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Features April/May 2021

VOLUME 183 • NUMBER 2

SPECIAL REPORT

TRUST AND CONSEQUENCES

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WHAT OUR EDITORS ARE UP TO NEXT

BRAINSTORM HEALTH
From April 27–28, leaders at the crossroads of business and health care will explore the key innovations and collaborations that emerged in our past pandemic year. *fortuneconferences.com*

CFO DAILY
Your one-stop source for everything to know about the trends and people shaping corporate finance. *fortune.com/newsletters*

LEADERSHIP NEXT
Fortune's Alan Murray and Ellen McGirt talk with business stars about the new rules of leadership. *fortune.com/podcasts*

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VESTAGER: CHARLOTTE DE LA FUENTE

Honest Accounting

WHEN I REACH professor Jill Atkins by Zoom in late March, she is still working from home in the mountains of Wales, some 160 miles from Sheffield University School of Management, where she holds a department chair. Behind her, on a narrow bookcase, are all five editions of the seminal textbook she coauthored, *Corporate Governance and Accountability*—the first of which grew out of her lecture notes in 2001 and the most recent of which was published in October. There, on that cramped bookshelf, is a timeline of sorts, revealing how the mandate of business accountability has changed over the past two decades. "The biggest difference," says Atkins, "is that a corporation's social responsibility, and indeed its ethics, are no longer considered a separate realm from traditional corporate governance functions."

As far as society is concerned—as far as a company's customers, employees, and even investors are concerned—how a company behaves in the world is now as important as what it sells or produces. "Auditing at the board level has shifted completely over the last 20 years to include more environmental and social issues," says Atkins. "And what may be one of the most fascinating things we've now got is institutional investors all over the world who are pushing companies toward greater accountability—not just in financial issues, but in issues such as employee treatment, diversity, and climate change."

Accountability. It's one of those rare things like newborn puppies and afternoons in the park that are unlikely to find many detractors. Who, but a relative handful of anarchists and performance artists, doesn't think people should be responsible for their actions? But corporate accountability—particularly when it comes to social policies and politically fraught issues—can be tricky to measure, let alone devise appropriate parameters for. It's hard to set a growth target for ethical behavior. And yet more and more of us are demanding just that of the companies we work for, buy from, and invest in.

The complexity, and increasing urgency of this challenge, drew us to devote a special issue to the subject of corporate accountability. In the twisting and wonderful stories that follow, we've examined everything from who's responsible for America's staggering health care bill (page 94) to the cost of lying in an election (page 80); from a loss of faith within one of the mightiest fast-food franchise families (page 68) to the seemingly impossible quest for humanely produced chocolate (page 54). How "green" is green investing? Can Facebook really fight hate speech and misinformation? Will unions rein in big tech—and if not, will Europe's formidable antitrust czar? We've tried to answer them all.

Still, at the risk of giving away their surprise endings, there is a common strand that weaves through and binds these tales. It's trust, says Harvard Business School professor Bill George, a legendary former CEO of Medtronic and author of the bestselling leadership book *True North*. George, who teaches a course for chief executives, offers them one critical piece of advice: "Tell the truth. Even when it's painful, tell the truth: 'We had a quality problem with one of our products. This is the consequence. Here's what we're doing to fix it.'"

For some abject lessons, the professor fires out a slew of catastrophes wherein obfuscation, rather than candor, ruled the corporate response: Boeing, with its 737 Max engine failures; Wells Fargo, with its phony bank accounts; BP, with its massive oil spill in the Gulf of Mexico (see our extraordinary graphic of corporate misdeeds on page 92). "You think that any consumer feels like *any* of these companies told them the truth?" he asks. "Forget about your PR department. No more spin. Just tell us what's going on.

"Trust," says George, "is the coin of the realm." We couldn't agree more.

CLIFTON LEAF
Editor-in-Chief, Fortune
@CliftonLeaf

ILLUSTRATION BY SAM KERR

RETHINKING EMPLOYEE ENGAGEMENT

Using corporate social responsibility to engage and connect remote employees.

INVESTMENTS IN CORPORATE CULTURE HAVE BECOME A priority for companies over the past few years, but the shift to remote work during the pandemic has put those efforts into sharp relief. As employees started working from home and nearly all communications went online, keeping employees engaged and motivated became even more complex.

But the benefits of employee engagement run deep. According to the Human Capital Institute (HCI), making engagement a key component of corporate success leads to greater employee happiness, productivity, retention, better customer service, and better business outcomes. Keeping employees engaged is easier said than done, though, as people juggle the additional responsibilities and stressors of working during a pandemic. "As we've gone through 2020, organizations realize that engagement is a necessity and not a nice-to-have," says Sherrie Niedermeier, chief learning design officer at HCI.

One of the key drivers of employee engagement is shared values with an employer, according to recent reports from Glassdoor. "But there's a big difference between saying what our core values are and actually living them," says Niedermeier. Here, corporate social responsibility (CSR) efforts, including philanthropy, activism, and charitable donations, can help organizations align their words with their actions. "If employees are part of a volunteering opportunity, it integrates what we say with what we do," Niedermeier adds.

HCI

Volunteering has multiple benefits as well, including increased job performance, giving employees a chance to invest in their passions, and helping them gain valuable skills. And a survey by market research firm Kantar TNS shows it can also improve physical and mental health.

But with employees working remotely, companies need new ways for people to volunteer, says Mark Layden, CEO of CyberGrants, a leading software provider for corporate giving programs. "That's turned the emphasis to virtual volunteering." Through virtual volunteering, employees can share technical skills—such as creating content or translating documents for individuals or nonprofit organizations—or advice online.

Virtual volunteering not only offers employees more flexibility and makes corporate offerings more inclusive, but companies that support virtual volunteer programs can also help employees feel connected and invested wherever they sit. This benefits the employees, the company, and the volunteer organization, creating a win-win for everyone.

"Employees who can't leave their computer during the day, busy executives, or people who are heads-down with childcare may not be able to carve out time to participate in traditional volunteering," Layden says. "But they can virtually volunteer from their house and still make a real impact." ■

TOP TECH COP
The 52-year-old former Danish economy minister set the bar for what tough technology regulation can look like.

The Conversation

MARGRETHE VESTAGER

As the EU's antitrust enforcer, Margrethe Vestager earned a rep as the scourge of Silicon Valley, hammering titans like Apple and Google with billions in penalties. [1] **In 2019, she added a new line to her CV: EVP of the European Commission, tasked with dragging Europe into the digital age. We talked to Vestager about the future of Big Tech and corporate accountability.** INTERVIEW BY **DAVID MEYER**

THIS EDITED Q&A HAS BEEN CONDENSED FOR SPACE AND CLARITY.

> "Dependency is not necessarily a weakness. The strength of the EU is that member states depend on one another."

EUROPE VS. SILICON VALLEY

In the past there has been a perception that you and the European Commission have been too strict in holding American companies in particular to account around issues of antitrust and privacy. Do you think the world's attitude about the responsibility of tech giants is coming round to your way of thinking?
VESTAGER: I think very much so. It's a nuanced and complex debate that has taken hold over the last two to three years with academic reports, research, policy reports, think tanks, political parties. That is a reflection of the fact that the digital marketplace is unregulated compared to all the other markets that we're used to dealing in. We have a regulated financial market; we have a regulated energy market. So many markets are regulated; only tech has not been. And because of that it has become increasingly clear that it is not a given that these markets will stay open and competitive.

I think it has changed because it has become more obvious that what the antitrust cases should do is actually enable innovation to be worthwhile—for the market to stay open so innovation can reach potential customers.

DISTRIBUTING DATA

Last year the Commission proposed two blockbuster pieces of tech legislation. [2] **Let's start with the Digital Markets Act, which would force "gatekeepers" such as Google and Amazon to treat their customers more fairly—for example, by allowing business users to access the data they generate. Does a concept such as "data hoarding" fit into our classic conception of anticompetitive behavior, or has the rise of the digital economy changed how we define openness and competition?**
If you hold really, really big amounts of data, it becomes very difficult for people with less data but better technology to compete against you.

PHOTOGRAPH BY **CHARLOTTE DE LA FUENTE**

You pioneered the use of antitrust law to tackle tax avoidance, targeting what you saw as illegal state aid deals between Apple and the Irish tax authorities, Amazon and the Luxembourg tax office, and so on. That strategy has taken legal blows, most notably in the Apple case. [3] Do you still think this was the right approach?

I think the state aid cases have been helpful in the momentum of change. Just recently, country-by-country reporting was accepted, and the OECD is moving ahead on digital taxation. [4] The state aid approach was never thought of to be the one and only tool. Tax justice that is firmly anchored needs proper horizontal legislation and, obviously, proper enforcement.

It may very well be that it's only the fact that you have a lot of data that allows you to stay dominant, not that you are excellent at what you are doing. And that of course becomes a problem for innovation.

I think basically it's the same problems [we've always seen]… It's greed, it's power, it's fear. If you ask people in the marketplace 100 years ago, they would also say some are trying to leverage themselves in a neighboring market or are trying to push the regulator of the marketplace to do them some favor that was not open to others.

But, that being said, it's a categorical change with the speed and the scope of digital technologies. [As a regulator] you need to have that double approach: On one hand to recognize what is the same… and then also to deal with them in a way that respects the fact that dynamics are so different.

INSIDE THE ALGO

The other big package you proposed is the Digital Services Act, which deals with protecting consumers online. Like the EU's GDPR—the world's toughest online privacy law [5] —it calls for companies' algorithms to be explainable, though the full meaning of that concept hasn't yet been tested in court. To what extent should companies still be able to keep their algorithms private?
We have our own ways of dealing with the strong regulatory culture in the European Union and respecting boundaries for elements of business secrecy; we have been trying to find ways to balance things. This is why explainability, to see how things are working, rather than an obligation that regulators should go through the code line by line, has been the approach.

The Digital Services Act appears to place new obligations on social media platforms like Facebook and Twitter but doesn't plainly tell them what kind of information to remove from their platforms. Is your approach to content still one of self-regulation?
It puts a lot of responsibility on the platforms. The act in itself is not about content, also because there will be differences between [EU] member states. For instance, hate speech is not outlawed in every member state in the same manner. So here platforms will have to deal with the national provisions when it comes to content.

When we say you have to take

BETWEEN THE LINES

BIG TECH, BIG MONEY (1)

A few of the U.S. players the EU has hit with massive fines or back-tax bills.

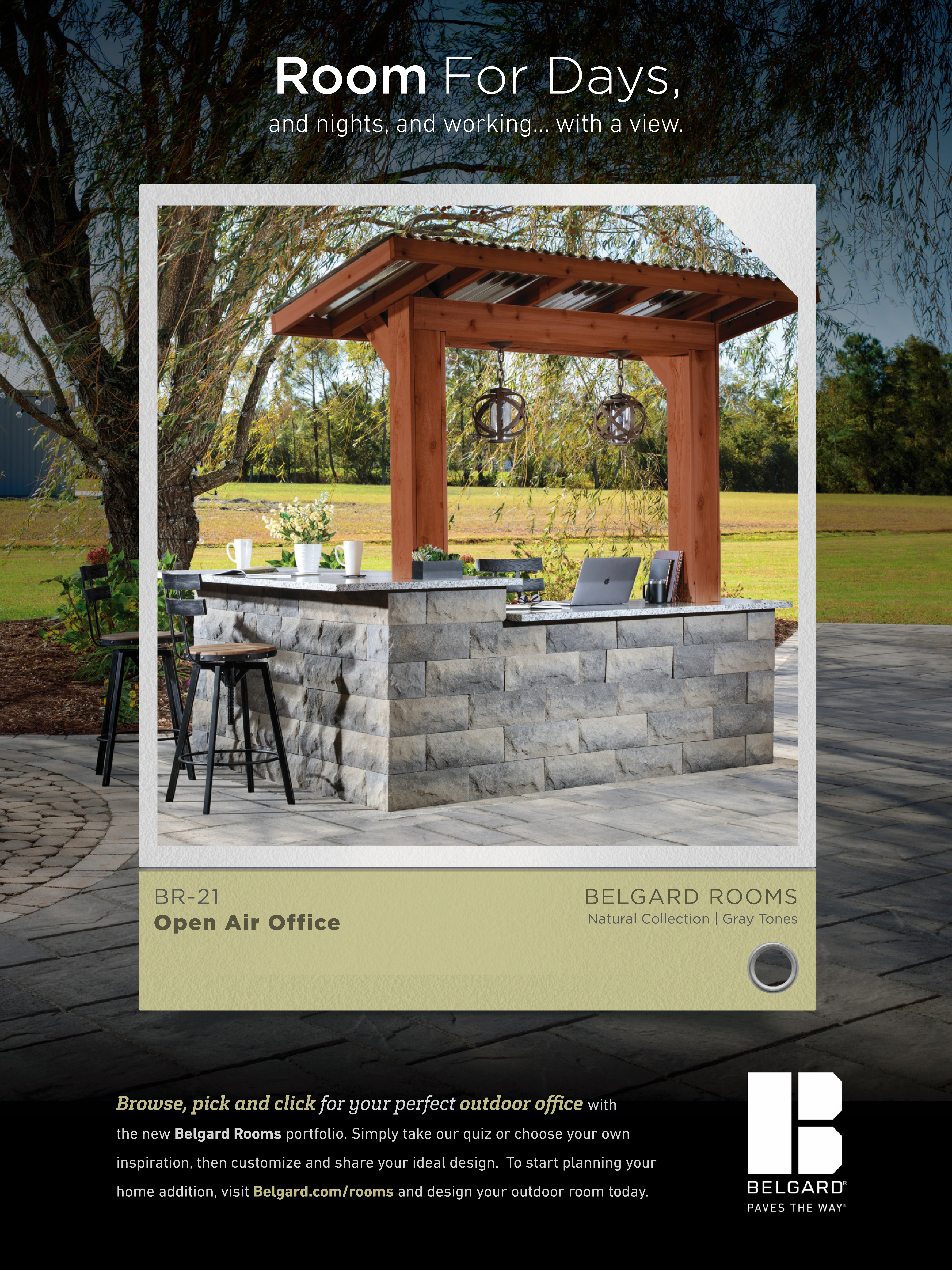
$15 BILLION
APPLE (2016)
Irish back taxes (overturned)

$295 M.
AMAZON (2017)
Luxembourg back taxes

$5 BILLION
GOOGLE (2018)
Fine for Google search engine dominance on Android

$1.2 B.
QUALCOMM (2018)
Fine for antitrust laws violation with Apple

(2) Plodding policy: The acts remain proposals for now. All EU legislation must also be considered by the European Parliament and member states, a process that often takes years.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PAVES THE WAY

illegal content down fast…you need to have this system where people can protest against things being taken down, while at the same time saying, "Do not use general upload filters." [6] If you have an upload filter, then the risk of censorship becomes very big, and we don't want to take that risk. That's quite a strong principle in a digital world, even though it's more resource intensive [to review and remove material after it's been uploaded].

Won't the platforms just decide it's easier to comply by over-removing content, than it is to remove too little and face legal consequences?
What I understand from my colleagues is that they still find too little is being removed. Also, I think people would react very strongly if too much is taken down.

"Digital sovereignty"—the idea that Europe shouldn't be reliant on other parts of the world for technology such as A.I. and high-performance computing—has become an EU buzzword. Achieving digital sovereignty is your job now, so what does it mean to you?
Europe has always been a great regulator, and that is part of some of [our] strength, because that allows more inclusive societies and creates a level playing field. The thing is, if you want to be a good regulator you really need to have a hands-on understanding of what you're dealing with, and that's why it becomes increasingly important to be able to do some things yourself.

To give a very banal example, I think I'm better at appreciating a nice piece of clothing because I am a sewer myself; I know the effort it takes to make a coat or a dress. But the fact that I occasionally do that for myself doesn't make me want to create my entire wardrobe.

We're in the process of establishing a network of high-performance computers; [we want to develop] at least one quantum [computer] if we could before 2025. So not only do we want to know where can we push when it comes to regulation, we also want to push when it comes to innovation.

FACING THE FUTURE

How do you see the world, and Europe in particular, being different once the pandemic is over?
It's such a big question. I think in practical terms, we want a new work/life balance, to be able to work more from home, because now everybody knows that this is indeed doable. At least in my organization, productivity has gone up, so shame on people who say people don't work when they work from home.

We will also be more cautious realizing that the next crisis may not be another financial crisis, may not be another pandemic. So in our crisis preparedness we will work to be more broad, but also realizing that in handling crisis we need friends. We need to depend on one another, because dependency is not necessarily a weakness. The strength of the European Union is that member states depend on one another, that the single market is for everyone.

In 2019 your name was bandied around for the presidency of the European Commission, but the role ended up going to Ursula von der Leyen. What are your ambitions beyond this term?
I know you don't believe that kind of stuff, but I have not thought about it for a second. First, because we are crazy busy right now fighting COVID and shaping the future, but second because in my experience if your next job is going to be a good one, then better stay focused to do a good job in what you do now. The minute you lose focus because you're thinking two, three, four years ahead, then you also lose your touch, and then people think, "Why would she be relevant for anything in the future if she is not in the job that she has right now?"

BETWEEN THE LINES

(3) Apple bites back: Vestager's department ruled Apple had to pay $15 billion in Irish back taxes, claiming it avoided them through a sweetheart deal. The EU General Court overturned the ruling in 2020 over a lack of evidence. The Commission is appealing that decision.

(4) Tax transparency: In March, the EU's member states agreed to advance a law that will force large multinationals to publicly disclose how much income tax they pay in each country.

5) Our data, ourselves: The EU's General Data Protection Regulation came into effect in 2018, theoretically giving people in Europe strong control over the use of their personal data. In practice, enforcement has been spotty.

(6) Policing the cloud: Online platforms sometimes use filters to scan what users upload, for example to check for copyright violations. The EU prohibits member states from forcing platforms to scan all user-generated content.

WELLSTAR FRONTLINE WORKERS WENT ABOVE AND BEYOND TO PROVIDE CARE TO THEIR PATIENTS AMID THE COVID-19 PANDEMIC.

People as Top Priority

When it comes to team member benefits, **Wellstar Health System** stands apart from its competitors.

LIKE SO MANY OTHER HEALTH CARE workers across the globe, Wellstar Health System's more than 24,000 employees—who span 11 hospitals, dozens of health facilities, and more than 300 office locations throughout the state of Georgia—have experienced fatigue and burnout as a result of the pandemic. But the company is making sure they're well taken care of.

"We have worked hard to develop a people-centric workplace culture that demonstrates the value of our team members," says president and CEO Candice Saunders. "I am so proud of the way that Wellstar Health System makes people our top priority—our patients, our team members, and our communities."

One benefit the company rolled out recently was the MyCare Rewards program, designed to support each team member with a personalized approach to their mental, physical, and emotional well-being. Employees also get to choose between extended paid time off and a $500 grant. "With the challenges of the pandemic, we know that our teams are exhausted, and many are struggling emotionally," says Saunders. "We want to honor their incredible work and sacrifices and invest in their overall health and well-being."

Additionally, team members get free access to a digital mindfulness platform and Wellstar fitness centers for one year, as well as free on-site counseling. And one of the company's boldest moves this past year was to invest—quite literally—in its team by launching a $2.9 million crisis childcare initiative to support staff with young children during the pandemic.

To ensure that Wellstar lives out its core value to "honor every voice," the company consistently makes an effort to solicit feedback through team member surveys. Company leadership uses this feedback to find new ways to support employees and continually improve their well-being through fostering a positive, receptive work environment. But what perhaps makes the biggest difference, Saunders says, is connecting with each team member individually.

"Nothing can replace walking the halls of our hospitals and looking people in the eye, asking how they are doing, and sharing their burdens," she says.

Prioritizing employees has benefited the entire Wellstar ecosystem. "By taking care of our team members and caregivers, and creating a supportive work environment, we are ultimately making a positive impact on the care we provide to our patients too," says Saunders. "It really helps us provide world-class health care to every person, every time." ■

Taking the Lead from Team Members

Ryan marks its 30th anniversary by forging forward with initiatives that address psychological safety and institutional inequity.

Kristi Bryant (center) poses with Ginny B. Kissling, Ryan global president and COO, and G. Brint Ryan, chairman and CEO, after receiving the firm's 2018 Chairman's Award.

KRISTI BRYANT GOES TO WORK EACH day thinking about ways to connect with her clients and colleagues. As principal in charge of Ryan's Dallas headquarters, she focuses a great deal on the firm's culture.

"As our largest office, we're continually laying groundwork to enhance our culture and bring team members together in meaningful ways," she says.

Bryant knows this from experience. During her nearly 19-year career at Ryan, the world's largest firm dedicated exclusively to business taxes, she has spearheaded team-building projects ranging from cookie swaps to tailgates and community outreach in the local area. And amidst the COVID-19 pandemic, she and her team pivoted to create virtual outreach efforts, including toy and clothing drives and a virtual 5K. But this comes as no surprise—team unity is at the heart of everything Ryan does.

Over the years, the company has garnered hundreds of employee-related awards recognizing its pioneering benefits and programs to enhance engagement and work-life success. RyanTHRIVE, its well-being program, helps employees reach customized emotional, financial, and career goals. And the groundbreaking *myRyan* platform focuses on performance and results achieved instead of hours worked. With this initiative now in its 12th year, Ryan was able to quickly segue to a largely remote work environment when the pandemic hit.

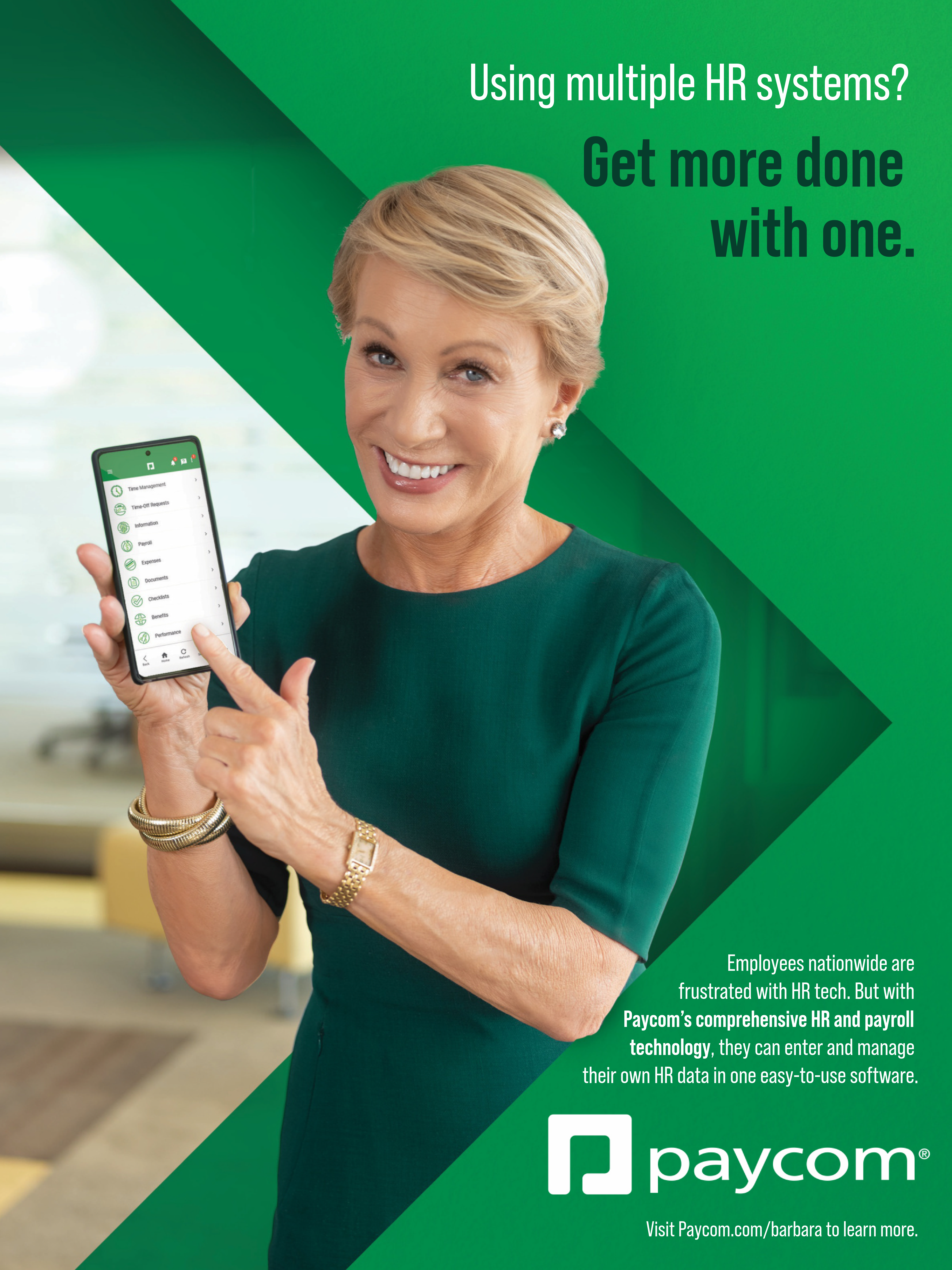
Ryan continues to foster that engagement built on a culture of trust. This year, the spotlight is on psychological safety, seen in action with RyanPRIDE, an online platform where team members can share appreciation and recognition for their coworkers.

"I can't make Ryan a great place to work," says chairman and CEO G. Brint Ryan. "Only our team members can do that. We don't try to figure out what to do as leaders; we listen to our people."

Ryan's dedication to corporate citizenship permeates its culture. While diversity, equity, and inclusion have always been a mandate in Ryan's workplace, the firm recently launched the Ryan Mosaic initiative, with a group council designed to educate, foster discussion, and ensure that historically underprivileged groups are afforded the same opportunities as everyone else on staff.

This year, Ryan celebrates its 30th anniversary—as well as 30 consecutive years of revenue growth.

"We know that when we take care of our people, our people take care of our clients," says Ryan. "And that pays dividends on every front." ■



Using multiple HR systems?
Get more done with one.
Time Management
Time-Off Requests
Information
Payroll
Expenses
Documents
Checklists
Benefits
Performance
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THE BRIEF

BUSINESS. DISTILLED.

TRUST AND CONSEQUENCES

Want Progress on Diversity? Link It to Pay

More big companies are tying executives' bonuses to improvements in racial and gender diversity. Will cold hard cash motivate leaders to move the needle on workplace equity?

BY PHIL WAHBA

→

ILLUSTRATION BY **SELMAN DESIGN**

Last June, as the nation convulsed with protests against racial inequality and the police killings of George Floyd, Breonna Taylor, and too many others, Nike was in the same predicament as much of corporate America—pledging to help rectify society's mistreatment and exclusion of Black people, while simultaneously being called out for its own failings on that front.

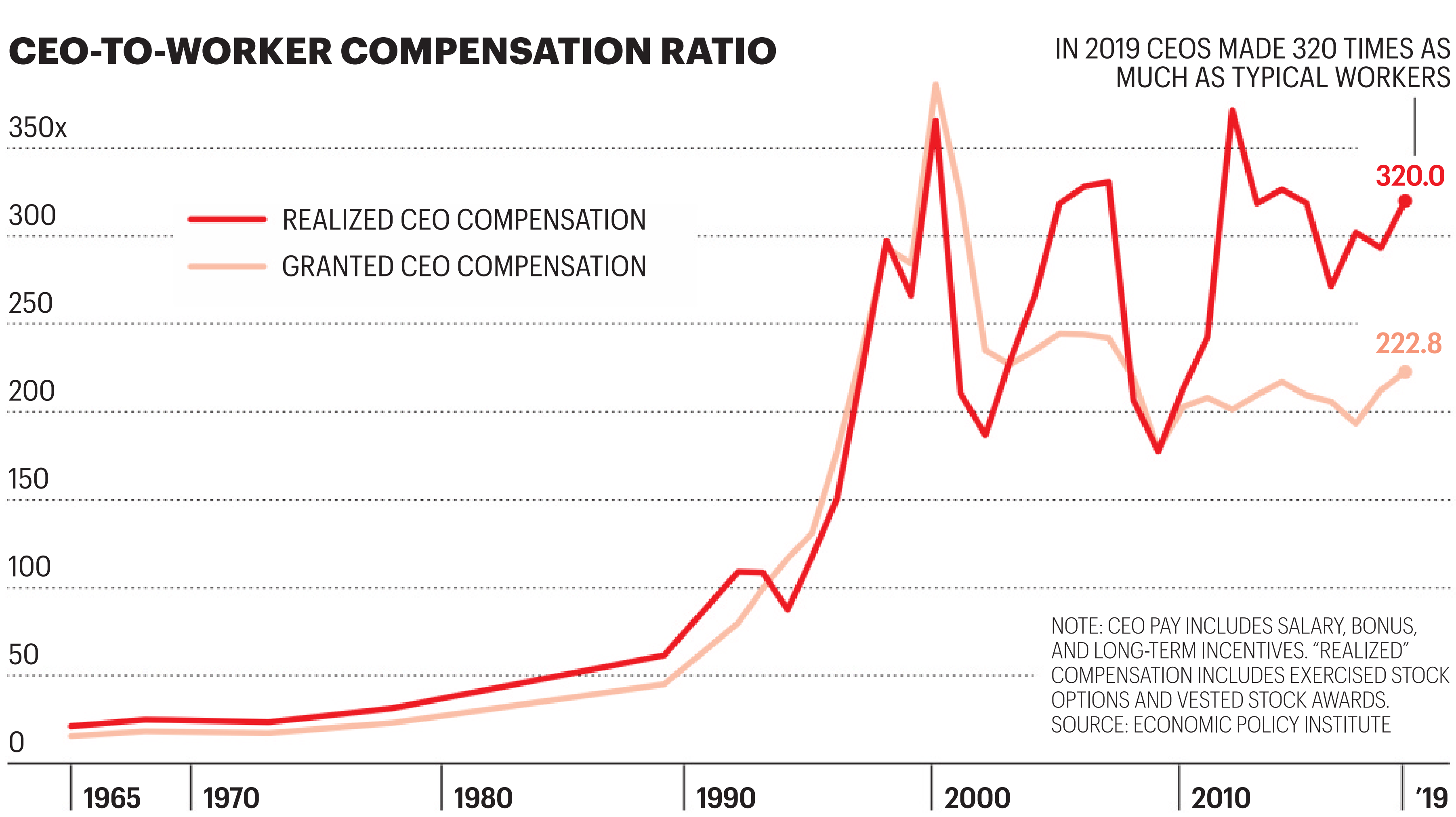
Even as the sports-gear maker promised to prioritize racial inclusion, some of its own workers took to social media to decry racism at the company, citing microaggressions, lesser advancement opportunities for Black employees, and instances of Black shoppers being profiled at Nike stores. Nike encouraged workers to keep speaking out, and CEO John Donahoe admitted in a staff memo that "our most important priority is to get our own house in order."

Nine months later, Nike made its commitment to equity more tangible—by pegging some of Donahoe's pay to it. In March, Nike announced that part of its executives' long-term bonuses would be contingent on hitting specific diversity goals by 2025. Donahoe's potential penalty for missing those targets: a six- or even seven-figure chunk of his compensation.

Business leaders have long been saying the right things about racial and gender inclusion, with only modest improvements to show for it. (There are still only five Black CEOs and 40 female CEOs in the *Fortune* 500, to cite but one metric.) But as diversity becomes an ever greater focus of Wall Street, employees, and the public, more corporate boards are aligning executives' pay with their platitudes. The past year's upheaval is "causing companies to think, 'If we're serious about this, we ought to make sure there is a visible link between what we say and do and how we're rewarding our executives,'" says Don Lowman, a global leader at Korn Ferry who advises boards on compensation.

This year alone, Apple, McDonald's, and Chipotle Mexican Grill are among the boldface-name companies to make bonuses partially contingent on measurable progress on gender and racial equity. Alphabet's Google took a step in that direction, saying it will include such metrics in executive performance reviews. Uber, once criticized for its "bro culture," linked bonuses to diversity two years ago; Microsoft, Intel, and utility FirstEnergy have been doing so even longer.

The shift doesn't yet add up to a mad rush: A mere 97 of the companies in the Russell 3000 (or 3.2%) have at least one diversity goal for at least one top executive, according to compensation consulting firm Pearl Meyer. Still, diversity and inclusion are joining climate-friendliness as areas where companies are being urged to prove their merit—not least by investors who want companies to meet environmental, social, and governance (ESG) benchmarks. (*Fortune* is part of this effort, partnering with financial data firm Refinitiv on a program called "Measure Up," to help companies collect and report diversity and inclusion data.) Aalap Shah, a managing director at Pearl Meyer, says that as recently



as 2018, when he spoke to executives and boards about diversity as a factor in compensation, he'd get quizzical looks. But since last summer, companies are listening up, lest they be seen as out of step.

Companies are typically pegging 10% to 15% of bonuses to the goals. Bonuses account for about 20% of executive comp, according to leadership data firm Equilar, so the targets put only 2% to 3% of a C-suite dweller's pay at risk. Still, 3% of a CEO compensation package can add up to a pay cut that's symbolically large. In a regulatory filing in February, for example, McDonald's said progress on "human capital" metrics would determine 15% of bonuses—and noted that missing those goals would have cost CEO Chris Kempczinski more than $300,000 in 2020.

Indeed, holding executives accountable on gender and racial equity is particularly crucial given the economic inequity embedded in the CEO-worker pay gap. According to the Economic Policy Institute, the ratio of CEO compensation to rank-and-file pay at public companies was 320 to 1 in 2019, with much of that gap reflecting the sky-high value of bonuses and stock options. Amid such glaring disparities, companies face pressure to show that their executives earn their riches by contributing to a greater good. Diversity targets could help activists apply such pressure. But it's too early to tell what targets will work best—and whether the cost of missing them is high enough.

IT'S TELLING THAT many companies have linked pay to diversity following an outcry from their own employees. Google, for example, has faced internal backlash over its treatment of women and people of color; McDonald's is under withering scrutiny for a purportedly sexist management culture and for its treatment of Black employees and franchisees. (See the stories in this issue.)

According to proxy-vote adviser Institutional Shareholder Services, 18.9% of 6,400 public companies it studied last year worldwide (and 8.3% of 2,800 companies in the U.S.) had tied compensation to at least one environmental or social incentive. "What gets measured gets done," says ISS director of research Anthony Campagna.

But companies have struggled to decide how to measure progress on inclusion. Sustainability targets involve relatively objective factors like carbon emissions, water use, and waste reduction. But in diversity, hitting numerical goals—say, elevating a certain number of women or people of color to management—doesn't ensure an inclusive culture. "You can go out and hire 10 people tomorrow and satisfy that objective, but not really have made progress in your diversity practices," warns Korn Ferry's Lowman.

Courtney Yu, director of research at Equilar, says the most effective incentives will reward executives for building better pipelines to leadership for underrepresented groups. That could involve recruiting from a wider range of colleges, including historically Black colleges and universities; improving mentorship programs; and providing better family-care support to working mothers.

The challenge, Yu says, is measuring progress on such criteria in a way that boards are comfortable with. Some experts cite Microsoft's approach as a model. CEO Satya Nadella and other executives earn bonuses both for hitting quantitative marks, such as drawing a certain percentage of suppliers and workers from underrepresented groups, and for more qualitative achievements, such as consensus in internal polling that the company provides a work environment where minorities can prosper.

8.3%

▲ SHARE OF U.S. PUBLIC COMPANIES TYING EXECUTIVE COMPENSATION TO AT LEAST ONE ENVIRONMENTAL OR SOCIAL GOAL

Whatever metrics companies choose, they'll be more likely to result in enduring changes if they're tied to long-term incentive packages rather than annual bonuses. Nike's decision to link long-term awards to 2025 goals is a testament to that strategy. (Nike's goals include buying $1 billion a year from suppliers in underrepresented demographics; elevating women to 45% of management jobs; and establishing pay equity between men and women.)

History suggests that CEOs who miss targets may not actually face a pay cut. Boards have wide discretion to change compensation based on extenuating circumstances. Among the companies that used that discretion to prop up pay after a COVID-rattled 2020 were theater chain AMC Entertainment, General Electric—and Nike, which gave Donahoe a special cash bonus of $6.75 million last summer after the pandemic made it impossible for him to meet financial targets. (Nike said in a filing that it wanted "to reward strong pre-pandemic performance and to ensure sustained employee engagement.")

It's possible, though, that boards won't attempt such maneuvers around diversity, since they'd risk losing the trust of their workforces, customers, and investors. Compensation experts note that companies' actions on diversity already get plenty of public scrutiny, which in turn could fuel a virtuous cycle of adoption of concrete targets. Says Pearl Meyer's Shah, "This is a true cultural shift." ■

CHANGE AGENTS

LIFE, ART, AMBITION

Photo credit — Phil America

Growing up in Saudi Arabia and the U.S., **Jumanah Shaheen** was entranced by classic fantasy and science-fiction movies.

Now an award-winning visual effects producer based in Hollywood, Jumanah is supporting exciting new storytellers from Saudi Arabia, where rapid social change is fueling explosive growth in the national film industry.

A love of storytelling and a passion for animation have put Saudi-born special effects producer Jumanah Shaheen on the fast track to Hollywood success.

Even in the globalized and diverse media business, it is still a surprise to find a young Saudi woman making a name for herself in the male-dominated visual effects industry. But in the last few years, Jeddah-born producer Jumanah Shaheen has broken down the barriers and emerged as one of the brightest talents in the business. And as the creative industries in Saudi Arabia flourish, the young producer is also auditioning for acting roles in Saudi productions.

"I've always been passionate about visual effects and animation, and I've been very fortunate in the teams I have worked with," she says. "With a common goal and a positive attitude, I believe there is nothing a team can't achieve, including winning multiple awards." Jumanah and her team have produced the visual effects for worldwide hits by the likes of Shawn Mendes and Eminem, garnering hundreds of millions of views on YouTube. Their efforts have also been recognized at the American Music Awards, one of the industry's leading showcases of talent and innovation in video production.

"Producing a major award-winning video is a lot of very hard work, but when you see how the video impacts people emotionally and can even change them for the better, it makes it all worth it," she says.

Already a go-to name for visual effects production in Hollywood, Jumanah is now turning her attention to the fast-growing creative industries in her home country, and has started a small business to develop her own ideas and produce content from a new generation of up-and-coming Saudi filmmakers. "Whenever I come back to Saudi Arabia, it is incredibly inspiring to see my friends in the creative space thriving and enjoying the

CULTURE OF CREATIVITY

opportunity to create new narratives and share their stories. "It is beyond exciting. This is our time to share with the world who we are and what we stand for. Finally, we have the mic in our hands."

How inspired are you by the growth of the creative industries in Saudi Arabia?
I regularly go back to Saudi Arabia from Los Angeles. I do not have the words to describe how exciting it is to see Saudis finally in the spotlight. It is an incredible opportunity for all filmmakers and creators in Saudi Arabia. We have always used media and art to tell our story. This is our time to make our print of what our society is and what our identity is. It is a crazy time to be alive. I feel very fortunate to be part of this wave.

Are you surprised by the pace of change in Saudi Arabia, especially for women?
I think it was bound to happen. There are so many intelligent, strong, and passionate women and men in Saudi Arabia. I am delighted that the change is happening so quickly. More than anything, it is giving women the opportunity to thrive and reach their full potential. I feel lucky to be here to embrace this opportunity. Growing up in Saudi Arabia and coming from a family of five siblings, four of us girls, I always had a lot of strong women in my life who inspired me. They showed me that you can do whatever you want.

What do you think the potential is for Saudi Arabia to tell new stories to the world?
There are all types of relatable stories coming through that we have not seen before on the screen, such as new films from my hometown, Jeddah. Movies and television have taught me that all cultures may be different, but we can all still relate to the common human experience.

The creative opportunities are endless in every sector of the industry. We have this new room to grow and experiment in. There is also a lot of increased support

"I HAVE ALWAYS BEEN FASCINATED BY THE WORLDS OF SCI-FI AND FANTASY, BY THE CHANCE TO PUSH THE BOUNDARIES OF REALITY.

—

JUMANAH SHAHEEN
VISUAL EFFECTS AND ANIMATION PRODUCER"

Captivated by visual effects from a young age, **Jumanah Shaheen** is rising to the top of her industry.

coming from the private and public sectors to help filmmakers realize their dreams.

What advice would you give to Saudi filmmakers, especially women?
I do not see myself as a role model, but I hope my example can inspire people to follow their path and their passion. Nobody will hand you everything on a silver platter. But if you are looking to break into the production industry or create movies, then create! Take the initiative. You do not need a million dollars.

