Stanford eCorner

Decision Analysis for Investors

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Ulu Ventures managing director Miriam Rivera explains her firm's approach to evaluating investment opportunities, which is rooted in the decision analysis method. All decision inputs are quantified and tracked, both to avoid bias and to allow the firm to compare past predictions with real-world outcomes, speeding learning.

Transcript

- Our approach is called decision analysis.. 00:00:05,790 The father of decision analysis at Stanford is Professor Ron Howard, who's now at Meredith, but he's got, there's a textbook on this, which is also taught by one of his proteges at the University of Chicago.. And basically, in business schools, we used to call these classes decisions and data or trees because you use decision trees, but it is, instead of looking it as the numbers are so important, it's the conversations that get memorialized through a model that applies quantitative numbers to everything.. So you mentioned, for example, you have to have intuition around making investment decisions.. Well, one of the things that we do is we actually quantify our assessments of teams.. Like for example, you know, this team we think has a 85% chance of success and here's why, that one has a 95% chance of success and here's why and what that does is, in a few years when like, it's 18 months, 24 months typically is kind of do or die at the seed level, meaning that you're gonna get another round of financing or you're not, typically in that timeframe.. And so we will know did the team like, fight like hell and break up? Did they actually get a next round of financing? Did they actually get customers? And now we can update those numbers.. And so we can affect our own bias and learning through that process.. And that is one of the ways that we do this.. We also look at our pipeline, like, how many women are coming into our pipeline? How many people of color are coming into the pipeline? How many people got meetings? How many people got to the second meeting? How many people got to the the market mapping or decision analysis process and how many guts funding and how many dollars did they get? If you're actually watching these things long enough, you will be learning from your own bias and where it, where it's happening...