

The World's Most Innovative Companies

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#1 GOOGLE

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The faces and voices of the world's most innovative company.

#2 APPLE

Careful readers of this magazine may be scratching their heads right now, in light of our recent cover story laying out the many challenges facing Apple. But the company has had, indisputably, one hell of a run. In the past year alone, three major new products -- iPhone, iPod Touch, and Leopard OS -- fueled triple-digit revenue growth. So while analysts forecast a more earthbound Apple in 2008, it deserves praise. And extra points for style.

#3 FACEBOOK

In 2007, the social-networking juggernaut had variously impressed with its ability to reinvent the wheel (opening its platform to outside developers) and drawn cyberpickets with its boneheaded missteps (trying to sell advertising by telegraphing its users' every move). But after a year lived dangerously, Facebook is officially A-list, with a \$15 billion valuation to boot, thanks to Microsoft's \$240 million investment. That's nothing to throw a sheep at.

#4 GE

GE makes our list not on reputation but on the strength of its breakthrough products. Among them: an HD CT scanner that reduces radiation exposure by half, a reengineering of the best-selling CF34 jet engine for the booming Chinese aviation market, and a hybrid locomotive that cuts emissions by 50% -- evidence that Ecomagination is more than just marketing babble. Coming up, commercially viable OLED lighting by 2010.

#5 IDEO

Nobody can accuse the Palo Alto -- based design firm of taking on easy clients in 2007. The CDC asked Ideo to help tackle childhood obesity; the Acumen Fund enlisted the shop to collaborate on delivering clean water in the developing world; and the Red Cross hired it to help encourage blood donations. "As social issues increasingly become business issues," says Ideo CEO Tim Brown, "this will be a critical new direction for design." Of course, there were awards too. The company's designs for the Eclipse 500 Very Light Jet cabin and cockpit instrument panel won IDEA Gold medals, as did its LCD monitor for Samsung. But it was Ideo's "Keep the Change" campaign for Bank of America that had perhaps the most impact. Based on research showing that boomer women with kids tend to round up their financial transactions, Ideo developed a service that rounds up debit card purchases to the nearest dollar, then transfers the monetary difference from the customer's checking account to her savings. In its first year, 2.5 million customers signed up.

#6 NIKE

You expect fancy footwear from Nike. But its latest masterstroke is social networking, online and off. From events to the Web to unique retail hubs, Nike is blurring the line between brand and experience.*Mark Borden*

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#7 NOKIA

Once a maker of wood products and tires, the Finnish firm has thrived in the wireless world. Today, Nokia has a 37% (and growing) share of the global cell-phone market, more than twice that of its closest competitor, Motorola. How? A two-tiered design process that identifies the "remarkable similarities in what global consumers want and need in their mobile devices," says senior design manager Rhys Newman, then adds local insight. Bright colors are key to success in India, China, and the Middle East, "where a phone can show status," he says. Markets with low literacy rates get phones without written menus. The company's next challenge is to gain momentum in the U.S., where it has less than 10% of the market. It's betting big on the feature-rich N95 smartphone -- and a strategy of welcoming third-party apps.

#8 ALIBABA

When Alibaba went public last November and raised a stunning \$1.5 billion -- the biggest Internet IPO since Google's -- it also raised eyebrows around the world. But probably not those of founder Jack Ma, who back in 1999 recognized that China's 42 million small and medium-size companies (the vast majority of businesses in the country) just might create some opportunities for e-commerce. Alibaba provides a point-and-click system for suppliers to get online and connect with distributors and consumers all over the world. The Chinese site today boasts 16 million users, and the English iteration has 9 million. Watch out, eBay.

#9 AMAZON

Without much fanfare, Amazon has more than tripled its revenues since 2002, to \$13 billion. The

key: giving customers choices, not just among products, but also between buying from Amazon directly or from outside vendors on the site. Amazon's new digital offerings -- in e-books, videos, and music -- present a fresh menu of options. The company's digital music store, launched in May, already comprises 3 million songs, all compatible with any device and any music software. Similarly, Unbox allows Amazon customers to rent or buy films and TV shows, and watch them on a variety of players. In an era of fighting formats and fears of piracy, that's uncommonly ecumenical.

#10 NINTENDO

By now you know the story: After Sony and Microsoft kicked the Mario out of Nintendo's GameCube in the Video Game War of 2001, the cutest and smallest of the three platform makers needed a new plan. "Nintendo took a step back from the technology arms race and chose to focus on the fun of playing, rather than cold tech specs," says Reggie Fils-Aime, president of Nintendo of America. The resulting Wii system, with its intuitive motion-sensitive controller and interactive games, appealed not only to teen boys but also to their sisters, moms, and dads. In 2007, Wii outsold both the PlayStation 3 and Xbox 360. But get this: Unlike its competitors--which lose money on each console and earn it back on software -- Nintendo turns a profit on its consoles, makes more selling games, then takes in still more in licensing fees. "Not to sound too obvious," Fils-Aime says, "but it makes good business sense to make a profit on the products you sell." Wall Street thinks so too. The company's stock has more than doubled over the past year. Nintendo's upset is doing more than attracting new gamers and bruising Sony and Microsoft. Says Sega of America president Simon Jeffery: "It has opened doors of creativity throughout the video-game business."

