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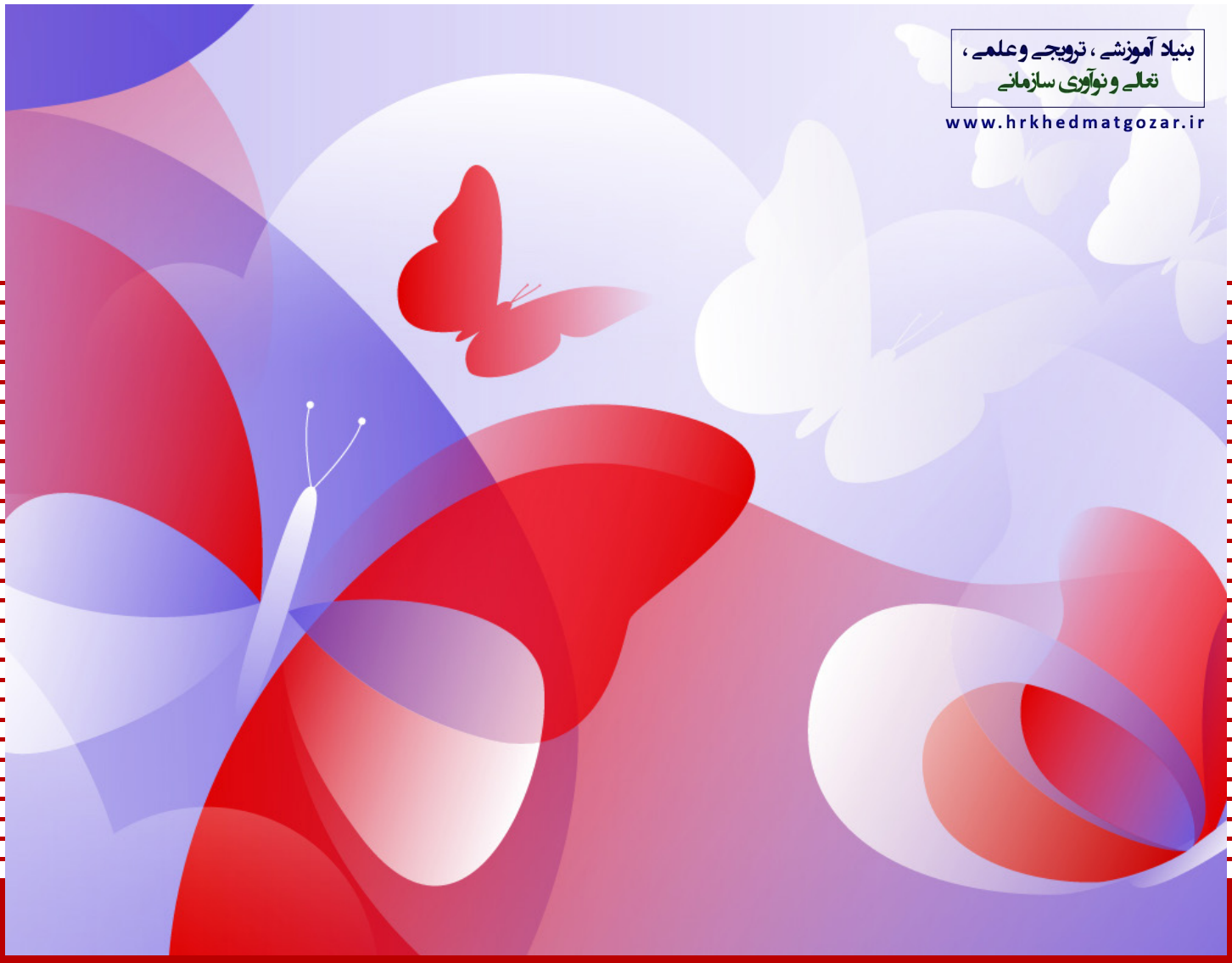


Innovation Report 2025

How top companies scale bold ideas

Contents

How top companies scale bold ideas

By Marissa Dent

Dear colleague:

We spoke to the world's boldest innovators. Here's what they have in common.

Fast Company's 50 Most Innovative Companies is a global snapshot of brands reshaping business, tech, and culture. When we surveyed and interviewed a selection of this year's leaders, clear patterns emerged.

Innovation *is* their strategy—almost all aim to grow beyond their core. They don't outspend their peers on R&D; they spend differently, focusing on transformative innovation. And they conquer risk aversion by separating their big bets from everyday innovations.

No surprise, AI already plays a central and growing role. But it's no substitute for imagination or understanding real customer needs. Instead, leaders use AI to dream bigger and know their customers better. Much bigger. And much better.

Marissa Dent

Global Leader, Bain Innovation and Business Building

Built to Reinvent: The Strategy of Innovation

The best innovators are committed to growth beyond their core and pursue it with clarity and capital discipline.

By Marissa Dent, Dunigan O'Keeffe, Mikaela Boyd, Dennis Jones, and Eva Savioz

At a Glance

- Public companies in *Fast Company*'s list of 50 Most Innovative Companies outperform their sector peers in total shareholder return, suggesting that high performance in innovation correlates with higher financial performance.
- Almost all top innovators we surveyed plan to enter new sectors or markets, demonstrating a commitment to growth beyond their core.
- About half of the leading innovators do not outspend their sector peers on R&D, suggesting innovation success is not solely about spending levels, but also about how spending is allocated.

