

Open letter to investors

Everything that ever was is impossible. The Big Bang, evolution, even the odds of you being born as you are 400 trillion 1. Those are not odds anyone would ever bet on, and yet they happened. All of them. And they continue to happen every single day. Zero to One, Purple Cow, and Black Swan all say a very similar thing: the next big thing to change our world will not only be unpredictable it will be improbable. So why do you, as investors, tend to fixate on the part of “it hasn't been done before” or “it's impossible”?

Whether something has been done before or not is irrelevant. You could even say it's an indication it will not work. If everything that ever was, everything that is, and everything that will be is unpredictable - why are you betting on “odds”, when you should be betting on the improbable?

Innovation and vision move us forward as a civilization. New technologies and advances in science cannot happen without risk. New things are unproven by nature. Startup founders are the people who see beyond what we know now. I think the problem is that even when a founder shows the value of a startup, a lot of investors won't believe it simply because it hasn't been done before. It's a Catch-22 because if it's been done before, then there's no value in creating it. If it hasn't been done before then it's too risky to invest in.

I've had this happen to me personally during a Venture Capital meeting where I was pitching, and after I was done, everyone looked at each other and discussed how it was such

a brilliant idea that it couldn't possibly exist. And yet it didn't. They didn't end up funding me, but they called me a day after and told me to keep going but that they invest in predictability. And to me, that was insane because a start-up is inherently risky.

Knowledge is based on observations and experiences. It's extremely fragile because it could crumble with one different perspective. Just like when everything is lined up for a startup, they have funding, a killer team, customers, the market on their side and yet - it still fails. Investing in startups is risky in and of itself, and making investments based on predictions, financial or otherwise, doesn't alleviate the actual risk, it only creates an illusion of safety.

Whereas with innovation and improbable ideas, the illusion is lifted and you can see the risk for what it is. 95% of startups fail within the first year, this doesn't exclude the "safe" startups. So why not bet on the high risk, high reward if you're going to bet anyway? Why not bet on the founding team that wants to take on a huge problem rather than the team who's solving a minor one? If the risk is the same - wouldn't you rather go to the one with the highest reward?

The idea that you can predict the success of a startup is an illusion because all it takes is one piece of information for it to fail. Just because someone has created a successful startup before doesn't mean that they can do that again, and just because someone hasn't created a startup before doesn't mean they're incapable of doing that. Even in Plato's Allegory of the cave, the cavemen believed they knew everything until new information came to light (no pun intended - okay maybe a little pun intended). We only know what we know until it's

proven false and that directly applies to startups. Financials - business plans contracts they could all seem picture perfect and be made null and void with one piece of new information.

Steve Jobs didn't invent Apple until he did.

Elon Musk didn't land a rocket at sea until he did.

Tesla didn't create Tesla coils until he did.

The Greats weren't great until they were.

The market will always be unpredictable, the problem is you only invest in the predictable.

The only constant changes, and yet you are betting on things staying the same. You're looking for that startup that's gonna take off, the Unicorn, and yet you invest in a horse. You invest in a herd of horses hoping one of them will be Unicorn but you'll look a Unicorn right in the eyes and deny its existence.

I'm in no way claiming that my startup will be a Unicorn like I said that's unpredictable. I am just frustrated with dealing with start-up investors who only invest in something as sure as the sun coming up every morning.

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1 <http://blogs.harvard.edu/abinazir/2011/06/15/what-are-chances-you-would-be-born/>

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