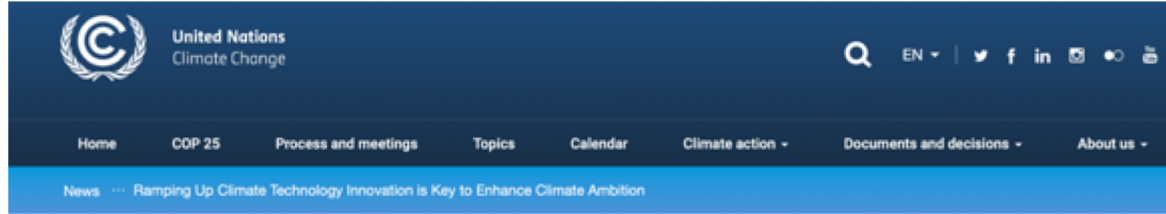


How does early-stage support shape a startup's future: Evidence from a Venture Competition

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Ramping Up Climate Technology Innovation is Key to Enhance Climate Ambition



The rise of new financial intermediaries

- In recent years, there has been a rise in new intermediaries that provide support and finance to early-stage startups such as accelerators or venture competitions (Ewens, Nanda, Rhodes-Kropf, 2018).
- Venture competitions are events in which a number of startups compete - through one or more stages - to receive funding, mentoring or certification of quality.



How useful are venture competitions ?

- Given that substantial resources, both in time and money, are invested in venture competitions by their organizers and judges, it is important to study their efficiency.

Our research question:

- How do venture competitions impact the future success of participating startups and through which channels:
 - certification of quality,
 - mentoring
 - or financing?

To answer these questions we look at the specific case of Venture Kick.

Venture Kick is an important part of the swiss startup ecosystem

- VentureKick is a venture competition based in Lausanne and Zurich that has granted more than CHF 25 million to 600 early-stage startups since 2007.
- Important actor in the Swiss startup scene: it has provided support to a lot of successful Swiss startups (i.e Mindmaze)
- Venture Kick is structured as a three-stage, nine-month, competition open several times a year to a new group of 8 startups.

