The Top 12 Reasons Startups Fail By CB Insights 2021

12. Burned out/lacked passion

Work-life balance is not something that startup founders often get, so the risk of burning out is high. Burnout was given as a reason for failure 5% of the time. The ability to cut your losses where necessary and redirect your efforts when you see a dead end — or lack passion for a domain — was deemed important to succeeding and avoiding burnout, as was having a solid, diverse, and driven team so that responsibilities can be shared. What can make conversations about burnout difficult, especially in Silicon Valley, is the widespread belief that building a successful company will always involve some degree of possibly hazardous overwork. As former Uber board member and CEO of Thrive Global Arianna Huffington puts it:

11. Pivot gone bad

Pivots like Burbn to Instagram or ThePoint to Groupon can go extraordinarily well. Or they can start you down the wrong road. For Frances Dewing, the founder of Rubica, a last-ditch attempt to save her cybersecurity startup from failure amid Covid-19 led her to pivot from focusing on consumers and small businesses to larger companies.

10. Disharmony among team/investors

Discord with a co-founder was a fatal issue for startup post-mortem companies. But acrimony isn't limited to the founding team, and when things go bad with a board or investor, it can get ugly pretty quickly, as evidenced in the case of Hubba.

9. Poor product

Bad things also happen when you ignore what users want and need, whether consciously or accidentally.

8. Product mistimed

If you release your product too early, users may write it off as not good enough, and getting them back may be difficult if their first impression of you is negative. And if you release your product too late, you may have missed your window of opportunity in the market.

7. Not the right team

A diverse team with different skill sets was often cited as being critical to the success of a company.

6. Pricing/cost issues

Pricing is a dark art when it comes to startup success, and startup post-mortems highlight the difficulty in pricing a product high enough to eventually cover costs but low enough to bring in customers.

5. Regulatory/legal challenges

Sometimes a startup can evolve from a simple idea and enter a world of legal complexities that can ultimately shut it down.

4. Flawed business model

Most failed founders agree that a business model is important — staying wedded to a single channel or failing to find ways to make money at scale left investors hesitant and founders unable to capitalize on any traction gained

Various music startup post-mortems also pointed to the difficulty of finding a viable business model in the industry as a reason for startup failure.

3. Got outcompeted
Despite the platitudes that startups shouldn't pay attention to the competition, the reality is that once an idea gets hot or gets market validation, others may try to capitalize on the opportunity. And while obsessing over the competition is not healthy, ignoring it was also a recipe for failure in 20% of the startup failures.

2. No market need
Tackling problems that are interesting to solve rather than those that serve a market need was cited as the No. 2 reason for failure, noted in 35% of cases. Mobile-focused streaming service Quibi, which shut down in October 2020 just 6 months after launching and raising a mammoth $1.8B, found itself in this position.

1. Ran out of cash/failed to raise new capital
Money and time are finite and need to be allocated judiciously. For the startups on our list, running out of cash — tied with the inability to secure financing/investor interest — was the top reason startups cited for their failure.