

Signal Sequences: Venture Capital, IPO and Valuation of Entrepreneurial Ventures at Acquisition

Discussion by Tom Vanacker

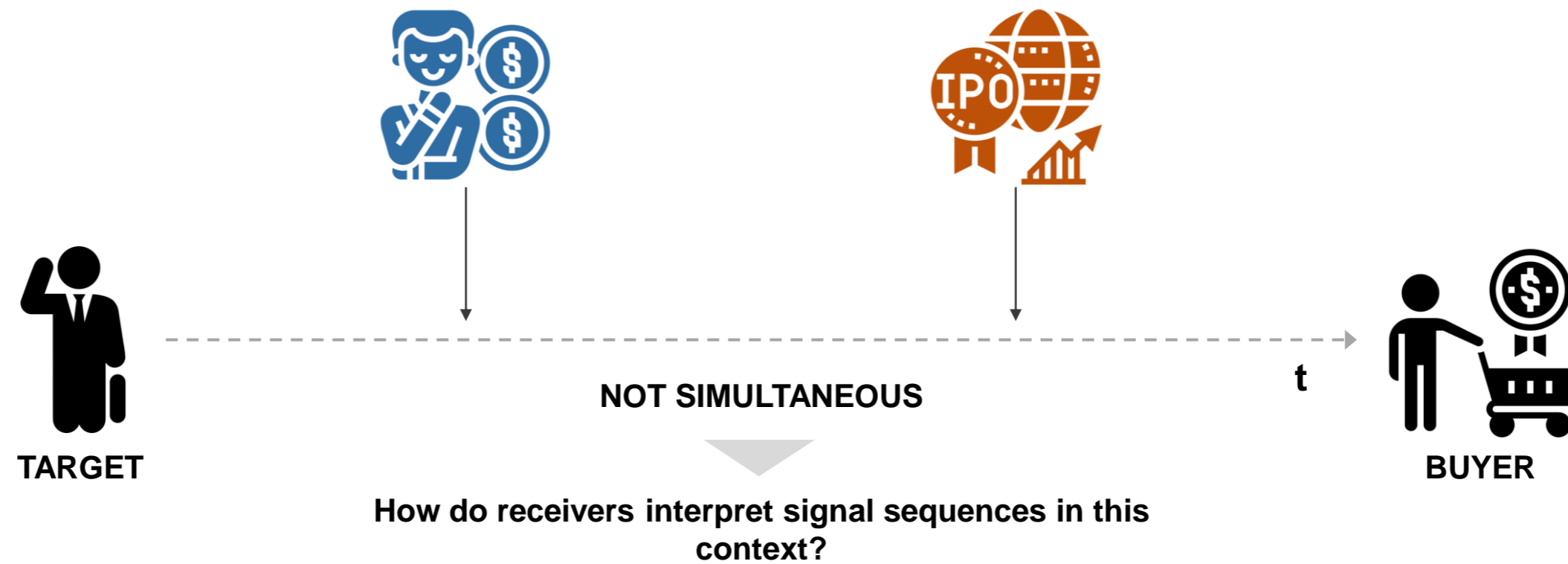
1. OVERVIEW

- **Research question:** Does a prior signal influence the effectiveness of a later signal?
- **Data:** 2,085 European (Israeli) entrepreneurial firms involved in an acquisition
- **Key finding:** Strong signal (reputable VC) with subsequent weak signal (at IPO) will negatively impact firm valuation