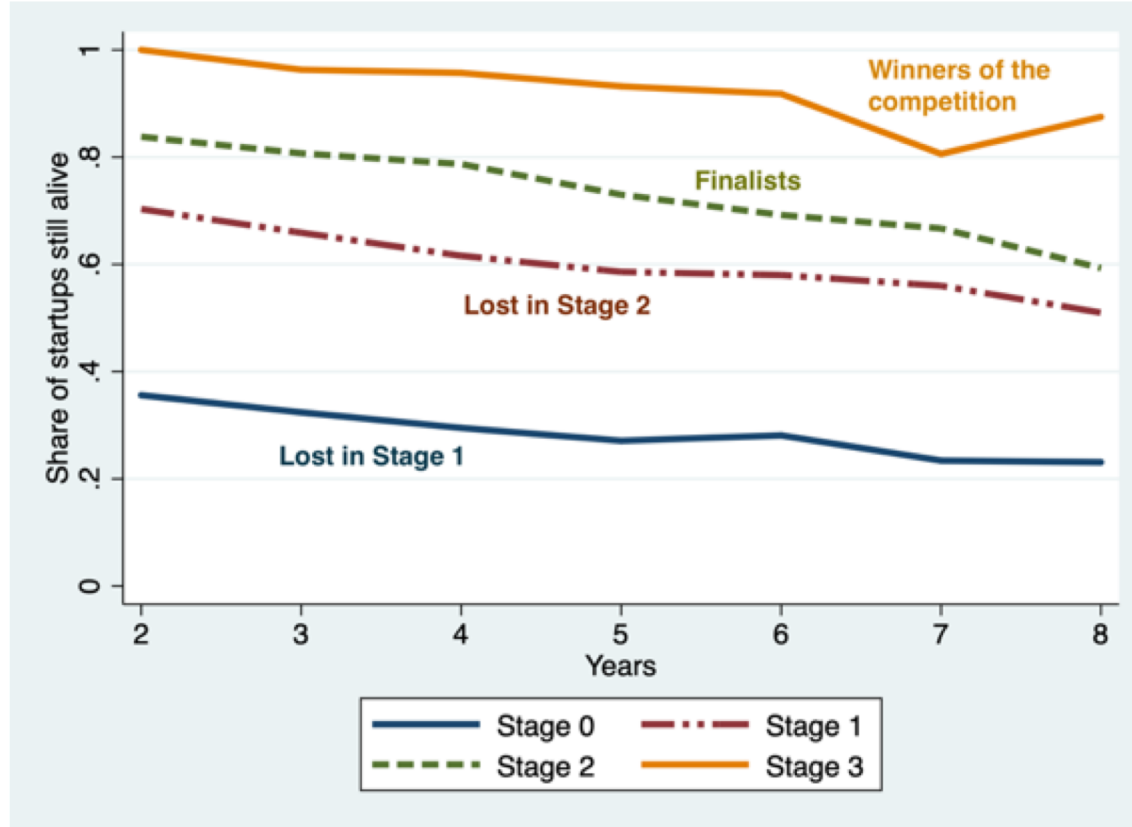
The competition



Some interesting descriptive statistics

- The startups in Software and Internet & Mobile represent 42% of the sample but only 17% of the eventual winners.
 - Medtech: 12% → 23%
 - Cleantech: 7% → 9%
- Similarly, EPFL and ETH startups 44% → 72%
- Women represent 11% of the sample and are equally distributed among stages
- 3% of the startups are eventually acquired

Winners survive longer



Two stories

The depth of Venture Kick's data allows us to delve into two different but inter-connected questions.

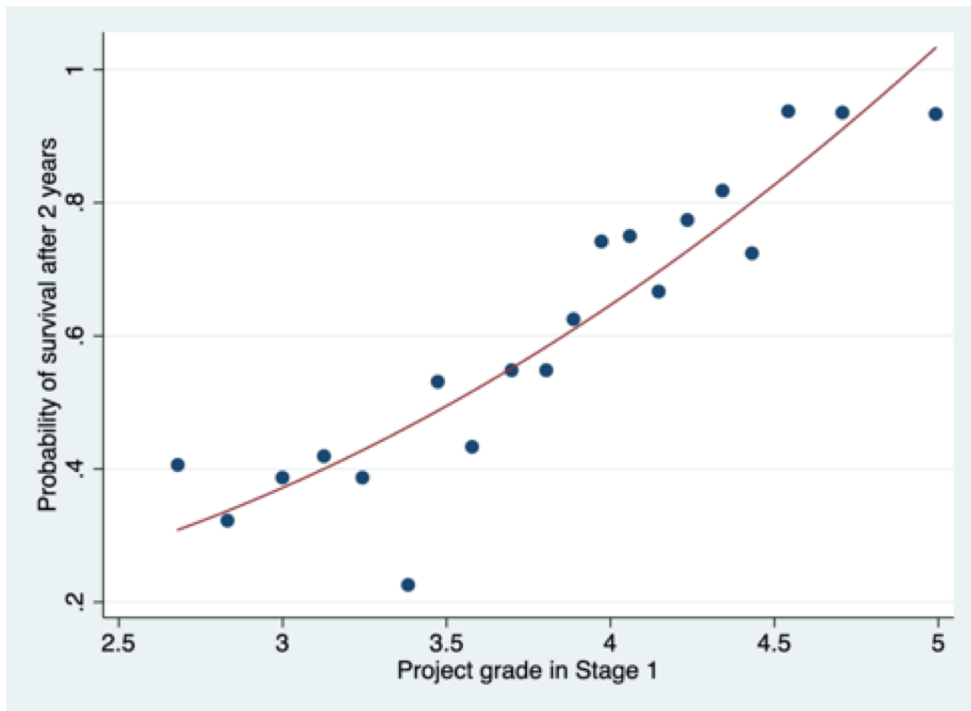
1. How good the judges are at assessing the quality of each startup and which startup's characteristics – using judges' grades as a proxy – matters most for winning the competition and for future performances?
2. **Main objective of the paper:** To what extent winning each stage of Venture Kick's competition causally impact startups' future success?

Main challenge: Winning the competition captures both how the “treatment effect” of Venture Kick and the quality of the startup affect future success.

Our main option to address this: We argue that we can use the judges' grades as a proxy for startup quality.

Our findings

Judges' grade are a good predictor of future success, especially in the short-term



Judges trust their gut feeling

When deciding which startups should win the various stages, judges rely on their "gut feeling" rather than on their assessment of the "team" and "project" quality, even though the latter is more closely linked to the startups' future performances.



