PRIVATE DIRECTORS ASSOCIATION®
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Board Director Focus: Board Composition

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__Dwayne Ingram__ is an accomplished CEO, board member, C-level executive and entrepreneur with over 30 years experience. He held senior executive leadership positions with IBM and Amadeus for over 25 years. He successfully started and sold three businesses as an entrepreneur. Currently, he serves as a Board Advisor to 3 private companies and as a Chief Commercial Officer for Location Engine, a digital transformation start-up in New York City. Contact Dwayne at deingram6@gmail.com.

Post COVID: East Coast Versus West Coast Investors

By Al Ghous and Dwayne Ingram

For years, people have discussed the differences in East Coast versus West Coast investors. East Coast investors were "conservative, more risk-adverse, less likely to go all-in" while its West Coast peers were called "mavericks, wild west investors and trigger-happy". While these are general statements and not reflective of individual investors, there were stark differences in the approaches to investments in comparing the two coasts.

Emerging from COVID is a good time to look at the environments anew. We asked a couple of Private Director Association members to share their perspectives. Al Ghous and Dwayne Ingram weigh in, representing west and east coast venture communities, respectively.

Now that we are starting to see the early stages of a post-COVID world, how has this affected those maverick west coast investors?

Al Ghous: It's important to go back to the beginning of COVID. At that time, investments and ideas slowed to a trickle due to the unknown. Initially, many advisors recommended that founders continue with their ideation, solidify their design partners, refine their GTM and product strategies, etc.

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After about 6 months, the investors opened up their wallets again. By then, the young companies who had the foresight and initial seed money to continue were in much better positions to receive subsequent funding. Today, it's business as usual and things are stronger as we exit the worst of COVID. There is plenty of money in the market, great ideas, and a healthy pipeline. Investors are taking larger risks and seizing advantage in the market conditions.

What about those risk-adverse East Coast guys?

Dwayne Ingram: Even before the pandemic, we were starting to see the East Coast investors becoming more and more conservative. Given some of the major bombs that were dropped on IPOs and big-name investors, the East Coast investors focused on metrics. With discipline, they looked at whether there was a clear path to revenue, and thus profitability. In the early days of COVID, most of my East Coast colleagues tightened their scrutiny. There was less money to go around and people were sitting and waiting. I see this continuing for at least another 2-3 quarters before loosening up. The focus in the east will continue to be on revenue and driving metrics.

Are there certain business models that seem to hold up better in the east versus the west?

Dwayne Ingram: In general, the east coasters like more established industries and business models. Multi-sided marketplaces and businesses that can show sustainability in revenue will win the day in the east. A disruptor may have more success in the west only because they are more apt to challenge conventional thinking. On the east coast, in general, they want to see how the business model has worked before somewhere else... in another industry or in an adjacent market.

What about the westies?

Al Ghous: Out west, the risk appetite is higher and investors are always looking for the next unicorn. Cyber Security, HealthTech, FinTech are hot sectors right now for obvious reasons. For example, everyone is looking for that silver bullet against advanced threats like ransomware. As a result the market in some areas are really getting saturated. Some VC and PE firms have also started their own in-house incubators or accelerator programs to optimize their returns on initial investments.

Which coast do you think is sitting on more "dry powder" now?

Al Ghous: I think investors who are concentrated or based in the West tend to be more capitalized. In some sectors like Security, there is a lot of external money flowing in from countries like Israel and Canada. And because the tech concentration is mostly in the west coast, this is where the money is flowing and being parked.

Dwayne Ingram: The west coast will always have an advantage when it comes to the amount of capital, thus the amount of unused capital will tend to be stronger as well. I live in Florida and I remember hearing a statistic a few years back that California invested more capital in a month than Florida does in a year... and that repeats every month. There have been significant improvements in Florida, but the east coast will continue to lag the west coast in total capital. I do see later this year or early next year, though, that the east coast will have more unused capital rearing its head than it's probably had in quite some time, given that the investors haven't been as aggressive.

Finally, does the team matter more in the east or west?

Dwyane Ingram: Both. The marketplace relationships with previously successful entrepreneurs absolutely counts in looking at new ventures. But again, the east coast tends to weigh the metrics and the viability of the business model than heavily than the team. But relationships are important no matter what. And the sooner founders can develop a rapport with investors, the better for everyone.

Al Ghous: I've seen investors focus more and more on the team, past execution, and ability to execute going forward. As one investor said, "ideas don't mean much if one can't execute." So VC and PE firms look for founders with successful track records. Since the tech market is so saturated, funders have the ability to sit tight and wait for the right team to come along to execute on the same idea.

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