices—has proved mostly immune to the e-commerce threat rocking the rest of the industry. The upward trend continues into the current fiscal year as Ross, with nearly $13 billion in annual sales, beat expectations for the first two quarters.

30

LEANNE CARET

President and CEO of Defense, Space & Security, 50, **Boeing**

★NEW

Promoted to head Boeing's $29.5-billion-in-revenue Defense, Space & Security division in 2016, Caret is following the same path as the airplane maker's current CEO, Dennis Muilenburg. Though her unit's revenue has shrunk—in part because of a slowdown in big-ticket orders from its largest customer, the U.S. Department of Defense—its operating profits grew 15% in the first half of 2017. The recent earnings boost has helped make Boeing the best-performing stock in the Dow Jones industrial average this year.

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31

DENISE MORRISON

President and CEO, 63, **Campbell Soup**

▼24

Like the rest of Big Food, Campbell is struggling to adjust to consumers who want healthier fare. This year Morrison agreed to acquire a small organic food company and launched new products like a cookie line made with simple ingredients. It's not just shoppers putting Campbell under pressure. Retailers have pushed packaged food companies to lower prices as supermarkets spar with Amazon and discounters. Morrison has yet to turn the tide; Campbell reported its 11th straight quarter of flat or declining sales in August.

32

VICKI HOLLUB

President and CEO, 57, **Occidental Petroleum**

● 32

The first woman to helm a major U.S. energy explorer, Hollub's first order of business when she took the reins at Occidental last April was cutting costs. The company has shed 25% of its assets since 2013, refocusing on the Southwest's oil-rich Permian Basin. In the past two years, it halved what it spends per barrel in the region, while increasing output. The industry has struggled as oil prices have languished, but Hollub managed to turn a profit in the past two quarters—a first for the company since 2015.

33

SHARI BALLARD

Senior EVP and President of Multichannel Retail, 51, **Best Buy**

▲42

Once an assistant Best Buy store manager, Ballard is now one of the retailer's highest-ranking executives. Having overseen its U.S. brick-and-mortar sales for several years, in March she added oversight of e-commerce, putting her in charge of some 90% of the company's $39.4 billion in revenue. The promotions are a sign of Ballard's hand in Best Buy's turnaround. Its 37% bump in profits last fiscal year took Wall Street by surprise, and the stock's 60% surge over the past 12 months has made it a top performer.

34

DEBRA CREW

President and CEO, 46, Reynolds American, **British American Tobacco**

▲47

After two years running Reynolds American's largest subsidiary, Crew became the company's CEO in January, succeeding former chief Susan Cameron in the first female-to-female chief transfer of power in the S&P 500 since 2012. Crew's move to the corner office, however, came in the midst of the company's acquisition by British American Tobacco. Crew now reports to BAT's CEO, though she remains at the helm of Reynolds, which becomes BAT's largest profit center—with net income up 87% to $6.1 billion last year.

35

KATHLEEN MURPHY

President, Personal Investing, 54, **Fidelity Investments**

● 35

Murphy's division has now posted five years of record growth and controls $2.2 trillion in customer assets. She has also expanded her influence within Fidelity, becoming head of a unit tasked with developing innovative products and markets—vital to the company's long-term success as it seeks to expand beyond its signature actively managed equity funds. In her role running Fidelity's digital offerings, Murphy recently grew its Amazon partnership and added investing resources aimed at millennials and women.

36

LYNNE DOUGHTIE

Chairman and CEO, 54, **KPMG U.S.**

● 36

Since becoming KPMG's U.S. chairman and CEO in July 2015, Doughtie has kept the company on a steady upward trajectory, with revenue increasing 9.4% to $8.6 billion in fiscal 2016. In January, she debuted KPMG's biggest-ever capital investment, the development of a $400 million, 55-acre learning and innovation facility in Orlando. The Big Four firm's first female CEO, she continues to lead the KPMG Women's Leadership Summit, an initiative focused on getting more women into the C-suite.

6%

OF THE MPW ARE WOMEN OF COLOR—LESS THAN THE PERCENTAGE NAMED "MARY"

37

MARY MACK

Senior EVP and Head of Community Banking, 54, **Wells Fargo**

▲43

After her predecessor, Carrie Tolstedt, was blamed for Wells Fargo's phony accounts scandal, the job of repairing the problem division has fallen to Mack, who previously led the bank's retail brokerage. Mack has been cleaning house, shutting down more branches, and publicly doing damage control. That became more difficult when Wells Fargo revealed in August that it had discovered another 1.4 million accounts it believes may be fake, on top of the 2.1 million it previously estimated its agents had set up without authorization.

38

JULIE SWEET

Group CEO, North America, 49, **Accenture**

▲39

Accenture's North America business grew 11% to $15.7 billion in revenue in 2016, Sweet's first full year leading the region. In February, she revealed a plan to create "innovation hubs"—and 15,000 new jobs—in 10 U.S. cities, a departure for a company that has a history as a leader in outsourcing. Sweet, who reports to CEO Pierre Nanterme, has pledged to spend $1.4 billion on workforce training by the end of 2020. Meanwhile, she has raised her profile by attending CEO meetings with President Trump.

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▶ PHOTOGRAPH BY **SPENCER HEYFRON**

39

CAROLYN TASTAD

Group President,
North America, 56,
Procter & Gamble

▼37

P&G is in the crosshairs of activist investor Nelson Peltz's Trian Fund Management, which—with its roughly $3 billion stake in the consumer goods giant—is waging the biggest proxy fight in history for a seat on its board. That means the pressure is on for Tastad, who oversees P&G's largest region—representing almost half of the company's revenue. P&G has tried to ignite its sluggish growth by cutting costs. It has also shed more than 100 brands in order to focus on core ones like Tide and Pampers.

40

BRIDGET VAN KRALINGEN

SVP, Industry Platforms, 54, **IBM**

▼38

Van Kralingen leads a recently formed division aimed at developing new, vertical-specific businesses and technologies. That includes initiatives in hot areas like blockchains, which many of IBM's biggest customers are dabbling in. It's a necessary move: The tech company, with profits down 10% last year, needs all the new sources of business it can get. The longtime IBM exec is CEO Rometty's go-to when she needs someone to run an emerging operation, so in July van Kralingen was given the additional role of overseeing all of the company's industry sales and consulting teams. The combined roles give her reach into every top account, regardless of sector.

41

CRYSTAL HANLON

President,
Northern Division, 52,
Home Depot

● 41

Hanlon started her career at Home Depot as a cashier in 1985 and today runs its roughly $30 billion Northern Division. Since taking on the job in 2015, she has boosted sales without adding a single store to the region's base of 795 locations. The do-it-yourself home-improvement giant has cashed in on the booming housing market rebound, prompting customers to spend big to spruce up their properties. Investors like what they see. The stock has outperformed the S&P over the past 12 months.

42

SHIRA GOODMAN

CEO, 56, **Staples**

★NEW

It says a lot about its faith in Goodman that Sycamore Partners, Staples' new private equity owner, decided to keep her in place after the recent close of its $6.9 billion deal for the chain. The 25-year Staples veteran took the helm in 2016 soon after regulators scuttled its attempt to buy Office Depot. She's been trying to make the company less reliant on its dwindling retail business, focusing instead on corporate clients and closing dozens of stores—efforts that will likely be easier outside of Wall Street's klieg lights.

39: COURTESY OF P&G; 41: COURTESY OF HOME DEPOT; 42: COURTESY OF STAPLES

43

JENNIFER TAUBERT

Company Group Chairman, 54, **Johnson & Johnson**

▲ 45

Taubert is responsible for more than 30% of J&J's $72 billion in revenue with her oversight of the health care titan's pharma business in North America and Latin America. Expect the size of her operation to grow as J&J completes its $30 billion acquisition of biopharma company Actelion. Taubert advocated for the deal, which will add a sixth business unit to J&J's pharma operations—this one focused on pulmonary hypertension. She also joined J&J's management committee this year, upping her influence internally.

44

ANNA MANNING

President and CEO, 59, **Reinsurance Group of America**

★NEW

Manning, an MPW "On Our Radar" pick in 2016, moved up to the big leagues this year after succeeding Greig Woodring to become Reinsurance Group of America's first female CEO in January. Groomed for the role since being appointed president in 2015, Manning helped lead one of the world's largest life and health reinsurance companies to the most successful year in its 44-year history, growing 2016 revenue nearly 11% to $11.5 billion. The stock has responded with a 28% surge over the past 12 months.

45

MICHELE BUCK

President and CEO , 56, **Hershey**

★NEW

Buck took the reins in March after 12 years at Hershey, a period in which she pushed the iconic candymaker to look beyond chocolate—including spearheading its acquisition of Krave jerky. Her latest promotion into the top job became effective just six months after Mondelez dropped its unsolicited bid for the confectionery company. Now Buck must prove that Hershey is better off alone as it faces a changing consumer landscape. It may be an uphill battle. Sales rose less than 1% last year to $7.4 billion.

46

DEANNA MULLIGAN

President and CEO, 54, **Guardian Life Insurance**

RETURN

It's been quite the run for Mulligan, who returns to this list after a three-year hiatus. Not only has the CEO increased the number of Guardian customers by 400% since 2012—from 5 million to 25 million—but she also managed to achieve record revenue of $12.9 billion in 2016 and expand to India and Canada over the past two years. Her influence is growing beyond the insurance world as well: She joined fellow CEOs in meetings with the White House to discuss infrastructure, workforce development, and tax reform.

47

BONNIE HAMMER

Chairman, NBCUniversal Cable Entertainment Group, 67, **Comcast**

▲ 49

Even in an increasingly challenged traditional TV landscape, Hammer's star continues to rise. In 2016 her division increased in both profit and revenue for the 13th consecutive year. Some 113.5 million weekly viewers tuned in to watch the 137 original programs available on her channels, which include Syfy and USA Network—the latter airs *The Sinner*, currently the No. 1 new series on cable. And Hammer's not going anywhere: She recently renewed her contract with NBCUniversal, which will take her into her seventies.

ON OUR RADAR

ROSALIND BREWER
COO, STARBUCKS
The former CEO of Walmart's Sam's Club is remaking herself; she'll start as operations chief at Starbucks on Oct. 2.

DENISE JOHNSON
GROUP PRESIDENT, CATERPILLAR
The first-ever female group president at Cat, Johnson is trying to turn around its $6 billion resource industries unit.