Each year, *Fast Company* publishes its list of the 50 Most Innovative Companies, highlighting organizations that are reshaping industries and setting the pace in business, tech, and culture. This year's list includes a diverse range of global companies—from established giants like Nvidia and Waymo to fast-growing challengers like Athletic Brewing, Duolingo, and Budderfly. These firms are reinventing their industries: Waymo is transforming transportation, Athletic is tapping into a new era of social drinking, and Duolingo is gamifying education.

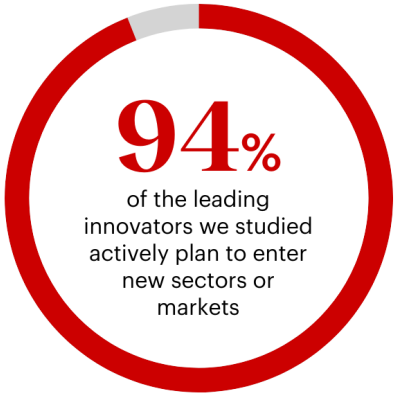
Despite their diversity, these companies share one clear belief: Innovation is not peripheral; it is vital to their mission.

Financial results from these companies suggest that success in innovation is correlated with significantly higher than sector-average total shareholder returns. Of the 10 public companies on the list with a track record of more than three years, eight have a higher three-year total shareholder return than their sectors, and four ranked in the top quartile of their sectors.

Innovation is not a function; it is the strategy

We asked 20 of the companies from *Fast Company*'s list to share their approach with us. Through interviews and surveys, we conducted a deep dive into how they invest and operate when it comes to innovation. In our conversations with their leaders and with leaders of other high-performing firms we've worked with, one insight consistently emerges: Innovation is not optional—it is their strategy.

What we heard was consistent with Bain & Company research that finds the best companies achieve growth from a mix of core activities and new growth engines—which we call Engine 2. Some 70% of the world's 100 largest companies successfully launched new businesses and grew them to scale. Among the subset of *Fast Company* innovators we examined, that ambition is even higher: 94% are committed to entering new sectors or markets, even when their core businesses remain strong.



We also found that 88% of those companies have embedded innovation into the top tier of their strategic agenda, ranking it as one of their top three priorities and elevating it alongside financial performance. These organizations recognize that future competitiveness won't come from marginal improvements; it will stem from a company's ability to anticipate shifts, move early, and build entirely new businesses.

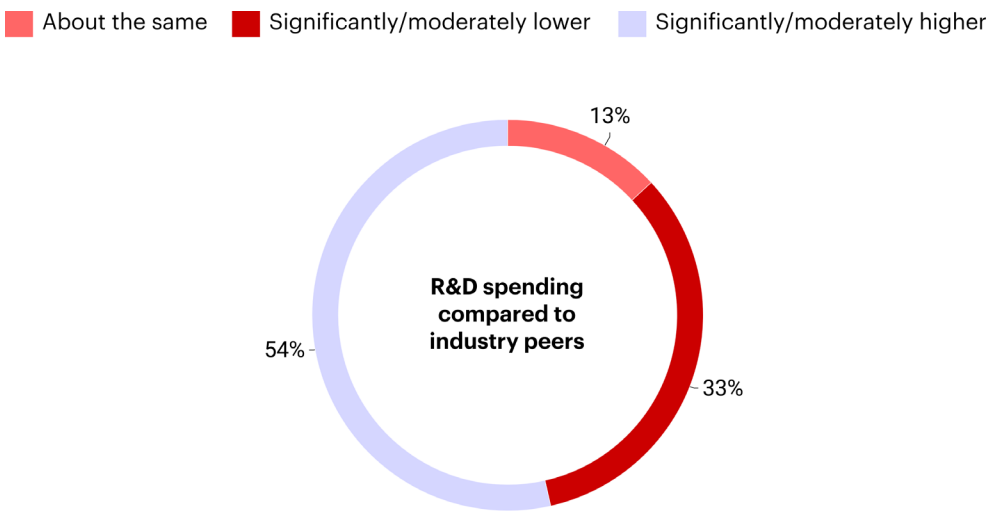
Clarity is an innovation multiplier

Equally important as commitment to innovation is clarity about it—knowing where to focus innovation efforts for maximum impact. Leading innovators are aligning their innovation strategies around three interdependent elements:

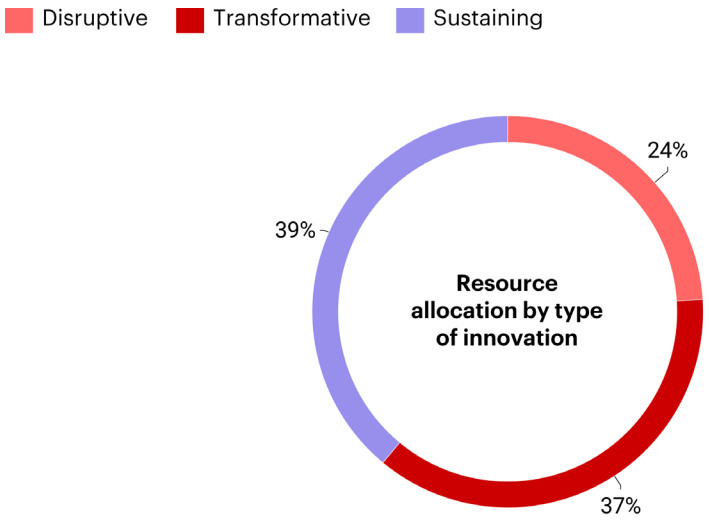
- **Quantified ambition:** Innovation has clear targets tied to revenue, profit, or market impact.
- **Strategic coherence:** Innovation themes are tightly linked to the company's unique assets and capabilities.
- **Prioritized domains:** The company makes investments in specific markets, technologies, or customer problems where it believes it can lead.

