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ABSTRACT

We survey 885 institutional venture capitalists (VCs) at 681 firms to learn how they make decisions across eight areas: deal sourcing; investment selection; valuation; deal structure; post-investment value-added; exits; internal firm organization; and relationships with limited partners. In selecting investments, VCs see the management team as more important than business related characteristics such as product or technology. They also attribute more of the likelihood of ultimate investment success or failure to the team than to the business. While deal sourcing, deal selection, and post-investment value-added all contribute to value creation, the VCs rate deal selection as the most important of the three. We also explore (and find) differences in practices across industry, stage, geography and past success. We compare our results to those for CFOs (Graham and Harvey 2001) and private equity investors (Gompers, Kaplan and Mukharlyamov forthcoming).

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A online appendix is available at http://www.nber.org/data-appendix/w22587

1 Introduction

Over the past 30 years, venture capital (VC) has been an important source of financing for innovative companies. Firms supported by VC, including Amazon, Apple, Facebook, Gilead Sciences, Google, Intel, Microsoft, Starbucks, and Whole Foods have had a large impact on the U.S. and global economy. Kaplan and Lerner (2010) estimate that roughly one-half of all true IPOs are VC-backed even though fewer than one quarter of 1% of companies receive venture financing. Gornall and Strebulaev (2015) estimate that public companies that previously received VC backing account for one-fifth of the market capitalization and 44% of the research and development spending of U.S. public companies. Consistent with this company-level performance, Harris, Jenkinson and Kaplan (2014, 2016) find that, on average, VC funds have outperformed the public markets net of fees.

In this paper, we seek to better understand what venture capitalists (VCs) do and, potentially, why they have been successful. We do so by surveying almost nine hundred VCs and asking how they make decisions about their investments and portfolios. We provide detailed information on VCs' practices in sourcing deals, evaluating and selecting investments, structuring investments, managing deals post-investment, organizing their VC firms, and managing their relationships with limited partners. We also explore cross-sectional variation in VC practices across industry, stage, geography and past success.

The success of VC-backed companies is consistent with VCs taking actions that are effective at generating value. In fact, Kaplan and Strömberg (2001) and Gompers and Lerner (2001) argue that VCs are particularly successful at solving an important problem in market economies—connecting entrepreneurs with good ideas (but no money) with investors who have money (but no ideas). The solution, as suggested by theory and explored empirically in previous research on VCs, involves specific actions taken by VCs to solve this funding gap. In other words, VCs are real world entities that arguably approximate investors in economic theory, providing an additional reason to study them.

Our survey results can be grouped into eight areas: deal sourcing; investment selection; valuation; deal structure; post-investment value-add; exits; internal organization of firms; and relationships with limited partners.

First, we consider how VCs source potential investments, a process also known as generating deal flow. Sahlman (1990) discusses the process by which VCs attract would-be entrepreneurs. The VC's network is critical in this process. VC firms speak of the "deal funnel" by which opportunities are winnowed down to a small number of investable deals. We explore where VCs' investment opportunities come from and how they sort through those opportunities.

Second, we examine VC investment selection decisions. There is a great deal of debate among academics and practitioners as to which screening and selection factors are most important. Kaplan and Strömberg (2004) describe and analyze how VCs select investments. They confirm previous survey work that VCs consider factors that include the attractiveness of the market, strategy, technology, product or service, customer adoption, competition, deal terms and the quality and experience of the management team. The nature of the entrepreneurial team is an important component of the sourcing and screening process. Baron and Hannan (2002) and Hellmann and Puri (2000) both focus on how founding teams are formed and their attractiveness as investment opportunities. Gompers, Kovner, Lerner and Scharfstein (2010) show that past success as an entrepreneur is an important factor that VC firms focus on when attracting potential investments. Kaplan, Sensoy and Strömberg (2009) develop a "jockey vs. horse" framework to examine what factors are more constant over the life of a successful VC investment. The entrepreneurial team is the "jockey" while the strategy and business model are the "horse". We ask the VCs whether they focus more on the jockey or the horse in their investment decisions.

Third, we explore the tools and assumptions that VCs utilize in valuing companies. Prior survey evidence on financial decisions makers is mixed. Graham and Harvey (2001) find that the CFOs of large companies generally use discounted cash flow (DCF) analyses to evaluate investment opportunities. Gompers et al. (forthcoming), in contrast, find that PE investors rarely use DCF, preferring internal rate of return (IRR) or multiple of invested capital. The paucity of historical operating information and the uncertainty of future cash flows makes VCs' investment decisions difficult and less like those in the typical setting taught in MBA finance curricula. Given this difference, we explore the extent to which VCs employ the commonly-taught DCF method or, instead, rely on different ones.

Fourth, we ask how VCs write contracts and structure investments. VC contracts ensure both that (1) the entrepreneur does very well if he or she performs well and (2) that investors can take control if

the entrepreneur does not perform. Kaplan and Strömberg (2003) study VC contracts and show that VCs achieve these objectives by carefully allocating cash flow rights (the equity upside that provides incentives to perform), control rights (the rights VCs have to intervene if the entrepreneur does not perform), liquidation rights (the senior payoff to VCs if the entrepreneur does not perform), and employment terms, particularly vesting (which gives the entrepreneur incentives both to perform and stay with the firm). Kaplan and Strömberg (2004) show that VC contracts are related to internal risk; external risk; and the risk of execution. Less is known, however, about which of these terms are more important to VCs and how they make trade-offs among them. In our survey, we ask the VCs which investment terms they use and which terms they are willing to negotiate.

Syndication of investment with other VCs is another important element of deal structuring. Hochberg, Ljungqvist and Lu (2007) emphasize the important role that networks play in bringing new skills and talent to the investment team. Lerner (1994) identifies factors related to the ability of VCs to monitor companies as being important in how VCs choose their syndicate partners. Accordingly, our survey also explores syndication.

Fifth, we examine how VCs monitor and add value to their portfolio companies after they invest. Part of the added value comes from improving governance and active monitoring. This often means replacing entrepreneurs if they are not up to the task of growing their companies. For example, Baker and Gompers (2003) find that only about one-third of VC-backed companies still have a founder as CEO at the time of IPO. Amornsiripanitch, Gompers and Xuan (2016) show that VCs provide critical aid in hiring outside mangers and directors. Hellmann and Puri (2002) show that VCs are essential to the professionalization of startups. Lerner (1995) examines how VCs are influential in the structuring of the boards of directors. In their study of investment memoranda, Kaplan and Strömberg (2004) find direct evidence that VCs expect to add value in their investments at the time they make them. In this survey, we further explore these issues by asking the VCs to describe in detail the ways in which they add value.

Sixth, we ask about VCs' exits. Barry, Muscarella, Peavy and Vetsuypens (1990) and Brav and Gompers (1997) explore the role and importance of VCs in the performance of IPOs. Cumming (2008) and Cumming and MacIntosh (2003) look at broad patterns in VC exits. Sørensen (2007) seeks to establish how much of VC returns are driven by deal sourcing and investment selection versus VC

value-added. He concludes that both matter, with roughly a 60/40 split in importance. Accordingly, we further explore this issue by asking the VCs directly to assess the relative importance of deal sourcing, deal selection, and post-investment actions in value creation in their investments. We also ask the VCs what selection factors were most important in the ultimate success and failure of their investments.

Seventh, we explore issues related to internal VC firm structure. With respect to internal firm issues, Gompers et al. (2010) examine how VC firm specialization affects investment performance. Understanding internal organization potentially can shed light on whether investment focus affects decision-making and performance.

Eighth, and finally, we consider the relationship between VCs and their investors. Chung, Sensoy, Stern and Weisbach (2012) look at VCs' implicit and explicit incentives to perform well. Kaplan and Schoar (2005) and Harris et al. (2014) document patterns of fund performance and persistence. Our survey allows us to examine the alignment of incentives as well as marketed fund return expectations.

This paper complements several existing survey papers in the financial economics literature. Graham and Harvey (2001) survey chief financial officers to understand how they make capital budgeting, capital structure, and other financing decisions.[1] They compare their survey findings of practice to the recommendations or insights from different academic theories. Gompers et al. (forthcoming) survey private equity investors to understand how they make decisions, and compare their results to those in Graham and Harvey (2001) and those taught by finance academics. In this paper, we add to these papers by discussing how our results compare to both finance theory and the results of the surveys of CFOs and private equity investors.

Our 885 survey respondents represent 681 different VC firms. We report results by firm, averaging the responses for firms with multiple respondents. The average firm in our sample screens 200 companies and makes only four investments in a given year. Most of the deal flow comes from the VCs' networks in some form or another. Over 30% of deals are generated through professional networks. Another 20% are referred by other investors while 8% are referred by existing portfolio companies. Almost 30% are proactively self-generated. Only 10% come inbound from company management. These results emphasize the importance of active deal generation.

[1] See also Brav, Graham, Harvey and Michaely (2005) and Graham, Harvey and Rajgopal (2005).

In selecting investments, VCs place the greatest importance on the management/founding team. The management team was mentioned most frequently both as an important factor (by 95% of VC firms) and as the most important factor (by 47% of VC firms). Business (or horse) related factors were also frequently mentioned as important with business model at 83%, product at 74% market at 68%, and industry at 31%. The business related factors, however, were rated as most important by only 37% of firms. The company valuation was ranked as fifth most important overall, but third in importance for later stage deals. Fit with fund and ability to add value were ranked as less important.

Few VCs use discounted cash flow or net present value techniques to evaluate their investments. Instead, by far the most commonly used metric is cash-on-cash return or, equivalently, multiple of invested capital. The next most commonly used metric is IRR. Almost none of the VCs adjusted their target returns for systematic risk. Strikingly, 9% of the overall respondents and 17% of the early-stage investors do not use any quantitative deal evaluation metric. Consistent with this, 20% of all VCs and 31% of early-stage VCs reported that they do not forecast cash flows when they make an investment. These results contrast with those in Graham and Harvey (2001) who find that CFOs use net present values as often as internal rates of return. The results are similar to, but more extreme than those in Gompers et al. (forthcoming) who find that private equity (PE) investor rely extensively on IRRs and multiples of invested capital.

In structuring their investments, VCs indicated that they were relatively inflexible on pro-rata investment rights, liquidation preferences, anti-dilution protection, vesting, valuation and board control. They were more flexible on the option pool, participation rights, investment amount, redemption rights, and particularly dividends. The inflexibility, particularly on control rights and liquidation rights is arguably consistent with the results in Kaplan and Strömberg (2003, 2004).

VCs generally responded that they provide a large number of services to their portfolio companies post-investment—strategic guidance (87%), connecting investors (72%), connecting customers (69%), operational guidance (65%), hiring board members (58%), and hiring employees (46%). This is consistent with VCs adding value to their portfolio companies and similar to the results for PE investors in Gompers et al. (forthcoming).

Largely consistent with actual outcomes, VCs claimed they exited roughly three-fourths of their successful deals via acquisition rather than through an IPO. VCs also report a wide variation in the outcomes of their investments, with roughly one-quarter losing money and almost 10% earning ten times their investment.

When asked which of their activities—deal flow, deal selection or post-investment value-added—helped generate their returns, a majority of VCs reported that each of the three contributed with deal selection being the most important of the three. Deal selection was ranked as important by 86% of VCs and as most important by 49% of VCs. Post-investment value-added was seen as important by 84% of VCs and as most important by 27% of VCs. Deal flow was ranked as important by 65% and as most important by 23%. These results are consistent with the estimates in Sørensen (2007) that deal flow and deal selection are more important than value-add, but all three are important. These results, however, extend and inform Sørensen (2007) by distinguishing between deal flow and deal selection.

We also asked VCs what factors contributed most to their successes and failures. Again, the team was by far the most important factor identified, both for successes (96% of respondents) and failures (92%). For successes, each of timing, luck, technology, business model, and industry were of roughly equal importance (56% to 67%). For failures, each of industry, business model, technology and timing were of roughly equal importance (45% to 58%). Perhaps surprisingly, VCs did not cite their own contributions as a source of success or failure.

We questioned VCs on their firms' internal structures. The average VC firm in our sample is small, with 14 employees and 5 senior investment professionals. Consistent with the importance of both deal sourcing and post-investment value-added, the VCs report that they spend an average of 22 hours per week networking and sourcing deals and an average of 18 hours per week working with portfolio companies out of a total reported work week of 55 hours.

Finally, we asked VCs about their interactions with their investors. VCs report that they believe that their LPs care about cash-on-cash returns and net IRRs. This is similar to the results found by Gompers et al. (forthcoming) for PE investors. Surprisingly, and like the PE investors, the majority of VCs mention that they believe their investors care more about absolute rather than relative performance. Finally, VCs show confidence in their ability to generate above market returns. The

vast majority (93%) of those surveyed answered that they expected to beat the market on a relative basis.

The paper proceeds as follows. Section 2 describes our research design and reports summary statistics. Section 3 describes the VCs' responses to our survey, with subsections corresponding to deal sourcing (Section 3.1); investment selection (3.2); valuation (3.3); deal structure (3.4); post-investment value-add (3.5); exits (3.6); internal organization of firms (3.7); and relationships with limited partners (3.8). We highlight important cross sectional differences when relevant. Section 4 concludes.

2 Methodology

2.1 Design

In this section, we describe the research design of our survey. Surveys have become more common recently in the financial economics literature. Accordingly, we reviewed many of the existing surveys including those targeting CFOs of non-financial firms, limited partners of PE firms, and PE fund managers, respectively, Graham and Harvey (2001); DaRin and Phalippou (2014); Gompers et al. (forthcoming); Gorman and Sahlman (1989).

This paper is closest in spirit to the survey of private equity (PE) fund managers by Gompers et al. (forthcoming), as the PE industry is similar to the VC industry in many respects. In particular, many questions about investment decisions, valuation, deal structure, fund operations and the relationship between general partners and limited partners are broadly similar in the two industries. Where possible, we use similar questions so that we can compare the responses of VCs to those of PE managers. The PE industry, however, focuses largely on mature or growth-stage companies, for which financial data and forecasts are generally available. The VC industry targets companies at an earlier stage of development, many of which have large technological and operational risks. These differences mean that some questions, particularly those about portfolio company capital structure, are important for PE investors but not applicable to VCs.

After developing a draft survey, we circulated it among academics and VCs for comments. We asked four VCs to complete the draft survey and provide feedback. We also sought the advice of sociology and marketing research experts on the survey design and execution. As a result of these efforts, we made numerous changes to the format, style, and language of the survey questions. We then asked a further eight VCs to take our updated survey and provide further comments. This yielded a smaller round of modifications, primarily language changes to avoid ambiguity, which gave us the final version of the survey. We have made the final version of the survey available as an Internet Appendix.

We designed the survey in Qualtrics and solicited all survey respondents via e-mail. We composed our mailing list from several sources. First, we used alumni databases from the Chicago Booth School of Business, Harvard Business School, and the Stanford Graduate School of Business. The MBA graduates of these schools constitute a disproportionate number of active VCs. A study by Pitchbook identified those schools as three of the top four MBA programs supplying VCs, with more than 40% of all VCs holding an MBA from one of the three schools.[2] We identified alumni related to VC and manually matched them to VentureSource, a database of VC transactions maintained by Dow Jones. We ended up with the 63, 871, and 540 individuals from Chicago, Harvard, and Stanford business schools, respectively. Second, we used data from the Kauffman Fellowship programs for their VC alumni. After excluding the alumni of the three business schools, we were left with a sample of 176 people. Third, the National Venture Capital Association (NVCA) generously gave us a list of their individual members, yielding an additional 2,679 individuals. Finally, we manually gathered contact information of VCs in the VentureSource database. After again excluding the people we previously contacted, we arrived at a sample of 13,448 individuals. We believe our survey encompassed the overwhelming majority of individuals that are active VCs in the U.S. as well as a large number of non-U.S. VCs.

Our sample construction raises a number of issues that we attempted to address in the survey design. One potential issue is that some of the people we emailed may not be VCs. Our first criteria for deciding whether an individual is a venture capitalist was his or her identification as such either by the organizations that provided us their information or by VentureSource. We emailed only people

[2]Refer to http://pitchbook.com/news/articles/harvard-4-other-schools-make-up-most-mbas-at-pe-vc-firms for more details.

that we positively identified as VCs. For example, we only e-mailed Stanford Graduate School of Business alumni who were listed as VCs by Stanford or were listed in VentureSource.

As a further filter, at the start of the survey, we asked respondents whether they worked at an institutional VC fund, a corporate VC vehicle, or neither. Supporting the notion that our initial screen worked well, 94% of our respondents identified as working at either a corporate VC vehicle or an institutional VC fund. The remainder were angel investors or worked at PE funds or family offices. For our analyses, we exclude any respondent who did not identify as working at an institutional VC fund. While the identification is self-reported, in conjunction with other questions in the survey that are specific to the VC industry, we are confident that our final survey respondents are active in the VC industry. We also acknowledge that there may be a grey area that separates late-stage growth-equity VC funds and some PE funds. We do not believe that this distinction in any way affects our analysis.