To create something, all you need is a vision and a passion. That creation will open up amazing opportunities. Your vision will be relatable to someone and your story will be important. No one really cares about where you come from. They care about where you want to go. If they see you taking the initiative to go somewhere, they will want to see you thrive.

Turning Impossible to Possible

As COVID-19 created unprecedented challenges for working parents, **Plante Moran** invested in solutions.

SINCE JOINING PLANTE MORAN NEARLY five years ago, Tajma Qorri, international tax consultant, has appreciated the ongoing support one of the nation's largest certified public accounting firms has provided to her as a working parent. But when the pandemic hit last spring, both Qorri's job and her children's school went remote. By the summer, an overwhelmed Qorri approached her supervisor about taking a leave of absence.

Millions of other American mothers reached a similar breaking point—and dropped out of the workforce due to COVID-19. In fact, according to the National Women's Law Center, women's participation in the labor force fell to just 57% in January, its lowest rate in more than 30 years.

For Qorri, however, there was another option. Her supervisor temporarily reduced her hours, which allowed her to keep working with considerably less stress. "I can help my kids with virtual school," she says. "But I'm still very engaged with my team, providing great client service, and moving my career forward."

The arrangement was possible because of Plante Moran's Work from Home Remedies program. Created last year to address pandemic-related challenges workers faced, the program includes financial support of up to $2,000 in reimbursement for continuous learning and dependent care, up to $600 for home-office upgrades (in addition to company-provided technology), free meal deliveries, reimbursement for at-home gym equipment, and enhanced scheduling flexibility.

Plante Moran has emphasized work-life balance since its inception. Founder Frank Moran, a philosophy student turned accountant, made it a priority to support staff members holistically—as professionals, parents, and individuals with outside interests—a value that remains integral to the company culture today.

For example, in October, Plante Moran encouraged all staff—or "PM-ers"—to take part in a long "recharge weekend" that sent the entire company offline for three days. The cost to the firm was significant, but leadership sees ongoing investments in mental health as key to its success, especially when it comes to retaining valued staff who are parents.

"Our goal is to keep our talent with the firm for the long haul," says Plante Moran group managing partner Terri Pollock. "We often equate it to a highway: Sometimes staff need to get out of the fast lane. When the time is right, they shift back."

And for PM-ers like Qorri, that sentiment provides the staying power they need.

TAJMA QORRI
INTERNATIONAL TAX CONSULTANT, PLANTE MORAN

TRUST AND CONSEQUENCES

FINANCE

The True Cost of a 'Free' Stock Trade

The arcane system that allows brokers to offer free trades comes with a hefty price tag—and you're paying. **BY SHAWN TULLY**

DOUG ATKIN and Bernie Madoff were engaged in a screaming match as two senior officials looked on in wonder at the Washington, D.C., office of the SEC. On this day in 1991, Ponzi schemer Madoff was there to defend a new practice he had pioneered. It was called "payment for order flow," known on Wall Street as PFOF.

Atkin, CEO of trailblazing electronic trading platform Instinet, believed that PFOF worked in direct conflict with his mission of getting the best possible prices for folks buying stocks. "Payment for order flow isn't right! It should be outlawed!" Atkin yelled. Madoff shot back that PFOF added lots of liquidity to the markets. "I should be able to do whatever I want to get business!" Madoff barked.

Three decades later PFOF is having another turn in the spotlight. Put simply, it's PFOF that enables Robinhood, TD Ameritrade, E*Trade, Charles Schwab, and most other online brokers to charge zero commissions to retail investors. Instead of getting paid directly by the people buying the shares, the brokers sell their orders en masse to market makers that execute the trades.

It's widely accepted that PFOF has played a crucial role in the business model that has rallied millions of new millennial and Gen Y customers to invest and speculate in equities. That's spawning the mass, Reddit-driven movement that drove beaten-down names such as GameStop, AMC, and BlackBerry to astounding highs in a matter of minutes, only to crash in the days ahead.

Indeed, PFOF, which Ken Griffin, founder of the gigantic market maker Citadel Securities, calls a "big win for American investors," is instead attracting attention from lawmakers. In late February, SEC acting chair Allison Herren Lee wrote Sen. Elizabeth Warren (D-Mass.), pledging to "examine the effects on certain firms receiving access to order flow."

Then, at the hearing for the SEC chairmanship on March 2, no fewer than three senators questioned nominee Gary Gensler—since confirmed—on whether the practice harmed small investors. "[Customers are using] what appears to be a free trading app, but there's this payment behind the scenes, this payment for order flow. We need to study what it means for our marketplace," Gensler responded to a query from Sen. Mark Warner (D-Va.).

How PFOF works

In part, the PFOF debate is now front and center because a new demographic of everyday Americans is suddenly buying stocks, whether investing to build a nest egg or wagering on a quick win. In December

ILLUSTRATION BY **CHRIS GASH**

2019, retail—that is, small-fry individual investors—accounted for 13% of all equity trades; a year later, that number had leaped to 22.8%. And the sway of the masses was the principal force in lifting the total volume of buying and selling by 55% over those 12 months.

Atkin spent over 20 years in the stock trading arena on a mission to flatten trading costs by championing electronic communication networks (ECNs), serving as CEO of Instinet for five years. He's now cofounder of Z-Work, a special purpose acquisition company aiming to invest in the gig economy and marketplaces. Still, nothing riles him more than PFOF.

He walks me through how equity trading is composed of three distinct layers. The first consists of the customers (the fund managers and retail clients). The second is brokers: Every trade, whether placed by a mutual fund or a schoolteacher, must go through a broker; Schwab and Robinhood are brokers specializing in retail, while big banks like Goldman Sachs and UBS cater to fund managers. The third layer divides into two parts: the exchanges and the market makers. The brokers that handle trades for the major asset managers seek the best prices offered on multiple electronic exchanges, from the NYSE's Arca to Nasdaq. The funds are hawks in seeking best execution. They deploy sophisticated algorithms showing which exchanges and other trading venues provide the lowest costs, and they demand that brokers route orders to those venues.

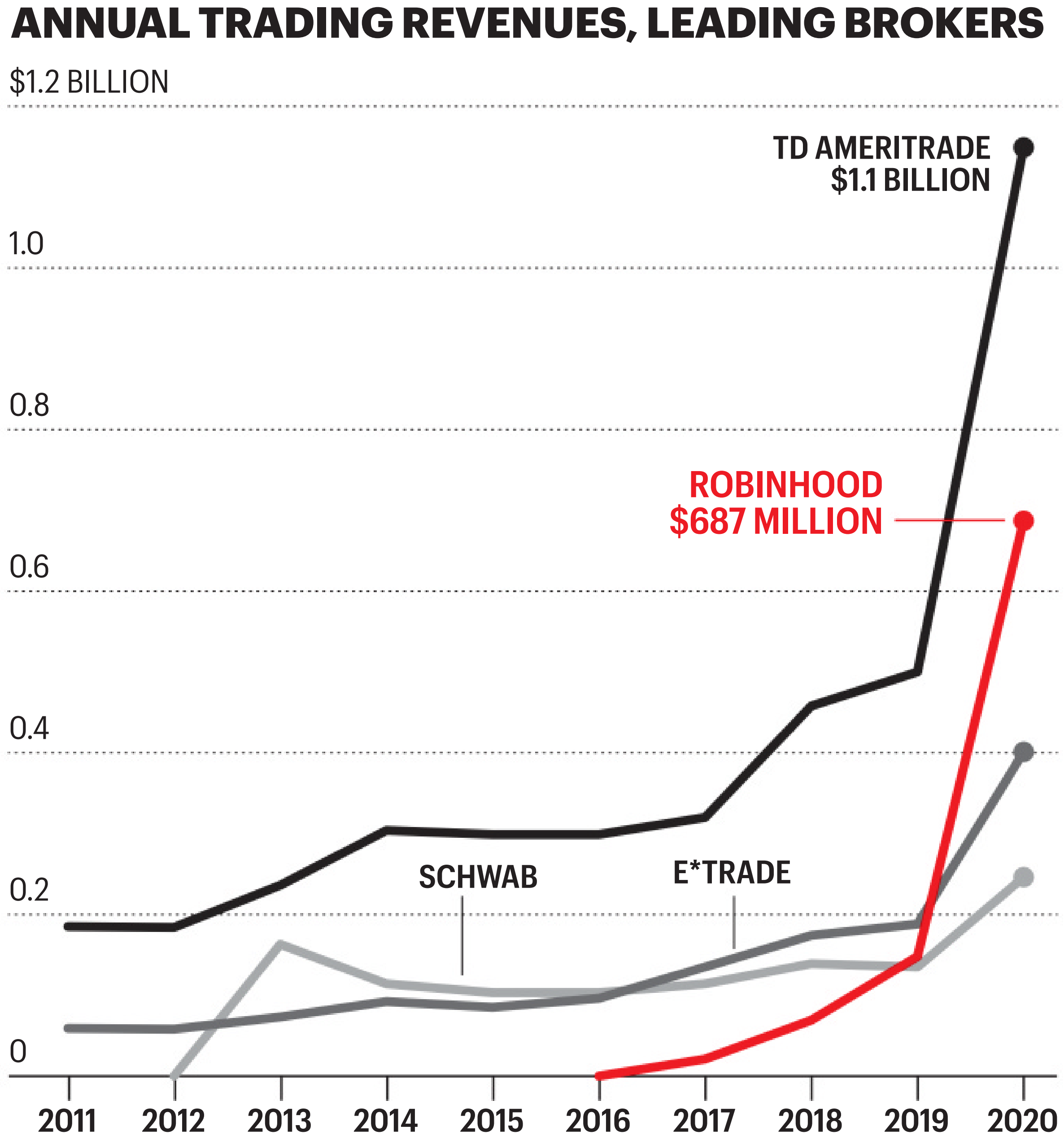
But when people sign in with the apps for Robinhood, E*Trade, TD Ameritrade, and many other online brokers, their buy or sell order doesn't go directly to an exchange. It's sent to another intermediary whose main role is handling gigantic volumes of retail trades. Those so-called market makers are firms such as Citadel Securities, Virtu, Two Sigma, and Wolverine. An SEC filing on Robinhood's website discloses that it collected around $190 million from PFOF in its fourth quarter ended in December. In recent congressional testimony CEO Vlad Tenev told Congress Robinhood garners well over 50% of its revenues from PFOF.

Atkin explains two ways that the market makers reap profits, both at the expense of small investors. The first: failing to deliver retail investors' sell orders a price that's higher than the best public "bid" or to find investors' buy orders a price that's lower than the lowest posted "ask." While electronic trading has substantially narrowed bid-ask spreads in recent years, says Atkin, many of the most actively traded stocks have large spreads. That gap gives the market makers latitude in choosing prices at which to buy and sell. The SEC's National Best Bid and Offer (NBBO) rule requires market makers to match only the best *posted* prices, which therefore gives them rich opportunities. Market makers do an extremely large number of trades in-house by matching buyers and sellers or taking the other side of the customer's order.

Atkin points out that at mid-afternoon on Feb. 18, the bid for Tesla was $791.84 and the offer $792.40. That put the spread at 56¢. "Say Harry places a buy order for 1,000 shares of Tesla on the app for his online broker and at the same time Mary places a sell order," says Atkin. "The broker routes Harry's buy order to its market maker, and Harry buys his stock at $792.40, the lowest publicly displayed ask. Mary's sell order is filled at $791.84, the highest publicly displayed bid price." In this example, the broker makes the 56¢ spread in milliseconds.

"The market maker is providing the best legal price, but not the best

ANNUAL TRADING REVENUES, LEADING BROKERS



SOURCE: ALPHACUTION

CORPORATE WELLNESS GETS PERSONAL

Employee wellness programs are moving beyond a one-size-fits-all approach.

WELLNESS IS AN $8 BILLION INDUSTRY IN THE UNITED STATES, according to the Kaiser Family Foundation. And corporations have been getting into the act for years, with nearly half of employers offering some kind of wellness benefits to employees, according to the Centers for Disease Control and Prevention (CDC). An investment in employee wellness can lead to reduced health care costs, per the CDC's research. And more important, these programs can give workers the tools and support they need to lead happier, healthier, more productive lives, both in and out of the office—when deployed strategically, that is.

Today, many companies provide a comprehensive suite of wellness offerings designed to help with everything from improving sleep to saving for retirement to getting mental health support. However, the sheer number of options can be overwhelming, particularly for employees already suffering from burnout. The last thing you want your corporate wellness program to do is feel like more work. This creates a poor experience for you and your employees, which leads to low engagement and limited results.

"The most effective programs avoid this pitfall by creating a personalized employee experience," says Kevin Porter, president and CEO of SentryHealth, a well-being management company based in Louisville. Instead of having workers sort through an array of offerings, many of which likely aren't relevant to their particular needs, SentryHealth's goal is to highlight the programs and tools that are meaningful and that will drive the greatest results.

"The key is to center on the individual and build outward from there," Porter says. Leveraging medical, pharmacy, and biometric data, as well as data from demographics and self-reported assessments, an individualized member profile is created for each person that joins WellOnMyWay, SentryHealth's total health and well-being management program. Based on this profile, which continually updates as members engage, WellOnMyWay matches the member with relevant programs that fit their unique health needs and lifestyle. For a parent struggling with childcare costs, for instance, financial planning services might be most important. For an employee experiencing depression or anxiety, mental health services are a vital resource. For someone recently diagnosed with a chronic medical condition, health management programs are key.

Once a member is enrolled, engagement is tracked on a real-time basis. If activity or responsiveness begins to drop off, members will receive outreach to check in and provide encouragement.

"We are tracking the journey, from the identification of the need or issue all the way through the outcomes," Porter says. This approach alleviates much of the stress associated with starting or maintaining a wellness program. Because, after all, corporate wellness programs should do what they purport to: provide relief to busy employers and employees, not add another item to their already full plates. ■

possible price," says Atkin. He goes on to say that the market makers earn money even when they "improve" the execution and fill investors' orders at better than advertised quotes. Let's say Harry buys 1,000 shares for 10¢ less, at $792.30. The market maker still collects a fat 46¢ spread, and since there are millions of Tesla buy and sell orders a day, think of the profits the market makers are pocketing.

"Here's what should happen," says Atkin. The broker should send Harry's buy order to the electronic exchange that it knows will do the best job improving the price. Instead of Harry paying $792.40 per share, the exchange could make a trade "at the middle of the spread," or $792.12. Harry saves 28¢ a share, or $280. Mary would also do 28¢ better if she sold her stock in the middle of the spread. Adds Atkin: "The market maker's profit motive is to get the biggest spread, not necessarily the best price."

Robinhood did not comment for this article, but in a Feb. 9 blog post, Tenev defended PFOF: "Not only do people now avoid trade commissions, the competition to fill the trade orders often yields them a better price. That is what enables Robinhood to offer quality execution in trades." (Joe Moglia, former CEO of TD Ameritrade, Ken Griffin of Citadel, and Doug Cifu, CEO of Virtu Financial, one of the biggest market makers, have all stated publicly that they believe PFOF has democratized the markets and lowered costs.)

But Atkin points out that the market makers have a second good reason for buying order flow—it provides lots of valuable information: "Say the best posted prices on XYZ stock are a $10 bid and an ask at $10.15. The market maker sees a rush of orders for XYZ coming in from the Reddit crowd. So they pounce to buy for their own account at the lowest possible ask price, $10.15. That big purchase drives the spread up. When the new buy orders come in, the market maker sells for $10.30, 15¢ more than the old best ask of $10.15, essentially moving the spread against the broker's own clients."

> **"The market maker's profit motive is to get the biggest spread, not necessarily the best price."**
>
> **DOUG ATKIN,** FORMER CEO OF INSTINET AND CRITIC OF THE PRACTICE KNOWN AS PAYMENT FOR ORDER FLOW

Road map for reform

As legislators examine the issue, there are three changes that would help level the playing field. First, the SEC should consider outlawing PFOF. "That would remove the conflict of interest," says Tyler Gellasch, chief of Healthy Markets, a group representing the pension fund industry and other investors.

Second, the current structure mainly separates retail and institutional trades, raising costs for both. The big pension funds shop their orders on the NYSE, other exchanges, and multiple venues while the online brokers outsource to market makers that often don't send their bids and asks to the broad market. If the two big pools combined, liquidity would greatly improve, and spreads would shrink for investors big and small.

The savings from that template would enable Robinhood and other retail brokers to charge extremely low commissions and get their clients a better deal overall.

Third, the decades-old rules governing NBBO should be updated to reflect that most trading today occurs in "odd lots," or increments of under 100 shares. For these relatively small orders, the official NBBO price posted on the exchanges is not the best available price on the same exchanges. So when brokers say they're getting the NBBO price, it's often not the best deal for retail customers. New rules should require that brokers obtain the best prices.

But really, legislators may be best served by asking a simpler question: If it was good for Bernie Madoff, can it be good for regular investors? ■

BOOKS

THE BIBLE OF BUSINESS

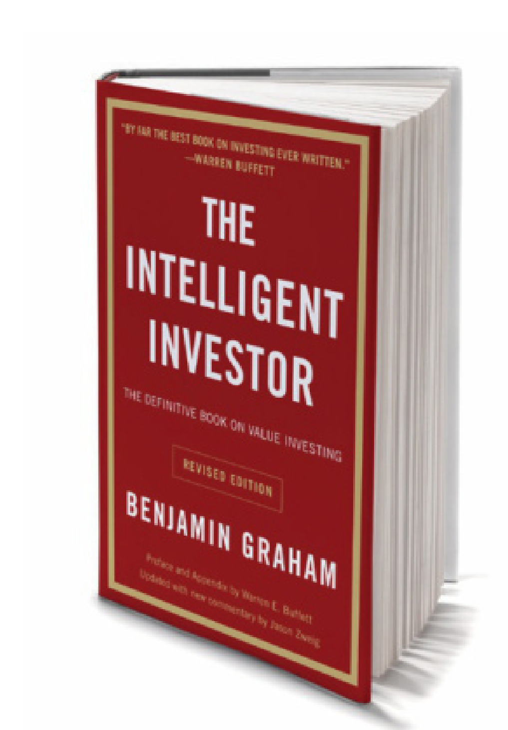
"IT CHANGED MY LIFE," Warren Buffett told *Fortune* recently of Benjamin Graham's *The Intelligent Investor.* "If I hadn't read the book, I'd probably still be delivering papers."

But even Buffett is surprised by the tome's staying power: Over 70 years on, Graham's book was No. 89 on Amazon's 2020 bestseller list and frequently ranks No. 1 in the economics and finance categories.

"If you look up any investing book that was written six months or a year ago, it's usually No. 24,000 at best," Buffett says. "Ben Graham wrote a book that nobody has been able to come even remotely close to."

"Anytime Buffett mentions it, we usually get a nice little [sales] bump," says Harper Business publisher Hollis Heimbouch, who notes the book has sold millions of copies in 36 languages. It is "the bible of investing." Indeed, after studying under and briefly working for the author, acolyte Buffett named his son Howard Graham in tribute.

—Rey Mashayekhi



COURTESY OF HARPER BUSINESS

DISRUPTION AT SCALE

With the acquisition of **Bread, Alliance Data** is leading a digital payments transformation.

THE CONSUMER SHOPPING EXPERIENCE HAS CHANGED dramatically in recent years with the rapid adoption of digital payments. Fueling the rise has been the growth of fintechs disrupting nearly every aspect of the banking and financial services industry.

The global necessity for physical distancing further accelerated adoption, as the pandemic pushed even more consumers and retailers toward digital options. It has also shifted consumer expectations, forcing merchants to provide holistic omnichannel experiences in order to remain viable and relevant.

"The ability to engage with customers digitally—and sometimes remotely—just became critical," says Jodie Kelley, chief executive officer of the Electronic Transactions Association. "In the absence of that, many of those businesses would not have survived."

In December 2020, during a time when consumers were working from home and shopping online accelerated exponentially, Alliance Data—a leading provider of data-driven marketing, loyalty, and payments solutions—expanded the breadth of its capabilities by acquiring Bread, a digital payments fintech providing "buy now, pay later" and installment lending solutions.

"For the customer, it goes beyond convenience now, into preference," says Derek Joyce, president of Bread. "There is a change occurring globally where alternative payment methods are normalizing."

The availability of choice is essential to empower today's consumers, and Bread enables merchants to offer their customers flexible digital payment options to fund their purchases. Like Alliance Data's other offerings, Bread products can be white-labeled, or branded with the merchant's name—a feature unique to the fintech landscape.

"In addition to retailers and merchants, traditional banks are also taking note and inspiration from the fintechs in terms of adapting their payment products and capabilities to appeal to customers' changing needs," says Val Greer, executive vice president and chief commercial officer at Alliance Data Card Services. "Alliance Data is now providing a full spectrum of payment and lending options that meet the needs of consumers and merchants alike, and together with Bread, we are disrupting the industry at scale."

Adding Bread's entrepreneurial team and tech-forward payment platform is a natural evolution for Alliance Data, which has provided branded credit card programs for retailers and made shopping more rewarding for customers through its products and capabilities for more than 30 years.

"Bread research finds that nearly half of customers expect to spend more online this year than last year, and the adoption by consumers and acceleration that we have seen with digital payments will absolutely continue," says Greer. "The bar around consumer shopping and payment experiences has permanently been raised." ■

STATE-OF-THE-ART PRODUCTION TRUCKS MONITOR AND CATCH TOURNAMENT ACTION IN REAL TIME, PROVIDING FOOTAGE FOR EVERY SHOT LIVE AND TOURCAST.

The **PGA TOUR's** latest initiative promises, well, everything.

Every Single Shot

LAST MARCH IN PONTE VEDRA BEACH, FLA., on Friday the 13th, the extent of the COVID-19 pandemic became all too real for golf fans, when the PGA TOUR halted its flagship championship, THE PLAYERS, over public safety concerns prior to the second round. Lost in the hubbub was the fact that during Thursday's first round, the event had already offered a stunning glimpse into the future of fan engagement and sports entertainment: the debut of the TOUR's "Every Shot Live" initiative. This year's recently completed PLAYERS delivered on that promise in full.

Every Shot Live is exactly what it says it is: Each shot by each of the tournament's 154 players is carried live on the subscription PGA TOUR LIVE app on broadcast partner NBC's Sports Gold platform and internationally on GOLFTV powered by the PGA TOUR. The numbers involved are astonishing. Every Shot Live captures some 31,000 strokes across more than 430 individual rounds, translating into about 750 hours of coverage. This entails 120 manned and unmanned cameras—three dozen more than usual at a TOUR event—plus microphones on every tee box and green. This year, the PGA TOUR Entertainment division alone has a staff of 63 working on the project, with 28 camera operators and 35 London-based switcher operators (a.k.a. producers). And endless miles of fiber-optic cable.

"Many sports take place in one venue—a diamond, a rectangle, an oval," says Scott Gutterman, the PGA TOUR's senior vice president of digital operations. "Golf has 18 holes, with up to three groups on them. It's like doing 18 baseball games on 18 different fields of all different sizes."

Providing TOUR fans with their dream level of hyperpersonalized content via Every Shot Live is a hugely complex undertaking, one that demands

[TOP] 2021 PLAYERS CHAMPION JUSTIN THOMAS [BELOW] A FLEET OF SHOTLINK TRUCKS AT THE 2021 PLAYERS CHAMPIONSHIP

tremendous coordination within and between the various TOUR and NBC Sports teams. The TOUR is responsible for getting everything from the course off the course, while NBC's job is delivery—to get everything to the fans via its Sports Gold platform. Not surprisingly, Every Shot Live is an expensive undertaking, to the tune of several million dollars for the week. That cost, however, has already dropped from a year ago, based in part on lessons learned from the aborted 2020 PLAYERS.

"It's like anything else in technology—the complexity goes up and the costs come down the more you do something over time," Gutterman says. "What will allow us to expand Every Shot Live are sponsorship opportunities that will become available as we get into different platforms, which should help us with funding too."

THE PLAN

The TOUR has a long history of debuting technology at THE PLAYERS, from electronic scoreboards to virtual reality to one of sports' first-ever livestreams in the early 2000s. This is partly because THE PLAYERS is its marquee event and partly because it takes place at TOUR headquarters, allowing for an all-hands-on-deck approach to innovation. Every Shot Live will likely be exclusive to THE PLAYERS this year and next, but it should soon migrate to the TOUR's FedExCup Playoff events, then to other big tournaments, and then, likely within five years, to every TOUR event.

Every Shot Live's primary goal is to provide the fullest possible content for PGA TOUR fans—and to attract more of them. The initiative isn't just video, either: At last year's PLAYERS, the TOUR also relaunched TourCast, which is essentially a 3D representation of the course that lets viewers see every shot and every shot trail that results (imagine watching the event from inside a video game and you'll get a sense of the experience). TourCast uses all of the data and graphics from ShotLink Powered by CDW to reproduce those shots—and by using automated tools, it recently added video on demand. Fans can relive any player's round this way.

But that's just the beginning. The options for utilizing this material, and monetizing it, are manifold.

"We can take a feed and make it betting-only content, with announcers versed in

EVERY SHOT LIVE WILL LIKELY BE EXCLUSIVE TO THE PLAYERS THIS YEAR AND NEXT, BUT IT SHOULD SOON MIGRATE TO THE TOUR'S FEDEXCUP PLAYOFF EVENTS, THEN TO OTHER BIG TOURNAMENTS, AND THEN, LIKELY WITHIN FIVE YEARS, TO EVERY TOUR EVENT.

betting and data coming in to talk about aspects of the game that are specific to betting, like odds," says Gutterman. "Or you could take Brooks Koepka's group and make a fitness-only channel, with a fitness-specific announcer. It's endless what you can do with Every Shot Live."

Among other ideas being kicked around are "fancasts"—channels where regular fans offer their take on the action—and a Green Zone channel focused exclusively on birdie or eagle putts. Last year, NHK, Japan's public broadcaster and a TOUR partner, was given the feed of Japanese superstar Hideki Matsuyama; likewise, a deal was struck in Norway for the feed of Norwegian superstar Viktor Hovland.

Defying the general trend in sports, the TOUR's television numbers have been on the upswing—and fans are gradually being permitted back on site. The 2021 PLAYERS allowed fans at about 20% capacity per day, a small but encouraging step toward normalcy. Given the fact that many locals who would have attended the event could not, the TOUR made Every Shot Live free to all fans for the opening round, before putting it back behind its paywall for the remainder of the championship—giving golf fans a chance to glimpse the future, now.

—***EVAN ROTHMAN***

TRUST AND CONSEQUENCES

TECH

A Check on Big Tech

The establishment of a union at Google comes as tech workers increasingly take on their powerful employers. BY DANIELLE ABRIL

▶ **SHANNON WAIT,** a technician at a Google data center in South Carolina, never thought something as inconsequential as a water bottle could get her into trouble. But in January, she was suspended without pay for complaining on Facebook that Google wouldn't replace her company-issued water bottle, which was missing its cap after it had loosened over time. The punishment came after she had also talked to managers about a delay in promised COVID-related hazard pay for herself and fellow contractors. But after posting about the water bottle, Wait was escorted from the data center floor to a conference call, during which she was accused of violating Google's nondisclosure agreement. "I could do nothing but laugh, because there is nothing proprietary about a water bottle," she says.

After hearing about the incident, Alphabet Workers Union, which represents employees and contractors of Google parent Alphabet, sprang into action. The union filed a complaint with the National Labor Relations Board against Google and Adecco, the contracting company that had hired Wait. It alleged that Wait's suspension was unfair and that the companies had tried to stop workers from discussing their pay. About two weeks later, before any government ruling on the complaint, Wait was allowed to return to her job—with back pay and a new water bottle to boot.

"That's the kind of work we're trying to do," says Parul Koul, the Alphabet union's leader. "And stories like hers are coming up every day."

The union's founding and its face-off with Google over Wait are examples of growing worker activism across the tech industry. Once considered to be utopias, with high pay and free food, many technology companies are now increasingly seen by some of their staff as adversaries.

Facebook employees held a virtual walkout protesting the company's lax stance on then-President Donald Trump's inflammatory posts on its service. In March, Amazon warehouse workers in Alabama wrapped up voting on whether to unionize amid the company's intense opposition. (The outcome of that vote had yet to be announced when this article went to press.) Meanwhile, employees at crowdfunding service Kickstarter have already formed a union.

"This is a reaction to the level of power these megacorporations are having on people's lives," says Patricia Campos-Medina, executive director at Cornell Univer-

A walkout by Google workers in 2018 over sexual misconduct by executives helped to spark a union drive.

▼

MICHAEL SHORT—BLOOMBERG/GETTY IMAGES

sity's labor research center, the Worker Institute.

The type of employee being recruited by unions varies by company. In some cases, as at Amazon, it's blue-collar workers, while elsewhere, such as at Google, the push includes high-paid engineers.

The Alphabet union made its public debut in January, but its roots arguably date back to three years ago. That was when news leaked that Google was working on a censored search engine for China, called Project Dragonfly. Many employees complained that the project, ultimately shelved amid the uproar, prioritized money over free speech.

That episode was followed by a walkout of 20,000 Googlers who were upset about the company's handling of sexual misconduct allegations against executives. Google ultimately agreed to some employee demands like eliminating forced arbitration for sexual harassment and assault cases.

In addition to improving working conditions, the new union hopes to pressure Google to work only on tech that serves the public good. Although the union is small—it has just 900 members out of 135,000 Alphabet employees globally—its leaders say they are pleased with how things are going.

As a "minority union," it has limited power and can't force Alphabet to bargain over a labor contract. The union is part of the Communications Workers of America, which represents 700,000 workers nationally, mostly in the telecom, media, and airline industries.

Janice Fine, director of Rutgers University's Center for Innovation in Worker Organization, argues that Google's union, despite its minority status, has power. For example, it could publicly expose any Google projects that are deemed unethical, organize work stoppages, and help federal and state governments with their ongoing antitrust investigation into the company. "Who better to do reputational damage than people who are on the inside?" Fine says.

Auni Ahsan, an executive council member for Alphabet's union, said the pace of recruiting new union members demonstrates that workers believe they can change the status quo at Google. To succeed against such a huge company, the union admits that it must be nimble. "We're going to have to be unconventional and creative," Ahsan says. "How can we find pressure points and attack from different directions?"

Google declined *Fortune*'s request for an interview and instead provided a statement. "Of course our employees have protected labor rights that we support," says Kara Silverstein, Google's director of people operations. "But as we've always done, we'll continue engaging directly with all our employees."

So far in terms of taking action, the union has condemned Google's YouTube subsidiary for a "lackluster" policing of hate on its service following the U.S. Capitol riots. The union also criticized the suspension earlier this year of Margaret Mitchell, a leader of Google's Ethical A.I. team who was later fired, following the ouster of another high-profile researcher, Timnit Gebru.

But for now, organizers say the union is mostly focused on setting up operations and training members how to grow their ranks. "That's what's going to be necessary to keep the fight up for many years," Koul says.

In the end, judging the union's impact is difficult. To the public, reinstating one contractor at a data center may seem relatively minor. But for that one contractor, the win is huge. "The union has only been around since January, and they've already made a difference in one person's life," Wait says. "Imagine if they had been around the last five years." ■

STATE OF THE TECH UNION

Google workers aren't the only tech employees who have recently pushed to unionize.

KICKSTARTER	In February, employees of the startup funding service agreed to organize under the Office and Professional Employees International Union.
MEDIUM	Workers at the online publishing platform recently tried to form a union, but the drive failed to win a majority. Union supporters have since paused their organizing activities.
GLITCH	After joining the Communications Workers of America in March 2020, the software company's employees negotiated and approved a contract with management in about a year.
VIDEO GAMING	Some of the gaming industry's employees are pushing to unionize to stop from being overworked. Last year, the Communications Workers of America backed the effort.
AMAZON	Warehouse workers in Bessemer, Ala., had until March 29 to vote on whether to form a union. The outcome had yet to be determined when this article went to press.

A Culture of Exceptional Care

During the COVID-19 pandemic, **Lehigh Valley Health Network** bolstered its health care heroes.

WHEN HEALTH CARE PROFESSIONALS AT Lehigh Valley Health Network (LVHN) started receiving the COVID-19 vaccine, many of them became emotional. Some applauded. Others shed tears of joy. "Our colleagues are dedicated to providing amazing care every day, even during the most challenging circumstances," says Lynn Turner, LVHN senior vice president and chief human resources officer. "This inspires us to continue building a culture that truly cares for them."

LVHN includes eight hospital campuses, as well as multiple health centers, physician practices, and other outpatient facilities in eastern Pennsylvania, making it the region's largest employer. Caring for LVHN's nearly 20,000 colleagues means providing an exceptional experience from "hire to retire." And LVHN colleagues have proved the power of unity during some of the toughest stretches of the pandemic.

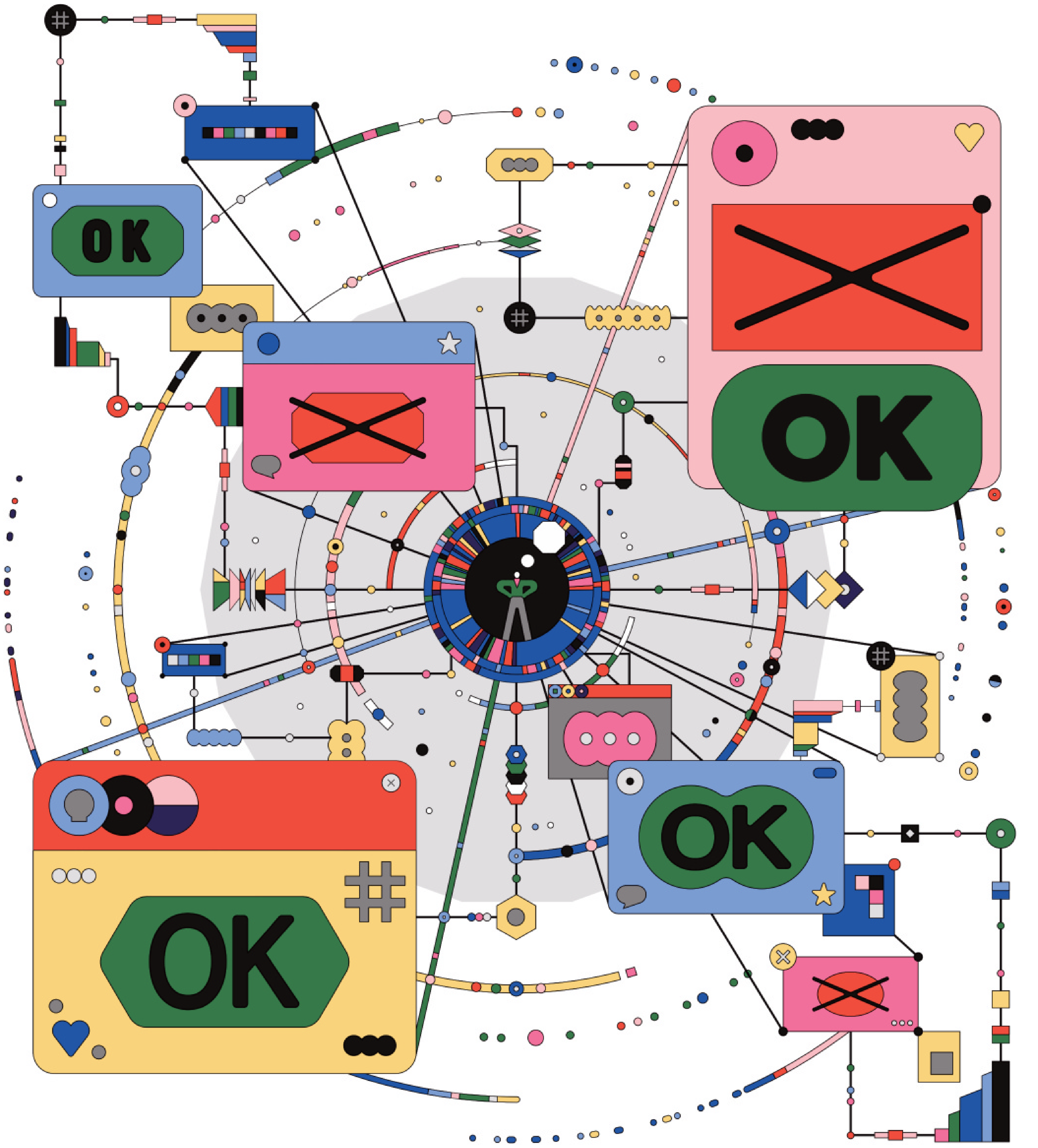
"Our core values—compassion, integrity, collaboration, and excellence—unify us and solidify our commitment to each other and the community," says Turner. These values guide everything the health network does and are evidenced in many of its programs. For example, LVHN's Action Against Racism and Advancing Equity Council offers forums for colleagues to share experiences and thoughts on diversity and inclusion. In the community, the Street Medicine Program delivers free care to homeless people wherever they are.

My Total Health, LVHN's comprehensive employee health and wellness program, offers physical, emotional, financial, and social support. The program features health coaching sessions, action plans to tackle wellness goals, online classes in mindfulness, incentives to participate in wellness activities, free membership to LVHN fitness centers, and more.

As the health and well-being of its employees emerged as an even greater priority during the pandemic, LVHN provided support—like child and elder care resources, flexible scheduling, additional "wellness time" off, and the ability to roll over extra paid time off or donate it to colleagues in need—to help team members cope.

"Facing the daunting challenges of a pandemic, our colleagues stabilized our health network and furthered our mission to heal, comfort, and care for the people of our community," says Brian A. Nester, DO, LVHN president and chief executive officer. "Their perseverance will allow LVHN to continue to grow and add new members to our team, giving the people of our community even more convenient access to the quality care they need, expect, and deserve. I truly believe our colleagues are heroes. They saved the day."

IN 2020, FOR THE FIFTH CONSECUTIVE YEAR, LEHIGH VALLEY HEALTH NETWORK'S HOSPITALS AND SERVICES ACHIEVED MAGNET DESIGNATION, THE HIGHEST HONOR FOR NURSING EXCELLENCE. WORLDWIDE, ONLY 23 HOSPITALS HAVE EARNED THIS DISTINCTION FIVE TIMES.



Facebook's Complicated Cleanup

The company's promise that artificial intelligence would effectively police its social network is still far from fulfilled.

BY JEREMY KAHN

ILLUSTRATION BY **BRATISLAV MILENKOVIC**

IN ADDITION to testing American democracy, November's election and the subsequent storming of the U.S. Capitol put social media to the test. Facebook and its rivals have spent years creating technology to combat the spread of disinformation, violent rhetoric, and hate speech. By some measure, the systems did better than ever in filtering out hundreds of millions of inflammatory posts. But ultimately the technology failed, allowing many similar posts to slip through.

In the days leading up to the election, unsubstantiated claims of widespread voting irregularities were the most shared content on Facebook, according to data analytics company CrowdTangle. At the top of the list were then-President Donald Trump's posts falsely claiming there had been thousands of "fake votes" in Nevada and that he had won Georgia. Meanwhile, the top news stories on Facebook preceding the election were from far-right news sites such as Breitbart and Newsmax that played up specious voter fraud claims. Such falsehoods set the stage for the Capitol's storming.

No company has been as vocal a champion of using artificial intelligence to police content as Facebook. CEO Mark Zuckerberg has repeatedly said, as he did in 2018 congressional testimony, that "over the long term, building A.I. tools is going to be the scalable way to identify and root out most of this harmful content."

Translation: The problem is so big that humans alone can't police the service.

Facebook has invested heavily to try to make good on its tech-centric solution. And there is some evidence of progress. For instance, of all the terrorism-related content it removes, Facebook says its A.I. helps find 99.8% of those posts before users flag them. For graphic and violent content, the number is 99.5%. And for hate speech, it's 97%. That's significantly better than three years ago, largely because of improvements in machine learning.

But success can be subjective. Facebook has a blanket policy against nudity, for instance. Yet the company's independent Oversight Board, a sort of appeals court for users


It's not a fair game
Cyber criminals will use AI to supercharge their moves.
New technological innovations are helping drive stealthier, faster and more effective cyber-attacks, which blend into background activity.
Learn how to fight AI - with AI.
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DARKTRACE
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unhappy with Facebook's moderating decisions, recently faulted it for blocking images in breast cancer awareness campaigns. Regulators want Facebook to block terrorist videos that are being used to radicalize young recruits, but not block those same videos when used on news programs. It's a distinction A.I. struggles to make.

