

FORTUNE

HOW TO

50 LEADERS WHO ARE STEPPING UP

WHY THEY CAN'T BE IGNORED

LEAD IN A

DIVIDED

AND WHAT WE CAN LEARN FROM THEM

WORLD

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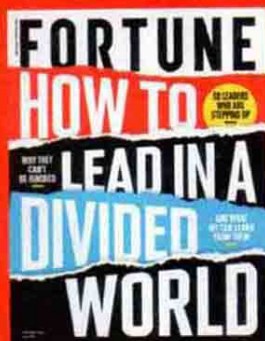


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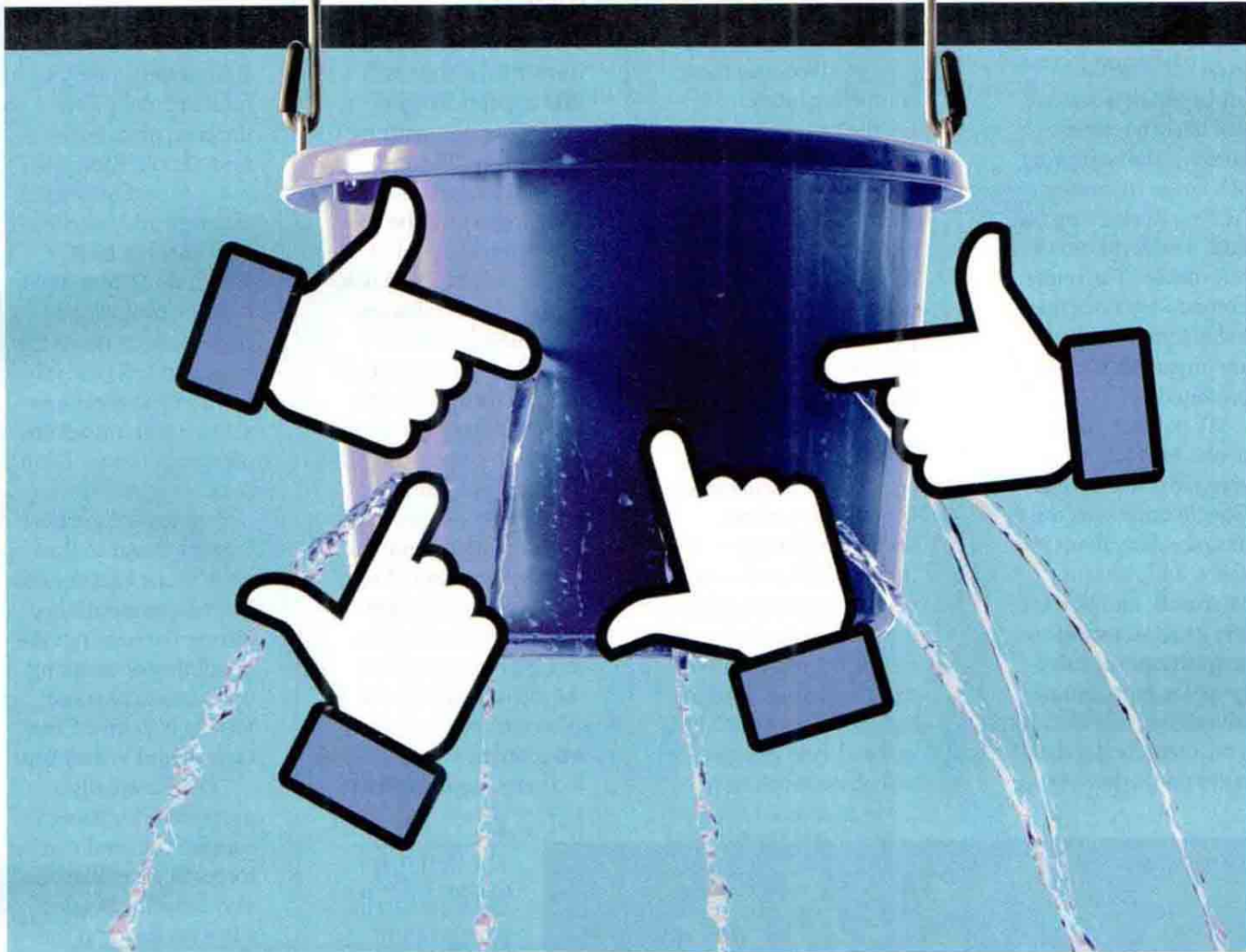


THE
WORLD IN

5

PAGES

BRIEFING



Facebook Can't Solve This Problem Alone

Even Mark Zuckerberg says more social media regulation is inevitable—and desirable. But will new rules shore up today's giants, or tear them apart?

