5 Patterns VCs Use to Help Spot Founders Worth Investing In

If you spend enough time with founders, figuring out which ones have a good chance at being successful is easier than most people think.

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A venture capital firm recently emailed me asking for help evaluating companies. It's a young firm writing relatively small checks (< $500k) and targeting mostly pre-seed software companies. Here's the relevant excerpt of what they wrote in their initial email where they explained why they were contacting me:

Our firm believes there's untapped potential in very early software startups that might not have lots of traction but are being launched by smart, talented founders who have a higher-than-average probability of figuring out what they need to do to be successful. To capitalize on this opportunity, we want to develop a way of identifying great startup talent before they've built a great startup.

Since you work with lots of smart but inexperienced founders in your role as a professor of entrepreneurship at Duke University, we thought you could potentially have valuable insights into this strategy.

Would you be willing to share any important observations you have made about students you taught in the past who went on to become successful founders?

First, let's get the obvious out of the way: This VC's investment thesis isn't particularly new or unique. It's basically the YCombinator model. YCombinator — and all the tech accelerators that came after — believe in betting relatively small amounts of money on lots of unproven startups founded by smart founders who have a higher-than-average probability of figuring out how to make their startups successful.

Still, just because YCombinator and some others are already doing this, I don't fundamentally disagree with the premise. Targeting young, unproven, but highly talented founders can be an especially lucrative venture model if you can get great terms and, more importantly, if you're great at identifying the right talent.

I suppose that's why this particular VC firm contacted me. Since, as they noted, I've been teaching entrepreneurship on the college level for more than a decade, I've seen lots of young, inexperienced founders, and I've also seen a decent number of them ultimately build great things. I've also seen plenty fail.

Are there recognizable patterns among the types of founders that succeed? Absolutely!

Since the question the VC asked was interesting and the exercise of articulating the patterns seemed useful, I agreed to share my thoughts with the firm, but I did it on one condition: They had to be OK with me compiling the information I identified into an article and sharing it with all of you, too. And that's what I'm doing here.

I ultimately had a two hour conversation with the VC where we discussed all sorts of different observations. However, only a handful are particularly important, so that's what I figured I'd share.

Outlined below you'll find a list of the five most common patterns I see in very inexperienced founders who go on to eventually startup success.

Pattern #1: No surprises

The first pattern I've noticed is that, over the years, there haven't been any surprise successes. By that I mean I've yet to have taught someone who I didn't recognize early as a person with the potential to be a successful founder. To be clear, not everyone I've identified as "having potential" went on to build a successful startup (not yet, at least), but the reverse has never happened. I've not had someone who didn't seem like a young startup rockstar ultimately surprise me by building an amazing company. What this tells me is that great founders tend to show themselves early, and this is worth knowing for all sorts of reasons.

Pattern #2: Flexibly persistent

The second pattern I've noticed among soon-to-be-successful founders is a dogged amount of persistence. This sometimes gets confused with "passion," but that's not quite the right description. The most passionate founders tend to be so invested in their ideas that they can't take feedback and can't adapt what they're building. As a result, they often flame out. In contrast, successful founders tend to be stubbornly persistent, but in a flexible sort of way. They'll always continue working on their startups despite setbacks; however, as they do it, they're constantly sourcing feedback, and, just as importantly, they're iterating based on that feedback without losing enthusiasm.

Pattern #3: Willing learners

Another key characteristic of successful founders is a genuine interest in learning. And not just about things related to their startups. The best school-aged founders are the students who walk into class with an obscure philosophy book just because it seemed interesting to read. Or they're taking a random, graduate-level neuropsych class that's way outside their comfort zone just because they were curious about the subject and didn't mind if it meant getting a bad grade. I suspect this passion for learning is what gives them the agility to make informed pivots and avoid potential pitfalls that less adaptive founders tend to miss.

Pattern #4: Resourceful networkers

Without fail, the young entrepreneurs I've met who've gone on to become successful founders are always resourceful networkers. I don't mean they're shallow schmoozers who make friends with everyone and are just trying to expand their number of LinkedIn connections. Instead, they tend to be great at building meaningful relationships with the people who will provide critical support, advice, and resources along the way. The distinction between vanity-focused networking (what most founders do) and value-focused network (what good founders do) can't be overstated. Bad entrepreneurs are often great at building a superficial list of contacts. Good entrepreneurs cultivate a web of relationships that they're constantly nurturing and enhancing.

Pattern #5: Captivating storytellers

Finally, the fifth — and, perhaps, most telling — pattern of any young person who's going to eventually start a successful company is a general propensity toward storytelling. When they're younger, like the founders I tend to encounter, the storytelling manifests itself in unusual ways. For example, I might overhear them telling stories to friends before class about something strange that happened to them on their way to campus that morning. Or they'll answer a question in class by telling a relevant story about a personal experience. As they get older their stories evolve to be stories about their professional experiences. This propensity for storytelling makes sense when you think about the primary job of a founder. Ultimately, successful founders are great storytellers because they're constantly selling their stories to investors, customers, employees, and just about anyone else they meet. Because effective storytelling is so important to entrepreneurial success, it's not a surprise that great founders would be experimenting with storytelling much earlier in their lives.

What I've shared here are the big patterns. It's certainly not an exhaustive list, nor, to be fair, is it vetted by anything other than my personal experiences. However, I suspect you'd have trouble finding a successful entrepreneur today who wouldn't match at least four of the five. And, if we could hop in a time machine and travel back to the 20-year-old versions of themselves, I also suspect we'd see those same founders adhering to the patterns I've described.

Naturally, the next question we might ask is "how is this information useful"? Obviously, if you're a VC or angel investor, the answer is obvious: Look for these characteristics when you're investing in young founders. But the value of understanding the above patterns isn't limited to investors.

If you're reading this and you're still in the early stages of your entrepreneurial journey, consider the patterns I've described as opportunities for you to evaluate yourself and how you approach your work. Are there changes you can make to improve how you approach building companies?

For example, if you have dreams of building successful companies but you're not already a resourceful networker, then maybe it's time to add that skill. After all, everything I've described is a skill that, with enough effort, can be cultivated. Remember, entrepreneurship isn't like basketball where, if you're not tall enough, you're just not going to be good. With the right

mindset, anyone can develop any entrepreneurial skills. Heck, perhaps that's the biggest pattern of all. Successful entrepreneurs are great at adding the skills they don't already have.