The meaning of language depends on context too. Studies show humans can identify sarcasm only about 60% of the time, so expecting A.I. to do better is a stretch, says Sandra Wachter, a tech law professor at the University of Oxford's Internet Institute.

Eric Goldman, a Santa Clara University law professor, puts it another way: "One problem A.I. can never fix is the problem of context that doesn't come from within the four corners of the content itself."

Not that Facebook isn't trying. It's currently running a competition encouraging computer scientists to develop A.I. capable of detecting hateful memes. Memes are difficult because they require understanding of both images and text, and often a large amount of cultural information. "We recognize it is a tricky problem, which is why we published the data set and challenge, because we need to see innovation across the industry," says Cornelia Carapcea, a product manager who works on Facebook's A.I. moderating tools.

Misinformation—the harmful content that has most preoccupied Americans lately—is a challenge for A.I. because outside information is required to verify claims. For now, that requires human fact-checkers. But once misinformation is identified, A.I. can help check its spread. Facebook has developed cutting-edge A.I. systems that identify when content is essentially identical to something that's already been debunked, even if it has been cropped or screenshotted in an attempt to evade detection. It can also now spot similar images and synonymous language, which in the past may have eluded automated filters.

These systems helped Facebook slap warnings on over 180 million pieces of content in the U.S. between March 1, 2020, and Election Day. If that's a sign of A.I.'s success, it is also an indication of the problem's scale. A.I. works best when the data it's analyzing changes little over time. That's not the case for hate speech or disinformation. What results is a cat-and-mouse game between those disseminating malicious content and Facebook's systems.

Some blame Facebook for raising public expectations of what A.I. can achieve. "It is in their self-interest to overstate the efficiency of the technology if it will deflect further regulation," Santa Clara University's Goldman says.

Others say the problem is more fundamental: Facebook makes money by keeping users on its platform so advertisers can market to them. And controversial content drives higher engagement. That means if harmful posts slip through Facebook's dragnet, the company's other algorithms will amplify them. "The business model is the core problem," says Jillian York, a researcher at civil liberties nonprofit the Electronic Frontier Foundation.

In the days after the November election, with political tensions at a fever pitch, Facebook did tweak its News Feed algorithm to de-emphasize sources that were spreading misinformation and to boost news from higher-quality media outlets. But it rolled back the change weeks later.

Currently Facebook reduces the prominence of content it identifies as misinformation, shows warnings to those trying to share known misinformation, and notifies people if a story they have previously shared is later debunked. Users who repeatedly share misinformation are only rarely kicked off the service, but they "will see their overall distribution reduced and will lose the ability to advertise or monetize within a given time period," the company says.

Facebook's Carapcea says the company is considering similar measures for other harmful content. But humans will continue to play a big role in deciding when to apply them.

Says Carapcea: "Getting to 100% is a good North Star, but it may not ultimately be what happens here." ■

> **"It is in their self-interest to overstate the efficiency of the technology if it will deflect further regulation."**
>
> **ERIC GOLDMAN,** SANTA CLARA UNIVERSITY

A.I. IN ACTION

Facebook's A.I. has had a mixed track record with helping identify and remove harmful content before users flag it. The following shows how much of the content in various categories Facebook removes that it finds without user input:

99.8% TERRORISM CONTENT

97.1% HATE SPEECH

92.8% GLORIFICATION OF SUICIDE AND SELF-HARM

90% ELECTION SUPPRESSION, MISINFORMATION, AND THREATS (2018 ELECTION)

48.8% ONLINE BULLYING

SOURCE: FACEBOOK (Q4 2020, UNLESS OTHERWISE NOTED)

Fintech Delivers a New Way to Manage and Pay Bills

Consumers demand choice, speed, and intelligence.

BILLGO KNOWS THAT WHEN IT COMES to managing and paying bills, consumers want to be in charge. Last year it surveyed more than 3,000 cross-generational consumers who confirmed that what people really want in bill-paying technology is control. Most baby boomers, Gen Xers, millennials, and Gen Zers want the same thing: a modern, smart, centralized way to manage and pay their bills and subscriptions. They want intuitive technology that lets them decide how and when bills get paid, and they want a bill-paying platform that provides the peace of mind of knowing a bill has been paid on time.

In light of today's digital revolution, these seem like reasonable requests—so it's surprising how many financial services companies are not delivering on this wish list. Many organizations—including financial institutions, fintechs, and Big Tech companies—offer bill-pay technology that is out of step with the needs of today's digitally savvy consumers.

And consumers have noticed.

Why else would 76% of survey respondents say that they prefer paying their online bills directly to billers via their websites? That's right: Even though most consumers trust their financial institutions to manage their money, only 22% use the bill-paying technology offered by their banks or credit unions.

That means most consumers would rather manage the multitude of passwords needed to navigate, on average, nearly a dozen biller websites each month, instead of relying on the outmoded bill-paying technology offered by their financial institutions.

For the 200-plus employees of BillGO, the survey results weren't a surprise. Since the company's inception, the BillGO team has been committed to delivering a better bill-paying experience, one that gives financial institutions the speed, choice, and intelligence required to meet the needs of the consumers and businesses they serve.

BillGO believes that everyone deserves access to a healthy financial future, and that begins with giving consumers and billers a faster, easier, more secure way to manage their bills and payments. In the case of consumers, modern bill-paying management can help improve credit scores and avoid late fees.

If you are seeking a modern bill pay solution, check out BillGO.com or ask your preferred financial services provider if they are using BillGO to power their bill pay solution.

Since BillGO's inception, the company has been committed to delivering a better bill-paying experience.


BILLGO™
The New
Way to Bill Pay™
Ready to transform the dreaded necessity of managing your bills?
Manage & pay all your bills in one place
Choose how & when you pay
Get instant payment confirmation
So what will it be?
The status quo or BillGO?
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BEST
WORKPLACES IN
FINANCIAL SERVICES
AND INSURANCE™
2021
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TRUST AND CONSEQUENCES

ESG INVESTING

Just How Green Is Your 'Green' Fund?

As more investment funds adopt the "ESG" label, here's how to tell the planet-saving champs from the also-rans.

BY RYAN DEROUSSEAU

IN INVESTING, powerful emotions drive people's decisions. And nowhere was that more true in 2020 than in environmental, social, and governance (ESG) stock funds—where investors' passions, fears, and hopes about the state of the planet fueled a record-shattering year.

ESG funds promise to steer their assets toward companies that avoid harm or do social good. And as the world reacted to COVID-19 lockdowns, social unrest, and ecological disasters, money flowed into these funds faster than oil sprays out of a broken pipeline. Net new investment reached $51.1 billion in 2020, according to Morningstar—more than double the record set the previous year. And even as stock markets did unexpectedly well, ESG investors did even better: In the U.S., the median sustainable fund outperformed its traditional peers by more than four percentage points.

These numbers in part reflect a long-term trend of investors aligning their assets with their values: About one of every three dollars invested in funds now goes toward "sustainability vehicles," according to the Forum for Sustainable and Responsible Investment. (ESG funds are generally labeled "sustainable," even when they focus more on social or governance issues than on the environment.) But would-be do-gooders now face a quandary: As ESG investing grows more popular, more funds are sprinting to adopt the label—whether or not they're working hard to earn it.

According to research by founders of the ESG consulting firm KKS Advisors, more than 6,600 funds now identify as "ethical," twice as many as in 2013. In the European Union, under rules that began to take effect in March, funds that market themselves as ESG-oriented must disclose exactly how their strategies help solve social problems. But there's no such regulation in the U.S.—so the onus is on investors to separate substance from hype.

So how should you vet this sprawling field of suitors? As with any funds, start by assessing performance and fees. To narrow your options further, it helps to understand the industry's subcategories and see which ones align best with your investing style. With no set rule for sustainable designs, funds have adopted "a collection of approaches," says Jon Hale, U.S. head of sustainability research for Morningstar. Investors can do the same, mixing and matching among these three styles:

THE SHUNNERS The most basic ESG methodology focuses on avoiding bad actors. Managers of most funds will look at a given investing universe—say, U.S. large-cap stocks—and disqualify those that rank at the bottom third of a given ESG factor, like environmental impact or fair treatment of employees. (There's a whole subindustry geared to creating such rankings.) A fund's prospectus should explain how its managers decide

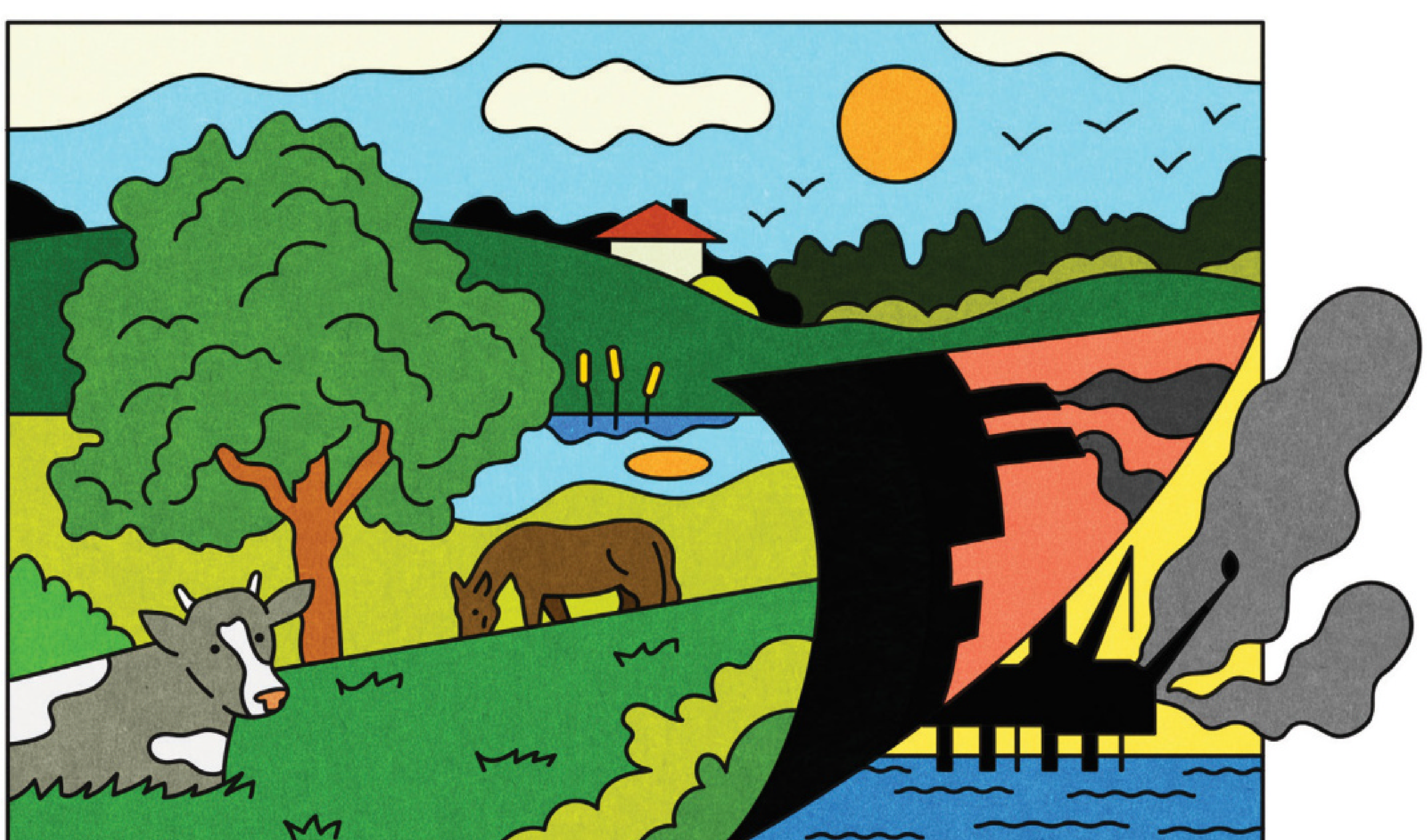
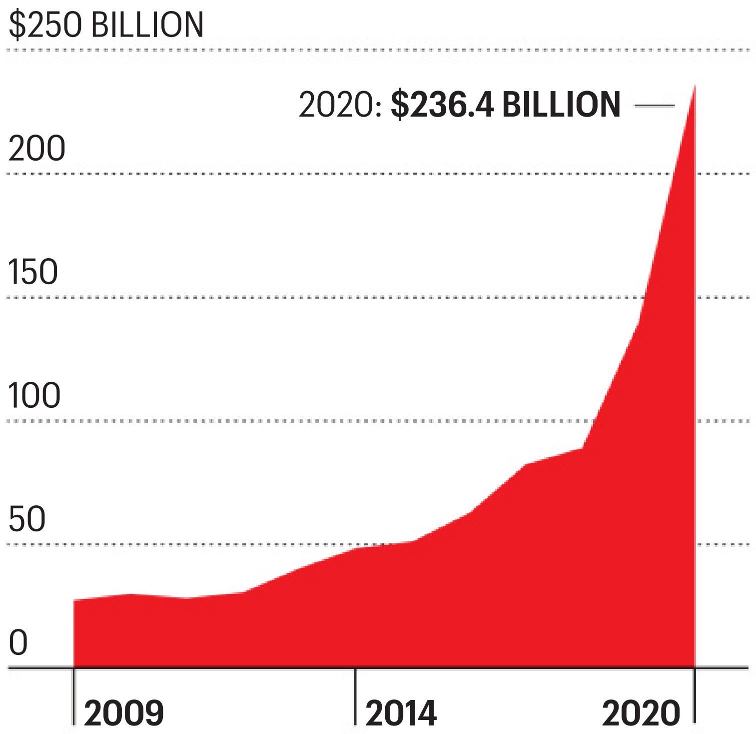
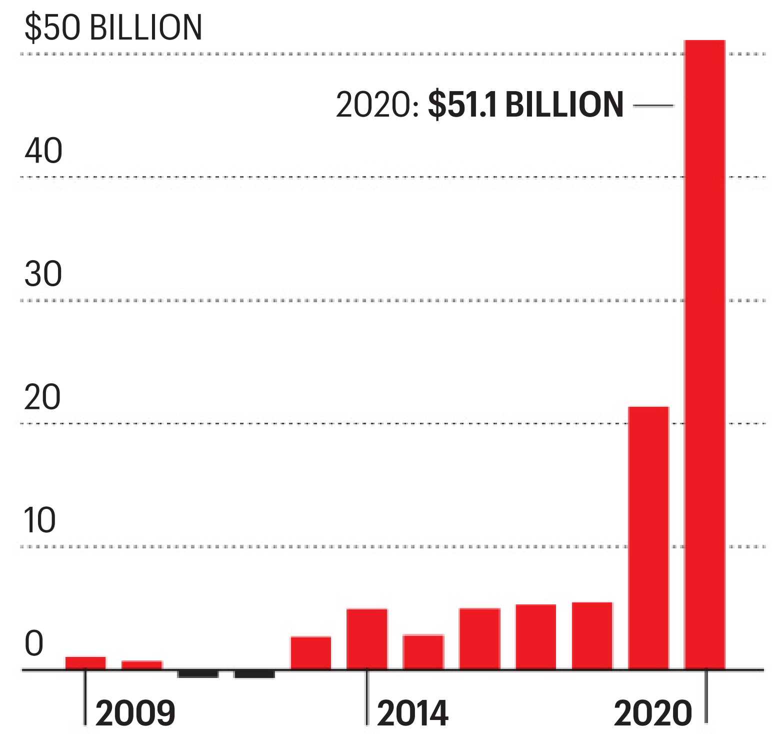


ILLUSTRATION BY SEB AGRESTI

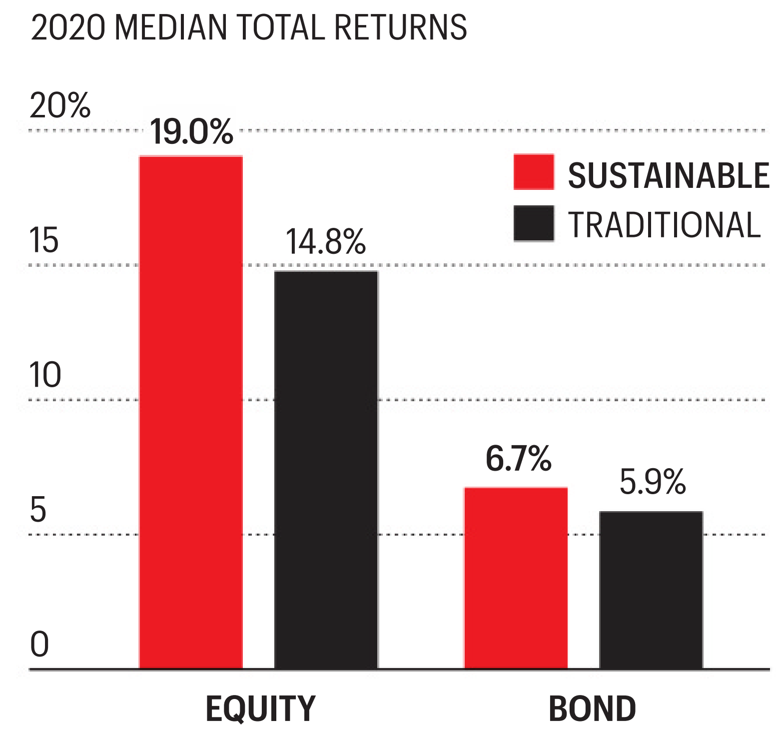
ESG ASSETS UNDER MANAGEMENT



NET ASSET FLOWS FOR ESG FUNDS



RETURNS FOR ESG FUNDS



SOURCES: MORNINGSTAR DIRECT; MORGAN STANLEY INSTITUTE FOR SUSTAINABLE INVESTING

The number of funds that categorize themselves as "ethical" has doubled since 2013.

who's in and who's out.

Some ESG funds invest with a conscience by dropping disqualified stocks and holding almost everything else. One strong performer in this category is **Vanguard FTSE Social Index Fund Admiral Shares (VFTAX).** It tracks the FTSE4Good U.S. Select Index; in mid-March, it owned 468 large-cap U.S. stocks. It returned 23% last year, compared with 18% for the S&P 500, and annual expenses are just $14 per $10,000 invested.

THE SEEKERS Other funds focus more selectively on top performers among the non-excluded stocks. And some of their managers are not only active stock pickers, but also activists—using their shareholder votes to seek change at companies in which they invest. These funds often publish "engagement reports," outlining the issues they have addressed with company management, along with roundups of their proxy voting activity. Some go further and publish impact reports, outlining exactly how their investment strategy is intended to have a positive effect. Those reports "should be considered a best practice," says Morningstar's Hale—a sign of a fund company that's committed to its mission. (Another sign of commitment: An active fund's managers should have extensive previous experience in ESG investing.)

San Francisco–based Parnassus Investments is a veteran in ESG stock picking, and the **Parnassus Core Equity Investor (PRBLX)** fund has been a top performer since its inception in 1992, with average annual returns of 11.4% (and 21% in 2020). Comanager Todd Ahlsten has helmed the fund since 2001, and his team has been both savvy at stock picking and conscientious about social causes. For example, Parnassus recently helped persuade snack giant Mondelez to use more recyclable packaging.

THE SPECIALISTS Jennifer Kenning is the CEO of Align Impact, which works with individual clients and financial advisers to build sustainable portfolios. One of her key pieces of advice for passionate investors: Instead of researching the entire ESG landscape, focus on "one thing you can move the needle on." The massive proliferation of ESG funds, especially ETFs, has made it easier to target a specific cause: Investors can focus on backing clean technology (the many options include **iShares Global Clean Energy, ICLN)**; supporting women-friendly companies **(SPDR SSGA Gender Diversity Index, SHE)**; or even avoiding animal exploitation, including companies that make or sell meat-based products **(U.S. Vegan Climate, VEGN)**.

One reason ESG funds in general outperformed the broader market in 2020 is that few of them own fossil-fuel stocks, which generally tanked last year. But clean energy is a narrower focus whose long-term outlook remains strong. Two promising ETFs in the space share a comanager: Peter Hubbard, a 14-year ESG veteran, oversees both **Invesco Solar (TAN)** and **Invesco WilderHill Clean Energy (PBW)**. TAN holds about 50 primarily solar-focused companies, with 20% of the fund split between the U.S. company Enphase Energy and Israel's SolarEdge Technologies; PBW invests in a broader range of energy firms. While their investors may never outdo 2020, when shares in both ETFs rose more than 200%, they're likely to keep benefiting from an economy that's gradually embracing the imperative of getting greener. ■

How Listening to Employees Helps Them Deliver Top-Notch Care

At **Texas Health Resources,** taking care of employees is part of the culture—and has helped the company combat COVID-19, together.

LEFT: DORIS BLACKSHER, RN BELOW: TEXAS HEALTH'S LEADERSHIP TEAM REGULARLY COMMUNICATES WITH EMPLOYEES TO HEAR WHAT THEY NEED TO DO THEIR JOBS BETTER, LEARN WHAT IS AND ISN'T WORKING WELL, AND ANSWER QUESTIONS.

WHEN SHE WAS STARTING HER NURSING career almost 20 years ago, Doris Blacksher, RN, looked at several hospitals before accepting a position with Texas Health Arlington Memorial. She's been there ever since. "It was the best choice I could have made," she says. "Texas Health has changed my life."

The health system helped Blacksher further her education. Today, she is a certified medical and surgical nurse with a master's degree. "I'm one of seven kids," she says. "I couldn't have made it this far without Texas Health."

Generous tuition reimbursement is one of many benefits, including an array of wellness programs, offered by the nonprofit health system, which serves more patients in North Texas than any other provider.

"More than just an employer, Texas Health is a family," says Blacksher, who has worked difficult shifts caring for COVID-19 patients during the past year. Unlike many facilities around the country, Texas Health teams never experienced a shortage of personal protective equipment. Blacksher attributes this to a symbiotic work culture that prioritizes safety and culture.

"If we need something, Texas Health goes above and beyond to make sure we receive it," she says. "They listen."

For instance, CEO Barclay Berdan regularly checks on employees and leaders, even starting a virtual rounding program to check on employees and share information during the pandemic. "Fighting COVID-19 is stressful and heartbreaking work," he says. "We are so proud of all our caregivers and support teams. Their compassion is inspiring."

A dedication to employees is one reason Texas Health has been recognized among the *Fortune* 100 Best Companies to Work For since 2015. Other contributions include the Applause program, which encourages staff to nominate team members for recognition of their great work, in return for points that can be used for merchandise or gifts cards.

A lifeline during difficult times is Texas Health's Employee Assistance Program, which makes counseling available to more than 24,000 staffers and their dependents. During the pandemic, the company added more benefits to help with stress, childcare, and even food resources.

Blacksher is grateful she chose Texas Health all those years ago. "The support, the diversity, the professional growth … I can't imagine working anywhere else." ■

DIGITAL TRANSFORMATION WITH A HUMAN TOUCH

Edward Jones puts people first with its technology strategy.

THE COVID-19 PANDEMIC HAS INCREASED the pace of an already inevitable digital shift in the way we work, socialize, and manage our lives. As expectations evolve in an environment in which rapid action is imperative, financial services technology is undergoing a profound transformation. Financial institutions are further digitizing the front and back ends of their businesses.

However, because creating a financial strategy is so specific to each client, a primary concern is how to maximize the financial advisor-client relationship in the digital age. It's something that was top of mind at Edward Jones as the financial services firm embarked on a new digital acceleration strategy last year.

"Our whole digital strategy is done in collaboration with our clients themselves," says Frank LaQuinta, principal and chief information officer at Edward Jones. "They are a key part of driving that innovation." He adds that the firm's $500 million investment in digital transformation enhances the financial advisor-client connection, noting "human-centered relationships are at the core of our business."

Most important, this also extends to internal relationships, which is why Edward Jones is leveraging technological innovation to support the success of its 19,000 financial advisors. Along with a new mobile app and upgraded online access for clients, the firm has rolled out several other online tools to improve the client experience and enable financial advisors to lead and build their practices by thinking like their clients, not just about them.

For instance, additional social media tools allow financial advisors to use enhanced search capabilities to connect with prospective clients. The Starting Point tool offers a digital questionnaire that gathers details from a prospective client and delivers personalized information to help them prepare for more comprehensive conversations with an Edward Jones financial advisor. And the Edward Jones Match platform connects prospective clients with local financial advisors based on each client's personal situation and the financial advisor's focus areas, simplifying the task of researching and contacting financial advisors. It also helps the relationship start off on a more personal level.

"Technology is going to evolve, but what stays the same is the strength of the client-financial advisor relationship—and trust," LaQuinta says. "Think about the typical arc of somebody's life: They're graduating college, then they buy a house, then it's children and saving for college, then retiring. So, as that whole continuum progresses, technology runs right alongside."

This hand-in-hand approach to technology, along with Edward Jones's branch team model, allows financial advisors to fully leverage the benefits of technology to guide their clients' progress toward individual financial goals, providing a complete picture of their financial well-being. It's a combination that empowers individual investors to take control of their financial lives—and realize their full potential.


Robin Diedrich, CFA, CFP,® CPA
Assistant Director -
Securities Research
A CENTURY OF ORGANIC GROWTH
ISN'T BUILT BY CHASING QUARTERLY EARNINGS.
At Edward Jones, we know long-term success isn't built on short-term thinking. Our financial advisors have the freedom to recommend solutions based on their clients' unique needs, not firm quotas. Which means that they're able to build their practice by doing things the right way—by focusing on their clients. Meet the Edward Jones of now.
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INJECTIONS PENDING
Essential workers line up for vaccinations in Philadelphia, where many doses were scooped up by suburb dwellers.

Missing Their Shot: A Rocky Rollout in Pennsylvania

BY MARIA ASPAN

THE KEYSTONE STATE'S STRUGGLES TO DISTRIBUTE **COVID-19 VACCINES** SHINE A TROUBLING LIGHT ON THE NATION'S INEQUITABLE HEALTH CARE SYSTEM.

IT WAS A February snow day that made Christine Meyer snap—and realize she had to take Pennsylvania's vaccine rollout into her own hands.

Meyer, an internal medicine physician who owns a 20,000-patient practice in Exton, Pa., in the Philadelphia suburbs, had spent weeks fielding calls from patients who were eligible for COVID-19 vaccines but who couldn't find an appointment—at pharmacies, at doctors' offices, via local health departments, or through the state's vaccine-information website. Most of them were over 75, and many struggled to register online through systems that required tech savvy.

When a snowstorm hit, canceling in-person appointments, Meyer asked her clinicians and staff to spend the day helping patients register for jabs. She posted about it on her practice's

HANNAH BEIER—REUTERS

BY THE NUMBERS

24,828
COVID-19 DEATHS IN PENNSYLVANIA AS OF MARCH 24, **THE FIFTH-HIGHEST DEATH TOLL IN THE U.S.**

50%+
SHARE OF VACCINES FROM PHILADELPHIA RITE AID PHARMACIES THAT HAVE BEEN **DISTRIBUTED TO PEOPLE WHO LIVE OUTSIDE THE CITY**

3%
SHARE OF VACCINES THAT HAD GONE TO BLACK RESIDENTS AS OF MARCH 15. **BLACK AMERICANS ACCOUNT FOR 7.5%** OF THE STATE'S POPULATION*

SOURCES: CDC; RITE AID; KAISER FAMILY FOUNDATION
*EXCLUDES PHILADELPHIA

Facebook page—and within two hours she had 1,200 people emailing her office for help, crashing her servers. Soon Meyer created a volunteer-run matchmaking service on Facebook, allowing seniors—or their children or neighbors—to request help finding a vaccine. As of late March, the group had more than 60,000 members (including this Pennsylvania-raised reporter, trying to help her local parents). By then, few users were waiting to hear from the state: The forum was dominated by talk about when Walgreens, CVS, Rite Aid, and other pharmacies were releasing blocks of appointments, and how best to navigate their often-maddening websites.

"This vaccine thing honestly bowled me over," Meyer told *Fortune* via video, her voice and hand gestures speeding up with frustration. "I put all of my faith, and all of my patients' faith, in the health department—because that's how it was supposed to work. But the process is broken."

As Meyer and millions of Pennsylvanians have learned, the state's vaccine-rollout problems run far deeper than a confusing sign-up process. The Keystone State, with more than 24,800 fatalities, is the state with the fifth-highest COVID-19 death toll. It also has one of the nation's longest litanies of vaccine stumbles. At the end of January, Pennsylvania had received nearly 2 million doses but had distributed only 42%—ranking the state 49th, ahead of only Alabama, according to a *Becker's Hospital Review* analysis of CDC data. As the state's 2.4 million seniors scrambled to find vaccines for a disease they are particularly vulnerable to, the state sent 12,000 doses to pediatric offices—even though most children aren't yet eligible for shots. The health department later warned that more than 100,000 people might have to reschedule their second appointments for the two-dose Moderna vaccine because of miscommunication with providers.

Meanwhile, public health authorities were sending far fewer doses per capita to the 2.5 million residents of the Philadelphia suburbs—Meyer's territory—than to some of the state's sparsely populated rural enclaves. At one point, says Monica Taylor, council vice chairperson of 565,000-person Delaware County, the county was "getting only 1,000 doses a week. It made it more like the Hunger Games."

Pennsylvania's rollout problems have mirrored those of many other large, racially and socioeconomically diverse states as they navigate a massively complex process. The national effort has required unprecedented coordination among a mismatched team of players, including a federal government that squandered months in an acrimonious presidential transition; cash-strapped state and local governments; and a patchwork of big health care providers, small clinics, and *Fortune* 500 pharmacy and grocery chains sorting through changing—and often conflicting—distribution and eligibility rules.

Still, Pennsylvania's campaign has stood out for its problems, some of which are self-inflicted. Unlike some of its peers, Pennsylvania declined to create a centralized vaccination system, putting the burden on individual residents to navigate the appointment maze. A host of bureaucratic complications, distribution failures, and conflicts between state and local leaders have slowed things down even more—showing the danger of an every-party-for-itself approach. By late March, Pennsylvania had improved its rollout by several metrics. But it continues to struggle to reach its most vulnerable populations, including Black and Latinx residents.

The persistent problems have left doctors, local officials, and public health experts lamenting an excess of red tape and a lack of coordination. "The fact that there's not a centralized process across the state means that you're really depending on each individual organization doing their own thing and hoping that it works," says Tracey Conti, a member of the Pittsburgh-based Black Equity Coalition and program director of family medicine at the UPMC McKeesport health care system. "It creates a lot of unknowns—and a lot of frustration."

State officials acknowledge as much. Pennsylvania has gone through "a month of reckoning," acting Health Secretary Alison Beam tells *Fortune*. "There is a lot of room to improve—and we only want to be moving forward."

IN JANUARY, the city of Philadelphia, which gets its vaccine supply directly from the federal government, asked an unproven startup called Philly Fighting COVID to run its first mass vaccination clinic. The plan turned into a disaster that "placed the city at great risk," an official report later found, leaving Philadelphians shut out at the clinic while the startup's 22-year-old founder took home doses for friends. "Our government was working in a hurry and trying to respond to something really quickly," says city Inspector General Alexander DeSantis, who is investigating the affair. "It was a process that broke."

The scandal was an early black eye for Pennsylvania, and it highlighted a common problem nationwide—the lack of established vaccine partners for governments. Hospitals and large health care providers might seem like obvious distributors, but they face problems of their own. The pandemic exacerbated their enduring budget and personnel crunches; collectively, large health care systems were estimated to be losing almost $1 billion a day last year. "It's expensive to go out there in the community and put shots in arms," says a senior physician at a top Philadelphia hospital. "It requires a lot of logistics, space, and hiring people—and it's not necessarily going to make a health system money."

Federally funded community health centers may be best positioned to vaccinate minority and underserved populations, but those groups say they need bigger allocations of vaccines from governments to scale up.

Into this vacuum have stepped the large retail pharmacy chains—already experienced at distributing yearly flu shots. Walgreens and CVS alone are expected to give out about 25% of COVID shots nationwide this year, according to Barclays. Those chains also have stronger economic incentives around delivering vaccines. They expect revenue growth from the rollout itself—from government or insurance payments per shot; from selling more stuff to customers who come in for shots; and from collecting customers' data for marketing purposes. The chains also claim to be more accessible to rural and racially diverse populations. CVS Caremark chief medical officer Sree Chaguturu notes that 85% of Americans live within 10 miles of a CVS pharmacy.

In Pennsylvania, coordination among these partners was slow to jell—owing in part to a change in command. On Jan. 19, President Biden appointed Rachel Levine, the state secretary of health, to be U.S. assistant secretary of health. The nomination was historic: Levine, a pediatrician, later became the first openly transgender official confirmed by the U.S. Senate. But it only added to the confusion in her home state. Gov. Tom Wolf appointed his then deputy chief of staff, Alison Beam, as acting secretary of health. Beam had been involved in the state's vaccine strategy, but she tells *Fortune* that she inherited "a lack of the necessary planning" for dealing with demand that outpaced supply, and a resulting "lack of controls" in how to allocate vaccines. (A source close to Levine says that the outgoing secretary "did everything feasible to put together a robust vaccine plan" but that "there's no question improvements needed to be made after the initial phase.")

Wolf and Beam have created a bipartisan legislative task force, which some local providers praise for increasing the frequency and clarity of information around the rollout. In February, the state also gave Boston Consulting Group an $11.6 million contract to help improve its vaccine distribution. BCG has helped Pennsylvania pare down what Beam calls "an unwieldy provider network" of doctors and pharmacies who have been allocated vaccines, and it's upgrading what Beam says is the state's "undoubtedly arcane" data-reporting process. It also helped Beam work through a "tidal wave" of requests when the state warned that up to 100,000 residents might not get their second Moderna shots in time. (Citing CDC guidance, Pennsylvania addressed the shortage by asking residents to wait up to 42 days for their second shots, instead of the more usual 28.)

"We were working on the foundational infrastructure" and "simultaneously responding to these fires," Beam says. Now, "we are driving the urgency."

"I PUT ALL OF MY FAITH, AND ALL OF MY PATIENTS' FAITH, IN THE HEALTH DEPARTMENT—BECAUSE THAT'S HOW IT WAS SUPPOSED TO WORK. BUT THE PROCESS IS BROKEN."

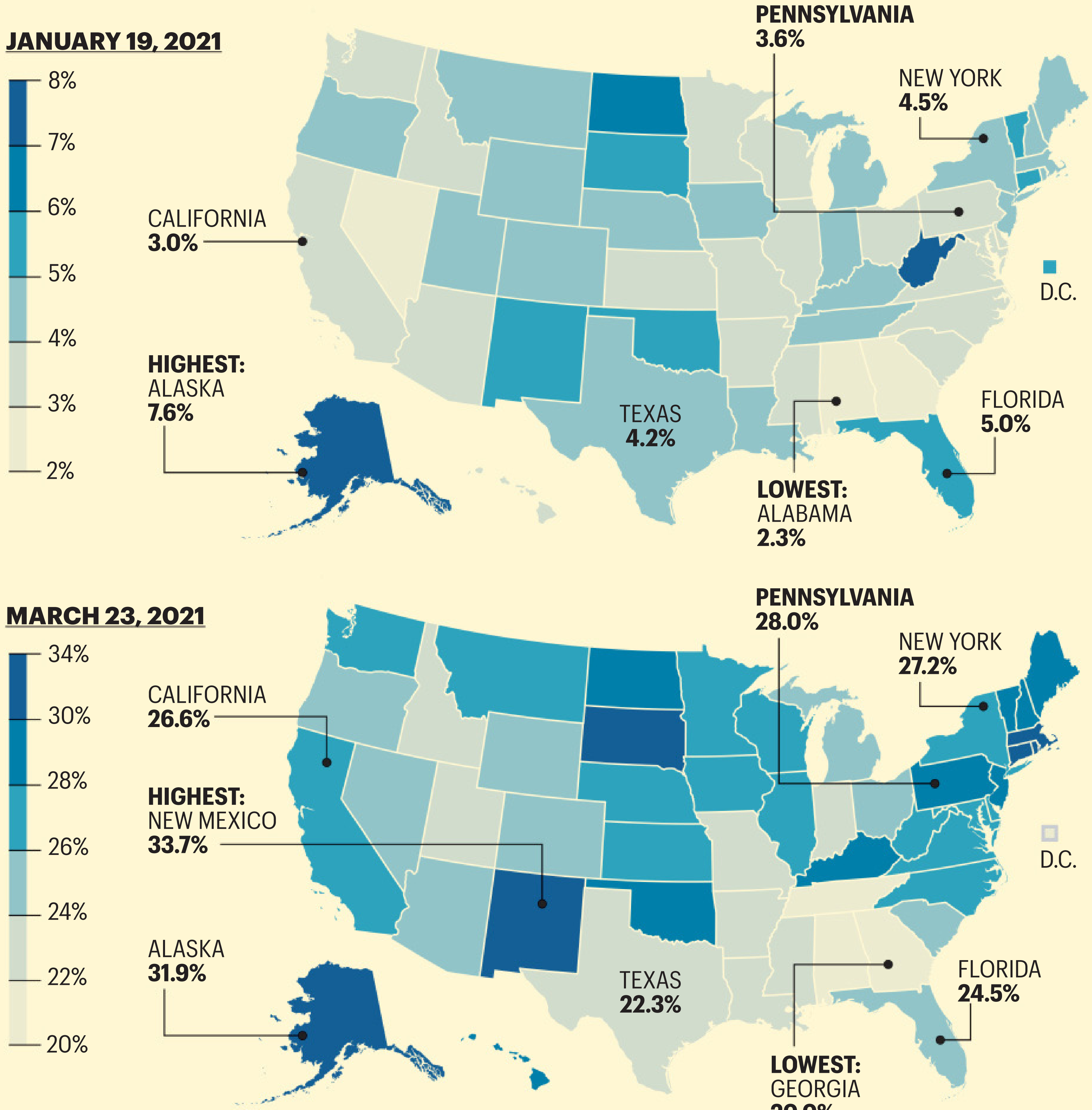
CHRISTINE MEYER,
A PHYSICIAN AND OWNER OF A MEDICAL PRACTICE IN EXTON, PA.

SINCE THOSE EARLY DAYS, Pennsylvania has made up some ground. As of March 25, the state had climbed into the top half of states for vaccine distribution among the general population. More than 81% of its supply has been administered, according to the CDC, surpassing the national average of 78%, and 28% of state residents had received at least one dose.

But the rollout hasn't penetrated far enough into some communities—especially communities of color. By mid-March only 3% of Pennsylvania's vaccines outside Philadelphia had gone to Black residents, according to the CDC, even though Black people account for 7.5% of the state's non-Philly population; similar disparities affect the smaller Latinx and Asian populations. Those numbers don't paint a complete picture, since the CDC has racial data available for only 53% of vaccine recipients. Still, Pennsylvania seems to be underdelivering on a front where the nation already does poorly: Of Americans who have had at least one dose, 8.2% are Black and 9.3% are Latinx; while the U.S. population as a whole is 13.4% Black and 18.5% Latinx.

In Philadelphia, whose popula-

SHARE OF THE POPULATION THAT RECEIVED AT LEAST ONE SHOT OF COVID-19 VACCINE



SOURCE: CENTERS FOR DISEASE CONTROL AND PREVENTION

tion is 44% Black, the inequities are just as stark. Rite Aid, the pharmacy chain based in Harrisburg, Pa., is one of the city's dominant distributors, with an online registration system that's theoretically equally open to all residents. In late March city government data showed that 83% of Rite Aid's vaccine recipients were white, and that the pharmacy had inoculated nearly 11 white people for every Black person who received a shot. One problem: More than half of Rite Aid shots went to suburban residents who drove into the city—which is permissible under state guidelines.

A Rite Aid spokesperson says the company has increased the share of vaccine doses going to Black Pennsylvanians within the past month, and is "working tirelessly to overcome the many disparities" that cause vaccine inequity. Some factors are indeed outside its control, like the suburbanite invasion—which also illuminates some of the reasons why authorities nationwide are flunking vaccine equity. Black and brown people are more likely to be lower-income and less likely to have access to health care providers who can steer them into the vaccination pipeline. They're also more likely to work in "essential," non-remote jobs. All those factors create barriers to getting vaccine appointments through systems that privilege people with Internet access, the ability to work from home, and the free time to refresh scheduling websites multiple times a day.