Innovators don't outspend; they out-allocate

Contrary to conventional wisdom, the most innovative companies do not always spend more than their competitors on R&D. Instead, they do a better job allocating that spending. Approximately half of the companies we examined said they spend the same or less than their competitors as an absolute R&D investment, suggesting that outspending is not required to out-innovate.



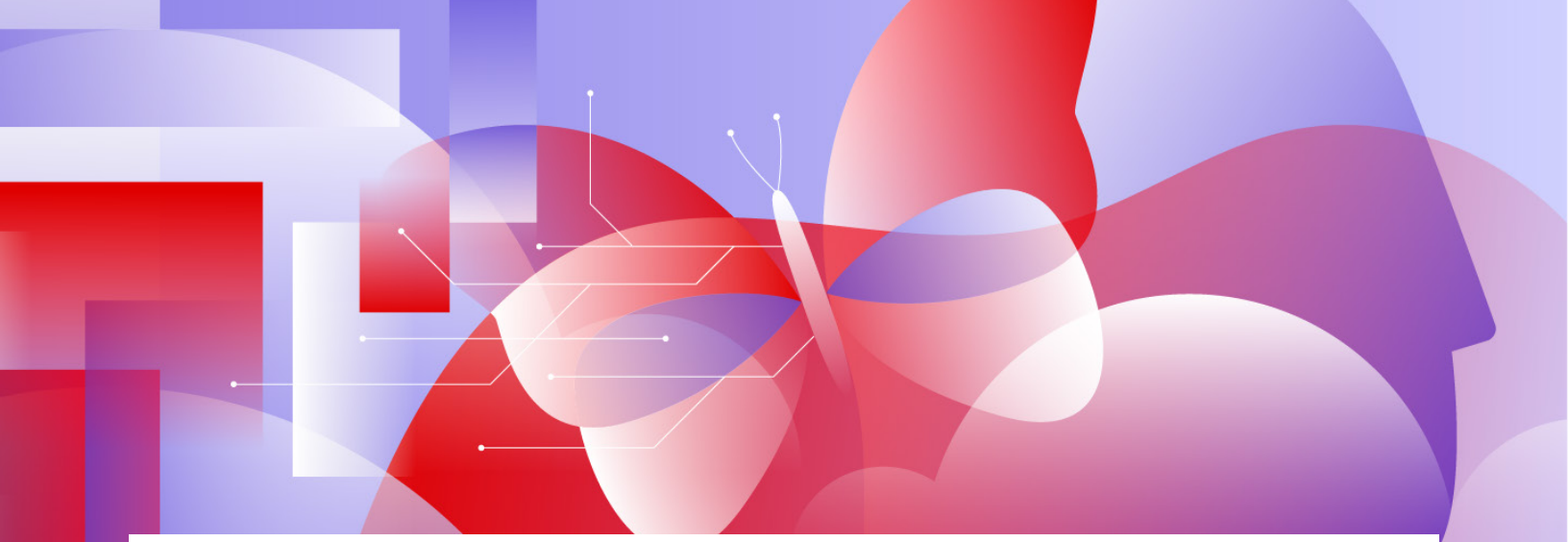
What matters more than the amount spent is how it is spent. Typical companies devote a significant portion of their R&D budget to sustaining innovations—that is, enhancing or evolving existing products, services, or processes. But the vast majority of the leading innovators we studied devoted more than 60% of their R&D to transformative or disruptive innovation—investments focused on expanding into untapped categories or business models ... or creating entirely new ones.



This signals a fundamental shift: from managing innovation as a cost center to treating it as a dynamic capital allocation exercise. Innovation leaders are constantly adjusting investment portfolios—rebalancing from sustaining to transformative, from product to platform, from near-term to long-term—as the market evolves.

Innovation requires conviction

Innovation isn't a side project. Increasingly, it's the main act. The companies leading the next wave of growth don't dabble in innovation; they make bold bets, intentionally allocate or reallocate resources to those bets, and treat innovation not as an expense, but as the engine of strategy, growth, and value creation. It's not how much they spend that sets them apart—it's the clarity of their ambition and their conviction to act on it.



Innovation Rewired: When Imagination Meets AI

AI can't dream. Humans can. The smartest companies combine them into a dream machine.

By Marissa Dent, Satty Chandrashekhar, Florian Hoppe, Merritt Robinson, and Eva Savioz

At a Glance

- AI enhances, but cannot yet replace, human-led innovation. The best-performing firms use both.
- Technology investment is rising sharply, but not at the expense of R&D, indicating that companies see technology and innovation as joint priorities.
- Among leading innovators we studied, design-to-launch timelines have accelerated rapidly, many by 20% or more.

