How rankings shape your growth story

High-growth rankings can give small companies a quick reputational boost. But unless you understand the metrics involved, your time on the list could be very short indeed.



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Congratulations! Your company just made it into a prestigious ranking. High-fives all around. Employee morale is through the roof. You know this ranking is regularly consulted by investors and policymakers, and your company appearing in it, besides being good PR, means that new money and business may be flowing your way soon.

But wait, before getting too carried away, consider this finding from our research: only 30

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percent of companies that make it onto high-growth lists manage to stay on them the following year. And if you do make it onto next year's list, you only have a 30 percent chance of showing up again. In three years, your odds of still being ranked are down to around 3 percent. This holds true across all the major rankings of top startups.

Then what? Your company prospects will look very different. Your so-called "growth persistence" won't seem so great if you disappear from the rankings club overnight. What kind of growth story does that signal to potential investors?

There are many rankings in the business world. Clearly, they seem to matter, otherwise people wouldn't boast so much about getting into them. But how reliable are they for predicting a company's long-term success? How are they designed? What are they actually measuring? And do their metrics have anything reliable to say about your propensity for growth?

Our research on rankings suggests they have certain limitations. A company's growth story can vary significantly depending on which factors are being measured.

That's why it's so important to understand how and why individual rankings were created, and with that understanding, take charge of the story you want to tell about your company through rankings.

Making the grade

High-growth lists have multiplied over the years. *Inc.* magazine, founded in 1979 in the United States, was one of the first to systematically report a list of high-growth companies -- the Inc. 100. That list became the Inc. 500 in 1982 and was expanded to the Inc. 5000 in 2007 (though the Inc. 500 continues to receive the most attention). Throughout the '90s, high-growth company lists also took off in Australia and the United Kingdom, with global firms such as Deloitte publishing lists of the fastest growing companies by sector and region (the Technology Fast 500 Asia Pacific, for example).

Companies often enthusiastically promote being on the lists, basking in the guaranteed media attention. But, as we mentioned earlier, even tougher than making the list is staying on it over time.

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