

# How Do Venture Capitalists Make Decisions?

## ONLINE APPENDIX

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**Table A.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 Venture-Source 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 Venture-Source 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 A.2**

Specializations of VC Firm Respondents.

Count of the specializations of survey respondents and the firms that they belong to in our main sample of surveys from respondents at institutional VC funds.

	Respondents		Firms	
	N	%	N	%
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 A.3**

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 (2)	21 (3)	19 (4)	20 (3)	18 (4)	23 (3)	23 (3)	22 (2)	19 (2)	19 (3)	21 (3)	20 (3)
General Partner	22 (2)	21 (3)	22 (4)	27 (4)	20 (4)	25 (3)	22 (3)	24 (2)	20 (2)	26 (3)	23 (3)	17** (2)
Partner	40 (2)	39 (3)	40 (5)	40 (4)	43 (5)	34 (4)	34 (3)	32*** (3)	45*** (3)	37 (3)	36 (3)	45** (3)
Venture Partner	3 (1)	3 (1)	2 (1)	2* (1)	6* (3)	5 (2)	4 (1)	4 (1)	3 (1)	4 (1)	3 (1)	3 (1)
Principal	3 (1)	3 (1)	3 (2)	2 (1)	1 (1)	2 (1)	2 (1)	3 (1)	2 (1)	4 (1)	3 (1)	2 (1)
Associate	5 (1)	5 (1)	6 (2)	3 (1)	4 (2)	3 (1)	6 (2)	5 (1)	5 (1)	3 (1)	5 (1)	6 (1)
Managing Director	2 (0)	1 (1)	2 (1)	1 (1)	2 (1)	2 (1)	1 (1)	3* (1)	1* (0)	3 (1)	1 (1)	2 (1)
Other	7 (1)	6 (1)	6 (2)	5 (2)	5 (2)	7 (2)	8 (2)	7 (1)	6 (1)	5* (1)	8* (2)	7 (2)
Number of responses	623	244	96	133	88	148	164	265	340	178	245	224

**Table A.4**

Potential Investments that Reach Each Stage of the Deal Funnel.

The median number of deals that reach each stage of the deal funnel.

	Stage			Industry		IPO Rate		Fund Size		Location		
	All	Early	Late	IT	Health	High	Low	Large	Small	CA	OthUS	Fgn
Considered	200 (20)	250*** (32)	100*** (27)	275 (55)	185 (53)	300** (40)	150** (43)	200 (30)	180 (28)	200 (31)	150 (34)	200 (42)
Met management	50 (1)	60 (14)	40 (7)	100*** (13)	40*** (8)	60 (17)	40 (5)	50 (11)	44 (4)	90*** (18)	45*** (5)	50 (4)
Reviewed with partners	20 (1)	20 (2)	20 (3)	30*** (4)	15*** (3)	23 (3)	20 (2)	20 (1)	20 (2)	23 (3)	20 (2)	20 (2)
Exercised due diligence	12 (2)	13 (2)	12 (3)	15 (2)	10 (2)	17** (2)	11** (2)	15** (2)	10** (1)	15 (2)	12 (2)	10*** (1)
Offered term sheet	5.5 (0.4)	5.0 (0.6)	6.0 (0.5)	7.0* (0.8)	5.0* (0.5)	5.0 (0.6)	5.5 (0.5)	5.5 (0.5)	5.0 (0.4)	6.0 (0.6)	5.0 (0.5)	5.5 (0.4)
Closed	4.0 (0.3)	4.0 (0.5)	3.0 (0.2)	5.0*** (0.3)	3.0*** (0.4)	3.5 (0.5)	4.0 (0.5)	3.5 (0.5)	4.0 (0.4)	4.0 (0.6)	3.5 (0.5)	4.0 (0.4)
Number of responses	442	195	76	106	64	117	119	205	238	125	180	155