MARCY KLEVORN
EVP AND PRESIDENT, MOBILITY, FORD
Klevorn was tapped to run the division, which includes self-driving vehicles, when her predecessor became CEO.

LIZA LANDSMAN •
PRESIDENT, JET.COM, WALMART
Landsman got promoted to head Jet.com in February after Walmart acquired the online retailer for $3 billion last year.

MARNE LEVINE
COO, INSTAGRAM, FACEBOOK
Under Levine's watch, the photo-sharing app has grown to 1 million active advertisers and 15 million business profiles.

JAMIE MILLER
SVP, GE, CEO, GE TRANSPORTATION
GE's onetime CIO, Miller now leads the digital transformation of the titan's $5 billion transportation business.

JENNIFER MORGAN
PRES., AMERICAS, ASIA PACIFIC JAPAN, SAP
Formerly head of North America, Morgan in May expanded her territory to oversee this $13.6 billion segment.

PENNY PRITZKER
CHAIRMAN, FOUNDER, PSP CAPITAL
The former commerce secretary is back running her private investment firm and joining boards.

BOZOMA SAINT JOHN
CHIEF BRAND OFFICER, UBER
The embattled ride-hailing app's first-ever brand chief is tasked with cleaning up its sullied image.

ADI TATARKO
COFOUNDER AND CEO, HOUZZ
The home remodeling platform raised $400 million this year, bringing its valuation to about $4 billion.

18%

OF THE 2017 MPW COME FROM THE TECH INDUSTRY

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BREWER: STUART ISETT—FORTUNE MPW

BONUS PICK!

51

REESE WITHERSPOON

Founder, Actress, and Producer, 41

★NEW

Witherspoon is on a tear, y'all. First the actress launched her production company, Pacific Standard, which went on to pump out hits like *Gone Girl*, *Wild*, and *Big Little Lies*. Next up: Draper James, her Southern-oriented lifestyle brand, which debuted in 2015 and has garnered backing from VC heavy hitters such as Forerunner Ventures founder Kirsten Green, who also sits on the company's board. The retail startup now has stand-alone stores in Nashville; Dallas; and Lexington, Ky.; and just struck a deal to sell its wares in select Nordstroms. Now she's partnering with Otter Media, a joint venture between AT&T and the Chernin Group, on Hello Sunshine, a content company that includes Pacific Standard and creates everything from digital and social shorts to TV shows to films. The company, which extended its development deal with ABC Studios earlier this year, has a host of projects in the works. ■

48

MARY DILLON

CEO, 56, **Ulta Beauty**

★NEW

Dillon is the victim of her own success. Despite regularly outperforming most retailers in sales growth, shares of Ulta took a beating this summer on fears the chain can't keep up its torrid run forever—at least not with Sephora going toe to toe with it, and Amazon poised to jump more aggressively into beauty. Still, with double-digit percentage sales growth each quarter, and Ulta lining up more coveted brands, Dillon keeps coming up with moves that have made Ulta a rare retail Cinderella story.

49

MARGO GEORGIADIS

CEO, 53, **Mattel**

★NEW

The toy company CEO took the top job in February 2017 and has since been busy bringing in fresh tech talent, including a chief technology officer. Given her Silicon Valley background, it's no surprise: Georgiadis spent nearly a decade at Google, most recently running sales and operations for the search giant's Americas business. But turning the 72-year-old Barbie-maker into a tech-centric manufacturer will take more than a few hires. Mattel's 2016 revenue came in at $5.5 billion, down 4% from the prior year.

50

ANNE FINUCANE

Vice Chairman, 65, **Bank of America**

● 50

In addition to running marketing and analytics, Finucane chairs BofA's Environmental, Social, and Governance committee, leading the bank's efforts to do well by doing good. She oversaw a record $15.9 billion in clean energy financing in 2016, as well as an additional $1.6 billion of loans dedicated to injecting capital into low-income areas. It's been a good year for BofA's shareholders—profits jumped 13% last year, and the stock has surged more than 55% over the past 12 months.

○ 48: LISA BERG—NBCUNIVERSAL; 49: ANDREW TOTH—GETTY IMAGES; 50: DAVID HUME KENNERLY

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THE QUEEN OF POP

NO. 02 — **INDRA NOOYI** Chairman and CEO, **PepsiCo**

CEO INDRA NOOYI HAS KEPT PEPSICO A STEP AHEAD OF THE BIG FOOD PACK. BUT CAN SHE JOLT A SECTOR THAT'S LOSING ITS FIZZ?

Interview by **Beth Kowitt**

Photograph by **Spencer Heyfron**

I

IT'S FAR FROM A GOLDEN ERA for Big Food CEOs. Shoppers are shunning their processed and packaged goods. Supermarkets are pressuring them to slash prices. And activist investors and the threat of the 3G-backed Kraft Heinz cost-cutting machine continue to circle. Amid this tumult, a cadre of longtime industry CEOs have stepped down from their corner office perches in the past year.

And yet PepsiCo CEO Indra Nooyi remains. Not only has she been an industry leader since taking on the top job in 2006—identifying early the need to rethink the company's portfolio of sugary drinks and salty snacks—but she's also a stalwart of *Fortune's* Most Powerful Women in Business list. Nooyi, No. 2 this year, has appeared on our ranking 18 of the 20 years it's been in existence, the first time in 2000 as PepsiCo's CFO.

Nooyi sat down with *Fortune* to talk about how she's managing the $63-billion-in-sales food and beverage giant during the most disruptive period of her tenure. Edited excerpts follow.

POWER PLAYER Nooyi with Blackstone Group's Stephen Schwarzman and President Trump at a policy forum at the White House in February.

***FORTUNE:* About a dozen veteran Big Food CEOs have stepped down in the past 18 months. Irene Rosenfeld, who plans to retire as CEO of Mondelez in November, told me she won't miss the 24/7 nature of the work. During her acquisition of Cadbury, everything would be fine when she'd go to sleep—then she'd wake up to chaos. How have you handled the job for so long?**

INDRA NOOYI: That's because she slept in the night, and I didn't [*laughs*]. I struggle to sleep, so all night the email pings, and I'll get up every hour and answer. There are people who thrive on it, and people who struggle with this workload. And I thrive on it still. I'm used to this pace of working at this point. That's what I like.

The industry is seeing a pace of change and disruption that we've never seen, even coming out of the financial crisis. It is changing in enormous ways. You're going to have consolidation, disruption, and a shakeout in the industry. You're going to see the emergence of new players.

You can look at it with pessimism, that, "Oh, my God, all of this is changing," or optimism, to say perhaps this is the time to rewrite some of the rules and rebalance the competitive equation in the industry. I'm in the latter camp, and I'm looking at the world and saying, "Interesting

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times." I just hope I have the energy to help us through it. Right now I do.

What are your strategies for making sense of all these shifts?

There are some books I'm reading now on disruptive technologies that give you a snapshot of how much the world is going to change. You read that and you sort of sit there, going, "But that's not a world in 10 years—that's the world today." I was talking to [Uber cofounder] Travis Kalanick some time ago, and he was giving me all these great ideas, and I said, "Oh, I'm glad it's not going to happen in my lifetime." And he said, "It's going to happen in the next five years."

To me, people like [Andreessen Horowitz cofounder] Marc Andreessen, Travis Kalanick, and [Airbnb cofounder and CEO] Brian Chesky, these guys are people we should talk to once or twice a year. You just have to. It's this hunger for knowing how people are thinking about disrupting your business or the world around you.

On the subject of disruption, how is Amazon's acquisition of Whole Foods going to change your business and the food sector more broadly?

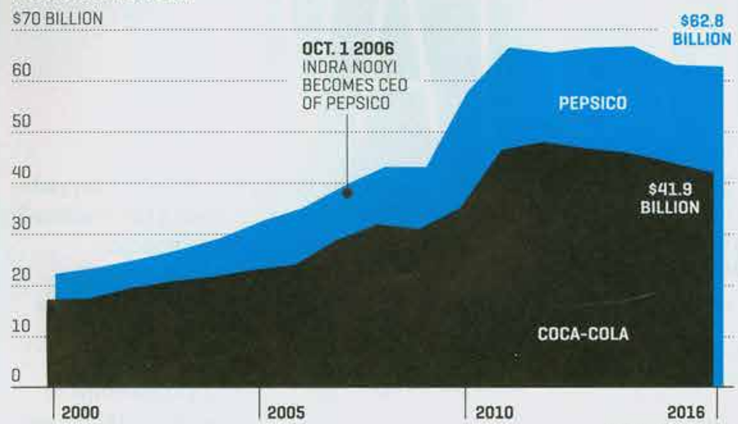
Amazon is one of the most powerful companies in the world. They're playing beautifully on your psyche, knowing you better than you know yourself. They're going to use those Whole Foods stores as replenishment and supply points. They've got this brick and mortar where they can understand how people shop, so it's a learning tool. They have Whole Foods' 365, which is a very powerful brand. They're going to use it to go after some categories that make sense.

What they want to do is improve the quality of life for consumers by reducing the price on lots of items and removing every friction point. They're approaching it in a very consumer-centric way, and they're going to be an important force we should all be worried about.

Do you worry about it?

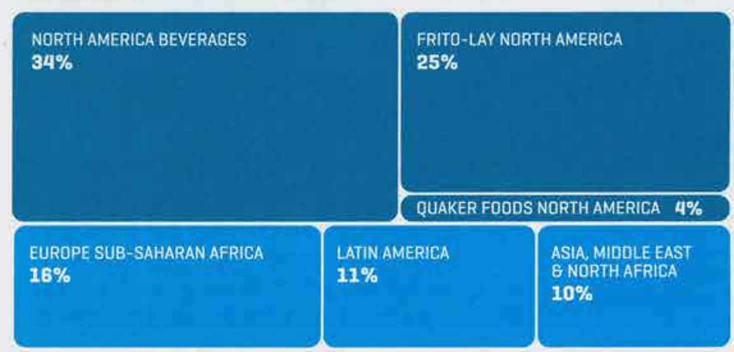
Constantly. But you don't *just* worry about it—you partner with them. When a disrupter comes in, don't look at it as, here's someone who's going to kill your business. Think of how they're going to aid your business. When the dollar stores came in, we all said, "Oh, my God, the dollar stores." Now we have great business with them.