A second potential issue is that our population of VCs is not representative of the broader industry. In our case, there are several factors that may bias our sample toward more successful VCs. First, a disproportionate part of our sample comes from Kauffman Fellows and the graduates of top MBA programs. Due to our connections, we explicitly targeted Chicago, Harvard, and Stanford MBAs and Kauffman Fellows. We received very high response rates from those groups. Given that these are top MBA programs and the Kauffman Fellows program is extremely selective, these alumni are likely more successful than average VCs.[3] Second, we are vulnerable to self-selection bias because we include only the VCs who respond to the survey. This is, of course, an issue with any survey of this kind. Both of these factors likely bias our final sample toward more successful VCs. To the extent that we want to learn about best practices in the VC industry, this bias supports our investigation. Taking into account our relatively high response rate and our large final sample, our results reflect the views of a sample of VCs that may be somewhat more successful than representative.

We administered the survey between November 2015 and March 2016 in several waves using the Qualtrics website. To encourage responses, we sent the survey requests to the alumni from those of us on the faculty of their respective schools. To encourage completion, we offered those who

[3]Gompers, Mukharlyamov and Xuan (2016) show that VCs who are graduates from top colleges and top MBA schools perform better.

completed the survey an early look at the results. The survey is fully confidential and all the reported results are based on the aggregation of many responses to exclude the possibility of inferring any specific respondent's answers. However, the survey was not anonymous and we matched the survey respondents with VentureSource and other data sources. Our final response rates are 37%, 19%, 24%, 35%, 7%, and 4%, respectively, from the Chicago, Harvard, Stanford, Kauffman, NVCA, and VentureSource samples.

As expected, we had a large response rate from the schools and organization (Kauffman) with which we are connected. Our response rate from the schools is substantially larger than the rate reported in a number of other surveys of similar nature. While the response rate from VentureSource is low, we do not know to what extent the contact info given in VentureSource is current and how many of these investors are VCs.[4] Many individuals in this sample are also outside the U.S., where our English-language reach and familiarity recognition would be lower.

Our survey has up to 71 questions (depending on the survey path chosen) and testing showed it took 25–35 minutes to complete. Actual time spent by respondents matched our tests: the median time for completion was 24 minutes, with the 25th and 75th percentiles being 13 and 58 minutes. This suggests that most survey respondents took the survey seriously and devoted reasonable effort towards it. Although we had relatively low explicit incentives for completing the entire survey, we enjoyed high completion rates (57–78%) from our alumni groups. Completion rates among the NVCA and the VentureSource samples were lower (42–56%); however, those that did complete the survey spent as much time on the survey as our other samples.

2.2 Summary statistics

In this section, we provide the summary statistics of the sample and introduce the subsamples that we use in our analyses. We received 1,110 individual responses overall. Table 2 describes how we filter the responses. We exclude the 225 (20%) of respondents who did not self-report they were institutional VCs.[5] These investors are corporate VCs, PE investors, or angel investors; we exclude them in order

[4]Indeed, 25% of our VentureSource contact emails bounced, and among the emails that did not we received a number of replies that they are not active VCs but either PE investors, past VCs, or other investment professionals.

[5]Institutional VC firms are independent partnerships that manage VC funds on behalf of investors. VCs who manage funds are traditionally called general partners (GPs) and their investors—limited partners (LPs).

to focus on institutional VC investors. The second part of Table 2 reports the composition of the final sample of institutional VC respondents. We use all answers from our 885 institutional VC respondents, with 565 (64%) of those respondents finishing the survey. Only 11 (1%) respondents in this sample indicated they completed the survey on behalf of someone else.

In a number of cases, we received multiple responses from different individuals at the same VC firm and so we have only 681 VC firms for our 885 respondents. For VC firms where we had more than one respondent, we averaged the responses of the individual VCs to get a firm-level response. We were able to match 89% of the firms to VentureSource. Overall, 76% of the top 50 VC firms completed our survey, including all but one of the top 10 firms, when ranked by number of investments in VentureSource. (Using other measures such as the VC firms with the most IPOs produces similar results.) It is worth noting that this means that a large fraction of the most successful VC firms are in our sample. This is consistent with the possibility, noted earlier, that our sample is biased towards more successful firms. It also is worth adding that our sample includes respondents from venture capital firms accounting for 63% of US assets under management, according to VentureSource data.

Our first questions were general questions about the VC firm's investment focus. We asked respondents whether their firms specialized in a specific stage of company, industry, or geography. If respondents answered yes to any of these possibilities, they were asked follow-up questions on specific specialization strategies. For example, participants who indicated that their funds targeted companies at specific stages were asked a follow-up question on which stages they specialized on (seed, early, mid, late). Firms can specialize along multiple dimensions at the same time. Among our sample of institutional VC firms, 62% specialize in a particular stage, 61% in a particular industry, and 50% in a particular geography. Of those specializing in a particular investment stage, 245 (36%) firms indicated that they invest only in seed- or early-stage companies ("Early" subsample), while 96 (14%) indicated that they invest only in mid- or late-stage companies ("Late" subsample). Given that stage of development should play a large role in the decision-making process of VC firms, our subsequent analysis breaks out these two subsamples and compares their survey responses.

While VC firms invest in a variety of industries, two industries stood out in the survey. 135 (20%) VC firms specialize in what can be broadly defined as the IT industry, including Software, IT, and Consumer Internet ("IT" subsample). 88 (13%) of VC firms specialize in healthcare ("Health"

subsample). To capture any important distinctions that exist between these two industries, these subsamples include VC firms that specialize *only* in these industries. If we include firms that list IT as one of their industries of investment, the fraction increases from 20% to 41%. For healthcare, the fraction goes up from 13% to 31%. Most VC firms invested in 3 or more industries, and a full 39% were generalists without an industry focus.

Respondents were less likely to identify a specific geographic focus. For example, only 12% of VC firms indicated that they focus on California. The geographical expansion and globalization of the VC industry is a relatively recent phenomenon and our results suggest that most VC firms reach a number of geographical markets at the same time. Chen, Gompers, Kovner and Lerner (2010) show that VCs tended to open up new offices in the late 1990s and 2000s. Bengsston and Ravid (2015) find that California-based VCs write more entrepreneur-friendly contracts.

To explore whether geography matters, we took where the venture capitalist lived from their LinkedIn profile. If that was not available, we used the location of VC's firm headquarters. Out of our sample, 28% of VCs are based in California ("CA" subsample); 40% in other U.S. locations, mostly in the Eastern U.S. ("OthUS" subsample); and 37% outside of the U.S. ("Foreign" subsample).[6] These splits allow us to compare whether the perceived differences between the U.S. East Coast and West Coast have any foundation, as well as whether U.S. and global VC firms operate in a similar manner.

Table 3 provides descriptive statistics on the sample of institutional VC firms represented by our survey respondents. The variable *Fund Size* measures the capital under management of the current fund of each VC firm. The average fund size is $286 million while the median is $120 million (as reported by the respondents). These are quite similar to the average of $370 million and median of $100 million for the matched VentureSource sample. Self-reported fund sizes, therefore, are very close to those in VentureSource. Median size is substantially smaller than average size, because several VC firms run very large funds. It is possible that fund size influences venture capitalist investing and decision-making. Accordingly, we divide the sample into two subsamples—VC firms with fund sizes below ("Small" subsample) and above median ("Large" subsample).

[6]These percentages do not add to 100% as a small number of VCs work internationally for U.S. VC firms. The internationally-based VCs will have their responses aggregated under a separate, foreign VC firm.

The median VC firm in our sample was founded in 1998, invested in 73 deals over its history, and raised its most recent fund in 2012 as a follow on to a 2008 vintage fund. The average number of deals is considerably larger at 169, indicating that some VC firms make a disproportionate number of investments. The median average round size is $11 million. Consistent with VC firms being relatively small organizations, the average VC firm has 4 investing GPs; the 25th and 75th percentiles having 3 and 5 GPs respectively. The majority of the responding firms are U.S.-based and make investments primarily in the U.S.

Our sample contains both very successful and less successful VC firms. Our median VC reports being in the top quartile. As reported performance appears unreliable, we use VentureSource data on IPOs to provide an objective split on performance. We take firms with at least 10 exits in the past 10 years in VentureSource and split those firms based on whether they have more than the median IPO rate ("High IPO" subsample) or less ("Low IPO" subsample). Table 1 provides an overview of how these subsamples are constructed.

Table 4 reports the positions our respondents hold in their VC firms. The bulk of our respondents are active decision makers within their firms. Most of our sample, 82%, are partners, including Managing Partners, General Partners, and Partners. Partners are generally senior positions with influence on all aspects of investing including investment decisions. Managing Partners are typically a firm's most senior partners who coordinate operations and manage the firm's non-investment business. Managing Directors can be either General Partners or junior Partners, while Principals and Associates typically have more junior status. Finally, Venture Partners are typically not employees of VC firms, but either play the role of advisers or participate in the VC firm activities on a deal by deal basis.

This table and all following tables report averages and their standard errors (in parentheses). Most tables report means and test differences between subsamples using a two sample, equal variance t-test.[7] IT firms are compared to Health firms; Early to Late; High IPO to Low IPO rate; CA to OthUS; and Fgn to all other. *, **, and ***denote significance at the 10%, 5%, and 1% levels, respectively. For some highly skewed variables, we report medians and test using bootstrapped

[7]We use a t-test for all variables rather than using a binomial test for categorical variables. In practice, there is no difference between the two for our sample sizes.

standard errors to get better power. Table 35 describes the correlation between indicator variables for the different subsamples.

3 Results

3.1 Deal sourcing

The ability to generate a pipeline of high-quality investment opportunities or proprietary deal flow is considered an important determinant of success in the VC industry. Prior research has emphasized the importance of deal sourcing (and selection) in generating returns. Sørensen (2007) uses a two-sided matching algorithm to argue that deal sourcing and selection are more important drivers of returns (60%) than VC value-added (40%). He is not able to distinguish between sourcing and selection. Similarly, Gompers et al. (2010) show that high performing VC firms are more likely to invest in successful serial entrepreneurs who have higher investment success rates. Sahlman (1990) also emphasizes the importance of having a wide funnel to find promising investments. We, therefore, asked VCs to identify how they source their investments.

Table 5 reports that most VC deal flow comes from the VCs' networks in some form or another. Over 30% are generated through professional networks. Another 20% are referred by other investors and 8% from a portfolio company. Almost 30% are proactively self-generated. Only 10% come inbound from company management. These results emphasize the importance of active deal generation. Few VC investments come from entrepreneurs who beat a path to the VC's door without any connection. Finally, a recent trend in the VC industry is so-called quantitative sourcing, where VCs quantitatively analyze data from multiple sources to identify opportunities likely to have high returns, and seek out investment positions in those firms. Few VC firms in our sample use this method.

There is some variation across stage. Later-stage investors are more likely to generate investment opportunities themselves compared to early-stage investors. Early-stage investors are more likely to be referred deals by portfolio companies and to invest in deals that are inbound from management. At the same time, there is little difference between the pipeline sources of high and low IPO subsamples, suggesting that the type of the sources is less important than sometimes claimed. It may also be

the case that the critical differentiating factor for the high IPO firms is the quality of their referral network.

VCs use a multi-stage selection process to sort through investment opportunities. Most potential deals pass through each stage of this so-called deal funnel before being funded by the firm. When a member of the VC firm generates a potential deal, the opportunity is first considered by the individual originator (who could be a senior partner, a junior partner, an associate, or an affiliated member such as a venture partner). If the investment shows potential from this initial evaluation, a VC firm member will meet the management of the potential portfolio company at least once. If the VC firm member continues to be impressed with the potential investment, he or she will bring the company to other members of the VC firm for the review. Potential investments will then be scrutinized and evaluated by the other partners at the VC firm, a process that can itself take many forms. After this approval, the other partners at the VC firm will start a more formal process of due diligence (e.g., calling more references, conducting industry analysis and peer comparison). If the company passes the due diligence process, the VC firm will present a term sheet that summarizes the VC's conditions for a financing. Finally, if the company agrees to the term sheet, legal documents are drafted, a letter of commitment is signed, and the deal closes.[8]

While the sequence and the structure of the process outlined above is fairly well known, little is known about the relative proportion of opportunities that make it to any one particular stage of the deal funnel. Table 6 provides a breakdown of the deal funnel process. The median firm closes about 4 deals per year. The table shows that for each deal in which a VC firm eventually invests or closes, the firm considers roughly 100 potential opportunities. At each subsequent stage a substantial number of opportunities are eliminated. One in four opportunities lead to meeting the management; one-third of those are reviewed at a partners meeting. Roughly half of those opportunities reviewed at a partners meeting proceed onward to the due diligence stage. Conditional on reaching the due diligence stage, startups are offered a term sheet in about a third of cases. Offering a term sheet does not always result in a closed deal, as other VC firms can offer competing term sheets at the same time. Similarly, legal documentation and representations/warranties may cause deals to fall apart between agreeing to a term sheet and the deal closing. The fact that VC firms on average offer 1.7

[8]Depending upon the VC market cycle, some stages of the deal funnel may not be utilized. For example, VC firms occasionally provide "preemptive" term sheets even before formal due diligence, in an attempt to lock-up a deal.

term sheets for each deal that they close, a close rate of roughly 60%, suggests that a meaningful number of opportunities that ultimately receive funding are not proprietary.

Late-stage VC firms offer 50% more term sheets per closed deal than early-stage firms, suggesting more proprietary deal flow for early-stage deals and greater competition for late-stage deals. This is consistent with early-stage opportunities requiring greater understanding of the technology and development timelines as well as with late-stage opportunities having longer track records and being easier to evaluate.

Large VC firms and more successful VC firms have more meetings with management and initiate due diligence on more firms per closed deal than their smaller or less successful peers. This is consistent with larger VC firms employing more junior partners in sourcing and evaluating deals.

The IT and Health subsamples also show substantial differences in deal funnel. While an IT VC firm considers 151 deals for each investment made, a healthcare VC firm considers only 78. These difference persist through the first part of the funnel, with IT firms meeting the management of twice as many companies, although after that stage, the funnel narrows with both types VC firms. This is consistent with larger fixed costs of evaluating investments in the healthcare industry. It may also reflect the smaller universe of potential healthcare entrepreneurs given the specific domain expertise and regulatory knowledge in the sector.

3.2 Investment selection

Our results show that VCs start with a pipeline of hundreds of potential opportunities and narrow those down to make a very small number of investments. In this section, we examine the factors in their deal selection process. Kaplan and Strömberg (2004) examine venture capitalist investment memoranda that describe the investment theses and risks of their investments. They find that VCs focus on the quality of the management team, the market or industry, the competition, the product or technology and the business model in their investment decisions. However, investment memoranda do not rank the importance of the different criteria.

Previous empirical and anecdotal evidence suggests that VCs have different views on how to select investments. Some focus more heavily on the management team (the jockey) while other focus more heavily on the business: the product, technology, and business model (the horse). Kaplan et al. (2009) examine the IPO prospectuses of successful VC-backed companies and find that the horse (product, technology, or business model) is more stable in these companies than the jockey (i.e., the management team).

We asked the respondents to identify the factors that drive their selection decisions and then rank them according to their importance. The top panel of Table 7 reports the percentage of respondents who mentioned each factor as important. The bottom panel reports the percentage of respondents who ranked each factor as the most important.

Table 7 shows that the VCs ranked the management team (or jockey) as the most important factor. The management team was mentioned most frequently both as an important factor (by 95% of the VC firms) and as the most important factor (by 47% of the VCs). Business (or horse) related factors were also frequently mentioned as important with business model at 83%, product at 74%, market at 68%, and industry at 31%. The business related factors, however, were rated as most important by only 37% of the firms. Fit with the fund was of some importance. Roughly one-half of the VCs mentioned it as important and 14% mentioned it as the most important. Valuation and VCs' ability to add value were each mentioned by roughly one-half of the VCs, but were viewed as most important by fewer than 3% overall.

There is some interesting cross-sectional variation. The team is more likely to be the most important factor for early-stage investors and IT investors than for late-stage and healthcare investors. Business related factors are more likely to be most important for late-stage and healthcare investors. Indeed, the Health subsample is the only one that did not overwhelmingly chose team as the most important factor. Valuation is also more important, both as a factor and as the most important factor for late-stage investors.

Comparing our results to Gompers et al. (forthcoming), late-stage funds are more similar to private equity funds in that they see valuation and business model as highly important. Larger funds and more successful firms care more about valuation and product and less about fit or ability to add

value. This valuation result is arguably consistent with Hsu (2004), who shows that high quality VC firms are able to win deals despite submitting term sheets at a lower valuation.

Table 7 indicates that the management team is consistently the most important factor VCs consider when they choose portfolio companies. Table 8 reports the qualities that are important in a management team. Ability is the most mentioned factor, with more than two thirds of VCs claiming it is important. Industry experience is the second most mentioned factor, with passion, entrepreneurial experience, and teamwork filling out the ranking.

California VC firms are more likely to say passion is important and less likely to say experience is important. Healthcare VCs, again, differ from other VCs in placing industry experience as by far the most important quality and ranking passion as substantially less important.

We ask several additional questions about deal selection. Table 9 tabulates these results. VCs devote substantial resources to conducting due diligence on (i.e., investigating) their investments. The average deal takes 83 days to close; the average firm spends 118 hours on due diligence over that period and the average firm calls 10 references. The deal period and time on due diligence are shorter for early-stage, IT, and California firms; and longer for late-stage, healthcare, and non-California firms. Late-stage firms also call more references (13 on average) than early-stage firms (8).

