



THE WORLD'S MOST ADMIRABLE COMPANIES




Global success takes more than luck. GE, which tops the All-Star list again, and Toyota, which holds on at No. 2, show how it's done. **BY EUGENIA LEVENSON**

BUSINESSES POWERED THROUGH risky territory in 2006. Sky-high commodity prices, a housing slump in the U.S., and increasing chaos in Iraq threatened disruption and slowdown. But despite the dangers, global growth accelerated at a healthy clip for a fifth straight year.

Succeeding in this stormy climate required consistent execution, stable leadership, and fearless innovation—qualities demonstrated by the companies that lead FORTUNE's tenth annual World's Most Admired Companies survey, which compiled votes from 1,506 executives in 26 countries. Blue-chip behemoth General Electric returned as No. 1 for the seventh time. Also back in a big way: Toyota Motor, which kept its No. 2 spot to remain the highest-ranked non-U.S. company on the list. In a

★ **STILL NO. 1** For the seventh time in a decade, General Electric shines the brightest.



The Top
10

1. General Electric
2. Toyota Motor
3. Procter & Gamble
4. Johnson & Johnson
5. Apple
6. Berkshire Hathaway
7. FedEx
8. Microsoft
9. BMW
10. PepsiCo

bruising year for the automobile industry, Toyota's fuel-efficient cars continued to race off the lots, even as Detroit's Big Three announced factory closings in the U.S. and cut production.

Another industry pacesetter, Apple, continued its rise, reaching No. 5 this year and moving ahead of rival Microsoft (No. 8) to become the world's most admired computer company. (Never mind that the iPod maker dropped "Computer" from its name earlier this year to reflect its seismic shift to consumer electronics.) Meanwhile Dell, which ranked third as recently as 2005, plunged 20 spots this year, to No. 27, as it grappled with an ongoing SEC investigation, slowing sales, and a rocky management transition.

The newcomers to the top ten—BMW (up four spots, to No. 9) and PepsiCo (up six, to No. 10)—aren't exactly upstarts. Both are established leaders with long track records of solid execution and reliable results. "Success is made up of many facets—sustainable strategy, attractive products, acceptance in the market, strong financial figures, and motivated employees," says BMW chairman Norbert Reithofer. "These do not spring up overnight. They're the result of continuous, persevering efforts." The automaker's competitors also took notice: BMW received top scores from its industry peers for management, product quality, innovation, and financial soundness.

The rankings of BMW and Toyota are notable achievements, and not merely because both companies are succeeding in an industry that has battered American giants (none made the cut; No. 23 Honda is the only other carmaker on the list). Along with Singapore Airlines and Nestlé, these firms moved up on the All-Star list even though only 15 companies with headquarters outside the U.S. ranked in the top 50 this year, three fewer than in 2006. Chinese firms, for example, remain conspicuously absent from the list, despite the rapid growth of the Middle Kingdom's economy.

In industries where American players still dominate, the year brought changes and challengers. The retailer Target may lack international operations, but the company (No. 12) has established a strong global reputation and now outranks Wal-Mart as the world's most admired general merchandiser.

HAY GROUP

Hay Group, which has conducted the research for the World's Most Admired Companies list since 1997 and for America's Most Admired Companies since 2001, is a global management-consulting firm with 88 offices in 47 countries. For information about Hay Group's services, go to www.haygroup.com. For more on how the survey was conducted, see page 42.

2007 All-Stars

FORTUNE ranks the top 50 companies based on voting across industry lines.

RANKING		COMPANY	INDUSTRY	COUNTRY
2006 ¹	2005 ¹			
1	1	General Electric	Electronics	U.S.
2	2	Toyota Motor	Motor vehicles	Japan
3	3	Procter & Gamble	Household and personal products	U.S.
4	5	Johnson & Johnson	Pharmaceuticals	U.S.
5	9	Apple ²	Computers	U.S.
6	8	Berkshire Hathaway	Insurance: property and casualty	U.S.
7	4	FedEx	Delivery	U.S.
8	6	Microsoft	Computers	U.S.
9	13	BMW	Motor vehicles	Germany
10	16	PepsiCo	Consumer food products	U.S.
11	11	IBM	Computers	U.S.
12	12	Target	General merchandisers	U.S.
13	10	Wal-Mart Stores	General merchandisers	U.S.
14	14	United Parcel Service	Delivery	U.S.
15	17	Costco Wholesale	Specialty retailers	U.S.
16	33	Walt Disney	Entertainment	U.S.
17	19	Singapore Airlines	Airlines	Singapore
18	25	Exxon Mobil	Petroleum refining	U.S.
19	*	Boeing	Aerospace and defense	U.S.
20	20	Nokia	Network communications	Finland
21	21	Citigroup	Megabanks	U.S.
22	24	Bank of America	Megabanks	U.S.
23	31*	Honda Motor	Motor vehicles	Japan
24	22	Coca-Cola	Beverages	U.S.
25*	29	Caterpillar	Industrial and farm equipment	U.S.
25*	27*	Nestlé	Consumer food products	Switzerland
27	7	Dell	Computers	U.S.
28	36*	Toyota Industries	Motor vehicle parts	Japan
29	18	Intel	Semiconductors	U.S.
30	43	Tesco	Food and drug stores	Britain
31	31*	DuPont	Chemicals	U.S.
32*	26	Cisco Systems	Network communications	U.S.
32*	41	Walgreen	Food and drug stores	U.S.
34*	27*	Samsung Electronics	Electronics	S. Korea
34*	38*	Anheuser-Busch	Beverages	U.S.
36	23	BP	Petroleum refining	Britain
37*	44	Best Buy	Specialty retailers	U.S.
37*	40	Siemens	Electronics	Germany
39	15	Home Depot	Specialty retailers	U.S.
40	30	L'Oréal	Household and personal products	France
41	34*	Sony	Electronics	Japan
42	*	Motorola	Network communications	U.S.
43	*	Hewlett-Packard	Computers	U.S.
44	*	Northwestern Mutual	Insurance: life and health	U.S.
45	36*	Lowe's	Specialty retailers	U.S.
46	38*	Canon	Computers	Japan
47	45	Deere	Industrial and farm equipment	U.S.
48*	42	HSBC Holdings	Megabanks	Britain
48*	*	Xerox	Computers	U.S.
50	50	Dow Chemical	Chemicals	U.S.

