

# 10 Reasons Startups Fail in Egypt

---

 [rsm.global/egypt/insights/rsm-egypt-blog/10-reasons-startups-fail-egypt](https://rsm.global/egypt/insights/rsm-egypt-blog/10-reasons-startups-fail-egypt)

March 26, 2020

**During the last decade, Egypt has experienced a continued growth in the number of entrepreneurs, startups, and venture capital investors.**

---

While the Egyptian market has grown into a healthier environment for startups by the quarter, there is still a high level of risk involved for startups; only “10% of startups are successful each year”, according to [Failory](#).

To increase the number of successful startups, entrepreneurs need to be well educated on how to successfully build and manage an emerging company. Properly building a product, positioning it, selling it, maintaining levels of service, and doing all of this while keeping employees satisfied takes endless hours of research, hard work, and dedication.

**Here are the ten most common reasons why startups fail:**

## **1. lack of a need in the market**

---

Many entrepreneurs, especially the younger generation, tend to skip over market research and go straight to executing their brilliant idea. This is due to two reasons: a lack of affordable, reliable sources of data and information in Egypt and a lack of patience and structure in the way these entrepreneurs approach building their business.

Entrepreneurs need to commit to a process of exhaustive research featuring their market, market trends, competition, consumer preferences, and more in order to properly set their business up for success. According to [CBInsights](#), 42% of startups fail due to the lack of a need for their product or service within their target market.

## **2. Bad Timing**

---

According to [Daily News Egypt](#), 23% of startup failures occurred, at least partly, due to launching their business at the wrong time. This is especially relevant today as the Coronavirus crisis affects businesses across the globe. Entrepreneurs need to be sensitive to the situation and mindset of their market at any given time. Moreover, they should possess executive decision making skills to alter their plans, if possible, to better fit the needs of their prospective customers.

## **3. Miscalculated Costs and Pricing**

---

According to [CBInsights](#), 18% of startups fail due to miscalculating, overestimating, and underestimating their business' costs and prices. This leads to unnecessary financial troubles that could easily be avoided by entrepreneurs doing their due diligence on every aspect of their business' financial structure.

#### **4. Weak Product or Service**

---

Any new product or service should undergo rigorous market research, testing, and quality control. Only through these processes do potential hiccups and bottlenecks appear. Working to fix these issues before a product or service is launched can be the difference between a failed startup and an emerging giant.

#### **5. Weak Market**

---

While the quality of a business' core product or service is a crucial aspect of success, the market in which a product or service is launched is equally as important. 14% of entrepreneurs blame poor marketing for their startups' failure. This is especially true in a market as volatile as the Egyptian market, where purchasing power is relatively low and only products and services that position themselves as an important aspect of Egyptians' day-to-day life can experience consistent, significant growth.

#### **6. Legal Issues**

---

According to Failory, 7% of failed startups go under due to legal problems and challenges. The first few years for any startup are usually full of chaos and confusion; having strong HR and legal teams can assist businesses by handling the day-to-day complications of operating a business. Being attentive to HR and legal issues allows entrepreneurs to have more time to work on their business and to ensure smooth operation of their startup from the beginning.

#### **7. Lack of investment in “the missing middle” stage**

---

Initial funding and late-growth-stage venture capital funding is far more accessible and achievable for startups at this point in time than it was 10 years ago. However, there is still a lack of investment funding in the awkward middle stage of a startup's growth. As Ayman Ismail from AUC's School of Business put it, “Growth investments beyond the seed funding (the missing middle) are lacking for several reasons. In the first place, there are very few angel investors who are dynamic in this area, and they do not fill the gap. Second, both investors and startups are not sufficiently instructed on the methods of how to ‘work out the deal’”.

#### **8. Lack of entrepreneurial experience and business acumen**

---

Having a good idea is one thing. Having the determination, belief, and patience required to build a successful business is another thing. Having the knowledge, experience, and business acumen required to succeed in today's hectic business world is a completely different ball game. Many startups fail simply because their business model is not up to par, or because their founders lack the wit and know-how needed to handle the unexpected problems that will invariably arise as a natural byproduct of conducting business.

#### **9. Tolerance for failure**

---

Two of the most important skills for any entrepreneur are their tolerance for failure and knowledge of how to fail safely, quickly, and in a way that enables them to rapidly adjust their approach to a certain issue. “Jack Ma, the legendary founder of Ali Baba, a Chinese startup that went on to have the largest IPO in the world last year, often boasts about being rejected more than 30 times from jobs, universities and investors. However, he went on to create one of the world’s most successful e-commerce stages. We need to create a culture of tolerating, or even commending, a failure experience.” (AUC School of Business)

## **10. Ego Management**

---

Many entrepreneurs can get wrapped up in their own egos as they view their startup as the be-all and end-all of the business world. While confidence can go a long way during pitches and business conferences, it should be accompanied with a healthy dose of humility and modesty.

As the number of startups emerging in the region grows, entrepreneurs must be better educated on how to develop and scale their businesses properly so that we can see more startup success stories in Egypt and the MENA Region.

### **References:**

<https://www.dailynewssegypt.com/2017/11/29/top-reasons-startups-fail-2/>

<http://schools.aucegypt.edu/Business/ABR/Pages/Issue%205/Opinion/From-Startups-to-Scaleups.aspx>

<http://consultyasser.com/why-the-majority-of-egyptian-entrepreneurs-fail/>

<https://weetracker.com/2018/12/18/egypt-startup-failure-lessons/>

<https://smallbiztrends.com/2019/03/startup-statistics-small-business.html>

<https://www.cbinsights.com/research/startup-failure-reasons-top/>

<https://medium.com/swlh/why-90-of-startups-fail-and-what-to-do-about-it-boaf17b65059>

<https://www.failory.com/blog/startup-failure-rate>