

90%

THE BUSINESS PERSPECTIVE PRESENTS

The Startup Failure Field Guide

What the 90% claim gets wrong, the seven causes that really sink startups, and the scorecards and worksheets to catch them early.

Companion to "Why Startups Fail: 7 Costly Truths Behind the 90% Claim"
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BEFORE YOU BEGIN

How to use this guide

Most advice on startup failure stops at a scary statistic. This guide goes three steps further: understand what the numbers really say, diagnose your own risk, then act on it within 30 days.

1. Understand

Pages 3 to 6. Where the 90% number comes from, what official data shows, and why founders say they fail.

2. Diagnose

Pages 7 to 14. Seven causes, each with warning signs and diagnostic questions, plus a risk scorecard.

3. Act

Pages 15 to 19. Runway and unit-economics worksheets, a pre-mortem and a 30-day plan.

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A note on honesty. Every statistic here names its source. Where a figure is our own arithmetic or our own framework, we label it. The scorecards are planning tools, not validated research, and nothing in this guide is legal, tax or financial advice.

STEP 1 · UNDERSTAND

The 90% claim, taken apart

"90% of startups fail" is quoted everywhere and sourced almost nowhere. One review of the evidence says the exact origin of the number is not clear. The figures closest to it measure very different things.

Claim	Source	What it actually measures
9 in 10 startups fail	Startup Genome (origin unclear, per Nanoglobals)	Startups over roughly ten years, judged against an investor-style definition of success. Revised across reports.
75% of VC-backed startups fail	Shikhar Ghosh, Harvard Business School, via WSJ (as cited by Failory)	Venture-backed companies that never returned cash to investors. A dataset of about 2,000 companies.
About half of businesses closed by year 5	U.S. Bureau of Labor Statistics	All private-sector business locations (establishments), not startups.
About two-thirds closed by year 10	U.S. Bureau of Labor Statistics	The same population over ten years. The 2015 opening cohort shows 34.7% still open.

The takeaway. The 90% number only holds for venture-backed startups, over ten years, measured against a high investor-return bar. One analysis calls it roughly accurate under that narrow definition. For all new businesses, official data shows about half still open after five years.

Why this matters for you

If you read "90% fail" as a fate, you will either panic or stop paying attention. Read it as a question instead: **which definition of failure applies to my company, and what drives it?** The rest of this guide helps you answer that.

Try this. Write the number you have been quoting to investors, family or yourself. Then write the source. If you cannot name one, you have been using a story, not data.

