

The Conviction Gap

Why private capital investors need a new edge in building conviction

The deal that changes a fund rarely starts with a comfortable consensus.

More often, it starts with a few people seeing something others are not ready to believe.

That is why I keep coming back to a comment from Sequoia's Pat Grady and Alfred Lin. They described how Sequoia has tracked partner votes on investments for more than a decade. The finding was not that consensus predicts better outcomes. It was almost the opposite. Grady said that "consensus versus non-consensus does not matter"; what matters is the presence of conviction. If everyone rates a deal a six, the firm probably should not invest. It may be a consensus, but nobody has real conviction. A split room, with a few strong nines and a few strong ones, can be a more interesting signal. [1]



That idea feels uncomfortable because most organizations are trained to value alignment. Alignment sounds disciplined. It sounds mature. It sounds safe.

But venture does not reward safety in the same way most businesses do.

The math is unforgiving. An a16z analysis of Horsley Bridge data found that about 6% of investments, representing 4.5% of dollars invested, generated about 60% of total returns. Venture outcomes are not evenly distributed. The few decisions that matter most often require someone to recognize outlier potential before the evidence is comfortable, before the room is aligned, and before the market agrees. [2]

This is why I think the next advantage in venture will not come only from access to deals, access to capital, access to networks, or access to AI.

Those still matter. But they are not enough.

The next advantage will come from how well investment teams build conviction.

This is what I call **The Conviction Gap**.

It is the distance between having enough information to discuss a deal and having enough judgment to make a high-quality investment decision under uncertainty.

I have been thinking about this more as I study how investment teams work. Most partners are not lacking information. They are surrounded by it: pitch decks, founder calls, customer notes, market maps, expert interviews, CRM history, data room documents, competitive research, portfolio comparisons, partner comments, and now AI-generated summaries.

The problem is not that investors need less analysis. That would be the wrong conclusion.

The problem is that analysis only matters when it helps a team identify the few questions that should change the decision. Diligence matters when it reveals which assumptions are carrying the investment case. AI matters when it helps investors see risks, opportunities, contradictions, and missing evidence more clearly.

Conviction is not the same as confidence.

Confidence can come from a strong narrative. It can come from a hot category. It can come from a founder who tells the story well. It can come from a partner's pattern recognition. It can come from social proof. It can even come from a room where nobody strongly objects.

Conviction has to earn more than that.

Conviction requires evidence, but not just more evidence. It requires the right evidence. It requires clarity on what must be true. It requires knowing which assumption would break the thesis if it is wrong. It requires enough disagreement to expose weak thinking, but enough judgment to avoid being paralyzed by disagreement.

One lesson I learned as an operator is that companies usually reveal their weaknesses long before the numbers make them obvious.

The positioning isn't sharp enough, so sales cycles stretch out.

The product is loved by early users, but not urgent enough for budget owners.

The founder can sell the first ten customers, but the company cannot repeat the motion.

The market looks large, but the wedge is too narrow.

The pricing looks rational, but every deal requires exceptions.

None of these signals always means "pass." Some of the best companies have messy early signals. But they do mean the same thing: the investment team has to know what it is really underwriting.

That is where the Conviction Gap shows up.

It appears when a team likes the company but has not named the load-bearing assumption.

It appears when everyone agrees the market is attractive, but no one has tested whether this company has a credible path to capture it.

It appears when diligence produces more information, but not more clarity.

It appears when the IC memo explains the recommendation, but not how conviction changed.

It appears when a partner feels the deal may be special, but the evidence is still incomplete, and the room is not yet ready to believe.

The hardest part is that the gap does not always look like a gap in the moment.

Sometimes it looks like momentum.

Sometimes it looks like a consensus.

Sometimes it looks like a clean memo.

Sometimes it looks like a strong founder meeting.

Sometimes it looks like a market everyone wants exposure to.

And sometimes it looks like a deal that is easy to pass because the signal is still weak, awkward, or early.

The firms that close this gap will not be the ones that eliminate risk. That is impossible. They will be the ones who understand risk earlier, test assumptions more rigorously, and act with greater clarity when the answer is still not obvious.

The firms that struggle may still look busy, analytical, and well-informed. They may produce more diligence, more notes, more summaries, and more internal discussion. But they may still struggle with the only question that really matters:

Do we have conviction, or do we just have enough information to feel comfortable?

That is the question I want to keep exploring.

Because the hardest part of a venture is not forming an opinion.

It is knowing when that opinion has earned the right to become a conviction.

References

[1] Pat Grady and Alfred Lin, *Uncapped with Jack Altman*, discussion of Sequoia's investment voting process and the role of conviction versus consensus.

[2] Chris Dixon / a16z, analysis of Horsley Bridge venture capital return data showing the power-law concentration of venture returns.

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