#11 PROCTER & GAMBLE

When Procter & Gamble's stock tanked by more than half in 2000, CEO A.G. Lafley knew he was facing the dilemma of giant companies everywhere: Despite pouring money into R&D, P&G couldn't create new products fast enough to keep growing. The only way out, Lafley realized, was to innovate innovation. So he launched the Connect + Develop program, which allows outside developers to get their concepts and designs into P&G's product pipeline. An applicator developed by Cardinal Health (now Catalent), for example, helped P&G launch Olay Regenerist Eye Derma-Pods, now its top-selling skin-care item. Today, 42% of P&G products have an externally sourced component. And this giant is growing: Revenues rose 8%, to \$78 billion, last fiscal year, while profits climbed 14%, to \$11 billion.

#12 NEWS CORP.

As if buying MySpace didn't cement News Corp. as a maverick, Murdoch & Co. last year pledged to go carbon neutral by 2010, launched the Fox Business Network, and, oh yeah, snapped up Dow Jones and The Wall Street Journal.

#13 AFFYMETRIX

Imagine going for a half-hour doctor's visit and coming out with a treatment plan tailored to your

unique genetic blueprint. That's the vision at Santa Clara, California-based Affymetrix, which makes lab tests that scan tissue samples for variations in thousands of genes. The company banked an estimated \$405 million in revenue last year, a payday spurred by the Amplichip test -- developed in partnership with Roche Diagnostics -- which identifies people who metabolize drugs slowly and therefore are especially vulnerable to side effects. Now the race is on to develop advanced tests for genetic predisposition to heart disease and the most common types of cancer.

Photograph: Chris Greenberg/The New York Times/Redux

#14 DISNEY

Two years into the job, CEO Bob Iger continues to mold Disney into the digital-media innovator to watch. ABC was the first network to sell TV episodes on iTunes and to stream them for free on its Web site. Pirates of the Caribbean and High School Musical showed multiplatform agility. And Pixar's latest hit, Ratatouille, was a masterful blend of technical brilliance, artistry, and narrative that evoked Walt's original magic. Pixar cofounder Ed Catmull, now president of Pixar and Disney Animation Studios, is encouraging the Big Mouse to rediscover and build on its rich tradition.

FC: How are you reviving hand-drawn animation?

Ed Catmull: People focus on the art of the old Disney films, not the interplay between art and technology. Disney did the first blue-screen matting, the first multiplane camera. We brought back that interplay. The art and technology inspire each other. One of our experiments is going paperless. Changes are easier on a digital tablet.

What worked at Pixar that is now helping Disney?

Catmull: We've made two short films at Disney like we do at Pixar. A small team does everything-- the story, the technology--and it allows them to stretch. "Glago's Guest" is more somber and realistic than the usual Disney look.

How do you encourage innovation?

Catmull: In a hierarchy, everyone is working for the person making the film, but we push control far down into the organization. Does everyone own the project? Are we taking an honest-to-goodness risk? If we're not scared, really scared, we're not doing a good project.

#15 SAMSUNG

The first bendable OLED screen. An ultrathin double-sided LCD. A solid-state drive to replace the hard disk in your laptop. And soon, in a collaboration with game company Reactrix: a TV that lets viewers move what's on the screen with the wave of a hand. Just a taste of the impact of the world's fastest-growing consumer-electronics company.

[Corning's History](#) [0]

#39 TOYOTA

The year 2007 will go down as a historic one for Toyota, its 50th in the United States. The company won 16% of the American market -- more than double its share 10 years ago -- and passed Ford to take the number-two spot in U.S. car sales, despite an uncharacteristic slip in quality ratings. The company unveiled its next-gen Prius (due in 2010), a plug-in with a carbon-fiber body, but

ironically, its most successful rollout was the redesigned Tundra pickup. Toyota sold 3,800 of the jumbo 18-mpg trucks per week this year -- 300 more than Prius.

#40 REAL D

When Beowulf hit theaters in November, it marked the dawn of the next -- some say ultimate -- wave of 3-D movies. Making the display possible was a California outfit called Real D, whose technology uses circularly polarized light from digital projectors, avoiding the eye fatigue of the old 3-D. Theaters are banking that the technology will stop the box-office slide, and Hollywood's biggest players have projects in the pipeline. That's not enough for Real D: "Our view is that 3-D images change the business on all visual displays," says CEO Michael Lewis, who envisions Real D at home and even on mobile screens. The company is already experimenting with alternative content, from multiplayer in-theater video games to an NBA game converted into 3-D in real-time. A U2 3-D concert film (above) is out now.

