

Leadership talent is the underlying cause of startup failure.

Most venture capital backed start-ups will fail¹.

- Three quarters of VC backed firms in the U.S. don't even return all the investors capital..

The top nine reasons for start-up failures were identified by CB Insight:²

(I've shown below my point-of-view as to why leaders and leadership were the root cause.)

- 42% no market need – not obtaining facts as to customers and their needs.
- 29% ran out of cash – poor management of cash flow and poor reputations with investors.
- 23% not the right team – unable or unwilling to assemble the right team.
- 19% get outcompeted – not aware of the competition and customer needs.
- 18% pricing/cost issues – not aware of customer needs and the competition.
- 17% poor product – poor ability to design and build a product meeting customer needs.
- 17% need/lack business model – not understanding a business model is needed, or unable to define one.
- 14% poor marketing – poor marketing skills.
- 14% ignore customers – clearly a leadership problem.

Founders are often the cause of start-up failures:³

65% of the failures of high-potential start-ups are due to people problems: relationships, roles and decision-making, and splitting the income. More than 50% of founders are replaced as CEO by the third round of financing. In 73% of these founder replacements, the CEO is fired rather than voluntarily stepping down. The founder's passion, confidence, and attachment to the start-up is initially a great strength. Founders often refuse to revise their strategy and business model, underestimate and misjudge the need for additional skills, and make decisions that don't reflect the current situation.

Major business changes almost always fail:⁴

- Major changes almost always fail. 12% of change programs succeed.
- 38% produced less than half the expected results.
- 50% diluted the value of the company.

Why do companies find themselves in crisis?

"The assumptions on which the company has been built and is being run no longer fit reality."⁵

¹ "The venture capital secret: 3 out of 4 start-ups fail", Deborah Gage, Wall Street Journal Small Business, September 19, 2012 discusses research by Shikhar Ghosh, Harvard Business School

² "Top 20 reasons start-ups fail", CB Insights, Oct 7, 2014

³ "The Founder's Dilemmas", by Noah Wasserman

⁴ "It's 8-to-1 against Your Change Program", Bain website, Managing Change Blog, 2017 June 23

⁵ Peter Drucker, Harvard Business Review, November 2009, Page 90