

Persuading Venture Investors: It is not only ‘What’ you say but ‘How’ you do so

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Securing investor support for early-stage startups is as important as it is challenging. Our research indicates that while framing the startup as a growth opportunity attracts investor interest, their skepticism follows suit. A key to striking the balance between ambitious growth projections and credibility then lies in how entrepreneurs express their claims.

Understanding one’s audience is paramount for effective communication in any setting, certainly when facing seasoned investors. Not only are they highly motivated to discern an opportunity’s potential, but they are also well equipped for that task after having sat through countless pitches and gleaned insights from both soaring successes and dismal failures first-hand. Indeed, investors rely on a combination of formal analysis, experience, and intuition to make decisions amidst uncertainty. But what does this mean for entrepreneurs’ approach to communicate their ideas?

1. Too much of a good thing is still too much.

While emphasizing growth is essential, it can be a double-edged sword. Our research indicates that the more an entrepreneur emphasizes growth, the more intensely investors scrutinize these growth claims. In an analysis of over 300 business case pitches of early technology startups between 2020 and 2023, we found that framing their startup as growth opportunity by elaborating on market potential, imminent opportunities as well as related challenges indeed benefits entrepreneurs. The evaluation of overall venture attractiveness by investors in our study significantly increased – at least up to a certain point. The revealed non-linear effects indicate that the assertions of founders who emphasize growth more than 50 percent of their peers were subject to increasing scrutiny from investors. In other words: upwelling skepticism causes initial gains from presenting a venture as growth opportunity to gradually shrink. Maintaining credibility requires entrepreneurs to focus not just on *whether* or *to what extent* they highlight growth potential, but on *how*.

2. It comes down to the words you use.

Indeed, investors are attracted to entrepreneurs who signal long-term commitment and the ambition to achieve real business growth. Yet, this is only one piece of the puzzle. Given potentially numerous ventures vying for attention, it becomes critical for a founder to instill confidence in investors who aim to distinguish between plausible growth prospects and overly optimistic claims. This is where the entrepreneur’s choice of language becomes instrumental.

Words carry weight beyond their explicit meanings. They can shape an audience’s perceptions and implicitly convey qualities of the founder. Specifically concrete and cognitive language can soothe investors’ skepticism and thereby enhance the overall appeal of the startup. First, speaking very concretely (rather than abstractly) about growth matches how investors process and analyze provided information to assess startups. For example, the more growth takes center stage in a fundraising pitch, the more important it is to convey the aim to “double the customer pipeline” rather than a vague intent to “engage more customers.” Such concreteness helps investors to better process and evaluate provided information. Second, cognitive language involves words that reflect insight and logical thinking like “know”, “because”, or “if-then.” In a pitch, it demonstrates an entrepreneur’s capabilities as well as typical behavior. For example, instead of stating “doubling the pipeline with a product that resolves market needs,” specifying “by introducing two new tailored features” reveals underlying rationales. This provides a clearer

image of how founders think about and act upon their growth ambitions, allowing investors to build confidence even though uncertainty may eventually derail the carefully crafted plans.

Substantiating growth frames in startup pitches through concrete and cognitive language can significantly enhance a startup's appeal to expert investors. We hope that our study inspires entrepreneurs to critically engage with their future growth trajectory early on. Importantly, this ought not inspire the deliberate or even deceitful inflation of growth claims. Much to the contrary: We advocate for both carefully crafted and increasingly transparent communication around entrepreneurial opportunities.

For entrepreneurs, our message is twofold:

- Effective communication transcends *what* you say. In fact, *how* you articulate your vision can make all the difference in securing funding. When emphasizing growth potential, concrete and well-reasoned arguments will improve investors' overall assessment.
- Such communication requires a clear understanding of what it takes to achieve growth ambitions in the first place. Should you lack such logic, it is recommendable to focus on the actual strengths of your idea, technology, or venture instead of framing a pitch around growth altogether.

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