Entrepreneurial failure

Module 5

Why Entrepreneurs fail?

- Aiming low
- Slow in grabbing opportunities
- Bad partners
- Being over cautious
- Lack of planning
- Desire for instant reward
- Lack of persistence

Peter F Druckers 4 entrepreneurial pitfalls

- Entrepreneurs rejects success
- Entrepreneurs believe that profit is what matters the most in the business
- Outgrows managerial capacity
- Entrepreneurs begin to put himself and his needs before business

Entrepreneurial traits

- Imagination
- Questioning
- New ways of thinking
- Intuition
- Strong positive attitude
- Willingness to take risk
- Rise above unnecessary details
- Constant analysis identify changes

Causes Industrial sickness

Internal causes:

Mismanagement

Financial issues

Obsolete technology

Labour issues

Disagreement amongst individuals

Mechanical flaws and failure

Inability to obtain raw materials

Deteriorating labour- management relations

Failure to implement controls

Inefficient production processes

External causes:

Economic condition

Government polices

Competition

Natural calamity

Prevention of industrial sickness

- Proper project planning
- Proper market analysis
- Management training
- Proper information system
- Proper working capital management
- Identify problems early
- Improve labour relations
- Modernize machinery
- Proper financial management
- Proper internal control
- Constant analysis of external environment

Remedial measure to improve industrial effectiveness

- Workforce training and upskill
- Adapting new technologies
- Identify problems early
- Merge sick units with well to do units
- Provide expert services
- Improve communication
- Internal controls
- Government protection
- Financial institution monitoring
- Government priorities
- Incentives to units to remain healthy

Turnaround ventures

- Turnaround ventures are those ventures which after a period of poor performance moves into a period of recovery

Signs that business needs turnaround:

- **Declining revenues or profits**: Financial deterioration over several quarters or years.
- **Excessive debt or cash flow problems**: Cash is the lifeblood of any business, and severe liquidity issues could signal deeper problems.
- **Loss of market share**: A shrinking share of the market, with competitors taking over.
- **Operational inefficiencies**: A bloated workforce, outdated technology, or supply chain issues could be the root of your troubles.

MICE model to failed Entrepreneurial venture

- THE MICE MODEL The MICE model elaborates the four categories of startups failure: 1. M: Business Model - Most of the startup choose wrong business model. If a startup company selects a business model without proper planning and extensive research, it will lead to failure. Therefore, a company must analyse the market properly before floating a startup. 2. I: Inventory - Most of the startup which delivers the product or renders the services through softwares or apps, uses zero inventory model. Zero inventory model always creates disequilibrium between demand and supply which results into shortage of supply and orders cannot be met. Therefore, A startup must take into consideration this also. 3. C: Customer-Success of a company depended on its loyal and potential customers. If a company does not study the customer segments carefully and does not target the product or services among its potential customers, it will definitely face the customer crunch. 4. E: Environment – Lack of funding, cash churn, mismanagement, intense competition etc. are several factors that can lead to failure of a startup.

Amazon food delivery

- In May 2020, Amazon Food entered the competitive Indian food delivery market. However, after trying it out for more than two and half years, Amazon decided to shut down its food delivery platform, which was being piloted in Bengaluru, India, by 29 December 2022.
- **Reasons for failure:** Amazon Food failed in India due to stiff competition from established players like Zomato and Swiggy, localization challenges in catering to diverse culinary preferences, operational complexities in building a reliable network of restaurants and delivery partners, and broader cost-cutting measures undertaken by Amazon in a challenging economic environment.

StayZilla

- Once on the path to becoming the largest homestay network in India, Stayzilla is reminiscent of a riches-to-rags story. With around $33.5 million in funding and establishing itself in the hotel-rental segment, this brainchild of Yogendra Vasupal, Rupal Yogendra, and Sachit Singhi started crumbling after it failed to repay vendors. The troubles were then aggregated and in February 2017, Yogendra Vasupal officially announced the closure of Stayzilla's operations.
- **Reason for failure**: Stayzilla was way ahead of its time when launched. People were not ready for such Hi-Fi technology. However, the company somehow managed some time on the funding it received. But when people started becoming familiar with online booking, new competitors emerged with better discounts and deals. Stayzilla was unable to provide the same due to the unavailability of funds. Additionally, legal disputes and a lack of focus on growing the business destroyed Stayzilla.

Marvel Entertainment

- Marvel, the comic book giant, filed for bankruptcy in 1996 after years of mismanagement and financial losses. Few believed the company could recover, but Marvel transformed itself into a global entertainment powerhouse.
- **Turnaround Strategy**:
- **New Leadership**: Appointed Issac Perlmutter as CEO who brought a new vision and Stretegy to the company
- **Focus of Intellectual Property**
- **Strategic Licensing**: Marvel began licensing its characters to studios for films like Spider-Man and X-Men, which brought in significant revenue.
- **Diversification**: Marvel shifted its focus from just comic books to movies, merchandise, and digital content.
- **Marvel Cinematic Universe**: The launch of the MCU in 2008 was a game-changer, redefining superhero films and driving billions in revenue.
- **Results**: Marvel became a cornerstone of the global entertainment industry, leading to its $4 billion acquisition by Disney.

Starbucks

Challenges:

Declining Sales and profitability

Increased competition from low cost coffee chains

Negative customer perception due to rapid expansion

Starbucks turnaround strategies

- Re-focusing on the customer experience
- Innovating and expanding the product offerings
- Transforming the store experience
- Investing in digital technologies

Result

- Increased profit
- Revenue growth
- Market value

Learnings

- Importance of Re-focusing on the customer experience
- Importance of Innovating and expanding product offerings
- Importance of Transforming the store experience
- Importance of Investing in digital technologies

Turnaround of Dominos Pizza

- Challenges:

Declining Sales and Profitability

Negative customer perception due to poor food quality and customer service

Increased competition from other pizza chains

Turnaround Strategy

- Rebranding and Revitalizing the Brand
- Improving Food Quality and Customer Service
- Investing in digital Technologies
- Expanding internationally

Key initiatives

- The pizza turnaround
- Dominos live
- Dominos AnyWare