

The World's 25 Most Innovative Companies

2006 survey and analysis of 1,070 senior executives in 63 countries by The Boston Consulting Group

Our 2006 list of the world's most respected names in innovation sends two powerful messages. First, design is a differentiator. Apple again rules the roost, and design-focused companies—from Procter & Gamble to IDEO to BMW—are all on the rise. Need further proof? Just look at design-friendly retailers IKEA and Target, both new to the list.

The other message? Innovation is becoming ever more broadly defined. True product innovators have their place on our list—Nokia and newcomer Research In Motion come to mind. But respondents to the *BusinessWeek*-Boston Consulting Group survey value other kinds of innovators, too, from process masters, who remake the supply chain, logistics, or sales channels, to business model revolutionaries, who create brand-new ways of doing business. Take a look at who's up and who's down.

Methodology

The *BusinessWeek*-Boston Consulting Group 2006 senior management survey on innovation was distributed electronically to executives worldwide in early 2006. In February surveys were sent to the largest 1,500 global corporations, determined by market capitalization in U.S. dollars, with instructions to distribute the survey to their top 10 executives. The survey was also accessible on several Web sites: the BCG Innovation Institute, *BusinessWeek*, Knowledge@Wharton, and the *Nightly Business Report*. Survey participation was voluntary and anonymous, and the survey closed in April, 2006. The survey consisted of 19 general questions on innovation and an optional 8 questions that focused on innovation metrics.

A total of 1,070 executives answered the survey. Of those, 46% were from North America, 30% from Europe, and 16% from Asia or the Pacific region. To avoid vote-stuffing, respondents were asked to identify the most innovative company outside their own industry. For a full list of the top 100 companies, go online to businessweek.com/innovate.

- ▲ Process Innovation
- Product Innovation
- Business Model Innovation

RANK 2006+	RANK 2005	COMPANY	WHY	BEST PRACTICES	1995-2005	
					MARGIN GROWTH#	STOCK RETURNS##
1	1	Apple	Hello, iPod World. Outstanding design and innovative software platforms create an unrivaled user experience.	■ ●	71%	24.6%
2	8	Google	Allows one of the world's brightest crops of engineers time to experiment. Focuses on simplicity and the customer.	■ ●	n/a**	n/a**
3	2	3M	Revamped its vaunted R&D labs in 2003 to centralize basic research. With new CEO George Buckley, an engineer is back at the helm.	■	3.4	11.2
4	14	Toyota	A master of manufacturing innovation, and now, hybrid technology. New cost-cutting strategy calls for reducing vehicle system costs as a whole.	▲ ■	10.7	11.8
5	3*	Microsoft	Primes Windows and Office sales with innovations. A new combo of Web and PC services, called Live, is off to a solid start.	■ ●	2.0	18.5
6	3*	General Electric	Transforming from an efficiency powerhouse to one that values bold ideas. Now rates managers on traits such as "imagination and courage."	▲ ■	5.7	13.4
7	9*	Procter & Gamble	Its "connect and develop" model calls for 50% of new products to come from outside. Design and innovation execs are now part of the org chart.	▲ ■ ●	4.4	12.6
8	9*	Nokia	Global handset leader. Diverse teams create future-oriented "world maps" to track macro trends. Designed low-cost phones for emerging markets.	▲ ■ ●	0.0	34.6
9	19	Starbucks	Would you like a movie with your latte? The creator of the \$3 coffee has started marketing films. Taps an army of baristas for customer insight.	■ ●	2.2	27.6
10	7	IBM	Donated 500 of its more than 40,000 patents to help build new technology ecosystems. Co-invests in projects with clients and partners.	▲ ■ ●	-0.7	14.4
11	11	Virgin	Adds its hip lifestyle brand to everything from airlines to insurance. Enters new businesses at lightning speed.	●	private	private
12	12	Samsung	An intense design focus, speedy product cycles, and rigorous metrics make the South Korean company a creative force in electronics.	▲ ■	-4.5***	22.7
13	5	Sony	Fell eight spots this year; is trying to claw its way back with a focus on high-def products and a revamped management structure.	■	-11.0	5.1
14	6	Dell	Revolutionized the PC supply chain and sales channels. But stuck in Apple's shadow, Dell fell eight spots this year.	▲ ●	2.0	39.4
15	18	IDEO	Designed the Palm V and Leap chair. Now helps some of the biggest companies learn design thinking and transform their cultures.	▲ ■	private	private
16	20	BMW	Brings teams together to collaborate inside an innovative research center. Sets up competitions between designers for new car models.	▲ ■	9.1	14.2
17	16*	Intel	Expanding beyond microprocessors and outside the PC. Poised to launch more products in 2006 than at any time in its history.	■ ●	-0.3	13.8
18	15	eBay	Built the world's largest online marketplace and a new way of doing business. Launching a fixed-price site to cater to busy consumers.	●	13.0***	n/a**
19	new	IKEA	A focus on affordable design and a different retail experience have turned the Swedish retailer's shoppers into cult fans.	▲ ■ ●	private	private
20	13	Wal-Mart	Wields technology and pioneers processes to streamline its supply chain. A beleaguered image may have prompted its seven-spot fall.	▲	19	16.2
21	16*	Amazon	Continuously focuses on improving the online experience. Ramping up R&D spending on search and Web services for outside merchants.	▲ ■	25.0***	n/a**
22	new	Target	Embraced design as a differentiator in the discount market. Creative marketing and temporary stores surprise devoted customers.	■ ●	7.4	25.2
23	23*	Honda	Known for excellent engineering, Honda is thinking outside the car, launching solar cell production for homes and businesses next year.	■	8.0	12.9
24	new	Research In Motion	Breakthrough mobile devices changed the way business communicates. Dominates the wireless e-mail market.	■	57.0***	n/a**
25	21*	Southwest Airlines	Created the low-cost airline model through operational innovation. Developed fare marketing software for consumers' desktops.	▲ ●	-0.1	13.9
Median			Most Innovative Companies		3.4	14.3
Median			Standard & Poor's 1200 global stock index		0.4	11.1

#In the 2006 rankings, we broke ties by comparing 10-year annualized total shareholder returns between 1995 and 2005. In ties between a public and a private company, the public company was favored. ##Annualized based on 1995-2005 fiscal year earnings before interest and taxes as percent of revenues. ###Annualized, Dec. 29, 1995 to Dec. 30, 2005, price appreciation and dividends. *Ties. In 2005. Data: Analysis and data provided in collaboration with the innovation practice of The Boston Consulting Group. Also, Standard & Poor's Compustat® data and company reports.

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