2. STRENGTHS

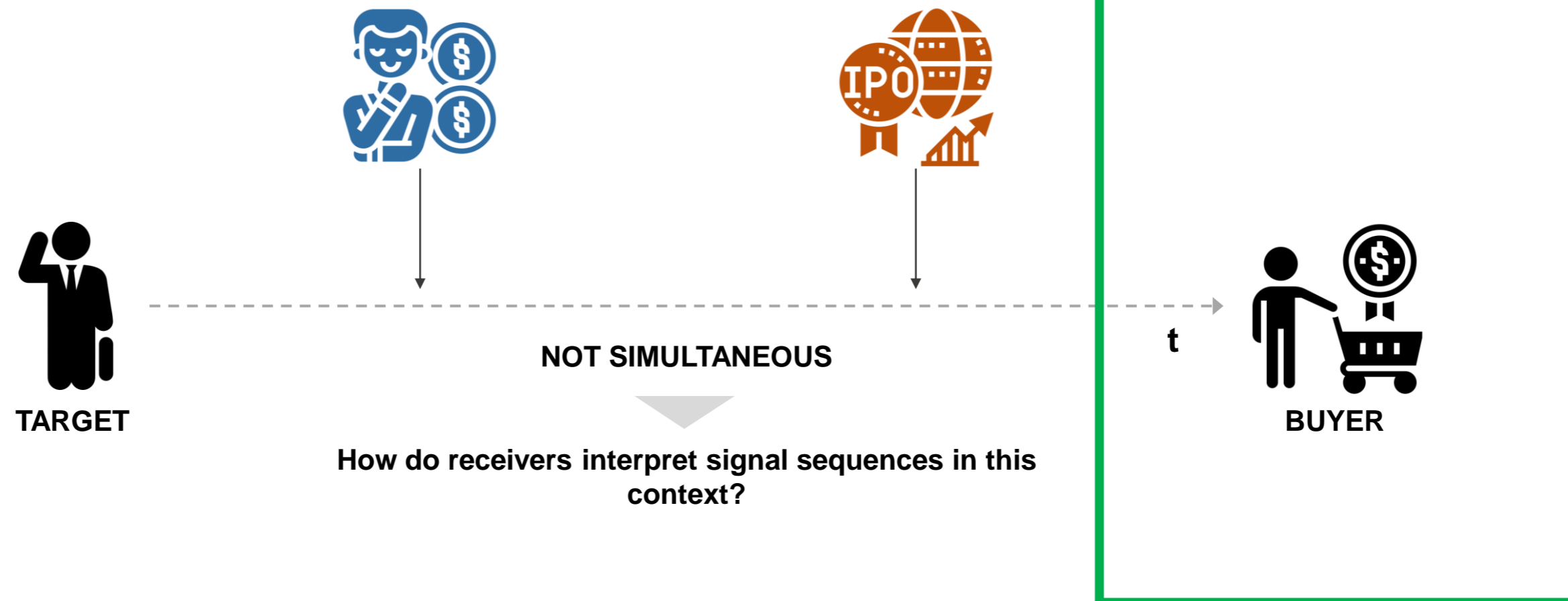
- Interesting topic
- Great question
- Impressive data
- Interesting results (robustness)

3. FEEDBACK



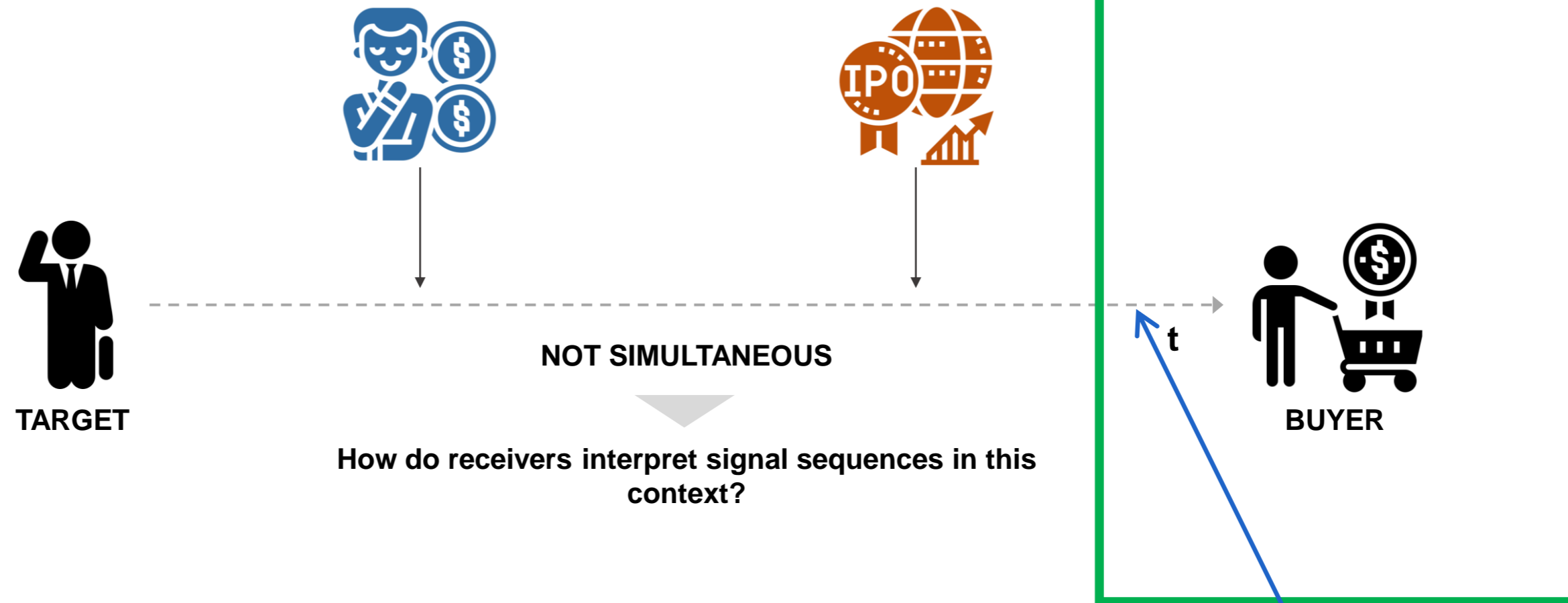
3.1. WHY WOULD OLD SIGNALS MATTER?

