Stanford eCorner

2 Reasons Companies Can Fail

Bill Gross, *Idealab &eSolar*

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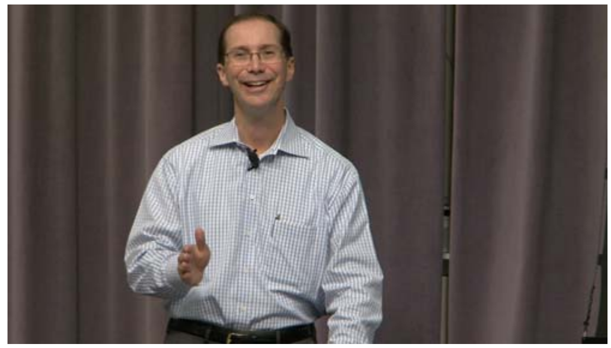
Idealab Founder and CEO Bill Gross offers lessons he has learned from company failures. According to Gross, company failures are often due to two common factors: team issues and running out of funding. He also shares his reasoning on why the most successful entrepreneurs are those with the best execution and the most persistence.



Transcript

On the first part of your question on some lessons from a failure, it's almost always a team or running out of money. Team issues, when the team doesn't get along or doesn't have all the skills or team spending too fast and doesn't conserve cash. The first one is probably the harder one because finding great people that have all the skills is always hard. The second one should be easy. But sometimes people are often so worried, and this was one of the excesses of the dotcom crash, about, "If I don't spend the money now, I'm going to lose the market share. It's about to go away. It's going to get way more expensive." That's always the excuse for spending faster. I haven't seen too many cases where that works. It does work sometimes. I mean, there are cases where there truly is a raise to a winner-take-all-like market.

But usually, the better executor with the greater persistence wins. So, I would say those would be the two biggest lessons from a failure.