**Table A.5**

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 (2)	58 (3)	55 (5)	54*** (4)	77*** (4)	62 (4)	61 (4)	60 (3)	60 (3)	53** (4)	65** (3)	61 (3)
Entrepreneurial experience	50 (2)	48 (3)	44 (5)	49 (4)	55 (5)	48 (4)	53 (4)	47 (3)	52 (3)	46 (4)	55 (3)	48 (3)
Ability	67 (2)	65** (3)	76** (4)	69 (4)	59 (5)	70 (3)	63 (4)	69 (3)	64 (3)	72 (3)	69 (3)	62** (3)
Teamwork	50 (2)	52 (3)	50 (5)	47 (4)	49 (5)	42** (4)	54** (4)	50 (3)	51 (3)	47 (4)	52 (3)	50 (3)
Passion	54 (2)	59 (3)	53 (5)	60*** (4)	42*** (5)	55 (4)	57 (4)	53 (3)	56 (3)	58* (4)	49* (3)	58 (3)
Number of responses	561	242	91	132	87	139	157	250	314	161	220	202

**Table A.6**

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 (1)	85 (2)	83 (3)	85** (2)	77** (3)	82* (2)	87* (2)	83* (2)	79* (2)	81 (2)	84 (2)	78** (2)
Participation	53 (1)	51 (2)	54 (3)	41*** (3)	67*** (3)	52 (3)	53 (3)	49** (2)	55** (2)	42*** (3)	57*** (2)	56 (2)
Redemption rights	45 (2)	42* (2)	50* (4)	43 (3)	51 (4)	42 (3)	43 (3)	46 (2)	43 (2)	35*** (3)	56*** (2)	39*** (3)
Cumulative dividends	27 (1)	21*** (2)	35*** (3)	25** (3)	35** (4)	23 (2)	25 (2)	28 (2)	25 (2)	22*** (3)	35*** (2)	20*** (2)
Full-ratchet antidilution	27 (1)	22*** (2)	34*** (4)	21** (2)	31** (3)	26 (2)	22 (2)	26 (2)	28 (2)	21 (2)	24 (2)	34*** (2)
≥2x liquidation preference	19 (1)	15 (1)	18 (2)	12*** (2)	27*** (3)	21*** (2)	14*** (2)	19 (2)	18 (1)	14** (1)	19** (2)	22** (2)
Number of responses	509	220	81	118	79	130	142	234	278	145	203	181

**Table A.7**

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												
Multiple of invested capital	84 (2)	87 (2)	85 (4)	89 (3)	87 (4)	85 (3)	88 (3)	90*** (2)	80*** (3)	90* (3)	83* (3)	82 (3)
Net IRR	81 (2)	77** (3)	89** (3)	84 (4)	75 (5)	87 (3)	80 (4)	84 (2)	78 (3)	78 (4)	85 (3)	78 (3)
Gross IRR	27 (2)	26 (3)	32 (5)	29 (4)	21 (5)	15*** (3)	29*** (4)	23* (3)	31* (3)	28 (4)	21 (3)	32* (4)
Perf. relative to S&P 500	23 (2)	25 (3)	28 (5)	25* (4)	14* (4)	24 (4)	23 (4)	25 (3)	22 (3)	29 (4)	27 (3)	14*** (3)
Perf. relative to VC funds	60 (2)	63 (3)	61 (6)	66 (5)	55 (6)	70 (4)	64 (4)	65* (3)	56* (3)	67 (4)	59 (4)	57 (4)
Other	2 (1)	1 (1)	0 (0)	0** (0)	5** (2)	2 (1)	1 (1)	1 (1)	3 (1)	3 (1)	2 (1)	1 (1)
Most important benchmark												
Multiple of invested capital	52 (2)	59 (3)	50 (6)	67 (5)	59 (6)	54 (4)	51 (4)	55 (3)	49 (3)	61 (4)	54 (4)	41*** (4)
Net IRR	32 (2)	26* (3)	36* (6)	23 (4)	25 (5)	32 (4)	29 (4)	31 (3)	34 (3)	26 (4)	32 (3)	37* (4)
Gross IRR	6 (1)	4 (1)	6 (3)	4 (2)	7 (3)	1** (1)	6** (2)	5 (2)	6 (1)	5 (2)	3 (1)	9** (2)
Perf. relative to S&P 500	1 (1)	2 (1)	3 (2)	0 (0)	0 (0)	2 (1)	3 (2)	1 (1)	2 (1)	0* (0)	3* (1)	1 (1)
Perf. relative to VC funds	8 (1)	9 (2)	5 (3)	5 (2)	8 (3)	10 (3)	11 (3)	7 (2)	9 (2)	7 (2)	7 (2)	11 (2)
Other	1 (0)	1 (1)	0 (0)	0 (0)	1 (1)	1 (1)	1 (1)	0 (0)	1 (1)	1 (1)	1 (1)	1 (1)
Number of benchmarks	3 (0)	3 (0)	3 (0)	3** (0)	3** (0)	3 (0)	3 (0)	3* (0)	3* (0)	3 (0)	3 (0)	3* (0)
Number of responses	446	199	75	99	74	117	120	209	242	128	182	153

