Discussion of
"Reputation Spillovers in Venture Capital: Evidence from a Randomized Field Experiment"

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Big Picture

- VC Funding is one of the most important sources of funding innovation in the US (and globally)
  - US (Global) VC funding in 2020 was $164.3 ($300.5) billion
- Main question: What is the added value of VCs?
  - Screening
  - Get involved into management
  - Provide advice
  - Network effect

  - And maybe by having their name on the company!

Summary of findings

- R1: Start-ups receive more applications when applicants are informed about the firm being funded by a top VC

Panel A. Startup-Week Effects				
	(1) Any Click	(2) Info Click	(3) App. Click	(4) Applied
Top Investor Badge	0.0054*** (0.0012)	0.0030*** (0.0008)	0.0025*** (0.0009)	0.0027*** (0.0008)
Recently Funded Badge	0.0037* (0.0021)	0.0016 (0.0016)	0.0021 (0.0014)	0.0022 (0.0015)
Startup-Week FE	Yes	Yes	Yes	Yes
R-Squared	0.142	0.144	0.115	0.109
Observations	477,639	477,639	477,639	477,639

Summary of findings

- R2: Treatment effect of VC reputation is mostly driven by early-stage start-ups

	Any Click		Info Click		App. Click		Applied	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Financing Stage	Early	Late	Early	Late	Early	Late	Early	Late
Top Investor Badge	0.0094***	0.0033**	0.0051***	0.0016	0.0043***	0.0016	0.0056***	0.0014
	(0.0019)	(0.0014)	(0.0014)	(0.0010)	(0.0014)	(0.0010)	(0.0012)	(0.0010)
Recently Funded Badge	-0.0011	0.0074**	-0.0008	0.0034	-0.0003	0.0041*	-0.0005	0.0030
	(0.0023)	(0.0035)	(0.0018)	(0.0024)	(0.0015)	(0.0022)	(0.0017)	(0.0021)
Startup FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
P-Value of Difference	0.008	0.008	0.049	0.049	0.118	0.118	0.006	0.006
R-Squared	0.051	0.020	0.051	0.019	0.036	0.015	0.034	0.015
Observations	173,450	94,783	173,450	94,783	173,450	94,783	173,450	94,783

- R3: Treatment effect of VC reputation is concentrated in start-ups in innovation hubs.

Comments

- Reputation vs. delusion

- Adding value passively vs. screening vs. monitoring

- Characteristics of marginal applicants

- Adding other sources of data

Comments

- I totally believe the result:

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- Platforms have made the cost of experimentation close to zero!

- And in many cases reduced form results are all that they need.

- Have they tried other tags about investors before trying this?

Reputation vs. delusion

- Is "reputation" replicable?
  - VC tags are "same investor as X"
  - Do they differentiate between "spray and pray" investors and more involved investors?

- Do we know if investors in unicorns/super stars perform better than other VCs?

- What if more "reputable" VCs are associated with higher risk-return trade-off?
  - it is not obvious that workers will benefit from the upside.

Adding value passively vs. screening vs. monitoring

- Example of "adding value passively":
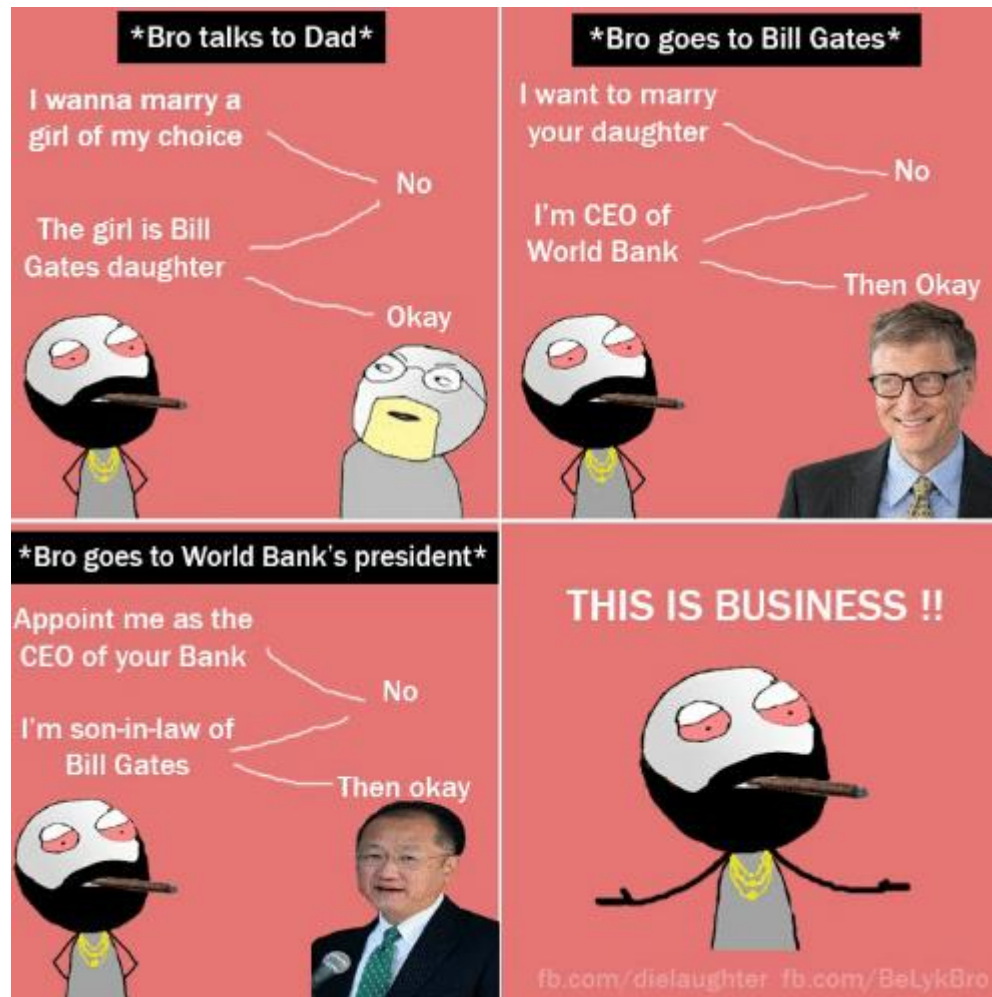
Adding value passively vs. screening vs. monitoring

- Screening/signaling: applicants pay more attention to investor tag when they have less information about the firm / less precise prior
  - Consistent with the result being driven by early-stage start-ups
  - Can test the marginal effect of investor tag in presence/absence of other tags/information
- Monitoring: investor tag more important when monitoring is needed the most.
  - Can be inferred by contracts/ investor control rights

- Very different implications for what information you want to share.

Characteristics of marginal applicants

- Are applicants on AngelList representative pool/left tail/right tail?

- Do we know anything about what happens after application?

- Results in Table 9 suggest marginal applicants do not have lower quality.
  - What about using characteristics based on behavior of applicants on the platform?
  - Number/ location/ variety of jobs of applications submitted
  - Athey-Wager (2018) can be a useful way to infer heterogenous treatment effect.

Adding other sources of data

- Most of these firms are also reviewed on glassdoor/ Linkedin/…
- Data from other sources can be used to:
  - Are the effects different based on availability of other information
  - Are workers better off by applying to these firms?
  - Can we infer wages/job stability from glassdoor?

Conclusion

- Some correlation between "reputable" investors and start-up performance is useful.

- Disentangle the channel (it can matter even from the point of view of the workers)

- More heterogeneity/welfare analysis on the workers.