*Not rated last year. *Indicates a tie in rank. ¹Dates refer to year of survey. ²Changed name from Apple Computer.

17. Insurance: property, casualty

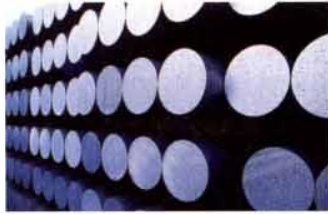
2006/2005	SCORE
1 1 Berkshire Hathaway	8.28
2 3 Hartford Financial Services	6.81
3 4 American Intl. Group	6.66
4 10 St. Paul Travelers	6.52
5 7 Liberty Mutual Insurance	6.42
6 2 Allstate	6.41
7 6 Swiss Reinsurance	6.37
8 11 Zurich Financial Services	6.08
9 8 Munich Re Group	6.08
10 5 State Farm Insurance	6.06
11 9 Allianz	5.85
12 13 Mitsui Sumitomo Insurance	5.76
13 14 Groupama	5.68
14 12 Nationwide	5.66
15 15 Millea Holdings	5.50

18. Megabanks

2006/2005	SCORE
1 1 Bank of America	7.34
2 8 UBS	7.06
3 2 Citigroup	6.87
4 4 HSBC Holdings	6.73
5 7 Royal Bank of Scotland	6.46
6 5 J.P. Morgan Chase	6.28
7 10 Credit Suisse	5.85
8 15 BNP Paribas	5.77
9 • Société Générale	5.66
10 12 HBOS	5.55
11 11 Fortis	5.40
12 14 Crédit Agricole	5.12
13 13 Deutsche Bank	5.10
14 9 ABN Amro Holding	4.97
15 • Dexia Group	4.75

19. Metals

2006/2005	SCORE
1 2 Alcan	7.94
2 1 Alcoa	6.78
3 10 Mittal Steel	6.77
4 3 Norsk Hydro	6.68
5 6 Nippon Steel	6.51
6 7 Nucor	6.46
7 4 Arcelor	6.41
8 12 Mitsubishi Materials	6.10
9 9 Kobe Steel	6.08
10 5 POSCO	6.04
11 8 JFE Holdings	6.03
12 11 Sumitomo Metal Industries	5.91
13 14 Corus Group	5.76
14 13 Shanghai Baosteel Group	5.25
15 15 United States Steel	5.16



★ METALS MEDAL Alcan is No. 1.

20. Mining, crude oil production

2006/2005	SCORE
1 • Occidental Petroleum	7.48
2 • Devon Energy	7.37
3 • BHP Billiton	6.07
4 • Rio Tinto	5.94
5 • EnCana	5.67
6 • Anglo American	5.10
7 • RAG	4.43
8 • Surgutneftegas	4.31
9 • Oil & Natural Gas	4.19

21. Motor vehicle parts

2006/2005	SCORE
1 1 Toyota Industries	7.06
2 3 Johnson Controls	6.87
3 4 Robert Bosch	6.40
4 7 Goodyear Tire & Rubber	6.40
5 6 Denso	6.19
6 5 Michelin	6.04
7 9 Bridgestone	5.81
8 10 Aisin Seiki	5.77
9 13 MAN	5.15
10 8 Magna International	5.15
11 • Koç Holding	4.97
12 11 Continental	4.76
13 2 Lear	4.62
14 15 Delphi	3.61
15 14 Visteon	3.31

22. Motor vehicles

2006/2005	SCORE
1 2 BMW	7.38
2 1 Toyota Motor	7.18
3 3 Honda Motor	6.41
4 6 Volvo	6.27
5 7 Mazda Motor	6.03
6 5 DaimlerChrysler	5.85
7 14 General Motors	5.60
8 4 Nissan Motor	5.31
9 12 Ford Motor	5.21
10 10 Renault	5.17
11 11 Volkswagen	5.09
12 8 PSA Peugeot Citroën	4.84
13 9 Hyundai Motor	4.66
14 13 Suzuki Motor	4.57
15 15 Fiat	4.38