To overcome these disparities, "it's not enough to say, 'I put a link out on a county website,' where it was in essence buried," says Ala Stanford, the pediatric surgeon who founded Philadelphia's Black Doctors COVID-19 Consortium. Since January, her nonprofit has vaccinated more than 30,000 Philadelphians; more than 80% of the recipients are people of color. The organization runs walk-up clinics that administer shots only to residents of specific zip codes (usually those hardest-hit by COVID). "Everyone acknowledges the health disparities. And everybody talks about it—but no one makes an active plan," Stanford says.

"I absolutely agree that we need to make inroads on equity," says Beam, the health secretary. To do so, the state has started dedicating 8% of its federal vaccine allocations to nonprofits, groups like Stanford's and "entities that show that they are reaching hard-to-reach populations," Beam says, adding that she hopes "that share will be ever-increasing."

Racial equity is only one of the puzzles the state needs to solve. Access has also been a challenge for those 65 and older, although Pennsylvania's numbers there had improved by the end of March. And Beam and Wolf remain embroiled in arguments with local authorities over how to increase distribution of vaccines to the Philadelphia suburbs.

In the meantime, individuals, community organizations, and private entities all over the state do what they can to cut through the confusion and get jabs in arms. By late March, Christine Meyer's Facebook group had facilitated more than 13,000 vaccine appointments—and Meyer was even contemplating the day when the forum might no longer be needed. Pennsylvania's rollout is "not smooth, it's not easy, it's embarrassing in a lot of ways," she says. Still, she adds, "I feel more hopeful—because I see people getting vaccines." ■

A People-First Approach Leads to Record Business Success

How **Cadence** kept employees central to its business strategy amidst a crisis.

Cadence's people-first culture helps employees make an impact, even during challenging times.

CADENCE DESIGN SYSTEMS IS KNOWN FOR ITS innovative, inclusive culture built on a customer-centric, one-team mindset across its 48 global locations. But what happens to workplace culture when employees face a worldwide pandemic that threatens their health and puts the company's new business strategy at risk? Responsive companies like Cadence seize the opportunity to demonstrate that their people come first.

Cadence gave employees the flexibility to take care of their and their families' changing needs. This included flexible work hours, additional time off, and sharing in the company's unprecedented success. Early on, managers were trained on topics like wellness check-ins and empathetic leadership so they could support their employees' varying circumstances. Management invested in employees' well-being in many ways, including giving a $1,250 stipend to each employee for their home offices and wellness needs, investing in meditation and yoga apps, and providing special mental health support and backup child and elder care.

"I am so proud that our leadership team 'walked the talk' when it mattered," says Tina Jones, Cadence's senior vice president of global human resources. "We put the needs of our people above business expediency, and we discovered that this people-first strategy paid dividends—our employees blew us away with their commitment, creativity, agility, and relentless drive to ensure our customers and business succeeded."

In an industry known for its deep technical complexity, Cadence puts emphasis on diversity and inclusion to maximize innovation. The company supports inclusion groups, mentorship, and leadership advancement programs for women and minority groups. In addition, most managers participate in unconscious-bias training and allyship workshops. "That inclusive mindset is a differentiator not only in the marketplace, but also in executing our new Intelligent System Design strategy," says president Anirudh Devgan.

The company's employee-first culture was critical to building trust and confidence with employees in a year filled with so much uncertainty. Instead of worrying about their jobs and their pay, employees focused on executing on Cadence's new strategy. The result? The company experienced record-setting revenue growth, and its stock price more than doubled.

"Our people are at the core of what makes Cadence unique," says Devgan. "They are solving some of the world's toughest technology challenges to accelerate the design of complex electronics and intelligent systems. So it is imperative that our teams bring different perspectives and work together effectively." ■

The Lonely Quest for Ethical Chocolate

BY VIVIENNE WALT

DUTCH CHOCOLATIER **TONY'S CHOCOLONELY** SET OUT TO PROVE THE CONFECTION CAN BE MADE WITHOUT CHILD WORKERS. BUT CAN GOOD PRACTICES AND SWEET PROFITS COEXIST?

THE STARTUP launched with a crime. In 2004, a Dutch journalist went on television and committed an act that theoretically carried a six-year sentence: He ate several name-brand chocolates. Those seemingly harmless sweets were made with the help of child slavery, he claimed, and consumers who indulged in them were likely breaking the Netherlands' laws against the practice. He called the police and told them they ought to come arrest him.

There was no arrest. Instead, in 2005, the journalist, Teun van de Keuken, cofounded one of the world's most maverick chocolate companies, Tony's Chocolonely, a mashup of his first name and the lonely battle

against Big Chocolate, as the handful of multinationals that dominate the industry is known. The mission was clear. At a time before "ethical chocolate" was even a phrase, Tony's aimed to prove that companies could create fine chocolate without an army of child workers—many barely in their teens and toiling for pennies. What is more, the company was determined to source its beans from Ivory Coast and Ghana, which together account for more than 60% of global supply, yet whose growers subsist on less than $1.25 a day.

From the start, inside its wrappers, Tony's described the inequity between giant chocolate companies and poor cocoa farmers, and later, for emphasis, molded its bars into uneven pieces. The first wrapper was fire-engine red because the situation was "alarming," says Henk Jan Beltman, Tony's "chief chocolate officer," or CEO, sitting in his airy headquarters in west Amsterdam one spring morning. He says the color implied "something has to be done."

Yet nearly two decades on, that alarm bell is still ringing.

For much of the chocolate industry, worth about $136 billion by one estimate, production begins amid crippling poverty and underage workers, who spend hours a day hacking away at cocoa pods with machetes for little to no pay. Child cocoa workers have steadily increased to about 1.56 million in Ghana and Ivory Coast, according to a report last October by the University of Chicago's National Opinion Research Center (NORC); the figures have risen since *Fortune* last visited the cocoa farms in 2015. That is despite 20 years of promises by industry powerhouses. In 2001, Nestlé, Mars, Mondelez, Hershey, and four other big companies signed the Harkin-Engel Protocol, a deal with the U.S. Congress to eradicate the worst forms of child labor in cocoa by 2005. They blew that deadline, then missed three more in 2008, 2010, and 2020, and now plan to meet their commitments by 2025—two decades late.

The delays have come at great human cost—and with a raft of legal challenges. In December, Nestlé and commodities trader Cargill argued before the U.S. Supreme Court that they could not be held liable for child slavery under the U.S. Alien Tort Statute, an 18th-century law holding companies accountable for gross violations abroad. In the 15-year-old case, six young Malian teens, now in their late twenties, described being trafficked to Ivorian cocoa farms, where they were forced to work for no pay and slept under armed guard to prevent their escape. The companies argue that their connection to the plantations is simply too tenuous to hold them responsible. (The Supreme Court is expected to rule by June.) Then in February a separate suit was filed in Washington on behalf of a different group of Malian teenagers, this time under a law designed to protect victims of human trafficking. It too names Nestlé and Cargill, as well as Hershey, Mondelez, and chocolate-processors Barry Callebaut and Olam.

Triumphing in these cases would protect Big Chocolate from immediate financial damages, but it's looking less and less possible for companies to win the moral battle over child labor. As sustainable chocolate brands like Tony's proliferate, the major players have raced to adapt, rolling out supposedly ethical brands and certifying their beans as "fair trade." But critics say such efforts are badly lacking and do not address the main

BY THE NUMBERS

$135.6
BILLION
ESTIMATED ANNUAL REVENUES OF THE CHOCOLATE INDUSTRY

$136
MILLION
ESTIMATED REVENUE FOR TONY'S CHOCOLONELY IN 2021, UP MORE THAN 20% FROM 2020

1.56
MILLION
NUMBER OF CHILD COCOA LABORERS IN GHANA AND IVORY COAST

SOURCES: GRAND VIEW RESEARCH; TONY'S CHOCOLONELY; NORC

BEHIND THE BEANS Clockwise from left: Farmers in Ivory Coast break cocoa pods; checking the moisture content of cocoa beans harvested in Ghana; the finished product, ready to eat.

FROM LEFT: ISSOUF SANOGO—AFP VIA GETTY IMAGES; COURTESY OF TONY'S CHOCOLONELY (2) problem: a deep schism between prosperous Western multinationals and destitute African farmers.

In their defense, companies say they have invested tens of millions in building schools and raising awareness among farmers about the dangers of child labor and the importance of keeping kids in school. Described at length on the companies' websites, these programs suggest that cocoa increasingly comes from stable, well-tended African communities.

Even by the companies' own admission, the reality is hardly that simple. Their efforts face myriad complications, including opaque trading networks and farms reachable only by two-day journeys over rutted roads. Monitoring an estimated 2 million cocoa farmers is impossible. "Clearly it is a much tougher job that we thought at the time," says Darrell High, Nestlé's Global Cocoa Plan manager, reflecting on the protocol Big Chocolate signed 20 years ago. High oversees Nestlé's efforts to root out child labor. He also helped create its Child Labor Monitoring and Remediation System, launched in 2012, in which local staff visit plantations to find underage workers and place them in school—a system that Tony's also uses, and which CEO Beltman calls "fantastic." High admits it takes days just to reach one or two farmers, but he adds, "The key is that we are working seriously to solve it."

High dismisses activists' accusation that companies' huge profits are in part owed to the cheap or free labor of children, whether forcibly trafficked or working for their own families. (Nestlé took in more than $7 billion in chocolate revenues last year.) He believes "almost all" the 1.56 million children cited in the NORC report are working for their families, a practice that is legal in Ivory Coast and Ghana. Many farmers use their own children as workers, since they are simply too poor to afford hired help. "About 99% of these kids are working in the family context," High says.

Those with deep experience on the ground dispute that. They say child trafficking from poor countries like Burkina Faso and Mali began around 2000, when world cocoa prices plunged. Now there is a steady stream of child workers, who are trained to tell visitors they are family members. "The farmers do not have enough money to hire workers, so they get children," says one Ivorian journalist specializing in cocoa farming, whose employers did not allow him to be named. "Everyone knows that." Assata Doumbia, who manages one of the cocoa cooperatives in Ivory Coast that supplies Tony's, says most farmers are "desperate." (She excludes those working for Tony's, which she says pays farmers a premium above the market price.) "At every step, we have said producers are suffering," she says. "But it has not changed."

Fixing the problem amid such desperation is daunting—and it raises a thorny question: Is it even possible to be both a large-scale chocolate company and truly ethical?

Shawn Askinosie faced that conundrum after quitting his career as a criminal defense lawyer and starting Askinosie Chocolate in Missouri in 2005, the same year Tony's launched in Amsterdam. The company sources beans from the Philippines, Tanzania, and Ecuador, sharing profits with its growers. But after trying to do the same in Ivory Coast and Ghana—essential markets for any chocolate company looking to achieve scale—Askinosie concluded it was impossible, since middlemen and exporters kept buyers and farmers far apart. To begin solving child labor, he believes, world prices should rise "two, three, four times," allowing farmers to

A TASTE FOR CHANGE

IT'S BEEN 20 YEARS SINCE BIG CHOCOLATE FIRST PLEDGED TO ELIMINATE THE WORST FORMS OF CHILD LABOR, YET EVEN MANY IN THE INDUSTRY ADMIT FAR TOO LITTLE HAS CHANGED. SO WHAT WOULD IT TAKE TO FINALLY END THE PRACTICE FOR GOOD?

PAY A LOT MORE FOR CHOCOLATE

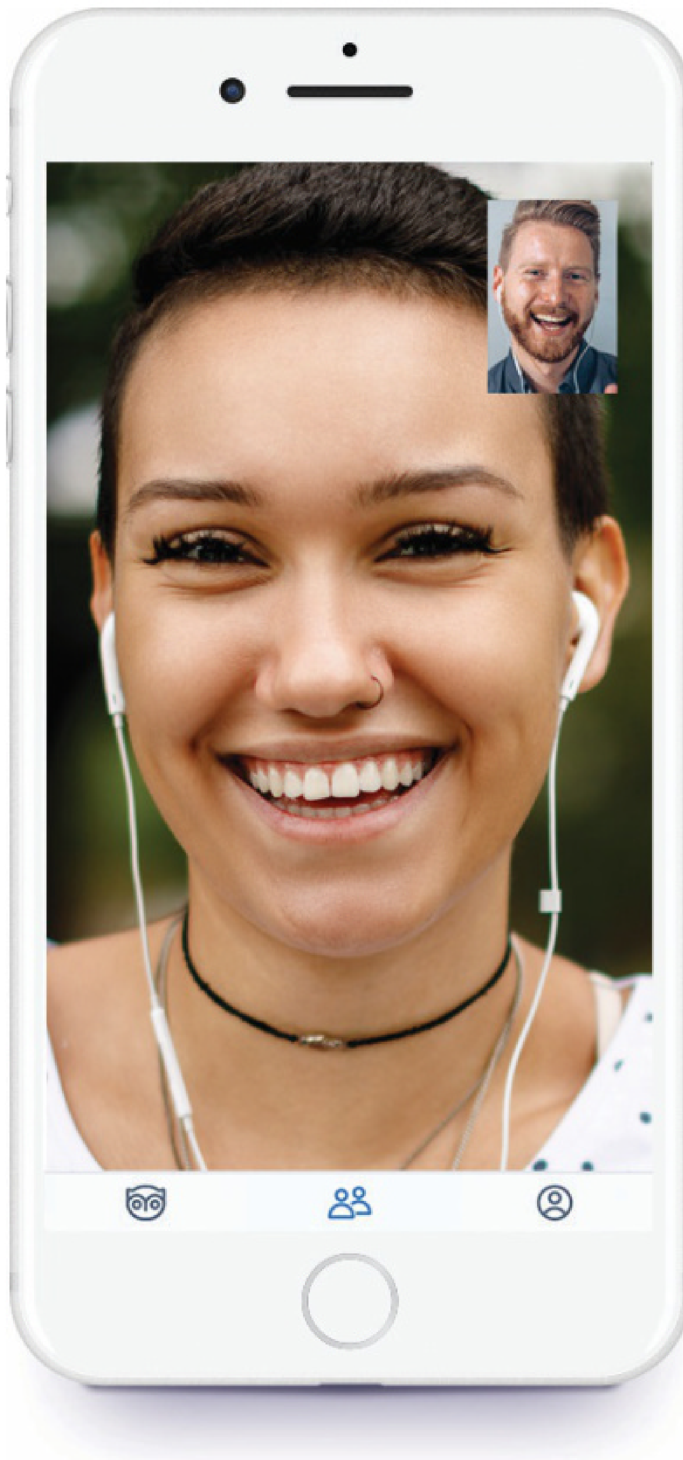
World cocoa prices have mostly stayed below $3,000 a ton for years. Some argue that a steep price hike, with provisions that much of the increase go to farmers, would provide growers with the incentive and means to hire adults. Counterpoint: Doubters of this strategy warn that higher prices could lead to overproduction and deforestation.

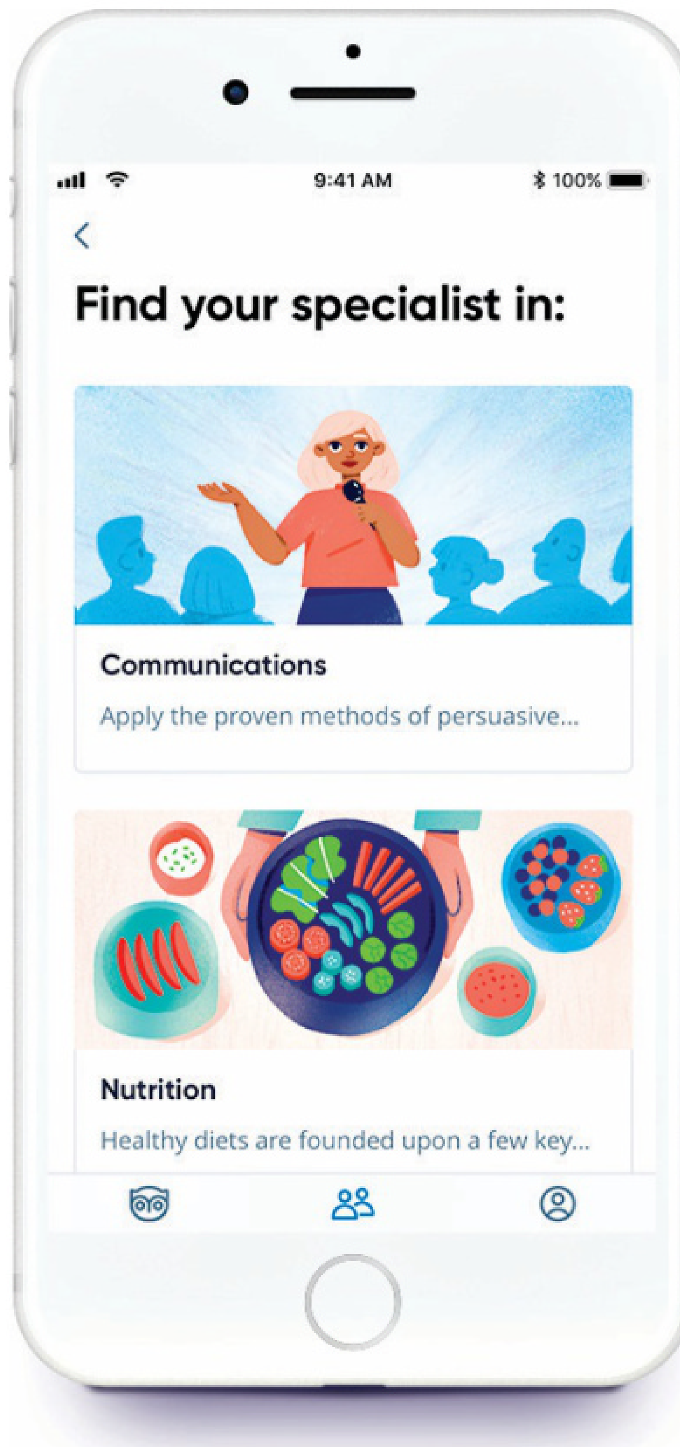
PASS LAWS WITH TEETH

More governments could follow the lead of the European Parliament, which in March voted to back stiff sanctions on companies that engage in child labor. "We need laws that hold the powerful accountable, rather than laws which demand that farmers change," said the 2020 Cocoa Barometer, a biennial analysis of the industry.

FUND COCOA COMMUNITIES

Countries that benefit from chocolate production could invest heavily in education, health, and infrastructure in cocoa-producing regions. Simply persuading those governments to drop the rules requiring birth certificates for school admission could make a huge difference in ending child labor, say experts.





HOW AN INCLUSIVE APPROACH TO EXECUTIVE COACHING IS CHANGING THE GAME

From big challenges to everyday moments, **BetterUp** offers personalized coaching, counseling, and mentorship to help people reach their full potential at work and in life.

IN THE SPORTS WORLD, NO ONE QUESTIONS that athletes, even incredibly talented ones, still need coaches to provide objective feedback, counseling, and motivation to help them unlock their potential and achieve success. But traditionally, executive coaching has been reserved for the top tier of employees. BetterUp—a pioneer in mobile-based coaching, counseling, and mentorship—is democratizing this experience by making coaching available to employees at all levels of an organization.

"In today's knowledge economy, companies stay competitive because of the creative contributions of every employee," says BetterUp CEO Alexi Robichaux. "The customer experience rests with frontline workers as much as it does with senior leaders. We enable people at the core of the organization to bring their full capabilities to the toughest business challenges."

Since 2013, BetterUp has worked with leading organizations, including many that have been named to *Fortune*'s annual 100 Best Companies to Work For list. With its global network of more than 2,000 coaches, the company uses multidisciplinary, evidence-based practices and powerful A.I. algorithms to enable development that is personalized to what each person needs, when they need it—an approach BetterUp refers to as "precision development."

Using more than 150 data points, BetterUp matches candidates with coaches who are uniquely suited to help them reach their professional goals. BetterUp functions like a gym for mental fitness, helping candidates realize their full potential at work and in life. With access to personalized coaching, curated digital content, group coaching experiences, and a suite of specialists, the program leads to powerful individual transformations, which, in turn, spur business growth.

The company has found that as access to coaching increases, businesses perform better. After three to four months of BetterUp coaching, productivity increased 114%, and participants reported that their resilience against stress rose 149%. These success metrics have a multiplier effect throughout an organization.

"As companies continue to work from home, the role of the manager has grown considerably. They're no longer just responsible for work and productivity—they're also keeping company culture alive and serving as a lifeline to employees as they navigate the challenges of remote work," says Angela McKenna, senior vice president of talent experience at Salesforce. "With BetterUp, leaders are reporting improvements in their ability to manage stress and build resilience for themselves and their team members, which has a positive ripple effect on their organizations."

With results like these, the positive effects of executive coaching are clear—and more and more businesses are realizing that their future success rides on it. ■

replace children with paid labor. "It is modern slavery concentrated in two countries," he says. "The industry's response to it is immoral."

THE MOMENT YOU step inside Tony's Amsterdam offices, it's clear this is no longer a fledgling startup. A dizzying range of bars, displayed across one wall, will bring in an estimated $136 million this year, more than 20% over last year, according to CEO Beltman. Some of that growth comes from the U.S., which, at $19 billion a year, is the world's biggest chocolate consumer. Tony's opened U.S. offices on Manhattan's Union Square last year and began selling in Whole Foods Market outlets. U.S. country manager Frits Snel says he expects Tony's sales will eventually reach "a few hundred million dollars." That would still leave Tony's a minnow in comparison to Mars or Hershey but a sizable player among the non–Big Chocolate companies. "Americans love stories, and we have a very powerful story."

Yet as Tony's grows, its story becomes more complicated. Spawned by moral outrage, the company aimed to change Big Chocolate, whether or not it made money. In 2011, Beltman bought a 51% stake in Tony's for about $422,000 from its journalist-founders. He hired food-industry professionals to turn it into a profitable business. "Instead of telling other people what to do, I wanted to show them, and set a scalable example," he says.

The "scalable" solution involves tracing every kilo of beans through Tony's Open Chain platform, which it hired Dutch tech company ChainPoint to build in 2016. One afternoon in March, Tony's head of operations Frans Pannekoek sits me down in Tony's chocolate café in the heart of Amsterdam's tourist district to demonstrate the system on a laptop. Using a program called BeanTracker, the software lists every grower's shipment, from the farm to the port in Antwerp, Belgium. Farmers and traders can track shipments and payments in real time. Last year, BeanTracker detected suppliers adding beans from farmers Tony's had not vetted. The company cut its business with them. Tony's invites all chocolate companies to use Open Chain, though so far only the Dutch supermarket company Albert Heijn, German discount chain Aldi, and chocolatier Jokolade have done so. Still, the Open Chain proves a point, says Pannekoek, since industry giants typically mix "fair trade" beans with regular shipments, arguing that full traceability is impossible. "I also don't own any cocoa plantations or vessels to send to Europe," he says. "But I have built this platform where beans can be shown."

Even so, Tony's has come under fire for processing beans in the world's biggest chocolate factory in Wieze, Belgium, owned by Swiss-Belgian multinational Barry Callebaut—another signatory to the troubled 2001 protocol. In February, Tony's was removed from the "Slave Free Chocolate" list kept by child-labor activist Ayn Riggs. (Previously, the company had appeared on the roster every year since she started tracking companies in 2007.) Riggs said she ejected Tony's from the list after several others questioned its involvement with Big Chocolate.

Beltman insists the partnership gives it greater influence in the industry and notes that Tony's beans are stored in a separate tank in the Belgian factory. "We want to prove to Hershey's and others, if we can do it as a bunch of enthusiastic, stupid Dutch guys, you should be capable of doing it as well," says Beltman, who envisions eventually selling Tony's to a major company. The industry has yet to follow suit. And for that, he says, "you have to be ashamed." ■

SEPARATE AND UNEQUAL?
A Tony's cocoa butter tank being installed at the Barry Callebaut factory in Belgium.
▼

COURTESY OF TONY'S CHOCOLONELY

BRYSON DeCHAMBEAU
2018 WINNER
PATRICK CANTLAY
2019 WINNER
JON RAHM
2020 WINNER
JACK'S
VISION
THEIR
QUEST
WALKING PATH
the Memorial Tournament™
PRESENTED BY
Nationwide®
WATCH LIVE JUNE 3-6
MUIRFIELD VILLAGE GOLF CLUB | DUBLIN, OHIO
LIVE
GOLF
CBS
RADIO
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LEVERAGING LEADERSHIP

How **Vistage** helps executives avoid getting lonely at the top.

CEOS ARE IN THE BUSINESS OF MAKING DECISIONS. But where do they turn when they don't have the answer? For many corporate leaders, they join Vistage, the world's largest executive coaching organization for small and midsize businesses.

Vistage, a San Diego–based firm in the executive coaching business since 1957, knows what it takes to deliver sustained business results at all levels. More than 23,000 members in 20 countries rely on the firm's expertise to help them make better decisions and advance their business and leadership. Vistage's model is built on three core elements: guidance from accomplished business leaders, deep insights from subject matter experts, and confidential peer advisory groups that contain about a dozen CEOs and business leaders from non-competing companies who serve as one another's private advisory board.

"As a leader, it can be difficult, if not impossible, to get unfiltered feedback and insights from your team," says Vistage CEO Sam Reese. "Ineffective leaders can fall into the trap of believing that all of their ideas are amazing because their team seems to support them. Strong leaders understand that the real measure of an idea is in the results it actually delivers. We are all more creative and eventually more determined when our ideas have been pressure tested by those who uniquely understand the challenges of leading a business."

> "STRONG LEADERS UNDERSTAND THAT THE REAL MEASURE OF AN IDEA IS IN THE RESULTS IT ACTUALLY DELIVERS."
>
> SAM REESE
> CEO
> VISTAGE

An experienced and well-trained executive coach, known as a Vistage Chair, facilitates each peer advisory group meeting—stimulating thought, framing issues, guiding discussions, limiting tangents, and driving accountability—and offers one-on-one coaching sessions with each CEO. These Vistage Chairs are uniquely positioned to help, as they each have past experience as a successful executive—and many of them have been Vistage members themselves. The company also offers a robust platform that includes expert speakers, valuable insights from curated industry leaders, and an array of networking events. But the true value in what Vistage offers is something that's unique and can't be gained from merely attending seminars, conferences, or even business school.

"There is nothing theoretical in the Vistage model," says Reese. "Our members are not searching for the one right answer, because every person and every situation is different." Instead, executives truly learn by discussing the most difficult leadership challenges with other leaders in similar roles, helping other CEOs work through issues while gaining outside perspectives that challenge their current beliefs. Consequently, leaders on this journey will make better decisions, drive better business results, and most important, become better leaders themselves. ■

Moment of Truth: Why Accountability Matters More Than Ever

RETAIL

McDonald's McFamily Feud

The fast-food giant has spent a decade shaking up its culture to kick-start its financial performance. But employee cohesion got left behind at the drive-thru.

MEDIA

Dominion vs. Fox Facts vs. 'Facts'

A spate of lawsuits stemming from the 2020 election pose the question: Can anyone be held financially responsible for spreading political misinformation?

REGULATION

Settlements A Visual History

In 1980, a *Fortune* researcher asked, "How Lawless Are Big Companies?" Our data graphic tackles that question—and the numbers aren't pretty.

HEALTH CARE

Big Pharma vs. Big Hospitals

Together, these industries earned $1.6 trillion in revenue in 2019. As more critics question their pricing, they're pivoting to defend themselves—from each other.

ILLUSTRATION BY **DELCAN & CO.** ICONS BY **MARTIN LAKSMAN**

THE PANDEMIC HAS SHOWCASED THE STRENGTHS OF CORPORATE AMERICA TO AN UNPRECEDENTED DEGREE. **BUSINESS CAN'T AFFORD TO ABUSE THAT POWER.**

BY MATT HEIMER

A FEW WEEKS INTO YEAR TWO of the lockdown era, America is grappling with what an ethicist might call the Delivery Dilemma.

When white-collar knowledge workers fled from the pandemic to toil from home, and shopping and dining out became potentially mortal hazards, business's response showed just how versatile and nimble it could be. Huge swaths of the economy pivoted to or doubled down on e-commerce. Sit-down restaurants converted to takeout. Big-box retailers hired thousands of shelf-pickers and box-fillers. Factories worldwide scrambled to add shifts to make the exercise bikes, jigsaw puzzles, and pet toys that we suddenly realized we needed so much more of. A global steel-and-sinew web of logistics infrastructure, overseen by ultraefficient algorithms, delivered whatever we wanted, cushioning the blow of a planetwide crisis.

The creators and owners of that web reaped rich rewards. Shares in FedEx and Target have roughly doubled over the past 12 months. Food-schlepping startup DoorDash went public in December and hit valuations as high as $70 billion. Between March and August of 2020, Amazon's stock rose by 90% (though, after a rocky spring for tech stocks, founder and CEO Jeff Bezos is now worth only $181 billion).

But the people who actually got the goods to our doorsteps haven't fared as well. Many delivery drivers are gig-economy workers or sub-sub-subcontractors, earning modest pay with no benefits. Warehouse and assembly-line jobs pay better than minimum wage, but seldom a living wage—sometimes earned under harsh conditions where every bathroom break is timed to the minute. And all along the supply chain, workers either labor in close quarters with one another or encounter hundreds of strangers-slash-customers a day, with each interaction representing another potential exposure to COVID.

John Paul Rollert, a professor who teaches business ethics at the University of Chicago Booth School of Business, watched the Delivery Dilemma play out from his virtual classroom, where his MBA students recoiled at the K-shaped divergence of the shareholders' fortunes and the precarious incomes of the shelf-pickers and van drivers. And while many of them aspire to be (or at least work for) the next Bezos, the disparity shook them. "The engine of the economy is humming fine, but the sound of the engine is disconcerting," Rollert says. "It's not that the system doesn't work, it's that the system isn't fair."

In a capitalist economy, we accept and even encourage disparity of wealth; it's inextricable from a system that rewards innovation, industriousness, and competitive drive. But when, say, the gulf between the CEO and the delivery driver grows too wide, collective trust erodes. And if that happens, business can suffer the consequences.

Part of our job at *Fortune* is to analyze and diagnose such mechanical problems and to point out needed repairs. So think of the stories in this special issue—our first to focus almost exclusively on the theme of "accountability"—as a visit to the garage. Across the business world right now, the "check engine" light is definitely on. But is it just a faulty gas cap or are we about to blow a gasket? Let's put the truck up on the rack and take a look.

Many of the stories in this package explore examples of business getting out of balance—and the complicated questions those situations raise about the way ahead. How do we fix a health care system that has become dominated by perverse incentives? What happens when a company's actions don't match its rhetoric? And who bears responsibility when a media company gives oxygen to falsehoods in socially destructive ways? The Delivery Dilemma, of course, poses its own questions about balance, as the race to satisfy consumer desires traps many workers in an e-commerce underclass.

Business has an unparalleled

power to create wealth and solve problems. At this pandemic-scarred moment, when so many people are economically vulnerable, business leaders should let accountability light the way to more equitable results, and make every stakeholder feel like they have a say in where we're headed.

CORPORATE SOUL-SEARCHING is all the more urgent right now because, by some measures, business has become the most trustworthy pillar of a wobbly society. Individual companies stepped up to raise pay and shield employees from layoffs in the pandemic; others shifted investment capital to Black communities and meaningfully embraced racial equity after George Floyd's killing. Drugmakers delivered on their promise to develop COVID-19 vaccines, in record time. And the private sector collectively stood up for the constitutional order when a sitting President threatened it. Not coincidentally, the Edelman Trust Barometer, a widely watched survey of public attitudes toward institutions, showed global trust in business in 2020 at highs it hadn't reached in more than a decade, with a widening lead over government, media, and NGOs.

That greater trust in business holds true even for many people born after 1980—generations scarred by the debacle of the financial crisis. "Gens Y and Z don't see government as particularly effective at solving social problems," says Christina Hachikian, a strategic management professor at Chicago's Booth School and the executive director, from 2012 to 2020, of its Rustandy Center for Social Sector Innovation. "They have a greater interest in using business and the market."

To be sure, younger workers haven't drunk the corporate Kool-Aid; many remain deeply mistrustful of business's motives. (That's not just generational: Most people are more likely to trust their own employers than to trust the business community in general.) But younger workers have also dramatically reshaped the expectations that corporate leaders face. Richard Edelman, founder of the communications firm behind the barometer, runs down a list of areas where millennial employees now routinely urge their CEOs to act: Gender and racial equity. Greener supply chains. Retraining and upskilling. Above all, younger employees want their leaders to speak out on social problems: "Your own people think you're complicit in whatever it is you don't talk about," he says.

72%

OF AMERICANS
TRUST THEIR OWN EMPLOYER

54%

OF AMERICANS
TRUST BUSINESS IN GENERAL

56%

OF AMERICANS AGREE THAT
"BUSINESS LEADERS ARE PURPOSELY TRYING TO MISLEAD PEOPLE"

SOURCE: EDELMAN TRUST BAROMETER

In the current political climate, employees and consumers may be better positioned than government is to hold corporations accountable. In general, the law struggles to keep pace with innovation and technological change: The fact that social media content is governed by the 25-year-old Communications Decency Act—legislation dating from the heyday of the dial-up modem—speaks volumes on that front. And the hair's-breadth partisan split in Congress makes major business reform unlikely in the near term.

In the absence of highly capable government, can business be trusted to police itself? Within certain limits that's a desirable outcome, says Kwame Anthony Appiah, professor of philosophy and law at New York University who pulls double duty as the *New York Times'* "Ethicist" columnist. "It's reasonable of CEOs and boards to say, 'Because we are the experts on what we are doing, we're always going to know more about the risks we pose than anybody else.'" Peer pressure among business leaders, he adds, can be a powerful normative force.

But self-policing, of course, is the ultimate balancing act—which means it can only truly work when a business takes other stakeholders into account. Go it alone, and you're far more likely to go wrong. The companies that emerge strongest from today's tumult will do so because they made room at the decision-making table for their headquarters-city mayors as well as their hedge fund shareholders; for inclusion activists and environmental idealists as well as sharp-edged strategists; and, yes, for delivery drivers as well as corporate directors. If all those parties raise the bar for one another and for leaders, the resulting accountability could keep the engine of business in tune. ■

HOW TO MAKE THE MOVE TO THE CLOUD—THE RIGHT WAY

The pandemic has shown that more processes need to move to the cloud. Here's how smart companies are doing it.

BUSINESSES AROUND THE WORLD WERE CAUGHT FLAT-footed during the pandemic after realizing they didn't have the right technology in place to seamlessly transition their workforces to a remote work model. "Many felt the pain of not having their systems in the cloud," says Jay Upchurch, CIO at SAS, a global data analytics software provider that helps companies move their workloads to the cloud. "Not getting employees connected can cripple a business."

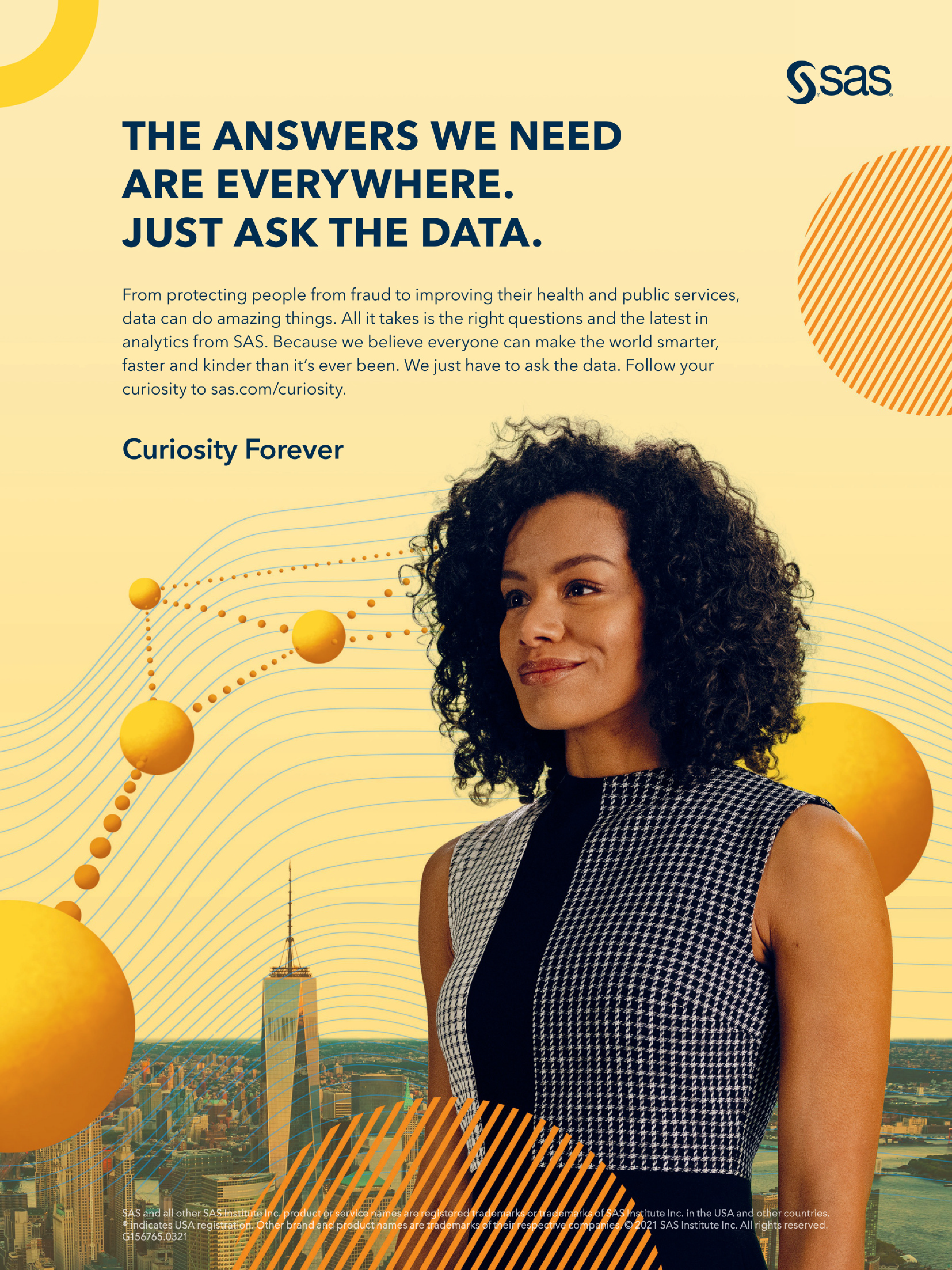
Over the next several years, every company will move its processes—and its data—into the cloud, with research firm Facts and Factors expecting the global cloud market to top $1 trillion by 2026, up from $321 billion in 2019. However, migrating to a more virtual environment not only takes a lot of planning, time, and resources, but also requires the right analytical tools to ensure the cloud-based data that companies collect is put to good use.

"We pride ourselves on being curious about the data we see in the world around us, the things that we do, and how we do it," says Upchurch. "SAS meets clients where they are by listening, adapting, and offering solutions and best practices that help businesses not only migrate data and analytics to the cloud, but put analytics into action to translate insights into impact."

Best practices for cloud adoption include the "6 Rs" of migration: rehost, replatform, repurchase, refactor, retire, and retain. Rehosting involves moving legacy programs into the cloud. Replatforming is a process in which tweaks are made to those programs so they can work better in the cloud. With refactoring, a company must reimagine how applications are used and add features that work better for the business. Repurchasing involves moving to a monthly payment model, rather than paying large upfront fees for software. And retiring requires companies to get rid of applications that aren't needed, while retaining means keeping, but reworking, key programs to fit within a cloud environment.

Once the migration is complete, companies must have the right programs in place to properly analyze all of the information they'll be pulling into their systems. SAS has helped countless companies turn raw data into business-driving insights. Its cloud-based Viya platform, for instance, collects the millions of data points a company generates and presents it in clear visuals that any executive can interpret.

For Upchurch, it's these insights that are the most compelling. "It's not just the volume of data that's exciting, but the opportunity for us, as an organization, an industry, and a society, to take that data and gain real insights, and then put those insights into action." ■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TRUST AND CONSEQUENCES
— McDONALD'S

PHOTOGRAPH BY **DAN SAELINGER**

McFamily Feud

BY BETH KOWITT

FORMER **McDONALD'S** CEO STEVE EASTERBROOK SUPERSIZED THE COMPANY'S PERFORMANCE—UNTIL HE WAS FIRED AMID A SCANDAL. NOW HIS SUCCESSOR, **CHRIS KEMPCZINSKI,** MUST PERSUADE THE COMPANY'S MANY STAKEHOLDERS TO REUNITE.