Companies in search of innovation pour millions into idea challenges, design sprints, and digital suggestion boxes. Hackathons come and go. Whiteboards fill up. But most of these well-intentioned efforts create more noise than breakthroughs. The pipeline overflows with projects, yet few make it to market. Even fewer succeed.

Despite all the tools and buzzwords of modern business, the innovation engine still sputters along, and the process of innovation remains highly inefficient. The best ideas are statistically rare, and while crowdsourcing increases idea flow, it still requires the right incentives to attract quality contributions. Even when great ideas emerge, categorizing and sorting through them remains a slow and manual process. Further down the funnel, success rates are discouraging—only 5% to 25% of new products or services succeed in the market.

Creativity is one of the areas that AI is less likely to touch in the near-term.

Can AI make this process more efficient and effective? The short answer is yes. Research from Harvard University and the University of Washington has explored how AI-assisted crowdsourcing compares to human-only solvers in generating innovation ideas.

While AI-assisted solutions and human-only solutions scored high on forecasted value and creativity, human-generated ideas were significantly stronger in novelty—particularly for highly original, breakthrough innovations. This suggests that AI struggles to produce truly disruptive ideas, making humans an essential part of the process.

That was also the clear finding of our deep dive into the ways that 20 of the *Fast Company* 50 Most Innovative Companies organize for and invest in innovation. As one executive from a *Fast Company* innovator told us, "Creativity is one of the areas that AI is less likely to touch in the near-term."

Where AI will be most effective in innovation

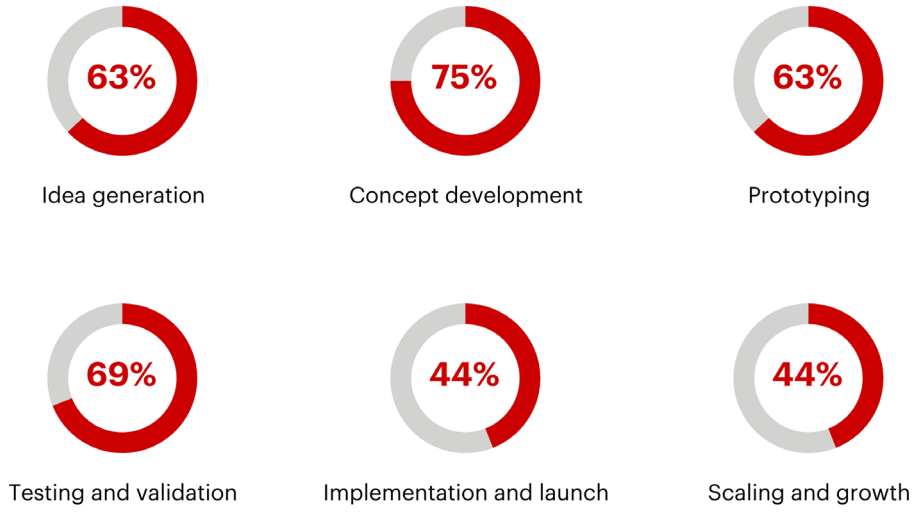
AI's true innovative power lies not in replacing human creativity but in accelerating and scaling every stage of the innovation journey. It is already reshaping how leading companies deploy resources from idea generation to market execution.

This fact is evident in the survey responses of leading innovators about where AI is used now and how deeply they expect it to be embedded in five years' time. While current adoption is concentrated around early-stage concept development and prototyping, respondents expect dramatic increases across every stage of innovation within five years.

AI's true innovative power lies not in replacing human creativity but in accelerating and scaling every stage of the innovation journey.

