



AdvantageThinking™

The Newsletter of Contrarian Thinking From
ExecutionAdvantage Partners, LLC

The Greatest Contributing Factor To Business Failure Is Success

We are all aware of the statistics that report 80-90% of new businesses fail. Failure here is defined as being out of business two years after launch. This statistic applies to new companies and new products. While the statistics vary by industry and product category, the fact is the vast majority of new businesses and new products fail.

Why does this happen?

Well, the armies of Monday morning armchair business consultants offer insights at lunches and cocktail hours from the Four Seasons to the ubiquitous sports bars across the country. Their passionate points-of-views suggest failures are due to poor business plans, trying to reach too broad an audience, poor pricing strategies, the wrong channel strategy, picking the wrong celebrity to be their spokesperson, having a message that is too complicated or having a message that is too simplistic and non-differentiated.

While some or all of these reasons can be retrofitted to explain failure, there is one reason that goes unnoticed – **Success**. To understand this, you first have to segment new businesses/products into two groups. Those that fail out-of-the-box and those that seem to be on a path to success only to fail after two or more years. It is this latter segment that is often lured by the *siren of success* that clouds the signs of a changing marketplace or socio-economic context.

Success is a potent drug that can distort one's perception and assessment of what is real. It gives rise to corporate momentum thinking that creates conventional wisdom. We have all heard the statements of managers who do not want to test new ideas or look at back-up or alternative strategies while things are going well:

- “Are you crazy, why waste resources when we are winning?”
- “We have cracked the code, we are on a winning streak, don't change anything”
- “Good point, lets put it on the agenda for the next business review meeting”

Success truly is a siren. It must be viewed as such from the moment things begin to look good. Success should be viewed as a high risk genetic indicator that, if left unwatched and unattended, can lead to disastrous results. Many people have said “a glass half full” thinking spawns corporate despair. Nothing could be further from the truth. Thinking about success as a chameleon that can easily change from helpful to harmful depending on the background or the changing colors of the environment, gives business executives a competitive edge.

- Do not let success blind you to the need to constantly monitor the changing marketplace and the social context of your customers
- Do not be afraid to make changes (and yes, test them, but test them correctly) to a successful business plan
- Do not be lured by the easy way out, thinking — “if it ain't broke don't fix it”

The true formula for success is to challenge your success every step of the way. Put yourself and your company in the position of being able to say “*We have achieved great goals because we were not seduced by our success along the way.*”

In most companies this line of thinking is overpowered by momentum thinking and conventional wisdom. The wise thing to do is find an experienced partner who will consistently challenge the internal thinking of the organization and help you to manage the down side of success.