Treatment effect

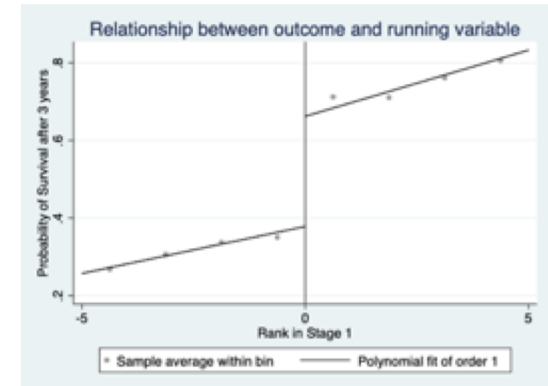
Winning stage 1 improves a startup's prospects

	Baseline regression			
	(1) Survival 2	(2) Survival 2	(3) Survival 2	(4) Survival 2
Wins Stage 1	0.448*** (0.0337)	0.373*** (0.0454)	0.208*** (0.0658)	0.153** (0.0684)
Standardized grade S1			0.132*** (0.0328)	0.126*** (0.0330)
Standardized grade S1 ²			0.0199 (0.0154)	0.0139 (0.0154)
Motivation				0.182*** (0.0486)
Year FE	No	Yes	Yes	Yes
Competition FE	No	Yes	Yes	Yes
University FE	No	Yes	Yes	Yes
Industry FE	No	Yes	Yes	Yes
Observations	713	671	671	671
R ²	0.208	0.397	0.416	0.429

Table presents results of linear regressions. Robust SE are reported.

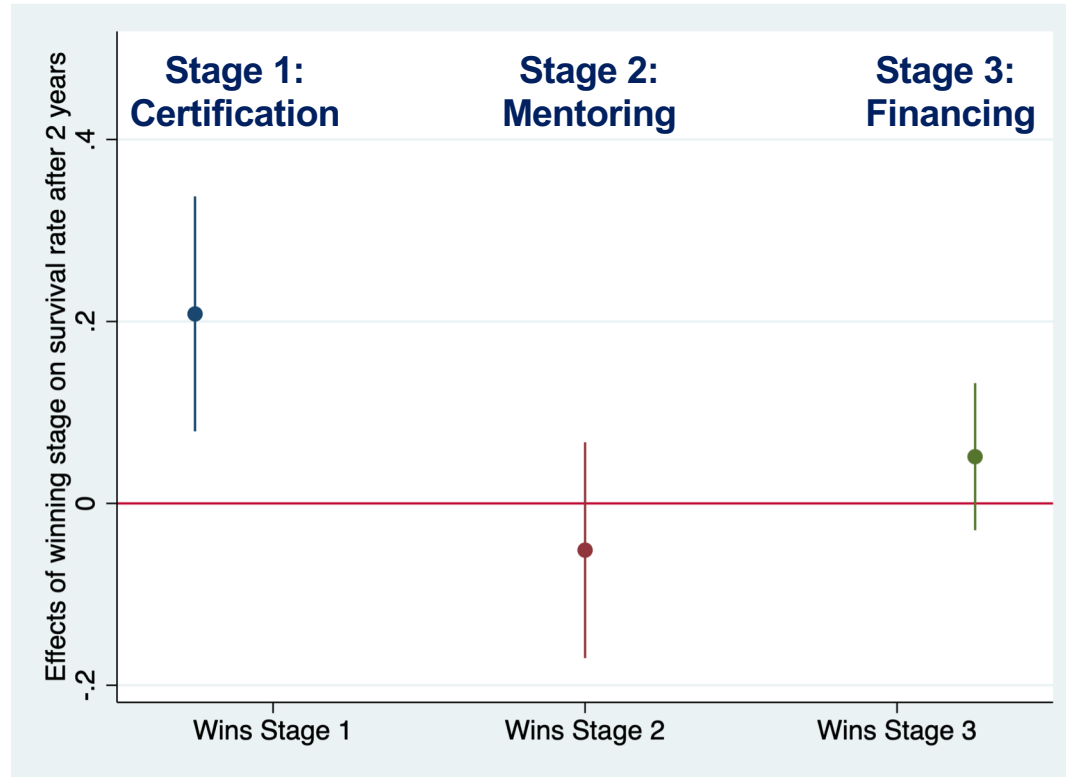
*, **, and *** denote statistical significance at 10%, 5%, and 1% levels, respectively.

This result is robust to various alternative identification strategies:



and others...

However, winning the next two stages does not seem to have a causal impact on future success



Summary of our results : Treatment effect

Only winning stage 1 has a causal impact on startups' future success. This could be due to two different but related factors:

1.



2. It could also be because stage 1 supports startups with less obvious potential.

Venture competition can therefore act as a useful complement to venture capital, primarily by providing an early certification of startups' quality, reducing the information asymmetry between investors and entrepreneurs.

Next steps

- Integrating data on trademarks & patents
- Writing the academic paper
- Presenting it to conferences