

Most Startups Don't Fail Because of Ideas or Funding – Here's the Real Reason

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When I first stumbled upon the venture capital world as a startup mentor, I was under the conviction that a business's success depended on only the idea, market and funding. It seemed logical that finding the perfect combination of these elements would guarantee success. However, over the years, I've realized that the most critical factor is the team.

People really make or break a startup. Even the most promising project with a brilliant idea can crumble due to internal conflicts. More fundamentally, much of what can hamper startups can be fixed if discovered earlier.

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Stories of failure

One of the most memorable things I have ever witnessed was in this one company where I was a consultant during its early stages. They had a great product, strong investors and a promising market. However, disagreements among the founders started to snowball. At first, there were just a few arguments over budget allocations and who got into partner meetings. Over time, these controversies spread out into personal attacks and began eroding the trust within the team. Tensions grew, the team atmosphere deteriorated, and eventually, key members left the project. Investors lost confidence without cohesion, and the company shut down before realizing its

potential.

In another case, a fast-growing startup suffered from a lack of role clarity among its co-founders. They couldn't agree on who would handle strategy and who would manage operations. Each founder viewed certain tasks as their own responsibility, leading to conflicts, duplicated efforts and a demoralized team. The startup lost focus, missed critical deadlines and never made it to market.

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Why conflicts are so destructive

In a startup environment where every minute and resource counts, conflicts create chaos. Unresolved issues breed distrust, lower productivity, and damage morale. Over time, the best employees may leave, and investors might lose faith in the company's future.

It's actually true that conflicts are not all bad, and if managed correctly, they can stimulate creativity, show weaknesses in strategy, and build strong teams. The issue is with how you deal with and handle things. The key is how you address and navigate these situations.

Common causes of conflict

First, to know how to manage effective conflict, one needs to be aware of the sources of conflicts. In my experience, the major causes are:

1. There is no time to discuss things at length in startups, resulting in miscommunication and mistakes.
2. Whether it's money, time or talent, resource scarcity creates tension as team members compete for what's available.

3. Ambiguous duties result in confusion and conflict, with people performing redundant work or forgetting important areas of work.
4. Differing visions for success can create ongoing friction within the team.
5. The more pressure, deadline or uncertainty, the more even minor things become strangled.
6. Personal ambitions can overshadow the company's goals, especially when strong personalities compete for dominance.

Strategies to avoid disaster

Open and honest communication forms the foundation of a successful team. Regular meetings, where team members can openly share challenges and suggestions, help identify potential issues early. For instance, one company I worked with implemented weekly check-ins, which created a space for employees to voice concerns.

This approach alleviated tension and helped build trust across the board, making everyone feel heard and valued. Transparent communication reduces misunderstandings and fosters an environment of trust, encouraging team members to collaborate more effectively.

Another crucial aspect of team success is defining roles clearly. Everyone needs to understand their responsibilities thoroughly to avoid confusion and inefficiency. You can conduct a one-day workshop specifically to outline individual roles, which eliminates uncertainties and significantly boosts overall productivity.

Additionally, developing emotional intelligence is vital for leaders, especially in startups. Being able to recognize and manage emotions – both their own and those of the team – helps leaders navigate challenging situations and resolve conflicts before they escalate. Also, encouraging collaboration is

essential in fostering a unified team.

Shifting the focus from individual achievements to team-oriented goals creates a sense of collective purpose, with bonuses tied to group performance. Embracing diversity of perspectives can be a powerful asset. Instead of avoiding differences, teams should learn to appreciate them and leverage them to gain a competitive edge.

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Turning conflict into growth

This is indeed a higher level of conflict management. You don't just look at conflict as a way of resolving differences because it's really a platform for improvement opportunities. For example, I know of one startup that was able to argue consistently about its strategy: after some fighting, it introduced a new product to the market that has now become the company's biggest revenue earner.

If you sense a conflict brewing, don't ignore it. Rather, openly address concerns, listen and seek compromises. Also, remember that not every crisis is simply a challenge. It could even become an opportunity to strengthen and empower your team members.

Although a startup will most definitely induce conflict, this does not always have to imply that it should be feared. Conflict can be the best tool for creating opportunities for further development and innovation in an environment with the right approach.

Be proactive, open and willing to learn from each other. At the end of the day, the startup's success does not just depend upon its idea or market but also on how cohesive and productive the people in that team can be.

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