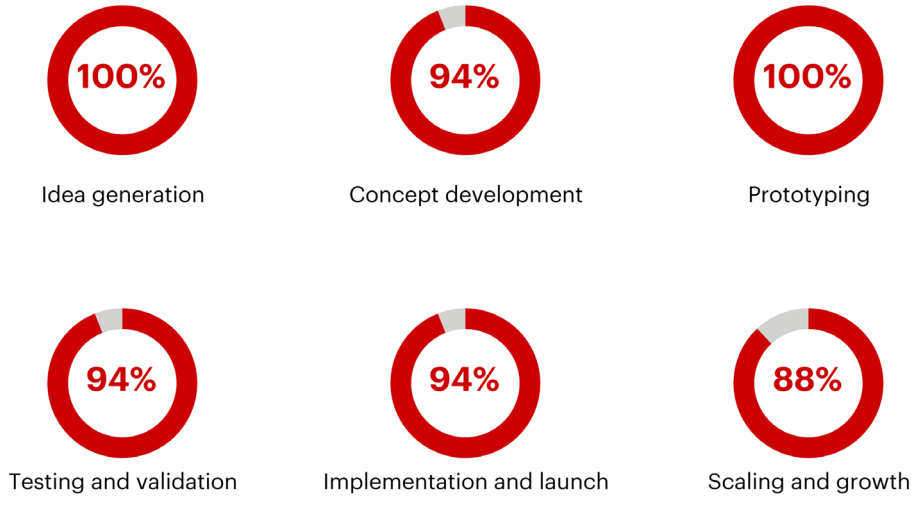
Today

Percent of respondents using AI moderately or extensively for innovation



In 5 years

Percent of respondents using AI moderately or extensively for innovation

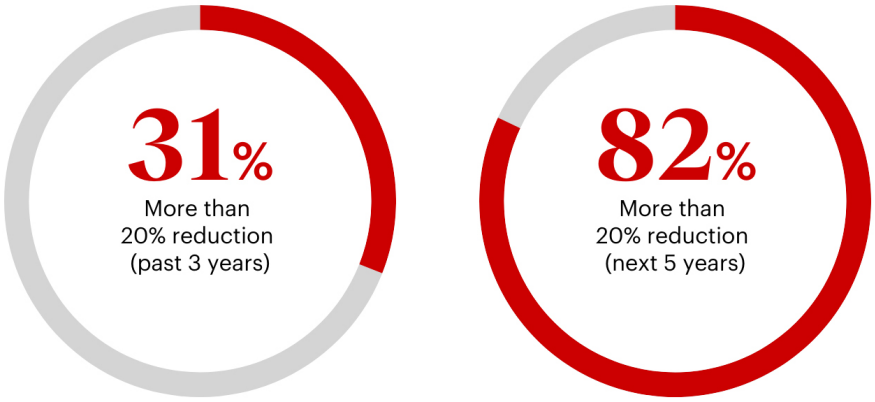


Despite its potential, many organizations still focus their AI efforts on process efficiency rather than solving evolving customer problems or building new business.

AI is already a powerful tool for enhancing efficiency and scaling innovation, particularly in these areas:

- **Idea generation and trend analysis.** AI can scan vast data sets (market reports, patents, social media trends) to uncover emerging opportunities. Natural Language Processing models can suggest new ideas based on gaps in the market.
- **Concept development and prototyping.** AI can design and test prototypes virtually, even using synthetic customers, significantly accelerating development cycles. Notably, 31% of the subset of top *Fast Company* innovators we surveyed have already accelerated design-to-launch timelines by more than 20%. Most expect these timelines to compress even further within the next five years.

How will (or has) your company's innovation design-to-launch timeline change(d)?



- **Data-driven decision making.** AI can predict innovation success by analyzing historical data, customer sentiment, and market conditions, reducing failure rates. The *Fast Company* innovators we spoke with suggest that AI has significantly improved their innovation success rates.
- **Automating repetitive R&D tasks.** AI can process massive data sets faster than human researchers.
- **Enhancing human-centered design.** AI can analyze user behavior data to optimize user experience/user interface in real time and gather large-scale customer feedback.
- **Funding and investment decision support.** AI can predict which start-ups or projects will succeed based on financial data, market trends, and historical outcomes.

Despite its potential, many organizations still focus their AI efforts on process efficiency rather than solving evolving customer problems or building new business. While AI is helping companies move faster, the destination they're moving toward often remains internally focused.

Where AI falls short in innovation

While AI can enhance innovation, it also has critical blind spots where human ingenuity remains essential:

- **Original, out-of-the-box creativity.** AI generates ideas based on existing data, which makes it great for incremental improvements, but still weak at radical breakthroughs.
- **Risk-taking and intuition-based innovation.** Because AI relies on historical data, it's also risk-averse—another reason it's less likely to propose bold, untested ideas.

- **Human judgment and strategic vision.** AI can suggest solutions, but choosing the right path—balancing ethics, culture, and business strategy—still remains a human decision.
- **Empathy and deep customer understanding.** AI lacks emotional intelligence and struggles to grasp the subtleties of human needs.
- **Managing unstructured collaboration.** Innovation often happens through serendipitous human interactions—brainstorming, informal conversations, and intuitive leaps. AI can facilitate but cannot yet replace this creative energy.
- **Regulatory and ethical decision making.** AI can recommend compliance strategies, but navigating complex legal, ethical, and societal concerns still requires human oversight.

The future of innovation is human plus AI

AI will dramatically improve innovation efficiency, reducing friction in research, prototyping, and decision making. However, it cannot yet replace the human capacity for original thought, risk-taking, and deep customer understanding. And while the vast majority of leading innovators increased their technology spending over the past three years, their expansion in AI hasn't come at the expense of innovation. Only 8% of firms report funding AI growth by cutting into R&D, suggesting these capabilities are now viewed as complementary, not competitive.

We've seen this blend of human and AI innovation in our own work, with companies seeking to unlock new growth. Take, for example, a leading US life insurer that sought to revitalize its subsidiary's innovation strategy after initial market struggles. Using AI-driven market analysis, synthetic users, and rapid prototyping, the company was able to validate the subsidiary's value proposition and create a new B2B offering. By leveraging advanced data science, future-state architecture modeling, and a structured go-to-market approach, the subsidiary secured enterprise design partners and created a strategy that puts it on course to achieve a $1 billion total enterprise value within five years.

In another case, a major telecom provider used synthetic customers to break into underpenetrated value-first segments without cannibalizing its premium brand. By pairing a synthetic capability with traditional research, the company tested features, pricing, and promotion options to pinpoint optimal launch strategies.

The future of innovation won't be driven by AI alone, but by those who know when to let it lead and when to take the wheel. True breakthroughs will come from blending machine intelligence with the irreplaceable messiness of human creativity.

Human Insights at Speed, with AI

Input from customers is the cornerstone of innovation. AI is accelerating and expanding how it is gathered and applied.