ANNUAL REVENUES



SOURCE: S&P GLOBAL

PEPSICO NET REVENUES BREAKDOWN



SOURCE: PEPSICO FILINGS

Does the Amazon acquisition change how you partner with Whole Foods? Historically, it has not sold a lot of your products.

We have only Tropicana and Near East and some Quaker products at Whole Foods. Now I think we'll work with Amazon to get more in there, without a doubt.

How are you responding to consumers who say they want to eat healthier?

I think the consumer moving toward a Whole Foods and Trader Joe's is still a fringe-ish trend. But we don't want to give up that growth. So we have been moving our product line to create natural, organic, and GMO-free products.

Could we do more? Yes, but I worry about the availability of the raw materials. Being a large company, if we say something is organic, it better be organic. The labeling has very high standards. If anything, it's a supply-chain challenge.

Research clearly shows people are wary of aspartame as a sweetener. But when you replaced it with sucralose in Diet Pepsi, consumers didn't bite. What happened?

THE NEXT BILLION

PEPSI HAS 22 BRANDS (7Up, Mountain Dew, and Doritos, to name a few) that bring in at least $1 billion in annual sales. But as Nooyi remakes the portfolio to be less dependent on soda—its namesake cola now accounts for only 12% of its sales—expect the future class of powerhouse products to have a decidedly different look. Here are some of the names leading the race to be among the company's next billion-dollar brands:

SALES FIGURES

NAKED JUICE
$923.9 MILLION

PURE LEAF
$873.3 MILLION

SABRA
$618.4 MILLION

EUROMONITOR, 2016 ANNUAL SALES IN RETAIL CHANNELS

There's a slight taste difference. It's not a degradation. It's slightly different. So what's the problem? This was my biggest puzzle, to be honest.

What consumers think of as healthy is not always science-based. It's perception, what your friends told you, what the newest story is on the blogs or social media. Some of it might not be based on facts. If you look at potato chips in Whole Foods, they're not any healthier than Lay's. In fact I would say Lay's is even higher quality than what they sell. But just because it comes in a brown bag, people pay extra, thinking it is maybe natural, organic, or handmade. This is the reality of today, and we have to figure out how to market in these new times.

Is there a new category you want to get into?
It's more about categories that are ripe for disruption. I'll give you an example: hot beverages. It's been coffee and tea forever. It hasn't been disrupted yet. But you go to many local cultures, they drink a lot of other hot beverages. I have to light a creative spark here to get people to think differently. Don't start with coffee or tea. What's the best hot beverage that should be sold between November and March that's totally different, that's awesome, that people drink and go, "Why didn't I think about this before?" That's a space I think is ripe for harvesting, or for a Travis Kalanick or a Brian Chesky to walk in.

You were a Hillary Clinton supporter. But you also sat on President Trump's business advisory council—and were criticized for not stepping down from the group before it was disbanded in the wake of his comments about the white supremacist rally in Charlottesville, Va. How do you think about these political issues?
Until the election happens, you can support any candidate you want. There was a candidate that represented the values that I liked, but the day after the election, whoever is elected President is my President. And I congratulated him on that. And even today, he is our President.

It was a well-thought-through idea to get these councils together to help the President debate and discuss certain issues. The political cycle operates in short cycles. The issues and resolutions are long cycles. This is where business can straddle the two.

I think in this case, perhaps some of the comments that had been made post-Charlottesville did create some consternation. If individual CEOs take action, it's not good for anybody—then each of us becomes a media story. It's not a decision any of us took lightly, but circumstances demanded that we step down as a group.

What went wrong with the Kendall Jenner protest ad, which received a lot of criticism?
I've thought about it a lot because I looked at the ad again and again and again trying to figure out what went wrong—because it was a peace march not a protest march. It was people in happiness coming together. I realized the scene that caused the most consternation was the final one, when Kendall Jenner gave a Pepsi to the policeman, and it linked back to Black Lives Matter.

This has pained me a lot because this company is known for diversity, and the fact that everybody who produced the commercial and approved the commercial did not link it to Black Lives Matter made me scratch my head. I had not seen that scene. And I take everything personally. The minute I saw people upset, I pulled it. And you know what, it's not worth it. There were people on both sides, but at the end of the day, our goal is not to offend anybody.

What advice would you give women entering the workforce today?
Everybody has to enter the workforce knowing it's a long journey. For women, know your journey is going to be tougher because you have so many other priorities to worry about. Today people would argue that men have the same priorities. Yes, but women were born with an extra gene that makes us worry about those things just a little bit more. I don't know why—societal or genetic—but we worry about the family, the husband, evening's dinner, yesterday morning's breakfast, aging parents.

Because we have so many issues to worry about we have to compartmentalize even better. We have to develop more skills to write lists and learn how to prioritize. If you don't know how to do it, go to a course to learn how to do it. I make a list every day of 50, 60 items, and I tick off what I've done—tiny things. If I'm carrying two to three items over to the next day, it feels great. People say multitasking isn't very good. If I didn't multitask, I have no idea how I'd survive. ■

O COURTESY OF PEPSICO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THE BROADSHEET
BROAD STROKES
LEARN.

TECH TAKEOVER IN TOYLAND

NO. 49 —— MARGO GEORGIADIS CEO, **Mattel**

THE VENERABLE TOYMAKER MATTEL RISES AND FALLS ON SALES OF BARBIES AND HOT WHEELS—THE OLDEST OF OLD-SCHOOL BRANDS. CAN CEO MARGO GEORGIADIS BRING THE TOY INDUSTRY INTO THE DIGITAL AGE?

by **Michal Lev-Ram**

Photograph by **The Voorhes**

I

I'M NOT SURE WHAT I EXPECTED: Hot-pink, bejeweled furniture in the lobby? Race-car tracks coiling through the hallways? Perhaps a gaggle of elfin employees, scootering in and out of meeting rooms on mint-colored mini-Vespas with blueprints for next season's must-have toys?

I found no such frivolities—or merriment of any other sort—at Mattel's corporate headquarters in El Segundo, Calif. Inside the banal, 14-story tower are all the hallmarks of a run-of-the-mill, old-economy compound: cubicles, mostly blank walls, and library-like silence. Even the top-floor C-suite is disappointingly un-fun. Yes, there is a display of limited-edition Barbies—complete with gem-studded dresses and miniaturized stilettos. But tethered to pedestals and imprisoned in glass cases, the dolls appear more showpiece than plaything. "You can look, but you can't touch," the injection-molded figurines seem to whisper from pursed and plumped lips. One wonders if anyone ever actually has any fun here.

Down the steely corridor, however, past private offices and even more silence, I find an unexpected corporate "play pattern." (The term, industry jargon for how kids use a toy, will come up repeatedly over the next few days.) In a grand corner suite, Mattel's new CEO, Margo Georgiadis, is talking, even laughing, with her chief operating officer, Richard Dickson. The two share the office, working side-by-side at stand-up desks that look comically current in these stodgiest of business quarters.

"There was a real feeling that leaders were not accessible, and kind of 'ivory-towerish,'" the chief executive, who took office eight months ago, says of Mattel's past. "What better message to send than, 'I don't need this big fancy office—I can share it.'"

It's a collision of cultures that Georgiadis welcomes—one, you could say, that she was hired to create. Georgiadis is a Google veteran, having spent eight years as a top sales exec for the free-wheeling search giant, and she's here to rearrange far more than the furniture. Yes, it's ironic that the typical Google office boasts open floor plans, collaborative workspaces, and plentiful beanbag chairs—a more playful environment than her current toymaker employer's. But more important, the tech company is data-driven, fast-moving, and relatively unhierarchical. Mattel, meanwhile, is notoriously bureaucratic. Divisions don't really talk to one another. And technology has been an afterthought. The latter is sacrilegious to a Googler: "I almost feel like I'm in the 1990s," Georgiadis admits.

She might as well be in the 1950s or 1960s, because the products that Mattel introduced in those decades—flagship franchises Barbie and Hot Wheels—still make up about 30% of the 72-year-old company's global sales. These aging brands consistently rank among the top toys sold worldwide (see "How Little Things Change"), but they haven't exactly been springboards for innovation. And not coincidentally, Mattel's revenue has slipped in recent years: In its last fiscal year, sales came in at $5.5 billion, 14% less than in 2012.

REWIRING THE DREAMHOUSE Margo Georgiadis, a Google veteran, became Mattel's CEO in February. Among her plans: Designing Mattel's toys to collect better data from users, and using that data to build better toys.

▲ PHOTOGRAPHS BY ANGIE SMITH

Its stock price, meanwhile, has slid from $37 to $16 over the past five years. (Georgiadis is the company's fourth chief exec in that same period.)

To be sure, Mattel isn't the only toy giant whose innovative streak appears to be stuck in Slime (a product Mattel introduced in 1976). Rivals Hasbro and Lego also face challenges, as all three struggle to stay on top of the $49 billion global toy market. While the industry is expected to grow about 4.5% this year, these formidable players are up against fierce headwinds. Their dependence on licensing deals with movies—particularly at Hasbro, which owns "master rights" to Disney franchises like *Star Wars*—has become a double-edged lightsaber: When movies are down, so are toys. This past season produced Hollywood's worst summer box office in over a decade, leading BMO Capital Markets analyst Gerrick Johnson to reduce his price target on Hasbro and Mattel. Among the factors Johnson blamed: "Fatigue in certain properties associated with multiple sequels, and competition from entertainment from other screens."

Ah, yes, those "other screens." In a digitally saturated era where even toddlers reflexively grab their parents' smartphones for stimulation, technology presents a seemingly unsolvable puzzle for traditional toymakers. The more kids consume iPad apps and Netflix shows, the less time they spend playing with dolls or snapping together small, colorful bricks. (Privately held Lego has also suffered: In early September, following a 5% drop in midyear sales, the Danish company announced it would slash 8% of its workforce.) From an outsider's perspective, the industry stands at an existential threshold: To break out of its rut, it has to go digital.

But here's the problem: Kids may love screens, but it's not clear that they like "tech toys." The toys they gravitate toward—or at least the toys their parents buy for them—remain largely analog. Think Pokémon cards, Nerf guns and balls, and, yes, Barbie dolls, all among the five bestselling toy properties this year, according to research firm NPD Group. "There are pockets driven by technology," says Juli Lennett, an NPD analyst. "But most growth still tends to be driven by some of the classic play patterns." Another example: The fastest-growing category of toys sold so far this year was games and puzzles, a grouping that doesn't include video games. As Stephen Pasierb, CEO of the Toy Association, a trade organization, argues, "Many parents want their kids to have some digital detox."