TO HAVE A SUCCESSFUL CAREER at McDonald's, one must make peace with the practice of putting "Mc" in front every noun that will take it. Customers can order Egg McMuffins and McGriddles for McDelivery. Employees at the old corporate campus caught the McShuttle. Executives who leave a frustrating meeting are McOverIt.

But in 2016, "McFamily" was struck from the company's lexicon. The term was more than a feel-good name for the burger giant's collection of employees—it embodied the cohesiveness and shared fate of everyone who made up the McDonald's system.

Former McDonald's CEO Steve Easterbrook found the word distasteful. To him, it was "soft and represented the past," says a former executive, and embodied the mindset hindering the company's performance. Easterbrook, a Brit who had come up through McDonald's U.K., had been tapped by the board in January 2015 to turn the struggling restaurant behemoth around. Consumer preferences had changed, and the home of the Big Mac and "Billions Served" could no longer simply wield its massive scale to stay ahead of the competition. Easterbrook pledged to become an "internal activist" and bring about radical change—including eradicating the cronyism and paternalism that McFamily seemed to represent.

In February 2016, the company held a town hall announcing the death of McFamily. The message: You couldn't pick your family members, but you could pick your team. From then on, they would collectively be known as McTeam.

No huge surprise, the new phraseology did not exactly take off. "It rubbed a lot of people the wrong way," says James Floyd, a former vice president of operations for the company. "They felt, 'How dare you, we are a family.'" The repercussions went far beyond the company's Oak Brook, Ill., HQ. Atlanta-based restaurant operator Vicki Chancellor, who chairs the McDonald's Operators National

▲
GOLDEN BOY? Then-CEO Steve Easterbrook speaks at the 2015 reopening of a McDonald's at Frankfurt International Airport.

CHRISTOPH SCHMIDT—DPA/AFP/GETTY IMAGES

Advertising Fund, says the shift in rhetoric reflected a new way of doing business: "It was more transactional, and 'results by any means.'"

Easterbrook shrugged off the blowback and plowed ahead, making a flurry of changes that represented the biggest break with the past ever experienced by the tradition-steeped fast-food icon: He pulled the trigger on all-day breakfast, a long-debated and highly controversial idea within the company. He moved headquarters from the historic Oak Brook campus to Chicago. He bought an artificial intelligence startup and added outsiders from the tech industry to turbocharge the insular company's digital efforts.

> **HE DID WHAT THE BOARD ASKED HIM TO DO. BUT HE DID IT AT THE EXPENSE OF THE McFAMILY."**
>
> **J.C. GONZALEZ-MENDEZ,** FORMER McDONALD'S EXECUTIVE

To a large degree, it worked. During his four-and-a-half-year tenure, Easterbrook grew McDonald's market cap by over $50 billion—more than any restaurant CEO has ever added during a similar time span, says industry consultant Aaron Allen. "He did what the board asked him to do, and Wall Street rewarded him for it," says J.C. Gonzalez-Mendez, who retired in 2015 as head of global CSR, sustainability, and philanthropy, after 31 years with the company. "But he did it at the expense of the McFamily."

Some thought it was all too much too fast, while others viewed Easterbrook as implementing a much-needed culture of accountability—though in retrospect, not so much for himself. In November 2019, the board announced that it had fired Easterbrook for sexting with an employee. Since then it has taken the unusual step of suing its former CEO to claw back his compensation. In its complaint McDonald's alleges that in addition to the inappropriate text messages, it has since found evidence that Easterbrook had sexual relationships with three employees in the year before his departure. Industry observers were shocked by the company's move. No one expected to see an institution like McDonald's, as old-school as it gets, break with the norms of corporate America, which would have prescribed sweeping the whole mess under the rug. Instead, the company is opting to air its dirty laundry in an attempt to distance itself from its former CEO. It's a counterintuitive strategy: reveal the R-rated details to protect the brand's family-friendly image.

Easterbrook's ouster led to the ascension of Chris Kempczinski, or

Who's the Boss?

AFTER A PERIOD OF STABILITY UNDER CEO JIM SKINNER, MCDONALD'S TOP JOB HAS BEEN A HOT SEAT FOR NEARLY A DECADE. HERE'S A LOOK AT WHO'S TAKEN A TURN IN THE CORNER OFFICE.

JIM SKINNER
2004–12

ORIGIN: **The longtime McDonald's exec took the reins after former CEO Jim Cantalupo died of a heart attack and his successor, Charlie Bell, underwent treatment for cancer.**

BIG ACCOMPLISHMENT: **Talent and leadership development.**

EXIT: **Skinner retired on top in 2012 after 41 years with the company. He oversaw eight years of consecutive same-store sales growth and a more than doubling of profits.**

DON THOMPSON
2012–15

ORIGIN: **The engineer by training took a job at McDonald's designing robotics for food transport and cooking equipment before moving into operations.**

BIG ACCOMPLISHMENT: **Launching the company's digital strategy.**

EXIT: **Performance suffered during Thompson's tenure, with the company in 2014 reporting its first year of negative same-store sales in more than a decade.**

STEVE EASTERBROOK
2015–19

ORIGIN: **Easterbrook joined McDonald's in the U.K. in 1993; he was running all of Europe by 2010. After a stint elsewhere, he returned as global chief brand officer in 2013.**

BIG ACCOMPLISHMENT: **All-day breakfast; increasing the company's speed.**

EXIT: **Easterbrook added more than $50 billion in market cap but was fired for sexting with an employee. The company is suing him after alleging new details came to light.**

CHRIS KEMPCZINSKI
2019–PRESENT

ORIGIN: **The onetime consultant and former Kraft exec joined the company in 2015 as part of Easterbrook's push to bring outside talent into the insular organization. He helped architect and execute the company's Bigger Bolder Vision 2020 plan and was named CEO when Easterbrook was fired.**

BIG ACCOMPLISHMENT: **Steering the company through the pandemic; operators had record cash flow in 2020.**

FROM LEFT: SCOTT OLSON—GETTY IMAGES; RAY TAMARRA—GETTY IMAGES; ANGERER—GETTY IMAGES; COURTESY OF MCDONALD'S

Chris K., as he's known around the company. The onetime consultant and former Kraft executive, who Easterbrook hired in 2015, stepped into the CEO job amid the sordid drama drummed up by his former boss. He's now in the strange position of leading a cultural turnaround rather than a business one. "Ordinarily when you come into these jobs, you're first talking about the business—you're not talking about values and standards," he told *Fortune* in late March.

McDonald's is now attempting to walk a fine line—positioning Kempczinski as someone who has all of Easterbrook's good traits and none of the bad. To Wall Street, he is Easterbrook's rightful successor who helped architect his old boss's strategy and is continuing to execute their plan. Internally, he presents himself as the anti-Easterbrook, a marathon-running, Filet-O-Fish–loving family man. In his first employee town hall as CEO, Kempczinski talked about his strong Catholic upbringing—that included a mother who at one time aspired to become a nun—and the values that instilled in him.

But in the aftermath of Easterbrook's departure, Kempczinski must do more than rebuild trust with employees and reset the company's moral compass. *Fortune* spoke with 27 current and former executives and franchisees who laid out a picture of a company that, like many U.S. institutions, is attempting to remake itself to keep up with the larger forces transforming the world: a pandemic, digital disruption, political and social upheaval. At McDonald's, this already complex task is made all the more difficult by its powerful network of franchisees. Kempczinski is attempting to repair the company's internal damage while also feuding with operators over everything from finances to accusations of racial discrimination. McDonald's is a company with many stakeholders, all of whom have their own relationship

▲

NEW BURGER KING Chris Kempczinski in 2018 (then U.S. president, now CEO) presents at the old HQ in Oak Brook, Ill.

RICHA NAIDU—REUTERS

with the company's long history and their own ideas of how its culture should—and should not—evolve as it tries to escape the shadow of the Easterbrook era.

IT WAS EARLY 2015, and McDonald's financials were all moving in the wrong direction: evaporating market share and profits, deteriorating margins, slowing sales growth. The company had just reported its first year of negative global same-store sales in more than a decade. Investors had lost patience with then-CEO Don Thompson. So had the board, which wanted him to slash $500 million in costs. "Don was reluctant," says Tim Fenton, McDonald's former COO who today is a franchisee with 17 restaurants in Florida. "No one wants to be the grim reaper." Thompson instead retired, comforting crying employees in the halls of Oak Brook the day the news was announced. "Don was a likable guy," says Cowen analyst Andrew Charles. "He liked to play good cop, which made it challenging to make the hard decisions." In a statement at the time, Thompson said, "It's tough to say goodbye to the McFamily, but there is a time and season for everything."

If Thompson was the good cop, Easterbrook seemed willing to play the bad one. Easterbrook had transformed the U.K. business into one of the company's most successful markets, waging a battle in Europe against critics of the company's food. Earlier in his career he'd become a bit of a celebrity around Oak Brook for holding his own during a BBC debate with *Fast Food Nation* author Eric Schlosser. After stints running U.K. restaurant concept PizzaExpress and then Wagamama, a British chain of ramen noodle bars, he returned to McDonald's as global chief brand officer in 2013. While some old-timers derided his time away from the company—how big a deal could a British pizza chain really be?—the investment community liked that he had experience on the outside.

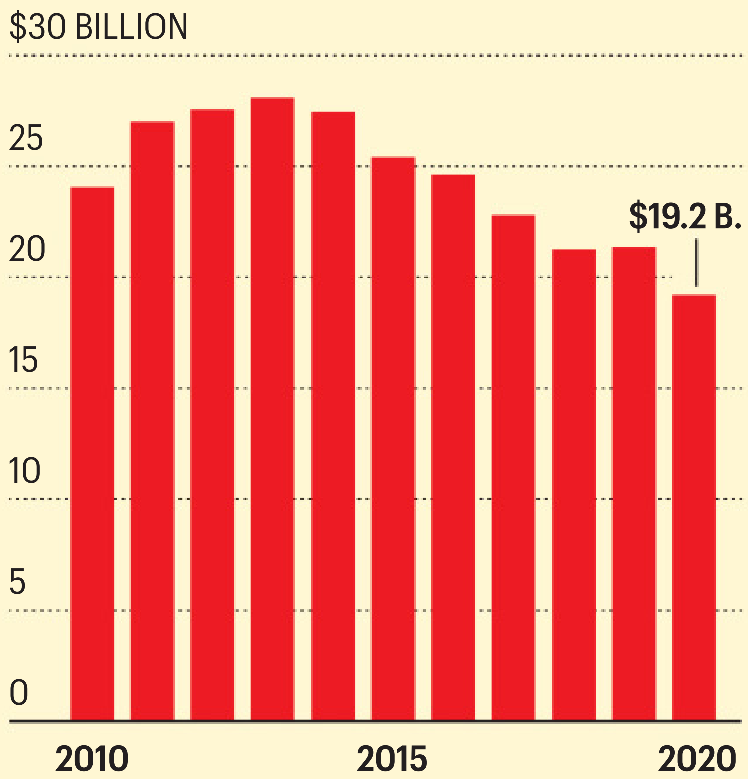
Almost immediately after becoming CEO, Easterbrook started cutting costs through a global restructuring plan called Atlas, setting up a face-off between the old and the new guard. Executives at McDonald's tended to stay forever, many retiring after 40 or 50 years at the company with the expectation that the McFamily would always take care of them. "People could be very uncomfortable with change," says Floyd, "especially when they built their life around it. All of their friends were from McDonald's."

Now legacy employees sensed that as Easterbrook took layers out of the company, he was purging anyone with McDonald's history or who supported the old ways of doing business. Indeed, McKinsey consultants soon stalked the halls. Easterbrook hired former Obama administration press secretary Robert Gibbs to run communications, putting McDonald's in the same company as Amazon and Walmart, who had made it *en vogue* to bring on onetime White House staffers. He tightened his inner circle. At the start of one

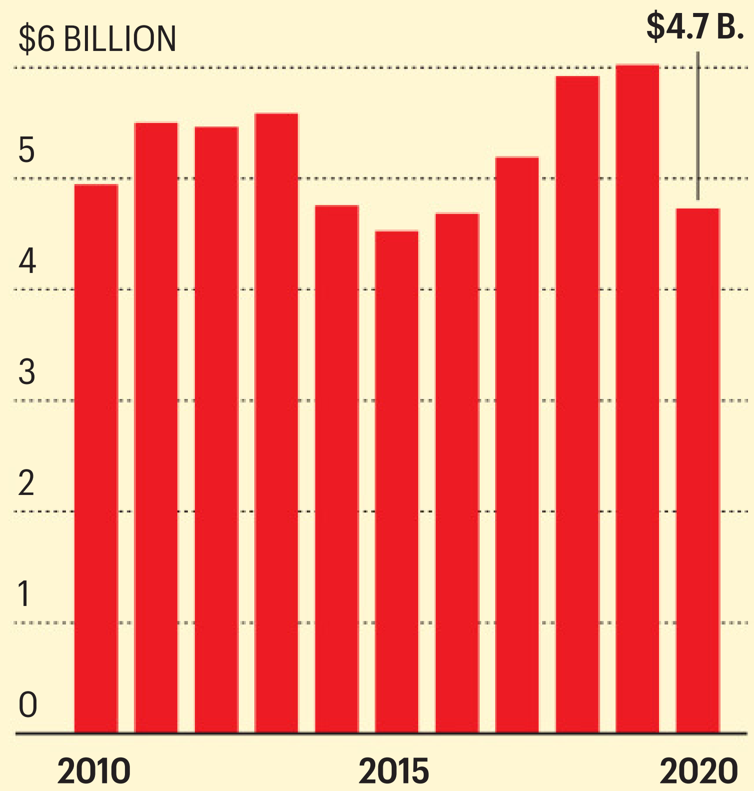
Bad Behavior, Good Results

EASTERBROOK'S STRATEGY RUFFLED FEATHERS—BUT IT ALSO HELPED TURN THE FALTERING COMPANY AROUND.

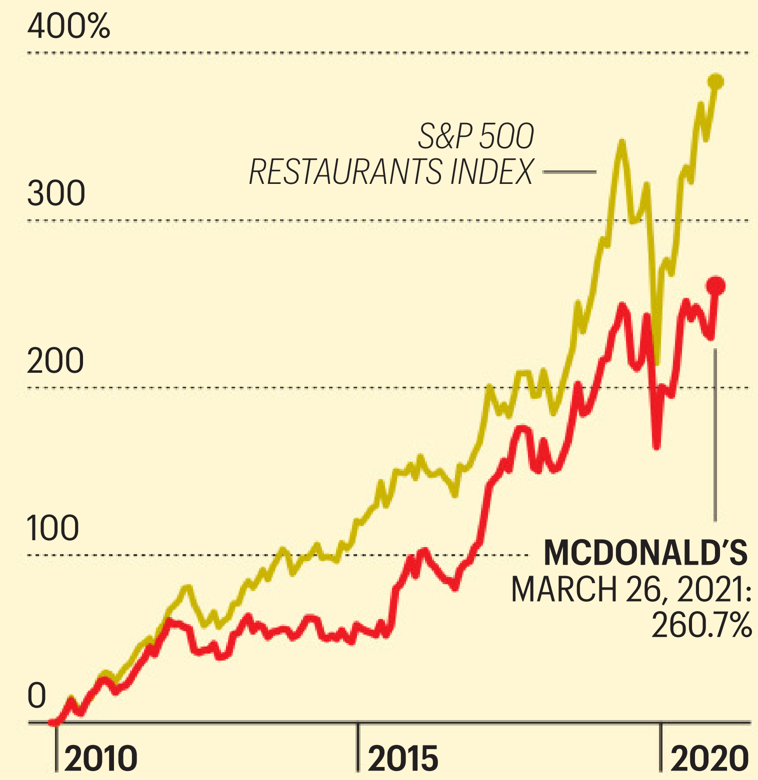
MCDONALD'S ANNUAL REVENUES



ANNUAL PROFITS



STOCK PERFORMANCE



SOURCE: S&P GLOBAL

leadership meeting, Easterbrook asked who was new to the company or their role. Practically every hand went up.

New hires faced their own struggles, stymied by how McDonald's operated more like Congress than a corporation. "There was pork barreling, gerrymandering, filibustering," says a top executive who joined from the tech industry. "It was not a system designed to move strategically or fast when I first arrived." McDonald's employees prided themselves on knowing how to navigate its unique structure—the three-legged stool, as founder Ray Kroc had dubbed it, which distributed power between corporate, franchisees, and suppliers. Company doctrine decreed that McDonald's was at its most commanding and creative when the three were aligned. But to new talent hired to shake things up, that system could be plodding and painful.

Members of the old guard who escaped layoffs and buyouts faced a final unconventional wave of restructuring. Easterbrook decided to abandon the company's longtime Oak Brook campus and relocate headquarters to Chicago, a move he said at the time was "symbolic of our journey to transform the brand" and attract younger talent. The new office, which was once the site of Oprah's Harpo Studios, had a bar and an open floor plan—the signifiers of a modern workplace. Rumors flew that Easterbrook had picked a location far from the commuter train station to make the trip difficult for Oak Brook holdovers, who viewed the move as just another step in the culling of the herd.

THAT BAR ON THE TOP floor of McDonald's new headquarters would soon become a major point of focus. When news broke on Nov. 3, 2019, that the board had fired Easterbrook, reports surfaced that the CEO would occasionally drink there with staffers at the company's weekly Thursday happy hours. A source close to Easterbrook said the CEO, a divorced father of three whose kids were back in the U.K., realized he needed more allies to execute his ambitious agenda and had started to socialize more.

Two weeks before Easterbrook's firing, McDonald's learned of an allegation that the CEO had engaged in a relationship with an employee. According to the lawsuit the company would later file, the board hired an outside law firm to conduct an investigation, during which the employee said that the relationship was consensual and consisted of text messages and video calls over the course of a few weeks.

Easterbrook confirmed the woman's account and said he had never had another relationship—physical or otherwise—with a McDonald's employee. A source familiar with the matter said the law firm brought in a forensics team to examine Easterbrook's iPhone 11 and iCloud account; it found no evidence of any additional relationships.

The board voted unanimously to fire Easterbrook for violating the company's policy about engaging in a relationship with a subordinate. However, it decided not to terminate him for cause, meaning he would leave the company with more than $40 million in severance and compensation. The suit claims the decision was an attempt to move on in a way that protected the company's interests and created minimal disruption. Insiders told *Fortune* that some employees resented that Easterbrook walked away with millions after slashing so many jobs.

Kempczinski was named CEO, and the matter seemed settled. But in July 2020, the source familiar with the lawsuit says board chairman Rick Hernandez received an anonymous letter alleging that an employee ("Employee 2") had engaged in a sexual relationship with Easterbrook during his time as CEO. The source said the investigators used the new name to search the company's servers. The suit claims the investigation found "dozens of nude, partially nude, or sexually explicit photographs of various women" that the company says is evidence Easterbrook had a sexual relationship with not just Employee 2 but also two other women who worked for the company. Easterbrook had sent the photos as attachments in emails from his corporate email to his personal Hotmail account, according to the source. But the suit alleges Easterbrook had deleted them from his phone with "the intention of concealing their existence from the company." It further claims that Easterbrook had approved a discretionary grant of restricted stock to Employee 2 "shortly after their first sexual encounter and within days of their second."

Faced with this new evidence, the board reversed course, filing its suit against Easterbrook in August. The complaint claims that the board would never have agreed to the terms of the settlement if it had known about his alleged sexual relationships with the three women and the resulting cover-up. Hernandez told *Fortune* in a statement the suit is an attempt to recover the money but also "to send a clear signal to shareholders and the broader McDonald's community that [Easterbrook's] misconduct, which clearly deviated from McDonald's values, must not be ignored."

$10 BILLION

▲ **ESTIMATED COST OF CONTROVERSIAL MODERNIZATION PLAN INSTITUTED BY KEMPCZINSKI**
THE COST IS SPLIT BETWEEN CORPORATE AND FRANCHISEES

Easterbrook has tried unsuccessfully to get the suit dismissed, with his lawyers calling it "meritless—and misleading." They've argued that the company had all the evidence available to it when it fired him and claimed that the board approved Employee 2's stock grant. Easterbrook, through his lawyers, did not respond to multiple requests for comment. At press time, the case was in pretrial discovery.

McDonald's directors knew that filing the suit would bring unwanted attention to its 2019 decision to fire Easterbrook without cause, says the source familiar with the matter. And the choice has made them a target, with a shareholder group calling for a refresh of the board over what it views as a failure to follow best practices in the "bungled" investigation. The group is demanding the removal of Hernandez, a 25-year director with the company. Hernandez, who is also a director at Chevron, retired under pressure from his board seat at Wells Fargo in 2018 amid its fake accounts scandal. The incident has raised questions about his ability to provide strong governance at McDonald's. "The board needs to examine itself," says Dieter Waizenegger, executive director of CtW Investment Group, which is spearheading the shareholder efforts. "It rushed to conclusions to get it over with. That reveals something else about the culture of the company. It opens up the question of what else they are missing." In a statement to *Fortune,* McDonald's said the board believes there needs to be "a balance of institutional knowledge and fresh perspectives among its directors" and that in regards to Easterbrook it has taken "swift and unprecedented actions." (All of the directors who oversaw the Easterbrook investigation continue to serve on the board.)

The day after Easterbrook was fired, HR chief David Fairhurst announced he was leaving the company. The two had worked together in the U.K., and Easterbrook had brought Fairhurst over to run global HR, part of Easterbrook's importing of U.K. executives, or what employees called the British Invasion. The company would later reveal that Fairhurst had been fired for cause; in August, his replacement, Heidi Capozzi, who joined the company from Boeing last year, told employees that he had repeatedly made female McDonald's employees feel uncomfortable, according to notes from the meeting viewed by *Fortune.* Fairhurst did not respond to requests for comment.

Several former executives said that alcohol had become a big part of the HR department on Fairhurst's watch. The *Wall Street Journal* reported in August that an employee complained after a holiday party in 2018 about

DANIEL ACKER—BLOOMBERG/GETTY IMAGES

“THE BOARD NEEDS TO EXAMINE ITSELF. IT RUSHED TO CONCLUSIONS… IT OPENS UP THE QUESTION OF WHAT ELSE THEY ARE MISSING.”

DIETER WAIZENEGGER,
CTW INVESTMENT GROUP

heavy drinking and that Fairhurst and “one of his subordinates made inappropriate physical contact.” The company investigated the episode, according to the *Journal*, and told the employees that it should be reported if it happened again. Two former executives told *Fortune* that the environment in HR during Fairhurst’s tenure made employees feel as if they had little recourse for reporting bad behavior. The source familiar with the matter says that the whistleblower letter to Hernandez also raised the possibility of improper behavior by other employees in the HR department, which the company has been investigating.

Firing Fairhurst was one of Kempczinski’s first moves as CEO, and he decided as a member of the board to launch the lawsuit against Easterbrook. “In situations like this, there’s a tendency to gloss over it,” he says. “But I thought it was very important for us to be very upfront and frank about what had happened.” He says he hopes employees will see the actions as a sign that they can trust in the company, trust in him. It’s evidence, he says, that the same standards apply to everyone at McDonald’s—and that includes those who sit at the very top.

▲
NOT-SO-HAPPY MEAL
Franchisees are upset about corporate’s decision to stop subsidizing the iconic meal boxes.

IF YOU WANT TO KNOW the average tenure of a McDonald’s CEO, ask a franchisee. (The answer: six years.) They keep that piece of trivia in reserve in case anyone needs reminding who is really the heart and soul of the brand. Compared with their 20-year franchisee agreements and penchant for passing their restaurants on to their children—McDonald’s Next Generation training program is designed for just this purpose—chief executives might as well be temps. When franchisees clash with a CEO, they employ a tried-and-true strategy: "Wait the bastard out," as one operator explains it.

Franchisees' issues with Kempczinski started during Easterbrook's reign. The then-CEO named Kempczinski head of the U.S. business in 2017, a role that immediately put him in conflict with operators. It was a job that had historically gone to a lifer—someone with "ketchup in their veins," as the saying went—who had come up through the operations side and knew how to get behind the counter and flip a burger. Graduating from college had never been a prerequisite, and some operators scoffed at Kempczinski's degrees from Duke and Harvard, considering him an MBA hatchet man. "It's difficult to swallow when you bring in Chris, who knows nothing about McDonald's culture, and put him in charge," says Richard Adams, a consultant to franchisees.

It was a time of widespread anxiety about the future of the company. Although everyone agreed change was necessary, Kempczinski says, there was no agreement about what form it should take. That didn't stop him from pushing through a plan he helped create: Bigger Bolder Vision 2020, or BBV2020, which called for operators to remodel their restaurants and invest in major technology upgrades. The changes needed to happen quickly and would cost a franchisee who required a full overhaul about $700,000 per store. (The company picked up 55% of the bill for the $10 billion endeavor.) Reflecting on the ultimatum, Kempczinski says, "When you have to make some tough decisions and make some decisions that maybe are unpopular, it's going to subject you to criticism, and that just goes with the territory."

That criticism took the form of the National Owners Association (NOA), a group of franchisees that was created in response not only to BBV2020, but to a broader concern that the company was treating them more like employees than restaurant owners. McDonald's had always had committees representing the restaurant operators, but the NOA, which claims that about 75% of franchisees are members, is self-funded. It could therefore be more vocal and has its own legal war chest to sue the company if necessary, something the group regularly reminds corporate about. The formation of the NOA represented a major escalation over the usual corporate-franchisee jousting; some thought Kempczinski would get fired over it.

Over its 66-year history, McDonald's had made some franchisees very wealthy—together operators globally generate $85 billion in sales compared with the company's $19 billion in revenue—and the NOA was a realization of their collective power. The group is led by Blake Casper, a third-generation franchisee whose grandfather bought his first franchise from Kroc. Today he is one of the largest franchisees in the U.S. with 60 restaurants. "When Caspers Company speaks, they are to be taken seriously," Mark Kalinowski, CEO of his eponymous research firm, wrote in an analyst note when the group formed in 2018.

Determining the status of the

Supersized Suits

THE PAST YEAR AND A HALF HAS BEEN A LITIGIOUS TIME FOR McDONALD'S. IN ADDITION TO DEFENDING ITSELF AGAINST A FLURRY OF LAWSUITS FROM FRANCHISEES AND FORMER EMPLOYEES, IT FILED ONE OF ITS OWN AGAINST FORMER CEO STEVE EASTERBROOK.

PLAINTIFFS: **VICTORIA GUSTER-HINES AND DOMINECA NEAL**

FILED: **JANUARY 2020**

The two McDonald's executives filed a lawsuit claiming that the company "subjected them to continuing racial discrimination and a hostile work environment impeding their career progress." The suit claims that between dismissals and demotions, the company underwent a "ruthless purge" of Black officers, reducing their number from 42 in 2014 to seven by 2019. McDonald's says it disagrees with the characterizations in the complaint.

PLAINTIFF: **McDONALD'S;** DEFENDANT: **STEVE EASTERBROOK**

FILED: **AUGUST 2020**

After firing its former CEO in November 2019 for sexting with an employee, the company filed a suit against Easterbrook to claw back his compensation after alleging he had sexual relationships with three employees in the year prior to his departure and attempted to cover it up. Easterbrook's lawyers have said the suit is meritless and misleading and have unsuccessfully tried to get the case dismissed.

PLAINTIFFS: **77 BLACK FORMER FRANCHISEES**

FILED: **SEPTEMBER 2020**

A group of 52 Black former franchisees filed a federal lawsuit, alleging that the company sent them on "financial suicide missions" by providing "misleading financial information" and directing them to neighborhoods with low sales volumes and high security and insurance costs. Since the initial filing, more plaintiffs have joined the suit. McDonald's has filed a motion to dismiss and said the suit contains "inflammatory rhetoric, bald accusations, and unadorned speculation."

corporate-franchisee relationship had always been relatively easy. All you had to do was look at restaurants' cash flow. If it was good, it was a lovefest. If it was bad—look out. But that dictum is not holding right now, which has industry watchers puzzled. The company reported record cash flow for U.S. franchisees in 2020, thanks in part to streamlined menus during COVID-19 and lower labor costs with so much business going through the drive-thru. BBV2020 had also finally started to pay off. And yet there is still so much angst. Kalinowski has been surveying franchisees for 18 years, asking them to rate their relationship with corporate. Last quarter, they gave it the third worst score in the rating's history. Only two quarters in 2018, when the company was pushing through BBV2020, got lower marks.

Two of the big issues at play are, not surprisingly, about money. But they are also intertwined with history and heritage. One is the Happy Meal. McDonald's has ended its 40-year history of subsidizing the iconic boxed kids' meal. Operators felt blindsided and outraged that the company would revoke what the NOA calls "a token of partnership"—$300 per store per month—in the middle of a pandemic and all at once rather than through a phased approach.

The second is a $70 million technology bill that both sides firmly believe the other is responsible for paying. Beyond the cost, some franchisees see the charge as indicative of a larger problem. By selling franchisees technology like the company's app, McDonald's has violated one of Kroc's maxims: that corporate must never be a supplier to franchisees—something Kroc believed would lead to conflict of interest and discord. A group of operators has since floated the idea of creating a technology co-op to give franchisees more control.

One former executive told me the current tenor feels reflective of what's happening in the country more broadly—the acrimony and inability to find common ground. Tensions ran so high that in December franchisees voted to "pause" any nonessential communication with the company, leading a group of Ohio operators to ghost McDonald's U.S. president Joe Erlinger on a planned call. "The NOA has some good points," says Fenton, who is not a member, "but you're not going to go forward in this system when you're always at odds."

IN THE DAYS that followed the Jan. 6 siege on the U.S. Capitol, CEOs took to their digital-era soapboxes to denounce the riots. Kempczinski sent his own email to the entire McDonald's system, decrying the "unimaginable attacks on democratic norms and institutions" and endorsing the Business Roundtable's message that condemned President Trump for inciting the insurrection.

Such a letter may be standard fare for many *Fortune* 500 companies, but it was new territory for McDonald's. The Golden Arches had a history of shying away from anything with even a drop of controversy or politics. It had happily let rival Starbucks step into the role of out-

PLAINTIFFS **JAMES AND DARRELL BYRD**

FILED: **OCTOBER 2020**

The brothers, who are franchisees, are the lead plaintiffs in a suit seeking class action status, alleging McDonald's growth strategy was "predatory." The suit cites data from the National Black McDonald's Operators Association finding that the cash flow gap between Black and white franchisees tripled between 2010 and 2019. McDonald's has said the claim is "without merit and should be dismissed" and asserted that it should not proceed as a class action.

PHOTOGRAPH BY **ANDREW RUSH**

PLAINTIFF:
◀ **HERB WASHINGTON**

FILED: **FEBRUARY 2021**

The one-time track star has accused McDonald's of racial discrimination, alleging that he "has suffered deplorable treatment as compared with white franchisees," that the company steered him to stores in areas they knew would be less profitable, and forced him to sell restaurants to white owners. McDonald's has said the situation is "the result of years of mismanagement" by Washington and that it has invested "significantly" in his restaurants.

$85 BILLION VS.

▲ ANNUAL SALES GENERATED BY FRANCHISEES COMPARED WITH

spoken corporate citizen, with former CEO Howard Schultz weighing in on everything from gun control to same-sex marriage. "Starbucks has historically been a very progressive company. It admits that, and it's part of its identity," says Credit Suisse analyst Lauren Silberman. "It's never been part of McDonald's, and it has never strayed from that line."

Two major shifts forced McDonald's to reevaluate that stance—one micro and one macro. Having your former CEO tied up in a sex scandal, especially when you have long touted your all-American, wholesome brand, requires a strong statement. And beyond the internal concerns, the new rules of corporate America increasingly demand that companies sell not just a product but also a set of values. "I don't think this shift is unique to McDonald's," says Katie Beirne Fallon, who was hired by Kempczinski in October as chief global impact officer, a new role for the company. "There's more pressure on corporations to solve problems in a way that the public sector doesn't seem to be able to anymore."

But to some franchisees, every press release and corporate tweet is a distraction that will end up costing them money. A contingent of operators have grown increasingly uncomfortable with what they view as Kempczinski's focus on selling a liberal agenda rather than Big Macs. "Corporate needs to immediately stop the sponsoring and acceptance of liberal and social justice issues," wrote one operator in Kalinowski's survey in October. "We are a family restaurant and should be entirely *neutral* on social and political issues." Another steamed that "social justice warriors" had taken over the company.

Franchisee consultant Adams runs a message board where operators post their musings about the news of the day and, recently, their displeasure over McDonald's messaging on everything from Black Lives Matter to Asian hate. "Being self-employed makes you conservative," Adams told me, breaking his policy of not talking politics. "You might not be a Trump supporter or Republican, but fiscally you are conservative." Kempczinski, he said, was a "dyed-in-the-wool liberal environmentalist." He views the current climate at McDonald's as a culture clash between "conservatives who want to be left alone to run their business, and McDonald's corporate, which has become very liberal, as many companies have."

Unlike his predecessors who tended to come up through the operations side of the business, Kempczinski grew up as a marketer. In his view, having divergent messaging coming out of headquarters and the restaurants is a problem. "You can't say your consumer brand stands for inclusion and opportunity if your corporate brand doesn't stand for those same sorts of things," he says. In February, the company released its demographic data and said that it would tie part of executives' bonuses to hitting diversity targets. The announcement makes McDonald's one of the few companies of its size and scale to make that kind of a commitment. Ten days later the company also said it would review its policies around workplace safety and release new global standards.

It is difficult to reconcile McDonald's recent DEI and workplace safety developments with

"WHEN YOU HAVE TO MAKE SOME TOUGH DECISIONS… SOME DECISIONS THAT MAYBE ARE UNPOPULAR, IT'S GOING TO SUBJECT YOU TO CRITICISM, AND THAT JUST GOES WITH THE TERRITORY."

— **CHRIS KEMPCZINSKI**, CEO OF McDONALD'S

$19 BILLION

THE COMPANY'S ANNUAL REVENUE

the raft of lawsuits the company is facing. The global standards announcement came the same day as a CBS report detailing alleged sexual harassment in McDonald's restaurants, a long-standing complaint that's become a bigger and more high-profile issue for the company as groups like the Time's Up Legal Defense Fund have gotten involved. (At the time, Kempczinski said in a public memo that sexual harassment has "no place in any McDonald's restaurant" and that the company will ensure that "every allegation is fully and thoroughly investigated.")

The company is also facing a number of lawsuits from both franchisees and employees accusing it of racial discrimination. The most recent is from Herb Washington, a former track star and MLB player who at one time owned more McDonald's than any other Black franchisee. He has accused the company of redlining and retaliating against him for speaking out about unfair treatment over the years. "How this is handled is going to have a long impact on this brand," Washington tells me. "There has to be a reckoning."

Former U.S. Attorney General Loretta Lynch, who is representing McDonald's in the discrimination lawsuits, calls the idea that the company would set Black franchisees up to fail "illogical" and "contrary to [McDonald's] clear interest in the financial success of all its restaurants." Her statement continues: "Should these cases proceed, we are confident the facts will show that McDonald's did not discriminate against these plaintiffs or any other Black franchisees."

THESE DAYS, practically every missive that comes out of the CEO's office is addressed to the McFamily. It's a reversal for Kempczinski, who early on in his tenure as president of the U.S. business caused an outcry by saying, "Relationships matter, but results matter more." In a company video he recorded in 2019, Kempczinski said he now understood why the "famous or infamous" comment had created such a stir. It's an unusual admission for a *Fortune* 500 CEO.

"When I think of Chris K. under Steve, he was very results driven," says Atlanta-based franchisee Chancellor. "As I think about him today, I think Chris now understands the meaning of McFamily." She says the company seems more interested in collaborating lately, and that franchisees have eased the "pause" in communications.

Kempczinski acknowledges that the family feud is not yet resolved, but says the friction is primarily with the U.S. operator leadership rather than the rank-and-file franchisees. A lot of it, he says, goes back to the ways technology and pandemic-fueled shifts like the rise in delivery are changing the business. "We'll work through what's going on now," he says, "but I'm sure in two years from now, there will be another tension. It's just the nature of the relationship."

Kempczinski, in true marketer fashion, has leaned hard into the family metaphor. But he's also aware of the pitfalls that come with it. For those who buy into the concept, there could be a tendency toward silence for the sake of keeping the peace, so Kempczinski says he's trying to foster what he calls a "speak-up culture." That covers everything from reporting bad behavior to offering new ideas—something chief global impact officer Fallon says the company's vast and complicated structure can sometimes hinder.

But the flip side of using the language of family to talk about your business is that, well, it's still a business, and some struggle to reconcile all the kumbaya talk with the realities they have lived working in the restaurants. Gillian Thomas, a lawyer for the ACLU who is handling several sexual harassment complaints against McDonald's franchised and corporate stores, says it's great that McDonald's took swift action against its former CEO for his inappropriate behavior. But it's troubling to her how long McDonald's has taken and how little it has done to create a safe workplace for line-level employees. "The contrast couldn't be more stark," she says. "It says a lot about whose lives they think matter."

This is one area where both franchisees and the company seem completely aligned: that Easterbrook, Kempczinski, or frankly any other denizen of the corner office shouldn't stand for all that the McDonald's system is and aspires to be. "The culture is what happens in the restaurants," Fenton tells me. "We are the backbone of this system. We are the face in the restaurants, in the communities. Chris K. is the face to Wall Street and on CNBC and Fox Business."

"The CEO does not define the organization," says Chancellor. "They get the attention, but they're not McDonald's." ■

ILLUSTRATION BY **NAZARIO GRAZIANO**

TRUST AND CONSEQUENCES
— POLITICS, MEDIA, AND LAW

Dominion Voting: Big Lies vs. Big Lawsuits

BY JEN WIECZNER

TRUMP SUPPORTERS ACCUSED DOMINION **OF RIGGING THE 2020 ELECTION.** THE CLAIMS HAVE NEVER BEEN SUBSTANTIATED. NOW THE COMPANY IS TURNING TO THE COURTS IN A BID TO MAKE ITS CRITICS PAY A PRICE **FOR SPREADING MISINFORMATION**.

ON DEC. 9, NICOLE NOLLETTE, an executive at Dominion Voting Systems, was driving home from a doctor's appointment when she noticed she'd missed a call from one of her customers.

The client, an elections official whose jurisdiction uses Dominion's voting machines, had also sent her a link to a website. Nollette pulled up the site on her phone and saw her own photo—overlaid with bright red crosshairs, as though she were in the sights of a sniper's rifle. The website, which bore the moniker "Enemies of the People," also included an address in Nevada, showing aerial views of that property beneath Nollette's picture. That alarmed Nollette even more, because she doesn't live in Nevada but in Colorado, where Dominion is based. The address was for the home of her retired parents. Months later, the Navy veteran remembers the fear in her mother's voice over the phone as her parents loaded the website: "They have a picture of the house," her mom gasped.

Nollette was one of more than a dozen people, ranging from other Dominion employees to Trump administration officials, whose photos were posted on the website. The site accused them all of playing a role in an elaborate conspiracy to rig November's presidential election by "flipping" votes for Donald Trump to Joe Biden—and relying on Dominion's machines, which are in use in 28 states, to do it. Later that day, the FBI showed up on Nollette's parents' doorstep to alert them to the menace. Soon, Nollette herself received death threats—including one sent to her personal email address, warning, "Your days are numbered." She still doesn't know who sent them, though the FBI later notified Dominion and others that its intel had linked the hit list to Iran.

The threats have tapered in the months since President Trump left the White House. But Nollette, who lives alone, still watches for suspicious cars around her street. And while she once made a daily habit of taking walks before sunrise and after sunset, she now goes out only in the light of day. “This is the first time since I left the military that, at least in terms of security and threats, I’ve had to engage that military training,” she says.

Nollette’s life is one of many upended by perhaps the mother of all conspiracy theories: a far-fetched but pernicious tale spun up in a last-ditch attempt to overturn the outcome of the presidential election. It’s a tale that found its roots in a rat’s nest of misinformation and which has come to be known, among many who have encountered it, as the Big Lie. Judges, election officials, cybersecurity experts, and governors have been publicly badgered for discrediting it, or vilified for failing to prove it. Others have faced Nollette’s fate, or harassment still more severe. Eric Coomer, Dominion’s director of product strategy and security, was doxed by one of the theory’s espousers about a week after the election. A mountain climber and bread-baker with a Ph.D. in nuclear physics, Coomer has not been able to return home since the threats began and is hiding somewhere outside the U.S.; even his lawyer doesn’t know where he is.

