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BUSINESS

The Man Who Almost Replaced Warren Buffett

David Sokol was seen as the next likely CEO of Berkshire Hathaway—until a controversy arose over his personal trades

By [Gregory Zuckerman](#) [Follow](#)

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David Sokol at the Berkshire Hathaway annual meeting in 2010. DANIEL ACKER/BLOOMBERG NEWS

Quick Summary

- David Sokol, once considered a top candidate to succeed Warren Buffett at Berkshire Hathaway, was known for growing key businesses.

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[In taking over](#) as chief executive of [Berkshire Hathaway](#) BRK.B **0.31% ▲** this month, Greg Abel faced questions about whether he is ready to step out of [Warren Buffett's](#) shadow.

But the transition reminded some investors of another executive—Abel's former boss—who for years was considered most likely to take the reins at one of the world's best-known companies.

David Sokol gained Buffett's confidence as a star executive who grew crucial businesses at Berkshire and turned others around, while also demonstrating his investing chops. The Omaha, Neb., native could be a demanding manager, according to some who interacted with him, but he was popular with Berkshire's board and Buffett, who publicly singled him out for his accomplishments.

"He gets more done in a day than probably I get done in a week, and I'm not kidding," Buffett once told Fortune magazine.

Then in a matter of weeks in 2011, Sokol's prospects disintegrated after a controversy related to his personal stock trades. His departure from the company became acrimonious, with his lawyer later criticizing how he was treated by Berkshire.

Sokol, 69 years old, hasn't had much contact with Berkshire Hathaway and its executives since leaving, according to someone close to the matter.

"Greg Abel is an extraordinary executive who in my opinion is far more talented than I am and is at the correct age for such a challenge," Sokol said in an email. "I wish him nothing but great success."

Some Berkshire investors remain mystified by Sokol's rise and fall.

"By all appearances, Sokol was a man of integrity and talent who was poised to replace Buffett," said Darren Pollock, who runs Cheviot Value Management in Los Angeles, a longtime Berkshire shareholder. "One uncharacteristic and fateful act got in the way."

'The Great Young God'

The youngest of five children born to a grocery-store manager and a homemaker, Sokol lived at home while attending the University of Nebraska, according to a biography on the website of the Horatio Alger Association, a nonprofit Sokol has supported. He married during his junior year, living with his wife in a trailer. After graduating, Sokol worked as a structural engineer and was eventually hired to run Ogden Projects, a waste-energy business.

In 1991, Sokol was named chief executive of CalEnergy. He turned the company into a sprawling utility, partly through aggressive acquisitions. It purchased MidAmerican Energy in 1998, taking on its name. Sokol earned a reputation for being hard-driving and sometimes difficult, with some nicknaming him "The Great Young God," a nod to both his intelligence and his ego.

Once, while working on a hostile acquisition of a rival, Sokol became incensed when members of his team wished to take a day off for Yom Kippur, according to two people

who worked on the deal. Sokol told them he worked on Christmas, and that he couldn't understand why others wouldn't work on their religious holiday. Amid the vitriol, a senior banker asked to be taken off the account.

Jonathan Bram, a founding partner of Global Infrastructure Partners who worked as Sokol's longtime banker at Credit Suisse, said Sokol expects others to work as hard as he does. "He's a good person, I never felt that he was unreasonably demanding," Bram said.

During the same period, Sokol and his family experienced tragedy. In 1999, his youngest child, David Sokol Jr., died from Hodgkin lymphoma, a few weeks after graduating from high school.

"It was extraordinary to watch his inner strength," Sokol said of his son in the Horatio Alger biography.

In late 1999, Berkshire Hathaway purchased almost 80% of MidAmerican Energy, before eventually buying the rest of the company. Abel was MidAmerican's president, but Buffett's public accolades were directed at Sokol, the company's chief executive.

"If I only had two draft picks out of American business, Walter Scott and David Sokol are the ones I would choose for this industry," Buffett said at the time of the deal, while also referring to MidAmerican's largest individual shareholder.

Buffett decided to pay Sokol \$50 million and Abel \$25 million if the business met certain goals. Sokol pushed back, saying he and Abel should each receive \$37.5 million, an act of generosity that impressed Buffett.

Sokol continued to oversee MidAmerican's growth, while also turning around its NetJets business, which offers shared ownership of jets to the wealthy and companies.



David Sokol, third from left, in 2010 when he was at the helm of NetJets. CHRIS RANK/BLOOMBERG NEWS

“His ability to improve the fates of Berkshire businesses—from roofing and insulation to real-estate brokering to fractional-jet ownership—earned consistent praise from Buffett,” said Pollock, the Berkshire shareholder.

Sokol is an avowed fan of “Atlas Shrugged,” the 1957 novel by Ayn Rand that made a moral case for capitalism and self interest. In his self-published management book, “Pleased But Not Satisfied,” Sokol wrote of the importance of integrity—and the need to put pressure on employees. He said that he kept a notebook in which he ranked employees “in the order in which I would terminate each member if I was forced to do so one at a time.”

In 2008, Sokol led a \$230 million investment in BYD, then a Chinese battery maker, after hearing about the company from investor Li Lu and Charlie Munger, Berkshire’s longtime vice chairman. Sokol traveled to China to investigate the company, and MidAmerican later purchased a 9.9% stake in it.

BYD was a home-run investment for Berkshire, going on to surpass Tesla as the world’s top seller of electric vehicles. Berkshire has since sold its stake in the company.



Sokol sitting in a BYD vehicle in 2009. FABRIZIO COSTANTINI/BLOOMBERG NEWS

A fall

By early 2011, Sokol had established his stature at Berkshire and was widely seen as Buffett’s successor.

Then in March of that year, Berkshire bought chemicals company Lubrizol in a \$9 billion deal. Soon after, it emerged that Sokol had purchased about \$10 million of

shares of Lubrizol two months earlier, and that the deal had come at his suggestion. The value of Sokol's stake rose \$3 million on the acquisition.

Sokol resigned from Berkshire shortly after his purchase became public. Buffett said at the time that the stock purchases weren't a factor in Sokol's decision, saying Sokol expressed a desire to spend more time investing his "family's resources."

Later that year, a report by Berkshire Hathaway's audit committee—which has since been removed by the company from its online archives—said Sokol's trading violated the "highest standards of business ethics."

At Berkshire's annual meeting, Buffett expressed bewilderment about Sokol's decision, saying he made about \$24 million that year—implying that he didn't need the extra money.



A sign featuring Warren Buffett at the Berkshire Hathaway shareholders meeting in 2011. DANIEL ACKER/BLOOMBERG NEWS

"Dave did not disguise the trading, which, you know, that's somewhat inexplicable," Buffett said at the meeting.

Buffett declined to comment when contacted for this article.

In the aftermath of the controversy, Sokol's attorney criticized the way Berkshire treated him, saying Sokol "deserved better." The attorney said Buffett was told about Sokol's ownership of Lubrizol stock.

The Securities and Exchange Commission later said that it wouldn't take action against Sokol.

Since leaving Berkshire, Sokol has kept a low profile.

In 2017, he paid \$19.9 million to buy a seven-bedroom, eight-and-a-half-bathroom home in Fort Lauderdale, Fla. He also has homes elsewhere, according to a friend.

Sokol started an investment firm, Teton Capital, soon after leaving Berkshire to invest his wealth, which amounts to several hundred million dollars, according to people close to the matter. He remains active as an investor, according to a friend.

Write to Gregory Zuckerman at Gregory.Zuckerman@wsj.com

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