Pitching as an Entrepreneurial Soft Skill in the World of Startups

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Startup companies in need of capital tend seek investors to fund their business concept. Venture capital and private equity firms along with business angels are also in search of new investment opportunities by organizing startup competitions whereby entrepreneurs pitch their business concept to a panel of investors usually in front of an audience. This is not only an opportunity to raise capital, but also to raise awareness of the company among investors and the general public.

According to Daly and Davy (2016: 182), “an investor pitch is a clear, structured presentation of an idea or product/service […] lasting about two minutes, with the intention of securing funding or business advice from potential investors”. An important aspect of the above definition is that the investor pitch is a structured communication event and as such it covers the following main parts along with some storytelling: product or service, value proposition, target demographics, market size, competitive advantage, distribution strategy, financial model and capital needs. The real challenge lies in cramming so much information into such a restricted time frame, though depending on the nature of the event, the pitch may be somewhat longer than two minutes.

Research shows that interpersonal competencies have a significant impact on investor decisions, either consciously or subconsciously (MacMillan et al., 1985; Fried & Hisrich, 1994; Haines at al., 2003). Research by Sanberg and colleagues (1988) found that the entrepreneur's communication skills influence investor decisions in more than 20%. A study by Mason and Rogers (1997) showed that the inadequate presentation of the business plan plays an important role in its rejection. In a later study, Mason and Harrison (2003) asked 30 business angels to view the video recording of an investor pitch. Most of the business angels said that they would have been likely to reject the investment proposal due to the poor quality of the presentation. Clark (2008) asked 24 business angels to assess three investor pitches using a questionnaire with 12 questions related to presentation style and 20 questions related to content. The research found that the higher the score for presentation style, the more likely the business angel was interested in the investment opportunity. Among the factors relating to the style of the presentation, business angels identified the following: clarity, structure, depth and type of information on the investment, as well as the personality and persuasiveness of the entrepreneur. Consequently, Clark (2008) concludes that an entrepreneur who lacks the ability...
to persuade and thus cannot make an impact is less successful with investors. It is clear from the above research that communication skills, more specifically the presentation of the pitch, play a crucial role in investors’ decisions. This seems to be reasonable insofar as investors are betting their money on an uncertain future in which the only certainty is the entrepreneur. In other words, venture capitalists invest in the personal qualities of the entrepreneur. Therefore, the entrepreneur's communications skills become one of the most important measures of their personality and professionalism.

The ability to convince investors that the business concept is worth funding is of high importance among entrepreneurial soft skills. One of the ways to pursue this goal is to master the art of pitching.

References


