

: The Most Innovative Companies 2020

For global businesses, a focus on innovation drives outperformance, and serial innovation success drives outperformance over time. In the years following the financial crisis of 2008 - 2009, the publicly traded members of Boston Consulting Group's 2007 ranking of the 50 Most Innovative Companies outperformed the broader market on shareholder return by 5.6% a year through the end of 2019.

But even the most innovative companies have a hard time staying that way - only eight companies have made the top 50 list in each of the 14 years BCG has compiled the ranking.

Boston Consulting Group's (BCG) latest report, *The Most Innovative Companies 2020: The Serial Innovation Imperative* concentrates on what it takes to outperform over the long term. The report finds that doing so successfully requires developing a clear innovation strategy and supporting it with appropriate investment, leveraging the advantages of scale, and ensuring that the company's innovation system is nimble enough to spot and seize the best opportunities quickly and decisively, whether in their own industry or an adjacent or distant one.

The 50 Most Innovative Companies of 2020

1	Apple (+2)	11	Tesla (-2)	21	Siemens (-5)	31	JD.com (new)	41	Toyota (-4)
2	Alphabet (-1)	12	Cisco (+5)	22	Target (return)	32	Volkswagen (+6)	42	Nestlé (return)
3	Amazon (-1)	13	Walmart (+29)	23	Philips (+6)	33	Bosch (new)	43	ABB (new)
4	Microsoft (+0)	14	Tencent (return)	24	Xiaomi (return)	34	Airbus (return)	44	3M (-5)
5	Samsung (+0)	15	HP (+29)	25	Oracle (return)	35	Salesforce (-2)	45	Unilever (-13)
6	Huawei (+42)	16	Nike (return)	26	Johnson & Johnson (-12)	36	JPMorgan Chase (-16)	46	FCA (new)
7	Alibaba (+16)	17	Netflix (-11)	27	SAP (+1)	37	Uber (return)	47	Novartis (new)
8	IBM (-1)	18	LG Electronics (+0)	28	Adidas (-18)	38	Bayer (-14)	48	Coca-Cola (return)
9	Sony (return)	19	Intel (return)	29	Hitachi (return)	39	Procter & Gamble (return)	49	Volvo (new)
10	Facebook (-2)	20	Dell (+21)	30	Costco (return)	40	Royal Dutch Shell (-10)	50	McDonald's (-29)

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"In innovation, as in life - drive, size, and skill are a powerful combination," said Michael Ringel, a BCG managing director and senior partner and a report coauthor. "But drive and size mean little if your innovation system can't build on them for serial success. And in today's highly turbulent environment, the ability to rapidly innovate time and time again confers a decisive advantage."

BCG conducted the research for the 2020 report before the outbreak of Covid-19. Nonetheless this year's core findings - which highlight the advantages of scale and the imperative for serial innovation - are highly relevant today as innovation leaders need to adapt to rapidly shifting patterns of supply, demand, consumer behaviour, and ways of doing business. BCG's research draws on the firm's annual survey of more than 2,500 global executives on innovation trends and its global innovation performance database of more than 1,000 firms.

Commitment counts

Not all aspiring innovators invest to support their aspiration. Among the companies in BCG's 2020 sample, 66% of all innovation executives see innovation as a top 3 management priority. Yet only 45% are "committed innovators" - that is, they see innovation as a top priority and back up that commitment with significant investment.

"Skeptical innovators" (30% of the total) see innovation as neither a strategic priority nor a significant target of funding. And "confused innovators" (25% of the total) report a mismatch between the stated strategic importance of innovation and their level of funding for it.

Committed innovators are winning. Almost 60% report generating a rising proportion of sales from products and services launched in the past three years, compared with only 30% of the sceptics and 47% of the confused. The highest proportion of committed innovators are in the financial and pharmaceutical sectors (both 56%) - and the lowest in industrial goods (37%) and wholesale and retail (32%).



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Boundary Busters

This year's report reveals a new and surprising pattern: compared with 2015, significantly more respondents named companies traditionally associated with a different industry as a leading innovator in their own industry, such as Amazon in health care or Alibaba in financial services.

Some companies have always been boundary-busting (3M is a leading example), but in a world where every industry is becoming a technology industry to some degree, this kind of innovation is an increasingly important capability.

There is already significantly more cross-industry activity compared with 2016 - an increase of 20%. Software and services companies are the ones most frequently cited as entering other sectors, but automakers, chemical companies, retailers, and industrial manufacturers are also playing more often in other companies' sandboxes as they see opportunities for new technology-enabled business models and revenue streams outside their own core businesses.

The data suggest that successful self-disruptors earned an annual premium in shareholder return of 2.7 percentage points from 2016 to 2019 over companies that focused solely on defending their own turf.

A bigger bang for the buck

Size is often seen as an impediment to successful innovation, but more than 40% of the big companies (defined as \$1 billion or more in revenue) in BCG's 2020 sample overcome the two most oft-cited obstacles: a lack of discipline in resource allocation and the difficulty of uniting the organisation behind the innovation strategy.

These companies manage to generate a larger percentage of sales from products or services launched within the past three years than their industry median.

This compares with on average 50% of the smaller firms surveyed. While smaller companies are somewhat more likely to outperform the large firms, the difference is small in magnitude and not statistically significant.

Large innovators that outperform their big-company peers also put more money behind their innovation programs - 1.4 times more as a percentage of sales - and they get far greater payoffs: four times as much as a percentage of sales.

"The most successful large innovators take a page from the instruction manual of serial acquirers and systematise their success factors," said Ramón Baeza, a BCG managing director and senior partner and a report coauthor. "Just as serial acquirers integrate the discipline of effective M&A into their management systems, serial innovators understand that success depends on all facets of innovation working together toward a common goal - generating a continuing series of new products or services that make an impact in the marketplace."

Download the full report: [*The Most Innovative Companies 2020: The Serial Innovation Imperative*](#) (PDF File: 827 KB)

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