**Table A.8**

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 multiple of invested capital. 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 ( 2)	24 ( 2)	21 ( 1)	23 ( 1)	21 ( 1)	21 ( 1)	25 ( 4)	24 ( 3)	23 ( 2)	23 ( 1)	27 ( 4)	21 ( 1)
Median	20 ( 0)	20 ( 1)	20 ( 0)	20 ( 1)	20 ( 0)	20 ( 0)	20 ( 0)	20 ( 0)	20 ( 0)	20 ( 1)	20 ( 0)	20 ( 0)
Number of responses	364	152	65	75	64	101	90	171	197	93	150	130
Multiple marketed to LPs	3.5 ( 0.2)	3.8** ( 0.3)	2.8** ( 0.2)	3.5 ( 0.3)	3.3 ( 0.3)	3.4 ( 0.3)	3.5 ( 0.3)	3.5 ( 0.2)	3.6 ( 0.2)	3.5 ( 0.3)	3.5 ( 0.3)	3.6 ( 0.4)
Median	3.0 ( 0.0)	3.0*** ( 0.0)	2.5*** ( 0.0)	3.0 ( 0.0)	3.0 ( 0.1)	3.0 ( 0.1)	3.0 ( 0.1)	3.0 ( 0.1)	3.0 ( 0.0)	3.0 ( 0.0)	3.0 ( 0.1)	3.0 ( 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 ( 1)	93 ( 2)	96 ( 2)	97 ( 2)	92 ( 3)	91 ( 3)	93 ( 2)	94 ( 2)	93 ( 2)	97 ( 2)	93 ( 2)	91* ( 2)
Number of responses	433	192	72	97	73	120	115	202	236	127	178	144
VC overall will outperform the stock market	71 ( 2)	72 ( 3)	73 ( 5)	72 ( 4)	72 ( 5)	68 ( 4)	69 ( 4)	69 ( 3)	73 ( 3)	68 ( 4)	69 ( 3)	77* ( 3)
Number of responses	438	195	72	99	74	120	115	203	239	129	180	145

**Table A.9**

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 (2)	39 (3)	37 (5)	50*** (5)	29*** (5)	60*** (4)	31*** (4)	52*** (3)	27*** (3)	55*** (4)	37*** (3)	28*** (3)
Number of responses	516	226	84	121	79	130	143	233	285	143	207	186
Unicorns overvalued	91 (1)	91 (2)	93 (3)	87 (3)	89 (3)	92 (2)	94 (2)	92 (2)	91 (2)	90 (2)	92 (2)	92 (2)
Number of responses	514	221	83	118	82	134	140	231	282	144	202	189
Among investors in unicorns												
Unicorns overvalued	92 (2)	93 (3)	89 (6)	90 (4)	92 (5)	94 (2)	94 (3)	92 (2)	92 (3)	91 (3)	91 (3)	93 (3)
Number of responses	185	81	28	55	23	81	41	118	70	74	74	51
Among non-investors in unicorns												
Unicorns overvalued	91 (2)	90 (3)	95 (3)	85 (5)	88 (4)	90 (4)	95 (2)	92 (3)	91 (2)	90 (4)	91 (2)	92 (2)
Number of responses	307	132	50	55	54	53	94	109	192	61	121	128