3.3 Valuation

Kaplan and Strömberg (2003) describe the typical terms used in VC financing and the theoretical rationales for many of them. U.S. VC firms typically invest using convertible preferred equity, which entitles them to cash flow rights and an ownership stake in the company. An important result of the negotiation is the size of the ownership stake or, equivalently, the implied valuation the financing terms create.

In the survey, we asked several questions about how VC firms approach valuation and how term sheets are structured. We began by asking the VCs which factors are important in deciding on the valuation they offer a company. Table 10 indicates that exit considerations are the most important factor, with 86% of respondents identifying it as important and 46% as the most important factor.

Comparable company valuations rank second (with 80% rating it important and 29% most important) and desired ownership third (with 63% rating it important and 18% most important).

The fourth factor, competitive pressure exerted by other investors was markedly less important (with 43% rating it important and only 3% most important), although the IT VC firms thought it was more important than their peers in the healthcare VC firms. This suggests that the IT VC industry is more competitive than the healthcare VC industry and may give the founders of IT companies better bargaining power. This interpretation also is consistent with the steeper term sheet competition in Table 6. Whether it is seen in the resulting payoff structure of both industries should be an important subject for future research.

Late-stage VC firms found exit considerations to be more important, likely because it is easier to predict by this stage of company development what shape the exit would take. Early-stage firms cared more about desired ownership.

We also asked VCs whether they set valuations using investment amount and target ownership. The third panel of Table 10 shows that roughly half of investors use this simple decision rule. There is a large discrepancy, however, between early-stage and late-stage investors. Early-stage VCs are more likely to set the valuation using investment amount and target ownership. This result is consistent with early-stage companies having little information and high uncertainty that leads VCs to simplify their valuation analysis. Late-stage VCs have more information and can potentially use more sophisticated methods to arrive at the implied valuation.

3.3.1 Valuation methods

Finance theory teaches that investment decisions should be made using a discounted cash flow (DCF) or net present value (NPV) analysis with a cost of capital based on the systematic risk of the opportunity. Graham and Harvey (2001) find that 75% of CFOs always or almost always use such analyses, using them as often as internal rates of return. Gompers et al. (forthcoming) find that private equity investors rely primarily on internal rates of return and multiples to evaluate investments. They infrequently use NPV methods. We repeated the analyses in those two papers by asking our respondents a number of questions on the financial and valuation metrics they use.

First, we asked how important financial metrics such as internal rate of return (IRR), cash-on-cash return, or NPV are in making investment decisions. The results in Table 11 are similar to those for private equity investors. The most popular methods are cash-on-cash multiples (63% of the sample) and IRR (42% of the sample). Only 22% of the VC investors use NPV methods. While this level of reliance on NPV would be considered low for mature firms, the response rate does go against anecdotal evidence that VCs rarely use NPV to evaluate investments. One possibility is that our sample has a substantial proportion of MBA graduates who were exposed to modern finance valuation methods in school.

At the same time, consistent with the anecdotal evidence, 9% of the VCs claim that they do not use any financial metrics. This is particularly true for early-stage investors, 17% of whom do not use any financial metrics. Furthermore, almost half of the VCs, particularly the early-stage, IT, and smaller VCs, admit to often making gut investment decisions. We also asked respondents whether they quantitatively analyze their past investment decisions and performance. This is very uncommon, with only one out of ten VCs doing so.

Table 12 reports the required IRRs and cash-on-cash multiples for those respondents who indicated they used them. The average required IRR is 31%, which is higher than the 20 to 25% IRR reported by private equity investors in Gompers et al. (forthcoming). Late-stage and larger VCs require lower IRRs of 28% to 29% while smaller and early-stage VCs have higher IRR requirements. The same pattern holds in cash-on-cash multiples, with an average multiple of 5.5 and a median of 5 required on average, with higher multiples for early-stage and small funds. The source of these differences is not entirely clear. Early-stage funds may demand higher IRRs due to higher risk of failure, i.e., they may calculate IRRs from "if successful" scenarios. Small funds potentially demand higher IRRs due to capital constraints or the fact that they invest in, on average, earlier stage deals.

We also asked about adjustments to required IRR or cash-on-cash multiples. Table 13 shows that 64% of VC firms adjust their target IRRs or cash-on-cash multiples for risk. This is a smaller fraction than the 85% reported by Gompers et al. (forthcoming) for private equity firms, but still the majority of VC firms make an adjustment for risk. The Late, Large, and Health subsamples are likely to adjust for risk, consistent with the notion that these samples use more technical methods in analysing their investments. Roughly half of the VCs adjust for time to liquidity in making a decision. This may

simply reflect that longer-term investments require a larger multiple because of the greater elapsed time at a given return. Alternatively, it may reflect that fact that VC funds have a limited lifetime (typically ten years with three years of automatic extensions). At the same time, 23% of VCs use the same metric for all investments, indicating that they do not make any adjustments for risk, time to liquidity or industry conditions.

Adjusting IRRs or cash-on-cash multiples for risk is potentially consistent with the result in finance theory that an investment's discount rate should increase with the investment's systematic or market risk. However, the discount rate should not include idiosyncratic or non-market risk. Table 14 explores this further. Only 5% of VCs discount systematic risk more. The majority (78%) either do not adjust for risk or treat all risk the same, with an additional 14% discounting idiosyncratic risk more.

Overall, VC firms as a class appear to make decisions in a way that is inconsistent with predictions and recommendations of finance theory. Not only do they adjust for idiosyncratic risk and neglect market risk, 23% of them use the same metric for all investments, even though it seems likely that different investments face different risks.

3.3.2 Forecasting

To use financial metrics such as IRR or cash-on-cash multiples, investors need to forecast the underlying cash flows. Accordingly, we asked VCs whether they forecast company cash flows and if so for how long. Table 15 reports that 20% of VC firms do not forecast company cash flows. This seems surprisingly high, but matches the responses on other questions that suggest that many VCs rely on more qualitative factors.

The prevalence of non-forecasting varies by the stage of company the firm targets. While only 7% of late-stage funds do not forecast, fully 31% of the early-stage VCs report that they do not forecast cash flows. Again, this is clearly not consistent with finance theory. On the other hand, this is understandable given that early-stage funds often invest in companies that are far from generating profit and, sometimes are not even generating revenue. For such early-stage companies, forecasting and discounting cash flows arguably would generate very imprecise estimates of value.

For funds that do forecast, the median forecast period is 3 to 4 years. This is a shorter period than the 5-year forecast period used by virtually all private equity firms in Gompers et al. (forthcoming). The median and average are greater for late-stage suggesting that as uncertainty declines, VC investors behave more like PE investors.

We also ask about the extent to which portfolio companies meet their projections. VCs report that fewer than 30% of the companies meet projections. Consistent with greater uncertainty, early-stage VCs report their companies are less likely to meet projections (26%) than do late-stage VCs (33%). This also potentially provides an explanation for the higher IRR requirements for early-stage VCs—the higher IRR offsets greater (total) risk.

3.3.3 Unicorns

We included a set of questions regarding the valuations of so-called unicorns, companies with implied valuations above $1 billion. Table 16 shows both whether a VC has invested in a unicorn and the respondent's investment opinion on whether unicorns are overvalued. Just under 40% of our sample VCs claim to have invested in a unicorn. This suggests that a meaningful fraction of our sample has been able to invest in high profile, successful companies. The VCs in IT and with higher IPO rates are more likely to have done so.

Interestingly, 91% of our sample believe that unicorns are overvalued—either slightly or significantly. There are no significant differences across our different subsamples. Perhaps more importantly, there is no difference between VCs who invested in unicorns and VCs who did not. This lack of a difference is particularly encouraging to us because it suggests that the VCs answered this question honestly. One might have expected investors in unicorns to have been more favourable about unicorn valuations than non-investors.

3.4 Deal structure

3.4.1 Contractual features

Valuation is one part of the negotiation process that takes place between new VC investors, existing investors, and founders. Another part is the sophisticated contract terms—cash flow, control, liquidation rights—that VCs negotiate in their investments. Kaplan and Strömberg (2003, 2004) describe these terms and examine the role that internal risk, external risk, and execution risk play in determining the contractual provisions seen in VC contracts.

Accordingly, we survey our VCs about the terms they use and the negotiability of those terms. Table 17 reports the average frequency with which VCs use each of several terms. The presence of each of these terms favors the investor over the entrepreneur so a higher number suggests the investor favorable or investor friendly provision is more common. Pro-rata rights, which give investors the right to participate in the next round of funding, are used in 81% of investments. Participation rights that allow VC investors to combine upside and downside protection (so that VC investors first receive their downside protection and then share in the upside) are used on average 53% of the time. Redemption rights give the investor the right to redeem their securities, or demand from the company the repayment of the original amount. These rights are granted 45% of the time.

Other investor-friendly terms are less common. Cumulative dividends accumulate over time and effectively increase the investor's return (and sometimes ownership stake) upon eventual liquidation. Our VC firms use this provision 27% of the time. Full-ratchet anti-dilution protection gives the VC more shares (compared to the more standard choice of weighted-average dilution protection) if the company raises a future round at a lower price; this investor protection is used 27% of the time. Finally, liquidation preference gives investors a seniority position in liquidation. Typically, investors receive a one-times (1X) liquidation preference in which an investor's seniority extends to their original investment. Any preference above that can be thought of as being more investor friendly. We asked how frequently a 2-times (2X) or greater liquidation preference is used, in which the investor receives back twice their original investment amount before common shareholders receive anything. Such a provision is used 19% of the time.

There is substantial cross-sectional variation in the use of terms. The terms in the IT sector are more founder friendly than in the healthcare sector. The IT VC firms are less likely to use participation rights and less likely to use 2X or higher liquidation preferences. Given that the results of Table 10 suggest that the IT sector is more competitive, the founder friendliness of the terms is understandable. Consistent with Bengtsson and Ravid (2015), California VC firms also use more founder friendly terms. They are less likely to use participation rights, redemption rights, or cumulative dividends than the VC firms elsewhere in the U.S. Again, this may reflect a more competitive VC industry in CA, although it may also reflect a difference in approaches.

To understand which of the terms might vary with deal characteristics, we asked the survey respondents to indicate the terms that they are more or less flexible with when negotiating new investments. In addition to the terms in Table 17, we asked about option pools, vesting, control rights, and ownership. An option pool is a set of shares set aside to compensate and incentivize employees, vesting refers to a partial forfeiture of shares by the founders or employees who leave the company, and control rights include features such as board seats, veto rights on important decisions, and protective provisions. For each term, respondents rated their flexibility on that term on a scale of not at all flexible, not very flexible, somewhat flexible, very flexible, and extremely flexible. We assigned a score to each choice, with -100 being investor friendly (Not at all flexible) and $+100$ being founder friendly (Extremely flexible). A value of 0 means that on average survey respondents were somewhat flexible about the term.

Table 18 reports the results. Overall, the VCs are not overly flexible on their terms with most terms scoring between not very flexible and somewhat flexible. Only one term, dividends, scores appreciably above somewhat flexible (at $+28$). Consistent with previous work, this suggests that the terms are very important to the VCs.

The least negotiable provisions for VC firms in descending order are pro-rata rights, liquidation preference, anti-dilution protection, valuation, board control, and vesting. The provisions on which VCs are most flexible (again, in descending order, the first being most flexible) are dividends, redemption rights, option pool, investment amount, and participation. In Kaplan and Strömberg (2004), liquidation preferences and board control are related to internal and external risk; anti-dilution protection is related to only internal risk; and redemption rights are related to external risk. We

cautiously interpret these results as showing that that VCs are somewhat less flexible on terms that manage internal risk.

Healthcare VC firms are substantially less flexible on many features than the IT VC firms. In addition to participation that we already discussed, the Health subsample is less flexible on control, valuation, ownership stake, and dividends. The board control provisions are particularly striking, because Healthcare VC firms rank them as their least flexible term, while the IT VC firms rank control in the middle of their concerns. This is consistent with Healthcare companies being more susceptible to internal risks (e.g., project selection).

3.4.2 Syndication

VC firms routinely invest with other firms as part of a syndicate. Hochberg et al. (2007) suggest a number of reasons for the prevalence of syndication, such as reputation, capital constraints of investors, and risk sharing. Lerner (1994) argues that the ability to monitor (from industry expertise or proximity to the company) is related to syndication.

Accordingly, we asked the VCs several questions to learn more about the syndication process. In our sample, Table 19 indicates that syndication is common with the average VC firm syndicating an average 65% of its investments. Early-stage and healthcare VC firms are more likely to syndicate their deals.

Consistent with Hochberg et al. (2007) and Lerner (1994), complementary expertise, capital constraints, and risk sharing are all important factors in syndication decisions with more than 70% of the VCs mentioning each of them. Among these, capital constraints are the most important for 39%, followed by complementary expertise by 33% and risk sharing by 24%. Syndication in order to participate in future deals and, arguably, build reputation, is perceived as substantially less important, with only 29% of VC firms identifying it as important and only 3% as most important.

There is some cross-sectional variation within our sample as well. Early-stage VC firms care more about risk sharing, possibly because of the greater uncertainty at the early-stage, and also care more about the ability to participate in future deals. Healthcare VC firms also identify risk sharing as

more important factor than their counterparts in the IT sample. Not surprisingly, small VC firms believe that capital constraints play a more prominent role than do large VC firms. They also believe that participation in future deals is more important.

We next asked about the factors that were important in choosing a syndicate partner. Table 20 shows that expertise and past shared successes were identified as important (73% and 65%) and most important (25% and 28%) by the most VCs. Reputation, track record and capital also were consistently important for roughly 60% of the VCs, but they were less likely to be most important at 16%, 16% and 9%, respectively. Expertise is relatively more important in healthcare (versus IT) while geography and social connections are identified as less important. This suggests that in the IT sector, clustering and network effects play a larger role, while in the healthcare sector, product or technology rather than location is more influential.

3.5 Post-investment value-added

Previous empirical work finds evidence that VCs add value to their portfolio companies after they invest. Hellmann and Puri (2002) show that VCs are essential to the professionalization of startups. Lerner (1995) examines how VCs are influential in the structuring of the boards of directors. Amornsiripanitch et al. (2016) show that VCs are critical aids in hiring outside mangers and directors. In their study of investment memoranda, Kaplan and Strömberg (2004) find that VCs expect to add value when they make their investment decision. In this section, we attempt to add to the previous work by asking the VCs to describe their post-investment deal management, particularly activities in adding value to portfolio companies.

We asked several questions about how VCs interact with their portfolio companies after investment. Previous research as well as anecdotal evidence suggests that VCs are actively involved in managing their portfolio companies, frequently meeting with their portfolio companies' management and playing an important role in critical hiring and strategic decisions.

Table 21 reports that VCs (say they) interact frequently with their portfolio companies. Over 25% interact multiple times per week and an additional one-third interact once a week, indicting that 60% of VCs report interacting at least once per week with their portfolio companies. Fewer than

one-eighth report interacting once per month or less. The high level of involvement is consistent with previous work and anecdotal evidence.

There is little variation across subsamples. Whatever their specialization, VCs are actively involved in their portfolio companies. This lack of observed difference is arguably a surprising result. It is not consistent with early-stage and late-stage VCs being fundamentally different in the frequency of interactions. It seems plausible that companies at all stages of development go through a number of critical phases (raising funding, exiting, hiring senior executives, deciding on a strategic plan) that require the regular involvement of investors. It is also likely that VCs monitor their investment closely, because even late-stage VC companies have a relatively high rate of failure.

Table 22 looks more deeply into VC interaction with their portfolio companies by asking what type of value-add VCs provide. 87% of VCs are involved in strategic guidance of their portfolio companies. This is not surprising because many VCs serve either as board members or board observers. 72% of VC firms help their companies connect with investors in future rounds. Again, this is not surprising given that they are investors and are presumably knowledge about the VC industry and other investors. Perhaps more surprisingly, 69% of the VCs say they help their companies connect to customers and 65% of VC firms say they provide operational guidance. Both of these responses suggest a substantial and more day-to-day practical involvement. Finally, the VCs say they also help in hiring—both board members (58%) and employees (46%).

Across subsamples, connecting to investors is more important for early-stage investors. This is consistent with more competition for late-stage deals (as suggested in Table 6). Early-stage VCs and California VC are more likely to help with hiring employees. California VCs also are more involved in helping companies find customers, potentially because they work in a cluster-like environment that makes them better connected along the whole of the supply chain of their ecosystem.

We also gave respondents an opportunity to describe their activities, if they felt the offered list was not sufficient. One out of five respondents used this opportunity. The more frequently mentioned activities were related to liquidity events (introducing a company to acquirers or connecting with investment banks, helping with M&A), mentoring, fund raising, product development (including help

with global expansion, technical advice, operating procedures) and various board service activities (such as board governance).

Overall, the results in Table 22 suggest that VCs are not passive investors and actively add value to their portfolio companies. The results add to and confirm the previous work by suggesting that VCs take an active role in customer introductions and operational guidance in addition to providing help with hiring and strategy.

3.6 Exits

Because VCs invest in private companies through funds that are usually structured as ten-year vehicles and because VCs receive their profit share or carry only when they return capital to their investors, the timing and type of exit is critical to VC investment success. Gompers (1996) shows that achieving a successful IPO exits is useful for VC firms to establish a reputation and raise new capital.