Parents may not want screens and technology to replace toys. They do, however, want toys that meet the expectations that tech creates—more interactivity and customization, for starters. They also want to be able to buy toys without going shopping, which helps explain why once-dominant retailer Toys "R" Us filed for bankruptcy in mid-September, buckling under the weight of e-commerce giant Amazon (and creating another headache for big toymakers). As Mattel board member Dean Scarborough, chairman of label-maker Avery Dennison, puts it, the business is no longer a simple process of "producing an item, advertising on TV, and pushing it into the stores."

This is the gauntlet Georgiadis is running. The exec is already shaking things up, in a Google-y way, developing a shared technical infrastructure for toy development and investing in digital marketing. (Until recently, nearly all of Mattel's ad spending was invested in television.) "We needed someone from the digital world," says Scarborough. "And it's pretty hard to get more digital than Google." Ruth Porat, the search giant's chief financial officer, expresses faith in her former colleague, pointing out that Georgiadis ran one of Google's most important businesses, giving her the background she'll need for "applying cutting-edge tech into all parts of Mattel's business."

Some toys, though, are better left in their ana-

HOW LITTLE THINGS CHANGE

MANY TOP-SELLING toy franchises have been around for decades, showing the power of big brands—and the dearth of innovation—in the industry.

TOP-SELLING U.S. TOY PROPERTIES IN DOLLAR TERMS, JAN.–JUNE 2017

1. POKÉMON
Introduced 1996
Manufacturer The Pokémon Co. (licensed from Nintendo)

2. NERF
Introduced 1969
Manufacturer Hasbro

3. STAR WARS
Introduced 1978
Manufacturer Hasbro (licensed from Lucasfilm)

4. BARBIE
Introduced 1959
Manufacturer Mattel

5. BATMAN
Introduced 1966
Manufacturer Mattel (licensed from DC Comics)

6. HOT WHEELS
Introduced 1968
Manufacturer Mattel

7. LITTLE TIKES
Introduced 1970
Manufacturer MGA Entertainment

8. SHOPKINS
Introduced 2014
Manufacturer Moose Toys

9. PAW PATROL
Introduced 2014
Manufacturer Spin Master Entertainment

10. LEGO STAR WARS
Introduced 1999
Manufacturer Lego (licensed from Lucasfilm)

SOURCE: NPD GROUP

LITTLE GIRL- AND BOY-LAND Staffers work on Hot Wheels [left] and Barbie clothing [right] at Mattel's Design Center in El Segundo, Calif. The center is separated into distinct spaces for "girl brands" and "boys' toys."

log state, and Georgiadis will have to know which levers to pull and when. There's nothing particularly high-tech about the Chatter Telephone, for example. On the windowsill in the CEO's shared office sits the smiling, plastic pull toy, first developed in 1961. It is a reminder that all the 0s and 1s in the world don't diminish the appeal of a ringing rotary phone, as far as babies (and their parents) are concerned. In 2000, Mattel upgraded the old model with a push-button design that lit up. The result? Consumers protested, and the company brought back the original version.

If there's a lesson there, perhaps it's this: In a data-driven age, there is a science to developing products that match kids' "play patterns." But there is also an art.

A**FTER TAKING** the top job last February, Georgiadis did what all new outsider CEOs are expected to do: She traveled the country, talking to as many of Mattel's 32,000 employees as possible. Then she tore down a Barbie Dreamhouse.

Like Barbie herself, the mockup Malibu pad, first conceived of in 1962, has gotten multiple touch-ups over the years. By the '70s, the one-story abode had grown to three floors and an elevator. In the 1990s Mattel spruced it up with a working doorbell and a fireplace that lit up. And last holiday season, Barbie moved into her first "Wi-Fi, voice-activated" Dreamhouse, which enabled kids to open doors using spoken commands. (With a price of $240, that's about $30 per square foot.)

But according to Georgiadis, Wi-Fi wasn't enough to bring the 58-year-old Barbie into the Internet age. That's why she brought a screwdriver to the weekly management meeting and took apart the latest Dreamhouse, laying out each component—and each flaw—for all to see.

For starters, the voice-activated parts had a cumbersome amount of circuitry. "There were, like, seven chipboards in that thing," Georgiadis says. Not only were the chipboards completely separate—not communicating with each other—but Mattel wasn't using them to their full potential. The toymaker wasn't recording or saving Dreamhouse owners' voice commands—much less combining them into a system that could learn and evolve, otherwise known as natural language processing. "You want to know, how many times did she [the owner] talk to it, what questions does she ask that you don't answer?" says Georgiadis. For an executive schooled at Google, whose parent company Alphabet makes $90 billion a year primarily by pumping data into algorithms and using it to serve up ads, this lapse was unfathomable.

Another crack in the Dreamhouse's foundation: Mattel didn't do over-the-air software updates, which would allow the company to add new features even after they sold the product. (Other chip-equipped Mattel toys, like a Hot Wheels track that uses computer smarts to steer cars around, suffered from the same problem.)

The most encouraging thing about the deconstruction session: Georgiadis's colleagues got the message. "The minute we took the thing apart to explain all of the opportunities we were missing, everyone said. 'Oh, my God, that's so obvious,'" she says. Now she's realigning the company around that kind of revelation. She has hired a chief technology officer who has taken over all engineering resources. More developers are being hired, and a common technology platform for things like voice recognition is in the works. Georgiadis envisions that, someday, language processing tech developed with the Dreamhouse in mind will also be used in, say, a Fisher-Price baby swing, to track how a child's cry is impacted by different speeds. "Skip the focus group," she says, because with tech, "You have an everyday focus group."

The new CEO is utilizing data elsewhere too. She wants to move Mattel entirely to shared systems—enterprise resource planning software, for example, and collaboration tools like Yammer. "Forecasting, demand planning, all these kinds of things are more data-driven," says Georgiadis; the tools she favors could make that kind of information available to more people, more quickly.

Getting Mattel's divisions to collaborate poses geographical challenges too. While flagship brands like Barbie and Hot Wheels operate out of headquarters in Southern California, other divisions are cleaved from the core. Many are acquisitions that are still parked in their hometowns. American Girl, maker of dolls from different points in history, is based in Wisconsin. Mega, a block-toys arm, is in Canada, and Fisher-Price, the brand for smaller tots, is based in New York, to name a few. "This company that had a huge potential was really almost like a house of brands," says Georgiadis. "There wasn't a shared mission." To get everyone on the same page, Georgiadis has written a new code of shared values (the initials of the six precepts spell out "WONDER") and instituted monthly Google-style "town halls."

Of course, however sweeping her reforms, there is no real-life Magic 8 Ball (the Mattel-owned toy launched in the 1950s) that can help Georgiadis see which products will sell and which will flop. Will parents want their kids' voices recorded, even if anonymized and used to improve products?

Still, observers think she's on the right track internally. Mattel's bureaucracy has likely stifled innovation. How could smart ideas bubble to the top when it was hard for designers to even reach the management on the top floor? "Literally, there were guards and codes and badges," says Dickson, the COO and Georgiadis' office mate, who has spent 13 years at Mattel. No one, until Georgiadis, had ever asked him to share an office. No one had broken down the silos between brands. In fact, no one had even managed to bridge the gap between the company's corporate tower and the flatter, cooler building right across the street.

T**HE DAY AFTER** I visit the tower, I tour the "Design Center," a warehouse-style building with high ceilings and, well, a lot of toys—a space that's as fun as the HQ is drab. This is where about 700 of the company's creatives sit—toy developers, graphic designers, and even Barbie hair specialists. There are no elves or mopeds, but there is a sprawling, orange Hot Wheels track, where I stand on top of a ladder and send a silvery, die-cast toy car whizzing through the lobby. In a nearby chemistry lab, a machine slowly mixes sparkly goo. I pick up a plastic pony and dip it into water—it changes from

TOY TITANS RETOOL

HERE'S HOW THE THREE BIGGEST COMPANIES IN THE TRADITIONAL TOY INDUSTRY ARE ADAPTING TO A DIGITAL AGE.

MATTEL

HQ:
El Segundo, Calif.

2016 revenue:
$5.5 Billion
(-4% from 2015)

The Hot Wheels maker is developing tech "platforms" like natural language processing to use across multiple toy lines. Leading the charge are Google-trained CEO Margo Georgiadis and chief technology officer Sven Gerjets, a former CIO of Time Warner Cable. The tech-centric approach is new at Mattel, which still makes about $1 billion a year from a very analog product: Barbie dolls.

LEGO

HQ:
Billund, Denmark

2016 revenue:
$5.4 billion
(+6% from 2015)

Lego's new CEO, Niels Christiansen, wants to simplify and speed up the company's business processes, while bridging the gap between physical building blocks and digital 0s and 1s. After a strong decade, Lego's growth has significantly tapered off, leading the company to eliminate 1,400 jobs and hire Christiansen, who comes from an engineering and manufacturing background.

HASBRO

HQ:
Pawtucket, R.I.

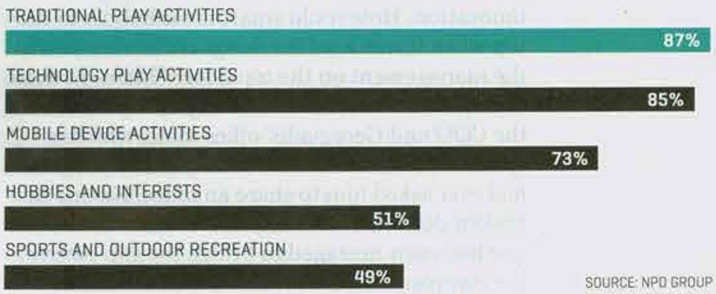
2016 revenue:
$5 billion
(+13% from 2015)

Even Play-Doh got a tech makeover at Hasbro, owner of brands like Monopoly and Easy-Bake Oven. Last year it launched an app that digitizes Play-Doh creations, allowing kids to interact with their sculpted dinosaurs and kittens on a screen. Still, much of Hasbro's growth comes from traditional toys that build on license agreements with the likes of Disney's Lucasfilm.

TOYS AND TECH, NECK AND NECK

TRADITIONAL TOYS AND COMPUTER- AND PHONE-BASED GAMES ARE NOW EQUALLY OMNIPRESENT IN KIDS' LIVES.

