



Novo Nordisk

Steward-ownership for a global health care leader

In a nutshell

Novo Nordisk is one of the world's most influential healthcare companies, best known for producing nearly half of the world's insulin and, more recently as a pioneer in tackling obesity and other chronic diseases. With operations in more than 170 countries and tens of thousands of employees, the company plays a central role in addressing some of today's greatest health challenges.

Behind this global success lies an unusual ownership structure. Novo Nordisk is controlled not by private shareholders or family heirs, but by the Novo Nordisk Foundation – the largest enterprise foundation in the world. This model, a form of steward-ownership deeply rooted in Danish corporate tradition, separates control from personal profit and locks in the company's purpose-orientation across generations. A model that was tried and tested over the past 100 years.



FOUNDED: 1923



BAGSVÆRD, DENMARK



**SALES: \$ 40.30 BILLION
(2024)**



**80,000 EMPLOYEES
(2024)**

STEWARD-OWNED SINCE: 1929

STEWARD-OWNERSHIP MODEL:
Single-foundation model

The origins of Novo Nordisk

Novo Nordisk's origins trace back to the early 20th century when insulin, discovered by Canadian scientists Banting, Best, and Macleod in 1921, revolutionized diabetes treatment. The Canadian discoverers famously sold the patent for one dollar to the University of Toronto, which then licensed it globally. This sparked a race, including two separate Danish efforts.

In 1922, Danish physiology professor August Krogh and his wife Marie, a doctor with type 2 diabetes, met Banting and secured permission to produce insulin in Nordic countries, as Banting declared, "Insulin does not belong to me, it belongs to the world."³³ Back in Denmark, Krogh partnered with physician Hans Christian Hagedorn to found Nordisk Insulin Laboratorium, soon placing it under the charitable Nordisk Insulin Foundation.

However, in 1925, former Nordisk employees Harald and Thorvald Pedersen founded Novo Terapeutisk Laboratorium after a dispute with Hagedorn over production scaling. They developed their own methods. In 1951, the Pedersen brothers, nearing retirement, also transferred their shares to a new foundation, mirroring Nordisk's long-term stewardship.

For decades, the two companies were fierce competitors, driving rapid innovation in insulin, like Novo's 1985 insulin pen and human insulin from genetically engineered yeast in 1987. By the 1980s, genetic engineering advancements highlighted the need for greater scale, research investment, and global reach, making collaboration between the two rivals increasingly attractive.

Merger on the horizon

By the early 1980s, Novo, with \$100 million in insulin revenue, was larger than Nordisk (\$30 million). However, Novo lacked capital for modernization, prompting a merger proposal from them, which Nordisk rejected. Nordisk instead independently upgraded and expanded globally, growing revenues at 30% annually, nearly matching Novo by the late 1980s.

Towards the late 1980s, both were on equal footing, with Novo holding 30% and Nordisk 20% of the global insulin market. With key early figures gone and new management in place, serious merger talks began. Under Danish Law, foundations that served the same purpose could merge relatively easily, enabling the merge of the two foundations into the Novo Nordisk Foundation with the two limited liability companies to merge subsequently, creating Novo Nordisk A/S.

The merger instantly made them the world's largest insulin producer, employing 12,000 and holding about half the global market, surpassing US-based competitor Eli Lilly (35%) and Germany's Hoechst (15%). Despite this, then-CEO Lars Rebien Sørensen called Novo Nordisk a "specialized dwarf" amid a wave of pharma mergers, though one ready to "create a certain furore on the global stage."³⁴



Portraits of the Danish scientist August Krogh and the Danish physiologist Marie Krogh (1874-1943), born Birte Marie Jørgensen (photo taken around 1910).

The steward-ownership model: The Novo Nordisk Foundation

Ownership model & safeguards

The 1989 merger was designed not only to combine strengths but to protect independence for generations to come. Ownership and especially voting power was concentrated in the Novo Nordisk Foundation, an enterprise foundation without personal profit motives, but a legally binding charter with two core purposes: to provide a stable basis for the Novo Group's commercial and research activities, and to support scientific, humanitarian, and social causes. Correspondingly, it can be referred to as a dual-purpose ownership structure.

The Foundation exerts ownership via Novo Holdings A/S, its wholly-owned subsidiary established in 1999 to manage assets. Shares in the operating companies – Novo Nordisk and Novonosis – are split into A- and B-shares, with A-shares carrying ten times the voting weight. Crucially, Novo Holdings exclusively holds the unlisted A-shares, obligated to retain them indefinitely. By late 2024, Novo Holdings held 28.1% of capital and 77.1% of votes in Novo Nordisk, and 25.5% of capital and 63.4% of votes in Novonosis.

This structure prevents the majority voting control from being bought or speculated, ensuring it remains with the Foundation's board, who are bound by the Articles of Association.

The board must:

