The Top 4 Reasons Startups Fail, According to 14 International Accelerators

The only mystery about startup failure is why founders keep making the same mistakes.

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As speakers, advisers, and trainers in the entrepreneurial space, we've been particularly excited by our December survey of the principles of 14 international accelerators. We wanted to know, from their point of view, what were the key factors in startup success …and failure. As far as we know, this is the most recent study conducted on this subject. Although these folks are from all over the world, it's amazing how much they agree when it comes to why startups fail.

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Inadequate Testing

Inadequate Testing was by far the most mentioned reason for startup failure. This factor is identified by several other terms like not getting started, not understanding how to access the market, and not understanding the barriers to entry. But Greg Wright, founder of HATCH pitch put it quite succinctly, "failure to test and validate hypotheses and assumptions," and its corollary, "premature scaling (seeking/obtaining funding too early, ramping

production/team/advertising before achieving product-market-fit).”

Keith Hopper, CEO of Danger Fort Labs adds, “Not addressing an important enough need that customers are willing to pay for.” Ben Hsieh, program manager of Nest and Jason Cole, CEO, of Da Primus Consulting both agree that “not finding product market fit” is a main cause of failure.

Eric Mathews, founder and CEO, of Start Co, says, a big cause of failure is “building something nobody wants. This accounts for about 50% of failures. (This) is mitigated by doing thorough market and customer discovery. Before building anything, we tell our founders to go talk to 50 of their real customers.”

Ashish Bhatia, founder/MD, of India Accelerator points out, “Delaying the launch (is) one of the cardinal sins. (Success is achieved) only by bouncing your idea off users. Excessive perfectionism never works. Go out and meet the customer. Get your hands dirty.”

Alyse Daunis, Program Manager, of Launch Alaska adds, “Poor customer discovery. Early stage companies that do not go out and talk to potential customers often fail. It is critical for founders to test their value propositions and customer segments early on to answer questions such as, are we targeting the right customers? Is our product or service a ‘must have’?”

Or, as Christian Busch, CEO of German Accelerator Tech NY sums it up, “Lack of focus on solving a specific problem/need, (poor) timing (too early/too late), and scaling too fast.

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Team Incompatibility

Team Incompatibility was the second most mentioned cause of start-up failure. We were surprised at how often this roadblock to success was mentioned. It's about how the members of the founding team work together and whether they have the proper skill sets to overcome the challenges ahead.

Elza Seregelyi, director of L-SPARK points out that a "fatal flaw in (a) founding team (is when) founders who are self-aware may successfully get help to overcome a gap or conflict in a certain area, but those who are blindly one-sided (e.g., too technical or lacking domain expertise) or dysfunctional as a team will be unable to execute."

Keith Hopper, CEO of Danger Fort Labs says, start-ups can fail because of a "lack of a core vision that aligns with the founders' values and purpose.

Joseph Bush, executive director, of Worcester CleanTech Incubator thinks "inability to recruit, build and manage a team of people smarter than oneself" is a big factor in start-up failure.

Lauren Tiffan, director of Ocean Accelerator adds simply, "Lack of business acumen." Or as Ben Hsieh, program manager of Nest, bottom lines, start-ups fail when "(the) team lacked skills to execute."

Eric Mathews, founder and CEO, of Start Co expands on this common theme. "It is important that the founding team have complimentary skills, not be too large, be sacrificing equally to build the dream, be flexible and coachable, and finally have bias towards action." But he warns, "misalignment of stakeholders …accounts for 20% of failures and occurs after product launch. When the investors, founders, employees, board members, and other stakeholders are not rowing in the same direction the company gets ripped apart as various

parties try to pull the business in different directions."

Alyse Daunis , Program Manager, of Launch Alaska adds, "many founders come together quickly around an idea and do not take the time to discuss founder dynamics at the very beginning. Lack of trust, and differences in commitment levels, financial expectations, goals, and culture are often why startups fail. These items should be discussed among founders from the get-go to limit surprises and ensure the founders are aligned."

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Lack of Persistence

Lack of Persistence was the third most commonly mentioned reason for startup failure. As Jason Cole, CEO, of Da Primus Consulting puts it, "The leadership is unable to set a clear strategy for the company and stick with it long enough to succeed, resulting in a lot of wasted money and energy from constant changes in direction."

Or as Keith Hopper, CEO of Danger Fort Labs puts it, "A lack of creativity and persistence in working through the inevitable challenges of launching a new venture."

Alyse Daunis, Program Manager, of Launch Alaska, adds "Lack of grit. We all know startups are hard. They take a tremendous amount of time and often require sacrifice. Founders need to have grit to overcome obstacles and burnout."

But as Elza Seregelyi, director of L-SPARK warns, "Inability or unwillingness to adapt or pivot quickly when there is lack of product-market fit. Some founders can't take a hint, or choose to outright ignore the data. There is a fine line between persistence and stubbornness and sticking with a product or business model that is not gaining traction is just wasting resources."

Related: Do You Recognize the 8 Early Warning Signs of a

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Everything Else

Other reasons for startup failure are included in thoughtful comments from:

Nobu Kumagai, founder and managing partner of Wildcard Incubator who points out that **greed** can be a cause of failure. “This is the opposite of compassion (which is) the key element for success. Internal greed will end up with a breakup of talented co-founders. External greed will force you to lose customers and community (pricing, extra services, economic impact, etc.). It used to be a Wall Street norm, nowadays it seems to become the norm for Silicon Valley techies.”

Jim Bowie, site manager/associate director of the University of Central Florida Business Incubation Program, warned about an absence of **proper tools and reports**. He says startups fail; because of “no sales plan with a CRM tool to track prospects, proposals & sales follow-up. And, “no accountability to make sure milestones and processes are working.”

Susan Langdon, executive director, of Toronto Fashion Incubator believes startups fail when they don’t “understand the ongoing need to generate sales, set sales goals and how to achieve those goals. (When they don’t develop) a product or service that’s more innovative and desirable than what your competitors are offering, and (when they don’t) keep an eye on money coming in and going out so that you’re not in a deficit, or if you are, coming up with a recovery plan and having the discipline to stay with it.”

Thanks to all the international accelerators for participating in this timely survey. Be sure to check out their answers to why startups succeed, published last month in entrepreneur.com. And stay tuned for more insights from these folks whose business it is to *know* about why startups succeed

and fail.

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