**Table A.10**

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)	1 (1)	3 (2)	1 (1)	1 (1)	3 (2)	2 (1)	2 (1)	2 (1)	2 (1)	2 (1)	2 (1)
Once a month	10 (1)	13 (2)	7 (3)	10 (3)	8 (3)	7 (2)	8 (2)	9 (2)	10 (2)	7 (2)	11 (2)	10 (2)
2-3 times a month	26 (2)	23 (3)	26 (5)	28 (4)	25 (5)	33** (4)	22** (4)	28 (3)	25 (3)	34 (4)	26 (3)	23 (3)
Once a week	33 (2)	33 (3)	39 (6)	36 (5)	36 (5)	29 (4)	35 (4)	32 (3)	34 (3)	28 (4)	34 (3)	35 (4)
Multiple times a week	27 (2)	28 (3)	23 (5)	23 (4)	30 (5)	28 (4)	33 (4)	28 (3)	27 (3)	27 (4)	26 (3)	28 (3)
Every day	1 (0)	2 (1)	1 (1)	2 (1)	0 (0)	0 (0)	1 (1)	0 (0)	2 (1)	2 (1)	1 (1)	1 (1)
Number of responses	469	209	76	105	76	121	127	213	256	132	192	162



**Table A.11**

Frequency of IPO, M&amp;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 (1)	12*** (1)	19*** (2)	13*** (2)	23*** (2)	24*** (2)	11*** (1)	20*** (1)	12*** (1)	20*** (2)	14*** (1)	14 (1)
% MA	53 (1)	50*** (2)	60*** (3)	55** (2)	48** (3)	47*** (2)	55*** (2)	51 (1)	54 (2)	50 (2)	54 (2)	54 (2)
% Failure	32 (1)	38*** (2)	21*** (2)	32 (2)	29 (2)	29** (2)	34** (2)	29** (1)	34** (2)	30 (2)	32 (1)	32 (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 (1)	9 (1)	11 (2)	9*** (2)	17*** (2)	21*** (1)	2*** (0)	15*** (1)	7*** (1)	13 (1)	12 (2)	10 (1)
% MA	43 (1)	42* (2)	50* (3)	49** (3)	39** (3)	47 (2)	47 (2)	48*** (2)	38*** (2)	47 (2)	47 (2)	34*** (2)
% Apparent failure	46 (1)	49** (2)	39** (3)	42 (3)	44 (3)	32*** (1)	51*** (2)	37*** (2)	56*** (2)	40 (2)	41 (2)	55*** (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 (1)	12 (1)	13 (2)	12*** (2)	22*** (2)	23*** (1)	6*** (1)	18*** (1)	9*** (1)	17 (2)	13 (2)	12 (1)
% MA	43 (1)	42** (2)	49** (2)	48*** (2)	38*** (2)	46 (1)	47 (2)	47*** (1)	39*** (2)	48 (2)	47 (2)	35*** (2)
% Apparent failure	44 (1)	47*** (2)	37*** (3)	40 (3)	40 (3)	31*** (1)	47*** (2)	35*** (1)	52*** (2)	36 (2)	40 (2)	53*** (2)
Number of responses	317	143	54	65	63	117	114	166	158	97	129	104

**Table A.12**

Exit Multiple Frequency.

The average percentage of multiples of invested capital that fall into 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 (1)	27** (2)	20** (2)	26** (2)	20** (2)	25 (2)	28 (2)	25 (1)	24 (1)	25 (2)	25 (2)	23 (2)
1-2	19 (1)	18 (1)	18 (2)	15* (1)	19* (2)	17 (1)	20 (2)	18 (1)	19 (1)	19 (2)	20 (1)	19 (1)
2-3	19 (1)	14*** (1)	28*** (3)	18 (2)	19 (2)	17 (1)	19 (1)	19 (1)	19 (1)	17 (1)	19 (1)	20 (2)
3-5	16 (1)	16 (1)	20 (2)	17 (2)	17 (2)	17 (1)	16 (2)	17 (1)	16 (1)	16 (2)	16 (1)	16 (2)
5-10	12 (1)	13** (1)	8** (1)	12 (2)	16 (3)	15** (2)	10** (1)	13 (1)	12 (1)	12 (2)	13 (1)	11 (2)
10+	9 (1)	12** (1)	7** (2)	13 (2)	9 (2)	9* (1)	7* (1)	9 (1)	9 (1)	10* (1)	7* (1)	10 (2)
Mean reported multiple	3.8 (0.1)	4.2** (0.2)	3.5** (0.2)	4.2 (0.3)	4.1 (0.3)	4.0*** (0.2)	3.4*** (0.2)	3.8 (0.1)	3.8 (0.2)	3.9 (0.2)	3.6 (0.2)	3.9 (0.2)
Std reported multiple	2.9 (0.1)	3.1** (0.1)	2.6** (0.2)	3.4*** (0.2)	2.7*** (0.2)	3.3** (0.1)	2.9** (0.1)	3.1*** (0.1)	2.7*** (0.1)	3.2* (0.2)	2.9* (0.1)	2.5*** (0.1)
Number of responses	410	179	70	96	67	115	109	189	221	114	165	144