#41 MICROSOFT

Critics like to crow about Redmond's stumbles. The struggling Zune. The Xbox 360's "red ring of death." And as for Vista, well, cue the clearing of throats. Then again, ever hear of a little game called Halo 3? And maybe you missed the biggest surprise to emerge out of the PR squall this year, the tabletop computer Surface, a foray into multitouch technology that rivals the iPhone in coolness. Windows and Office continue their dominance, of course, and Microsoft's stock was up about 20% in 2007.

#42 PAYLESS

Last September, when actresses Sophia Bush (One Tree Hill) and Brittany Snow (Hairspray) landed backstage in Lela Rose's showroom at New York Fashion Week, they swooned over the designer's new shoe collection that was about to debut on the runway. Rose, best known for \$1,500 frocks, happily handed pairs of navy peep-toe pumps and polka-dot round-toe pumps over to the young celebs, who would soon be flaunting them on the sidelines of the catwalk. "Did they know they were Payless shoes?" says Rose, who's now designing her fifth exclusive line for the discounter. "Absolutely. They didn't care. They looked cute to them and that's all that mattered."

Payless? Since when did the dusty dungeon of cheap footwear have anything to do with the front lines of fashion? Since 2005, when Matt Rubel, who previously turned around Cole Haan, took the helm of the now \$3.5 billion company and decided it needed a design intervention. While the 4,500-store chain had thrived for years on the low-price, self-service model it pioneered in the 1950s, the last decade saw the company losing the discount wars to beasts such as Wal-Mart. If thrift was no longer its competitive edge, reasoned Rubel, then Payless would have to design shoes that Sex and the City's Carrie Bradshaw would drool over at prices Roseanne could afford.

To do that, Rubel has injected a fashion sensibility into every arm of the Topeka, Kansas-based company. Last year, he built its first design studio in Manhattan and recruited Robert Mingione, Kenneth Cole's head of footwear, and Bernard Figueroa, top footwear designer for Michael Kors, to run it. Taking a cue from fashion democratizers like Target and H&M, he has lured up-and-comers such as Rose, Laura Poretzky, and Alice + Olivia's Stacey Bendet -- even Sex and the City's very own Patricia Field -- to design exclusive shoe and handbag lines that sell at higher prices and employ sophisticated materials such as silk crepe, snake skin, and perforated kidskin. At the retail

level, Rubel has given a 21st-century facelift to the chain's 1970s-hued stores with two new formats. He has opened 22 "fashion labs" -- more-upscale hubs, with modern decor bathed in pristine white, that offer the pricier fashion-forward lines -- and retooled nearly 400 existing locations with an airier design that puts trendy collections in the spotlight. "More and more women who never would have shopped at Payless are becoming Payless customers," says Lori Holliday Banks, a senior analyst at fashion consultancy the Tobe Report. "Rubel's reinventing the whole self-service business."

Rubel, crowned Footwear News's Person of the Year for 2007, isn't stopping the extreme makeover there. In 2006, Payless nearly doubled its earnings. Then last spring, the CEO shook up the industry with two major acquisitions: \$91 million for Collective Licensing International, a brand-management company that owns names such as Airwalk and American Eagle, and \$800 million for Stride Rite Corp., whose brands include Keds and Saucony. Collective Brands Inc. (the parent company's new name) is now the largest non-athletic-shoe company in the western hemisphere, giving Rubel a triple threat of retail, wholesale, and licensing leverage. Says Rubel, who has become a regular at Fashion Week: "Initially it was pretty difficult getting designers on board to sell cheap shoes. Now we're getting phone calls from designers who want to work with us." -- Danielle Sacks

#43 AIRASIA

Seven years ago, former music exec Tony Fernandes paid 25 cents for an ailing carrier with two creaky planes and \$12 million in debt. Today, AirAsia's bottom-of-the-pyramid strategy has created one of the world's fastest-growing, most-profitable carriers, with the lowest operating costs in the industry and fares as cheap as \$3. "It's like our bus," says Yap Choo Ying, who runs a market stall in eastern Malaysia and now regularly jets to Kuala Lumpur to see her grandkids. In November, the Malaysian company made a risky bet by going long-haul, adding flights to Australia; this year, it will add flights to China and India, where billions of people have yet to take to the skies.