Accordingly, we surveyed our VCs on their exits. Table 23 reports the statistics on exit outcomes experienced by their portfolio companies. Overall, the average VC firm reports that 15% of its exits are through IPOs, 53% are through M&A, and 32% are failures. These rates of successful outcomes may seem high to some readers. It is possible, however, that some M&A events are disguised failures in the VC industry and so statistics on M&A may not be a valid measure of success. A major concern with any survey is that survey respondents would bias their responses by overweighting positive outcomes and underweighting less favorable outcomes. Indeed, many of our respondents said that their previous fund was well above the median in terms of performance. On the other hand, our respondents gave what appear to be honest answers to the question of unicorn valuation.

To ascertain whether there is an appreciable bias, we compare the survey responses with data matched from VentureSource. We report two different measures of exits from VentureSource, the first using data over the past 10 years, spanning approximately respondents' previous fund and the second including the full sample data for the VC firm. The responses of our respondents and the data from VentureSource exhibit a high degree of correspondence although our respondents report a slightly higher percentage of IPOs and a lower percentage of failures, suggesting that our survey respondents are more successful than a random sampling of VCs. Survey respondents report that on average, 15%

of the deals end in IPO, while the IPO rate in VentureSource data is 13%. Moreover, the subsample results are also consistent. For example, the Health and IT subsamples report 23% and 13% of IPOs, respectively. The matched VentureSource samples report similar values of 22% and 12%. Several VCs explicitly said that many of their M&A are disguised failures, supporting the difficulty of interpreting the M&A results from available datasets on VC outcomes. Overall, these results again suggest that the VC are, on average, reporting their experience truthfully.[9]

Empirically, it is difficult to measure the exact returns earned by VC firms using commercially available datasets, because doing so requires data on deal structure and eventual exits that are usually not available. To estimate the return distribution, we asked our survey respondents to describe the distribution of exit multiples that they experienced on their past investments. Table 24 indicates that, on average, 9% of exits have a multiple greater than 10 and a further 12% have a multiple between 5 and 10. There are more high multiple exits than IPOs (and not all IPOs result in such high exit multiples). On the other end of the spectrum, 24% of outcomes are reported to have lost money in a cash-on-cash calculation. 19% had an exit multiple of between 1 and 2, likely losing money on a present value basis. These results confirm the wide dispersion of financial outcomes for VC investments and further supports the notion that there is a wide distribution among of outcome for M&A transactions. Early-stage and high IPO firms report higher multiples. The IT, Large, and CA subsamples have higher dispersion of outcomes, with more of the least and most successful outcomes.

3.6.1 Relative importance of deal sourcing, investment selection, and value-add

The previous sections have shown that VCs exert effort and expend resources on deal sourcing, deal selection and post-investment value-add. As mentioned earlier, Sørensen (2007) estimates the contribution of VC value-add to be 40% and that of deal sourcing and selection combined to be 60%. In Table 25, we ask the VCs both to assess and rank the importance of deal sourcing, deal selection, and VC value-add in contributing to value creation.

The top part of Table 25 indicates that a majority of VCs believe that all three are important for value creation with selection and value-add being important for roughly 85% and deal flow for 65%.

[9] If we use only the matched VentureSource sample, the self-reported exit outcomes are virtually the same.

The bottom part of Table 25 shows that deal selection emerges as the most important of the three with 49% of VCs ranking it most important. Value-add follows with 27% and deal flow lags with 23%.

Selection is assessed as the most important factor for all of the sub-categories, and is relatively more important for the high IPO firms. Deal flow is relatively more important for IT investors, large investors, and less successful investors, while value-add is relatively more important for small investors, health investors, and foreign investors.

Overall, consistent with Sørensen (2007), deal sourcing and selection combined are more important than value-add, but all three factors are important. Different from and extending Sørensen (2007), we distinguish between sourcing and selection, and find a great role for selection.

3.6.2 Sources of success and failure

At this point, we have reported survey results on how VCs source, select, add value to and exit deals. For our final questions regarding investments, we asked the VCs to identify the most important drivers of both their successful and failed investments. Tables 26 and 27 show the results for success and failure, respectively. For both success and failure, the team is by far the most important factor. Recalling our discussion of horse vs. jockey, the jockey is very important in the minds of VCs. 96% (92%) of VC firms identified team as an important factor and 56% (55%) identified team as the most important factor for success (failure). Team was the most important for all subsamples, but particularly important for early-stage and IT VCs.

Not one of the business-related factors—business model, technology, market and industry—was rated most important by more than 10% of the VCs for success or failure. Cumulatively, the four were rated most important by 25% for success and 31% for failure. The business-related factors were more important for later-stage and, particularly, for healthcare VCs.

Timing and luck also mattered with the two being rated as the most important factor by 18% of the VCs for success and 12% for failure. The California VCs viewed themselves as being more dependent on luck than the VCs elsewhere. Interestingly, very few of the VCs ranked the board of directors or their own contribution as the most important factor for either success or failure. We view this,

again, as encouraging that the VCs answered truthfully. One might have expected self-serving or even simply overconfident VCs to rank their own contributions more highly.

The emphasis on team as critical for success is consistent with the VCs emphasis on team in selection. The lack of emphasis on own contribution appears less consistent with the finding in Table 25 that 27% of the VCs view value-add as the most important source of value creation. One way to reconcile these is that some value-add takes the form of choosing or putting in the right management team as well as improving the business model or picking the right time to invest.

In comparing success and failure, there are no significant differences in the most important factors. The VCs do mention several factors more often as having importance in success rather than failure—luck (26%), timing (18%), own contribution (17%) and technology (14%).

3.7 Internal organization of VC firms

Relatively little is known about the internal organization of VC firms. Because VCs are often secretive about the internal workings of their firms, we took this opportunity to ask how their firms are organized and structured.

Table 28 confirms the perception that institutional VC firms are small organizations. The average VC firm in our survey employs 14 people, 5 of whom are senior partners in decision-making positions. VC firms have relatively few junior deal-making personnel (about one for each two partners) and an average of 1.3 venture partners. Others working at VC firms would include entrepreneurs in residence, analysts (likely at larger firms), back-end office personnel, and logistics personnel. Note that, as Table 4 shows, 82% of our survey respondents are senior partners, so our survey oversamples VCs in senior decision-making positions.

Early-stage VC firms are smaller and, in particular, have fewer junior deal-making personnel than late-stage VC firms. Late-stage firms deal with companies that require more due diligence and have more information available for analysis; the presence of associates and similar personnel makes sense. Healthcare VC firms are more likely to have venture partners, potentially because healthcare and biotech industry investments require specialized skills that non-full time venture partners (such as

medical school faculty) can provide. Other than for these two subsamples, the composition of VC firms is relatively uniform—although larger and more successful funds are, of course, larger.

Table 29 considers the extent to which VCs specialize. In 60% of the funds, partners specialize in different tasks; this degree of specialization is relatively uniform across subsamples. If respondents answered that partners in their VC firm specialized in different tasks, we asked what the respondents specialized in. Respondents could choose more than one option. Table 29 shows that for those firms with specialized partners, 44% of respondents are generalists, 52% of respondents are responsible for fund raising, and 55% and 53% of them are also responsible for deal making and deal sourcing, respectively. Interestingly, almost a third of respondents also reported that they specialized in helping start-ups with networking activities. IT VC firms are much more likely to have partners that specialize in fund raising. Partners of large VC firms are less likely to specialize in sourcing deals, making deals, or networking.

We also asked the survey respondents to describe the structure of their normal work-week.[10] In Table 30, respondents report working an average of 55 hours per week. VCs spend the single largest amount of time working with their portfolio companies, 18 hours a week. This may not be surprising given that the typical respondent holds 5 board seats. Healthcare VCs spend somewhat more time helping their companies than do IT VCs even though they serve on slightly fewer boards. Overall, the amount of time and involvement in portfolio companies is consistent with their reporting that they add value and help their companies.

Consistent with the importance of sourcing and selecting potential deals, sourcing is the second most important activity, at 15 hours per week. Networking is the fourth most important at 7 hours per week. It seems likely that networking is useful both for deal sourcing and for adding value to portfolio companies (through hiring and referring customers). VCs, then spend the bulk of their time on sourcing and value-adding activities. In addition, VCs spend about 8 hours per week on managing their firms and about 3 hours each week managing LP relationships and fundraising.

The next set of questions address the compensation and investment practices in the VC industry. In the VC industry, attribution of success is easier to accomplish, because in most cases a specific partner is responsible for each portfolio company. Alternatively, firms may choose to compensate

[10]Hoyt., Gouw and Strebulaev (2012) and Rust (2003) present some earlier evidence on VCs' time use.

partners on firm success to encourage cooperation among partners and to remove incentive to do suboptimal deals in order to get credit for them. We therefore were interested in whether partners of VC firms are compensated depending on individual investments. Table 31 reports that 74% of VC firms compensate their partners based on individual success. Interestingly, more successful and larger VC firms are less likely to allocate compensation based on success. Table 31 also reports that in 44% of VC firms partners receive an equal share of the carry, particularly partners in early-stage funds. Similarly, in 49% of the firms, partners invest an equal share of fund capital. These results are arguably consistent with firms balancing the need for cooperation against the need to reward individual success.

Overall, VC firms appear to approach compensating their partners in different ways. This has not been explored in detail in academic research. Agency theories suggest that compensation structures should have a substantial impact on effort provision and eventual outcomes. Chung et al. (2012) show that explicit pay for performance incentives exist in VC and PE, but there are also powerful implicit incentives that come with the need to raise additional capital in the future. Our results suggest that studying the relationship between compensation of VCs, their contracts with their investors (LPs), and outcomes would be an interesting avenue for further research.

We conclude this section by asking reporting how funds make initial investment decisions.[11] Table 32 reports that roughly half the funds—particularly smaller funds, healthcare funds and non-California funds—require a unanimous vote of the partners. An additional 7% of funds require a unanimous vote less one. Roughly 20% of the funds require consensus with some partners having veto power. Finally, 15% of the funds require a majority vote. Understanding whether these decision rules affect investment and partnership success is also an interesting avenue for future research.

3.8 Relationships with limited partners

We conclude our survey by asking a set of questions concerning the interactions VCs have with their limited partner investors similar to the questions in Gompers et al. (forthcoming). Table 33 indicates that the VCs believe that cash-on-cash multiples and net IRR are important benchmark metrics

[11] Not reported, most firms use the same decision process for subsequent financing rounds.

for most LPs, at 84% and 81%, respectively. These benchmarks are considered the most important benchmarks by, respectively, 52% and 32% of the VCs. While performance relative to VC funds (for 60%) and relative to the S&P 500 (for 23%) are presumed to be important, they are considered most important by fewer than 10% of the sample VCs. These results are present for all of the subsamples. Accordingly, we conclude that the VCs strongly believe that LPs are primarily motivated by absolute rather than relative performance. This finding is similar to the result in Gompers et al. (forthcoming) for private equity investors, but inconsistent with finance theory where LPs should allocate their money to funds according to their relative performance expectations. It is also inconsistent with the common practices in the mutual fund industry, in which relative performance is paramount.

Table 34 shows the net IRR and cash-on-cash multiple marketed by VC firms to their LPs. The mean net IRR is consistently about 24%, with a median of 20% for all subsamples. This IRR is similar to the IRR private equity investors market to their LPs in Gompers et al. (forthcoming). Interestingly, this is not consistent with VC investments being riskier than private equity investments. At the same time, VC firms also market on average a 3.5 cash-on-cash multiple to their LPs, with early-stage VCs marketing more at 3.8 and late-stage VCs marketing less at 2.8. While these multiples are slightly higher than those for the private equity investors, the difference from private equity investments is likely explained by the longer duration of VC investments.

Finally, Table 34 asks VCs about their expectations for future performance. The vast majority (93%) of VCs expect to beat the public markets; 71% of VCs are similarly optimistic about the VC industry as a whole. While this may seem to be unreasonably optimistic, Harris et al. (2016) find that the average VC fund has performed at least as well as the S&P 500 for most vintages since 2004.

4 Conclusion

In this paper, we seek to better understand what VCs do and, potentially, why they have been successful. We survey 885 institutional VCs at 681 firms to learn how they make decisions across eight areas: deal sourcing; investment selection; valuation; deal structure; post-investment value-added; exits; internal VC firm issues; and external VC firm issues.

The paper makes a contribution in two broad areas. First, our results add to the literature on the nature of and relative important of deal sourcing, deal selection, and value-added. VCs devote substantial resources to all three. While deal sourcing, deal selection, and post-investment value-added all contribute to value creation, deal selection emerges as the most important of the three for the sample VCs with roughly one-half of the VCs ranking it as such.

Furthermore, a recurring theme in the survey—particularly in deal selection and in understanding ultimate deal outcomes—is the pre-eminence of team in the mind of the VCs. In selecting investments, the VCs consider the management team as more important than business related characteristics such as product and technology. They also view the team as more important than the business to the ultimate success or failure of their investments. The survey, therefore, finds that VCs, on the whole, favor the jockey view of VC investing over the horse view. This result is consistent with the results in Bernstein, Korteweg and Laws (2015). A potential future use of this data set is to see if cross-sectional variation in that view predicts future VC performance.

Second, we find little evidence that VCs use the net present value or discounted cash flow techniques taught at business schools and recommended by academic finance. This contrasts with the results in Graham and Harvey (2001) for CFOs, but is more similar to the results for private equity investors in Gompers et al. (forthcoming). Like the private equity investors, the VCs rely on multiples of invested capital and internal rates of return. Unlike the CFOs and private equity investors, a meaningful minority of VCs do not forecast cash flows at all.

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Table 1: Description of Subsamples

This table describes the subsamples used in our main analysis.

Subsample	Description
Stage: Early	Respondents who answered that they specialize on seed- or early-stage companies and do not specialize on mid- or late-stage companies.
Stage: Late	Respondents who answered that they specialize on mid- or late-stage companies and not on seed- or early-stage companies.
Industry: IT	Respondents who answered that they specialize in the IT, software, or consumer internet industries and do not specialize in any industry other than those three.
Industry: Health	Respondents who answered that they specialize on the healthcare industry and do not specialize in any other industry.
IPO Rate: High	Respondents whose VC firm has at least 10 exited investments over the past ten years and has an above-median % IPO rate for those investments.
IPO Rate: Low	Respondents whose VC firm has at least 10 exited investments over the past ten years and has a below-median % IPO rate for those investments.
Fund Size: Large	Respondents who reported an above-median committed capital for their current fund. If a response was not given, the fund size from VentureSource was used.
Fund Size: Small	Respondents who reported a below-median committed capital for their current fund. If a response was not given, the fund size from VentureSource was used.
Location: CA	Respondents whose LinkedIn profile indicates they are located in California. If this information is not available, the firm headquarters location is used.
Location: OthUS	Respondents whose LinkedIn profile indicates they are located in the U.S. but not in California. If this information is not available, the firm headquarters location is used.
Location: Fgn	Respondents whose LinkedIn profile indicates they are located outside of the U.S. If this information is not available, the firm headquarters location is used.

Table 2: Number of VC Firm Respondents

Count of survey respondents and the firms that they belong to. The first panel looks at all surveys, the second panel looks at our main sample of completed surveys from respondents at institutional VC funds.

	Respondents		Firms	
	N	%	N	%
Total responses	1110	100	860	100
Respondents at institutional VC firms	885	80	681	79
Respondents in corporate VC	141	13	120	14
Respondents at other investors	84	8	82	10
Sample: Respondents at institutional VC funds				
Total responses	885	100	681	100
Completed surveys	565	64	470	69
Surveys completed on behalf of someone else	11	1	11	2
Matched to VentureSource	789	89	589	86
Specialize on an investment stage	524	59	423	62
Seed- or early-stage	401	45	325	48
Only seed- or early-stage	292	33	245	36
Mid- or late-stage	217	25	192	28
Only mid- or late-stage	108	12	96	14
Specialize on an investment industry	527	60	417	61
Software, IT, Consumer Internet	347	39	282	41
Only Software, IT, Consumer Internet	159	18	135	20
Healthcare	260	29	210	31
Only Healthcare	113	13	88	13
Financial	109	12	100	15
Energy	76	9	69	10
Specialize on an investment geography	404	46	342	50
California	92	10	80	12
U.S. East Coast	81	9	71	10
Other	75	8	66	10
Location of venture capitalist	885	100	681	100
California	258	29	190	28
Other U.S.	340	38	275	40
Foreign	287	32	249	37

Table 3: Statistics on VC Firm Respondents

A number of statistics on our sample of firms. For each measure, we report the number of firms we have that measure for and the across-firm averages, quartiles, and standard deviations. The symbol ^{VS} denotes data from Dow Jones VentureSource.

	N	Mean	Pct 25	Median	Pct 75	Std Dev
Fund characteristics						
Fund Size ($m)	557	286	58	120	286	775
Fund Size ($m)^{VS}	471	370	34	100	253	1335
Vintage year	547	2012	2011	2014	2015	4
Vintage year^{VS}	477	2010	2008	2012	2014	5
Firm characteristics						
Year founded^{VS}	508	1998	1994	2000	2005	10
Number of partners	602	4.8	3.0	4.0	5.0	6.1
Number of investments^{VS}	484	169	28	73	196	261
Average round size ($m)^{VS}	467	33	6	11	19	178
% of exited investments IPO^{VS}	482	12	0	8	20	14
% of investments exited^{VS}	484	71	58	77	89	22
% US deals^{VS}	484	66	17	91	100	41
Intend to raise another fund	436	84	100	100	100	36
Previous fund decile	280	7.8	7.0	8.0	9.0	1.9
Previous fund vintage year	329	2007	2005	2008	2011	5

Table 4: Job Title of Respondents

The percentage of respondents who report having each job title.