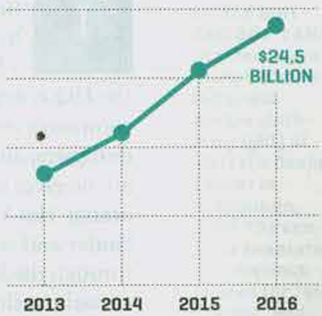
ACTIVITIES ENGAGED IN DURING A TYPICAL WEEK BY KIDS 14 AND UNDER



SOURCE: NPD GROUP

ANNUAL TOY SALES, U.S.

ANNUAL VIDEO GAME SPENDING, U.S.



SOURCES: NPD GROUP; ENTERTAINMENT SOFTWARE ASSOCIATION

pink to yellow. So this is where the magic happens.

This warehouse isn't actually a factory; the majority of Mattel toys are manufactured abroad. The Design Center is for conceptualizing, developing, and testing new versions of the flagship brands that have been around almost since the company began. That's one reason that, even in its colorful cacophony, the center feels stuck in time. One of the first things I notice is the separation between girls' and boys' toys. Exactly half of the 200,000-square-foot floor is devoted to Barbie and other "girl brands" like spooky-doll line Monster High. There are rows and rows of Barbies on shelves and in employees' cubicles, many of which are partitioned with frilly white curtains. One disconcerting display showcases dozens of Barbie heads—just the heads—stuck on top of perfectly arranged spokes like so many Barbie-headed lollipops, showing off the variations of their hairstyles. The other side of the building is devoted to "boys' toys," mainly Hot Wheels but also brawny WWE figurines. The juxtaposition—muscle cars and muscled-up action figures on one side and hyper-feminine dolls on the other—seems outdated, if not downright out of touch.

In both its gender dichotomy and its old-school, siloed feel, the Design Center shows how much Mattel needs to play catch-up. "I really applaud the efforts Mattel has made to update Barbie," says Debbie Sterling, founder and CEO of STEM toy startup Goldieblox. "But there's a real challenge around the legacy of Barbie and what she stands for."

The Oakland-based Goldieblox sells games that teach building and early engineering skills, with a focus on attracting girls. It's one of many toy upstarts that are steadfastly steering clear of gender stereotypes. Another Bay Area toy newbie, Wonder Workshop, builds turquoise-and-orange robots used by kids who are learning to program. To date, the company has shipped more than 300,000 of its bulbous "Dash" robots—marketed to boys and girls alike—that scoot around according to simple instructions programmed by kids. And New York–based LittleBits is also being gender-neutral in selling its inventor kits that enable kids to build and control robots. The company got a licensing deal with Lucasfilm after participating in an accelerator run by its parent company, Walt Disney. Its latest product? A build-it-yourself version of iconic droid R2-D2.

REGARDLESS OF WHAT they make, toy startups have an advantage that Mattel, Hasbro, and Lego lack: They can start supply chains and distribution models from scratch. That means they can "fail fast," testing products with the rapidity of a tech company, and tap e-commerce and digital advertising instead of breaking into bricks and mortar and shelling out millions for TV ads. In all these ways, the startups are much farther down a road that Big Toy is still scouting out.

The toy giants know they need to take a tech-centric approach to product development and shed their more cumbersome production processes. "We have added complexity into the organization which now in turn makes it harder for us to grow further," Lego's executive chairman Jørgen Vig Knudstorp acknowledged in a news release announcing the company's recent layoffs. "We have now pressed the reset button." In August, the company ousted its CEO and appointed a new leader, Niels Christiansen, the former head of engineering company Danfoss—hiring a techie outsider in an unprecedented move for the family-owned company.

Like Mattel and Lego, Hasbro is hitting a wall; analysts expect revenue growth to slow from 13% in 2016 to just 3% in 2018, and its stock is down almost 20% from its highs this summer. As investors lose faith in its movie tie-ins, Hasbro is stretching in unfamiliar, screen-based directions. The company recently announced that its first Netflix series, *Stretch Armstrong and the Flex Fighters*, will launch in late 2017. That's a move that's simultaneously new (a show on a streaming service!) and old-fashioned (the original Stretch Armstrong doll was a hit upon its debut—in 1976).

MOLDING IMAGINATIONS An employee handles toy prototypes in the Design Center's 3D-printing studio. Mattel hopes to shorten its production cycle so new toys reach the market faster.

But no big toymaker is making a bigger tech bet than Mattel. Georgiadis wants Mattel to emulate the speed and efficiency of Silicon Valley. That's why she's asked the company's head of supply chain to rely on fewer vendors, and why she's asked all executives to follow her "Rule of Two," which allows just two senior execs to make a decision (before Georgiadis, it usually took four or five). It's also why utilizing customer data in toy development is such an urgent project.

Retooling Mattel could take many more years, of course—especially given the typical 18-month concept-to-market cycle in the industry. Georgiadis says she had a modest hand in this year's holiday toy lineup, most of which was already under development when she joined the company.

In the meantime, she—and her competitors—will still be able to draw inspiration from the pre-digital past. In one corner of Mattel's Design Center, I come face to face with some real magic: A machine that once made reels for View-Masters, the bright red 3D "stereoscopes"—invented in 1939—that many of us grew up with. This clunky apparatus, which operated for seven decades at a plant in Mexico, isn't much to look at. But it likely helped instill awe and wonder in thousands or millions of children worldwide.

In 2015, Mattel struck a partnership with Google to bring the toy back to life with a techie twist. The "View-Master Virtual Reality Viewer" was built on the search company's Cardboard VR platform, and was applauded for bringing VR technology to younger audiences at an affordable price. Georgiadis's mission is to create product platforms that kindle similar magic—but with the staying power of Barbie and Hot Wheels. ■

MPW

APPLE REBOOTS IN CHINA

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INTERNATIONAL NO. 12 — ISABEL GE MAHE VP and Managing Director, Greater China, **Apple**

FACING FALLING SALES IN A KEY MARKET, THE IPHONE MAKER TURNS TO STAR ENGINEER ISABEL GE MAHE TO LEAD A TURNAROUND.

By **Claire Zillman**

S

HE WAS PROMISED dinner. In early 2008, Apple CEO Steve Jobs asked Isabel Ge Mahe over to his house to talk and share a meal. The invitation was part of Apple's ongoing effort to recruit Mahe, who at the time was vice president of wireless software engineering at Palm Inc. The engineer-on-the-rise was hesitant to make a move. "I had built the wireless technology team for Palm pretty much from the ground up, and, at the time, we were trying to revive the Palm brand," she says. Jobs, unsurprisingly, was unwilling to take no for an answer. So he decided to make his pitch in person. Mahe was impressed with how "down-to-earth" the late Apple cofounder was face to face.

There was just one problem: Jobs never proposed that they eat, and no food ever materialized. "Just water for the whole two hours," Mahe says, laughing at the memory. "So that was a little bit of a bait and switch!"

What he did offer was a high-profile new gig. Jobs wanted her to build a team to focus on the wireless capability of the iPhone, which Apple had released months earlier. At one point, Jobs pleaded his case with a parable of sorts. He told Mahe about his neighbor, a teenager who, in want of a Ferrari, had souped up his Volkswagen as the next best thing. In the end, though, all the neighbor had was a really loud Volkswagen. "He was trying to tell

me that no matter what I do, Palm will always be Palm," she says. Eventually, she opted for the Ferrari. Mahe started at Apple later that year.

Now Mahe, 43, is taking on a critical new role at Apple: In July, CEO Tim Cook named her the first-ever vice president and managing director for Apple in what it calls Greater China—the mainland plus Hong Kong and Taiwan. Apple's other sales regions don't have lead execs; the company prides itself on its "functional" structure, with teams grouped by what they do, not location. But it's time for Apple to think different in China.

The world's second-largest economy is crucial to Apple's future—and right now the business there is headed in the wrong direction. In the most recent quarter, the China region accounted for 18% of Apple's revenues, down from a peak of 29% in early 2015. It was the sixth straight quarter of ebbing sales. Apple is hoping that the rollout of its new iPhone 8 and X models will reverse the decline.

It's up to Mahe, a fluent Mandarin speaker, to deliver that turnaround. But if the professional stakes are high, the new job carries personal significance too. For Mahe, the move is a homecoming.

HER FATHER ALWAYS intended for her to go back. It was his idea to emigrate from Shenyang, China, to Canada when Mahe was 16. "He felt that having

STATUS SYMBOL
The entrance to an Apple Store in Shanghai.

MPW

SLICES OF THE APPLE: HOW IT STACKS UP IN CHINA

12,000
number of employees that Apple has in China

5TH
Apple's smartphone market share ranking in China by unit volume in the most recent quarter

18%
Portion of Apple's total sales last quarter that came from Greater China, down from 29% in 2015

SOURCES: APPLE; IDC

Isabel Ge Mahe

a Western college education was something that could help me in my career later on," she says. They stuck it out even after he lost his job as a mining consultant. The man who'd been a college professor in China picked up odd gigs—pizza delivery, janitorial work—to put Mahe through school. After earning degrees in electrical engineering from Simon Fraser University, near Vancouver, she went on to jobs at Philips Semiconductors and Palm, among other stops.

When Mahe arrived at Apple in 2008, the wireless team numbered 25 people; recently it had 1,200. In addition to building her group, Mahe has contributed over the years to signature products such as the iPad, Mac, and Apple Watch, and helped develop services like Apple Pay. She'll need to draw on all of that experience in her new role.

Recent versions of the iPhone haven't impressed Chinese consumers, says Mo Jia, a Shanghai-based analyst for tech research firm Canalys. At the same time the technology available on locally made smartphones is advancing. Players like Huawei, Oppo, Vivo, and Xiaomi have produced "competitive products at lower prices, and to some degree [have] lured consumers away from Apple," says Jia. In the second quarter, Apple ranked fifth in smartphone market share in China, measured by units shipped, behind those four rivals.

Jia says the top-of-the-line iPhone X will deliver to Chinese consumers "the best experience on the current smartphone market," but, in his estimation, its high price will stop the mass public from buying it. The iPhone 8 and 8 Plus, meanwhile, are more aimed at mainstream users, but they'll face challenges from new handsets from Huawei and Xiaomi.