By Aaron Pressman

TECHNOLOGY

MARK ZUCKERBERG came to Washington, D.C., to testify before Congress for the first time, trading his customary gray T-shirt for a snappy, hearing-appropriate suit and armed with a litany of well-rehearsed talking points.

Throughout two days of Q&A, the Facebook CEO apologized repeatedly for the massive misuse of 87 million users' personal data. Some lawmakers came off sounding like buffoons, and the glib verdict rendered Zuckerberg the winner. Wall Street certainly >>>

▷▷ agreed, sending Facebook's stock up 6% over the two days of hearings.

But as Zuckerberg's testimony recedes into memory, its ultimate impact is just beginning to be felt. The Cambridge Analytica affair will likely be remembered as the beginning of a larger reckoning. As even Zuckerberg has said, new regulation is "inevitable." The question now isn't whether today's Internet giants are impacted, it's how profoundly.

It's not just Facebook's \$40 billion of revenue that's at risk. Google collects as much or more data about its users, and Amazon, Microsoft, and Verizon (via its AOL and Yahoo acquisitions) are also vying for more online advertising revenue. It's a business model that relies on the harvesting

of customer information, and one that is prone to placing the interests of data-hungry advertisers above the privacy concerns of users.

How far will lawmakers go to reconcile those competing interests? On the more modest end, there's the Honest Ads Act. The bill, supported by Zuckerberg, is likely to pass, and it will require Internet companies to divulge who pays for every political ad—just as TV and radio stations must do now.

Zuckerberg also voiced partial support for the European Union's new privacy law that will require Internet companies to get affirmative permission from users before collecting many kinds of data, including browsing history. If users don't opt in, Facebook, Google, and others won't have

as much information available for targeting ads and might see less revenue as a result.

Meanwhile, telecom companies have long been lobbying for broader limits on online tracking, an approach that appears likely to gain more momentum.

Whatever the approach, analysts doubt Washington will be able to act quickly. And in the meantime Facebook is likely to curtail some of its data collection and ad targeting practices on its own. In late March, the company agreed to stop letting advertisers combine third-party data with Facebook's information to select who would see their ads. And Zuckerberg committed to putting 20,000 people on the job of weeding out offensive or inappropriate content.

There's disagreement

over what effect such measures will have. "These are persistent costs," says Brian Wieser at Pivotal Research. "It's not a one-off thing and then you go back to normal." But the recent actions are unlikely to fundamentally alter the company's business. "Look, Facebook is a core part of people's mobile world," says Rich Greenfield at BTIG Research. "There could be more problematic consequences down the road. But will [the voluntary measures] have a near-term impact on users or revenue? I don't see it."

Perhaps the greatest current threat to Facebook is one that several lawmakers mentioned during the hearing: the possibility of breaking up the company and forcing it to divest Instagram and WhatsApp.

"There's usually a preference for using competition and market forces in cases like this," says Maurice Stucke, a law professor at the University of Tennessee and a former Justice Department antitrust lawyer. Regulation is hard to enforce and hasn't worked in the past, he notes, while a breakup might "unite both the liberals and the conservatives."

If that option remains on the table, it's safe to say this isn't the last time we'll see Zuckerberg in a suit.



"THE INTERNET IS GROWING IN IMPORTANCE AROUND THE WORLD ... IT IS INEVITABLE THAT THERE WILL NEED TO BE SOME REGULATION."