**Table A.13**

Factors Contributing to Successful and Failed Investments.

The percentage of respondents who marked each factor as important to their successful investments (top) and failed investments (bottom).

	Stage			Industry		IPO Rate		Fund Size		Location		
	All	Early	Late	IT	Health	High	Low	Large	Small	CA	OthUS	Fgn
Successful investments: Important factor												
Team	96 (1)	96 (1)	94 (3)	94 (2)	96 (2)	97 (1)	96 (2)	97 (1)	96 (1)	96 (2)	96 (1)	97 (1)
Business model	60 (2)	55*** (3)	73*** (5)	63*** (4)	32*** (5)	54 (4)	55 (4)	63 (3)	58 (3)	59 (4)	60 (3)	61 (3)
Technology	59 (2)	60 (3)	52 (5)	53*** (4)	79*** (5)	62 (4)	59 (4)	58 (3)	59 (3)	67* (4)	58* (3)	53* (4)
Market	34 (2)	34* (3)	44* (5)	42 (4)	36 (5)	37 (4)	30 (4)	36 (3)	33 (3)	39 (4)	36 (3)	31 (3)
Industry	59 (2)	54** (3)	68** (5)	59 (4)	48 (5)	49** (4)	60** (4)	58 (3)	60 (3)	59 (4)	60 (3)	57 (4)
Timing	67 (2)	64 (3)	62 (5)	69** (4)	55** (5)	70 (4)	65 (4)	67 (3)	66 (3)	71 (4)	65 (3)	65 (3)
Luck	56 (2)	61*** (3)	38*** (5)	63* (4)	51* (5)	57 (4)	58 (4)	53 (3)	58 (3)	64** (4)	51** (3)	55 (4)
Board of directors	29 (2)	32 (3)	24 (5)	26 (4)	27 (5)	25 (3)	33 (4)	25** (3)	34** (3)	31 (4)	31 (3)	26 (3)
My contribution	26 (2)	25 (3)	25 (5)	25 (4)	23 (5)	17 (3)	23 (3)	20*** (2)	30*** (3)	27 (3)	25 (3)	25 (3)
Failed investments: Important factor												
Team	92 (1)	91 (2)	91 (3)	93** (2)	84** (4)	90 (3)	91 (2)	92 (2)	91 (2)	92 (2)	91 (2)	91 (2)
Business model	57 (2)	54 (3)	60 (5)	63*** (4)	39*** (5)	54 (4)	57 (4)	58 (3)	57 (3)	58 (4)	61 (3)	52* (4)
Technology	45 (2)	46 (3)	36 (5)	41*** (4)	64*** (5)	49 (4)	44 (4)	46 (3)	45 (3)	51 (4)	46 (3)	41 (4)
Market	31 (2)	35* (3)	25* (5)	26* (4)	37* (5)	35 (4)	27 (4)	30 (3)	33 (3)	37 (4)	34 (3)	25** (3)
Industry	58 (2)	57 (3)	60 (5)	59* (4)	46* (5)	50 (4)	59 (4)	56 (3)	59 (3)	58 (4)	59 (3)	56 (4)
Timing	49 (2)	50 (3)	42 (5)	57** (4)	41** (5)	46 (4)	50 (4)	48 (3)	50 (3)	50 (4)	47 (3)	51 (4)
Luck	30 (2)	30 (3)	24 (5)	32 (4)	32 (5)	31 (4)	29 (4)	29 (3)	32 (3)	38** (4)	27** (3)	30 (3)
Board of directors	33 (2)	28 (3)	33 (5)	25 (4)	30 (5)	35 (4)	36 (4)	31 (3)	35 (3)	39** (4)	27** (3)	36 (3)
My contribution	9 (1)	8 (2)	6 (3)	10 (3)	6 (3)	7 (2)	8 (2)	7 (1)	11 (2)	11 (2)	7 (2)	10 (2)
Number of responses	511	226	82	120	78	130	141	235	279	145	205	181