		Stage		Industry		IPO Rate		Fund Size		Location		
	All	Early	Late	IT	Health	High	Low	Large	Small	CA	OthUS	Fgn
Managing Partner	20	21	19	20	18	23	23	22	19	19	21	20
	(2)	(3)	(4)	(3)	(4)	(3)	(3)	(2)	(2)	(3)	(3)	(3)
General Partner	22	21	22	27	20	25	22	24	20	26	23	17**
	(2)	(3)	(4)	(4)	(4)	(3)	(3)	(2)	(2)	(3)	(3)	(2)
Partner	40	39	40	40	43	34	34	32***	45***	37	36	45**
	(2)	(3)	(5)	(4)	(5)	(4)	(3)	(3)	(3)	(3)	(3)	(3)
Venture Partner	3	3	2	2*	6*	5	4	4	3	4	3	3
	(1)	(1)	(1)	(1)	(3)	(2)	(1)	(1)	(1)	(1)	(1)	(1)
Principal	3	3	3	2	1	2	2	3	2	4	3	2
	(1)	(1)	(2)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Associate	5	5	6	3	4	3	6	5	5	3	5	6
	(1)	(1)	(2)	(1)	(2)	(1)	(2)	(1)	(1)	(1)	(1)	(1)
Managing Director	2	1	2	1	2	2	1	3*	1*	3	1	2
	(0)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(0)	(1)	(1)	(1)
Other	7	6	6	5	5	7	8	7	6	5*	8*	7
	(1)	(1)	(2)	(2)	(2)	(2)	(2)	(1)	(1)	(1)	(2)	(2)
Number of responses	623	244	96	133	88	148	164	265	340	178	245	224

Table 5: Sources of Investments

The percentage of deals closed in the past twelve months originating from each source.

		Stage		Industry		IPO Rate		Fund Size		Location		
	All	Early	Late	IT	Health	High	Low	Large	Small	CA	OthUS	Fgn
Inbound from management	10	12*	7*	10	13	11	10	10	10	10	9	11
	(1)	(1)	(2)	(1)	(2)	(2)	(1)	(1)	(1)	(2)	(1)	(2)
Referred by portfolio company	8	9**	4**	10	6	6	8	7	8	7	7	10*
	(1)	(1)	(1)	(2)	(2)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Referred by other investors	20	22	17	21	18	21	20	18	21	18	22	18
	(1)	(2)	(3)	(2)	(3)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Professional network	31	31	25	27	29	30	33	31	31	33	30	29
	(1)	(2)	(3)	(3)	(4)	(3)	(3)	(2)	(2)	(3)	(2)	(2)
Proactively self-generated	28	23***	42***	28	30	29	28	30	27	27	28	29
	(1)	(2)	(4)	(3)	(3)	(3)	(3)	(2)	(2)	(2)	(2)	(2)
Quantitative sourcing	2	1	3	3	2	3*	1*	2	2	2	2	2
	(0)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Number of responses	446	202	72	107	68	114	122	200	246	123	179	160

Table 6: Potential Investments that Reach Each Stage of the Deal Funnel

The first panel shows the median number of potential investments reaching each stage of consideration, among investments considered in the past twelve months. The second panel reports the average number of deals at each stage for every closed deal.

		Stage		Industry		IPO Rate		Fund Size		Location		
	All	Early	Late	IT	Health	High	Low	Large	Small	CA	OthUS	Fgn
Median number of potential investments reaching stage												
Considered	200	250***	100***	275	185	300**	150**	200	180	200	150	200
	(20)	(32)	(27)	(55)	(53)	(40)	(43)	(30)	(28)	(31)	(34)	(42)
Met management	50	60	40	100***	40***	60	40	50	44	90***	45***	50
	(1)	(14)	(7)	(13)	(8)	(17)	(5)	(11)	(4)	(18)	(5)	(4)
Reviewed with partners	20	20	20	30***	15***	23	20	20	20	23	20	20
	(1)	(2)	(3)	(4)	(3)	(3)	(2)	(1)	(2)	(3)	(2)	(2)
Exercised due diligence	12	13	12	15	10	17**	11**	15**	10**	15	12	10***
	(2)	(2)	(3)	(2)	(2)	(2)	(2)	(2)	(1)	(2)	(2)	(1)
Offered term sheet	5.5	5.0	6.0	7.0*	5.0*	5.0	5.5	5.5	5.0	6.0	5.0	5.5
	(0.4)	(0.6)	(0.5)	(0.8)	(0.5)	(0.6)	(0.5)	(0.5)	(0.4)	(0.6)	(0.5)	(0.4)
Closed	4.0	4.0	3.0	5.0***	3.0***	3.5	4.0	3.5	4.0	4.0	3.5	4.0
	(0.3)	(0.5)	(0.2)	(0.3)	(0.4)	(0.5)	(0.5)	(0.5)	(0.4)	(0.6)	(0.5)	(0.4)
Potential investments reaching stage per closed deal												
Considered per close	101	119	94	151**	78**	123	107	111	96	115	87	110
	(7)	(14)	(17)	(22)	(10)	(15)	(13)	(11)	(9)	(15)	(9)	(12)
Met management	28	34	24	50*	20*	45*	23*	37**	21**	46***	22***	23
	(3)	(7)	(3)	(13)	(3)	(11)	(2)	(6)	(2)	(10)	(2)	(2)
Reviewed with partners	10	11	10	13	11	15*	8*	11	10	10	12	8
	(1)	(3)	(2)	(5)	(3)	(4)	(1)	(1)	(2)	(1)	(3)	(1)
Exercised due diligence	4.8	4.6	4.4	5.3	5.3	6.3***	4.1***	5.3*	4.4*	5.2	5.4	3.7***
	(0.3)	(0.4)	(0.4)	(0.6)	(0.6)	(0.7)	(0.4)	(0.4)	(0.4)	(0.3)	(0.5)	(0.4)
Offered term sheet	1.7	1.5***	2.3***	1.6	1.6	1.8	1.7	1.7	1.7	1.7	1.8	1.6
	(0.1)	(0.0)	(0.2)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Number of responses	442	195	76	106	64	117	119	205	238	125	180	155

Table 7: Important Factors for Investment Selection

The percentage of respondents who marked each attribute as important (top) and as most important (bottom) when deciding whether to invest.

		Stage		Industry		IPO Rate		Fund Size		Location		
	All	Early	Late	IT	Health	High	Low	Large	Small	CA	OthUS	Fgn
Important factor												
Team	95	96	93	96	91	96	96	96	95	97	93	96
	(1)	(1)	(3)	(2)	(3)	(2)	(1)	(1)	(1)	(1)	(2)	(1)
Business Model	83	84	86	85*	75*	79	82	83	82	83	84	81
	(2)	(2)	(4)	(3)	(4)	(3)	(3)	(2)	(2)	(3)	(2)	(3)
Product	74	81***	60***	75	81	75	74	71*	77*	81**	71**	73
	(2)	(2)	(5)	(4)	(4)	(3)	(3)	(3)	(2)	(3)	(3)	(3)
Market	68	74	69	80***	56***	68	74	67	70	76**	66**	64
	(2)	(3)	(5)	(3)	(5)	(4)	(3)	(3)	(3)	(3)	(3)	(3)
Industry	31	30	37	33**	19**	25	29	30	31	31	37	24***
	(2)	(3)	(5)	(4)	(4)	(3)	(3)	(3)	(3)	(3)	(3)	(3)
Valuation	56	47***	74***	54*	42*	59*	49*	59*	52*	63	60	46***
	(2)	(3)	(5)	(4)	(5)	(4)	(4)	(3)	(3)	(4)	(3)	(3)
Ability to add value	46	44	54	41	45	39*	48*	41**	51**	46	48	46
	(2)	(3)	(5)	(4)	(5)	(4)	(4)	(3)	(3)	(4)	(3)	(3)
Fit	50	48	54	49	40	38**	50**	46**	54**	48	51	50
	(2)	(3)	(5)	(4)	(5)	(4)	(4)	(3)	(3)	(4)	(3)	(3)
Most important factor												
Team	47	53**	39**	50***	32***	44	51	44	50	42	44	55***
	(2)	(3)	(5)	(4)	(5)	(4)	(4)	(3)	(3)	(4)	(3)	(3)
Business model	10	7***	19***	10	6	7	11	10	10	11	11	8
	(1)	(2)	(4)	(3)	(3)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Product	13	12	8	12***	34***	18*	11*	15*	10*	13	14	11
	(1)	(2)	(3)	(3)	(5)	(3)	(2)	(2)	(2)	(2)	(2)	(2)
Market	8	7	11	13*	6*	11	10	11***	5***	15***	5***	5
	(1)	(2)	(3)	(3)	(3)	(2)	(2)	(2)	(1)	(3)	(1)	(2)
Industry	6	6	4	3*	9*	6	3	7*	4*	7	7	2**
	(1)	(1)	(2)	(2)	(3)	(2)	(1)	(2)	(1)	(2)	(2)	(1)
Valuation	1	0***	3***	0*	2*	3	1	2	1	2	1	1
	(0)	(0)	(2)	(0)	(2)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Ability to add value	2	2	2	1	1	2	2	1	2	1	2	2
	(1)	(1)	(2)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Fit	14	13	13	9	9	9	12	10**	17**	10*	16*	15
	(1)	(2)	(4)	(2)	(3)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Number of responses	558	241	90	129	86	138	156	251	310	161	218	199

Table 8: Important Qualities in a Management Team

The fraction of respondents who marked each quality as among the most important qualities in a management team.

		Stage		Industry		IPO Rate		Fund Size		Location		
	All	Early	Late	IT	Health	High	Low	Large	Small	CA	OthUS	Fgn
Industry experience	60	58	55	54***	77***	62	61	60	60	53**	65**	61
	(2)	(3)	(5)	(4)	(4)	(4)	(4)	(3)	(3)	(4)	(3)	(3)
Entrepreneurial experience	50	48	44	49	55	48	53	47	52	46	55	48
	(2)	(3)	(5)	(4)	(5)	(4)	(4)	(3)	(3)	(4)	(3)	(3)
Ability	67	65**	76**	69	59	70	63	69	64	72	69	62**
	(2)	(3)	(4)	(4)	(5)	(3)	(4)	(3)	(3)	(3)	(3)	(3)
Teamwork	50	52	50	47	49	42**	54**	50	51	47	52	50
	(2)	(3)	(5)	(4)	(5)	(4)	(4)	(3)	(3)	(4)	(3)	(3)
Passion	54	59	53	60***	42***	55	57	53	56	58*	49*	58
	(2)	(3)	(5)	(4)	(5)	(4)	(4)	(3)	(3)	(4)	(3)	(3)
Number of responses	561	242	91	132	87	139	157	250	314	161	220	202

Table 9: Investment Process Questions

This table summarizes the responses to a number of questions on VC firm's investment process.

		Stage		Industry		IPO Rate		Fund Size		Location		
	All	Early	Late	IT	Health	High	Low	Large	Small	CA	OthUS	Fgn
Days to close deal	83	73***	106***	59***	98***	83	83	80	86	65**	83**	96***
	(3)	(3)	(14)	(3)	(5)	(8)	(4)	(5)	(3)	(8)	(3)	(4)
Number of responses	523	223	83	120	84	133	142	231	294	144	206	192
Hours on due diligence	118	81***	184***	76***	120***	101	121	125	111	81**	129**	132
	(9)	(6)	(39)	(7)	(10)	(10)	(23)	(16)	(9)	(8)	(17)	(14)
Number of responses	433	194	68	95	72	116	115	201	232	127	178	144
References called	10	8***	13***	10	11	12	11	12***	9***	11	11	9**
	(0)	(0)	(1)	(1)	(1)	(1)	(1)	(1)	(0)	(1)	(1)	(1)
Number of responses	439	195	70	100	71	117	116	204	235	126	180	150

Table 10: Important Factors for Portfolio Company Valuation

The percentage of respondents who marked each factor as important (top) and as most important (bottom) for setting valuation.

		Stage		Industry		IPO Rate		Fund Size		Location		
	All	Early	Late	IT	Health	High	Low	Large	Small	CA	OthUS	Fgn
Important factor												
Anticipated exit	86	81**	91**	80***	93***	90*	83*	87	84	85	85	87
	(1)	(2)	(3)	(3)	(3)	(2)	(3)	(2)	(2)	(3)	(2)	(2)
Comparable companies	80	77	84	81	79	77	82	83	78	78	81	81
	(2)	(3)	(4)	(3)	(4)	(3)	(3)	(2)	(2)	(3)	(3)	(3)
Competitive pressure	43	47	39	55***	27***	45	44	52***	37***	49	42	41
	(2)	(3)	(5)	(4)	(5)	(4)	(4)	(3)	(3)	(4)	(3)	(3)
Desired ownership	63	75***	46***	70	67	59	62	62	65	65	62	63
	(2)	(3)	(5)	(4)	(5)	(4)	(4)	(3)	(3)	(4)	(3)	(3)
Most important factor												
Anticipated exit	46	38***	58***	34**	50**	46	49	45	47	48	43	49
	(2)	(3)	(5)	(4)	(5)	(4)	(4)	(3)	(3)	(4)	(3)	(3)
Comparable companies	29	30	31	35	29	28	24	31	27	25*	33*	26
	(2)	(3)	(5)	(4)	(5)	(4)	(3)	(3)	(2)	(3)	(3)	(3)
Competitive pressure	3	2	2	2	1	5	3	4***	1***	5	3	1*
	(1)	(1)	(1)	(1)	(1)	(2)	(1)	(1)	(1)	(2)	(1)	(1)
Desired ownership	18	27***	5***	24	15	14	19	16	19	19	15	20
	(2)	(3)	(2)	(4)	(4)	(3)	(3)	(2)	(2)	(3)	(2)	(3)
Number of responses	544	236	87	126	85	135	151	245	302	155	218	192
Set valuation using investment and ownership	49	63***	29***	59***	41***	47	53	48	50	55***	40***	54
	(2)	(3)	(5)	(4)	(5)	(4)	(4)	(3)	(3)	(4)	(3)	(3)
Number of responses	544	237	89	129	87	135	150	243	304	156	216	194
Target ownership stake	23	20***	27***	21	23	22	23	25***	22***	21*	23*	25***
	(1)	(1)	(2)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Number of responses	495	215	76	120	86	118	144	217	281	135	194	184

Table 11: Financial Metrics Used to Analyze Investments

The percentage of respondents who use each financial metric to analyze investments.

		Stage		Industry		IPO Rate		Fund Size		Location		
	All	Early	Late	IT	Health	High	Low	Large	Small	CA	OthUS	Fgn
None	9	17***	1***	13	7	10	12	9	10	11	8	10
	(1)	(2)	(1)	(3)	(3)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Cash-on-cash multiple	63	56***	71***	57**	72**	72*	63*	65	61	66	66	58**
	(2)	(3)	(5)	(4)	(5)	(3)	(4)	(3)	(3)	(4)	(3)	(3)
IRR	42	26***	60***	33	42	35	36	40	42	31***	49***	42
	(2)	(3)	(5)	(4)	(5)	(4)	(4)	(3)	(3)	(4)	(3)	(3)
NPV	22	12**	21**	16**	29**	19	16	24	21	16	20	29***
	(2)	(2)	(4)	(3)	(5)	(3)	(3)	(3)	(2)	(3)	(3)	(3)
Other	8	9	4	7	10	8	8	8	7	9	6	9
	(1)	(2)	(2)	(2)	(3)	(2)	(2)	(2)	(1)	(2)	(2)	(2)
Number of metrics	2.1	1.8***	2.4***	2.0	2.0	2.0	2.0	2.1	2.0	2.0	2.1	2.1
	(0.0)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Number of responses	546	238	90	130	88	136	152	243	306	156	217	195
Often make gut investment decisions	44	48*	37*	45*	34*	42	43	40*	47*	41	41	49**
	(2)	(3)	(5)	(4)	(5)	(4)	(4)	(3)	(3)	(4)	(3)	(3)
Number of responses	563	243	91	132	88	140	158	251	315	162	221	202
Quantitatively analyze past investments	11	12	8	11	16	15	11	11	11	12	9	13
	(1)	(2)	(3)	(3)	(4)	(3)	(3)	(2)	(2)	(3)	(2)	(3)
Number of responses	488	213	82	115	76	127	138	228	263	140	199	169

Table 12: Required IRR and Cash-on-Cash Multiples for Investments

The mean and median required IRR and the mean and median required cash-on-cash multiple for investment.