—Mark Zuckerberg before Congress during his moment in the spotlight

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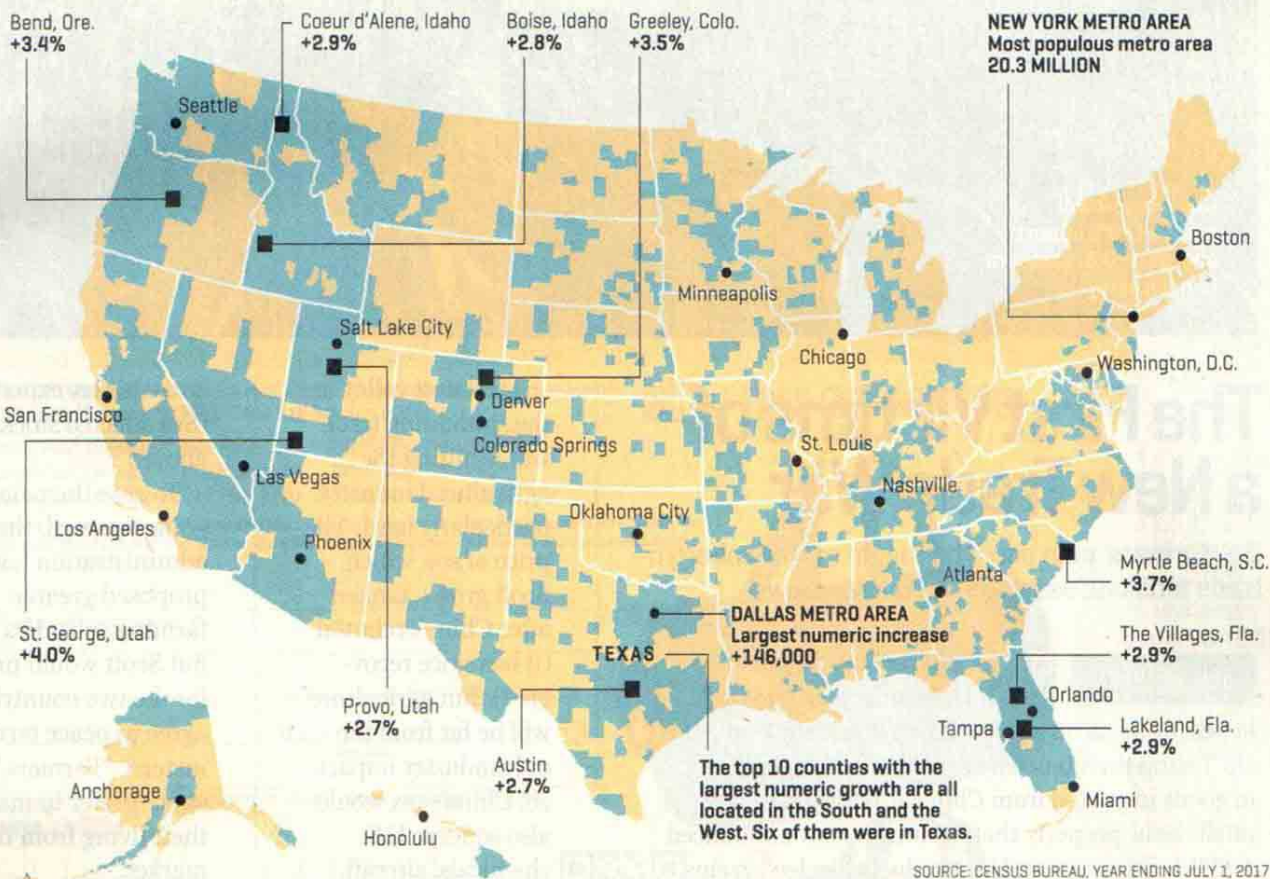
During the first 15 years of the century, Americans flocked to cities. Today suburbs are the hot new destination. According to Census data, the top 10 fastest-growing counties last year were in the South and West of the U.S. The Dallas/Fort Worth area added the most people, 146,000, three times as many as New York. A few drivers of the trend: More baby boomers are retiring in warm, low-density areas; high costs in cities keep would-be residents away; and as millennials have kids, they're deciding that having a lawn might not be so bad.

GO TO THE SUNBELT, YOUNG MAN

POPULATION GROWTH BY COUNTY, 2016-17

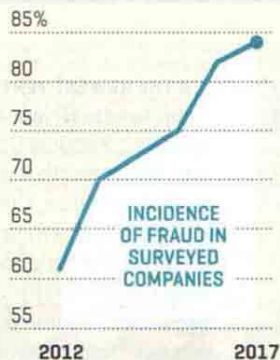
■ GROWING FASTER THAN U.S. AVERAGE (0.72%)
■ SHRINKING OR GROWING LESS THAN U.S. AVERAGE

ONE OF THE TOP 10 FASTEST-GROWING METROPOLITAN AREAS



THE NEW FACE OF FRAUD

Last year, for the first time in the 10 years that security firm Kroll has been reporting business risks, it found that information theft had surpassed physical theft—affecting 29% of companies versus 27% for the latter. Another milestone? Nearly 85% of businesses experienced at least one incident of fraud last year, the highest rate ever.