1. DUE DILIGENCE



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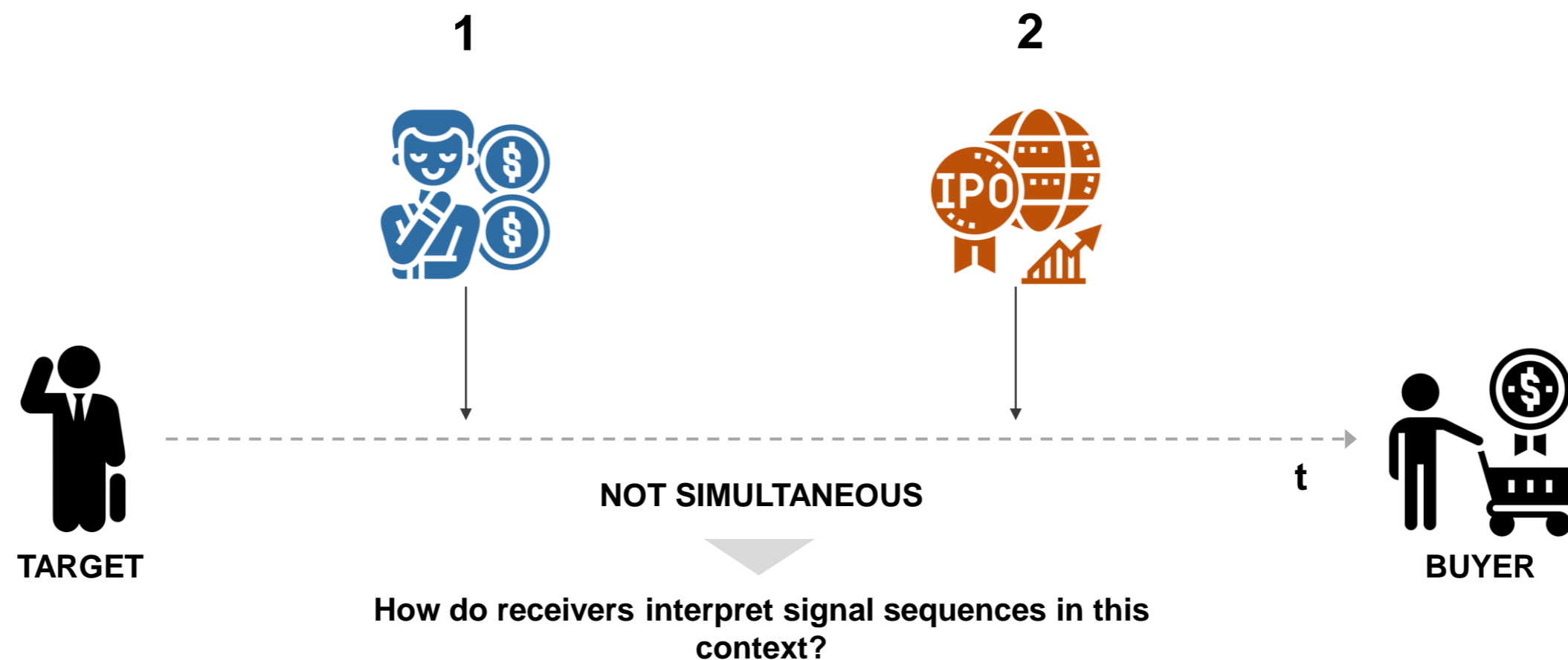
1. DUE DILIGENCE?



2. MORE RECENT SIGNALS?

3.2. PROBLEMISTIC SEARCH

- Why start with processing VC signal, and then IPO signal? (Also, clarify audience)



3.3. OTHER POSITIONING/THEORY

- Current gaps in theory -- Elaborate
 - Signaling theory applied to acquisitions: Only focus on public firms
 - Simultaneous occurrence of multiple signals
 - Plummer et al., 2016 (product intro + affiliation);
Ozmel et al., 2013 (VC + alliance)
- Hypothesis 1: focuses on two elements

3.4. SELECTION/ENDOGENEITY

- Is matching still OK after sample construction?
- Currently focus on matching and IVs for VC and IPO
 - VC Else vs. VC US?
 - IPO Else vs. IPO US?
- Larcker, D. F., & Rusticus, T. O. (2010). On the use of instrumental variables in accounting research. *Journal of Accounting and Economics*, 49(3), 186-205.

3.5. OTHER EMPIRICAL

- Why no year dummies?
- Why not financial performance year before acquisition?
- Outliers?
- Firm leverage? Firm growth?
- More reputable VC:
 - US versus Else – Why not cross-border versus local?
 - Is above median high reputation? Or, say, top 25%?

3.6. DISCUSSION

- If target to Entrepreneurship/Management, elaborate
- Some interviews might be helpful to bolster arguments

GOOD LUCK! INTERESTING WORK!