The Dominion narrative drew oxygen from various corners of the Internet and conservative political spheres. Trump himself tweeted on Nov. 12 that Dominion “deleted” 2.7 million of his votes. But it passed a point of no return on Nov. 19. That’s when Rudy Giuliani, the former New York mayor, and Sidney Powell, an appellate lawyer and a onetime federal prosecutor, both then representing the Trump campaign, held a press conference at the Republican National Committee headquarters in Washington to focus on “legal challenges” to the election results.

Up until that day, Dominion might have been able to mount a defense with a fact-checking campaign aimed at correcting the record; it had hired crisis PR specialists as well as a top physical- and cyber-security firm. “It never really dawned on me that these people had ruined our company,” says John Poulos, Dominion’s cofounder and CEO. But he felt his world tilt as he watched the press conference unfold.

Some 25 minutes into the event, Giuliani mentioned Dominion for the first time—just around the memorable moment that his hair dye began streaming down his face. He later singled out Coomer by name, calling him a “vicious, vicious man” who was “close to Antifa.” Giuliani and Powell went on to allege that Dominion’s software had been built in Venezuela under orders of dictator Hugo Chávez for the purpose of fixing elections, and that it counted votes in Germany and Spain—claims that were easily disproved, but were red meat to partisans convinced that the GOP had been victimized.

“It was just a surreal moment,” says Poulos, who was at home in Toronto with his wife, three teenagers, and two dogs. “I thought that they were working to incite a civil war.”

Earlier that month, Powell had promised to release the “Kraken,” a monster of Norse lore that was her metaphor for evidence of widespread voter fraud. That evidence, according to authorities ranging from the Department of Justice to Republican election attorneys, has yet to be delivered. What Powell and Giuliani unleashed instead was a barrage of misinformation that embedded shrapnel-like shards of doubt in the walls of democracy. In the days after the press conference, Giuliani and Powell would repeat their claims about Dominion many more times on right-leaning cable networks, including the most popular of all, Fox News, which last year commanded more than 3.5 million nightly prime-time viewers. Other sources far less reputable or official picked up the story and ran with it: According to Zignal Labs, which tracks opinion trends across media, Dominion has been mentioned in reference to rigging the election more than 400,000 times on Twitter, YouTube, and other social media. Dominion for countless Trump supporters quickly became a name synonymous with suspicion and scandal.

The Dominion narrative became one of the thickest clouds in a fog of calumny around the election. In the two weeks after the Associated Press called the race for Biden, Fox News either questioned or put forth conspiracy theories about the results at least 774 times, according to Media Matters, a nonprofit that tracks right-leaning misinformation. A survey around the same time by researchers from universities including Northeastern found that more than half of Republican voters either thought Trump had won or weren’t sure who did. Poulos’s own uncle, in Arizona, believes Dominion played some role in a conspiracy. “He doesn’t know what parts to disbelieve,” Poulos says.

The consequences played out in unspeakably tragic form on Jan. 6, when a mob, made up predominantly of those who believed the election was stolen, broke into the U.S. Capitol in a riot that left five people dead.

Two days later, Dominion filed its first defamation lawsuit. Poulos had decided to litigate not long after the November press conference. “The only remedy that we have is by taking *their* case to court,” he says. “The truth absolutely needs to come out.”

Accidental Plaintiffs

IN THE CHAOS of the nation’s corrosive election dispute, it was easy to miss the significance of the attacks on Dominion. When Trump backers spread general (if largely baseless) rumors

OPENING SPREAD, ORIGINAL PHOTOGRAPHS: GIULIANI AND POWELL: TOM WILLIAMS—CQ-ROLL CALL, INC./GETTY IMAGES (2); CROWD: ERIC LEE—BLOOMBERG/GETTY IMAGES; COMPLAINT: US DOMINION INC., DOMINION VOTING SYSTEMS INC., AND DOMINION VOTING SYSTEMS CORPORATION V. RUDOLPH W. GIULIANI; FOX TICKER: US DOMINION INC., DOMINION VOTING SYSTEMS INC., AND DOMINION VOTING SYSTEMS CORPORATION V. FOX NEWS NETWORK, LLC

◀
LONG-HAUL LITIGANT
John Poulos, photographed in Atlanta in March 2021.

“WE ARE NOT INITIATING CLAIMS TO REACH A SETTLEMENT AGREEMENT WHERE THE TRUTH CAN’T COME OUT.”

— **JOHN POULOS,** CEO, DOMINION VOTING SYSTEMS

PHOTOGRAPH BY **CHUCK MARCUS**

about wide-scale ballot and voter fraud, their allegations were easily defensible as free political speech. But when Powell and Giuliani pointed the finger at Dominion, they crossed a crucial line. Now the operatives were making specific claims about a specific party, in ways that were economically damaging. And because those claims were quickly discredited—including in investigations by GOP election operatives who had every motive to hope they were true—the speakers’ insistence on repeating them would seem, legally, to demonstrate “actual malice,” or reckless disregard for the truth.

“If they meet all of those elements, then you can hold people accountable, regardless of the fact that it is in the context of the political process,” says attorney Tom Clare. Clare has not lost a defamation trial since founding his libel-focused law firm, Clare Locke, seven years ago; now he’s representing Dominion.

On Jan. 8, Dominion filed a defamation case against Powell. Over the next few weeks it filed similar suits against Giuliani and Mike Lindell, the CEO of MyPillow, who has released hours-long videos rife with conspiracy theories starring Dominion; each suit requests damages of $1.3 billion. The company filed its fourth suit on March 26 against Fox News, asking for a judgment of more than $1.6 billion. (Dominion’s is the second big defamation case Fox is facing based on its coverage of voting machines: In February, Smartmatic—a competitor to Dominion with considerably smaller U.S. operations—sued Fox for $2.7 billion.) It’s a history-making tornado of litigation, legal experts say, for the volume of claims against multiple defendants around the same issue. “That is, in my experience, unique,” says J. Erik

Connolly, Smartmatic's attorney, who successfully sued ABC News for its "pink slime" coverage on behalf of a beef company in the biggest defamation suit on record. "From a reputational damage perspective, it's a perfect storm."

The cases are also potentially groundbreaking in a more significant way, one whose ramifications are impossible to predict: They're an effort by private companies to make other parties literally pay for abusing political discourse—including a media giant that has had a huge influence on 21st-century public life. Fox argues that the voting-machine allegations were inherently newsworthy, and that the airtime it gave them is protected under the First Amendment's guarantee of freedom of the press. The plaintiffs argue that the falsity of the allegations, and the apparent endorsement of them by some Fox hosts, strips those protections away.

Companies are positioned to conduct this fight in a way that individuals rarely are. Politicians seldom sue for defamation, especially in the heat of a campaign. No matter how damaging the rumors spread by an opponent, they can't afford the distraction of hashing out the truth about their past in court. And few individuals, public or private, can afford the cost. A business, on the other hand, can bring deeper pockets to the battle—and can point to the tangible pain of lost profit and revenue to show that untruths have consequences.

In the case of the voting machine companies, Connolly points out that the allegations took aim at the very heart of their brands: accuracy and reliability. "When you have an attack like that on your core business model, a defamation lawsuit may become a business necessity," Connolly says. "It's one of the only ways you can restore your reputation." The multibillion-dollar question is whether, in protecting that business model, these relatively obscure companies can reshape the rules around accuracy and reliability in public debate.

A Distrusted Industry

JOHN POULOS started Dominion out of his basement in Toronto in 2003. A Canadian who doesn't even vote in the U.S., he'd recently moved back home from Silicon Valley after selling his first startup, a telecom technology company. He found his next big idea in the aftermath of the 2000 U.S. presidential election, with its controversies over butterfly ballots and hanging chads. Congress had subsequently passed the Help America Vote Act focused on improving voting technology and accessibility. Poulos had an idea for creating a system that would help blind people vote without compromising the secrecy of their ballots. He named the company after Canada's Dominion Elections Act of 1920, which expanded women's suffrage. "We thought that would be a nice homage to helping voters vote," Poulos says.

Dominion voting machines could also be used by sighted voters, and Poulos gradually built a clientele among state and local governments. He recruited a staff dedicated to the company's democratic mission, if not the "obscene" hours and seven-day election season workweeks. By 2020, Dominion was the second-largest voting-machine business in the United States, with its machines used in 1,500 elections in 28 states and Puerto Rico, and a staff of about 300.

$1.6B

▲ **DAMAGES SOUGHT** BY DOMINION VOTING SYSTEMS IN ITS DEFAMATION SUIT AGAINST FOX NEWS

But Dominion had joined an industry that was already viewed with suspicion from across the political spectrum. In the push to modernize voting technology, some jurisdictions had upgraded to electronic systems whose traceability was opaque—particularly in cases in which machines left no paper records. In 2006, Robert F. Kennedy Jr., the political scion, environmental attorney, and future anti-vaccination activist, published an article in *Rolling Stone* questioning whether the 2004 election had been "stolen" by the GOP with help from such machines. In 2008, a Princeton University computer science professor named Andrew Appel demonstrated how to hack certain voting machines using a screwdriver.

The paranoia helped set off a rollback to more old-school methods; most machines today, including

DOUBLE-CHECKED An election worker handles ballots in Phoenix. Arizona was one of the states where investigators sought, but didn't find, evidence of vote-rigging.

USA TODAY NETWORK/REUTERS

"THERE ARE MANY, MANY PLACES WHERE A BAD ACTOR WOULD HAVE TO MAINTAIN THE LACK OF DETECTION, AGAIN AND AGAIN AND AGAIN," TO RIG VOTING MACHINES.

— **EDWARD PEREZ,** THE OSET INSTITUTE

Dominion's, generate or tally paper ballots that can be recounted. Still, mistrust kept percolating, particularly after reports of Russian interference dogged the 2016 presidential elections. (That meddling included extensive misinformation campaigns, but investigations found no evidence of voting-system tampering.) Dominion wasn't immune from the suspicion: Green Party presidential candidate Jill Stein sued to review the source code of Dominion and other machines in Wisconsin after her loss there four years ago; that litigation is ongoing.

Despite that backdrop of distrust, the 2020 election might have unfolded with little drama for Dominion—if not for Antrim County. That northern Michigan jurisdiction is a Republican stronghold, but on Election Night, and as the vote was counted into Wednesday morning, Biden and down-ballot Democrats appeared to be winning by a landslide. When campaign attorneys brought the anomaly to election officials' attention, they discovered the problem: There had been a change in the candidates listed on the ballot, but a local official had neglected to reprogram some of the machines—which used Dominion's software—with the new template. As a result, voters' selections were essentially transposed down a row in initial tallies, their votes accruing to another party's candidate.

Election officials corrected the human error the same day it was caught; in the end, Trump was the clear winner in Antrim. Antrim "shows that the problems and process leads to the correct result," says Edward Perez, global director of technology development for the OSET Institute, a nonpartisan nonprofit focused on researching election tech. "It seems a strange circumstance to pick on to show how the election was rigged."

The damage, however, was done, and conspiracy theorists had a kernel of doubt to run with. Dominion's machines were in use in some of the most closely contested states: Michigan, Georgia, and Arizona, to name a few. On Nov. 6, before the election was officially called, Rep. Paul Gosar, an Arizona Republican, citing the Antrim incident, began tweeting calls to "audit all Dominion software" for its "massive fraud potential." Calls for investigations grew louder, and President Trump, determined to fight the election results, was happy to amplify them.

By the time Powell and Giuliani

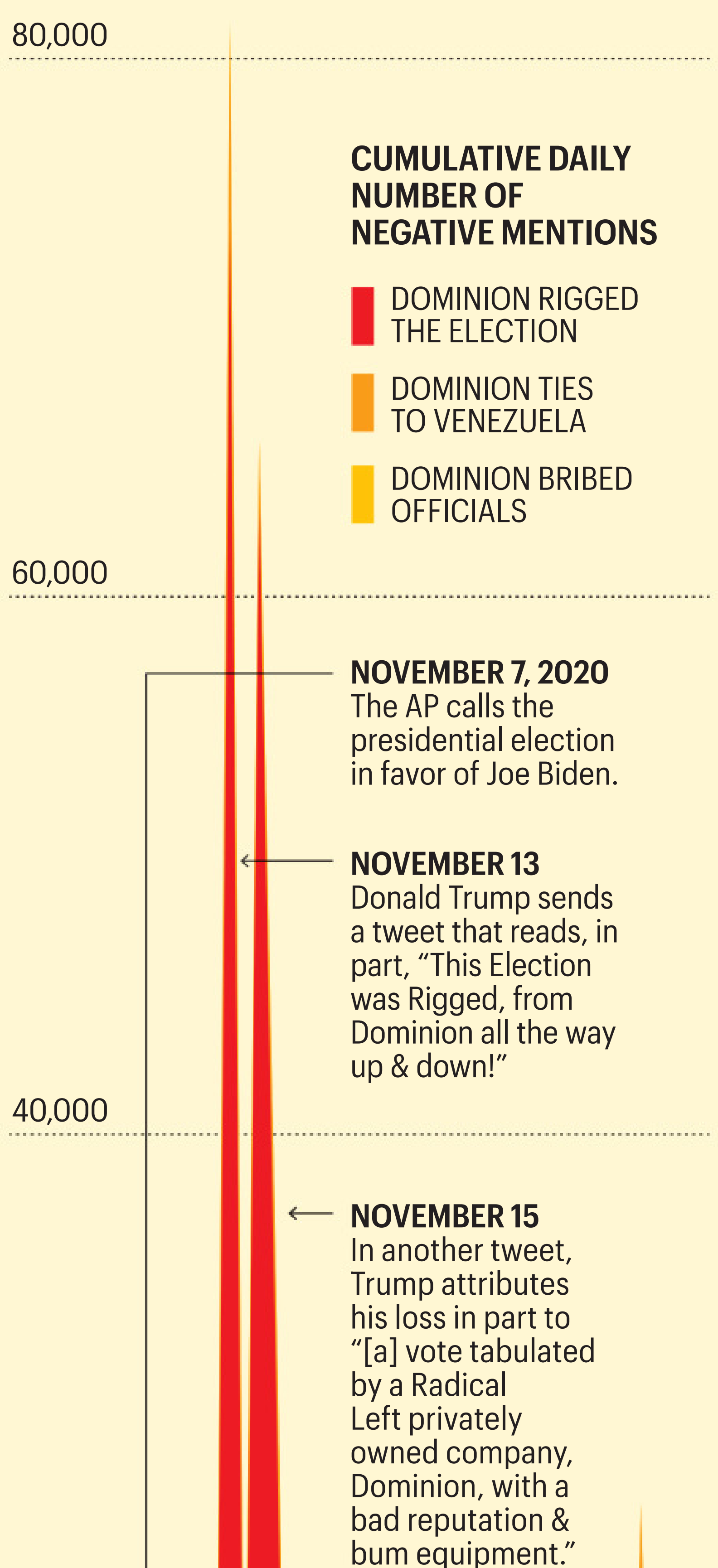
The Aftershocks of Innuendo

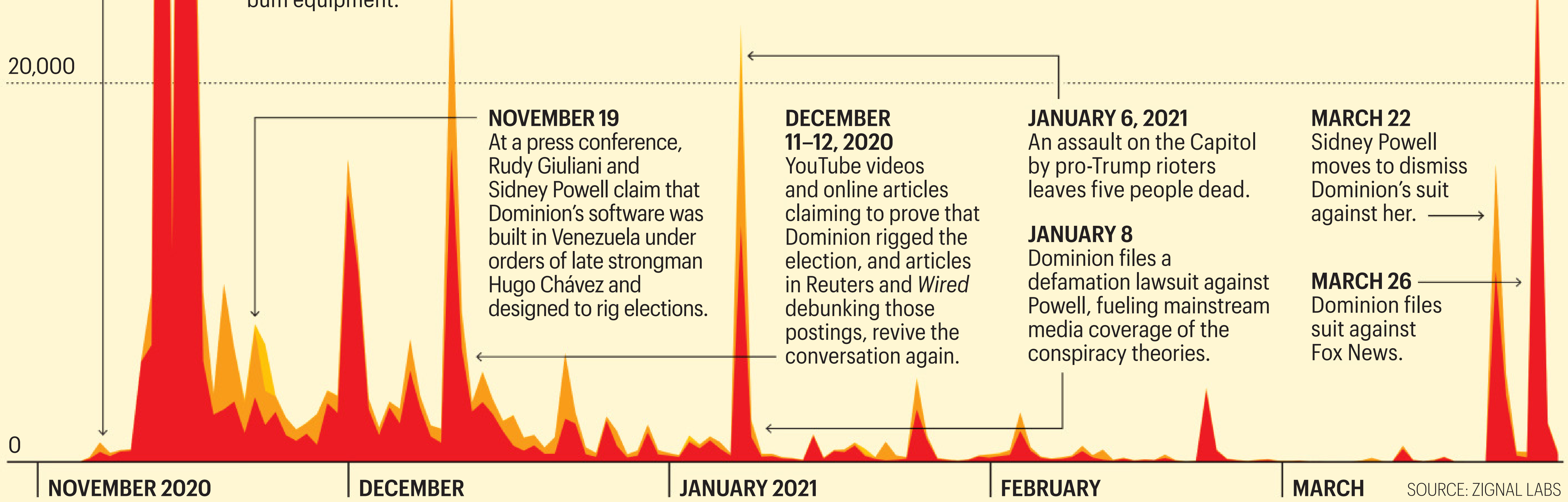
THIS VISUALIZATION OF DATA FROM MEDIA-RESEARCH FIRM ZIGNAL LABS SHOWS HOW VARIOUS UNSUBSTANTIATED CLAIMS ABOUT DOMINION PERSISTED ONLINE.

held their press conference, things had taken a more outlandish turn. Conspiracy-mongers had assigned Dominion a partner in evil: Venezuelan strongman Chávez, who had died in 2013. Powell's narrative relied significantly on a heavily redacted affidavit from a supposed "Venezuelan whistleblower" who alleged that Smartmatic had built its software to be able to secretly change votes to Chávez, and that Dominion's system descended from that mold. Both Smartmatic and Dominion vigorously dismiss that narrative. But the story did have a distorted, game-of-Telephone connection to reality that helped it sound more plausible to those inclined to believe it. Smartmatic's founders were Venezuelans; the federal Committee on Foreign Investment in the U.S. probed the company's ties to Venezuela back in 2006; and Dominion had bought a former subsidiary of Smartmatic's several years after Smartmatic divested it. That thin reed turned into a stick that Powell and Giuliani beat Dominion with. Dominion's ties to Venezuela have garnered more than 110,000 social media mentions, according to Zignal. (As for Smartmatic, in the 2020 election in the U.S., the only place where its machines were used was Los Angeles.)

The bizarre conditions around the election provided particularly fertile ground for skepticism. The combination of a close result and a long vote-counting process—caused by the unprecedented millions who cast absentee ballots owing to COVID-19 concerns—created a tense nationwide spectator sport, with party lawyers, poll watchers, and armchair detectives seeking paths for their guy to eke out a win. "It's the old cliché: Old fish and old election results smell, because people get suspicious about them," says Mark Braden, a former chief counsel to the RNC who's now at the firm BakerHostetler (and who calls the claims against Dominion "fantasyland, total garbage, 100%"). Add a President who had spent months laying the groundwork to cry fraud if he lost, and the climate was ripe for conspiracy theories. "The base is very credulous on these sorts of accusations," says a Republican attorney. "And Dominion drew the short straw."

Still, while the theory that Dominion machines were flipping votes might have initially seemed to hold water in light of the Antrim County bungle, the bottom fell out as soon as GOP officials went looking for proof in states that Biden won. Charlie Spies, an election law attorney,





represented Republican hopeful John James in the 2020 Michigan Senate race. If the Antrim County glitch had carried over into the other counties using Dominion machines in the state, his candidate would have won. "My goal was to find evidence of a problem large enough to have impacted the results," says Spies. He says he tried to run down every claim raised by Powell, hoping it would help, but all came up short. "Where I get lost on the big conspiracy is, these machines aren't interconnected," he says. "And one machine doesn't change a statewide election."

Republican campaign attorneys and candidates across the country were trying to do the same thing. In Arizona, lawyers from both in and out of state descended to investigate Dominion's machines, but after nearly a week of digging and interviewing technicians and election workers, they found no statistical anomalies, improper Internet connections, nor any other problems.

Over in Virginia, Republican party officials and attorneys were surprised to hear Giuliani reference fraud in their state during the Nov. 19 press conference; they had heard nothing of the sort from their own poll watchers. When they followed up with the Trump campaign, no one got back to them. If there were examples of malfeasance, the officials thought it was odd not to be asked to investigate them. "We could never get anyone to tell us what proof they had," says Chris Marston, a Republican campaign attorney and founder of Election CFO, a campaign-finance compliance company. "But we feel comfortable there was no widespread machine-based fraud in Virginia."

All along, Powell was making her case, both in the media and behind the scenes. GOP candidates who'd lost their races say they were fielding calls from Powell and her team, urging them to "keep on fighting," that she was "going to break this wide open" and that they'd "better get on board." But when campaign lawyers asked for evidence, "we'd never get anything back other than general, 'It's bad, they cheated, it was stolen,'" says a Republican attorney. "There's no 'there' there," says another.

"Air-Gapped"

WHAT THE Republican operatives were—or weren't—finding was exactly what experts in voting systems expected. In the new, lower-tech era, most voting machines including Dominion's are designed to operate fully offline, with no connection to the Internet—they're "air-gapped," to use the cybersecurity term. Appel—the Princeton computer scientist who has hacked a voting machine with a screwdriver—notes that there are still at least a couple of ways to compromise the new breed remotely, generally involving a touchpoint to the Internet. One would be to install malicious software on the machines before they're shipped out from warehouses, such as through a phishing attack on a Dominion employee. Another way would be to hack the laptops that county officials use to program the machines at a local level, which typically involves uploading the ballot data to a memory card or thumb drive and transferring that—with the addition of a fraudulent algorithm—to the machines. If pulled off successfully, the machines could be "hacked in a networked way, where one hack covers thousands of machines," Appel says.

> **"WHERE I GET LOST ON THE BIG CONSPIRACY IS, THESE MACHINES AREN'T INTERCONNECTED, AND ONE MACHINE DOESN'T CHANGE A STATEWIDE ELECTION."**
>
> — **CHARLIE SPIES,** REPUBLICAN ELECTION-LAW ATTORNEY

Still, would-be hackers face formidable obstacles. One is that under current practice, even the programming laptops are, except in rare lapses, not connected to the Internet, making them virtually inaccessible to a remote hacker. Second, even if an attacker did install fraudulent vote-switching software on machines, it's extremely unlikely that it would escape discovery during the various certification and accuracy testing protocols the machines undergo ahead of an election, or in the postelection audits that certain states conduct. "There are many, many places where a bad actor would have to maintain the lack of detection, again and again and again and again," explains OSET's Perez. And at the end of the day, if the paper ballots match the machine tallies—as they did in the states that conducted 2020 recounts—"that's pretty strong evidence that the voting computers weren't hacked," says Appel.

If a hack like the one Powell and Giuliani were describing were to take place, in other words, 2020 is the year it would have been caught. Between November and January, there have been hand recounts of votes involving more than 1,000 Dominion machines—including the third recount of Georgia's 5 million-plus ballots. None found errors or irregularities on any meaningful scale.

As legal challenges regarding more mundane allegations fell apart soon after the election, other law firms dropped the Trump campaign as a client—consolidating the campaign's legal strategy, and its legal complaints, in the hands of Giuliani and allies like Powell. Powell had built a reputation for her expertise in appeals litigation; she didn't lack for legal experience or acumen.

But the evidence that Powell and her team attached to legal briefs in suits related to Dominion often reads like a hodgepodge of disconnected headlines. Some documents cite a computer game found downloaded onto a laptop running Dominion software as evidence of potential hacking; others point to unusually high voter turnout numbers as proof of something fishy. In some affidavits, witnesses explain that they are basing their testimony on things they found in Google searches. In December, when an Arizona judge dismissed one of Powell's cases in its entirety, she concluded, "Allegations that find favor in the public sphere of gossip and innuendo cannot be a substitute for earnest pleadings and procedure in federal court." To critics, the evidence Powell and her allies have aired against Dominion, both in court and in the media, is at best an illustration of confirmation bias—conspiracy theorists citing one-off irregularities as proof of that conspiracy, without connecting any dots.

Put another way, just because a voting machine could be hacked doesn't mean it was—a distinction that Mark Braden finds himself explaining a lot lately. Braden, the former chief counsel to the RNC, has worked on roughly 100 recounts in his career, more, he thinks, than any other Republican lawyer in the country. He's recently been fielding calls from others in the party wondering about the Dominion allegations, and he's been trying to shoot them down. "They think, 'Oh, there's so much smoke, there must be some fire,'" Braden says. "And the answer is, everyone just has clouds in their mind. It's not smoke—these are just clouds of confusion."

By Christmas of 2020, more than 50 lawsuits from the Trump campaign and its associates alleging election improprieties had been dismissed—and the legal and cybersecurity establishments had increasingly shrugged off the Dominion story. Before leaving office in December, Attorney General William Barr said that after federal investigations, "to date, we have not seen fraud on a scale that could have effected a different outcome in the election." In March, the DOJ along with the Department of Homeland Security's Cybersecurity and Infrastructure Security Agency (CISA) declassified a joint report that addressed "multiple public claims that one or more foreign governments—including Venezuela, Cuba, or China" controlled voting machines and manipulated vote counts. Upon investigation, the report said, the agencies "determined that they are not credible."

Fact, Opinion, and News

AMID ALL THE HATE MAIL and death threats last fall, Poulos received an unexpected message from a Greek Orthodox priest in Long Island, N.Y. The priest had correctly guessed Poulos's denomination and reached out to offer support. The men have never met, but they've spoken a handful of times, and the priest has sent Poulos books, from the spiritual to historical. "We'd have these conversations about how this is not the first time in history that something unfair has happened, and it seems hopeless," Poulos recalls. "And he kept reminding me that in truth, we are on the right side of history." A catharsis came in one of the counseling sessions, when the priest quoted Winston Churchill: "When you're going through hell, keep going." For Poulos and his employees, that phrase is now a sort of mantra.

To a certain degree, Dominion's pushback is already having its desired effect. In November and December, both Dominion and Smartmatic sent warning letters to Fox News about the allegations the network was airing. After that, Fox ran some "fact-checking" segments including an interview with OSET's Perez debunking the claims. Powell, Giuliani, and the story itself have largely receded from the network since early January.

The story continues to ricochet around conservative media and social media, however, and Poulos and his colleagues say the damage endures. Dominion, as a privately held company, does not disclose its finances, but its latest lawsuit against Fox enumerates some of the harm it claims to have suffered, including anticipated voting-machine deals in Ohio and Louisiana that have been put on ice since the election. The damages the company is requesting include $600 million in lost profits, as well as lost enterprise value of at least $1 billion, along with hundreds of thousands of dollars spent on security and "combatting the disinformation campaign." Although the many zeroes have raised some eyebrows, Clare, Dominion's attorney, defends the calculations. "The scope and the reach and the number of people that heard this and believed it and acted upon it is something that is just unprecedented in the 25-plus years that I've been doing this."

To win in court, Dominion's and Smartmatic's lawyers know it won't be enough to prove the Big Lie isn't true. Because the companies will likely be considered "public figures" in the eyes of the law (corporations almost always are) there's a higher bar to clear to show defamation: They'll need to prove the presence of actual malice—that the speaker of the false information either lied knowingly or with a reckless disregard for the truth. That means the trial could turn on a question that's particularly urgent in an age of incompatible realities and "alternative facts": Does putting trust in a false narrative count

(d) On November 14, 2020, Fox and Dobbs published the following false statement to the @loudobbs Twitter account:

> Read all about Dominion and Smartmatic voting companies and you'll soon understand how pervasive this Democrat electoral fraud is, and why there's no way in the world the 2020 Presidential election was either free or fair. #MAGA @realDonaldTrump #AmericaFirst #Dobbs.

Embedded in that tweet was another tweet from Rudy Giuliani (retweeted and adopted by Fox and Dobbs) with the following false statement:

> Did you know a foreign company, DOMIMION, was [sic] counting our vote in Michigan, Arizona and Georgia and other states. But it was a front for SMARTMATIC, who was really doing the computing.[197]

Excerpted from US Dominion Inc., Dominion Voting Systems Inc., and Dominion Voting Systems Corporation v. Fox News Network, LLC

▲
REPORTING, OR DECIDING?
In filings in Dominion's defamation suit, Fox News argues that its airing of claims of vote-rigging involving Dominion was legitimate coverage of "matters of public concern"; Dominion says Fox was promoting falsehoods. Here, a page from Dominion's complaint shows a screenshot and a tweet that Dominion argues amount to endorsements of claims by Trump attorney Sidney Powell.

as reckless disregard for truth?

The defendants' responses in the Dominion cases refract this question in different ways. Rudy Giuliani, who has so far represented himself in suits by Dominion and Coomer, did not respond to requests for comment, and his court filings to date give little indication of his strategy. Mike Lindell, the MyPillow CEO, has yet to respond to Dominion in court, but he says he plans to double down on his claims. Lindell says he received a "smoking gun" that he aims to release as part of a later evidence dump, though he declined to let *Fortune* review it. "We're going to countersue them with the biggest First Amendment lawsuit in history," he says, adding, "It's not defaming if you're telling the truth about somebody."

Sidney Powell responded to Dominion's lawsuit in late March with a motion to dismiss. One of the arguments in her brief is particularly provocative: Even if her statements could be proved true or false, it reads, "no reasonable person would conclude that the statements were truly statements of fact." On one level, that puzzles defamation experts because it seems to undermine Powell's authority. Sandra Baron, a First Amendment attorney and a senior fellow at the Information Society Project of Yale Law School, thinks it's a long shot: "The last I looked, that defense worked best for a group of shock jocks—'nobody takes what we're saying seriously,'" Baron says. "But I think that's a hard argument for a lawyer to make." In an interview with *Fortune,* Powell's lawyer, Howard Kleinhendler, clarifies the argument somewhat. Powell's public statements weren't facts, he argues, but became opinions when she presented testimony of other people she judged to be expert witnesses. Kleinhendler acknowledges that those witnesses' credentials could have been flimsy, but says that by itself shouldn't disqualify their arguments, or put Powell at fault. "These expert reports weren't just idle chatter—they were supported by documents, by screenshots, by analyses," Kleinhendler says. He and Powell had hoped—and still hope—their documents would have been enough to "warrant discovery" of additional evidence in court.

There's a "very basic mistake" in that argument, says George Freeman, executive director for the Media Law Resource Center who was a longtime libel defense attorney at the *New York Times.* "Those disclosed facts have to be true," he says. If they aren't, "the defense falls apart." (Powell may also be taken to task, in court, for the vehemence with which she framed those "opinions" as facts. On Lou Dobbs's eponymous Fox Business primetime show in early December, for example, she told the host, "You would have to be a damn fool and abjectly stupid not to see what happened here, for anybody who's willing to look at the real evidence.")

The distinction between fact and opinion, and who's responsible for the accuracy of the former, are bound to be the main themes of the suits against Fox News—undoubtedly the most consequential pieces of the voting-machine litigation. Whatever their outcome, those cases could send ripples throughout the media, attorneys say, redefining the role of organizations in both covering and correcting misinformation. Fox had yet to respond to Dominion's suit when this article went to press, but its response to Smartmatic offers a look into its strategy. (Fox News declined to make staffers available for interviews for this story.)

The network argues in the Smartmatic case that President Trump's election challenges were "undeniably newsworthy" and "matters of public concern"—categories of speech which the law affords some greater protection. "If the First Amendment means anything, it means that Fox cannot be held liable for fairly reporting and commenting on competing allegations in a hotly contested and actively litigated election," Fox said in a statement. Fox also points to the "fact-checking segments" it aired, as well as instances where its own on-air staff said that no evidence of widespread fraud had emerged.

The defense Fox appears to be employing, says Freeman, is known as neutral reportage—the idea that news outlets are allowed to report on and restate important claims made by responsible people. Freeman is one of many advocates who argue that the media should have this right. Neutral reportage is a privilege recognized in few courts, however, and in New York, where Fox is based (and being sued by Smartmatic), the courts have rejected it. And even if a court was receptive, attorneys say Fox might still stumble over the neutrality part; after all, a jury will have to weigh the totality of its coverage, and whether it endorsed its guests' points. Examples of such perceived endorsement pepper the complaints from Dominion and Smartmatic. In November, for example, Dobbs ended a discussion with Powell about Dominion saying he was "glad" she was working "to straighten out all of this. It is a foul mess, and it is far more sinister than any of us could have imagined." (Fox dropped Dobbs's show in February—the day after Smartmatic served its lawsuit—but the network says that the cancellation was unrelated to the defamation cases.)

If Fox were to lose, Dominion and some mainstream commentators will likely hail the win as a triumph of business against misinformation, a line drawn in the sand between facts and alternative facts—and a possible template for future lawsuits. That may be a be-careful-what-you-wish-for scenario, says Yale's Baron. The benefits of reining in actually fake news, if you will, could have a chilling effect on the freedom of the press and on some speech in general. "The hope is that it will only chill those who are likely to lose libel suits," she says. "I think the country may get an opportunity to learn a lot about the limits, for good or for ill, of libel law in the context of this litigation."

Beyond the First Amendment, there are other spheres for holding accountable those responsible for the Big Lie. Powell and Giuliani, along with several other attorneys who filed election challenges, are facing complaints from government officials seeking to disbar them from the legal profession entirely. And some lawmakers who have spread and acted on claims like Powell's and Giuliani's are being punished by some donors: Multiple companies have discontinued their donations to the campaigns of lawmakers who declined to certify the validity of the 2020 election.

There's also the question of whether Dominion's lawsuits will progress far enough, fast enough, to make a difference. Ironically enough, the toxic information climate exemplified by the Dominion narrative may make it harder to get to the truth. Once it goes to trial, it may be a challenge to empanel enough jurors whose views have not been tainted by the pervasive allegations. Any definitive verdict is likely three to four years down the road, which means there could be another presidential election before a ruling can vindicate the voting machine companies. Should Dominion prevail, its less clear whether it will even make a difference in the minds of the millions for whom the conspiracy theories are gospel.

For Poulos, the issues around integrity and democracy outweigh those concerns. He says Dominion, which is paying the lawyer bills out of its own coffers, has enough runway to pursue the litigation for years and does not plan to settle. "We are not initiating claims to reach a settlement agreement where the truth can't come out," he says. "That's just not of interest to us." In the meantime, Poulos and his colleagues have been embracing a different mission: explaining to American voters how their elections work. As long as most jurisdictions are using paper ballots—which electoral experts expect even the few holdouts will eventually adopt—there's a simple path to peace of mind. Nicole Nollette, the Dominion executive, has made it a priority to clear up misinformation. "You don't need to take our word for it," she constantly explains. Not when the proof is right there: "You can recount the paper ballots by hand; you can recount them by a machine," she says. In the future, more states just might—which could be a more effective way to quell conspiracy theories before they catch fire. ■

"LAST I LOOKED, THAT DEFENSE WORKED BEST FOR A GROUP OF SHOCK JOCKS. BUT I THINK THAT'S A HARD ARGUMENT FOR A LAWYER TO MAKE."

SANDRA BARON, THE INFORMATION SOCIETY PROJECT, YALE LAW SCHOOL, ON SIDNEY POWELL'S LEGAL STRATEGY

Painting a Picture of Corporate Misdeeds

A visual analysis of regulatory penalties puts the financial sector in an unflattering light.

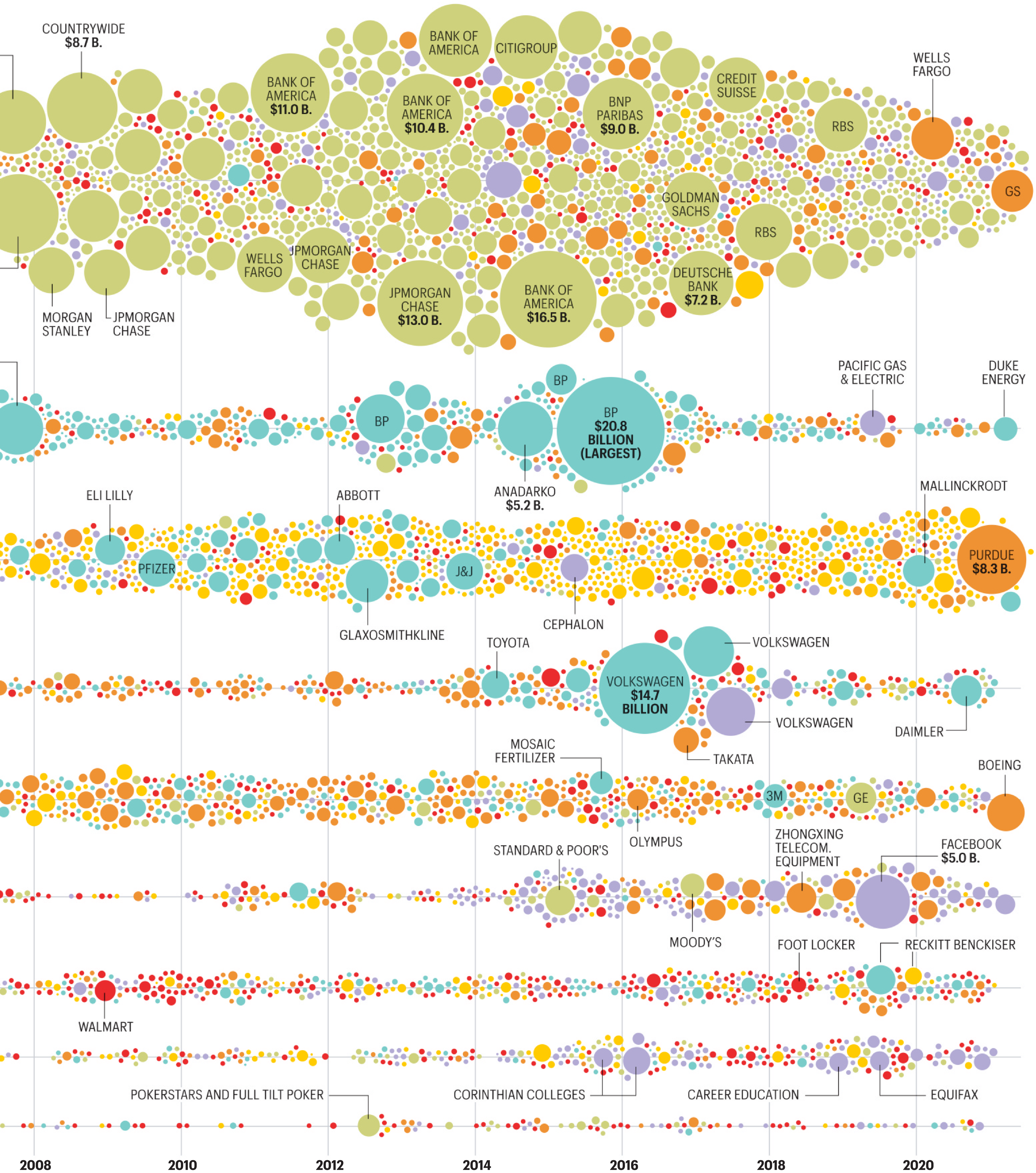
INFOGRAPHIC BY NICOLAS RAPP

FOUR DECADES AGO, as a young researcher at *Fortune*, Philip Mattera was asked to help report the cover story for the Dec. 1, 1980, issue, titled "How Lawless Are Big Companies?" While plowing his way through records from various government regulators to compile a dossier on actions taken by agencies against the *Fortune* 500, Mattera had an idea: What if he could build a central source for the information?

Mattera, now 67, began realizing that dream in 2015 when he created an online database as research director for Good Jobs First, a nonprofit, nonpartisan watchdog. Today Mattera's open-access, searchable "Violation Tracker" provides a wide-ranging record of financial penalties, such as fines and settlements, incurred by companies and nonprofits operating in the U.S. from 2000 to the present. The data is taken from more than 300 sources, including federal and state agencies and state attorneys general.