PAY IN PERSPECTIVE

As the minimum-wage debate rages in the U.S., one common argument is that a blanket rule would place undue burden on rural businesses (since a dollar goes a lot further in LaFayette, Ga., than in Los Angeles). But even so, what the minimum wage buys on average in the U.S. still lags that of many other developed countries.

WEEKLY NATIONAL MINIMUM WAGE ADJUSTED FOR PURCHASING POWER



SOURCE: EUROSTAT, ASSUMING DOLLAR-TO-EURO EXCHANGE RATE AT \$1.24

TRADING DOWN

Some of the stocks whose prices have fallen furthest in the six weeks after Trump announced tariffs against China on March 1.

QUALCOMM, DOWN 15.1%

A whopping 64% of the chipmaker's sales come from China. [A failed takeover bid by Broadcom hasn't helped.]

WHIRLPOOL, DOWN 8.3%

Oh, the irony: Its stock jumped after proposed U.S. tariffs on washing machines, but it relies heavily on imported steel.

3M, DOWN 8.1%

China is the source of about 10% of sales for the maker of Post-it notes, and one of its fastest-growing markets.



China says it will place a 179% import charge on U.S. sorghum (shown here).

The First Victims of a New Trade War

U.S. farmers' pain could be the tip of the iceberg if trade tensions escalate. **By Chris Matthews**

BELLWETHERS

KEVIN SCOTT, a fourth-generation North Dakota farmer, had high hopes for the 2018 harvest. Then President Donald Trump threatened a 25% tariff on \$50 billion in goods imported from China as punishment for intellectual-property theft. China quickly announced a 25% tariff targeting U.S. products like feed grains.

The latest volley in the simmering trade war is hitting the agricultural industry particularly hard. The price of soy, which Scott grows, tanked after China's rebuttal (it has since recovered). But agriculture will be far from the only industry impacted. China's tax would also squeeze U.S. chemicals, aircraft,

and whiskey exports. (See affected stocks, above.)

To ease the pain going forward, the administration has proposed greater farming subsidies, but Scott would prefer the two countries agree to peace terms instead. "Farmers," he says, "prefer to make their living from the market."



THE BIG TREND

WHAT MEGAFUNDS MEAN FOR TECH

IT'S THE NEWEST VENTURE CAPITAL CRAZE: multibillion-dollar funds. VC leaders like General Catalyst, Battery Ventures, Sequoia Capital, and others are building war chests worth more than \$1 billion. While megafunds aren't new, the surge seems timed to compete with SoftBank's mammoth \$100 billion Vision Fund. The effect? Ample cash lets companies stay private longer, and investors are plowing cash into fewer but larger deals. Some fear the outcome for startups will be a few "super heroes" and even more have-nots.

—POLINA MARINOVA

CONSOLIDATION

ON SALE NEAR
YOU: YOUR
LOCAL MALL
OPERATOR

AS MALL OPERATORS work frantically to reinvent themselves in the Amazon era, the most successful are turning to economies of scale. Last month, Brookfield Property Partners bought the two-thirds it did not already own of GGP, the No. 2 U.S. mall operator, for \$15 billion. Weeks earlier, France's Unibail-Rodamco said it would buy global player Westfield for \$16 billion. And major mall developers like Macerich and Taubman are facing pressure from activist investors that could pre-empt more megadeals in the future. —PHIL WAHBA



Drug Prices Are Increasing. So Is Big Pharma Lobbying

By Jay Hancock and Elizabeth Lucas

POLITICS

THE OUTLOOK was grim for Novo Nordisk at the end of 2016. As pressure mounted over its rising insulin prices, investors drove the stock down by a third, fearing that lawmakers would cap price tags and hurt profits.

So last year the company engaged in a time-honored response to public criticism. It gave \$405,000 in campaign contributions (double the amount in 2015), according to data compiled by Kaiser Health News. It also spent \$3.2 million on lobbying and mobilized 400 employees to contact lawmakers. "We remain committed to being part of the discussion," a company spokeswoman said.