		Stage		Industry		IPO Rate		Fund Size		Location		
	All	Early	Late	IT	Health	High	Low	Large	Small	CA	OthUS	Fgn
Required IRR	31	33*	29*	34	33	30	30	28***	33***	31	30	31
	(1)	(2)	(1)	(2)	(2)	(2)	(2)	(1)	(1)	(2)	(1)	(1)
Median	30	30	30	30	30	30	28	25**	30**	30	30	30
	(1)	(1)	(2)	(2)	(2)	(2)	(2)	(2)	(1)	(1)	(2)	(1)
Number of responses	216	58	49	41	35	48	52	99	114	48	93	79
Required cash-on-cash	5.5	7.5***	3.2***	7.0	4.9	6.2	5.4	4.9**	6.2**	6.7**	4.8**	5.5
	(0.3)	(0.8)	(0.1)	(1.3)	(0.3)	(0.9)	(0.3)	(0.2)	(0.6)	(1.0)	(0.2)	(0.3)
Median	5.0	5.0*	3.0*	5.0	4.5	5.0	5.0	4.0**	5.0**	5.0	4.0	5.0
	(0.5)	(0.8)	(0.0)	(0.1)	(0.5)	(0.3)	(0.2)	(0.4)	(0.2)	(0.4)	(0.5)	(0.4)
Number of responses	346	127	63	73	61	104	96	165	179	103	141	114

Table 13: Adjustments to Required Financial Metrics

The percentage of respondents who report that their required financial metrics vary with each factor.

		Stage		Industry		IPO Rate		Fund Size		Location		
	All	Early	Late	IT	Health	High	Low	Large	Small	CA	OthUS	Fgn
Same for all investments	23	26	30	27	21	23	22	19**	27**	24	22	23
	(2)	(3)	(5)	(4)	(5)	(4)	(4)	(3)	(3)	(4)	(3)	(3)
Investment's riskiness	64	52***	69***	53**	67**	71	67	68*	61*	63	65	65
	(2)	(4)	(5)	(5)	(5)	(4)	(4)	(3)	(3)	(4)	(3)	(3)
Financial market conditions	19	16	17	19	19	19	19	17	20	17	21	18
	(2)	(3)	(4)	(4)	(4)	(3)	(3)	(2)	(2)	(3)	(3)	(3)
Industry conditions	26	26	19	21	25	24	23	25	27	23	28	26
	(2)	(3)	(4)	(4)	(5)	(4)	(4)	(3)	(3)	(4)	(3)	(3)
Time to liquidity	56	57*	46*	49***	73***	58	57	59	54	56	60	52
	(2)	(4)	(5)	(5)	(5)	(4)	(4)	(3)	(3)	(4)	(3)	(4)
Other	5	4	4	9**	2**	3*	7*	6	4	6	5	5
	(1)	(1)	(2)	(3)	(1)	(1)	(2)	(1)	(1)	(2)	(1)	(2)
Number of responses	490	192	89	109	78	123	131	224	267	136	195	178

Table 14: Adjustments to Financial Metrics for Systematic and Idiosyncratic Risk

The percentage of respondents who adjust their required financial metric more or less for systematic risk than for idiosyncratic risk.

		Stage		Industry		IPO Rate		Fund Size		Location		
	All	Early	Late	IT	Health	High	Low	Large	Small	CA	OthUS	Fgn
Do not adjust for risk	36	48***	31***	47**	33**	29	33	32*	39*	37	35	35
	(2)	(4)	(5)	(5)	(5)	(4)	(4)	(3)	(3)	(4)	(3)	(3)
Adjust, treat all risk the same	42	33***	50***	35	40	47	40	42	41	42	41	44
	(2)	(3)	(5)	(4)	(5)	(4)	(4)	(3)	(3)	(4)	(3)	(4)
Adjust, discount systematic risk more	5	5	2	6	8	4	3	4	5	3	4	7
	(1)	(2)	(2)	(2)	(3)	(2)	(2)	(1)	(1)	(1)	(1)	(2)
Adjust, discount idiosyncratic risk more	14	13	13	10	13	14	18	17*	11*	14	15	12
	(1)	(2)	(4)	(3)	(4)	(3)	(3)	(2)	(2)	(3)	(3)	(2)
Other	4	2	4	3	6	7	6	5	4	4	5	3
	(1)	(1)	(2)	(1)	(3)	(2)	(2)	(1)	(1)	(2)	(1)	(1)
Number of responses	490	192	89	109	78	123	131	224	267	136	195	178

Table 15: Forecasting Period

The portion of respondents who report forecasting portfolio company financials for each time period.

		Stage		Industry		IPO Rate		Fund Size		Location		
	All	Early	Late	IT	Health	High	Low	Large	Small	CA	OthUS	Fgn
Do not forecast	20	31***	7***	22	29	19	17	17**	24**	24	20	18
	(2)	(3)	(3)	(4)	(5)	(3)	(3)	(2)	(2)	(3)	(3)	(3)
1-2 years	11	14	8	20**	8**	12	12	9	11	12	9	12
	(1)	(2)	(3)	(4)	(3)	(3)	(3)	(2)	(2)	(3)	(2)	(2)
3-4 years	40	38	39	41*	28*	38	43	44*	36*	38	36	44*
	(2)	(3)	(5)	(4)	(5)	(4)	(4)	(3)	(3)	(4)	(3)	(3)
5-6 years	27	16***	42***	16*	27*	28	25	27	27	24**	34**	21**
	(2)	(2)	(5)	(3)	(5)	(4)	(3)	(3)	(3)	(3)	(3)	(3)
7+ years	3	1**	5**	1***	8***	4	2	3	2	2	1	5**
	(1)	(1)	(2)	(0)	(3)	(1)	(1)	(1)	(1)	(1)	(1)	(2)
Average	3.1	2.4***	3.9***	2.5**	3.2**	3.2	3.0	3.2	2.9	2.8	3.1	3.2
	(0.1)	(0.1)	(0.2)	(0.2)	(0.3)	(0.2)	(0.1)	(0.1)	(0.1)	(0.2)	(0.1)	(0.2)
Number of responses	530	225	90	123	82	131	146	237	295	149	211	191
% of companies which meet projections	28	26***	33***	28	28	28**	23**	31***	26***	28	27	29
	(1)	(1)	(2)	(2)	(2)	(2)	(1)	(1)	(1)	(2)	(1)	(1)
Number of responses	493	214	82	115	77	126	129	228	264	141	195	176

Table 16: Investment in and Opinions on Unicorns

This table reports the average fraction of respondents who invested in unicorns and the percentage of respondents who think unicorns are either slightly or significantly overvalued. The percentage of respondents who think unicorns are overvalued is calculated separately for unicorn investors and non-investors.

		Stage		Industry		IPO Rate		Fund Size		Location		
	All	Early	Late	IT	Health	High	Low	Large	Small	CA	OthUS	Fgn
Investor in unicorns	37	39	37	50***	29***	60***	31***	52***	27***	55***	37***	28***
	(2)	(3)	(5)	(5)	(5)	(4)	(4)	(3)	(3)	(4)	(3)	(3)
Number of responses	516	226	84	121	79	130	143	233	285	143	207	186
Unicorns overvalued	91	91	93	87	89	92	94	92	91	90	92	92
	(1)	(2)	(3)	(3)	(3)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Number of responses	514	221	83	118	82	134	140	231	282	144	202	189
Among investors in unicorns												
Unicorns overvalued	92	93	89	90	92	94	94	92	92	91	91	93
	(2)	(3)	(6)	(4)	(5)	(2)	(3)	(2)	(3)	(3)	(3)	(3)
Number of responses	185	81	28	55	23	81	41	118	70	74	74	51
Among non-investors in unicorns												
Unicorns overvalued	91	90	95	85	88	90	95	92	91	90	91	92
	(2)	(3)	(3)	(5)	(4)	(4)	(2)	(3)	(2)	(4)	(2)	(2)
Number of responses	307	132	50	55	54	53	94	109	192	61	121	128

Table 17: Frequency with which Contractual Features Are Used

The average frequency with which each contractual feature is used by respondents.

		Stage		Industry		IPO Rate		Fund Size		Location		
	All	Early	Late	IT	Health	High	Low	Large	Small	CA	OthUS	Fgn
Pro-rata rights	81	85	83	85**	77**	82*	87*	83*	79*	81	84	78**
	(1)	(2)	(3)	(2)	(3)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Participation	53	51	54	41***	67***	52	53	49**	55**	42***	57***	56
	(1)	(2)	(3)	(3)	(3)	(3)	(3)	(2)	(2)	(3)	(2)	(2)
Redemption rights	45	42*	50*	43	51	42	43	46	43	35***	56***	39***
	(2)	(2)	(4)	(3)	(4)	(3)	(3)	(2)	(2)	(3)	(2)	(3)
Cumulative dividends	27	21***	35***	25**	35**	23	25	28	25	22***	35***	20***
	(1)	(2)	(3)	(3)	(4)	(2)	(2)	(2)	(2)	(3)	(2)	(2)
Full-ratchet antidilution	27	22***	34***	21**	31**	26	22	26	28	21	24	34***
	(1)	(2)	(4)	(2)	(3)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
≥2x liquidation preference	19	15	18	12***	27***	21***	14***	19	18	14**	19**	22**
	(1)	(1)	(2)	(2)	(3)	(2)	(2)	(2)	(1)	(1)	(2)	(2)
Number of responses	509	220	81	118	79	130	142	234	278	145	203	181

Table 18: Flexibility on Contractual Terms

The flexibility respondents have when negotiating each of the following contractual features on a new investment. The table gives the average flexibility reported on a scale of -100 to 100 (not at all flexible and investor friendly is -100, not very flexible -50, somewhat flexible 0, very flexible 50, extremely flexible and founder friendly 100).

		Stage		Industry		IPO Rate		Fund Size		Location		
	All	Early	Late	IT	Health	High	Low	Large	Small	CA	OthUS	Fgn
Pro-rata rights	-47	-49	-43	-51	-41	-51	-51	-50	-45	-47	-48	-45
	(2)	(3)	(4)	(4)	(5)	(3)	(3)	(3)	(3)	(4)	(3)	(3)
Liquidation preferences	-29	-24	-34	-34	-33	-30	-28	-29	-28	-31	-28	-28
	(2)	(4)	(5)	(4)	(5)	(4)	(4)	(3)	(3)	(4)	(3)	(4)
Anti-dilution	-25	-19	-29	-24	-24	-25	-22	-27	-23	-21	-26	-26
	(2)	(3)	(5)	(5)	(5)	(4)	(4)	(3)	(3)	(4)	(3)	(4)
Valuation	-20	-17*	-25*	-16**	-28**	-26	-21	-19	-20	-17	-20	-21
	(1)	(2)	(4)	(3)	(4)	(3)	(3)	(2)	(2)	(2)	(2)	(3)
Board control	-17	-16	-13	-8***	-43***	-14	-13	-18	-18	-12	-13	-26***
	(2)	(4)	(6)	(4)	(5)	(5)	(4)	(4)	(3)	(4)	(4)	(4)
Vesting	-17	-20***	-4***	-24	-23	-21	-17	-21	-15	-23	-18	-11**
	(2)	(3)	(5)	(4)	(4)	(3)	(4)	(3)	(3)	(3)	(3)	(3)
Ownership stake	-8	-13**	-0**	-6**	-19**	-10	-7	-10	-7	-11	-5	-7
	(2)	(3)	(5)	(4)	(4)	(3)	(3)	(3)	(2)	(3)	(3)	(3)
Participation	-2	3	1	7***	-15***	-5	3	4**	-6**	7*	-2*	-7*
	(2)	(3)	(4)	(5)	(5)	(4)	(4)	(3)	(3)	(4)	(3)	(4)
Investment amount	-0	-0	7	4*	-6*	-3	0	0	-0	2	3	-3
	(2)	(2)	(5)	(3)	(4)	(3)	(3)	(2)	(2)	(3)	(3)	(3)
Option pool	2	0*	9*	-3	2	0	2	2	2	0	0	6
	(2)	(3)	(4)	(4)	(4)	(3)	(3)	(2)	(2)	(3)	(3)	(3)
Redemption rights	4	16***	-7***	14*	-0*	15	9	6	3	20***	-1***	-0
	(2)	(4)	(5)	(5)	(5)	(5)	(4)	(4)	(3)	(4)	(4)	(4)
Dividends	28	33	23	41***	14***	38**	24**	29	27	45***	25***	20**
	(2)	(4)	(6)	(5)	(6)	(5)	(4)	(3)	(3)	(4)	(3)	(4)
Average	-11	-9	-9	-8***	-18***	-11	-10	-11	-11	-8	-11	-13
	(1)	(2)	(3)	(2)	(3)	(2)	(2)	(1)	(1)	(2)	(2)	(2)
Number of responses	524	227	85	121	80	132	144	239	288	146	209	189

Table 19: Factors That Lead to Syndication

The first panel gives the average fraction of rounds syndicated. The second panel gives the percentage of respondents who marked each factor as important (top) and as most important (bottom) when deciding whether to syndicate a round.

		Stage		Industry		IPO Rate		Fund Size		Location		
	All	Early	Late	IT	Health	High	Low	Large	Small	CA	OthUS	Fgn
% of investments syndicated	65	73***	49***	64***	79***	65**	73**	64	68	67	67	61**
	(1)	(2)	(3)	(3)	(2)	(3)	(2)	(2)	(2)	(2)	(2)	(2)
Number of responses	410	177	65	99	65	107	110	193	220	109	166	149
Important factor												
Complementary expertise	77	80	71	84*	73*	75	80	78	76	74	76	80
	(2)	(3)	(5)	(3)	(5)	(4)	(3)	(3)	(3)	(4)	(3)	(3)
Capital constraints	75	76	73	76	76	67	72	68***	81***	74	80	70*
	(2)	(3)	(5)	(4)	(5)	(4)	(4)	(3)	(2)	(4)	(3)	(4)
Risk sharing	71	77***	53***	66**	82**	74	75	72	71	75	73	67
	(2)	(3)	(6)	(5)	(4)	(4)	(4)	(3)	(3)	(4)	(3)	(4)
Future deals	29	30**	17**	29	22	28	30	24**	33**	29	27	31
	(2)	(3)	(4)	(4)	(5)	(4)	(4)	(3)	(3)	(4)	(3)	(4)
Most important factor												
Complementary expertise	33	27	34	36**	22**	30	36	36	31	36*	27*	38
	(2)	(3)	(6)	(5)	(5)	(4)	(4)	(3)	(3)	(4)	(3)	(4)
Capital constraints	39	42	43	37	41	36	35	33**	43**	34	43	37
	(2)	(3)	(6)	(5)	(6)	(4)	(4)	(3)	(3)	(4)	(4)	(4)
Risk sharing	24	27	20	21*	34*	28	25	28	22	26	28	20*
	(2)	(3)	(5)	(4)	(5)	(4)	(4)	(3)	(3)	(4)	(3)	(3)
Future deals	3	3	0	3	3	3	3	2	4	2	1	4
	(1)	(1)	(0)	(2)	(2)	(1)	(1)	(1)	(1)	(1)	(1)	(2)
Number of responses	459	205	71	106	74	120	126	211	249	131	187	158

Table 20: Important Factors when Choosing Syndicate Partners

The percentage of respondents who marked each factor as important (top) and as most important (bottom) when choosing syndicate partners.

		Stage		Industry		IPO Rate		Fund Size		Location		
	All	Early	Late	IT	Health	High	Low	Large	Small	CA	OthUS	Fgn
Important factor												
Expertise	73	74	64	68**	83**	73	70	74	72	74	74	70
	(2)	(3)	(6)	(4)	(4)	(4)	(4)	(3)	(3)	(4)	(3)	(3)
Past shared success	65	67	72	65**	78**	75	72	66	65	73	69	54***
	(2)	(3)	(5)	(5)	(5)	(4)	(4)	(3)	(3)	(4)	(3)	(4)
Reputation	60	59	56	63**	48**	54	57	58	63	62	59	62
	(2)	(3)	(6)	(5)	(6)	(4)	(4)	(3)	(3)	(4)	(4)	(4)
Track record	61	63	61	66	59	60	63	61	63	70***	55***	63
	(2)	(3)	(6)	(5)	(5)	(4)	(4)	(3)	(3)	(4)	(4)	(4)
Capital	59	60	51	54	64	60	54	54**	63**	61	59	57
	(2)	(3)	(6)	(5)	(5)	(4)	(4)	(3)	(3)	(4)	(4)	(4)
Geography	24	24	16	31***	10***	22	21	23	26	19	23	30**
	(2)	(3)	(4)	(4)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)
Social connections	20	21**	10**	23**	11**	17	15	16**	23**	21*	14*	26***
	(2)	(3)	(3)	(4)	(3)	(3)	(3)	(2)	(3)	(3)	(2)	(3)
Most important factor												
Expertise	25	26	20	19**	32**	20	25	25	24	22	26	25
	(2)	(3)	(5)	(4)	(5)	(3)	(4)	(3)	(3)	(3)	(3)	(3)
Past shared success	28	29	32	25	34	39**	27**	29	28	30	33	21**
	(2)	(3)	(5)	(4)	(5)	(4)	(4)	(3)	(3)	(4)	(3)	(3)
Reputation	16	14	21	18	12	9*	16*	17	16	14	16	19
	(2)	(2)	(5)	(4)	(3)	(2)	(3)	(2)	(2)	(3)	(3)	(3)
Track record	16	15	21	22*	12*	14	18	16	17	18	14	18
	(2)	(2)	(5)	(4)	(4)	(3)	(3)	(2)	(2)	(3)	(2)	(3)
Capital	9	10**	3**	9	8	12	8	8	11	11	6	11
	(1)	(2)	(2)	(3)	(3)	(3)	(2)	(2)	(2)	(3)	(2)	(2)
Geography	2	2	0	3	0	1	2	3	1	0	2	3
	(1)	(1)	(0)	(2)	(0)	(1)	(1)	(1)	(1)	(0)	(1)	(1)
Social connections	3	2	0	3	1	2	2	1**	4**	2	1	5**
	(1)	(1)	(0)	(2)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(2)
Number of responses	464	208	73	106	74	121	126	213	251	132	189	160

Table 21: Involvement in Portfolio Companies

The percentage of respondents who answered that they interacted with their portfolio companies at each frequency in the first six months after investment.