23. Petroleum refining

2006/2005	SCORE
1 1 Exxon Mobil	8.17
2 3 Chevron	7.72
3 2 BP	7.32
4 4 Royal Dutch Shell	7.17
5 6 ConocoPhillips	6.74
6 5 Total	6.70
7 7 Valero Energy	6.68
8 8 Statoil	6.50
9 10 Marathon Oil	6.41
10 9 ENI	5.70
11 13 China National Petroleum	5.08
12 12 Sinopec	5.03
13 14 Repsol YPF	4.75
14 • Pemex	4.14
15 • PDVSA	3.61

24. Pharmaceuticals

2006/2005	SCORE
1 2 Novartis	7.66
2 1 Johnson & Johnson	7.53
3 7 Roche Group	6.97
4 6 Eli Lilly	6.73
5 5 GlaxoSmithKline	6.68
6 4 Amgen	6.62
7 3 Abbott Laboratories	6.61
8 9 Wyeth	6.43
9 11 Sanofi-Aventis	6.07
10 8 AstraZeneca	6.00
11 10 Pfizer	6.00
12 13 Merck	5.88
13 14 Schering-Plough	5.53
14 12 Bristol-Myers Squibb	4.98

25. Semiconductors

2006/2005	SCORE
1 1 Texas Instruments	8.21
2 2 Intel	7.12
3 4 Flextronics International	6.82
4 5 ONEX (Celestica)	4.65
5 7 Sanmina-SCI	4.32
6 6 Solectron	4.16

★ SOARING Boeing moved to the top spot in the aerospace industry.



26. Specialty retailers

2006/2005	SCORE
1 2 Best Buy	7.10
2 3 Costco Wholesale	6.97
3 4 Lowe's	6.94
4 5 Limited Brands	6.75
5 1 Home Depot	6.64
6 6 Staples	6.62
7 7 Gap	5.92
8 14 Circuit City Stores	5.85
9 10 Office Depot	5.70
10 8 DSG International ¹	5.60
11 12 TJX	5.39
12 9 GUS	5.38
13 13 Otto Group	5.33
14 11 Kingfisher	5.17
15 • Toys "R" Us	4.32

27. Telecommunications

2006/2005	SCORE
1 3 Verizon Communications	6.84
2 1 AT&T	6.74
3 5 Comcast	6.72
4 10 BT	6.59
5 8 Nippon Tel. & Tel.	6.56
6 4 Vodafone	6.42
7 6 Telefónica	6.40
8 13 France Télécom	6.03
9 9 KDDI	6.02
10 11 Deutsche Telekom	5.97
11 15 China Mobile Commun.	5.86
12 2 Sprint Nextel	5.79
13 14 Vivendi ⁶	5.74
14 16 China Telecommunications	5.66
15 12 Telecom Italia	5.53

¹ Not on last year's list. ² Changed name from Apple Computer. ³ Spun off from Gasunie (2005 rank: 13) July 1, 2005. ⁴ Changed name from Coles Myer. ⁵ Merged with Ito-Yokado (2005 rank: 13), Sept. 1, 2005. ⁶ Changed name from Dixons Group. ⁷ Changed name from Vivendi Universal.



WHAT THE COMPETITION IS SAYING

Tesco, Boeing, Novartis, and BMW made huge strides in earning the respect of their competitors, who ranked them at the top of their respective industries.



FEW CRITICS are tougher than the competition. That's why the top spots on the World's Most Admired Companies industry list have been a high honor since FORTUNE first began publishing the rankings in 1997.

Each category leader earns this vote of confidence from people who are in the business of knowing them best: industry analysts and executives who rate their peers on nine attributes ranging from product quality to social responsibility. The scores are averaged to determine industry rankings. This year the field included 347 companies, all with revenue of at least \$8 billion in 2005, across 27 sectors and 26 countries. Four industries were not included because they had insufficient response rates: buildings materials, general merchandising, network communications, and health-care wholesalers.

Ten industries voted in new leaders, toppling a few stalwarts in the process. Britain's rapidly

expanding Tesco overtook Walgreen in the food and drug category, while BMW passed Toyota to claim the motor vehicle group's top ranking. Two companies that rose to leading positions this year debuted at the top of their industries ten years ago: Boeing, which jumped two spots this year (over United Technologies and Lockheed Martin) to lead the aerospace and defense sector, and FedEx, which passed UPS in the delivery category. Only two other companies—DuPont and General Electric—hold the top industry spots on both the 1997 and 2007 lists.

Other new leaders this year include Switzerland's Novartis (pharmaceuticals), whose industry peers ranked it higher than perennial high-scorer Johnson & Johnson. Also heading their respective categories are Canada's Alcan (metals) and U.S.-based Oneok (energy), Prudential Financial (life and health insurance), Best Buy (specialty retailers), and Verizon (telecommunications). —*Eugenia Levenson*

★ **BRITISH INVASION** Tesco, which launched a global expansion, earned high marks from its peers.