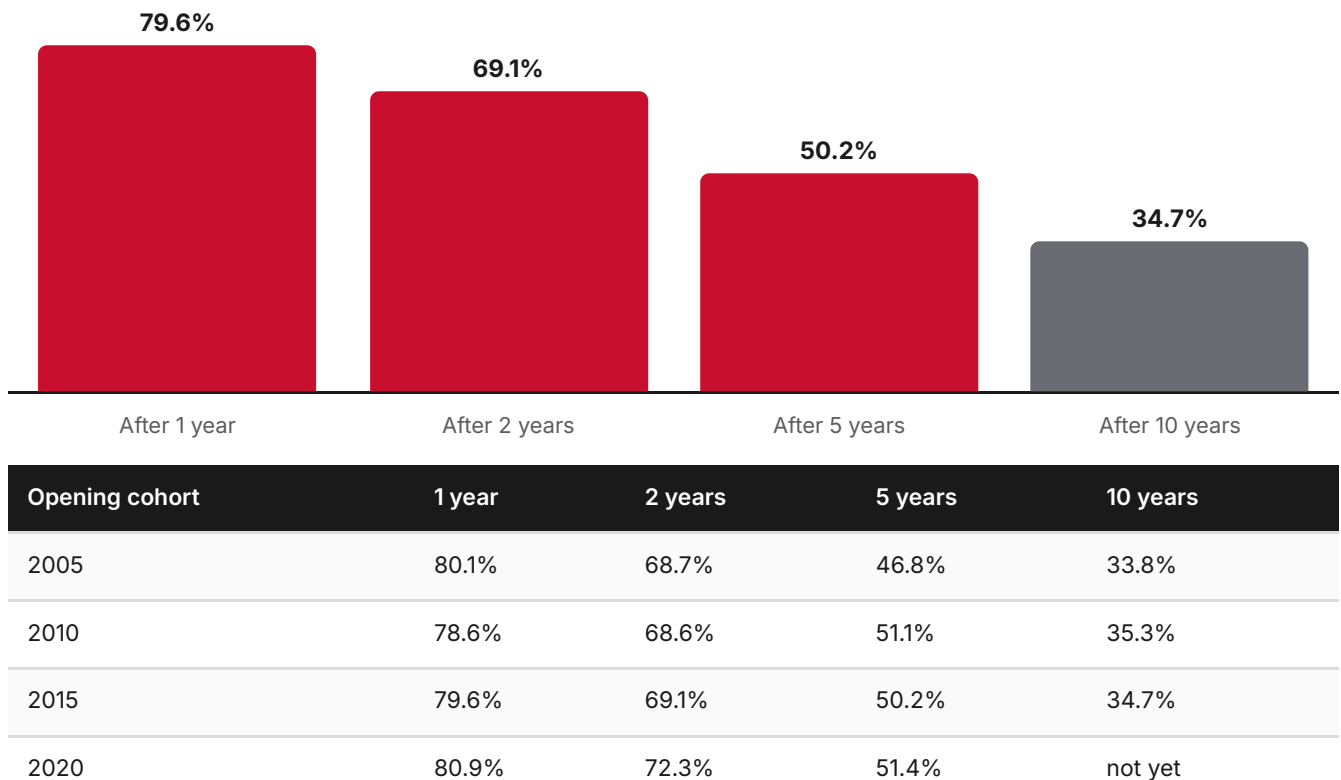
Sources: Nanoglobals, "Is It True That 90% of Startups Fail?"; Failory, "Startup Failure Rate" (citing Shikhar Ghosh via WSJ); U.S. Bureau of Labor Statistics, Business Employment Dynamics, Table 7.

STEP 1 · UNDERSTAND

What the official data shows

The U.S. Bureau of Labor Statistics tracks how long new private-sector business locations stay open. It is the best public survival curve we have, as long as you read it carefully.

Share still open, 2015 opening cohort



Source: U.S. Bureau of Labor Statistics, Business Employment Dynamics, Table 7, survival of private-sector establishments by opening year (cohorts are years ended March).

What it tells you. Roughly one in five new locations is gone within a year, and about half within five. The pattern has barely moved across cohorts. The 2022 cohort's one-year rate, 76.3%, was the lowest since the 2008 cohort (75.2%).

What it does not tell you. BLS counts *establishments*, meaning individual business locations. A closed shop is not always a failed company, and a barber shop is not a venture-backed startup. Treat it as the base rate for new businesses, not for tech startups.

STEP 1 · UNDERSTAND

What counts as failure?

The failure rate you read depends on how failure is defined. Most measures count anything short of closure as survival, including slow growth and acqui-hires, per one review of the evidence. Investor-style definitions are much harsher.

Definition	What it means	Who uses it
Closed	The business stopped operating or went insolvent.	Government data such as BLS
Never returned cash	Investors did not get their money back, even if the company still exists.	Venture studies such as Ghosh's
Missed the venture bar	The company never produced the large multiple a fund needs, such as 10X.	Venture investors
Zombie	Still alive, but not growing and not able to raise.	Founders and advisers
Soft landing	Acquired in a small deal, often for the team, with little return.	Mixed. Often counted as survival.

Why it matters. A founder who wants a lifestyle business and an investor who needs a 10X outcome can describe the same company as a success and a failure. Agree your definition before you measure anything.

Exercise: define your own

Finish each sentence in your own words. Share the answers with your co-founders and compare.