It's not alone. In the face of drug-price scrutiny,

the pharmaceutical industry spent \$171 million on lobbying last year, the highest since 2009's Obamacare negotiations, according to the Center for Responsive Politics. (Lobbying spending overall has remained flat.) It's difficult to gauge the impact, of course, but D.C. has not enacted price controls in the past year. Novo Nordisk's stock, meanwhile, has recovered.

This article was produced in partnership with Kaiser Health News.



Insulin used for a NovoRapid injection.

PAYDAYS

This year for the first time, thanks to Dodd-Frank, companies are disclosing what their CEOs make vs. their median employees.

127:1

THE MEDIAN
overall CEO-to-worker pay ratio at S&P 500 companies.

5K:1

THE RATIO
at toymaker Mattel. It's the highest reported at any company so far, thanks to a large seasonal hourly staff.

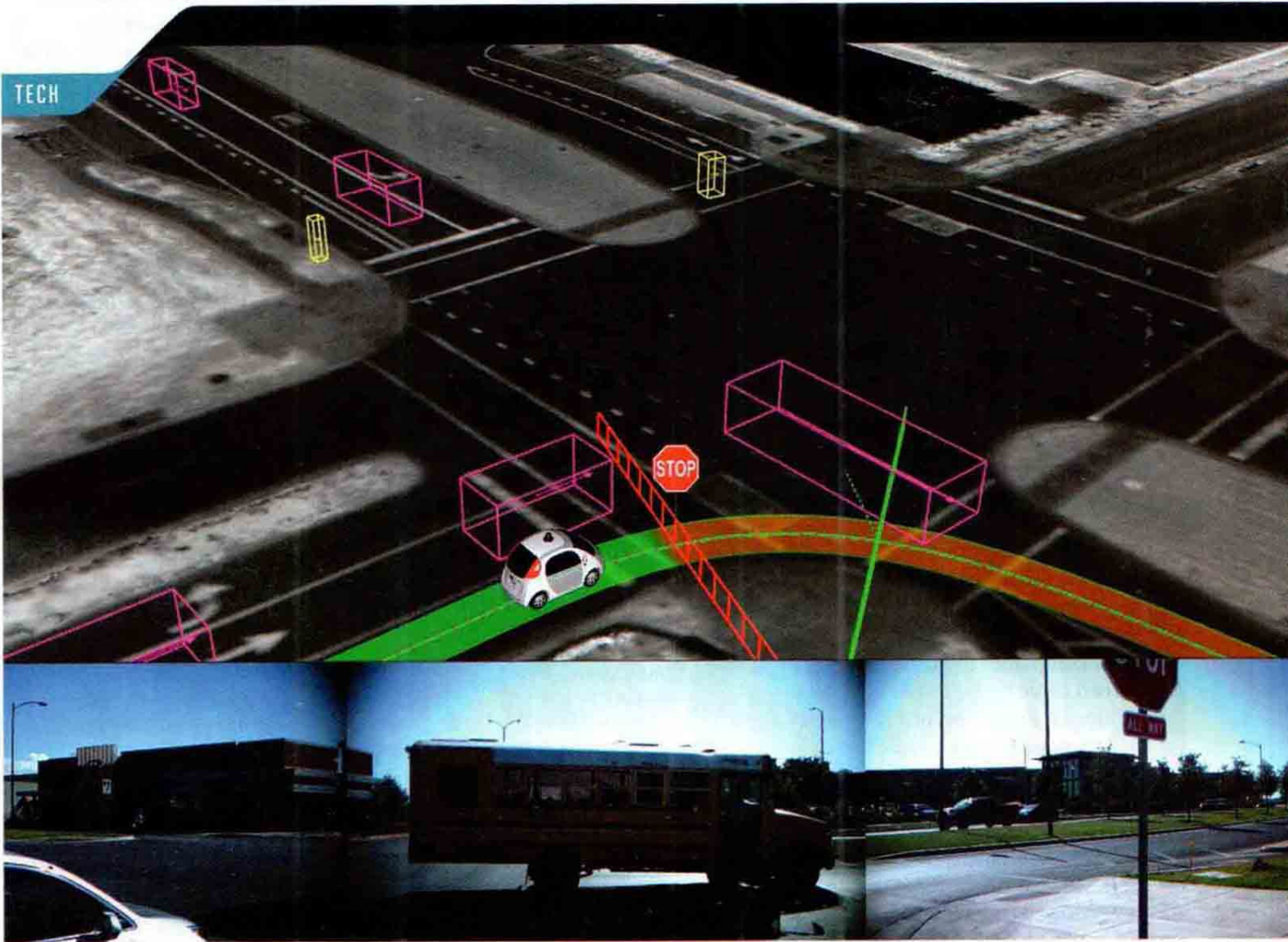
930%

PAY INCREASE
for the average CEO since 1978.

—GRACE DONNELLY

SOURCES: BLOOMBERG, COMPANY REPORTS

—
PRACTICAL
EXPERTISE
—



TECH

A visualization (top photo) and the reality (bottom) of an autonomous vehicle encountering a school bus.

A NEW CODE OF CONDUCT

What are the legal ramifications of a self-driving car at fault? A look into what happens legally after robots go awry. By Kirsten Korosec

THE FUTURE OF



MARCH 18 CHANGED EVERYTHING—and nothing—in the frenzied and nascent world of autonomous vehicles. That Sunday evening, in a Phoenix suburb that has become a hub for testing autonomous vehicle technology, an Uber self-driving vehicle struck and killed pedestrian Elaine Herzberg. The vehicle was in autonomous mode at the time of the collision, with a human test driver behind the wheel.