**Table A.14**

Partners' Specialization.

The first panel reports the fraction of respondents where partners specialize in different tasks. 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 (2)	58 (3)	63 (6)	53 (5)	62 (5)	52 (4)	54 (4)	59 (3)	60 (3)	59 (4)	59 (4)	62 (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 (3)	41 (5)	38 (7)	34 (6)	33 (7)	39 (6)	46 (6)	44 (4)	44 (4)	43 (5)	45 (5)	45 (5)
Fund raising	52 (3)	54 (5)	56 (7)	65** (6)	43** (7)	50 (6)	50 (6)	54 (4)	50 (4)	53 (5)	51 (5)	52 (5)
Deal making	55 (3)	56 (5)	56 (7)	54 (7)	59 (7)	52 (6)	59 (6)	46*** (4)	62*** (4)	51 (6)	58 (5)	57 (5)
Sourcing deals	53 (3)	51 (5)	49 (7)	53 (7)	55 (7)	47 (6)	52 (6)	44*** (4)	61*** (4)	55 (5)	57 (5)	46* (5)
Networking	32 (3)	40** (5)	21** (6)	36 (6)	31 (7)	32 (5)	27 (5)	26** (4)	38** (4)	36 (5)	33 (4)	28 (4)
Other	17 (2)	17 (3)	22 (6)	14 (4)	22 (6)	20 (5)	20 (5)	15 (3)	18 (3)	19 (4)	17 (4)	15 (3)
Number of responses	287	116	48	59	50	76	69	136	152	82	112	100

**Table A.15**

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

**Table A.16**

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 ( 2)	78* ( 3)	67* ( 5)	81 ( 4)	77 ( 5)	66*** ( 4)	81*** ( 4)	65*** ( 3)	84*** ( 2)	73 ( 4)	76 ( 3)	73 ( 4)
Number of responses	446	193	74	101	74	118	117	205	244	127	181	154
Partners receive equal shares of carry	44 ( 2)	51** ( 4)	35** ( 6)	50 ( 5)	52 ( 6)	44 ( 5)	48 ( 5)	42 ( 3)	48 ( 3)	43 ( 5)	43 ( 4)	46 ( 4)
Number of responses	429	182	71	95	71	113	110	197	234	110	178	152
Partners invest equal shares of fund capital	49 ( 2)	53 ( 4)	44 ( 6)	55 ( 5)	52 ( 6)	50 ( 4)	54 ( 4)	47 ( 3)	52 ( 3)	55 ( 4)	46 ( 4)	47 ( 4)
Number of responses	442	193	71	101	73	118	116	203	242	127	179	152

**Table A.17**

Fund-Level Decision Making Process.

This table lists the fraction of funds using each decision rule for their initial investments (top) and follow-on rounds (bottom).

