

The Psychology of Earlystage Investment



Andrew Forbes

The Players



- Entrepreneurs
- Employees
- Customers
- Competition
- Investors

Entrepreneurs



- Do
 - Have something to prove
 - Think they're smarter than everybody else
 - Want to change the world
- Don't
 - Start companies only for the money
 - Listen very well
 - Manage by consensus

Employees



- Do
 - Want a steady paycheck
 - Want continuity
 - Want to be told they're valued
- Don't
 - Want a stressful environment
 - Want to be held accountable
 - Want to know what's really going on

Customers



- Do
 - Want cool new technology
 - Want immediate ROI
 - Want name brand products / services
- Don't
 - Want cool new technology
 - Want immediate ROI
 - Want name brand products / services

Competitors



- Do
 - Want the money your customers should be spending on you
 - Lie, cheat, and steal to achieve the above sentence
 - (Quite possibly) have a better product / service than you do
- Don't
 - Control your destiny or your ability to position and sell your product / service
 - Have the same contacts / vision / opportunities you do
 - Cause you to fail – only you can do that

Investors



- Do
 - Want you to think that they could step in and run your company better than you
 - Want everybody in the world they operate in to think they have the Midas touch
 - Have good sized egos
- Don't
 - Know as much about your company as you do
 - Care about anything but making money
 - Want to look foolish for having invested in your company

Investors *(continued)*



- Own
 - Your company
 - Your idea
 - Your soul (or as much of it as you'll sell to them)

What investors want

- Taking a company from startup to liquidity event and standing where lightning is going to strike have a lot in common – Andrew Nash
- The Chinese use two brush strokes to write the word 'crisis.' One brush stroke stands for danger; the other for opportunity. In a crisis, be aware of the danger - but recognize the opportunity – Richard M. Nixon
- Genius is 1% inspiration and 99% perspiration – Thomas Edison

Genius

- Mediocrity knows nothing higher than itself, but talent instantly recognizes genius - Sir Arthur Conan Doyle
- He was a genius - that is to say, a man who does superlatively and without obvious effort something that most people cannot do by the uttermost exertion of their abilities – Robertson Davies

Madness



- There is a fine line between genius and madness* – Oscar Levant
- The statistics on sanity are that one out of every four Americans is suffering from some form of mental illness. Think of your three best friends. If they're okay, then it's you – Rita Mae Brown

*http://mednews.stanford.edu/news_releases_html/2002/mayreleases/creative_gen.html

Other

- But the fact that some geniuses were laughed at does not imply that all who are laughed at are geniuses. They laughed at Columbus, they laughed at Fulton, they laughed at the Wright brothers. But they also laughed at Bozo the Clown – Carl Sagan
- Being a genius and being laughed at is not commutative

Sell what people are buying

- Co-founders
 - Chance to change the world, prove everybody else wrong, and make some money
- Employees
 - Chance to say they did what the founders did while incurring minimal risk and stress
- Customers
 - Chance to be early adopter, achieve instant ROI, use name products / services. Or not.
- Investors
 - A sure thing

Contact Information



Andrew Forbes

a.forbes@earlystage.com