By Marissa Dent, Jon van der Veen, Joachim Allerup, Michael Egan, Daniel Sobol, Lesley Butler, and Eva Savioz

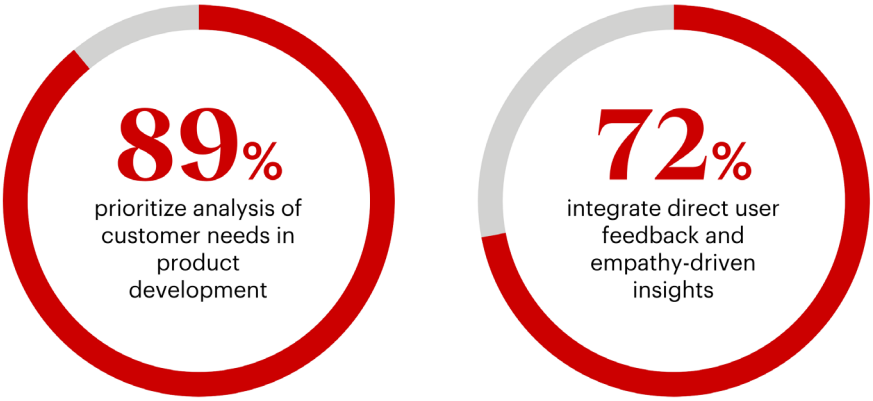
At a Glance

- Leading innovators invest in AI not to replace human insight, but to accelerate human-centered design.
- In a survey of *Fast Company*'s 50 Most Innovative Companies, 89% of respondents said they prioritize understanding customer needs over AI-driven shortcuts.
- These innovators also consistently integrate direct user feedback and empathy-driven insights and are doing so faster than ever before.

There's a myth in modern business that innovation has become self-driving—that once you feed enough data into AI, it can do the rest. No customers, no designers, no mess—just cold, beautiful efficiency.

But the companies actually leading the charge don't see it that way.

In our survey and interviews with firms listed in *Fast Company*'s 50 Most Innovative Companies, 89% of companies responding said they "often" or "always" prioritize understanding and addressing customer needs in their product development process. And 72% said they actively integrate direct user feedback and empathy-driven insights throughout the journey.



The message from this survey and our interviews with executives at those companies is clear: In an age of generative everything, the most innovative companies are still grounded in *human understanding*. Sophisticated innovators aren't replacing empathy with data—they're engineering ways to scale it.

Creating and launching new ideas is easier than ever today, but with that abundance comes a new challenge: ensuring that what you build truly matters to real people. The key is blending the speed and scale of AI with the depth and nuances of real customer feedback. The strongest innovators use AI to enhance—not replace—their direct engagement with users. Innovation leaders are combining AI with real-world input to validate faster, iterate smarter, and build solutions people genuinely want.

Synthetic personas come with rewards ... and risks

Nowhere is this more evident—or more debated—than in the rise of synthetic personas: AI-generated user archetypes trained on massive data sets, capable of simulating human behaviors, choices, even frustrations.

Used wisely, synthetic personas can unlock enormous value by:

- simulating hard-to-reach or emerging user segments before they exist in the market;
- rapidly pressure-testing ideas across dozens of theoretical contexts;

- capturing patterns, behaviors, and emerging needs across vast audiences with remarkable precision;
- simulating real user experiences at scale—enabling faster, more informed innovation decisions; and
- reducing time-to-insight in early-stage product design or personalization efforts.

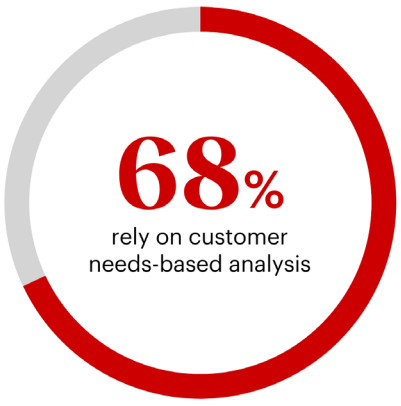
Synthetic personas are powerful, but they're not substitutes. They work best alongside real users, not instead of them:

- They reflect *probabilistic behavior* and thus may miss nuance, emotion, or edge cases.
- Overreliance can create false confidence in products that haven't been validated with real people.
- They can reflect bias embedded in their training data, scaling inaccuracies faster than traditional personas.

Bottom line: Synthetic personas are force multipliers, not foundations. They should *supplement*, not supplant, direct engagement with real customers.

People still provide the strongest innovation signals

When we asked the *Fast Company* innovators what tools or techniques they use to identify trends or crowdsource ideas, more than two-thirds said they relied on analysis of customer needs and competitive analysis, while well over half said they were monitoring regulatory and societal trends.



By contrast, significantly less than half reported using internal crowdsourcing, relying on market analytics or external open innovation, or using venture funding technology analysis.

Despite the hype, the loudest signals still come from listening—not modeling.

