

Why Failed Startups Are a Part of Business Success

By [David Nilssen, CEO and Co-founder, Guidant Financial](#)

All aspiring entrepreneurs want to know the secret to success.

The truth is, there is no scientific formula to ensure that a startup succeeds. However, there are lessons I've learned along my own entrepreneurial journey—starting and running my own business and investing in many entrepreneurs as an angel investor.

I believe every business owner should embrace these maxims as they start their own entrepreneurial journey:

You Can't do It Alone

First and foremost, successful entrepreneurs all know one truth: You can't do it alone. A founder is the one who came up with the business idea, but without a team of trusted individuals, that idea will never flourish. An entrepreneur needs a network of people both inside and outside the company they're building in order to thrive. Highly successful entrepreneurs have mentors, learn from other leaders, and seek guidance from those who have gone before them. The successful entrepreneur will keep that network of business experts close and learn from them every day.

Like most businesses, my company has a board of directors, executives, and subject matter experts, all who contribute unique skills, experience, and perspectives that have helped Guidant evolve and grow. However, there are so many reasons why an entrepreneur should seek connections outside of the business. I believe that "coffee and cocktails" are some of the best investments of time and resources. You never know what you'll learn by talking to business leaders from noncompetitive industries or hearing how another business executive is leveraging new technology, implementing hiring practices, or developing their team.

For example, in 2013, Guidant made a commitment to invest more in our digital analytics capabilities, and I shared our goal with another business leader over coffee. Later that day, I was introduced to T.A. McCann. T.A. built one of the first social customer relationship management systems and was just launching [RivalIQ](#), an online digital analytics business. Today, T.A. is a Guidant Financial board member.

You Will Fail

While entrepreneurs are commendable overachievers, passionate about their business, they must understand and accept that failure is a reality. It may not happen right out of the gate, but at some point, it will. And it will hurt. Yet, as hard as it may be, keep in mind that failure is healthy. It teaches us how to adapt. As Eric Ries explains in *The Lean Startup*, adapting is key to business survival. We can only grow as entrepreneurs if we allow ourselves—and our team—to make mistakes, learn from those mistakes, and adapt.



While Guidant is exclusively focused on leveraging technology to help individuals' secure small business funding that was not always the case. My partner and I launched Guidant in 2003 to help individuals invest their retirement funds into assets such as real estate, businesses, and loans through [self-directed IRAs](#). We thought the fastest path to market was by educating real estate agents because they would, in turn, educate their clients and be able to sell more properties. It still sounds directionally correct today, but it failed—badly. We invested six months in doing seminars only to discover that most agents had other priorities. While we sold the self-directed IRA portion of our business to focus exclusively on 401(k) business financing, that experience forced us to find a more profitable marketing strategy.

You Will Have Ups and Downs

Prepare for a wild rollercoaster ride—on your balance sheet and in your emotions. There will be ups and downs, but the low points are humbling and build perseverance. And if you think business ownership looks easy, think again. The reality is that most businesses fail. In fact, [Kauffman Main Street Entrepreneurship](#) report shows that just 48% of small businesses are still operating after five years. In a recent [survey of 1,000 of our own small business owner clients](#), nearly eight out of 10 said they are happy in their role of entrepreneur in spite of the ups and downs.

An extreme example of this occurred in 2008. We were riding a massive wave of momentum. Guidant was an [Inc. 500 company](#), and we were a clear leader in our space. But, being in the business and franchise financing space, we relied on people wanting to start or buy businesses. Consumer confidence was crucial, but we all know how the story of 2008 ends.

As the markets started to erode in August, entrepreneurs and consumer confidence froze. Overnight, we were financing half the transactions we had been, and we were forced to downsize the organization. I have always loved the people I work with, and we strive to cultivate an environment of trust, respect, and family. It was a really difficult time, and the rollercoaster of emotions I felt definitely contributed to many sleepless nights. However, nine years later, starting this business is still among the best things I've done.

You Must Persist

Last, an entrepreneur needs dogged persistence. Only those with the stamina to fail and adapt to make their dream a reality will succeed. It's as simple as that. Successful entrepreneurs are some of the most passionate people I've ever met, and they all have persistence coursing through their veins. Most entrepreneurs work 12-hour days when they launch their business. That's not to say you need to work around the clock, but it will take years of unwavering dedication to build the successful startup you've envisioned.

If you are ready to roll up your sleeves, surround yourself with a network of top-notch mentors and talented team members, and tackle changes when they're needed, then you're on the brink of [startup success](#).

