

How Artificial Intelligence is Influencing Venture Capital – 5 Guidelines for Achieving Success

Opinions expressed by Entrepreneur contributors are their own.

Artificial intelligence has caused nothing short of a tectonic shift in creation and innovation, affecting such diverse spheres as journalism, translation, contract law and scientific research. As AI abilities grow, its influence will revolutionize work processes in every niche and industry. Venture capital players should harness its power to give themselves that first-mover advantage.

Five ways venture players can use this tool to their best advantage:

1. Make better bets.

According to venture capital expert Shikhar Ghosh, three out of four venture capital-funded ventures never make back their initial investment.

One of the things AI excels at is crunching voluminous amounts of data and finding the patterns that emerge. VCs can leverage this to help them choose the ventures that are most likely to succeed.

Starting with the most promising startups makes you more likely to create a winning bet.

Related: How Venture Capitalists Are Using AI To Invest More Effectively

2. Cut costs.

Start-ups have a delicate balance to maintain. You need a talented, hardworking team to make a venture a success. But, all those working hours get expensive quickly.

Adding generative AI to the mix allows you to make the most of the people recruited to create a start-up success. Let AI do the jobs that AI works well at, and save your human capital for the areas where it is most valuable.

You'll get more done, have team members with lower levels of burnout, and keep your costs low enough that profitability is a more straightforward goal.

Related: Here's How AI Is Changing VC Funding

3. Prove your hunches with analytics.

Many venture capitalists will say their gut is their most powerful tool. They can see an opportunity and judge whether it will be a winner.

AI allows you to analyze data to back up your assumptions. It can show you where you have made errors in judgment when you're wrong. This gives you a chance to finesse your plans and create something better.

It can show the data and numbers that demonstrate why you are right. This is powerful in convincing everyone, from other investors to end customers, to give your new venture a chance to succeed.

Winning bias is natural. When you show people you have budding

success, you create a fertile environment where it can blossom. A well-supported prediction of success becomes a self-fulfilling prophecy.

4. Harvest counter-intuitive insights.

Every experience we've had, every case study and white paper we've read, and everyone we talk to influence our vision of the world.

One of our most potent evolutionary advantages is the human mind's ability to synthesize this data into a worldview. But it comes at a cost. Whether we realize it or not, we are blinded by biases daily. And that can cause venture capitalists to miss information that doesn't fit within their worldview. That, in turn, leads to costly mistakes.

AI is not bogged down with a lifetime of human experience. This allows it to make predictions and decisions that, from a human perspective, go against intuition.

Using this power to zig left when the rest of the market is zagging right can mean capturing the opportunities that no one has.

Related: [AI Is Becoming a Game-Changer in Startup Fundraising](#)

5. Learn more about market sentiment.

Consumers, company leaders and others provide constant information about what they want. They post comments on articles, offhand insights on social networks, short videos, reviews and more.

The problem is no one can take in this ever-running fire hose

of data, let alone parse what it means.

AI does not have that limitation. It can take in more data faster than any human team could hope to. And it can synthesize what it learns into human-sized bites.

Venture capitalists can use what they learn from their AI assistants to choose the opportunities most likely to fill a public need and become a success. Then, they can guide those startups in the right direction to make sure they wind up with a win.

AI will soon be as integral to start-up culture as smartphones and laptops. It will be an accepted tool in planning every venture. The key is to leverage its power innovatively so you are ahead of the curve when others in the VC sphere begin to catch on.

When we augment our very human capabilities with the things machines do better, we are stronger than we'd be relying on one or the other. Continue to trust your instincts. Use human connection to make good teams and better deals. Then, add the power of artificial intelligence to augment what you have.

<https://www.entrepreneur.com/growing-a-business/how-artificial-intelligence-is-influencing-venture-capital/469003>