The incident is believed to be the first death caused by a fully autonomous vehicle. >>

YOUR NEXT HOME COULD BE 3D-PRINTED

We've been using 3D printers to create everything from novel trinkets to rapid design prototypes. But what about a house? One Texas company wants to make it possible to download and print a livable structure. **By Chris Morris**

MEET ICON, THE COMPANY BEHIND THE FIRST PERMITTED 3D-PRINTED HOME IN THE U.S.

The goal: Build a house with less cost, less waste, and in less time.

The first partner: New Story, a Y Combinator-backed nonprofit working in the developing world.

The dream: Build on Mars (paging Elon Musk). Icon is investigating how to 3D-print space habitats.



TECH

YOU COULD ARGUE that 3D printers haven't lived up to the hype. Delightful objets d'art with seemingly impossible structures are fun but trivial. Sure, the medical community has had success using the technology to create artificial bones. And auto-industry designers use additive manufacturing techniques to rework the shape of a fender. But the notion of a 3D printer on every person's desktop hasn't quite panned out.

Icon, a startup based in Austin, hopes to reignite imagination around 3D printing by going bigger—much bigger. With a proprietary machine it calls Vulcan, Icon can generate entire homes. It erected its first prototype, a 350-square-foot home, in Austin in March.

The interior and exterior walls of the structure are composed of a series of stacked concrete layers. Icon says the result is stronger than cinder block—and crucially, far cheaper to build than one using conventional methods. Icon says it can create a single-story dwelling in 48 hours for \$10,000 or less. A production version of Vulcan promises to more than halve the time and cost.

