

## **Top 20 Reasons Startups Fail**

**Background:** When asked to make a follow-on investment we should have access to many more data points than when we initially invested. But, how much of this additional information helps us discern whether future success is now more likely? Guessing the venture's future success is the first step to deciding if this will be a lucrative angel investment. Operating success is essential but not sufficient for our investment success.

I believe that one of the reasons it is so difficult to pick winners is because the factors that enable operating success constantly vary with market dynamics. I think there is much more consistency in the factors that cause failure. Therefore, we should look at the most common causes of failure and assess whether they have diminished since our last investment. But, what are the most prevalent reasons that startups fail?

Fortunately, CB Insights published it "Top 20" list September 27, 2017. It is reproduced here, but reading the entire article is highly recommended because each one of the reasons is explained in detail.

**Source:** This is copied from a September 27, 2017 post by CB Insights which is available at this link: <https://www.cbinsights.com/research/startup-failure-reasons-top/>

From lack of product-market fit to disharmony on the team, we break down the top 20 reasons for startup failure by analyzing 101 startup failure post-mortems.

### **WHERE IS THIS DATA COMING FROM?**

After **we compiled our list of startup failure post-mortems**, one of the most frequent requests we received was if we could distill the reasons for failure down from all these posts. Startups, investors, economic development folks, academics and corporations all wanted some insight into the question:

### **“Are there a few primary drivers of startup failure?”**

So we gave those post-mortems the CB Insights' data treatment to see if we could answer this question. And so after reading through every single of the 101 postmortems, we've learned two things. One – there is rarely one reason for a single startup's failure. And two – across all these failures, the reasons are very diverse.

And so after sifting through these post-mortems, we identified the 20 most frequently cited reasons for failure.

Since many startups offered multiple reasons for their failure, you'll see that chart highlighting the top 20 reasons doesn't add up to 100% (it far exceeds it). Following the chart is an explanation of each reason and relevant examples from the postmortems.

There is certainly no survivorship bias here. But many very relevant lessons for anyone involved in the entrepreneurial ecosystem.

It's worth noting that this type of data-driven analysis would not be possible without a number of founders being courageous enough to share the stories of their startup's demise with the world. So a big thank you to them.

## THE TOP 20 REASONS STARTUPS FAIL

Based on an Analysis of 101 Startup Post-Mortems

