

The Top 20 Reasons Startups Fail – CB Insights 2018

#20 – Failure to pivot when necessary

Not pivoting away or quickly enough from a bad product, a bad hire or a bad decision quickly enough was cited as a reason for failure in 7% of the post mortems. Dwelling or being married to a bad idea can sap resources and money as well as leave employees frustrated by a lack of progress.

#19 – Burn Out

Burn out was given as a reason for failure 8% of the time. The ability to cut your losses where necessary and re-direct your efforts when you see a dead end was deemed important to succeeding and avoiding burnout as was having a solid, diverse and driven team so that responsibilities can be shared.

#18 – Do not use your connections or network

We often hear about startup entrepreneurs lamenting their lack of network or investor connections so we were surprised to see that one of the reasons for failure was entrepreneurs who said they did not properly utilize their own network.

#17 – Legal Challenges

Sometimes a startup can evolve from a simple idea to a world of legal complexities that can prove to be a core cause of shutting a startup down. As Decide.com wrote in their post-mortem. A couple music startup post-mortems also associated the high costs of dealing with record labels and legal headaches as a reason for startup failure.

#16 – No Financing or Interested Investors

Tying to the more common reason of running out of cash, a number of startup founders explicitly cited a lack of investor interest either at the seed follow-on stage (the Series A Crunch) or at all.

#15 – Location, Location, Location

Location was an issue in a couple different ways. Location also played a role in failure for remote teams. The key being that if your team is working remotely, make sure you find effective communication methods; else lack of teamwork and planning could lead to failure.

#14 – Lack Passion and Domain Expertise

9% of startup post-mortem founders found that a lack of passion for a domain and a lack of knowledge of a domain were key reasons for failure no matter how good an idea is.

#13 Pivot Gone Bad

Pivots like Burbn to Instagram they can be the start of a path down the wrong road.

#12 – Disharmony with Investors/Co-founders

Discord with a cofounder was a fatal issue for startup post-mortem companies.

#11 – Lose Focus

Getting sidetracked by distracting projects, personal issues, and/or general loss of focus was mentioned 13% as a contributor to failure.

#10 – Release product at the wrong time

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 was negative. And if you release your product too late, you may have missed your window of opportunity in the market.

#9 – Being inflexible and not actively seeking or using customer feedback

Ignoring users is a tried and true way to fail. Tunnel vision and not gathering user feedback are fatal flaws for most startups.

#8 – Poor Marketing

Knowing your target audience and knowing how to get their attention and convert them to leads and ultimately customers is one of the most important skills of a successful business.

#7 – I got this product. Now I just need a business model.

Failed founders seem to 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.

#6 – A “User Un-Friendly” Product

Bad things happen when you ignore a user’s wants and needs whether done consciously or accidentally.

#5 – Pricing/Cost Issues

Pricing is a dark art when it comes to startup success and startup post-mortems highlight this difficulty in pricing a product was not too high or too low to make money in context of the particular costs of a company.

#4 – Get 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, there may be many entrants in a space.

#3 – Not the right team

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

#2 – Ran out of cash

Money and time are finite and need to be allocated judiciously. The question of how should you spend your money was a frequent conundrum and reason for failure cited by failed startups (29%).

#1 – Building a solution looking for a problem, i.e., not targeting a “market need”

Tackling problems that are interesting to solve rather than those that serve a market need was cited as the number one reason for failure in a notable 42% of cases.