For us, success in three years means:

For us, failure means:

The bar our investors (or we) need us to clear is:

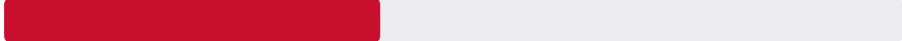
Source for the definitions discussion: Nanoglobals, "Is It True That 90% of Startups Fail?" The definition table is our summary.

STEP 1 · UNDERSTAND

What post-mortems say

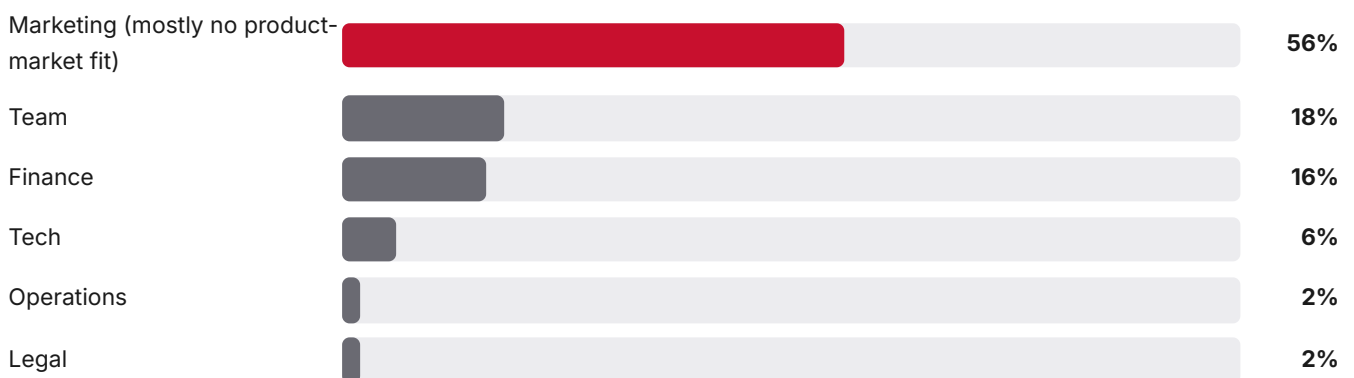
Two public datasets look at the reasons founders give. Both are small and self-selected, so read them as patterns, not precise rates.

CB Insights: top reason cited, 101 startup post-mortems (2018)

No market need  42%

Source: CB Insights analysis of 101 post-mortems, published February 2018, as reported by StartupNews. Percentages for the other reasons were not available to us, so we do not show them.

Failory: founder interviews, 80+ failed startups, by area



Source: Failory's qualitative interviews with founders of more than 80 failed startups. The sample is self-selected and Failory interprets the answers, so treat it as indicative.

The pattern. In both datasets, the market comes first. Building something people do not want to pay for outranks bad code, bad law and bad operations. Money and people follow.

Our seven causes

We group the evidence into seven causes, one page each. This grouping is our own framework, built from the sources above, not a published taxonomy.

1 NO MARKET NEED

2 OUT OF CASH

3 WRONG TEAM

4 OUTCOMPETED

5 BROKEN UNIT ECONOMICS

6 BAD TIMING OR PRODUCT

7 LOST FOCUS

1 No market need

The company builds something customers like but will not pay for, or solves a problem only the founders feel. CB Insights found it was the number-one reason in 42% of 101 post-mortems.

Warning signs

- People say “nice idea” but do not pre-order.
- Pilots stay free and never convert.
- You cannot name ten people who badly want this now.
- Growth comes only from your own network.

The sharpest test

Ask for money, or a signed letter of intent, **before** you build the next feature. Praise is cheap. A purchase order is a signal.

Diagnostic questions

- ☐ Can I name the exact customer, in one sentence, who has this problem weekly?
- ☐ What are they doing about it today, and what does that cost them?
- ☐ How many customers have paid, not just tried?
- ☐ If we disappeared tomorrow, who would complain, and how loudly?
- ☐ Have I heard the same pain, in the customer's words, from at least ten people?

Do this week. Book ten customer conversations. Ask about the last time the problem happened, not whether they would buy your product. Write down their words exactly.

