How to Increase Your Odds of Fundraising Success with Mental Movies

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Entrepreneurs who pitch to angel investors realize fundraising is easier said than done. Compared to established firms with performance history, patents, or evidence of market acceptance, early-stage firms may have little (if any) record of sustainable success or competitive advantage. Angel investors may compare pitched opportunities against their own experience, current portfolios, or other opportunities they are considering. In other cases, angels may evaluate the entrepreneur who is pitching as much as they are the opportunity. Nevertheless, how do some entrepreneurs successfully obtain funding from investors if they are pre-launch or early-stage start-ups without hard facts?

Clint Purtell, a PhD student at Oklahoma State University, demonstrated there is actually some science in the mystical nebula of fundraising. Purtell evaluated sensemaking, sensegiving, and psychology to understand micro-processes that occur in angel investor decision making. His research studied several pitches by college-level entrepreneurship students, as well as the TV show “Shark Tank.” Studying pitches through a time-tested theory of narrative transportation, he found that the narrative in the pitch can start certain engines in investors’ minds. Familiarity has already been found to be an important factor in the investor’s decision-making process. However, the research found three additional factors in the narrative of a pitch that have a significant impact:

1) how realistic investors perceive the opportunity based on the story told,
2) the amount of thinking investors do as pitches lead them to mentally simulate and add their own elements to the narrative, and
3) the amount of confidence investors have once the final “story” is developed following a discussion, Q&A, or other tweaks to make the opportunity investable.

So, how does this work?

Let’s start with the fabled easy pitches. How often is it that an entrepreneur pitches something to an investor in a way that the investor sees it as a “no-brainer” or “sure-thing,” takes everything told at face-value, asks no questions and immediately invests the full amount sought? (Sure, we have all heard the folklore and legends, but have you actually witnessed it?) In reality, angel investors
naturally take a cautious, critical, and analytical approach comparing pitched ideas against their own experience of successes/failures, clarifying details, making suggestions to tweak an opportunity for a better “potential” or offering feedback when there are gaps in details. This is where the narrative enters. If a pitch contains a story, whether it be to describe a future scenario or ask the investor to “go on a journey…,” the narrative can influence the investor’s mental processes.

If something in the narrative is familiar to investors, such as the product, service, industry, type of business or even the characters portrayed, the odds increase that investors begin to listen (at least for a short time) and they are pulled into the narrative. This is called narrative transportation, the same type of phenomenon that occurs when you watch a “good” movie. If you can relate to something in the movie (or just think it is a “good movie”), you might be transported into an alternative mental reality. For example, if you empathize with characters or are passionate about certain issues, the movie might transport you into a temporary alternative mental reality. Movies containing persuasive narratives are even capable of changing actual attitudes and beliefs. Thus, when you emerge back into the real world, you might be persuaded to view the world differently or approach an issue with more passion than you did before you watched the movie.

Investors’ perceptions of how realistic a narrative is a key factor. If the story is perceived to be too far-fetched or completely foreign, they might move on, like changing the channel on the television. However, if it isn’t “too hot or too cold, but just right…,” the investor continues the mental processing. They may begin to transport into the narrative and begin to elaborate in their minds on the story they hear. They could incorporate aspects of their experience, or compare how you will approach an opportunity versus how they tried the same thing and succeeded, or failed. Perhaps they incorporate something completely random based on timing of the pitch against current or recent events.

Nevertheless, delivering a narrative in a way that causes an investor to mentally simulate and elaborate is important. Of course, the investor needs to reach a threshold of confidence in their thinking in order to make a decision to invest. If they don’t have enough confidence in the opportunity, their mental picture(s), or the entrepreneur, they won’t invest. However, if the story is told in a way that helps the investor mentally simulate a future yielding success and a return on investment, the entrepreneur might climb the last obstacle and reach the funding finish line.

The next time you develop your pitch, include a story. Do some research on your investor/audience. Find some things in about the investor, such as his or her background, that you can leverage or appeal to in your narrative. As you deliver
your story, find ways to get the investor to ask questions. When they do, be open and consider suggestions. If recommendations are made you agree with, consider modifying your story so that it incorporates the investor’s ideas. If they like your re-scripted story and play a good “mental movie,” you might have better success at getting their investment!

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