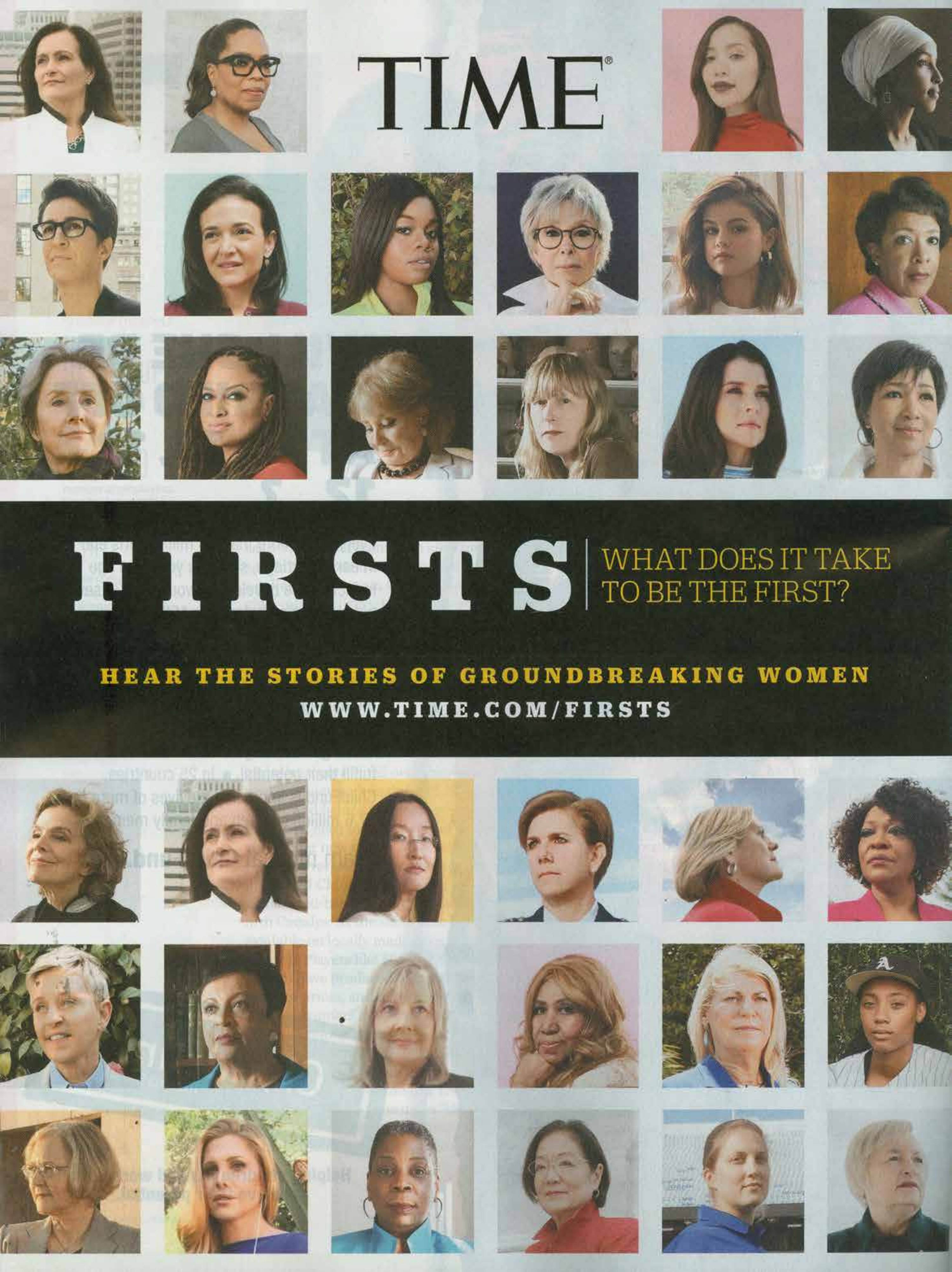
Mahe is confident the iPhones—loaded with new features, which she helped develop in her previous role, that cater to Chinese customers—will go over well. The new iOS 11 software, for instance, will let customers in China use their phone number as their Apple ID instead of an email address since some Chinese consumers don't use email regularly. (Technology in China, to some extent, leapfrogged the PC and email era, and went straight to smartphones.) The new OS also enables iPhones to automatically recognize QR codes, despite their limited use in markets like the U.S. In China, "people use QR code for everything," Mahe says.

APPLE IS DETERMINED to win in China. The company's promise to open a Chinese data center (as required by a new cybersecurity law), its plans for four new Chinese R&D centers, and its $1 billion investment in Chinese ride-sharing service Didi Chuxing all underscore the importance Apple places on the market—not to mention its 12,000 employees there.

Mahe knows that a big part of her new job is to deepen the relationship "with our business partners and also with the government." As well, she'll have to reckon with the heavy regulatory hand of Beijing, which has tightened its grip. In late July, Apple removed several VPN ("virtual private network") apps from its App Store in China to comply with the government's crackdown on tools that circumvent the nation's "Great Firewall." Likewise, Apple deleted the *New York Times* app last December after a request from authorities. The moves raised eyebrows given the privacy stands Apple has taken in the U.S. Mahe says that to do business in China, it must obey Chinese laws. But she sees Apple's values as a positive influence.

Perhaps that's why Mahe says she sees her new role not just as a job but as "a calling." In keeping with her late father's wishes, she'd always planned to move back to China when she retired. "I thought that's when I could return and contribute," she says. Now she's back ahead of schedule, after moving to Shanghai with her husband and four kids. Good thing that Steve Jobs convinced her to take the Ferrari. ■

COURTESY OF APPLE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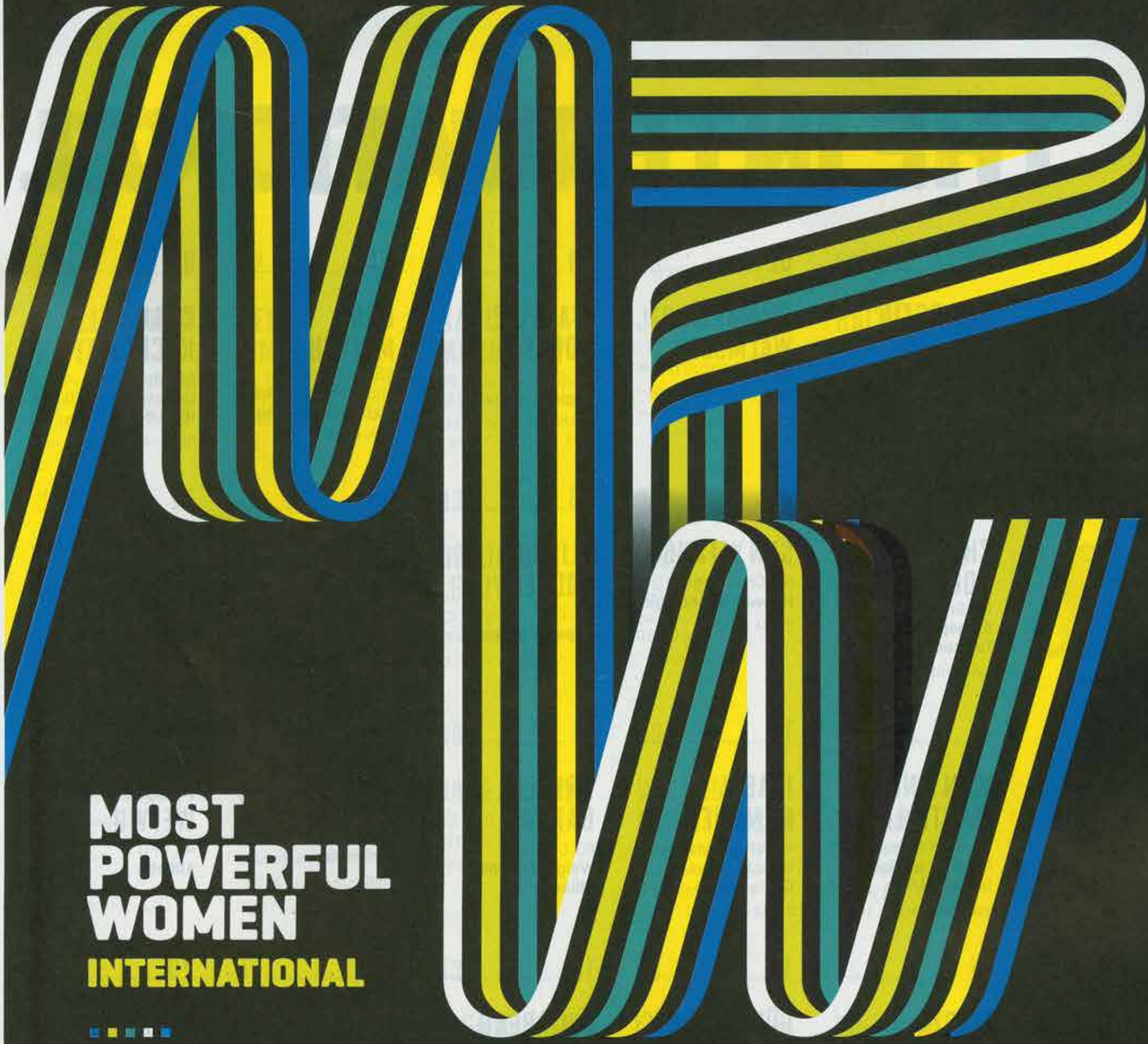

MOST POWERFUL WOMEN
INTERNATIONAL

IN ITS 17 YEARS, ***Fortune*'s list of the Most Powerful Women in international business has always featured talented and successful leaders from around the world.**

But until recently a significant number of those global listmakers graduated to their executive ranks through a family business or by government appointment. The far more common story this year is one of women who have vaulted up the corporate ladder and landed top jobs with some of the world's largest multinationals [see GSK's new CEO Emma Walmsley [No. 2]; Isabel Ge Mahe, Apple's new head in China [No. 12]; and Jessica Uhl, Royal Dutch Shell's new CFO [No. 29] just to name a few]. Even if their number is small, that's an encouraging shift signaling a broadening of leadership in global business.

By CHRISTINA AUSTIN, LAURA ENTIS, ERIKA FRY, POLINA MARINOVA, AND CLAIRE ZILLMAN

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38. QILAI SHEN—BLOOMBERG VIA GETTY IMAGES; 40. LEE JAE-WON—REUTERS; 42. COURTESY OF NISSAN; 43: COURTESY OF WALMART DE MEXICO; 50. LINH LUONG THAI—BLOOMBERG VIA GETTY IMAGES

THE NEW IRONMEN Competitors prepare for the swim phase of a triathlon event in Hefei, China. The number of Chinese nationals competing in Ironman events rose sevenfold in 2016.

