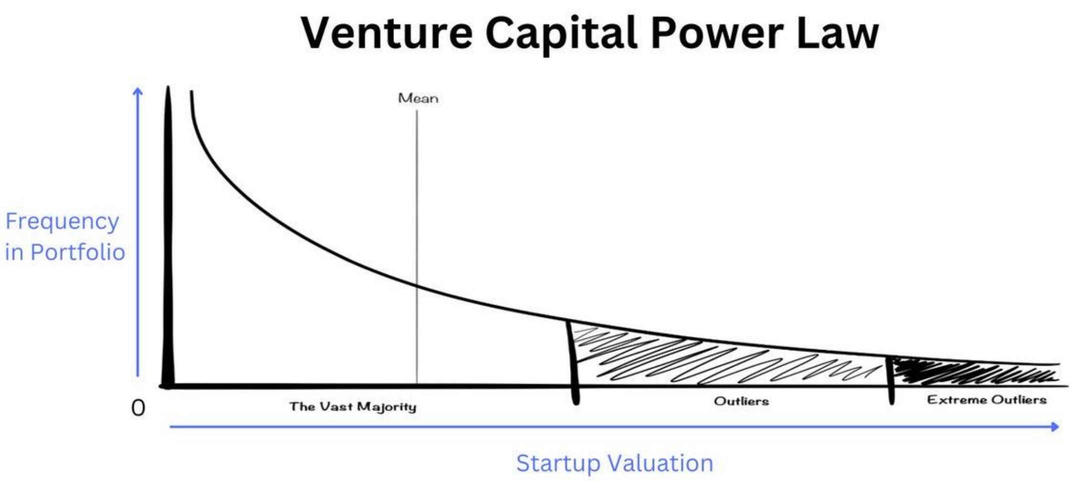
1. Home Runs Matter, Strikeouts Don't.

Disruptive Innovation is about outliers. It is about outsized gains and asymmetric returns.



In the VC world, the errors of omission are much more damaging than errors of commission. You must think of risk not as a chance of failure, but as a chance of upside success.

The goal is not to win each time. The goal is not to miss the opportunity to win big at least once.

Winning big does not always require betting big – don't bet the farm.

2. Get Outside The Four Walls.

Success in VC is probably only 10% about picking and 90% about sourcing the right deals.

About half of all deals come either from other investors in the company or from an investor's professional network. Connections and networks take time to materialize into exceptional deals and ideas.

Good VCs are good fishermen. Great VCs are also great hunters.

Don't expect ideas to come knocking on your doors. Ideas are the door; you're the one who knocks.

Make sure not to live in an echo chamber – an environment in which people encounter only information or opinions that reflect and reinforce their own.

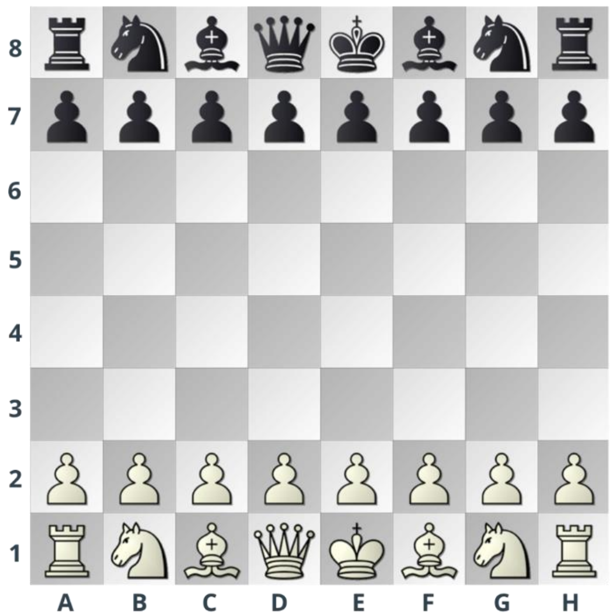
3. Prepare Your Mind.

In VC there is always the trade-off between accuracy and speed of decision-making.

VCs when evaluating deals do not yet make a final decision to invest; they make a final decision not to invest.

The harder you work, the more luck you seem to have – prepare you mind.

In the field of observation, chance favors only the prepared mind (Louis Pasteur).



Don't confuse the prepared mind with shooting from the hip. Sometimes you do have to slow down and make the right call.

Avoid biases – they may spread like a hard-to-eradicate virus.

4. Say No 100 Times.

VCs have to be very good at saying NO.

Don’t hide risks. Bring them to light early on. The purpose is to identify weak spots early on and stimulate a frank discussion within the entire partnership/team.

VCs must improve in challenging and provoking a discussion rather than defending the investment.

Keep decision-making processes lean, bureaucracy is like a mold spreading across an organization.

Keep in mind, a well-documented record beats memory every time.

Disagreement is your friend.

5. Bet On The Jockey.

A great jockey cannot make a slow horse win, but a bad jockey can get a great horse beat.

Choosing the right jockey is the most critical factor in success; betting on the wrong jockey is the most critical factor in failure.

When evaluating founders, one key success ingredient to look for is whether they energize others to attract the best employees.

When a great team meets a lousy market, market wins. When a lousy team meets a great market, market wins. **When a great team meets a great market, something special happens.**

6. Agree To Disagree.

Make sure to avoid the "bystander effect" which means, ignoring signals of trouble in the presence of passive others. Avoid "path dependence" through HIPPOs – **make sure to get the juniors/analysts opinion first.**

Unanimity is not the most efficient group decision-making process, especially when the uncertainty level is high and there are many unknowns.

To be successful, you are betting against the consensus, and you must be right. **We're not in the business of averages, but in the business of extremes.**

	Wrong bet	**Right bet**
Non-Consensus	Wild bet. Everyone blames you. **You lose.**	Underdogs. Hidden Gems. **You win.**
Consensus	Hard mentality. No one blames you. **You lose.**	The favourite. Overvalued. **You lose.** (*you're not winning big*)

The only way to make outsized returns in VC is to be right and non-consensus. **Conviction beats Consensus.**

In VC we need to replace the joy of being proven right with the joy of learning what is true.

Assign a devil's advocate.

7. Double Down Or Quit.

Smart VCs value flexibility over commitment. Flexibility pays off when uncertainty is very high.

Power of "real options" – **Don't bet on your actions; bet on the option to bet later by making small investments.**

In Poker, the single biggest difference between inexperienced players and pros is that inexperienced players don't fold frequently enough (*now think about VC)*.

Persistence is valuable, but so is pulling the plug. Even tough folding is important, you won't survive for long if you fold all the time.

Prune your flowers; don't let a thousand bloom. Smart VCs don't keep a garden full of weeds.

Don't throw good money after bad.

"We shall now commence throwing money at the problem."

8. Make The Pie Bigger.

Ownership is the best way to guarantee both loyalty and innovation.

Encourage upside participation while providing a degree of downside protection for the decision maker.

Great VCs focus on value creation rather than value extraction.

VC is about growing a huge pie rather than getting a large slice. VCs and VC-backed founders prefer a smaller slice of a larger pie rather than the other way around.

9. Great Things Take Time.

Patience is key.

It always gets worse before it gets better. Nerves of steel are needed to live through the first part of the J-Curve.

Concentrate on the journey, not on the final destination (importance of real options here again!).

Pre-Mortem Analysis – identify main risk factors why your company wouldn't be alive in 5 years – do this over and over again.

Lastly, if you're offered a seat on a rocket ship, don't ask what seat, just get on.