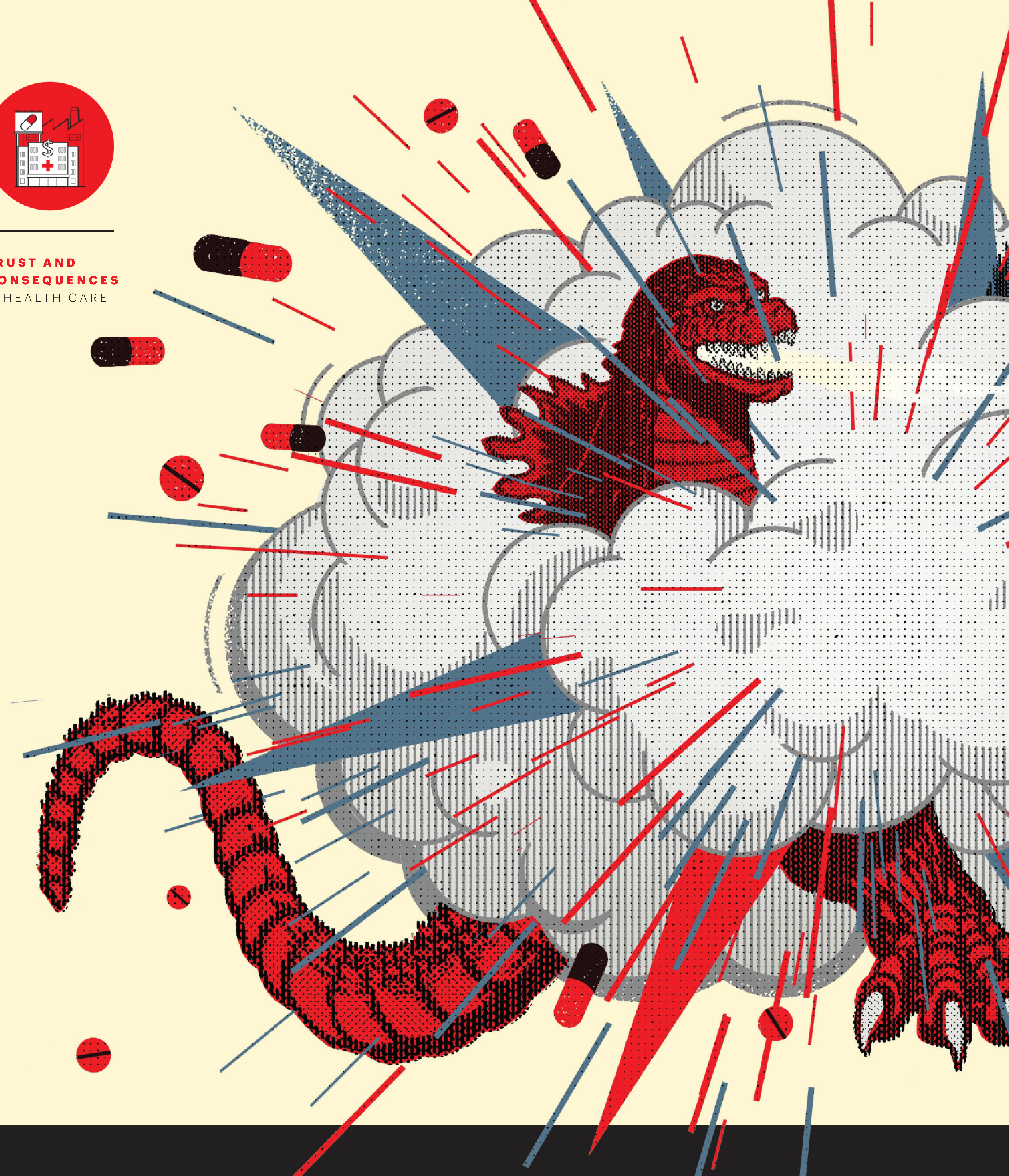
As the graphic at right shows, BP's $20.8 billion settlement in 2015 for the 2010 Deepwater Horizon oil spill is the largest single entry in the tracker, but the financial industry is, by far, responsible for the biggest share of penalties. The challenge the tracker puts to companies is simple, says Mattera: "You may say you're doing great, but what's your actual track record?" —*Brian O'Keefe*

SOURCE: VIOLATION TRACKER DATABASE PRODUCED BY THE CORPORATE RESEARCH PROJECT OF GOOD JOBS FIRST



NOTE: IN THE CASE OF MERGERS, PENALTIES ACCRUED PRIOR TO THE TRANSACTION ARE TRANSFERRED AND ATTRIBUTED TO THE ACQUIRING COMPANY

TRUST AND CONSEQUENCES
— HEALTH CARE



Big Hospitals vs. Big Pharma

AS TALK OF HEALTH CARE REFORM GROWS, THE TWO TITANS ARE GEARING UP FOR **AN EPIC CLASH** OVER WHO'S MOST TO BLAME FOR SOARING COSTS. WILL IT LEAD TO TRULY RADICAL CHANGE?

BY GEOFF COLVIN

"IT'S JUST APPALLING," says Molly Smith, group vice president for public policy at the American Hospital Association. She's talking about a new report from the Pharmaceutical Research and Manufacturers of America (PhRMA). "Hospitals' Practices Increase Costs of Medicines for Patients & Employers," the press release blared, further claiming "the system routinely rewards hospitals for extracting two to three times more revenue from the sale of a medicine than the company who discovered and made it" when administered under a government program for getting drugs to the most vulnerable patient populations.

Smith, steaming, is having none of it. "The program was solely created because of the high drug prices that [drugmakers] and they alone set," she says. "And then when they're upset that such a program got set up because of their egregious pricing practices, they come after it. They're making hand over fist in profits. But, you know, anything that cuts into their bottom line …"

America's hospital industry and pharmaceutical industry—combined 2019 revenues: $1.6 trillion—are

ILLUSTRATION BY **DAN PAGE**

feuding more sharply and publicly than ever, and for good reason. One political party currently controls both the legislative and executive branches. And when that happens, especially in a new President's first two years, big changes tend to follow. That's how the Tax Cuts and Jobs Act became law under President Trump and how the Affordable Care Act got passed under President Obama. Now President Biden and the Democrats who control Congress have come to power with ambitious plans to reform U.S. health care and stem the ever-rising costs—and Big Hospitals and Big Pharma could be in the crosshairs.

This has set the stage for an epic showdown. Both Big Pharma and Big Hospitals know that reform in some guise is almost certainly coming out of Washington, D.C. The real questions are just how severe the crackdown will be, and, crucially in their eyes, which side gets hit hardest. So after a long period of relative détente, the two behemoths of the health care industry are circling each other like Godzilla vs. Kong—breathing fire, beating their chests, and pumping themselves up for a public relations and lobbying battle for the ages. Each side wants to make the other into legislative target No. 1.

The public holds both sides about equally responsible for today's health care problems. A Gallup poll finds that 76% of Americans think they're paying too much for most care they receive, relative to its quality. The two main culprits, says a Kaiser Family Foundation poll, are drug costs (cited by 78%) and hospital costs (71%). Several polls show large percentages favoring government control of both drug and hospital charges.

It's a propitious moment for Biden, who wants to go big on health care. The President wants to limit new-drug prices and price increases, allow Medicare to negotiate drug prices with pharma companies, and potentially break up some of the biggest hospital, drug, and health insurance companies.

Biden's secretary of health and human services, Xavier Becerra, would go much further; he has long supported a single-payer health care system and has endorsed Sen. Bernie Sanders' "Medicare for All" proposals. He can't make those things happen on his own, of course. And Becerra said at a Senate committee meeting before his confirmation hearing that Biden's agenda "will be my mission." But his leanings are alarming to the industry.

Taken together, it sounds like a threatening outlook for hospitals and drugmakers, with one enormous countervailing factor: the pandemic. Over the past 13 months, hospital workers have been heroes in the truest sense, risking and sometimes giving their lives in the fight against the plague. Meanwhile, much-reviled Big Pharma has pulled off one of the great achievements in medical history—developing multiple effective COVID-19 vaccines in 10 months rather than 10 years, and rapidly manufacturing them in massive quantities. Says Niall Brennan, CEO of the Health Care Cost Institute, a nonprofit research organization: "They have gained the moral high ground." Are these the businesses America wants to punish?

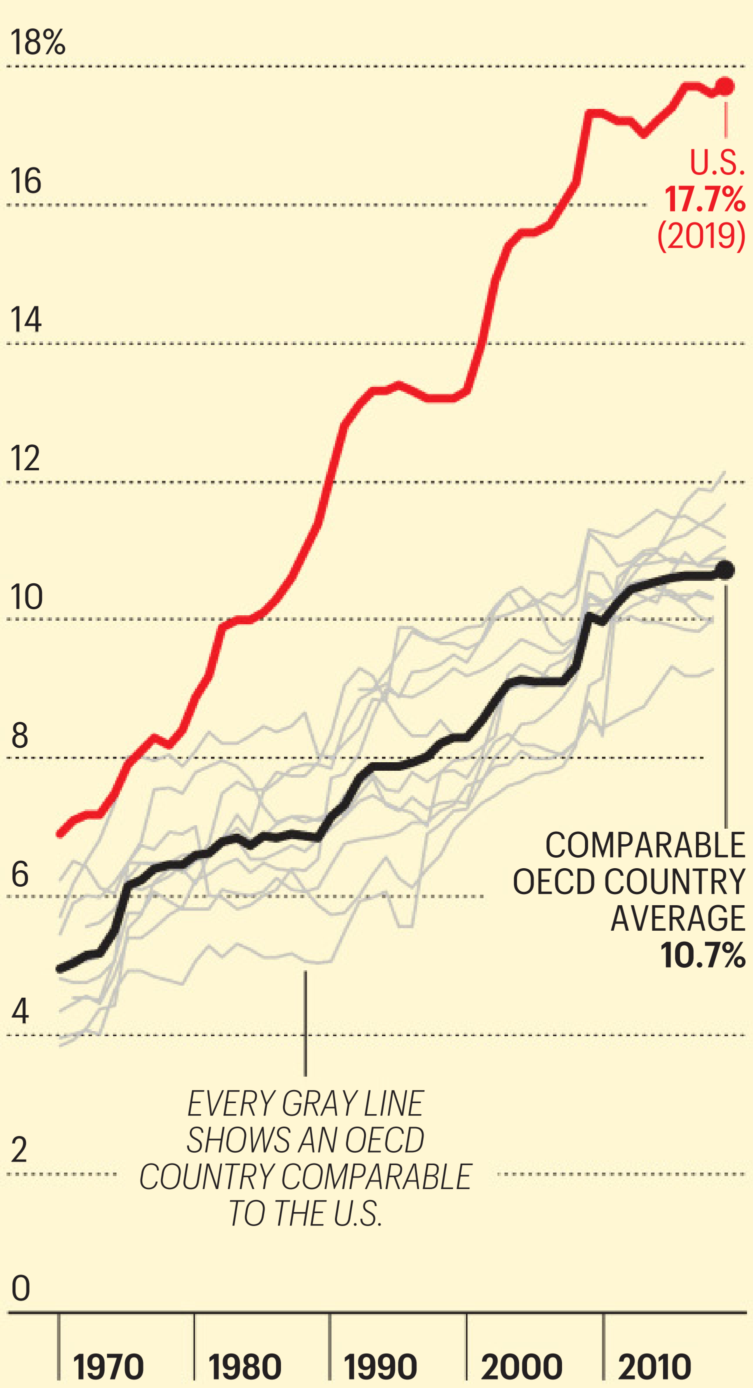
This combination of pandemic and politics puts health care on the front burner like it hasn't been since passage of the ACA 11 years ago. That landmark law has achieved a great deal; the portion of the population without health insurance has dropped from 15.5% when the ACA was enacted to 9.2% in 2019 (most recent data). But so far it has not bent the cost curve downward in the big picture. Total national health care spending per capita, in constant dollars, increased far faster in the six years after the ACA took effect in 2013 (18%) than in the six years before (7%).

Understanding just *why* these costs have remained so maddeningly untamable is crucial as we enter into another bruising national debate on how to address the issue. And no one has a bigger stake in the outcome than hospitals and pharmaceutical companies—the largest players in the largest sector of the largest economy on earth.

THE POLITICS OF HEALTH CARE are as closely interwoven with human psychology as they are driven by academic arguments. An economist may raise the alarm to assert that costs can't keep growing faster than GDP. But politically, that's not what counts. Voters tend to see those big macroeconomic trends merely as abstract numbers that don't hit home. People care most about their own situation. It's certainly true in health care—yet not quite in the way one might expect.

Consider, for example, annual per capita out-of-pocket spending on prescription drugs. In theory, that's what people ought to care about, the

HEALTH EXPENDITURES AS A SHARE OF GDP



SOURCE: KAISER FAMILY FOUNDATION

▲ CEOs of pharma companies testified about drug pricing in the U.S. before the Senate finance committee in February 2019.

money coming from their own wallet. So they might be surprised to learn that the government's National Health Expenditure data shows this expense being broadly flat for almost 20 years. On average, Americans are spending no more of their own money on drugs than they were in 2003; in fact, they spent less out-of-pocket in 2019 ($164) than they did in 2006 ($189). So why do large majorities of Americans rail against drug costs and want the government to control them?

The answer reflects an important truth about health care economics and especially about health care politics: Extremes are often more important than averages, and health care is a world of extremes. Among people with private health insurance, only 3% spend over $1,000 a year out-of-pocket on drugs, but they account for 40% of total out-of-pocket spending, reports the Kaiser Family Foundation. More broadly, in any given year, 5% of Americans account for about 50% of total health care spending. As KFF researcher Cynthia Cox observes, we all know that "at any given point in time, we might end up being in that 5%."

Americans aren't worried about averages. They're terrified of being in the 5%. "A lot of this is about shifting anxiety from consumers up onto somebody else," says Alan Scarrow, a neurosurgeon and former president of Mercy Health System in Springfield, Mo., who has written a book about the U.S. health care system called *Hope Over Experience.*

Consumers have read about people who have drained all their assets to pay for the drug that could save them or have been pushed into poverty by mammoth hospital charges. Says Vincent Rajkumar, a physician at Mayo Clinic who has written often on drug prices: "Someone can make $50,000 a year for 25 years and lose all they've got just like that once they get ill."

Those are the anxieties that policymakers and legislators of both parties want to quell—or spin to their advantage.

$1.6 TRILLION

▲ COMBINED REVENUES IN 2019 OF THE HOSPITAL INDUSTRY AND PHARMACEUTICAL INDUSTRY, **THE TWO LARGEST PLAYERS IN U.S. HEALTH CARE**

WIN MCNAMEE—GETTY IMAGES

Putting a Price on a Miracle Drug

WHY AMERICA'S MOST EXPENSIVE MEDICATION IS WORTH THE MONEY.

What is the net benefit to society of Zolgensma? It is America's most expensive drug, at a price of $2.1 million for one course of treatment. Made by pharma giant Novartis, the gene therapy medication appears to cure a rare childhood disease called spinal muscular atrophy. In its worst form, "affected children never sit or stand," says the National Institutes of Health, and "the vast majority usually die of respiratory failure before the age of 2 years."

Now, with a one-time treatment of Zolgensma, doctors can envision those children growing to adulthood. "And not only that—those kids will walk," says Jay Want, president of the Peterson Center on Healthcare. "At what price do you help a child walk and live a life they otherwise wouldn't have had?"

Such questions may seem unanswerable, but the Institute for Clinical and Economic Review (ICER) tries to answer them; it evaluates whether drugs are worth their costs. While it's an independent nonprofit with no official authority, its analyses seem to have affected pricing decisions. David Whitrap, a vice president at ICER, says his organization judges only 25% to 30% of the drugs it analyzes to be worth their costs—and Zolgensma is one of them. "That price lines up with its benefits," he says. "There are drugs out there that might seem much less expensive, but to us, they're also less valuable to the system. And those prices might need to come down so we can afford the Zolgensmas of the world." —G.C.

WHAT OFTEN TENDS to get lost amid all the blame-shifting and finger-pointing between Big Hospitals and Big Pharma is that there is something fundamentally wrong with the larger system: The U.S. health care sector operates at staggering costs without producing superior results.

Consider that the U.S. spent 17.7% of its world-leading GDP on health care in 2019, says the Centers for Medicare & Medicaid Services (CMS). No other country came close. A group of 11 other wealthy countries averaged just 10.7%, says the Organization for Economic Cooperation and Development (OECD), yet many of those countries achieve better health outcomes by several measures, and in some cases the U.S. is the worst among them. For example, America's all-cause age-adjusted mortality rates are the highest. Australia, which spends the least on health care in the group (9.3% of GDP, barely over half of America's rate), reports the lowest mortality rates. U.S. premature death rates and pregnancy-related death rates are by far the worst.

The U.S. performs well by certain other measures. For example, its cancer death rates are among the lowest in the group. But in light of the vastly greater share of our wealth that we spend on health care, shouldn't all our outcomes be the envy of the world? The hospital and pharma industries are sniping at each other because an uncomfortable question hangs over the whole health care sector: Who's to blame for this?

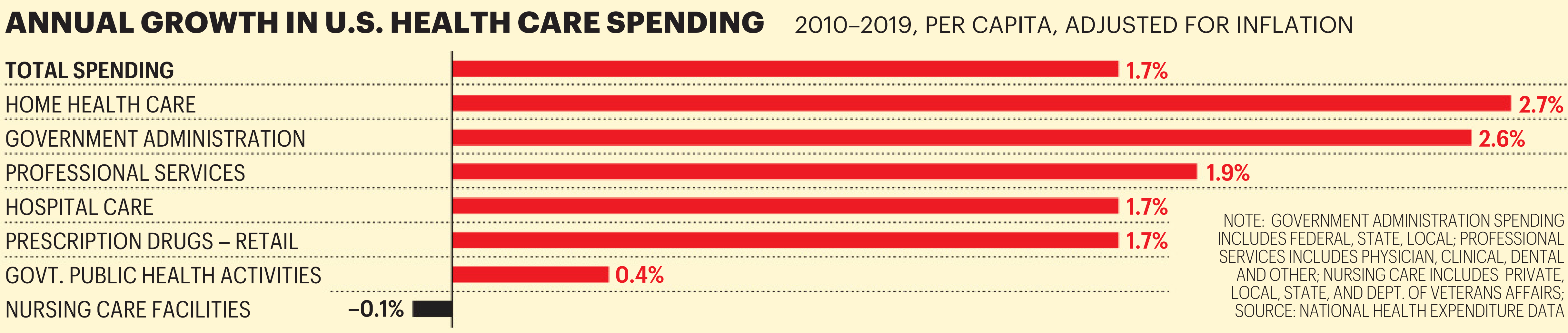
Assorted analysts and interest groups offer varying answers. Some say the U.S. actually has the world's best health care system; when billionaires and monarchs need serious medical care, they often point their private jets to the U.S. But that fact can't explain why so many outcomes are poor. A more substantive answer is that many poor health outcomes arise from causes outside the health care system's control. Some 75% of U.S. spending goes to treat so-called lifestyle diseases—cardiovascular disease, diabetes, some cancers. America is the fattest nation in the OECD, and that isn't the health care system's fault.

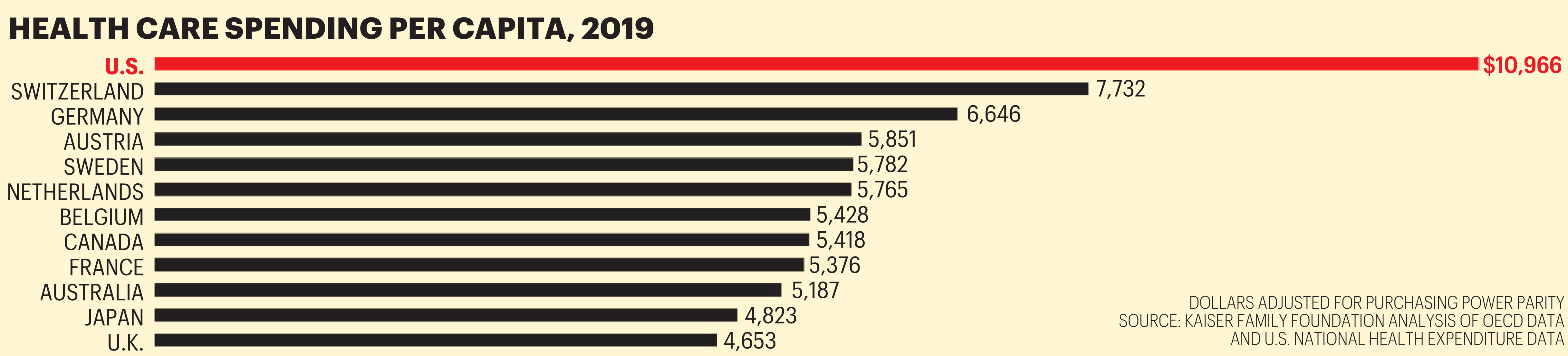
But while other wealthy countries are less obese than the U.S., most of them smoke more and drink more, often a lot more, while spending much less on health care and achieving better outcomes on the whole. So yes, there's a problem. Who's to blame?

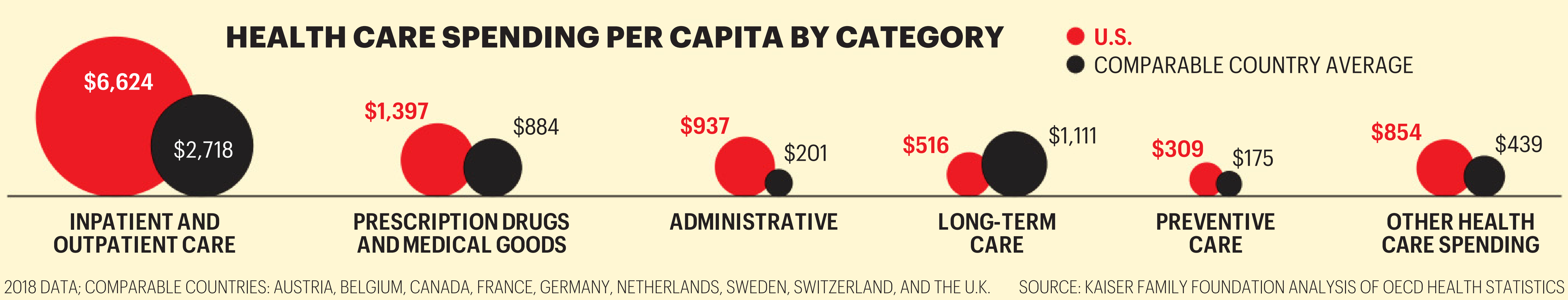
If we frame the question as hospitals vs. pharma, we find first that the U.S. spent about $11,000 per capita on health care in 2019, almost twice as much as the 11 comparable countries. Hospitals are by far the largest cost in the U.S. and the others. Prescription drugs are the second-largest cost in the U.S. but only third in the comparable countries, where long-term care is the No. 2 cost.

So it appears that hospitals-vs.-pharma is the right framing of the U.S. cost problem. The verdict of KFF analyst Cynthia Cox: While hospital care is 33% of total U.S. health spending, "retail prescription drugs are only about 10% of our health spending, so even if we slice those drug costs in half, it still wouldn't bring down our total costs nearly as much as if we did something about hospital costs, which are the bulk of the difference between U.S. spending and other countries' spending."

It may seem unfair to blame hospitals. By the nature of modern health care they're the largest cost across countries, so even a small percentage increase can easily outweigh a larger percentage increase in any other component of the system. But a closer look shows that the percentage increases in U.S. hospital costs aren't small. While congressional committees and the media focus heavily on rising drug costs, CMS reports that hospital spending grew at faster rates than drug spending in four of the six years through 2018 (the most recent







year for which it has data) and is expected to keep growing at faster rates in five of the six following years.

Or think of it this way. CMS expects hospital costs to grow not just faster than drug costs, but also faster than overall health expenditures in five of those six following years. It expects drug costs to grow faster in only two of those years. Hospitals look like the locomotive that's pulling health care costs up.

But wait, hospitals have identified a culprit for their rising costs: It's pharmaceutical companies! Asked if hospitals are unfairly blamed for increases in overall health care costs, the AHA's Molly Smith replies, "I think that's probably a fair way of stating it." She says hospitals' drug costs "have been rising exponentially" and "when a hospital purchases a drug to use in patient care, that cost gets reported nationally as a hospital cost. It's not reported as spending on drugs."

She's right. The government's National Health Expenditure numbers break out only retail prescription drug costs; drugs sold to hospitals are bundled in with total hospital costs. But the AHA has never reported how much U.S. hospitals actually spend on drugs, and that data cannot be found anywhere in publicly available government statistics. "It's a big black box," says KFF's Cox. "We put out this analysis, and shortly thereafter I heard from a consultant for the hospital industry who was making exactly this point—'Prescription drugs are driving up our costs.' I said, 'Well, if you're able to share any data with us that accounts for the discounts you get on prescription drugs and any markups you make, we'll gladly account for that in our analysis.' I didn't hear back."

THE WARRING industry-funded studies and talking points are endless, but for anyone interested in actually solving the cost problem, bashing any one group doesn't get us very far. The U.S. health care system is incomprehensible to the casual observer. Voters tend to view issues at a high level and like to think in terms of heroes and villains, so that's how lobbyists characterize the players.

Down on the ground where business gets done, there are indeed heroes, like vaccine scientists and frontline hospital workers. And there are a few villains, too, like notorious pharma price-hiker Martin Shkreli (now in federal prison). But mostly there are just businesspeople responding rationally to the incentives they face.

That's where we need to look. If we want to understand the roles of hospitals and pharma companies in this mess, and what potential new laws and regulations might mean for them, it's necessary to examine how the system really works for its two biggest players—and thus for everyone else.

When experts begin explaining America's world-record health care costs to the uninitiated, a phrase that recurs quite often is "perverse incentives."

Let's start with a typical (though not universal) type of transaction between a pharma company and a hospital—the kind that sparked PhRMA's complaint about hospitals jacking up prices and the AHA's complaint about rising drug costs. First, a drug manufacturer sells a drug to a wholesaler for what is known as the list price. This might be a chemotherapy drug or some other medication administered in a hospital outpatient department. Unlike wholesalers in other industries, the drug wholesaler may then sell the drug to a hospital for a price that's lower than the list price. This price was negotiated with the manufacturer by a group purchasing organization (GPO), which represents several hospitals and other purchasers. The manufacturer then reimburses the wholesaler for the loss it took on the drug, plus a small fee. The manufacturer also pays the GPO a fee, maybe 3% of the negotiated price.

76%

▲ **PORTION OF AMERICANS WHO THINK THEY'RE PAYING TOO MUCH FOR THE HEALTH CARE** THEY RECEIVE BASED ON ITS QUALITY, ACCORDING TO A GALLUP POLL

These payments begin to chip away at the healthy profit margin built into the drugmaker's list price—and there are more to come.

The hospital then administers the drug to a patient and bills the patient's insurer at a pre-negotiated rate for the procedure. Depending on the plan, the insurer might pay the hospital for part of the cost, say 80%, and the patient might pay coinsurance of 20%. Finally, and significantly, the manufacturer pays the insurer a rebate on the cost of the drug used in the procedure, which may be substantial, perhaps 20% of the list price or in some cases more. Unlike most rebates, this one isn't paid to the consumer.

Feel free to take a break and apply cold compresses to your forehead.

At the end of this tortured process, the hospital may indeed get more money than the drug company gets, as PhRMA claims, though PhRMA glosses over the fact that the hospital provides a facility, equipment, and personnel to administer the drug. In its counterblast, the AHA doesn't dispute PhRMA's numbers but notes that they apply only to patients with commercial insurance, not those with Medicare or Medicaid, on whom hospitals typically lose money.

Here's the larger question: *Why is the drug distribution system so insanely complex?* The answer, once again, is incentives. In the retail distribution system, which is even more complex than the example above, drugmakers pay substantial rebates to pharmacy benefit managers (such as Caremark, Express Scripts, and OptumRx), who pass the rebates (minus a fee) to the insurers who eventually pay for the drugs. In return, the insurers put the drugs in their formularies' most affordable tiers—incentivizing patients to prefer those drugs.

But wouldn't it be simpler for the drugmaker just to discount the price to the insurer rather than going through the charade of setting a high list price and then paying a rebate? Maybe, but it doesn't happen because other parts of the system are wired to the list price. At the retail pharmacy, patients with high-deductible insurance plans—a fast-growing number of people—pay list price for drugs until the deductible has been met. The fees collected by pharmacy benefit managers and group purchasing organizations are often based on the amount of the rebate they negotiate.

Thus drugmakers are incentivized to set ever higher list prices and then offer ever larger rebates, which is exactly what they've been doing in recent years. "A lot of observers think there is no reward for any pharmaceutical manufacturer coming in at a lower price than their competitor," says Jay Want, president of the Peterson Center on Healthcare, a think tank and research organization. "The win is when you come in at a higher price and then give a bigger rebate in order to be able to buy market share in that particular class." Researchers Stacie B. Dusetzina of Vanderbilt University and Peter B. Bach of Memorial Sloan Kettering Cancer Center conclude: "The current rebate system

Dr. Christine Choi, a second-year resident at Harbor-UCLA Medical Center in Los Angeles, tending to a COVID-19 patient in January.

AL SEIB—LOS ANGELES TIMES VIA GETTY IMAGES

contains perverse incentives within the supply chain and increases costs for patients and taxpayers." Should we blame the drugmakers for that, or blame the incentives that guide them?

That's Drug Pricing 101, but special situations sometimes demand Ph.D.-level expertise. In 2018 the makers of three hepatitis C drugs reversed the usual strategy; they stopped offering rebates and instead discounted list prices by 60% or more, which is almost unheard of. An abnormally large proportion of the prescriptions for those drugs are eligible for government discounts, which altered the incentives. An analysis of the mind-addling math by researchers at the Pew Charitable Trusts found that the drugmakers' unusual strategy increased their revenues by $182 million and reduced revenues by the same amount at health care organizations serving vulnerable populations. Again, do we blame the pharma companies or the incentives they face?

SUCH PERVERSE incentives are everywhere in the system, often invisible to patients. David Whitrap, a vice president at the Institute for Clinical and Economic Review (ICER), points to autoimmune drugs such as AbbVie's Humira, Amgen's Enbrel, and Johnson & Johnson's Remicade. They cover a wide range of inflammatory conditions—rheumatoid arthritis, plaque psoriasis, Crohn's disease, colitis, and others. Because they're so broadly indicated, he says, the maker of one of these drugs can "sit down in a negotiation with a health insurer and offer a rebate for their drug across this entire class, and it's a meaty rebate. It could be 50% of the list price." In return, the insurer will put the drug in the top tier of the formulary, where it's most attractive to patients. But it may be that another drug is more effective or affordable for a specific condition, say, Crohn's disease. Because that drug is so narrowly targeted, it can't get "that preferred formulary treatment," Whitrap says. "We're creating a situation where pa-

> **"WE'RE CREATING A SITUATION WHERE PATIENTS CAN'T GET ACCESS TO THE BETTER OR MORE AFFORDABLE DRUG BECAUSE THERE'S SOME REBATE HAPPENING BEHIND THE SCENES."**
>
> **DAVID WHITRAP,**
> VP AT THE INSTITUTE FOR CLINICAL AND ECONOMIC REVIEW

tients can't get access to the better or more affordable drug because there's some rebate happening behind the scenes that's really driven by the market for rheumatoid arthritis, which is a much broader indication. It's not good for the health system."

All of which leads to a deeper question for pharmaceutical companies, hospitals, and the whole health care sector: How much is any treatment or device worth? In most other industries we let the market decide such matters, but "this is a case where the market is not going to answer the question for us," says Want of the Peterson Center on Healthcare. That's because health care deals uniquely in wellness, sickness, life, and death. Even in a largely market-based system like ours, we can't avoid excruciating questions of what we'll pay for and what we won't. (See box, "Putting a Price on a Miracle Drug.")

Carefully considering whether prices line up with benefits can help us evaluate not just drugs but all elements of health care, including the costliest. Organ transplants typically cost over $1 million, for example. A month in a top hospital's intensive care unit can cost millions. Are they worth it? In judging prices, we must consider what we get and also what we give up—what we could have bought instead. It's what economists call opportunity cost. Researchers from Pennsylvania State University and the U.K.'s University of York have calculated a health care opportunity cost, in dollars, for the U.S.

It's based on the concept of the quality-adjusted life year (QALY), which ICER also uses to evaluate if medications are worth their cost. Figure out how many years a treatment will extend life; multiply by a factor between 0 and 1, with 1 representing perfect health during those years and 0 representing death. Compare the result with the treatment's price and you get the treatment's cost-per-QALY. Health care economists call that number the incremental cost-effectiveness ratio (the acronym, not coincidentally, is ICER). Do a bit more math and you find a threshold—any treatment above that cost-per-QALY has too high an opportunity cost, and the money should be spent on other, more cost-effective treatments. The cost-per-QALY threshold in the U.S., the researchers find, is between $100,000 and $150,000.

Is it barbaric to put a price on life? Or is it unavoidable? Under the terms of the Affordable Care Act it's illegal for Medicare to use cost-per-QALY, but the Veterans Administration uses it in determining drug coverage and negotiating prices based on a threshold of $100,000 to $150,000 per QALY. Caremark has used it to decide which drugs get into its formulary, and the New York State Drug Utilization Review Board used it to evaluate a cystic fibrosis treatment. Other countries use it routinely and tend to be stingier than the U.S. In the U.K., for example, the National Institute for Health and Care Excellence recommends that treatments with a cost-per-QALY above £20,000 to £30,000 ($28,000 to $41,000) not be covered by the National Health Service in England and Wales.

Most nations are forced into these math acrobatics because the usual method of determining price and value, the market, is largely out of the picture. Even in the U.S., a majority of people are almost entirely separated from the market mechanism. Most don't buy their own insurance; they get it from their employer or the federal government. Out-of-pocket spending is only 13% of total health care expenditures; with someone else paying 87% of the bill, most people have little incentive to shop carefully. Economically, the real consumer, the patient, is a bit player in this drama.

That trend isn't about to reverse, which raises the momentous issue of whether the U.S. is headed toward some kind of universal coverage system, with significant steps in that direction potentially during the Biden administration. "I do think we are drifting more and more toward a government-run health system," says Alan Scarrow, the neurosurgeon and former hospital exec. Jay Want of the Peterson Center agrees. "I think we're headed to some form of universal coverage," he says. "I think that's consistent with our values as a nation. I tend to believe that it's likely to still involve insurance for multiple different venues, not a single kind of delivery system."

Benjamin Isgur, chief of PwC's Health Research Institute, doesn't buy it. "We've found our happy medium," he says. "We have this very unique system, this intertwining of the public and the private, and it doesn't always work out well. But for the American psyche, it satisfies everyone and dissatisfies everyone equally. And that's why I think it'll stay."

As the debate continues, it's worth remembering that Big Pharma and Big Hospitals are at each other's throats because something's wrong. Fixing it is the great challenge. It's a lot harder than placing blame. ■

"I THINK WE'RE HEADED TO SOME FORM OF UNIVERSAL COVERAGE. I THINK THAT'S CONSISTENT WITH OUR VALUES AS A NATION."

JAY WANT,
PRESIDENT OF THE PETERSON CENTER ON HEALTHCARE


MCILROY
JOHNSON
RAHM
DON'T MISS A MOMENT
EARLY ROUND COVERAGE
PLAYER ROUND RECAPS
INTEGRATED LIVE SCORING
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FORTUNE 100 BEST COMPANIES TO WORK FOR 2021

AND THEY'VE GOT **131,565** JOBS OPEN NOW!

Prolonged shutdowns. Workforces that felt isolated and overwhelmed. You name it, COVID brought it. Still, these companies managed not just to muddle through, but to become role models. The takeaway seems clear: Businesses that treat employees well during the toughest of times will attract talent, even when the war for talent heats up. Here, the 100 hottest workplaces—and how they stay that way.

ILLUSTRATIONS BY **SAM PEET**

THE WORST OF TIMES. THE BEST IN BUSINESS

By Emma Hinchliffe

"IT CAN BE EASY TO BE A GREAT COMPANY when times are perfect," one employee wrote this year. "But they have shown they are a great company when times are more uncertain." No business was immune to the ravages of COVID-19, but those noted here were *real* about the challenges. They adjusted. They took care of their workers. This year more than ever, our list highlights the companies that put people over profits—and are poised to thrive again because of it.

Caring about the caregivers

THE BURDENS When school closes but work doesn't, who has to leave their career behind?

Some companies—like **Target,** No. 14 on this list—took steps to prevent their workers from joining the 5 million women who lost jobs over the past year. The $94 billion retailer introduced an unlimited backup care benefit, providing company-paid in-home or day-care coverage and even tutoring help for virtual school when employees' families needed it most. "Our team is super thankful for it," says Amal Mohamud, an executive team leader overseeing human resources for about 200 employees at a Minnesota Target location.

At No. 1 **Cisco,** meanwhile, employees began to take advantage of a digital care coordination platform called Wellthy; a dedicated care coordinator helped workers manage the logistics—finances, legal needs, housing, and even mental health—of everything from supporting elderly parents to caring for a child with special needs. During a year when care responsibilities skyrocketed—and those responsibilities largely landed on women's shoulders—employees appreciated the extra support. "I've been through something similar with my parents, and I sure could have used this benefit," reflects Ted Kezios, Cisco's global benefits leader.

Making WFH really work

A YEAR-PLUS into full-time work from home for many deskbound workers, the novelty is long gone. Some businesses, though, took

BY THE NUMBERS

$10
AMOUNT CAPITAL ONE BOOSTED HOURLY PAY FOR SOME FRONTLINE EMPLOYEES DURING THE PANDEMIC

0
NUMBER OF LAYOFFS AMERICAN EXPRESS VOWED TO INITIATE DURING THE PANDEMIC

20%
AMOUNT TARGET'S REVENUE ROSE IN 2020

BY THE NUMBERS

24
YEARS IN A ROW CISCO HAS BEEN NAMED A BEST COMPANY

6
NUMBER OF WEEKS SALESFORCE GAVE PARENTS IN EXTRA PAID TIME OFF

33%
INCREASE IN ROCKET COMPANIES' STOCK PRICE SINCE IPO. ALL 24,000 EMPLOYEES GOT SHARES

action to prevent the line between work and home life from blurring beyond repair—and to support employees' physical well-being.

In the first months of the pandemic, **Rocket Companies,** the parent of Rocket Mortgage, noticed its employees had stopped taking their paid time off. Executives understood why: With nowhere to go, who wanted to waste their precious vacation days stuck at home? But they worried that without a break, employees would burn out. "We needed to tell people it was okay to step away and take time for self-care," says Mike Malloy, whose title at Rocket is "chief amazement officer." Rocket came up with an innovative solution: assign everyone a day off that wouldn't count against their PTO accrual. With days off allocated by birth month, employees were able to take a break. Terrell Yelder, a South Carolina team leader for facilities with the professional services business Rock Central, by a stroke of luck witnessed his daughter's first steps on his February-birthday-assigned day off. "Seeing that with my own eyes, I just felt so much better," he recalls. Rocket's day-off initiative was part of a broader "Rest and Relaxation" program, also encouraging breaks throughout the day all year long.

Companies found other kinds of flexibility this year—like **Zillow,** which embraced remote work and broadened its workforce even farther beyond the Pacific Northwest. The real estate platform started the year with employees in 26 states and ended it with workers in all 50. To make sure its staff across U.S. time zones weren't burdened by Zoom sessions from early morning Eastern through evening Pacific time, the company introduced "core collaborative hours," limiting internal group meetings to a four-hour block of the day. "It recognizes that we all have such different schedules and life outside of work," says Meghan Reibstein, Zillow's VP of organizational operations.

Protecting employees

THE STRESS of worrying about losing one's job seeped into every corner of the economy during the pandemic. But companies on our list tended to do an impressive job communicating about risk and insulating their troops. Though **Kimpton** had to shutter its locations when the pandemic hit, the company moved quickly to help furloughed Kimptonites find temporary jobs at companies that were scaling up, such as Amazon and grocery chains. (In many cases, the applicants didn't have to interview but got hired on recommendations alone.) At **CarMax**—where 99% of furloughed employees have since been brought back—one employee wrote that they "appreciated that executives took a pay cut and that the board of trustees did not receive any compensation."

With additional reporting by Danielle Abril, Lydia Belanger, Lee Clifford, Scott DeCarlo, Katherine Dunn, Robert Hackett, Matt Heimer, Emma Hinchliffe, Andrew Marquardt, Rey Mashayekhi, McKenna Moore, David Z. Morris, Sy Mukherjee, Aaron Pressman, Lucinda Shen, Anne Sraders & Phil Wahba

Helping Teams Thrive in Challenging Times

When COVID-19 hit, **Northwell Health** was prepared to care for the community—and its team members.