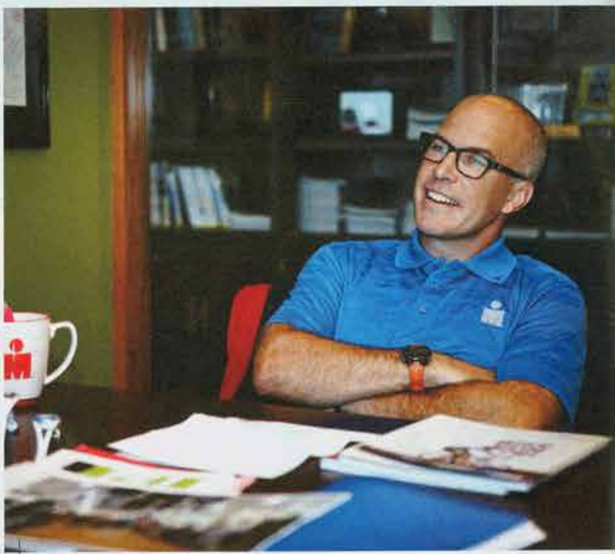
RACING TO BUILD AN ENDURANCE SPORTS EMPIRE

WITH A BOLD BUYING SPREE, CHINESE CONGLOMERATE DALIAN WANDA HAS BECOME THE WORLD'S BIGGEST OPERATOR OF **MARATHONS** AND **TRIATHLONS.** NOW ALL IT HAS TO DO IS GET PEOPLE RUNNING AGAIN.

BY **PHIL WAHBA**

▲ PHOTOGRAPH BY **RYAN BETHKE**

Sixteen years ago, Andrew Messick was an executive on the rise at the National Basketball Association—and suffering from early-onset middle-aged blahs. Constant travel and long hours had led him to pack on the pounds, leaving him easily tired and plagued with back problems.



That's when the former high school track athlete and UC-Davis rugby player rediscovered exercise. He started with short bike rides in New York City's Central Park, then graduated to longer excursions. He taught himself to swim competitively. And by 2005 he had found his obsession: Ironman triathlons. "Ironmans" are the gold standard for amateur endurance athletes: Each consists of a 2.4-mile swim, a 112-mile bike ride, and a 26.2-mile marathon—with no breaks.

As Messick trained, his weight fell as low as 170 pounds from a peak of 210, relieving his long-suffering back. Messick, 53, has now done three full-length Ironmans and competes frequently in shorter triathlons. Above all, he says, competing satisfies him emotionally: "It fills an elemental need in people, which is to know, 'Can I do it?'"

Today it's Messick's job to persuade millions more people to answer that question. In 2011 he became CEO of World Triathlon Corp. (WTC), which organizes Ironman and other sporting events worldwide. In 2015, WTC was acquired by Chinese mega-conglomerate Dalian Wanda, and this year, Wanda bought the world's largest organizer of marathons and half-marathons. Messick, who oversees the combined operation, now faces an Olympian challenge: generating demand for such events among China's rising cohort of middle-class, deskbound consumers.

Like other maturing industries, endurance sports are looking to China for invigoration. Endurance events are a nearly $2 billion market in the U.S., according to IBISWorld, but its biggest category—marathons and half-marathons—has stopped growing in the States. In China the market is relatively tiny, but there are signs of an incipient boom. In 2015 there were 134 marathon events registered by the China Athletics Association; last year there were 328. (There are about 1,200 in the U.S.) What's more, China's government has thrown its weight behind the sports and fitness industries, as part of an effort to reorient its economy around consumer goods and services—a trend that business interests in just about every major sport hope to tap.

Dalian Wanda, owned by billionaire Wang Jianlin, wants to get in on the ground floor. Wanda bought Ironman for about $650 million from private equity firm Providence Equity Partners. Wanda has also assembled a portfolio of dozens of endurance races outside the Ironman universe. Most notably, in June it scooped up Competitor Group Inc. (CGI), parent company of the Rock 'n' Roll marathons, which fields races in 29 markets, with 600,000 participants. Thanks to these acquisitions, now part of Wanda Sports Holding, Wanda has quietly become the dominant global company in endurance sports.

The new entity is blazing a trail in China. The country will host five Ironman events this year, and six in 2018. And China's inaugural Rock 'n' Roll marathon and half-marathon will take place Oct. 28 in Chengdu, a city of 7 million, with United Airlines as its major sponsor.

But Wanda wants to keep expanding far beyond its home country. The combined entity has a roster of more than 250 events globally, from which it earns revenue via entry fees, corporate sponsorships, merchandise, and broadcast licenses. Messick envisions Rock 'n' Roll and Ironman boosting each other: Rock 'n' Roll races can funnel athletes toward the more elite, expensive Ironmans; WTC, meanwhile, can share expertise with Rock 'n' Roll, which has struggled financially and organizationally. Credit rating firm Moody's says it expects WTC and Rock 'n' Roll to rake in $300 million this year thanks to "meaningful cost synergies."

2 3 4

If China's potential is as great as Wanda believes, revenue could easily double in a decade.

But just as in marathon running, size doesn't guarantee success. The endurance-race field has grown increasingly crowded: Shorter obstacle-course events like Tough Mudder have been stealing market share; Virgin Sport, an upstart financed by deep-pocketed Richard Branson, has leaped onto the track with a slate of "festivals" that add yoga classes and concerts to the endurance-race mix. Messick will need to innovate to make Wanda's offerings stand out. "How do you continue to capture the imagination of athletes and give them a reason to get up at 4:30 in the morning and train?" he asks. Answering that question will take stamina.

IN A SPORT ASSOCIATED with intense self-sacrifice, it's noteworthy that the Rock 'n' Roll series' success sprang from an effort to make marathons less lonely. The theme was inspired in 1997, when runner Tim Murphy found himself hitting the wall during the Heart of San Diego marathon and wishing he had a musical pick-me-up to power him through the final miles. The next year he organized the first Rock 'n' Roll race, in San Diego. The idea was to turn races into extended block parties, with a few dozen bands along the route to energize runners and keep onlookers entertained.

Runners quickly warmed to the concept: Every year, for example, hundreds dress as Elvis Presley for the Las Vegas marathon. As it caught on, the Rock 'n' Roll team soon had an edge few organizers could match: a uniform brand that encouraged large groups to participate in multiple races in multiple cities. That math proved irresistible to investment firm Falconhead Capital, which bought Rock 'n' Roll owner Elite Racing in 2008 and merged it with other properties to create CGI.

RACING KINGS
Andrew Messick [1], who helped turn Ironman races into a global success, now leads Wanda's endurance-sports unit. He oversees the popular Rock 'n' Roll series of marathons and half-marathons, including races in Las Vegas [2], San Diego [3], and Los Angeles [4]. Elvis attire is encouraged but not required.

Backed by new capital, CGI went on a shopping spree: It bought existing marathons in Las Vegas in 2008 and Denver in 2009, then went international with acquisitions in Madrid, Edinburgh, Montreal, and Lisbon. It generally turned its new races into successes, and CGI soon became the first truly global organizer in a highly fragmented, localized industry. Sponsors, meanwhile, got a tantalizing target audience: According to CGI, 60% of its runners are women, and half have household income of at least $100,000. More big companies joined its roster, and by 2012, CGI reportedly had revenue of $126 million, with sales up 26% annually over the preceding five years.

But CGI's core market was about to bonk. Its ascent coincided with a meteoric rise in U.S. marathon running: The number of finishers climbed 63% from 1998 to 2014, to 550,600. That proved to be a high-water mark, however, as baby boomers aged out and competing trends like CrossFit and SoulCycle attracted younger athletes. Participation tumbled to 507,600 in 2016, according to Running USA, an industry association. (Half-marathons, of which CGI operates several, also saw a decline.) "Growth during the boom was unsustainable, and supply [of races] was outpacing demand," says Rich Harshbarger, Running USA's CEO.

Even before then, the formerly sure-footed CGI had begun to stumble. The company changed ownership in a 2012 leveraged

THE WIDE WORLD OF WANDA SPORTS

Chinese conglomerate Dalian Wanda has gone on a shopping spree for sports-management businesses; it's now the world's largest organizer of long-distance races and has a big footprint in soccer as well.

2015
Buys a 20% stake in soccer's **Club Atlético de Madrid** for $55 million. Buys Swiss sports marketing group **Infront Sports & Media** for $1.2 billion, landing the broadcast rights to the next two World Cup soccer championships.

Buys **World Triathlon Corp.**, organizer of the Ironman events, for a reported $650 million plus debt.

2016
Buys **Lagardère Sports'** endurance events division, including five triathlon events and four marathons, with a total of 140,000 participants.

2017
Buys **Competitor Group Inc.**, owner and operator of the Rock 'n' Roll marathons and half-marathons, which have about 600,000 participants per year.

GROWING PAINS Children compete at an Ironman "70.3" event in Hefei. The waning popularity of endurance races in the U.S. has made China more alluring to promoters—and created an opportunity for Dalian Wanda.

buyout by private equity firm Calera that left it with substantial debt. So hungry was CGI for growth that it would drum up huge turnouts for inaugural races, rather than start small and work out the kinks. The company's first Brooklyn Half Marathon, in 2015, drew 17,500 runners but was marred by logistical snafus such as bag-check chaos and an overcrowded course. The company also got greedy: At one point, CGI sold VIP access to porta-potties at the start area of the Vegas marathon. Messick's take: Management had become more focused on the expectations of investors than on runners.

As an overextended company collided with a contracting market, troubles came to a head. CGI had to ax a number of races, including the marathon in Denver and half-marathons in Providence and St. Petersburg, as registration plummeted. The cash-strapped company ultimately reverted to control of its lenders, who sold it, for an undisclosed sum, to Wanda.

PROVIDENCE EQUITY bought WTC and the Ironman races for some $85 million in 2008, a few months after Falconhead bought Rock 'n' Roll. WTC seemed like the laggard of the two—until it hired Messick.