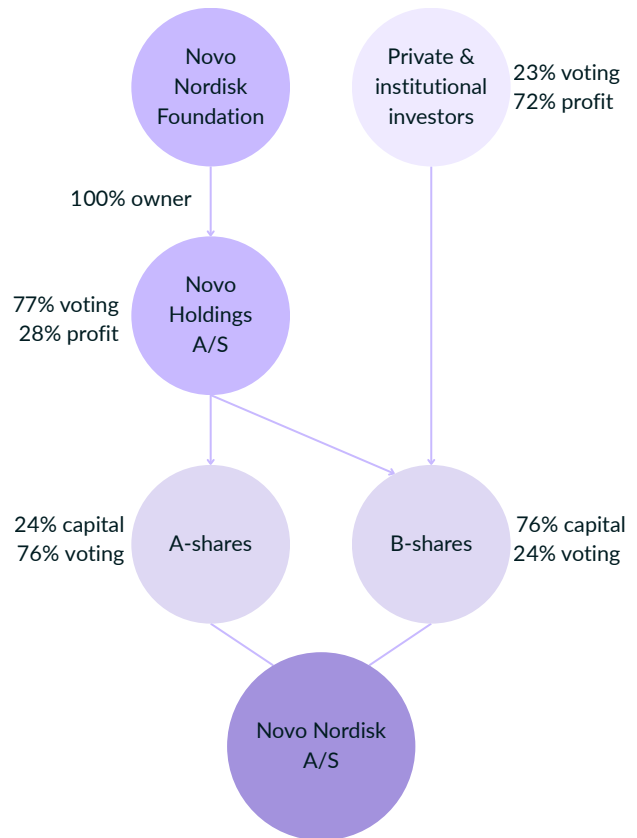
- 1) prevent dilution of its majority,
- 2) block A-share sales in Novo Nordisk or Novozymes, and
- 3) ensure Novo Holdings decisions align with the Foundation's charter. The Foundation must maintain a voting majority and hold at least 25.5% of both companies' share capital.



As foundation board members hold no personal profit participation rights, this structure separates voting rights (control) from economic rights (profit) at the personal level and legally ensures the company’s self-determination, a core steward-ownership principle. However, the Foundation itself holds economic rights, and its board must maintain financial strength to fund charitable activities and participate in future capital increases of the Novo Group, thus safeguarding its controlling interest.

Most of Novo Nordisk’s economic rights, the majority of B-shares, are publicly traded, and private shareholders do receive dividends. But dividend payments follow the company’s charter, which prioritizes long-term financial strength and competitiveness. This means profits are first used for organic growth and acquisitions before any dividends are paid, preventing excessive payouts that could weaken stability. In this sense, Novo Nordisk applies a hybrid version of the second principle of steward-ownership, the asset lock: profits are balanced between reinvesting in science and business development, rewarding investors and supporting the Foundation’s charitable mission.

Novo Nordisk’s ownership structure



Tested in practice

In 2004, the Novo Nordisk Foundation's steward-ownership model faced its first major test when the holding company's management pursued a merger with Swiss firm Serono. While the Foundation's charter allows for reducing its controlling stake if necessary for global competitiveness, it still requires maintaining significant influence. While executives of the holding company as well as the two operating companies were convinced of the potential deal in 2004, the foundation board, citing strong recent growth and market share, challenged and ultimately blocked the deal, insisting on independence.

From today’s perspective, it is sure that the foundation ownership model preserved the Novo Group as we know it today. The Novo Nordisk Foundation has since become the world’s wealthiest charitable foundation with a net worth of US\$167 billion and a \$4.6 billion investment return in 2023. Of this, \$2.8 billion came from Novo Group dividends, and \$1.8 billion from other investments.. This demonstrates how business value is effectively recycled into both mission-driven reinvestment and broader societal benefit, perfectly embodying the "profit serves purpose" principle of steward-ownership.

Governance and group structure

As a Danish enterprise foundation, the Novo Nordisk Foundation operates independently, guided by its charter's vision to "drive change to defeat serious chronic diseases." Governed by the Danish Foundation Act and supervised by the Danish Business Authority, its core governance lies in charters defining board appointments and composition to maintain this vision.

At the top sits the Novo Nordisk Foundation's board of directors, an independent body that is self-selecting within defined rules and mainly responsible for strategy, grant-making, and oversight of Novo Holdings A/S. The Foundation's self-selecting board oversees strategy, grants, and Novo Holdings. It has ten members – seven appointed under the Articles and three elected by employees – with mandated expertise in science, Novo executive experience, and commercial skills. Members serve renewable one-year terms until age 75.

The Foundation's board appoints registered officers (CEO, CFO, COO) for daily management and strategy implementation. It also appoints the majority of directors to Novo Holdings A/S, the holding company managing Novo Nordisk and Novonesis ownership. Remaining directors are shareholder-elected at AGMs, with employee representatives included, reflecting Danish co-determination. The Foundation's charter mandates its board members strive for positions on the Novo Holdings A/S board. On the Foundation's behalf, the Novo Holdings board executes long-term ownership of the operating companies, which also have independent boards.

Impact on business decisions

The Novo Nordisk Foundation's enterprise ownership directly shapes the companies'

operations and objectives. Its permanent ownership allows the Foundation to set long-term goals for the operating companies, focusing on global leadership in research and business, societal and sustainability contributions, inspiring workplaces, strong financial results, and upholding the Novo charter. This translates into a triple bottom line approach, prioritizing financial, environmental, and social responsibility.

Research on industrial foundations, notably by Steen Thomsen at Copenhagen Business School, confirms the effectiveness of this responsible, long-term ownership. Foundation-owned firms generally exhibit longer time horizons, more conservative financial policies, and a greater emphasis on stakeholders and reputation than conventionally owned companies.

Novo Nordisk demonstrates this through heavy, long-term research investments, even for uncertain or distant payoffs (e.g., GLP-1 medicines). Their conservative financial philosophy – low leverage, strong balance sheets, and prioritizing resilience over aggressive growth – grants management freedom to prioritize sustainability while remaining competitive. Oxford's Colin Mayer notes foundation-owned firms seek profit but with a long-term perspective, creating solutions without causing harm.³⁵ This differentiates them, yet profitability remains crucial for their endurance and independence.

Thus, foundation ownership acts as a "commitment device",² as Mayer and Thomsen highlight, locking in independence and purpose-orientation. This credibly commits the companies to long-term objectives, preventing redirection towards short-term profit maximization at the expense of broader stakeholder needs.