		Stage		Industry		IPO Rate		Fund Size		Location		
	All	Early	Late	IT	Health	High	Low	Large	Small	CA	OthUS	Fgn
Less than monthly	2	1	3	1	1	3	2	2	2	2	2	2
	(1)	(1)	(2)	(1)	(1)	(2)	(1)	(1)	(1)	(1)	(1)	(1)
Once a month	10	13	7	10	8	7	8	9	10	7	11	10
	(1)	(2)	(3)	(3)	(3)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
2-3 times a month	26	23	26	28	25	33**	22**	28	25	34	26	23
	(2)	(3)	(5)	(4)	(5)	(4)	(4)	(3)	(3)	(4)	(3)	(3)
Once a week	33	33	39	36	36	29	35	32	34	28	34	35
	(2)	(3)	(6)	(5)	(5)	(4)	(4)	(3)	(3)	(4)	(3)	(4)
Multiple times a week	27	28	23	23	30	28	33	28	27	27	26	28
	(2)	(3)	(5)	(4)	(5)	(4)	(4)	(3)	(3)	(4)	(3)	(3)
Every day	1	2	1	2	0	0	1	0	2	2	1	1
	(0)	(1)	(1)	(1)	(0)	(0)	(1)	(0)	(1)	(1)	(1)	(1)
Number of responses	469	209	76	105	76	121	127	213	256	132	192	162

Table 22: Activities in Portfolio Companies

The average percentage of portfolio companies with which respondents undertake each activity.

		Stage		Industry		IPO Rate		Fund Size		Location		
	All	Early	Late	IT	Health	High	Low	Large	Small	CA	OthUS	Fgn
Hire board members	58	55	60	52***	70***	65	61	60	57	56	59	61
	(2)	(2)	(4)	(3)	(3)	(3)	(3)	(2)	(2)	(3)	(2)	(3)
Hire employees	46	51**	41**	49	43	46	49	44	48	52*	46*	41**
	(2)	(2)	(4)	(3)	(4)	(3)	(3)	(2)	(2)	(3)	(3)	(3)
Connect customers	69	69	67	71	71	70	67	68	69	74**	67**	67
	(1)	(2)	(4)	(3)	(3)	(2)	(3)	(2)	(2)	(2)	(2)	(2)
Connect investors	72	81***	58***	76	81	74	76	69***	76***	76**	69**	75
	(1)	(2)	(4)	(3)	(3)	(3)	(2)	(2)	(2)	(3)	(2)	(2)
Strategic guidance	87	86	88	87	89	87	89	86	88	87	87	87
	(1)	(1)	(2)	(2)	(2)	(2)	(2)	(1)	(1)	(2)	(1)	(1)
Operational guidance	65	65	62	67	66	66	67	63	67	68	66	61**
	(1)	(2)	(4)	(3)	(3)	(2)	(3)	(2)	(2)	(3)	(2)	(2)
Other	20	19	17	23**	12**	18	19	20	21	19	23	19
	(2)	(2)	(4)	(4)	(3)	(3)	(3)	(2)	(2)	(3)	(3)	(3)
Number of responses	444	196	71	101	75	118	122	202	243	125	180	154

Table 23: Frequency of IPO, M&A, and Failure

This table looks at how frequent each outcome is among exited investments. The first panel calculated the rates using respondent answers; the second calculates the rates from the last 10 years of VentureSource data; the third calculates the rates using all VentureSource data.

		Stage		Industry		IPO Rate		Fund Size		Location		
	All	Early	Late	IT	Health	High	Low	Large	Small	CA	OthUS	Fgn
Frequency of exit reported in survey												
% IPO	15	12***	19***	13***	23***	24***	11***	20***	12***	20***	14***	14
	(1)	(1)	(2)	(2)	(2)	(2)	(1)	(1)	(1)	(2)	(1)	(1)
% MA	53	50***	60***	55**	48**	47***	55***	51	54	50	54	54
	(1)	(2)	(3)	(2)	(3)	(2)	(2)	(1)	(2)	(2)	(2)	(2)
% Failure	32	38***	21***	32	29	29**	34**	29**	34**	30	32	32
	(1)	(2)	(2)	(2)	(2)	(2)	(2)	(1)	(2)	(2)	(1)	(2)
Number of responses	426	187	69	98	72	117	114	198	231	118	171	151
Frequency of exit in last ten years of VentureSource data												
% IPO	11	9	11	9***	17***	21***	2***	15***	7***	13	12	10
	(1)	(1)	(2)	(2)	(2)	(1)	(0)	(1)	(1)	(1)	(2)	(1)
% MA	43	42*	50*	49**	39**	47	47	48***	38***	47	47	34***
	(1)	(2)	(3)	(3)	(3)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
% Apparent failure	46	49**	39**	42	44	32***	51***	37***	56***	40	41	55***
	(1)	(2)	(3)	(3)	(3)	(1)	(2)	(2)	(2)	(2)	(2)	(2)
Number of responses	312	140	53	64	62	117	114	164	155	95	127	103
Frequency of exit in all years VentureSource data												
% IPO	13	12	13	12***	22***	23***	6***	18***	9***	17	13	12
	(1)	(1)	(2)	(2)	(2)	(1)	(1)	(1)	(1)	(2)	(2)	(1)
% MA	43	42**	49**	48***	38***	46	47	47***	39***	48	47	35***
	(1)	(2)	(2)	(2)	(2)	(1)	(2)	(1)	(2)	(2)	(2)	(2)
% Apparent failure	44	47***	37***	40	40	31***	47***	35***	52***	36	40	53***
	(1)	(2)	(3)	(3)	(3)	(1)	(2)	(1)	(2)	(2)	(2)	(2)
Number of responses	317	143	54	65	63	117	114	166	158	97	129	104

Table 24: Exit Multiple Frequency

The average percentage of cash-on-cash exit multiples in each range. Mean reported multiple is the average of these, with each bucket coded as its midpoint and the 10x+ bucket coded at 15.

		Stage		Industry		IPO Rate		Fund Size		Location		
	All	Early	Late	IT	Health	High	Low	Large	Small	CA	OthUS	Fgn
<1	24	27**	20**	26**	20**	25	28	25	24	25	25	23
	(1)	(2)	(2)	(2)	(2)	(2)	(2)	(1)	(1)	(2)	(2)	(2)
1-2	19	18	18	15*	19*	17	20	18	19	19	20	19
	(1)	(1)	(2)	(1)	(2)	(1)	(2)	(1)	(1)	(2)	(1)	(1)
2-3	19	14***	28***	18	19	17	19	19	19	17	19	20
	(1)	(1)	(3)	(2)	(2)	(1)	(1)	(1)	(1)	(1)	(1)	(2)
3-5	16	16	20	17	17	17	16	17	16	16	16	16
	(1)	(1)	(2)	(2)	(2)	(1)	(2)	(1)	(1)	(2)	(1)	(2)
5-10	12	13**	8**	12	16	15**	10**	13	12	12	13	11
	(1)	(1)	(1)	(2)	(3)	(2)	(1)	(1)	(1)	(2)	(1)	(2)
10+	9	12**	7**	13	9	9*	7*	9	9	10*	7*	10
	(1)	(1)	(2)	(2)	(2)	(1)	(1)	(1)	(1)	(1)	(1)	(2)
Mean reported multiple	3.8	4.2**	3.5**	4.2	4.1	4.0***	3.4***	3.8	3.8	3.9	3.6	3.9
	(0.1)	(0.2)	(0.2)	(0.3)	(0.3)	(0.2)	(0.2)	(0.1)	(0.2)	(0.2)	(0.2)	(0.2)
Std reported multiple	2.9	3.1**	2.6**	3.4***	2.7***	3.3**	2.9**	3.1***	2.7***	3.2*	2.9*	2.5***
	(0.1)	(0.1)	(0.2)	(0.2)	(0.2)	(0.1)	(0.1)	(0.1)	(0.1)	(0.2)	(0.1)	(0.1)
Number of responses	410	179	70	96	67	115	109	189	221	114	165	144

Table 25: Important Contributors to Value Creation

The percentage of respondents who marked each factor as important (top) and as most important (bottom) for value creation.

		Stage		Industry		IPO Rate		Fund Size		Location		
	All	Early	Late	IT	Health	High	Low	Large	Small	CA	OthUS	Fgn
Important factor												
Deal flow	65	68	65	73***	49***	62	64	69	62	73	67	57***
	(2)	(3)	(5)	(4)	(5)	(4)	(4)	(3)	(3)	(4)	(3)	(4)
Selection	86	87	87	91**	81**	89	88	88	85	87	87	84
	(1)	(2)	(4)	(3)	(4)	(3)	(3)	(2)	(2)	(3)	(2)	(3)
Value-add	84	85*	77*	78**	89**	87	83	84	83	86*	79*	89**
	(2)	(2)	(5)	(4)	(4)	(3)	(3)	(2)	(2)	(3)	(3)	(2)
Other	4	3	6	3	3	5	4	4	4	2	4	5
	(1)	(1)	(3)	(1)	(2)	(2)	(2)	(1)	(1)	(1)	(1)	(2)
Most important factor												
Deal flow	23	27	19	29***	13***	19**	31**	27	21	27	25	18**
	(2)	(3)	(4)	(4)	(4)	(3)	(4)	(3)	(2)	(4)	(3)	(3)
Selection	49	44	52	49	52	57**	46**	51	46	48	50	48
	(2)	(3)	(5)	(4)	(5)	(4)	(4)	(3)	(3)	(4)	(3)	(4)
Value-add	27	27	27	21**	35**	22	22	22***	32***	23	23	34**
	(2)	(3)	(5)	(4)	(5)	(3)	(3)	(3)	(3)	(3)	(3)	(3)
Other	1	1	2	1	0	2	1	1	1	1	1	0
	(0)	(1)	(1)	(1)	(0)	(1)	(1)	(1)	(1)	(1)	(1)	(0)
Number of responses	509	226	82	122	78	129	139	231	281	145	205	179

Table 26: Factors That Contributed to Successful Investments

The percentage of respondents who marked each factor as important (top) and as most important (bottom) to the success of startups.

		Stage		Industry		IPO Rate		Fund Size		Location		
	All	Early	Late	IT	Health	High	Low	Large	Small	CA	OthUS	Fgn
Important factor												
Team	96	96	94	94	96	97	96	97	96	96	96	97
	(1)	(1)	(3)	(2)	(2)	(1)	(2)	(1)	(1)	(2)	(1)	(1)
Business model	60	55***	73***	63***	32***	54	55	63	58	59	60	61
	(2)	(3)	(5)	(4)	(5)	(4)	(4)	(3)	(3)	(4)	(3)	(3)
Technology	59	60	52	53***	79***	62	59	58	59	67*	58*	53*
	(2)	(3)	(5)	(4)	(5)	(4)	(4)	(3)	(3)	(4)	(3)	(4)
Market	34	34*	44*	42	36	37	30	36	33	39	36	31
	(2)	(3)	(5)	(4)	(5)	(4)	(4)	(3)	(3)	(4)	(3)	(3)
Industry	59	54**	68**	59	48	49**	60**	58	60	59	60	57
	(2)	(3)	(5)	(4)	(5)	(4)	(4)	(3)	(3)	(4)	(3)	(4)
Timing	67	64	62	69**	55**	70	65	67	66	71	65	65
	(2)	(3)	(5)	(4)	(5)	(4)	(4)	(3)	(3)	(4)	(3)	(3)
Luck	56	61***	38***	63*	51*	57	58	53	58	64**	51**	55
	(2)	(3)	(5)	(4)	(5)	(4)	(4)	(3)	(3)	(4)	(3)	(4)
Board of directors	29	32	24	26	27	25	33	25**	34**	31	31	26
	(2)	(3)	(5)	(4)	(5)	(3)	(4)	(3)	(3)	(4)	(3)	(3)
My contribution	26	25	25	25	23	17	23	20***	30***	27	25	25
	(2)	(3)	(5)	(4)	(5)	(3)	(3)	(2)	(3)	(3)	(3)	(3)
Most important factor												
Team	56	64***	42***	55*	42*	53	59	52*	59*	55	55	60
	(2)	(3)	(5)	(4)	(5)	(4)	(4)	(3)	(3)	(4)	(3)	(4)
Business model	7	4***	18***	8	3	5	6	8	7	6	8	7
	(1)	(1)	(4)	(2)	(2)	(2)	(2)	(2)	(1)	(2)	(2)	(2)
Technology	9	6	11	7***	31***	12	10	10	9	9	9	10
	(1)	(2)	(3)	(2)	(5)	(3)	(2)	(2)	(2)	(2)	(2)	(2)
Market	2	1*	4*	0*	3*	4	2	3	1	2	2	2
	(1)	(0)	(2)	(0)	(2)	(2)	(1)	(1)	(1)	(1)	(1)	(1)
Industry	7	6	10	6	6	6	8	8	6	6	7	6
	(1)	(2)	(3)	(2)	(3)	(2)	(2)	(2)	(1)	(2)	(2)	(2)
Timing	12	11	11	16*	7*	7	9	10	13	11	11	11
	(1)	(2)	(3)	(3)	(3)	(2)	(2)	(2)	(2)	(3)	(2)	(2)
Luck	6	7	5	6	3	9	6	7	5	11*	5*	3*
	(1)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(1)	(2)	(1)	(1)
Board of directors	1	0	2	1	4	2	1	1	1	0	1	1
	(0)	(0)	(2)	(1)	(2)	(1)	(1)	(1)	(1)	(0)	(1)	(1)
My contribution	0	0	0	0	1	0	0	0	0	0	1	0
	(0)	(0)	(0)	(0)	(1)	(0)	(0)	(0)	(0)	(0)	(1)	(0)
Number of responses	513	225	84	120	78	130	140	236	281	145	206	182

Table 27: Factors That Contributed to Failed Investments

The percentage of respondents who marked each factor as important (top) and as most important (bottom) to the failure of startups.

		Stage		Industry		IPO Rate		Fund Size		Location		
	All	Early	Late	IT	Health	High	Low	Large	Small	CA	OthUS	Fgn
Important factor												
Team	92	91	91	93**	84**	90	91	92	91	92	91	91
	(1)	(2)	(3)	(2)	(4)	(3)	(2)	(2)	(2)	(2)	(2)	(2)
Business model	57	54	60	63***	39***	54	57	58	57	58	61	52*
	(2)	(3)	(5)	(4)	(5)	(4)	(4)	(3)	(3)	(4)	(3)	(4)
Technology	45	46	36	41***	64***	49	44	46	45	51	46	41
	(2)	(3)	(5)	(4)	(5)	(4)	(4)	(3)	(3)	(4)	(3)	(4)
Market	31	35*	25*	26*	37*	35	27	30	33	37	34	25**
	(2)	(3)	(5)	(4)	(5)	(4)	(4)	(3)	(3)	(4)	(3)	(3)
Industry	58	57	60	59*	46*	50	59	56	59	58	59	56
	(2)	(3)	(5)	(4)	(5)	(4)	(4)	(3)	(3)	(4)	(3)	(4)
Timing	49	50	42	57**	41**	46	50	48	50	50	47	51
	(2)	(3)	(5)	(4)	(5)	(4)	(4)	(3)	(3)	(4)	(3)	(4)
Luck	30	30	24	32	32	31	29	29	32	38**	27**	30
	(2)	(3)	(5)	(4)	(5)	(4)	(4)	(3)	(3)	(4)	(3)	(3)
Board of directors	33	28	33	25	30	35	36	31	35	39**	27**	36
	(2)	(3)	(5)	(4)	(5)	(4)	(4)	(3)	(3)	(4)	(3)	(3)
My contribution	9	8	6	10	6	7	8	7	11	11	7	10
	(1)	(2)	(3)	(3)	(3)	(2)	(2)	(1)	(2)	(2)	(2)	(2)
Most important factor												
Team	55	60*	48*	57***	34***	51	59	50**	59**	54	52	59
	(2)	(3)	(5)	(4)	(5)	(4)	(4)	(3)	(3)	(4)	(3)	(4)
Business model	10	7**	16**	13	10	7	9	6**	12**	8	11	10
	(1)	(2)	(4)	(3)	(3)	(2)	(2)	(1)	(2)	(2)	(2)	(2)
Technology	8	6	7	3***	36***	16***	7***	13***	5***	8	9	8
	(1)	(2)	(3)	(1)	(5)	(3)	(2)	(2)	(1)	(2)	(2)	(2)
Market	3	3	1	3	3	4	2	0***	4***	6**	2**	1**
	(1)	(1)	(1)	(1)	(2)	(2)	(1)	(0)	(1)	(2)	(1)	(1)
Industry	10	10	16	13	7	9	8	14**	8**	9	13	9
	(1)	(2)	(4)	(3)	(3)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Timing	9	8	10	9	5	8	9	10	8	10	9	9
	(1)	(2)	(3)	(3)	(3)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Luck	3	4	1	2	1	4	4	3	2	4	3	1
	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(2)	(1)	(1)
Board of directors	3	2	1	2	4	1	3	2	3	1	2	4
	(1)	(1)	(1)	(1)	(2)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
My contribution	0	0	0	0	0	0	0	0	0	0	0	0
	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Number of responses	511	226	82	120	78	130	141	235	279	145	205	181

Table 28: Number of People Working at Funds

The number of people in each role and the percentage of total people in each role at each responding fund.