Leaders invest in AI that accelerates empathy

When asked where they plan to invest over the next five years, the *Fast Company* innovators we interviewed pointed overwhelmingly to AI-powered tools that increase velocity *without* compromising human focus:

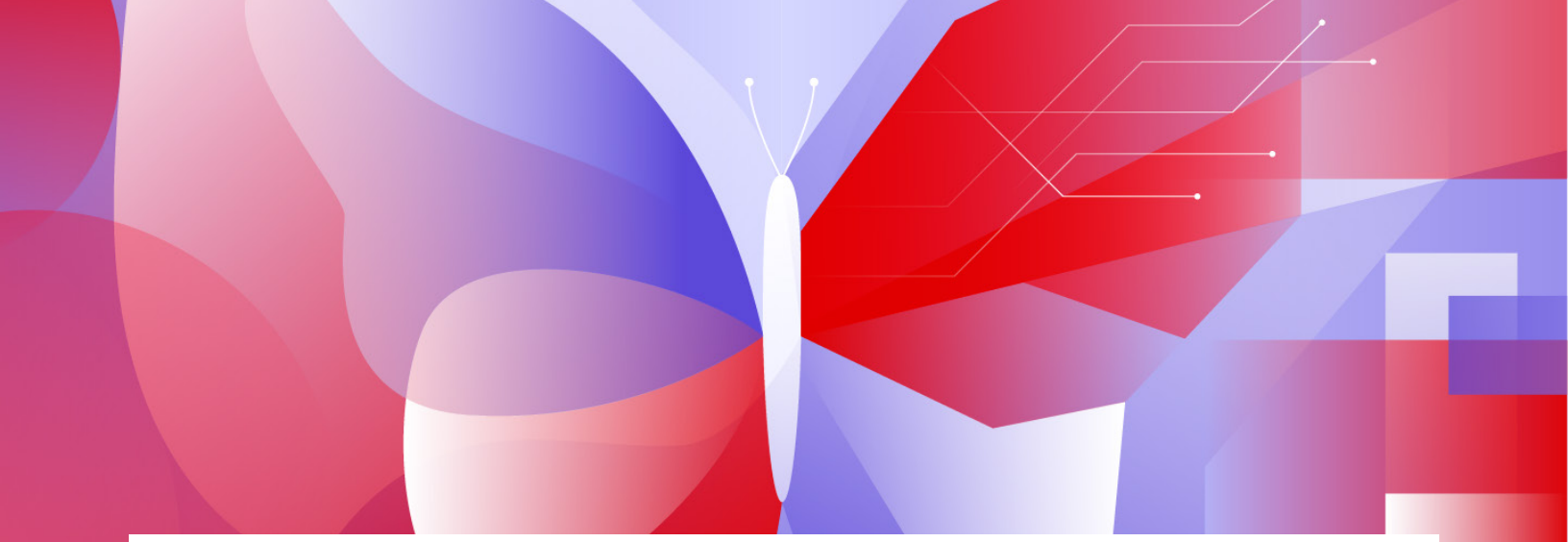
- AI-assisted customer research and trend scouting
- Persona simulations, ideation, and concept generation
- Rapid pretotyping, prototyping, and A/B testing
- AI-driven design, no/low-code, and proof-of-concept acceleration
- Brand and marketing messaging for rapid experimentation at scale
- Automation of low-value work to free up time for customer engagement

Recent work with one of our own clients shows how companies can move from exploring product opportunities to validated concepts in a matter of hours by using a combination of AI-based tools and real consumer inputs.

In this case, the company identified opportunities by using AI-based social listening tools that could gather consumer insights at speed. It then used a custom GPT to generate ideas and mocked up concepts with GPT and AI image generation tool Midjourney. (In the case of digital products, companies can even create full-scale prototypes using UX/UI automation tools.)

The company then tested the AI-generated concepts with real consumers across key target segments, using Outset.AI to moderate interviews and synthesize and prioritize concepts. The result: fast qualitative research results across a large sample of participants in just a matter of hours. These results would have taken weeks via traditional methods, but AI tools were able to accelerate them without sacrificing closeness with real consumers.

This is the new philosophy of innovation technology: It should reduce the noise so that teams can hear the customer more clearly. AI isn't replacing design thinking; it's making it faster, deeper, and more scalable.



Built to Be Bold: Why the Best Innovators Run Two Systems

The most innovative companies don't avoid risk—they design for it.

By Marissa Dent, Logan Stevens, Laurent Migom, Karsten Petersen, Joost Spits, and Eva Savioz

At a Glance

- Human aversion to risk can be moderated through system design. Distinct innovation models—one focused on efficiency, the other on discovery—can foster more ambitious innovation.
- Approximately 79% of respondents in our survey of *Fast Company*'s 50 Most Innovative Companies have different operating models for breakthrough vs. sustaining innovation.
- Despite the rise of democratized innovation tools, 50% of innovators expect innovation to become more centralized, reflecting a need for focus, governance, and resource coordination.

Human beings don't like uncertainty. But under the right conditions, people can become more risk tolerant. Consider the famous experiments published by Amos Tversky and Daniel Kahneman in 1986; participants were asked to choose between:

A) A sure gain of $30
B) An 80% chance to win $45 and a 20% chance of winning nothing

An overwhelming majority, 78%, chose A, favoring certainty—even though B has a higher expected value ($36). But that changed when participants were presented with a different scenario:

A) A 25% chance to win $30
B) A 20% chance to win $45

In that case, 58% chose B. When both outcomes were uncertain, their appetite for risk increased.

The experiment demonstrated that certainty suppresses risk-taking, but uncertainty can encourage it. And, it turns out, this behavioral insight can also be applied to the way companies manage innovation.

Large incumbents tend to avoid risk

In large, established companies, innovation is often skewed toward the core. Many express a desire for a 70/20/10 innovation mix (70% sustaining, 20% breakout, 10% disruptive), but real-world pipelines often resemble 100/0/0—with virtually no projects far from the core.

