

URL: <https://stvp.stanford.edu/clips/confirming-authenticity-in-entrepreneurs>

NewSchools Seed Fund's Jennifer Carolan shares a lesson learned early on about confirming an entrepreneur's conviction and authenticity before investing in the idea. In conversation with serial entrepreneur and Stanford course instructor Steve Blank, Carolan also talks about learning on the job and getting better at pattern recognition as you gain experience.



Transcript

This is one of those - as I mentioned, like you learn this job by doing, you learn it by making mistakes and you learn it by seeing lots of companies and by actually doing the work.. And this one company that we invested in, this is early on, their cap tables.. I sort of didn't look at closely enough.. Cap table is.... The capitalization table that basically says who owns the company.. Okay.. Or how the shares are divided.. And what I didn't realize is that the founder, his share of the company was actually like super small and he'd come out of this incubator, this accelerator that owned most of the equity of the company.. So he basically felt like hired help to run this company.. And it played out that way..

So.... So what would you do different now or what do you do different? I look very closely at the Cap table.. I try to understand who all those people are and cousins and uncles on the Cap table and then -- I think it goes back to like data, like pattern recognition that you get better at looking for that authenticity in the entrepreneur.. So you want the founder engaged and the ability to.... Yeah.. Like this has got to be his - he or she, they are going to create this company with or without us no matter what.. They feel strong conviction for this company.. So that's what - it's one of those important things that we look for...