Your notes

Sources: CB Insights post-mortem analysis (2018); Failory founder interviews (marketing, mostly product-market fit, cited by 56%). The test and questions are our guidance.

2 Running out of cash

Even good companies die when the money ends before the next milestone. In Failory's founder interviews, finance was the cause in 16% of cases. It is often the final blow, even when something else started the decline.

Warning signs

- You do not know your runway in months.
- Fundraising starts only when cash is already tight.
- Burn rises faster than revenue.
- One customer or one investor holds your survival.

The core formula

$$\text{Runway (months)} = \text{Cash in bank} \div \text{Net monthly burn}$$

Net burn means monthly spending minus monthly revenue.
Page 15 has a worksheet.

Diagnostic questions

- ☐ Can I state today's cash, net burn and runway without opening a spreadsheet?
- ☐ What milestone must the next round of money buy, and is it reachable in my runway?
- ☐ How long did my last raise take, from first meeting to cash in the bank?
- ☐ Which three costs could I cut within 30 days, and what would each save?
- ☐ What happens to runway if my biggest customer leaves?

Our rule of thumb (not a benchmark). Fundraising usually takes longer than founders expect. If your runway is under about nine months and you have no clear path to profit, start the raise or the cost cuts now, not later.

Your numbers

Cash today:

Net monthly burn:

Runway (months):

Source: Failory founder interviews (finance, 16%). The formula and rule of thumb are our guidance.

3 The wrong team

Team problems are the second-largest group in Failory's interviews, at 18%. They rarely appear as "bad people". They show up as missing skills, unclear roles and decisions nobody owns.

Warning signs

- Two founders both think they are in charge.
- A critical skill is missing, such as sales or engineering.
- Big arguments repeat without a decision.
- Key people are leaving, or quietly disengaged.

The sharpest test

Ask each founder, separately, to write who owns product, revenue, hiring and money. If the answers differ, you have found the problem.

Diagnostic questions

- ☐ Does every critical function have one named owner?
- ☐ Is there a written agreement on equity, vesting and what happens if a co-founder leaves?
- ☐ How do we settle a disagreement when we are stuck?
- ☐ Which skill, if missing for six months, would hurt us most?
- ☐ Would I hire each of my team again today?

Do this week. Hold a one-hour "who owns what" session. Put names against a one-page list of responsibilities and decision rights. Revisit it each quarter. If you are hiring, our guide to how candidates **negotiate startup equity** shows what employees will ask you.

Your notes

Source: Failory founder interviews (team, 18%). The test, questions and exercise are our guidance.

4 Being outcompeted

Being outcompeted appears among the top reasons in CB Insights' list of post-mortem causes. The danger is not only a bigger rival. It is a rival that is faster, cheaper or simply easier to buy.

Warning signs

- You lose deals and cannot say why.
- You compete mainly on price.
- Customers cite a competitor's feature in every call.
- A large platform adds your product as a free feature.

The sharpest test

Run a win/loss log for 30 days. For every lost deal, record the real reason from the customer, not the one in your CRM notes.

Diagnostic questions

- ☐ Who are our three closest alternatives, including "do nothing" and spreadsheets?
- ☐ Why do customers choose us over each one, in their own words?
- ☐ What would a well-funded rival copy first, and could they do it in six months?
- ☐ What do we do that is hard to copy: data, relationships, speed, brand?
- ☐ Are we competing where we are strongest?

Quick competitor map

Alternative	Why customers pick it	Where we win

Do this week. Interview three customers who chose a competitor. Ask what would have changed their mind. This is more useful than any market report.

Source: CB Insights post-mortem analysis (2018) lists being outcompeted among the leading causes; its percentage was not available to us. The test and questions are our guidance.

5 Broken unit economics

Pricing and costing problems appear in CB Insights' list of failure reasons. The pattern is simple. Each new customer costs more to win and serve than they ever pay, so growth makes the hole deeper.

Warning signs

- You cannot say what a customer costs to acquire.
- Discounts keep growing to close deals.
- Support and delivery costs rise with every customer.
- Customers leave before they repay what you spent to win them.

