

The Bias Ledger—That Skews VC Decisions

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Six biases. Real numbers. No theory.

**VCs have
blind spots**
Most are unaware of it.

THE CONVICTION GAP

34.4%

Similarity Bias: Investors subconsciously favor founders who share their backgrounds, alma maters, or experiences.

VC partners are 34.4% more likely to co-invest with someone from their own undergrad school. 39.2% more likely if they share an ethnic background.

Familiarity is not diligence. Gompers, Mukharlyamov & Xuan (2016) found this pattern predicts worse outcomes, worst at the earliest stage, where judgment matters most.

The fix: Standardize inbound sourcing so pattern-matching can't gate the deal pipeline before evaluation starts.

96%

Overconfidence Bias: The tendency for VCs to overestimate their ability to pick winners or predict exact market outcomes, which can limit thorough due diligence.

96% of VCs studied showed significant overconfidence in predicting venture outcomes.

The correlation between confidence and accuracy: -0.70. More information didn't sharpen judgment. It inflated it. (Zacharakis & Shepherd, 2001)

The fix: Blinded scorecards that force metrics onto the table before conviction does.

30,602

Sunk Cost Fallacy: The tendency to continue a failing endeavor simply because you have already invested time, money, or effort into it.

Across 30,602 US investment decisions (2009–2019), the more capital already committed to a company, the more likely a VC was to fund it again — regardless of performance. (Hogrebe & Lutz, 2024)

Capital already spent should carry zero weight in the next decision. It rarely does.

The fix: Rule-based reserve allocation, decided before the emotional stakes are.

68.33% vs. 31.67%

The Halo Effect: Judging a company's entire potential based on a single glowing trait—like a charismatic CEO, a famous brand, or a past winning streak—tricks people into assuming a company is flawless across the board, causing them to skip hard due diligence research.

Same pitch. Same words. Different voice. 68.33% of investors backed the male-voiced version. (Brooks, Huang, Kearney & Murray, 2014, PNAS)

One trait, not the content, moved the money.

The fix: Formal devil's-advocate role in diligence. Someone whose job is to separate the pitch from the person.

The Pattern Without a Metric

Hype

Herding Behavior: The tendency to mimic the investment choices of other high-profile, reputable VCs, which can lead to market bubbles.

No single study puts a clean figure on it. But every hype cycle, SaaS, crypto, AI, shows the same shape: capital concentrating into the same handful of "obvious" leaders, priced by consensus, not conviction.

The fix: Blind preliminary IC votes. Say your number before you hear anyone else's.

The Pattern Without a Number, Part Two

FOMO

Fear of Missing Out: Rushing due diligence to join a hyper-competitive, overvalued funding round.

Competitive rounds compress diligence. There's no single dataset connecting shortened timelines to write-downs directly — but the mechanism is not in dispute: speed and rigor trade off against each other.

The fix: A minimum diligence floor that doesn't flex for round dynamics.

The De-Biasing Matrix

PROCESS STEP	BIAS RISK	STRUCTURAL SOLUTION
Sourcing	Similarity Bias	Standardized inbound forms
Screening	Halo Effect	Blinded evaluation scorecards
Diligence	Confirmation Bias	Formal “Devil’s Advocate” role
IC Decision	Herding Behavior	Blind preliminary voting
Follow-ons	Sunk Cost Fallacy	Rule-based reserve allocation

THE CONVICTION GAP

The Real Fix Isn't Willpower

Every bias above survives good intentions. None of them survive structure.

This is what Knoh.AI is built for, giving your firm the structural layer that catches these patterns before they become decisions: standardized intake, blinded thesis fit scoring, and a system of intelligence that separates the signal from the story.

If your process still runs on individual discipline alone, the bias isn't the risk. The absence of structure that overcomes bias is.

[See how Knoh.AI restructures decision quality →](#)