

April 29, 2019

The Educable Investor

In a recent blog post, I wrote about how good entrepreneurs were educable, and talked about some of the key facets of the same in entrepreneurs. I argued that when it comes to confronting new ideas, educable entrepreneurs are tenacious rather than stubborn; shrewd rather than dense; and decisive rather than tentative. See my recent blog post here: [The Educable Entrepreneur](#). A Madison entrepreneur was kind enough to email me with her compliments on the post – noting as well that as with life generally, most rules have exceptions – and the suggestion that good investors are, as well educable. She’s right about that. So, today, the educable investor.

The importance of investor educability is rooted in the same ground that educability is important for entrepreneurs. Startups generally launch with unproven ideas, and follow a path that is mostly predictable for mostly being unpredictable. Good early stage investors learn a lot from their portfolio companies; about business, technology, and even life. And most of the learning happens when plans don’t go according to plan, putting entrepreneurs and their investors on the spot.

While the importance of investor educability is rooted in similar soil to that which makes entrepreneurial educability so important, there are critical differences in the way educability manifests itself in entrepreneurs and investors. A difference rooted in the very different roles they respectively play in building a successful emerging companies. Entrepreneurs are players; investors are coaches. As coaches, investors don’t make plays for their entrepreneurs, they help their entrepreneurs become better playmakers. At least the good ones do.

As with entrepreneurs, educability in investors has three key axes: listening, processing, and acting. For good investors, listening is about being curious rather than stubborn (vs. the tenacious rather than stubborn entrepreneur); processing is about being flexible rather than dense (vs. shrewd rather than dense); and acting is about being supportive rather than tentative (vs. decisive rather than tentative).

Curious or Stubborn?

Related Practices

Fund
Grow
Sell
Start
Venture Capital & Private Equity

All of the good risk capital investors I've known over 30+ years in the high-risk/reward startup and investing world were curious. They were always looking for new ideas and new ways of imagining things. Having bought into an entrepreneur's vision for a startup, they remain curious and open to the evolution of that vision – even when that evolution takes the entrepreneur in unexpected directions. And even when that means taking new ideas to entrepreneurs otherwise locked into their vision.

The combination of investor/coach curiosity and entrepreneur/player tenaciousness is a powerful startup tool. They become foils for each other, as the investor regularly floats ideas that the entrepreneur evaluates against her vision. When both parties play – but don't overplay – their respective parts, the startup, as such, becomes a good listener.

Flexible or Dense?

The educable entrepreneur is shrewd; a capable processor of new information willing and able to revise or even toss aside previous thinking as the situation might demand. The educable investor's role in that process – a coaching role – is to facilitate that. How? By challenging entrepreneurial thinking, respectfully, but firmly, with an eye towards advancing the entrepreneur's thinking, not usurping it.

Otherwise educable investors get into trouble on the processing axis when they try to direct entrepreneurial thinking rather than facilitate it. When they misread their role as a coach with the entrepreneur's role as the player. Ultimately, when they become so rigid in their own analysis of new information, that they can't even agree to disagree with their entrepreneur and move on together. And that's a place no investor/entrepreneur team ever wants to find itself.

Supportive or Tentative?

As coaches, investors are not about making decisions for their entrepreneurs, but rather supporting their entrepreneurs' decision-making process. They play a constructive role in entrepreneurial decision-making, clearing the air for action rather than fogging the entrepreneur's lens. By supporting the decision-making process, they encourage entrepreneurs to make timely decisions, thus assuring that startups take advantage of one of their few competitive advantages over their more established competitors: the ability to make and execute decisions faster.

<u>Educable Trait</u>	<u>Investor</u>	<u>Entrepreneur</u>	<u>Uneducable</u>
Listening	Curious	Tenacious	Stubborn
Processing	Flexible	Shrewd	Dense
Acting	Supportive	Decisive	Tentative

Summary

Startups that combine educable investors with educable entrepreneurs have a huge leg-up on startups where one or both of the parties fail the educability test. Their different educability strengths complement each other and so can produce a team that is stronger than the sum of its parts.

Related People

Paul Jones

Of Counsel

pajones@michaelbest.com

T 608.283.0125

Paul Jones

Of Counsel

pajones@michaelbest.com

T 608.283.0125