The Evidence That Changes Conviction

Why private capital investors need better ways to know what should matter most

The Evidence That Changes Conviction

For better investment decisions in venture capital

More data can make an investment team feel safer, but it can also make the decision harder.

Venture investors are trained to gather evidence, test assumptions, study founders, review markets, compare competitors, call customers, and build a case before committing capital. That work matters. In fact, it may matter more now than ever.

But there is a difference between evidence that adds information and evidence that changes conviction.

In the first essay, I wrote about **The Conviction Gap**: the distance between having enough information to discuss a deal and having enough judgment to make a high-quality investment decision under uncertainty.

The next question is practical:

How does an investment team close that gap?

I believe it starts here:

Conviction does not come from collecting evidence. It comes from learning which evidence should matter most.

A study by Paul Gompers, Will Gornall, Steven Kaplan, and Ilya Strebulaev surveyed 885 institutional venture capitalists at 681 firms to understand how VCs make decisions. The study found that VCs evaluate many dimensions, including the management team, business model, product, market, industry, competition, fund fit, and valuation. Management team was cited as important by 95% of VCs and ranked as the most important factor by 47%. [1]

That finding reinforces something experienced investors already know: conviction is multidimensional, but not all dimensions carry equal weight in every deal.

The hard part is not gathering evidence across many categories. The hard part is knowing which evidence should change the decision.

That is where diligence earns its value.

A single deal can generate a mountain of material: pitch decks, founder conversations, product demos, customer references, financial models, data room documents, expert calls, competitive research, CRM notes, partner comments, market maps, and increasingly AI-generated analysis.

Each piece may be useful. But not every piece deserves equal weight.

The best investment teams do not simply ask, “What else can we learn?”

They ask, “What would change our mind?”

As an operator and marketing strategist, I have spent much of my career looking at public and private companies from the inside: market positioning, customer urgency, sales friction, product adoption, pricing discipline, competitive differentiation, and execution risk to accelerate growth. I have also spent time with many VC partners trying to understand what makes their decision process difficult.

One thing I have learned is that company risk often appears first in small operating signals.

A positioning problem may show up as a sales-cycle problem.

A product-adoption problem may show up as a customer-success burden.

A pricing problem may show up as constant exceptions.

A differentiation problem may show up as heavy dependence on founder-led selling.

A market-timing problem may show up as enthusiastic conversations that do not convert into budget allocation.

None of these signals automatically means the company is weak. Early-stage companies are messy. Some of the best companies look incomplete before they look inevitable.

But these signals matter because they help investors ask a better question:

What are we really underwriting?

Are we underwriting the founder’s ability to recruit a world-class team?

Are we underwriting a market inflection that has not fully arrived?

Are we underwriting a product that customers admire but do not yet urgently need?

Are we underwriting a GTM motion that has worked once but may not repeat?

Are we underwriting a category narrative that sounds right but has not yet produced budget behavior?

That is where conviction improves.

Not when the memo gets longer.

Not when the team has more documents.

Not when every question has been answered.

Conviction improves when the investment team can name the few pieces of evidence that actually matter.

This is especially important because evidence can be deceptive.

A strong founder meeting can make the market feel larger.

A hot category can make weak differentiation feel acceptable.

Early revenue can make GTM repeatability look stronger than it is.

Customer enthusiasm can be mistaken for customer urgency.

A polished deck can make a fragile assumption feel well-supported.

And a room full of reasonable people can build confidence around evidence that has not yet been tested hard enough.

The best diligence separates signal from support.

Support helps the case sound better.

Signal helps the team see better.

Support says, “This confirms what we hoped.”

Signal says, “This changes what we believe.”

The difference is subtle, but it matters.

The future advantage in venture will not come from having more information alone. It will come from knowing which information makes the decision more honest and deserves to shape conviction.

The best diligence should help an investment team answer a few essential questions:

What must be true for this investment to work?

Which assumption carries the most risk?

Which evidence would change our minds?

Which signal are we overvaluing because it fits the story?

Which signal are we undervaluing because it is still early or uncomfortable?

What do we believe now that we did not believe before?

That last question may be the most important.

Because if diligence does not change what the team understands, it may not be improving conviction. It may only be documenting the process.

The best investment teams do not simply gather more evidence.

They identify which evidence should change the decision.

That is where conviction begins to improve.

Reference

[1] Paul A. Gompers, Will Gornall, Steven N. Kaplan, and Ilya A. Strebulaev, **"How Do Venture Capitalists Make Decisions?"** NBER Working Paper 22587. The study surveyed 885 institutional VCs at 681 firms and found that VCs evaluate multiple dimensions of decision-making, with management team, business model, product, market, and industry among the key factors in investment selection.

Author

Ravi Chalaka, Founder and CEO