		Stage		Industry		IPO Rate		Fund Size		Location		
	All	Early	Late	IT	Health	High	Low	Large	Small	CA	OthUS	Fgn
Partners	4.7	3.9***	6.3***	4.1	4.4	7.2***	4.2***	6.2***	3.5***	5.3	4.5	5.3
	(0.2)	(0.2)	(1.2)	(0.2)	(0.3)	(0.7)	(0.2)	(0.3)	(0.2)	(0.5)	(0.2)	(0.7)
Venture partners	1.3	1.2	1.4	0.9***	2.1***	1.9**	1.3**	1.8***	1.0***	1.6	1.2	1.4
	(0.1)	(0.1)	(0.3)	(0.1)	(0.3)	(0.2)	(0.2)	(0.2)	(0.2)	(0.3)	(0.2)	(0.2)
Associates	2.9	2.0***	4.7***	2.4	2.2	4.4***	2.4***	4.4***	1.7***	2.7	2.7	3.7**
	(0.2)	(0.2)	(0.7)	(0.3)	(0.3)	(0.7)	(0.2)	(0.4)	(0.1)	(0.3)	(0.3)	(0.5)
Other	4.5	3.2**	5.3**	5.0	3.1	9.9***	3.1***	7.8***	2.2***	5.8	4.5	4.6
	(0.7)	(0.4)	(0.9)	(1.4)	(0.5)	(2.6)	(0.4)	(1.5)	(0.3)	(1.3)	(0.9)	(1.4)
Total	13.5	10.3***	17.7***	12.3	11.8	23.5***	11.0***	20.2***	8.4***	15.4	12.9	15.0
	(0.9)	(0.7)	(2.4)	(1.7)	(0.9)	(3.4)	(0.7)	(1.9)	(0.6)	(1.8)	(1.4)	(1.9)
% Partners	48	50**	43**	48	47	44	48	42***	53***	51	49	44***
	(1)	(2)	(2)	(2)	(2)	(2)	(2)	(1)	(1)	(2)	(2)	(2)
% Venture partners	10	10	8	8***	15***	11	11	10	10	11	9	10
	(1)	(1)	(1)	(1)	(2)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
% Associates	20	18***	24***	20	17	20	19	22**	19**	17*	20*	24***
	(1)	(1)	(2)	(2)	(2)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
% Other	22	22	25	24	21	25	22	25***	19***	21	22	22
	(1)	(1)	(2)	(2)	(2)	(2)	(1)	(1)	(1)	(2)	(1)	(1)
Number of responses	610	245	96	131	87	144	165	263	335	176	239	219

Table 29: Partners' Specialization

The first panel reports the fraction of respondents where partners specialize in different taskes. The second panel reports the roles selected among those respondents who stated that partners in their fund specialized.

		Stage		Industry		IPO Rate		Fund Size		Location		
	All	Early	Late	IT	Health	High	Low	Large	Small	CA	OthUS	Fgn
Partners specialize	60	58	63	53	62	52	54	59	60	59	59	62
	(2)	(3)	(6)	(5)	(5)	(4)	(4)	(3)	(3)	(4)	(4)	(4)
Number of responses	448	194	74	101	75	119	117	208	245	128	181	155
Among funds where partners specialize, the respondent's role is												
Generalist	44	41	38	34	33	39	46	44	44	43	45	45
	(3)	(5)	(7)	(6)	(7)	(6)	(6)	(4)	(4)	(5)	(5)	(5)
Fund raising	52	54	56	65**	43**	50	50	54	50	53	51	52
	(3)	(5)	(7)	(6)	(7)	(6)	(6)	(4)	(4)	(5)	(5)	(5)
Deal making	55	56	56	54	59	52	59	46***	62***	51	58	57
	(3)	(5)	(7)	(7)	(7)	(6)	(6)	(4)	(4)	(6)	(5)	(5)
Sourcing deals	53	51	49	53	55	47	52	44***	61***	55	57	46*
	(3)	(5)	(7)	(7)	(7)	(6)	(6)	(4)	(4)	(5)	(5)	(5)
Networking	32	40**	21**	36	31	32	27	26**	38**	36	33	28
	(3)	(5)	(6)	(6)	(7)	(5)	(5)	(4)	(4)	(5)	(4)	(4)
Other	17	17	22	14	22	20	20	15	18	19	17	15
	(2)	(3)	(6)	(4)	(6)	(5)	(5)	(3)	(3)	(4)	(4)	(3)
Number of responses	287	116	48	59	50	76	69	136	152	82	112	100

Table 30: Time Use

The first panel reports the average hours per week spent by respondents on each activity in a normal week. The second reports the number of board seats they hold.

		Stage		Industry		IPO Rate		Fund Size		Location		
	All	Early	Late	IT	Health	High	Low	Large	Small	CA	OthUS	Fgn
Sourcing deals	15.2	14.9	16.6	15.7	14.7	16.4	15.1	16.2**	14.3**	16.4	15.5	14.1**
	(0.4)	(0.6)	(1.2)	(0.8)	(1.0)	(0.8)	(0.7)	(0.6)	(0.5)	(0.8)	(0.6)	(0.6)
Assisting portfolio companies	18.3	18.7	17.3	16.6**	20.4**	17.2	19.1	18.4	18.1	17.8	18.4	18.5
	(0.5)	(0.7)	(1.4)	(0.8)	(1.4)	(0.7)	(1.0)	(0.7)	(0.6)	(0.9)	(0.8)	(0.8)
Networking	7.4	8.3*	7.1*	7.9**	6.3**	6.6	7.2	7.3	7.4	7.5	7.5	7.2
	(0.2)	(0.4)	(0.6)	(0.5)	(0.5)	(0.4)	(0.4)	(0.3)	(0.3)	(0.4)	(0.4)	(0.4)
Managing VC firm	8.5	8.2	8.8	8.1	9.5	8.5	7.6	8.3	8.7	7.2**	9.0**	8.9
	(0.3)	(0.4)	(0.7)	(0.6)	(0.8)	(0.5)	(0.5)	(0.4)	(0.4)	(0.4)	(0.5)	(0.5)
Meeting LPs	3.0	2.8**	3.9**	2.8	3.0	2.6	2.8	2.6**	3.4**	2.7	2.9	3.4
	(0.2)	(0.2)	(0.5)	(0.3)	(0.5)	(0.3)	(0.3)	(0.2)	(0.2)	(0.3)	(0.3)	(0.3)
Other	2.4	2.4	1.5	2.4	2.2	2.3	2.8	2.4	2.4	2.3	2.1	2.8
	(0.2)	(0.3)	(0.4)	(0.4)	(0.5)	(0.4)	(0.4)	(0.3)	(0.3)	(0.4)	(0.3)	(0.4)
Total hours	54.7	55.2	55.2	53.6	56.1	53.6	54.6	55.1	54.3	53.9	55.4	54.9
	(0.7)	(1.1)	(1.8)	(1.3)	(2.1)	(1.2)	(1.3)	(1.0)	(1.0)	(1.3)	(1.1)	(1.3)
Number of responses	444	192	71	99	73	118	118	205	239	126	181	153
Boards memberships	4.8	5.2***	4.1***	5.4*	4.6*	5.1	5.1	4.9	4.7	5.0	4.6	4.9
	(0.1)	(0.2)	(0.3)	(0.3)	(0.3)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.3)
Number of responses	456	204	73	103	76	118	126	207	251	129	185	159

Table 31: Fund Structure Questions

This table summarizes the responses to a number of questions on VC fund structure.

		Stage		Industry		IPO Rate		Fund Size		Location		
	All	Early	Late	IT	Health	High	Low	Large	Small	CA	OthUS	Fgn
Compensation depends on individual success	74	78*	67*	81	77	66***	81***	65***	84***	73	76	73
	(2)	(3)	(5)	(4)	(5)	(4)	(4)	(3)	(2)	(4)	(3)	(4)
Number of responses	446	193	74	101	74	118	117	205	244	127	181	154
Partners get equal shares of carry	44	51**	35**	50	52	44	48	42	48	43	43	46
	(2)	(4)	(6)	(5)	(6)	(5)	(5)	(3)	(3)	(5)	(4)	(4)
Number of responses	429	182	71	95	71	113	110	197	234	110	178	152
Partners invest equal shares of fund capital	49	53	44	55	52	50	54	47	52	55	46	47
	(2)	(4)	(6)	(5)	(6)	(4)	(4)	(3)	(3)	(4)	(4)	(4)
Number of responses	442	193	71	101	73	118	116	203	242	127	179	152

Table 32: Fund-Level Decision Making Process

This table lists the fraction of funds using each decision rule for their initial investments.

		Stage		Industry		IPO Rate		Fund Size		Location		
	All	Early	Late	IT	Health	High	Low	Large	Small	CA	OthUS	Fgn
Unanimous	49	53	53	41**	56**	40**	52**	40***	56***	35***	55***	52
	(2)	(3)	(5)	(4)	(5)	(4)	(4)	(3)	(3)	(4)	(3)	(3)
Unanimous - 1	7	6	6	7	6	9	7	8	6	5	6	10**
	(1)	(2)	(2)	(2)	(3)	(2)	(2)	(2)	(1)	(2)	(1)	(2)
Consensus	20	18	21	23	21	20	19	25**	17**	26	22	14***
	(2)	(2)	(4)	(4)	(4)	(3)	(3)	(3)	(2)	(3)	(3)	(2)
Majority of partners	15	11	17	15	14	20	15	18	13	19***	10***	18
	(1)	(2)	(4)	(3)	(3)	(3)	(3)	(2)	(2)	(3)	(2)	(3)
Scoring	2	3	1	2	0	2	3	2	2	3	1	1
	(1)	(1)	(1)	(1)	(0)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Independent decisions	4	6**	0**	7*	2*	5	3	4	3	8**	3**	3
	(1)	(2)	(0)	(2)	(1)	(2)	(1)	(1)	(1)	(2)	(1)	(1)
Other	3	3	2	6	2	4	2	3	3	5	4	2
	(1)	(1)	(2)	(2)	(1)	(1)	(1)	(1)	(1)	(2)	(1)	(1)
Number of responses	556	239	90	130	88	139	155	248	311	158	219	201

Table 33: Benchmarks Important to LPs

The percentage of respondents who indicate a given benchmark is important (top) and as most important (bottom) to LPs. 'Fraction that are relative' is the average percentage of selected benchmarks that are relative to either the S&P 500 or to other VC funds.

		Stage		Industry		IPO Rate		Fund Size		Location		
	All	Early	Late	IT	Health	High	Low	Large	Small	CA	OthUS	Fgn
Important benchmark												
Cash-on-cash multiple	84	87	85	89	87	85	88	90***	80***	90*	83*	82
	(2)	(2)	(4)	(3)	(4)	(3)	(3)	(2)	(3)	(3)	(3)	(3)
Net IRR	81	77**	89**	84	75	87	80	84	78	78	85	78
	(2)	(3)	(3)	(4)	(5)	(3)	(4)	(2)	(3)	(4)	(3)	(3)
Gross IRR	27	26	32	29	21	15***	29***	23*	31*	28	21	32*
	(2)	(3)	(5)	(4)	(5)	(3)	(4)	(3)	(3)	(4)	(3)	(4)
Perf. relative to S&P 500	23	25	28	25*	14*	24	23	25	22	29	27	14***
	(2)	(3)	(5)	(4)	(4)	(4)	(4)	(3)	(3)	(4)	(3)	(3)
Perf. relative to VC funds	60	63	61	66	55	70	64	65*	56*	67	59	57
	(2)	(3)	(6)	(5)	(6)	(4)	(4)	(3)	(3)	(4)	(4)	(4)
Other	2	1	0	0**	5**	2	1	1	3	3	2	1
	(1)	(1)	(0)	(0)	(2)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Most important benchmark												
Cash-on-cash multiple	52	59	50	67	59	54	51	55	49	61	54	41***
	(2)	(3)	(6)	(5)	(6)	(4)	(4)	(3)	(3)	(4)	(4)	(4)
Net IRR	32	26*	36*	23	25	32	29	31	34	26	32	37*
	(2)	(3)	(6)	(4)	(5)	(4)	(4)	(3)	(3)	(4)	(3)	(4)
Gross IRR	6	4	6	4	7	1**	6**	5	6	5	3	9**
	(1)	(1)	(3)	(2)	(3)	(1)	(2)	(2)	(1)	(2)	(1)	(2)
Perf. relative to S&P 500	1	2	3	0	0	2	3	1	2	0*	3*	1
	(1)	(1)	(2)	(0)	(0)	(1)	(2)	(1)	(1)	(0)	(1)	(1)
Perf. relative to VC funds	8	9	5	5	8	10	11	7	9	7	7	11
	(1)	(2)	(3)	(2)	(3)	(3)	(3)	(2)	(2)	(2)	(2)	(2)
Other	1	1	0	0	1	1	1	0	1	1	1	1
	(0)	(1)	(0)	(0)	(1)	(1)	(1)	(0)	(1)	(1)	(1)	(1)
Number of benchmarks	3	3	3	3**	3**	3	3	3*	3*	3	3	3*
	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Number of responses	446	199	75	99	74	117	120	209	242	128	182	153

Table 34: Target Returns and Performance Expectations

The first section reports the mean and median net IRR that respondents market to LPs as target. The second section reports the same statistics for net cash-on-cash multiple. The third and fourth section reports VCs expectations for their performance and the performance of the VC industry, both relative to the market.

		Stage		Industry		IPO Rate		Fund Size		Location		
	All	Early	Late	IT	Health	High	Low	Large	Small	CA	OthUS	Fgn
IRR marketed to LPs	24	24	21	23	21	21	25	24	23	23	27	21
	(2)	(2)	(1)	(1)	(1)	(1)	(4)	(3)	(2)	(1)	(4)	(1)
Median	20	20	20	20	20	20	20	20	20	20	20	20
	(0)	(1)	(0)	(1)	(0)	(0)	(0)	(0)	(0)	(1)	(0)	(0)
Number of responses	364	152	65	75	64	101	90	171	197	93	150	130
Multiple marketed to LPs	3.5	3.8**	2.8**	3.5	3.3	3.4	3.5	3.5	3.6	3.5	3.5	3.6
	(0.2)	(0.3)	(0.2)	(0.3)	(0.3)	(0.3)	(0.3)	(0.2)	(0.2)	(0.3)	(0.3)	(0.4)
Median	3.0	3.0***	2.5***	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
	(0.0)	(0.0)	(0.0)	(0.0)	(0.1)	(0.1)	(0.1)	(0.1)	(0.0)	(0.0)	(0.1)	(0.1)
Number of responses	380	165	69	82	65	106	98	183	201	104	155	134
My investments will outperform the stock market	93	93	96	97	92	91	93	94	93	97	93	91*
	(1)	(2)	(2)	(2)	(3)	(3)	(2)	(2)	(2)	(2)	(2)	(2)
Number of responses	433	192	72	97	73	120	115	202	236	127	178	144
VC overall will outperform the stock market	71	72	73	72	72	68	69	69	73	68	69	77*
	(2)	(3)	(5)	(4)	(5)	(4)	(4)	(3)	(3)	(4)	(3)	(3)
Number of responses	438	195	72	99	74	120	115	203	239	129	180	145

Table 35: Correlation Between Subsubsample Membership Indicators

This table lists the correlation between indicator variables for subsample membership. In VS refers to VC firms in Dow Jones VentureSource. Correlations are taken only over the portion of the variables that are defined for both (IE: correlations involving VentureSource are taken only over the portion of the sample that is in VS, correlations over deciles are taken only for VCs that answer that question.)

	Stage		Industry		IPO Rate		Fund Size		Location			
	Early	Late	IT	Health	High	Low	Large	Small	CA	OthUS	Fgn	In VS
Early	100	-25***	24***	-5	-10**	7*	-11***	20***	3	2	-6	13***
Late	-25***	100	1	-1	-2	0	10***	-4	-1	1	0	-8**
IT	24***	1	100	-19***	-3	1	-4	9**	14***	-6	-8**	0
Health	-5	-1	-19***	100	21***	-14***	13***	-8**	-2	7**	-6	4
High	-10**	-2	-3	21***	100	-28***	37***	-33***	21***	-4	-16***	
Low	7*	0	1	-14***	-28***	100	-5	10***	-13***	7*	6	
Large	-11***	10***	-4	13***	37***	-5	100	-85***	15***	0	-14***	13***
Small	20***	-4	9**	-8**	-33***	10***	-85***	100	-15***	-1	15***	3
CA	3	-1	14***	-2	21***	-13***	15***	-15***	100	-51***	-44***	4
OthUS	2	1	-6	7**	-4	7*	0	-1	-51***	100	-55***	-5
Fgn	-6	0	-8**	-6	-16***	6	-14***	15***	-44***	-55***	100	1
In VS	13***	-8**	0	4			13***	3	4	-5	1	100