Messick began working in sports in 2000 after stints at Sara Lee and the McKinsey consulting firm. As senior vice president of NBA International, he spearheaded the league's business expansion into overseas markets, including China. (He later worked for AEG, helping that event promoter build joint ventures with the NBA in China.) Messick says his most memorable mentorships came from former NBA commissioner David Stern and current commissioner Adam Silver; they taught him the importance of not straying from what a brand stands for, even when facing pressure to expand. "Andrew felt if we couldn't do something to a certain standard, we shouldn't do it," Silver tells *Fortune.*

Brand discipline became central to Messick's approach at Ironman. In 2011, when he became CEO, there were dozens of races that WTC licensed but didn't supervise, creating inconsistencies in how they were executed; Messick reclaimed those licenses. At the same time he expanded rapidly, widening the brand's appeal by launching more "70.3" races (triathlons half the length of a traditional, 140.6-mile Ironman). He also pounced on merchandising opportunities; the Ironman-branded Timex, for example, is now a top-selling sports watch. In Messick's first three years, Ironman's revenue rose sevenfold, to $150 million.

Messick also created a sophisticated customer relationship management (CRM) database to help build customer loyalty. Ironman events average about 2,500 racers, with entry fees around $700 (marathon fees are closer to $125). Many racers treat triathlons as "one and done" achievements, but Messick wanted more athletes to do multiple Ironmans—a crucial goal, given the small pool of people willing to compete. Messick says the CRM system has increased retention: Some 41% of 2016's Ironman athletes will compete in another event this year.

Messick's work ethic, meanwhile, drew raves. "He's a leader who inspires the troops and loves the sport," says Davis Noell, the Providence Equity managing director who oversaw Ironman. And athletes reciprocated that love: About 260,000 people will race

KIDS: MATT ROBERTS—GETTY IMAGES

HITTING THE WALL?

After a long boom, the popularity of distance running is waning in the U.S. That puts pressure on Wanda Sports to find new ways to woo amateur athletes to its events.

SOURCE: RUNNING USA

in full-length and "70.3" Ironmans this year, almost twice as many as in 2011.

WANDA APPEARS to love Messick too: Since it bought WTC, the executive says, the company has largely left him to his own devices. (Wanda declined to make executives other than Messick available for interviews.) But Wanda Sports is clearly a key component in its parent company's ambitious, if puzzling, expansion.

Once focused mostly on commercial real estate, Wanda has been on a buying spree of disparate businesses. In addition to WTC and a stake in soccer's Club Atlético de Madrid, the company owns film studio Legendary and a majority interest in the AMC theater chain. Wanda is part of a group of Chinese conglomerates that have piled up debt to the point where some view them as posing systemic risk to China's economy; this summer, under political pressure, Wanda sold off some assets. Still, Wang Jianlin has been clear about his ambitions: Wanda is gunning for $100 billion in revenue in 2020, up from $38 billion in 2016, and wants consumer-facing businesses like entertainment, retail, and sports to account for two-thirds of sales by 2018.

Even before Wanda snagged CGI, it was expanding its marathon empire. The World Marathon Majors (WMM) is a grouping of six races that draw top professional racing talent—in New York City, Chicago, Boston, London, Berlin, and Tokyo. In April, Wanda announced a 10-year partnership with the group: The tie-up calls on Wanda to add another Asian race and possibly one in Africa to the roster of Majors within three years.

The Majors race criteria are tough and specific: They encompass everything from the number of water stations on a course to the distance to the airport. But under its title sponsor, drugmaker Abbott, the WMM wants to expand its reach beyond elite athletes. "When Abbott joined two years ago, they wanted more focus on mass participation," says Peter Ciaccia, president of New York Road Runners and race director of the New York City Marathon. In essence, Abbott would like WMM races to emulate Rock 'n' Roll marathons—and Wanda can now deploy CGI's expertise to make that possible.

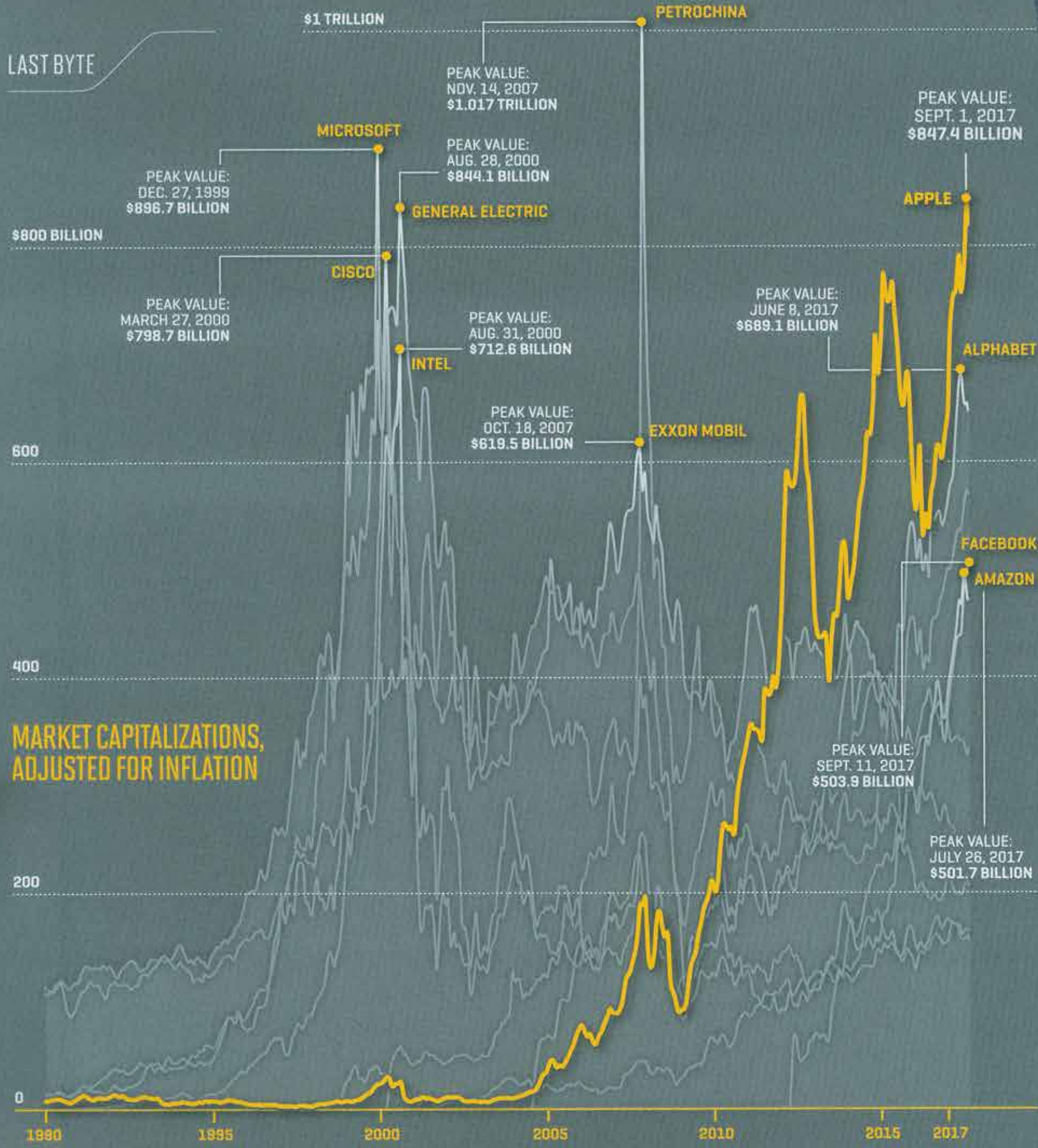
Mass participation matters to Wanda's bottom line: Unlike in major sports like football or soccer, where sponsors pay a premium to reach vast TV audiences, marathon sponsors pay to connect with an elite circle of participants, families, and friends. Messick thinks China can vastly expand that circle; he sees an enormous hunger among Chinese amateur athletes. In 2015, for example, there were 400 Chinese nationals competing in Ironman events. The following year, the number rose to 2,800.

There's also a sound business logic to having Western brands present endurance-sports events in China. Chinese consumers gravitate to Western luxury brands, especially when the product is unfamiliar. That's one reason Ironman and Rock 'n' Roll continue to operate under their own names. "Wanda is not dumb—these are investments," says Norm O'Reilly, a professor of sports administration at Ohio University and himself an Ironman. "They want brands that are going to work." In one encouraging sign, Adidas last year signed a two-year deal to sponsor some Ironman races in China and is in talks about 2018 events.

TO KEEP THAT MOMENTUM GOING, Wanda will need savvy marketing to entrench endurance sports more firmly in China's cultural landscape—while at the same time avoiding the kind of overextension that plagued the Rock 'n' Roll series before Wanda bought it.

That series, meanwhile, is due for more managerial love. Given that 65% of runners now run with headphones, blocking out bands, Rock 'n' Roll has to rethink its approach, Messick says. (One possibility: streaming a branded, revenue-generating playlist to runners.) Messick will also need to keep pace in a tech arms race on the track. India's Tata Consultancy Services, the title sponsor of the NYC Marathon, has developed a sophisticated app that tracks runners' exact location in real time. And the use of tech to enable community building is the sport's next frontier, says Ciaccia: "Running is much more social than it's ever been."

Rock 'n' Roll may ultimately have to focus on its best events, and Messick has hinted that more races could be on the chopping block. "You have to love the races you love but also be prepared to say, we can't salvage it," he says. Still, he believes the mystique of exertion will keep the series strong. Marathons and Ironmans are mythical in people's minds, almost primal. The ranks of Ironman finishers are so exclusive that many get themselves tattooed with the event's logo. "These races represent a really meaningful challenge for lots of people," says Messick. The more athletes embrace that challenge, the easier his job will be.



APPLE CLIMBS TOWARD $1 TRILLION

THE WORLD'S MOST VALUABLE COMPANY is scaling new heights. As of mid-September, Apple's stock was up some 40% year-to-date and its market cap was near $830 billion. That surge has fueled speculation that sales of the new iPhone models 8 and X could soon push Apple's value over $1 trillion. While remarkable, Apple's rise is not without precedent. Adjusted for inflation, Microsoft's value climbed higher in the dotcom boom, to $897 billion, than Apple's is now. And in 2007, voracious demand for new shares of PetroChina on the Shanghai Stock Exchange caused its market value to briefly top $1 trillion. Apple's investors are hoping for a more lasting achievement. —BRIAN O'KEEFE

SOURCES: S&P GLOBAL (STOCK CLOSING PRICES); BUREAU OF LABOR STATISTICS

GRAPHIC BY NICOLAS RAPP

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