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HAND WAVING: A SMILE OR A FROWN

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Quick Summary: Investors are interested in specific, verifiable facts, not generalizations.

Abstract:

Hand waving and sweeping generalizations may result in initial enthusiastic support but may not hold up under close scrutiny. We all see this during political speeches and have grown to accept it as part of the process. It might work in politics, but it does not work with investors. Unsupported sweeping generalizations most likely will result in frowns, not smiles.

Hand waving to a crowd may get you smiles, but little else. During investor presentations, sweeping generalizations are likely to create frowns. With your enthusiasm, passion, and anxiousness to share your vision, it is easy to get caught up in the moment and deviate from your carefully crafted presentation and script. Statements such as “I am sure,” “Customers will line up,” “The demand will surely be there as soon as,” “No other company is positioned like we are,” and “All we need is funding” are easily said, but very hard to support.

An alternate title for this article could be: “Handwaving drives away flies and investors.” There is, however, a big difference: Flies may be persistent and come back, while potential investors seldom do.

Investors want to believe in you and your opportunity. Unfortunately, they have all heard statements like this before. They also know that your odds of success are not very good. It has nothing to do with you; it is just the cold, hard facts and reality. You must be ready to fully explain your generalizations with verifiable facts. Although investors come from many backgrounds, they all share at least two common traits. First, they have seen many promising companies not be successful for various predictable and unpredictable reasons. Second, they approach investments from an analytical “show me” perspective. As discussed in the article in this series, *“Passion: The Fuel for Your Business Engine,”* investors need to see your passion and total commitment. Unfortunately, passion is not enough. Your business must be based on sound logic with facts supporting your assumptions and forecasts. Stating generalizations without facts behind them or logical “here is why” statements cannot stand up to their scrutiny.

As discussed in the article in this series, *“Getting to NO before Getting to KNOW,”* investors are inundated with funding requests; therefore, they must be very selective and guard the use of their time. One false or misleading statement or one generalization that cannot be logically explained can result in their quick dismissal of you and your opportunity. In almost all cases, you will have more intimate

knowledge about your target market and customers than the investors. They will be listening to you to learn and ascertain how realistic you are about your opportunity. Do not give them a reason to discount or distrust what you tell them. It is OK and even expected that you will have to make many assumptions about your business, your customers, the speed of adoption, and many other factors. Identify and differentiate what you know and can prove from what you are assuming. Rely on as much external validation as you can. For example, quote industry statistics or experts, relate actual customer experiences and objectively compare and contrast your offering to others. Investors want to believe; help them.