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Puneet Agarwal, partner at True Ventures, explains the two emotions VCs can elicit from entrepreneurs and the importance of using EQ to navigate between the two. Fear can make entrepreneurs feel paralyzed and scared to take risks, whereas safety can allow them to push the boundaries and innovate.



Transcript

- I would say there are two emotions, basically, a venture capitalist can drive in an entrepreneur or project onto an entrepreneur, or even elicit from an entrepreneur, and I think those two things are either fear or safety, at a high level.. So, fear, you know, if you project fear onto an entrepreneur, it's pretty dangerous, because you're living in a world of really imperfect information, and so, if they're always looking over their shoulder, afraid or paralyzed, right, to make a move, to take a step forward, to take a chance, right, it could be really, really debilitating.. Think of any time you have been afraid in your life or had fear, right? It's super paralyzing.. You can't really do anything.. If you think about it, and we really believe this, fear kills creativity, it kills risk-taking, it kills all your personal growth, right? It's a huge, huge issue, right? If you think about safety, which is really having the space to be yourself, is what I really mean by safety, it's the exact opposite, right? You become more creative.. You actually take risks.. You grow, right? Think of this school.. It's safe.. It's a great place to learn, right? This is what this school's all about, but fear's a big issue, right? So, let's even unpack that further, right? So, why does a venture capitalist have fear, right? Does anybody know what loss aversion is? Raise your hand if you know what loss aversion is or if you've heard of it.. Just a few of you..

It's kind of like what it sounds, right? It's the fear of losing.. It's thinking negatively always about loss instead of actually thinking about what is capable, or what actually can happen, so, to break it down to what a venture capitalist thinks, it's actually the fear of losing money, right? And it can happen in a couple ways, right, so, it can happen right at the beginning of an investment, so, you're making a new investment and you're kind of like, wow, like, you know, this can go wrong, that can go wrong.. By the way, you can talk yourself out of every single investment possible as a venture capitalist, 'cause there's always 100 things wrong at a really, really, really early stage, right? So, it's that fear.. It's also the fear of when you've already made an investment, but things aren't going so well.. Say you've put \$2 million in a company and the company starts doing pretty well, and now, you have to put another \$5 million in the company.. Does your mind go all the way back to the two million that happened before, and you say, well, I already, I think I'm gonna lose that two million, I'm gonna lose this five, it's gonna be seven million? Or, are you thinking, well, you know what? We're gonna put this money in and we're gonna go win.. Right? So, it's a real big fear of losing.. Everybody has it, so, it's not like, you know, nobody's holier-than-thou, right? But everybody has this fear, right? And it's not just venture capitalists, but it's in life, right? So, what we try to do at True, and this is how we designed, this is where I get to how we designed the firm, we wanted to put EQ at the root of what we were doing, so, what we would try to do is design a way to actually lessen loss aversion, right? So, we could actually bring safety into the board room so that the entrepreneur could be their best self..