Why? Because as project risk increases, most companies pull back. Promising ideas are often killed before they're even fully explored because they are perceived to lack ROI or strategic fit within existing systems.

Using two innovation models can overcome risk aversion

But what if companies adopted two distinct innovation systems—one for the core and one for growth beyond it—each with its own structure, resources, and performance expectations? The two systems would look like the following.

A sustaining innovation system. Designed for incremental improvements close to the core business, this innovation system would be best for enhancing known products, channels, and business models, and it would have the following traits:

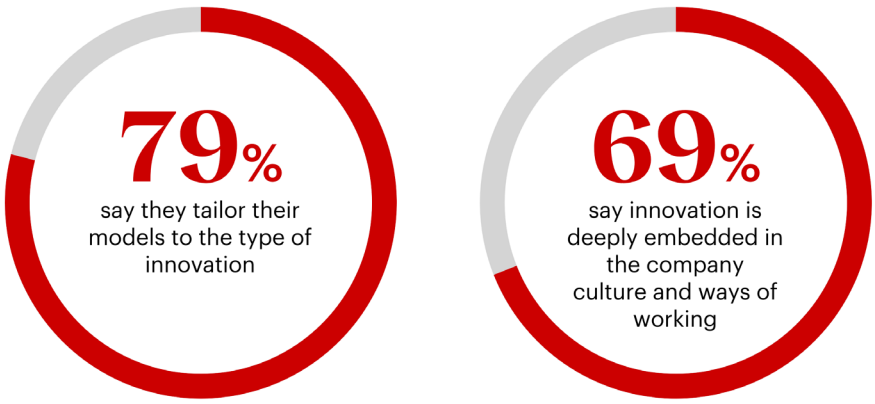
- **Consumer focus:** Addresses clearly understood, currently met, or under-met needs through refinement and optimization of existing offerings
- **Risk profile:** Low risk, measurable returns
- **Process:** Traditional stage-gate models
- **Expertise:** Deep domain experts
- **Role of AI/technology:** Used primarily for automation, predictive analytics, and process optimization—helping to streamline operations, reduce costs, and incrementally improve customer experiences
- **Key Performance Indicators (KPIs):** ROI-driven metrics

A breakout/disruptive innovation system. Tailored for exploration and transformative growth, it would be best suited to boldly pursuing new markets, technology, or consumer models.

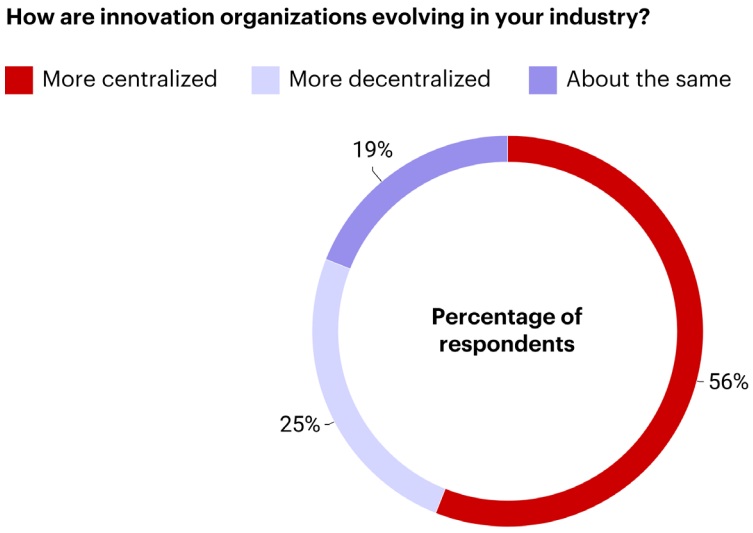
- **Consumer focus:** Seeks to uncover and address unmet or unarticulated needs, often in white spaces or emerging behavioral shifts
- **Risk profile:** High risk, uncertain outcomes
- **Process:** Agile, iterative, fast-learning loops
- **Expertise:** Growth mindsets, non-traditional collaborators
- **Role of AI/technology:** Enables rapid prototyping, customer insight mining, market sensing, and adaptive experimentation, accelerating the discovery of new value propositions and business models
- **KPIs:** Learning velocity, long-term potential, strategic options

What the best innovators do differently

For some companies, this dual model approach is already in place. Our survey and interviews with 20 companies in *Fast Company*'s list of 50 Most Innovative Companies found that 79% already employ separate operating models—organizations' structure, metrics, KPIs, and ways of working—for disruptive innovation and sustaining efforts. Another 69% said that innovation is extremely important to the company's culture and daily operations.



When we asked leaders in these companies about the future structure of innovation, approximately twice as many predicted that innovation would become more centralized (56% of the total) as opposed to decentralized (25%), possibly reflecting a need for better governance, accountability, and strategic alignment amid complexity.



The tilt toward centralization—despite more democratized innovation tools—may reflect a need to better prioritize, focus, and fund innovation at scale, especially when stakes are high.

A more realistic path to innovation

Winning at innovation is not about making wild bets—it's about designing the conditions that make bold ideas possible. Distinct operating systems with appropriate processes, governance, and KPIs allow companies to pursue efficiency and exploration simultaneously.

Rather than treating innovation as a one-size-fits-all process, leading organizations recognize that different kinds of innovation need different systems—and they structure accordingly.

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