The three numbers

CAC: sales and marketing spend ÷ new customers.

Payback: CAC ÷ monthly gross profit per customer.

Lifetime: 1 ÷ monthly churn rate.

Diagnostic questions

- ☐ What does it cost, fully loaded, to win one customer?
- ☐ What gross margin do we keep after delivering the product?
- ☐ How many months until a customer repays their acquisition cost?
- ☐ What share of customers leave each month, and why?
- ☐ If we double sales, does the business get healthier or sicker?

Do this week. Fill in the unit-economics worksheet on page 16 with real numbers. If you cannot, that is the finding: you do not yet know whether growth is helping you.

Your notes

Source: CB Insights post-mortem analysis (2018) lists pricing and costing issues among failure reasons. The formulas are standard definitions; the guidance is ours.

6 Bad timing or a weak product

The idea can be right and the moment wrong, or the moment right and the product not good enough to keep users. In Failory's interviews, technology problems were the cause in 6% of cases. The cure for both starts with retention.

Warning signs

- Users sign up, try it once and disappear.
- Fixes take longer than the market will wait.
- You depend on a technology, rule or habit that has not arrived yet.
- Support tickets keep repeating the same complaint.

The sharpest test

Plot retention by signup month. If each new cohort drops to near zero, growth is hiding a leak. Improving acquisition will not fix it.

Diagnostic questions

- ☐ What share of new users is still active after 30, 60 and 90 days?
- ☐ Which single feature do retained users all use?
- ☐ Is the market ready now, or are we early and paying for it?
- ☐ What would we have to believe for the timing to be right in 12 months?
- ☐ How fast can we ship and test a fix?

Retention tracker

Signup month	Users	Active at 30 days	Active at 90 days

Source: Failory founder interviews (tech, 6%). The test, questions and tracker are our guidance.

7 Losing focus

A company that chases every request ends up serving no customer well. This cause rarely appears as a line item in post-mortems, but it sits behind many of them: the roadmap changes monthly, and nothing gets finished.

Warning signs

- The top priority changes every few weeks.
- Sales sells features the product does not have.
- You serve three customer types and none well.
- The team cannot say what matters most this quarter.

The sharpest test

Ask five team members for the company's top priority this quarter. If you get five answers, the problem is focus, not effort.

Diagnostic questions

- ☐ What is the one metric that decides whether this quarter went well?
- ☐ Which three things are we deliberately not doing?
- ☐ Who is our ideal customer, and what do we say no to outside that profile?
- ☐ When did we last finish something we started three months ago?
- ☐ Does every project on the roadmap tie to the one metric?

The “stop doing” list

Write three things you will stop or pause for 90 days.

Do this week. Choose one metric, one customer type and one goal for the quarter. Write them on one line and share it with everyone in the company.

This cause is our own addition. It is a synthesis from advisory practice rather than a measured category in the cited datasets.

WORKSHEET

The Startup Risk Scorecard

Score each cause from 0 to 3 based on what is true today, not what you hope. Be harsh. Then add up the total and see the guide below.

Cause	0 = solid	1	2	3 = serious
1. No market need Paying customers, repeated pain	☐	☐	☐	☐
2. Running out of cash Runway, burn, path to next money	☐	☐	☐	☐
3. The wrong team Owners, skills, agreements	☐	☐	☐	☐
4. Being outcompeted Win rate, reasons, defensibility	☐	☐	☐	☐
5. Broken unit economics CAC, margin, payback, churn	☐	☐	☐	☐
6. Bad timing or product Retention, readiness of the market	☐	☐	☐	☐
7. Losing focus One metric, one customer, one goal	☐	☐	☐	☐

Total (0 to 21):

What your total suggests

Score	Reading	What to do
0 to 6	Watch	Healthy for now. Re-score each quarter and keep the logs on pages 7 to 13 up to date.
7 to 13	Fix soon	Pick your two highest scores. Run the “do this week” actions, then follow the 30-day plan on page 18.
14 to 21	Act now	Several causes are serious at once. Work through pages 15 to 19 this week, and talk to an adviser or investor you trust.

