

**Explaining the E-Commerce Shakeout:
Why Did So Many Internet-Based Businesses Fail?**

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ABSTRACT

In the years 2000 and 2001, almost 800 Internet-based firms went out of business. Consistent with the management literature on organizational failure, factors that contributed to the collapse of dot.com firms were either internal (e.g., poor strategic planning, inexperienced management, inactive board of directors) or external (e.g., lack of available resources and marketplace competition). Short case studies of two recent dot.com closures reveal that they did not fail for any one reason but for a combination of reasons. Not surprisingly, 31 dot.coms that had either gone public or were about to go public before they failed were young, small to medium sized, had never made a profit and were likely to run out of cash in just over a year's time. Contrary to popular belief, the chief executive officers of failed dot.coms were middle-aged and well educated. Boards of failed dot.coms were small and had less outside representation than customary. A majority of failed firms were founded by more than one individual.

Keywords: dot.com, business failures, Internet firms