A Systems-Based Approach to Startups: Why They Fail and How They Can Succeed

Fady Saad
March 2016
### Quirky's top 10 unsecured creditors

<table>
<thead>
<tr>
<th>Company</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Flextronics</td>
<td>$18,690,653.72</td>
</tr>
<tr>
<td>Undercurrent LLC</td>
<td>$14,097,619.68</td>
</tr>
<tr>
<td>UPS</td>
<td>$1,316,684.82</td>
</tr>
<tr>
<td>AdRoll Inc.</td>
<td>$882,713.61</td>
</tr>
<tr>
<td>Eastfield Lighting</td>
<td>$634,878.62</td>
</tr>
<tr>
<td>R/GA Branding</td>
<td>$506,750</td>
</tr>
<tr>
<td>Yellowhammer Media Group</td>
<td>$476,187.23</td>
</tr>
<tr>
<td>Winstron NeWeb Corporation</td>
<td>$399,327.12</td>
</tr>
<tr>
<td>DEL Industrial</td>
<td>$313,297.62</td>
</tr>
<tr>
<td>Benjamin Kaufman</td>
<td>$296,311.56</td>
</tr>
</tbody>
</table>

Source: Bankruptcy filing
Webinar Outline

• Startups Failure: what’s the problem?

• Startups as Complex Systems

• Key External/Internal Reasons to Fail
Chart 3. Survival rates of establishments, by year started and number of years since starting, 1994–2010

Source: U.S. Bureau of Labor Statistics

Chart 1. Number of establishments less than 1 year old, March 1994–March 2010

Source: U.S. Bureau of Labor Statistics
### Product Development (Features)
- PD/Phase Out
- Engineering Cost
- Service Quality
- Product Quality
- Value Proposition

### Sales & Marketing (Customers)
- Customers/Churn
- Sales Cost
- Word of Mouth
- Pricing
- Unit Cost

### People (Employees)
- Hiring/Turnover
- Core Team Strength
- Job Attractiveness
- Burnout
- Psych. Ownership
- Productivity

### Financials ($)
- Cash
- Net Income
- External Funding
- Firm Valuation
- Compensation
- Stocks/Ownership

### Influencing Factors
- Higher Ed & Training
- Competition
- Business Sophistication
- Fear of Failure
- Media
- Infrastructure
- Institutions
- Technological Readiness
- RD Innovation
- Market Size
- Fin. Market
- Macro Econ

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Key Internal Success Factors

1. Founding Team Strength
2. Firm Attractiveness
3. Product Quality
4. Service Quality
5. Delay between PD and S&M
Key External Success Factors

1. Institutions
2. Fear of Failure
3. Labor Market Efficiencies
4. Market Size & Industry
Conclusion: Make Yours a Success