Be honest about what this is. The scorecard is our own planning tool. It is not validated research and cannot predict whether a company will succeed. Its value is making you look at all seven causes together, with your co-founders, on one page.

WORKSHEET

Runway calculator

Runway is how many months you can operate before the money runs out. Most founders know it roughly. Few know what moves it.

$$\text{Net monthly burn} = \text{Monthly expenses} - \text{Monthly revenue}$$

$$\text{Runway} = \text{Cash in bank} \div \text{Net monthly burn}$$

Worked example (illustrative numbers)

Line	Today	After cutting 20% of expenses
Cash in bank	\$400,000	\$400,000
Monthly expenses	\$80,000	\$64,000
Monthly revenue	\$30,000	\$30,000
Net monthly burn	\$50,000	\$34,000
Runway	8.0 months	11.8 months

Illustrative figures chosen for this guide. Arithmetic: $\$400,000 \div \$50,000 = 8.0$; $\$400,000 \div \$34,000 = 11.8$.

Your numbers

Line	Today	If we cut costs	If revenue grows
Cash in bank			
Monthly expenses			
Monthly revenue			
Net monthly burn			
Runway (months)			

Three levers

- Cut spending that does not drive revenue.
- Raise prices or collect payment sooner.
- Extend runway with a bridge or revenue-based finance.

Remember. Runway is not the date you run out of money. It is the date by which you must already have a plan. Subtract the months a raise typically takes.

WORKSHEET

Unit-economics check

Before you spend more to grow, check whether each customer pays back what you spent to win them. Four numbers answer it.

Metric	How to calculate it
CAC	Sales and marketing spend ÷ new customers won in the same period
Monthly gross profit per customer	Monthly revenue per customer × gross margin
Payback (months)	CAC ÷ monthly gross profit per customer
Customer lifetime (months)	1 ÷ monthly churn rate

Worked example (illustrative numbers)

Line	Value	How we got it
CAC	\$500	\$30,000 spend ÷ 60 new customers
Revenue and margin	\$100 at 70%	Monthly revenue per customer, gross margin
Monthly gross profit per customer	\$70	\$100 × 0.70
Payback	7.1 months	\$500 ÷ \$70
Monthly churn	5%	Given
Customer lifetime	20 months	1 ÷ 0.05
Lifetime gross profit	\$1,400	\$70 × 20, against a \$500 CAC (2.8 times)

All figures in this example are invented for illustration. Healthy ratios differ by business model, so compare against your sector, not a universal rule.

Your numbers

Spend:

New customers:

CAC:

Gross profit / month:

Payback (months):

Monthly churn:

Read your result. If payback is longer than your customers stay, you lose money on every sale. Fix the price, the cost or the churn before you buy more growth.

WORKSHEET

The pre-mortem

A post-mortem asks why a company failed. A pre-mortem asks it in advance. Imagine it is twelve months from now and the company has failed. Write the story, then fix the plot.

How to run it (30 minutes). Gather the team. Each person writes answers alone for ten minutes. Then read them aloud, group the themes and pick the top three to act on. Invite the quietest person to speak first.

1. It is twelve months from now and we have failed. The three most likely reasons are:

2. Which of the seven causes does each reason belong to?

3. Who saw it coming, and what did they say?

4. What warning sign are we ignoring right now?

5. What is one action for each reason, and who owns it by when?

Reason	Action	Owner	Due

The pre-mortem technique is widely used in project planning. This template is our adaptation for startup teams.

ACTION PLAN

The 30-day rescue plan

If your scorecard total is 7 or more, do not try to fix everything. Run four short weeks, each with one job. Tick items as you finish them.