IN THE SPRING OF 2020, NORTHWELL HEALTH was at the epicenter of the COVID-19 outbreak. How did New York's largest health care provider treat one in five of the state's COVID-19 patients without sacrificing the welfare of its staff? By preparing infrastructure ahead of time—and listening to employees.

Though New York saw its first COVID-positive case on March 1, Northwell began planning its emergency response three months earlier. Supply chain disruptions created opportunities to innovate. When there was a shortage of swabs for testing, Northwell printed its own 3D swabs. In order to protect their 75,000 employees and their families, Northwell also launched COVID-19 testing sites, stood up antibody testing sites, designed a real-time tool to monitor and mitigate infections among staff, and set up a website for employees to access critical information that was changing by the day.

IN PARTNERSHIP WITH ITS COMMUNITIES, NORTHWELL HEALTH ORGANIZED "CLAP-OUTS" TO RECOGNIZE AND SUPPORT EMPLOYEES DURING THE PANDEMIC.

"You need three things to care for patients in this crisis: beds, equipment, and staff, and by far, staff is the most important," says Mark Solazzo, EVP and chief operating officer at Northwell.

Northwell established multiple programs, services, and benefits to maintain staff well-being during an unprecedented time. This was possible because the company maintained open lines of communication with employees before and during the pandemic. Last year, employee feedback demonstrated a broad array of needs, including housing, safety for their families, transportation, and even finances.

"We anticipated, but also listened to, our team members' expressed needs to inform our programs and services. No matter the need, we had to make it happen," says Maxine Carrington, SVP and chief human resources officer.

"At many of our facilities, our people were treating their fellow coworkers, which takes such an emotional toll," says Joe Moscola, EVP, enterprise management. "We wanted to support our team members at every turn." So Northwell set up tranquility centers, spaces where employees could go to recharge or access on-site behavioral health and emotional support. The company also increased rounds by hospital chaplains, resulting in more than 50,000 touch points for spiritual care.

Though COVID-19 remains a challenge, Northwell is up to it. "I have never seen strength like this in my life," says nurse Colleen Conaty. "Working alongside this team has been the privilege and honor of a lifetime." ■

Wegmans, the 105-year-old New York–based grocery chain, rose to the top of the pack when it came to protecting and supporting essential workers. The company rolled out paid COVID sick and quarantine leave as well as job-protected unpaid leave for those who felt unsafe. In its century-long history, Wegmans has never conducted a layoff. So as some functions (cafés, for example) shut down, it retrained workers for new tasks. "They're baking bread, they're cutting seafood, they're doing Instacart—or they're on the front end because they love hospitality," says Bob Farr, SVP of store operations. "We've immensely enjoyed watching people take on new assignments and grow their careers in different directions."

Christina Griffin started at Wegmans as a part-time worker at 15 years old; today, the 27-year-old is a divisional recruiter in the Rochester area. For three months, she stopped her recruiting efforts to work as a "runner" for curbside pickup, getting the unprecedented number of online orders into cars. For a single mother of a 3-year-old who has cerebral palsy, it was a lot to ask. But Griffin says she trusted Wegmans. "When I made the decision to go into the stores," she says, "I did it because I'm with a company whose priorities are its people."

1 CISCO*

EMPLOYEES ....36,374 JOB OPENINGS......................3,753

WHEN THE WORLD started shutting down, Cisco ramped up. The company that makes much of the gear powering the Internet delayed already announced layoffs and extended pay and benefits for affected workers. Cisco continued to pay hourly employees even when office shutdowns kept them from coming to work. To CEO Chuck Robbins, taking a stand on social issues is now part of leadership: "I don't think any of us have the option to be quiet anymore," he said recently. Focusing on employee well-being, Cisco enhanced communications, expanded benefits and access to mental health services, and provided multiple "Days for Me" for employees to recharge. Long known for its community engagement, Cisco created a website to help remote students and donated videoconferencing gear to local telemedicine providers. "The attention that the executive team pays to the health and welfare of the surrounding community is extraordinary," one employee said.

Great Place To Work®

METHODOLOGY *Fortune* partners each year with people analytics firm Great Place to Work to determine the *Fortune* 100 Best Companies to Work For list. For the complete methodology go to *fortune.com/franchise-list-page/best-companies-2021-methodology.*

CONTRIBUTORS from Great Place to Work include CEO Michael C. Bush, Sarah Lewis-Kulin, Travis Minetti, Kim Peters, Otto Zell, and Nancy Cesena.

2 SALESFORCE

EMPLOYEES................32,000
JOB OPENINGS.............8,934

Six weeks of extra PTO for parents, $500 per month child-care and education reimbursements, and the now permanent option to WFH are just a few of the standout ways Salesforce went above and beyond for its employees this year.

3 HILTON

EMPLOYEES 50,147
JOB OPENINGS............ 1,263

Though Hilton underwent furloughs and layoffs at corporate headquarters, the company treated staff with "dignity and compassion" by connecting them to short-term jobs and extending some benefits that would normally have expired.

4 WEGMANS FOOD MARKETS ★

EMPLOYEES 52,530
JOB OPENINGS............ 2,000

Wegmans' "essential" employees became heroes to many overnight in 2020 as Americans realized the physical and emotional toll of keeping the country fed during the pandemic. Its 105 stores gained 3,500 employees over the past year; about 40% of the workforce is full-time. Wegmans offered job-protected unpaid leave to anyone who was worried about working in person, a godsend to those who were caring for older parents or anyone immunocompromised. "Thank you for doing your best to keep us safe," raved one employee.

5 ROCKET COMPANIES

EMPLOYEES 24,000
JOB OPENINGS............ 3,500

The Detroit-based parent company of Rocket Mortgage went public last August, while a surge in pandemic-driven demand for home mortgages more than tripled the company's net revenue, to $15.7 billion. All 24,000 Rocket employees received shares; as of late March, the stock was trading 33% above the IPO price.

6 UKG

EMPLOYEES 9,705
JOB OPENINGS................ 427

An early 2020 merger combined Ultimate Software and Kronos into a unified provider of HR and workplace management solutions. UKG expanded benefits coverage beyond what either company had previously offered. "They have made it clear that taking care of our families first is the No. 1 priority," says one employee.

7 TEXAS HEALTH RESOURCES

EMPLOYEES 24,157
JOB OPENINGS................656

This faith-based health systems company jumps eight spots on our list, powered by its commitment to help keep the community safe during the pandemic. This year, that included vaccinating Fort Worth's teachers in an effort to help reopen schools and donating more than $60 million to philanthropic and nonprofit efforts as well.

8 CAMDEN PROPERTY TRUST

EMPLOYEES.................. 1,698
JOB OPENINGS..................59

Camden kept its spot in our top 10 by rewarding employees for their stressful, high-risk work managing properties during the pandemic. That included $3 million in bonuses to frontline employees and relief grants to financially struggling workers.

9 CAPITAL ONE FINANCIAL

EMPLOYEES 44,550
JOB OPENINGS............. 1,014

Temporary wage boosts (an extra $10 an hour for branch and Capital One Café employees; $5 for call center employees) and guaranteed wages even for some employees who couldn't work remotely helped the credit card provider jump 15 spots.

10 AMERICAN EXPRESS ★

EMPLOYEES 22,700
JOB OPENINGS.............. N.A.

A March 2020 "no layoffs" pledge and guaranteed full pay, without having to take PTO, for those who couldn't work because they or a household member had the virus, drew applause, as has CEO Steve Squeri's commitment to 100% pay equity.

BEST BIG COMPANIES TO WORK FOR

As a company grows, so too do its challenges. Communicating is harder. So is ensuring every corner of your company is living up to the standards you set. And culture? What worked with five employees is far harder to replicate at 50K. That's why every year we celebrate the Best Big Companies to Work For. These honorees haven't just created a great place to work, they've cemented their status as giants in their fields.

01 HILTON
02 TARGET
03 MARRIOTT INTERNATIONAL
04 COMCAST
05 BANK OF AMERICA
06 SAP AMERICA
07 DELOITTE
08 PRICEWATERHOUSE COOPERS
09 KPMG
10 EY
11 PUBLIX SUPER MARKETS
12 ACCENTURE
13 DHL EXPRESS U.S.
14 IBM
15 ABBOTT LABORATORIES
16 SANOFI
17 TATA CONSULTANCY SERVICES
18 INFOSYS USA
19 TELEPERFORMANCE USA

WANT MORE OF THE BEST? Find full company profiles on every 100 Best winner at *fortune.com*.

★ EACH RED STAR DENOTES AN ALL-STAR COMPANY: ON THE BEST COMPANIES LIST FOR 20 YEARS OR MORE.
NOTES: NUMBERS ON THIS LIST ARE U.S.-ONLY UNLESS OTHERWISE INDICATED. N.A.: NOT AVAILABLE.

Lifelong Learning Is Key to Success for Infosys

The global IT company invests in its workforce by instilling a focus on shared growth and progress into the digital future.

INFOSYS EMPLOYEES UTILIZE THE COMPANY'S COLLABORATIVE OFFICE SPACE TO BLUEPRINT NEW PROJECTS AND LEARN FROM ONE ANOTHER.

ASK INFOSYS PRESIDENT RAVI KUMAR TO EXPLAIN why more than 240,000 people enjoy working at his global IT consulting firm and he will sum up the answer in one word: learning.

Ever since the company's founding in 1981, lifelong learning has been a core part of its culture. It's an organizational conviction that Kumar says truly differentiates the business: "If we can learn anything, we can be anything."

Infosys, which was named to *Fortune*'s 2021 Best Big Companies to Work For list, invests in training to help create a diverse workforce capable of contributing new ideas to the business.

"We hire talent from diverse backgrounds, including non-STEM, and welcome people with an aptitude for our work, even if they do not have college degrees," says Kumar. "Our people get role models along with the tools, support, and opportunities they need to propel their careers."

Instilling Empathy

Naturally, the past year has been tough on the company's global workforce. Many are working remotely and dealing with pandemic-related challenges, including homeschooling, distance from family, and health worries. To help its staff, Infosys trained managers to identify burnout and communicate openly about how people are feeling.

The company also prioritized well-being through several employee-first programs, including counseling, sessions on mindfulness, and work-life and stress management support. "Empathy is what has us still striving and thriving," says Kumar. "Our managers are counseled to be sensitive to the situations of individuals and watch out for signs of stress. Frequent check-ins are the norm—not just to track work status, but for well-being too. And I lead virtual chats with employees in the region to get a firsthand feel for what's working and what's not."

Staying Engaged

Through it all, learning has remained a priority to help staff stay engaged and tackle new challenges. The company's Power Programmers initiative, for instance, allows employees to master niche technologies. And Lex, the Infosys online learning platform, curates individual learning paths and certifications for employees, making their learning journeys much smoother.

"At Infosys, ideas are currency and colleagues are friends," says Kumar. Across the organization, he encourages a mindset that backs the best ideas, regardless of their source. In turn, this promotes pride in work and continual learning—core components of the company's DNA. Says Kumar: "We learn and grow into the roles we aspire to when we are in a supportive and inclusive environment." ■

RANK	COMPANY NAME	# EMPLOYEES	# OPENINGS	
11	INTUIT ★	11,481	2,502	The global financial platform company is celebrating its 20th year on our list.
12	NVIDIA	9,182	842	This top maker of graphics cards for playing video games jumps up 15 places from last year.
13	DAVID WEEKLEY HOMES	1,556	107	The homebuilder gave generous leave to those who were uncomfortable working on-site.
14	TARGET	409,000	8,634	Target was one of the pandemic's big retail winners, with 2020 revenue rising 20%.
15	MARRIOTT INTERNATIONAL ★	83,447	4,300	"I never once felt I was alone" was one remarkable sentiment from a furloughed employee.
16	HYATT HOTELS	27,350	1,141	The CEO, executive chairman, and board members collected no salary for the majority of 2020.
17	KIMPTON HOTELS & RESTAURANTS	3,204	380	"Kimpton truly goes to bat for its employees," wrote one worker at this upscale hotel chain.
18	ADOBE ★	12,300	1,365	A series of virtual "coffee breaks" aimed to build inclusion and empathy among employees.
19	NORTHWELL HEALTH	76,000	2,600	Northwell was aggressive in its efforts to procure and provide PPE to its growing workforce.
20	EDWARD JONES ★	47,551	910	After a COVID wage freeze, the brokerage paid employees for missed back pay.
21	COMCAST	123,000	2,063	The telecom giant was the rare company that saw a surge in demand during shutdowns.
22	BANK OF AMERICA	174,184	5,491	BofA realized a pledge to raise its U.S. minimum hourly wage to $20—a year ahead of schedule.
23	PERKINS COIE	2,510	70	This Seattle law firm took just 10 days to make the transition to remote work.
24	NUGGET MARKET	2,150	60	While some chains ended the $2-per-hour "hero's pay" increase in summer, Nugget maintained it.
25	NATIONWIDE	26,000	773	"Leader communications" soared 500% during COVID to help employees feel connected.
26	PINNACLE FINANCIAL PARTNERS	2,676	258	$4.4 billion in payment deferrals to employees and customers helped during a tough year.
27	RED HAT	7,044	1,014	Stipends to pay for ergonomic furniture and computer hardware were greatly appreciated.
28	SOUTHERN OHIO MEDICAL CENTER	3,238	120	This community-focused medical center has been a 14-year mainstay on our list.
29	SAP AMERICA	22,240	367	The U.S. branch of the European business software giant jumped almost 30 places this year.
30	KIMLEY-HORN AND ASSOCIATES	4,605	416	They are a "great company when times are more uncertain," says one fan of this firm.
31	EXPERIAN	5,500	119	The data reporting and credit bureau returns to our list for the second consecutive year.
32	BAIRD	4,301	149	"We were able to quickly move to a WFH atmosphere with a ton of support," says one employee.
33	VETERANS UNITED HOME LOANS	4,576	558	A virtual tutoring program for kids was a big perk for those struggling with online learning.
34	DELOITTE ★	69,494	4,000	A task force of epidemiologists and psychiatrists was formed to help support employees.
35	THE CHEESECAKE FACTORY	42,500	5,150	As sales fell 20%, the company helped furloughed workers find jobs at spots like Wegmans.
36	CARMAX	25,000	1,425	"I appreciated that executives took a pay cut," said one employee here.
37	SYNCHRONY FINANCIAL	16,500	160	Execs have done "a superb job of navigating a dynamic environment," raved an employee.
38	PRICEWATERHOUSECOOPERS	50,000	N.A.	Though it was a hard year, PwC remained committed to paying out performance bonuses.
39	KPMG	33,000	2,676	"Accelerate 2025" will help KPMG build a leadership pipeline for underrepresented groups.
40	PROGRESSIVE	44,294	615	A modified bonus schedule paid out quarterly to help families whose finances were tight.
41	EY ★	51,932	3,000+	This professional services firm went the extra mile to help interns and entry-level employees.
42	PUBLIX SUPER MARKETS ★	227,000	3,842	Publix offered mental-health therapy, and, if workers fell ill, paid for coronavirus treatment.
43	HORIZON THERAPEUTICS	1,530	103	CEO Tim Walbert, who is immunocompromised, invited employees to email him personally.
44	ACCENTURE	57,000	2,000+	At Accenture, the pandemic brought expansions in benefits for caregivers.
45	BAPTIST HEALTH SOUTH FLORIDA ★	23,494	1,927	Baptist Health gave $380 million in total charity care and community benefits in 2020.
46	ATLASSIAN	2,000	154	The IT company transitioned its nearly 5,000 global employees to work from home within days.
47	ZILLOW GROUP	5,801	545	Flexibility rules at this real estate pioneer, which now has remote workers in 50 states.
48	FAST ENTERPRISES	1,470	N.A.	Fast offered unlimited leave for whichever was higher—half one's salary or $55,000 a year.
49	OHIOHEALTH	28,662	1,474	Even as finances were tight, OhioHealth refused to furlough or lay off associates.
50	REGENERON	9,100	600	Regeneron's anti-coronavirus cocktail REGEN-COV was provisionally approved in 2020.
51	T-MOBILE US	75,000	5,600	Fresh off a $26 billion merger with Sprint, T-Mobile transitioned much of its workforce to WFH.
52	ALLIANZ LIFE INS. CO. OF NORTH AMERICA	2,062	75	"Loyal employee for life," proclaimed one fan of how the insurer took care of its own.
53	AMERICAN FIDELITY ASSURANCE	1,964	110	An Easter egg hunt, Halloween costume contest, and a lip-synch battle helped fight isolation.
54	SPLUNK	4,780	605	Splunk builds products for analyzing big data in the cloud; a focus on diversity is paying off.
55	BAIN & CO.	4,107	225	"When Bain says it's a people-first company, it means it," wrote one employee here.

★ EACH RED STAR DENOTES AN ALL-STAR COMPANY: ON THE BEST COMPANIES LIST FOR 20 YEARS OR MORE.
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RANK	COMPANY NAME	# EMPLOYEES	# OPENINGS	
56	GENENTECH ★	13,380	997	This biotech standout is appearing on our list for the 23rd consecutive year.
57	DHL EXPRESS U.S.	8,000	170	DHL granted up to 10 days of supplemental pay to those taking time off related to COVID.
58	ABBVIE	24,131	1,580	AbbVie gave special bonus payments to employees who were required to work on-site.
59	NAVY FEDERAL CREDIT UNION	18,668	2,007	NFCU understands: "Take care of your workers, and they'll take care of your customers."
60	CITRIX SYSTEMS	4,160	442	Guaranteeing pay for all employees and contractors through 2020 helped ease anxiety.
61	WORKIVA	1,447	113	After the pandemic hit, the exec team sent a check-in email to employees every week of 2020.
62	RSM US	13,000+	1,494	The nation's leading provider of audit, tax, and consulting services is a newcomer to the list.
63	ORRICK	1,690	38	A new fellowship allows six lawyers to focus on racial, social, and economic justice for a year.
64	BRIGHT HORIZONS FAMILY SOLUTIONS ★	16,776	1,401	To help essential workers, Bright Horizons opened eight new centers with First Responders First.
65	CADENCE	3,128	218	This software company added nine new paid holidays during the pandemic.
66	RYAN	1,890	89	This global tax provider hired over 100 employees in the first three quarters of 2020.
67	ATLANTIC HEALTH SYSTEM	17,451	525	The company was on the front lines, creating 37 designated COVID units to treat patients.
68	BAYCARE HEALTH SYSTEM	27,841	2,900	BayCare temporarily waived behavioral health co-pays to encourage workers to seek help.
69	BURLINGTON STORES	56,000	2,415	As stores reopened, Burlington unfurloughed workers and restored pay to pre-COVID levels.
70	POWER HOME REMODELING GROUP	2,475	110	Management's handling of the pandemic "shows what a great place to work this is."
71	ANTHEM	66,974	4,428	A list newcomer, this health care insurer paid for employees' COVID tests and treatment.
72	IBM	N.A.	3,566	Rigorous safety measures meant zero known cases of COVID-19 transmission in the workplace.
73	WORLD WIDE TECHNOLOGY	6,553	268	This Internet technology company has been a decade-long staple on the Best Companies list.
74	SLALOM	7,580	2,939	President Tony Rojas early on promised employees that no layoffs would be forthcoming.
75	PULTEGROUP	5,773	446	Executive pay cuts raised $400,000 for a relief fund aiding those who had lost their jobs.
76	SCRIPPS HEALTH	16,719	721	Scripps launched a PPE donation drive and experimented with novel ways to keep workers safe.
77	SERVICENOW	7,500	600	The company pledged $100 million to support Black communities in 10 U.S. metro areas.
78	ROBERT HALF INTERNATIONAL	5,600	275	When hiring tanked, this HR consulting firm's CEO opted out of his 2020 salary.
79	PROTIVITI	3,435	190	The consultancy made sure all employees "felt supported and connected," noted one.
80	L3HARRIS TECHNOLOGIES	42,240	1,817	Daily health screenings, stringent sanitation, and contact tracing helped keep employees safe.
81	CROWDSTRIKE	2,458	194	As security software boomed, CrowdStrike kept employees "healthy and stress-free."
82	HP	11,500	763	Sales took off during the pandemic as millions of Americans upgraded their home offices.
83	SHEETZ	20,716	1,546	This popular chain, founded in 1952, has kept its family feel despite significant growth.
84	FARMERS INSURANCE	18,719	487	"More than I could have ever expected" is how one parent quantifies Farmers' support.
85	MASTERCARD	7,800	400	Outgoing CEO Ajay Banga received plaudits for his commitment to racial and social justice.
86	SAS INSTITUTE ★	6,908	108	SAS provided analytics insights and resources on the pandemic to the public.
87	USAA	36,000	1,500+	When COVID struck, the insurer shifted 98% of its 36,000-strong workforce to remote working.
88	STRYKER	21,427	1,200	Elective procedures took a big hit, but employees appreciated execs who didn't "micromanage."
89	TWILIO	3,500	622	This software company gave each employee $1,500 to help set up workstations at home.
90	WELLSTAR HEALTH SYSTEM	24,195	2,602	This health care giant deployed $2.9 million in childcare support for its workforce.
91	PLANTE MORAN ★	3,335	112	Executives here stepped up with "transparency and bold leadership," says one employee.
92	BRIGHTVIEW SENIOR LIVING	4,630	440	The company issued permanent wage bumps for one-third of its frontline workers.
93	FIRST AMERICAN FINANCIAL	12,812	1,007	The title-insurance seller allowed employees to donate PTO to colleagues facing emergencies.
94	JM FAMILY ENTERPRISES ★	4,240	147	"They went out of their way to make sure we were all taken care of (physically and financially)."
95	HILTI	3,202	87	The company, known for heavy-duty drills and demo-hammers, added a "pandemic leave."
96	NUSTAR ENERGY	1,325	25	During its worst month, NuStar padded employees' pockets by giving out 150% bonuses.
97	ALSTON & BIRD ★	1,530	36	The law firm organized resources for employees to get involved in the fight for racial justice.
98	O.C. TANNER	1,104	50	O.C. Tanner churned out PPE for health care workers, including 47,400 face shields.
99	DOW	16,500	359	After donating 100,000 face shields, Dow made its designs publicly available for download.
100	MERCK	26,900	N.A.	"Save and improve lives" is the mission of this 130-year-old pharma giant and list newcomer.

Building a Receptive and Resilient Culture

At **Atlantic Health System,** ensuring a healthy workplace where team members thrive, even during a pandemic, is paramount.

TOP: NIKKI SUMPTER, SENIOR VICE PRESIDENT AND CHIEF HUMAN RESOURCES OFFICER, AND DENNIS LENNON, VICE PRESIDENT OF HUMAN RESOURCES. **BOTTOM:** AHS HEALTH CARE PROVIDERS SHOW THEIR GRATITUDE FOR THEIR COMMUNITY'S UNWAVERING SUPPORT DURING THE COVID-19 PANDEMIC.

HEALTH CARE PROFESSIONALS ARE AMONG the many heroes who have faced major challenges while battling the COVID-19 crisis on the job. No one understands that better than Atlantic Health System (AHS), which doubled down on caring for its 17,000 caregivers during the pandemic. The New Jersey health care system moved quickly, creating a resiliency committee that implemented built-in layers of support and self-care tools across its 400 sites of care, including its seven award-winning hospitals.

"Now more than ever, we recognize the essential role human connections play in our health and well-being," says Nikki Sumpter, senior vice president and chief human resources officer at AHS. "Our team pulled together in unprecedented ways to support one another and our communities during this immensely challenging time."

AHS takes a holistic approach to the well-being of its team members, encouraging their physical, mental, emotional, social, and financial health. In addition to industry-leading medical, dental, and vision benefits, AHS offers voluntary programs like pet, auto, home, and critical care insurance; retirement savings plans; tuition reimbursements; and generous paid time off. Other supplemental resources include a COVID-19 support hotline, virtual support groups and online sessions with spiritual care leaders, and financial reimbursement for dependent care.

As part of its multifaceted plan for building team member resilience, AHS measures well-being through caregiver surveys and open communication channels, and it frequently solicits feedback from team members through a mobile-friendly workforce communication tool.

"Our team members often say they find true purpose in their work. It inspires me to see their deep sense of pride in caring for our patients and their camaraderie in supporting each other," says Dennis Lennon, vice president of human resources.

AHS's strategy for building an engaging, inclusive workplace has garnered many awards, including *Fortune*'s Best Workplaces in Health Care and Biopharma, Best Workplaces for Women, and Best Workplaces for Diversity. And 2021 marks AHS's 13th consecutive year as one of *Fortune*'s 100 Best Companies to Work For.

"This acknowledgment gives us a special opportunity to express our gratitude to our health care heroes for their incredible work over the past year," says Sumpter. "It also inspires us to find creative new ways to continue to elevate our culture, improving the Atlantic Health experience for our team members, patients, and communities." ■

FIVE STAR PROFESSIONAL 2021 MARKET LEADERS

Recognizing outstanding real estate agents and mortgage professionals

Five Star Professional partners with premier publications across the country to identify real estate agents and mortgage professionals who provide outstanding service to their clients. Using a proprietary research process, we contact thousands of recent homebuyers every year, soliciting feedback via online and phone surveys regarding their experience with their real estate professional. Survey respondents rate their service professional on criteria such as overall satisfaction, market knowledge and whether they would recommend the provider to a friend.

Each year, we name outstanding real estate agents and mortgage professionals across the country, recognizing no more than 7% of all agents in a market. We believe this process results in a list of Five Star award winners who are focused on the needs of their clients and stand out from their competition. Our Market Leaders selection is even more exclusive. See below for a short list of outstanding real estate agents and mortgage professionals in major markets across the country.

Research — How Our Winners Are Chosen

- Five Star Real Estate Agents and Five Star Mortgage Professionals do not pay a fee to be included in the research or the final lists.
- Each professional is screened against state governing bodies to verify that licenses are current and no disciplinary actions are pending.
- The inclusion of a real estate agent or mortgage professional on the final lists should not be construed as an endorsement by Five Star Professional or this publication.
- For more information on our research methodology, go to www.fivestarprofessional.com.

To see the full list of winners, visit www.fivestarprofessional.com.

Atlanta

Mortgage Professional

Sherry S. Waters · Cardinal Financial Company, Limited Partnership · 404-539-0791

Austin, San Antonio and Central Texas

Real Estate Agents

Sandy Cary · Kuper Sotheby's International Realty · 512-589-1002

Vickie Karp · Tribe Realty Austin · 512-775-3737

Gregg Klar · Keller Williams Realty · 512-653-0488

Bill Morris · RE/MAX Capital City · 512-785-3345

Linda Welsh · Linda Welsh Realty Group · 512-657-4033

Linda Zimmerhanzel · Concierge Realty of SA · 210-392-8088

Rising Star Real Estate Agent

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Mortgage Professionals

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Megan Cloud · VIP Independent Mortgage Inc. · 210-381-3707

Ashlynn Kelso · Thrive Mortgage · 512-686-0217

Annie McNiel · Gateway First Bank/Gateway Mortgage Group · 512-913-4105

Tracy Mock · Gateway Mortgage · 210-480-3522

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Charlotte

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Greg Martin · MartinGroup Properties · 704-903-2889

Trena Miller · Carolina Realty LINX · 704-965-3319

Jessica Sinski · Bowman Real Estate, LLC · 980-365-3575

Nicolette O. Wiggam · Coldwell Banker · 704-281-7719

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Randy John Ernst · Guaranteed Rate · 773-290-0307

Tracey Naughton · Guaranteed Rate · 847-338-5537

Anthony Pipitone · RockBottom Mortgage, LLC · 847-305-1164

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Joseph Kelly · William Pitt Sotheby's International Realty · 860-287-1222

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FIVE STAR PROFESSIONAL — 2021 MARKET LEADERS

To see the full list of winners, visit www.fivestarprofessional.com.

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Gene Pica · RE/MAX Alliance · 203-314-7578

Kathleen R. Soares · Coldwell Banker Real Estate · 203-300-1979

Victoria Stillings · Coldwell Banker · 203-606-7339

Judy Szablak · Coldwell Banker · 203-257-5892

Jim Treanor Jr. · Treanor Real Estate · 203-510-5460

Rising Star Real Estate Agent

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Mortgage Professionals

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Kirk Hagert · Allied Mortgage Group, Inc. · 860-966-6056

Penn G. Johnson · Stamford Mortgage Company · 203-323-6588

Paula L. Mercier · Sojourn Mortgage Company · 860-306-1666

Dave Stambone · Total Mortgage · 203-240-9611

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Cathy Browne · Compass · 214-733-1555

Rene Burchell · Coldwell Banker Realty · 469-877-3303

Christie Cannon · Keller Williams · 972-215-7747

Marla Carrico · Carrico and Associates Realtors · 940-387-6800

Dan Combe · Ebby Halliday Realtors · 817-800-0007

Yolanda Dittmar · Dittmar Realty · 972-948-0919

Jenny Dowdy · Keller Williams Realty Frisco Stars · 214-733-0742

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Linda Green · United Real Estate · 214-906-8755

Kristi Hiller · CENTURY 21 · 972-217-6675

Sharon Hodnett · Keller Williams · 817-994-7152

Mary Ann Kellam · Keller Williams · 214-725-6027

Holly Annette Knapp · eXp Realty · 469-325-0270

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Cheryl McCarter · Keller Williams Realty · 214-213-7681

Lucy Noonan · Synergy Realty · 817-410-8769

Marianne Percy · Allie Beth Allman & Associates · 214-533-0784

Stacey Perry · Keller Williams Realty · 817-313-1833

Alisa Piedlau · Luxury Home Realtors · 817-888-5700

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Mary Jan Cooper · Bank of Texas Mortgage · 214-525-5079

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Brooks Kelly · Homebridge Financial Services · 469-708-5626

Matthew J. McDaniel · Mid America Mortgage · 214-435-1988

Jim Mitzel · Primary Residential Mortgage, Inc. · 214-736-9466

Charles Murphy · Caltex Funding, LP · 214-680-5243

Jason O'Quinn · Petra Home Lending · 214-432-0443

Nick Patton · Supreme Lending · 972-447-5586

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Robin E. Smith · Prime Lending · 972-930-9094

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Lisa M. Osberg · Brandywine Fine Properties Sotheby's International Realty · 302-229-7642

Laura Walker · Walker Realty Group · 302-373-4884

Mortgage Professional

R. Wayne Ferguson · Embrace Home Loans · 302-383-5667

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Kristen Abell · Abell To Sell · 720-883-5785

Mark Baker · Equity Colorado Real Estate · 720-257-1541

Christine Battista · Keller Williams DTC · 303-500-2414

Pam Bent · RE/MAX Professionals · 303-981-8811

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Kay Bohan · LIV Sotheby's International Real Estate · 303-915-1563

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KieAnn Brownell · RE/MAX Northwest Inc./The Oxford Group · 303-246-6051

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Carol Guzman · Your Castle Real Estate · 303-929-3157

Tammy Hein · RE/MAX Alliance · 303-502-0050

Monica Hernandez · Team Hernandez Real Estate · 720-685-1441

Carol Hertel · RE/MAX Professionals · 303-949-0321

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TIME WELL SPENT

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Brunello Cucinelli's old-world values make him a radical forward-thinker in the world of fashion.

BY EMILIE HAWTIN

DANILO SCARPATI

1

"TODAY I LOOKED at the calendar and thought, 'How is it possible that every year the swallows arrive on the same day, to the same place?'" Annual bird patterns are top of mind for the CEO of one of the world's most prestigious luxury fashion companies. It might not be what most expect, let alone after a year like 2020, but few corporate leaders indulge themselves in natural wonder like Brunello Cucinelli, Italy's prophetic cashmere emperor.

Forty years in, what he calls his "humanistic" approach to capitalism—based on trust and respect for people and nature—remains quite simple. In an era when brands and leaders are scrambling to understand the meaning of accountability or sustainability, Cucinelli's long-held values provide something of a playbook. "I want to work with true, honest people. If they're concerned one day, I would like to see that in their face. If they're happy, I want to share their happiness. I want to share difficulties and fears," Cucinelli says.

Solomeo, the medieval Umbrian hamlet that he has magnificently restored (and which is a stone's throw from where he grew up), serves as the forum of the Brunello Cucinelli brand. Any visitor will quickly notice Solomeo's striking equilibrium of past and future: Amid the stone towers and statues of Greco-Roman philosophers are members of an impeccably cool, multigenerational staff who produce men's and women's tailored sportswear and knits in Cucinelli's signature relaxed style. The materials are superlative, the construction is impeccable, and nothing is compromised to meet a price point.

The team work in tandem with hundreds of local artisans in a futuristic production compound adjacent to Cucinelli's old-world tailoring school. Glass buildings in the style of Mies van der Rohe connect staff with the natural world. Large courtyards serve as gathering places for long, communal lunches each day, prepared with the harvest from biodynamic olive groves, vineyards, and gardens. The belief is that every natural element affects the

> "Don't get caught in all of these daily tasks. To me, tasks kill the human soul."

FROM LEFT: COURTESY OF BRUNELLO CUCINELLI; CATHERINE HYLAND

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other, so care for all. This applies to more than the food grown or olive oil cultivated, but to all materials, production, people, and business practices.

During our video interview, Cucinelli sits in his bright, modern office surrounded by colorful books and soccer balls within a frescoed-stone tower from the 1400s that has survived plagues and earthquakes. He can't wait to discuss subjects ranging from his pandemic learnings to the almost-full moon to his Einstein-inspired physical regimen to, yes, bird migration—with theatrical hand gestures and a warm, paternal demeanor.

"How many times can we say, 'Today my soul is serene'? It's only a few. You know why? Because you need to find it. And you can't find it through the financial or economic side of things, only the spiritual." Cucinelli runs a tight ship, but rather than exerting power over his team with evening emails or weekend texts, he's ruled it out completely. Everyone must disconnect at 5:30 every day and take time for themselves, which Cucinelli explains is the most constructive. "Last night I spent two and a half hours in front of my fireplace, no television, just beautiful thoughts. We need to rediscover time with our souls," he says.

Of course, the test of such lofty principles is how they're applied in a crisis. The pandemic hit

THE SECRETS OF SOLOMEO

[1] Cutters create Cucinelli's signature soft tailoring. **[2]** The beautifully restored hamlet is a factory town like no other.

Cucinelli's sales significantly, and the publicly traded company reported revenues of 544 million euros ($640 million) for 2020, down 10% from 2019. But Cucinelli, who operates his company as if it will last 100 years beyond him, was steadfast in his 10-year plan to double sales by 2028 and took no drastic action. His employees all kept their jobs and full salaries. Global partners were not asked for discounts, and $36 million worth of unsold goods were wrapped and donated. The company's shares are currently trading at pre-pandemic highs on the Italian stock exchange.

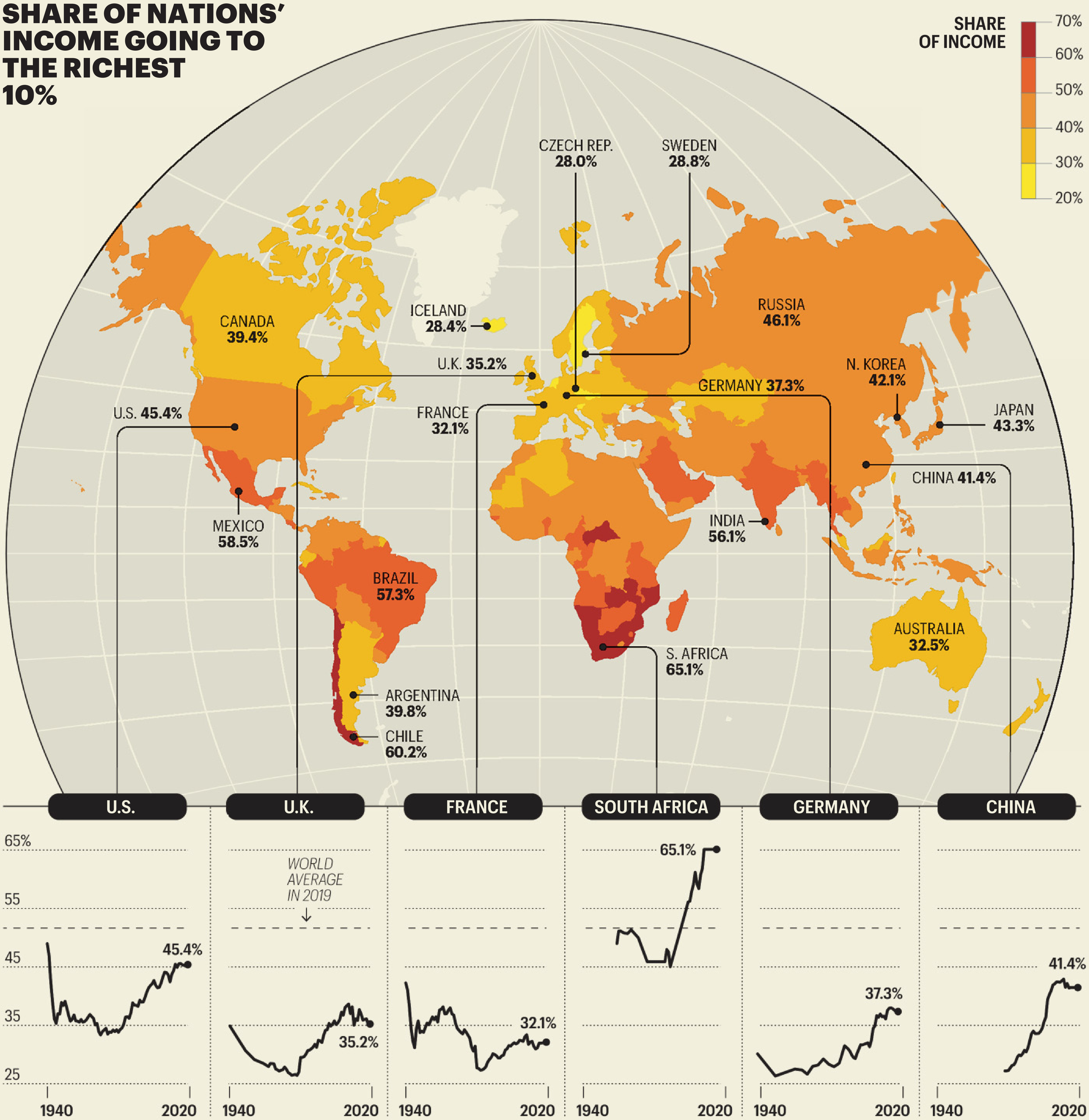
"I didn't tell my employees that everything will be okay. But I did tell them that the world needs us. And that I'm here, that they can count on me. In return, I asked them to share this thought process and allow me to count on them," he says. (The staff agreed to take one week's holiday in August instead of the usual two, but they ended up accomplishing so much that they wound up taking two anyway.)

All these efforts distill into a workforce that is diverse and talented, extraordinarily devoted, gracious, and noticeably finessed. They're in luxury, but without frenetic, too-packed schedules. Even their emails are sent with warmth and delight.

"Don't get caught in all of these daily tasks. To me, tasks kill the human soul," Cucinelli advises. What he really means: Make time to think about your place in our shared space and how you can exemplify something better.

While few brands are surrounded by rolling hills and medieval churches, Cucinelli's mindset is one that any business could adopt. His company is proof that doing good is possible, without compromising profit or allure, and that turning off might be the most productive way forward for all. ■

SHARE OF NATIONS' INCOME GOING TO THE RICHEST 10%



HISTORICAL CHANGE IN SHARE HELD BY THE TOP 10% FOR SELECTED COUNTRIES

THE WEALTHY ARE GETTING WEALTHIER

IT'S SHAPING UP TO BE AN EPIC BATTLE: President Biden has vowed to raise taxes on the wealthy to fund programs benefiting those at lower income levels. "I want to change the paradigm," Biden said in a press conference in March. Conservative advocacy groups, meanwhile, are preparing to fight any hikes. But income disparity—and debate about how to address it—is not just a U.S. phenomenon. A report by Oxfam International found that global billionaires increased their wealth by some $3.9 trillion from the onset of the pandemic through the end of 2020, even as millions fell into poverty. And the graphics above, drawn from the World Inequality Database, show that the share of income going to the richest 10% has been rising in many large economies around the globe. —**BRIAN O'KEEFE**

INFOGRAPHIC BY **NICOLAS RAPP**

SOURCE: WORLD INEQUALITY DATABASE, 2019 DATA