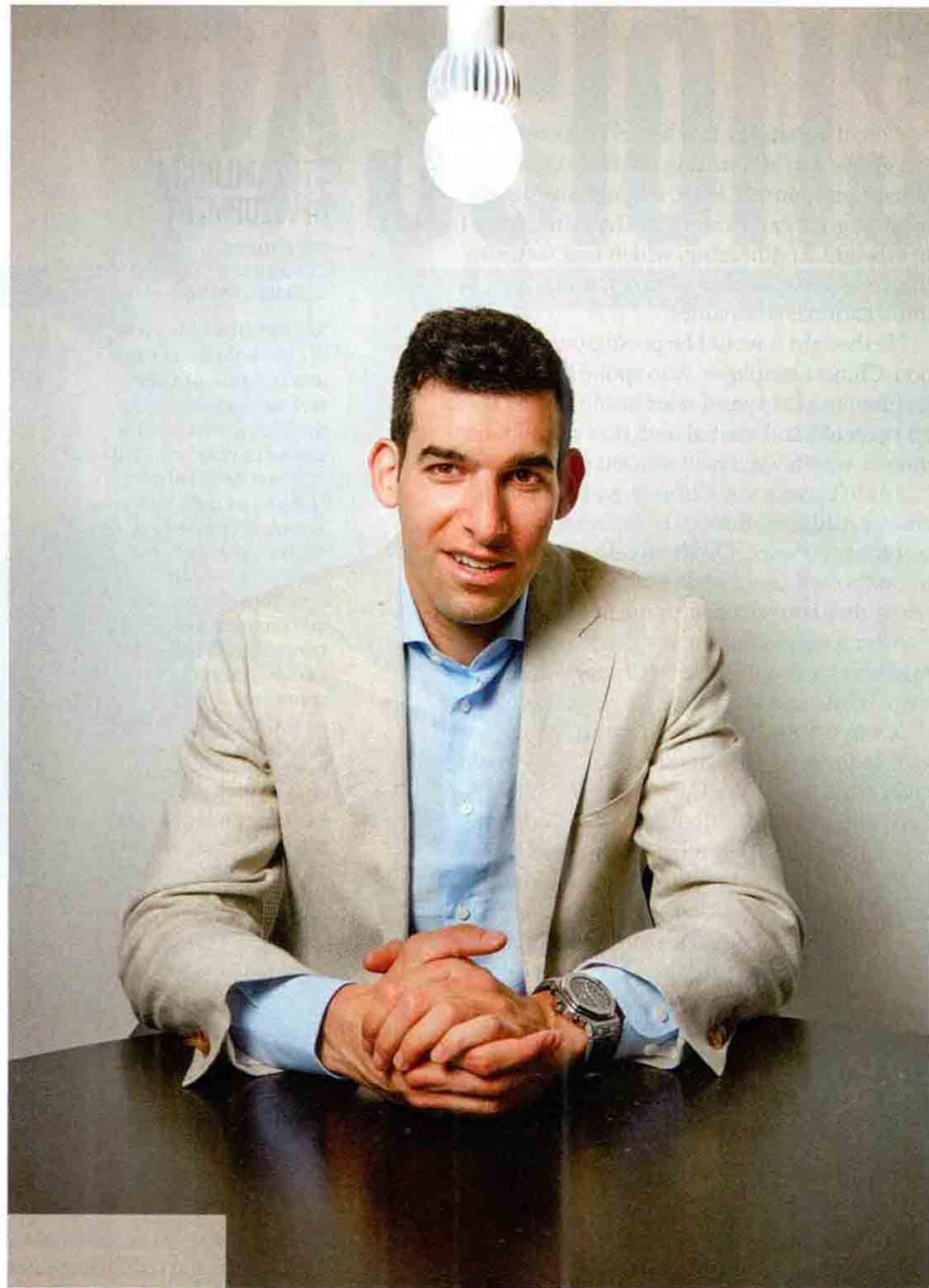
The company's next step is to build dozens of homes in El Salvador, but the bigger business opportunity may lie closer to home. Cofounder Jason Ballard says he hopes to regularly build homes in the U.S. within 12 months. The projected price? About \$125,000 for 1,500 square feet—less than half the national average. ■

GO ON GREEN LIGHT

Every entrepreneur has a "light bulb moment." Cole Zucker's was quite literal.

Interview by Dinah Eng

After getting fired from his job in New York, Cole Zucker booked a one-way ticket to Shanghai, in search of adventure in a country where he knew no one and spoke no Chinese. After three years, he became fluent in the language, found a business partner, and returned to the U.S. to start Green Creative, a commercial LED lighting company. Living out of his car in San Francisco, Zucker then went door-to-door selling the new technology out of a display suitcase. Last year, Green Creative was acquired by Harbour Group, and its cofounder is still selling its products to end users like Walmart, Papa John's, J. Crew, and other retailers.



HOW I GOT STARTED

VENTURE

I HAD A MIDDLE-CLASS JEWISH upbringing and thought I wanted to be a doctor, but I quickly realized that wasn't me. My grandfather was in the towel business and loved talking about China and the World Trade Organization. In 2003 I decided to do a semester abroad in Beijing, which made me realize there were a lot of places to explore in the world.

After graduating from Franklin & Marshall College, I took a job with Prudential Securities in New York as a fixed-income investment management trainee. I was the worst management trainee in the history of the program and got fired after the first year. I had about \$3,000 in my bank account, so I bought a one-way ticket to Shanghai, packed two duffel bags of clothes, and booked an >>