WEEK 1 Diagnose

- ☐ Complete the scorecard with your co-founders
- ☐ Calculate cash, burn and runway
- ☐ Hold ten customer conversations
- ☐ Write down your definition of failure

WEEK 2 Decide

- ☐ Pick your top two causes to fix
- ☐ Choose one metric, one customer type, one goal
- ☐ Write the "stop doing" list
- ☐ Agree what each person owns

WEEK 3 Test

- ☐ Run one small experiment per cause
- ☐ Ask for a paid pilot or pre-order
- ☐ Make the three cost cuts you listed
- ☐ Track retention for the newest cohort

WEEK 4 Review

- ☐ Re-score the scorecard
- ☐ Update runway with real numbers
- ☐ Compare results against your one metric
- ☐ Choose: continue, pivot, raise or wind down

Weekly check-in (15 minutes)

Question	This week's answer
What did we learn from customers?	
What changed in cash and runway?	
What is blocking us?	
What will we finish by next week?	

Keep it small. The aim of 30 days is not a turnaround. It is clarity: one honest picture of your company, a short list of fixes and a decision you can defend.

DECISION GUIDE

Pivot, raise or wind down?

At the end of the 30 days you will face a decision. This table is a starting point for the conversation, not an answer.

Option	Consider it when	First steps
Continue	Scorecard is falling, runway is comfortable and customers are paying and staying.	Keep the weekly check-in. Re-score each quarter.
Pivot	You have real customer evidence of a different, stronger problem, and the current one is not working.	Talk to ten new customers. Test with a paid pilot before rebuilding.
Raise	You have traction on your one metric and a clear milestone the money will buy.	Know your runway. Start early. Prepare numbers from pages 15 and 16.
Cut and extend	The business works but burns too fast.	Make the three cost cuts. Recalculate runway.
Wind down	You have tested honestly, no path to the milestone is visible and runway is running out.	See the checklist below.

If you decide to wind down

Closing well protects your reputation, your team and your relationships. Speak to a lawyer and an accountant for your jurisdiction. Rules on insolvency and employee rights vary.

- ☐ Tell investors and key partners early, before it becomes a surprise
- ☐ Get legal advice on directors' duties and creditor obligations
- ☐ Treat employees fairly and give as much notice as you can
- ☐ Settle or plan for tax, payroll and customer obligations
- ☐ Back up and protect customer data, and communicate clearly to users
- ☐ Write down what you learned. It is your most valuable asset

Failing is not the end of a career. Founders who close honestly, pay what they owe and share what they learned often find it easier to build again. The goal is to make a clear decision with the facts, not to avoid a hard one.

REFERENCE

Sources and notes

Data sources

1. **U.S. Bureau of Labor Statistics**, Business Employment Dynamics, Table 7, "Survival of private sector establishments by opening year": survival rates after 1, 2, 5 and 10 years for opening cohorts 1994 to 2024. Establishments are business locations, not firms or startups.
2. **CB Insights**, analysis of 101 startup post-mortems (published February 2018), as reported by StartupNews: "no market need" was the top reason in 42% of cases.
3. **Failory**, "Startup Failure Rate": founder interviews (80+ failed startups) by area, and a summary of venture-backed failure data attributed to Shikhar Ghosh, Harvard Business School, reported in the WSJ.
4. **Nanoglobals**, "Is It True That 90% of Startups Fail?": discussion of the origin of the 90% figure, Startup Genome reports and definitions of failure.

What is ours

- The seven-cause grouping, scorecard, warning signs, diagnostic questions and 30-day plan are The Business Perspective's own frameworks, built from the sources above.
- Worked examples on pages 15 and 16 use invented numbers and are labelled as illustrative. Their arithmetic is shown.
- Rules of thumb are labelled as such and are not benchmarks.

Limits to keep in mind

- Post-mortem datasets are small and self-selected. They show patterns, not precise rates.
- Some figures, such as the Startup Genome 90% claim, have unclear or revised origins.
- This guide is education, not legal, tax or financial advice.

Read the full story. The article behind this guide, "Why Startups Fail: 7 Costly Truths Behind the 90% Claim," covers the data in more depth. Find it on thebusinessperspective.com.

The Business Perspective publishes practical business, startup funding, AI and venture capital coverage for founders, investors and operators worldwide. Visit thebusinessperspective.com for new guides, reports and analysis.