#44 CURRENT TV

"We wanted to democratize television," Al Gore told us last summer, of his quest to create a cable network that piped content pitched to -- and created by -- young people. But if the initial idea was Gore's, credit for Current TV's subsequent traction goes to CEO Joel Hyatt. Launched in August 2005, Current became profitable in 18 months. "I knew nothing, and I mean nothing, about the cable industry," Hyatt says. But that ignorance freed his team to dream big, and by the end of 2007, more than a third of Current programming was being created by viewers and delivered to Current via the Web. Hyatt reinvented the ad model as well, inviting the likes of Sony and Toyota to tap his audience's creativity; to date, 39 viewer-generated ads have aired.

#45 SUN MICROSYSTEMS

Data centers account for some 3% of world energy use, and Sun has taken that as a dare. Last year, its mad-scientist approach to energy efficiency -- and \$2 billion R&D budget--caused ripples across the industry as the company released the UltraSPARC T2, the world's most efficient processor; Project Blackbox, the first modular data center; and a new Silicon Valley data center that increases computer power by 456% while cutting energy costs by more than 60%. With four straight profitable quarters for the first time since 2001 and 6% revenue growth, the forecast is sunny.

#46 BMW

The opening of the new \$275 million BMW Welt (BMW World) in Munich was a high-water mark for the automaker's marketing department. Some 1 million pilgrims a year are expected to push their noses to the glass; 45,000 customers will pick up their cars here. But there's a better reason BMW remains the world's number-one premium marque. After overhauling its much-criticized onboard computer, the company has refocused on what's important: the badass automobile. Look for the \$30,000 rear-wheel-drive 1-Series coupe (debuting in the United States this year), the 2008 Mini Clubman (a supersize version of the Cooper), and, most impressive, the prototype Hydrogen 7. Yes, Honda has a hydrogen car too -- but if you're going to be stranded by the roadside for lack of H, wouldn't you rather it be in a BMW?

#47 TATA GROUP

Within the first 10 days of 2008, Ratan Tata, the magnate behind India's \$72.8 billion Tata Group, made a reported \$2 billion bid for Ford's Jaguar and Land Rover brands and unveiled its long anticipated \$2,500 "People's Car" (called Nano) at a New Delhi auto show. Think about it: In the same week, India's largest conglomerate shook up both the high-end and the rock-bottom car markets, and made a clear statement that Indian business is not just a tech and outsourcing ghetto.

In truth, it wasn't the first time that Tata himself, the fifth generation in his family to run the company, had demonstrated his global savvy. In the 1990s, when he first took the helm of Tata, its trucking unit was posting the biggest losses in India's history. Since then, through a series of international acquisitions (Tetley Teas, steelmaker Corus), the 70-year-old has transformed the company into a mosaic of 100 diverse businesses. Clearly, Tata knows what India's 300-million-strong emerging middle class is hungry for. Apparently he knows the rest of us, too: This year, more than half of the company's revenue is expected to come from non-Indian operations.

#48 AKQA

Most interactive-ad shops master either the creative or the technical; AKQA is expert at both. Whether building a Pixar-quality interactive online universe for Coke's breathtaking "Happiness Factory" campaign (below), or masterminding a multimedia "alternate reality game" for Microsoft's Halo 3, the digital powerhouse doesn't just dream up mind-bending ideas, it actually writes the code that brings them to life. Which is why, after five consecutive years of profitability, AKQA is one of the most dangerous global forces in the ad industry. While ad holding companies and tech firms spent billions in 2007 to snap up digital shops, AKQA fended them off, opting instead for a \$250 million investment from private-equity firm General Atlantic. In the meantime, the 700-person agency boosted revenues 39% to \$100 million and added new clients such as Unilever, DoubleClick, and Cadbury Schweppes -- on top of existing accounts with Nike and McDonald's.

#49 PROSPER

"What we're really trying to do is to create an eBay for money and credit," says Chris Larsen, CEO of two-year-old Prosper (and founder of E-Loan, which he sold in 2005). The company melds the debt market with online social networking, allowing people to borrow money from one another

without any banks in the middle. So far, Prosper has facilitated the transfer of more than \$100 million, and delinquency rates have been low. Borrowers include stretched homeowners, college-goers, credit-card junkies, and entrepreneurs; lenders are average folks, including Larsen himself (who has funded more than 450 loans).

#50 BAIDU

We started this list with Google; we end it with a startup that has dared to go up against Google -- and has won the first round. Baidu, the king of Chinese search (60% market share in 2007), performs better in Mandarin and has more features customized for locals. Cofounder Robin Li is convinced that Baidu will "become bigger than Google," and he is in a hurry to get there: He recently launched a Japanese search engine, introduced search for ad-supported streaming music, and was first to offer mobile search in China.

Corrections: In the original version of this article the name of Sega of America president Simon Jeffery was misspelled. Also, the original version neglected to cite Roche Diagnostics as a partner with Affymetrix in developing the Amplichip test.