	Stage		Industry		IPO Rate		Fund Size		Location			
	All	Early	Late	IT	Health	High	Low	Large	Small	CA	OthUS	Fgn
Initial investment												
Unanimous	49 (2)	53 (3)	53 (5)	41** (4)	56** (5)	40** (4)	52** (4)	40*** (3)	56*** (3)	35*** (4)	55*** (3)	52 (3)
Unanimous - 1	7 (1)	6 (2)	6 (2)	7 (2)	6 (3)	9 (2)	7 (2)	8 (2)	6 (1)	5 (2)	6 (1)	10** (2)
Consensus	20 (2)	18 (2)	21 (4)	23 (4)	21 (4)	20 (3)	19 (3)	25** (3)	17** (2)	26 (3)	22 (3)	14*** (2)
Majority of partners	15 (1)	11 (2)	17 (4)	15 (3)	14 (3)	20 (3)	15 (3)	18 (2)	13 (2)	19*** (3)	10*** (2)	18 (3)
Scoring	2 (1)	3 (1)	1 (1)	2 (1)	0 (0)	2 (1)	3 (1)	2 (1)	2 (1)	3 (1)	1 (1)	1 (1)
Independent decisions	4 (1)	6** (2)	0** (0)	7* (2)	2* (1)	5 (2)	3 (1)	4 (1)	3 (1)	8** (2)	3** (1)	3 (1)
Other	3 (1)	3 (1)	2 (2)	6 (2)	2 (1)	4 (1)	2 (1)	3 (1)	3 (1)	5 (2)	4 (1)	2 (1)
Number of responses	556	239	90	130	88	139	155	248	311	158	219	201
Follow-on rounds												
Same as initial investment	87 (1)	89 (2)	83 (4)	85 (3)	91 (3)	88 (3)	87 (3)	87 (2)	87 (2)	88 (2)	88 (2)	85 (2)
Unanimous	47 (2)	50 (3)	50 (5)	39** (4)	56** (5)	39 (4)	48 (4)	39*** (3)	53*** (3)	35*** (4)	53*** (3)	48 (3)
Unanimous - 1	7 (1)	6 (2)	6 (2)	9 (2)	5 (2)	8 (2)	7 (2)	8 (2)	6 (1)	6 (2)	5 (1)	10* (2)
Consensus with veto power	20 (2)	19 (2)	20 (4)	22 (4)	19 (4)	19 (3)	19 (3)	24** (3)	16** (2)	24 (3)	21 (3)	15** (2)
Majority of partners	16 (1)	12 (2)	16 (4)	16 (3)	14 (3)	21 (3)	16 (3)	19* (2)	14* (2)	19** (3)	11** (2)	18 (3)
Scoring	1 (0)	2 (1)	1 (1)	1 (1)	0 (0)	2 (1)	2 (1)	2 (1)	1 (0)	3 (1)	1 (1)	1 (1)
Independent decisions	6 (1)	8 (2)	4 (2)	6 (2)	4 (2)	6 (2)	5 (2)	4* (1)	7* (1)	9 (2)	5 (1)	6 (2)
Other	4 (1)	3 (1)	3 (2)	7* (2)	2* (1)	4 (1)	2 (1)	4 (1)	4 (1)	5 (2)	3 (1)	4 (1)
Number of responses	554	237	90	129	88	138	155	248	309	158	218	200

**Table A.18**

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 (1)	73*** (2)	49*** (3)	64*** (3)	79*** (2)	65** (3)	73** (2)	64 (2)	68 (2)	67 (2)	67 (2)	61** (2)
Number of responses	410	177	65	99	65	107	110	193	220	109	166	149
<hr/>												
Important factor												
Complementary expertise	77 (2)	80 (3)	71 (5)	84* (3)	73* (5)	75 (4)	80 (3)	78 (3)	76 (3)	74 (4)	76 (3)	80 (3)
Capital constraints	75 (2)	76 (3)	73 (5)	76 (4)	76 (5)	67 (4)	72 (4)	68*** (3)	81*** (2)	74 (4)	80 (3)	70* (4)
Risk sharing	71 (2)	77*** (3)	53*** (6)	66** (5)	82** (4)	74 (4)	75 (4)	72 (3)	71 (3)	75 (4)	73 (3)	67 (4)
Future deals	29 (2)	30** (3)	17** (4)	29 (4)	22 (5)	28 (4)	30 (4)	24** (3)	33** (3)	29 (4)	27 (3)	31 (4)
<hr/>												
Most important factor												
Complementary expertise	33 (2)	27 (3)	34 (6)	36** (5)	22** (5)	30 (4)	36 (4)	36 (3)	31 (3)	36* (4)	27* (3)	38 (4)
Capital constraints	39 (2)	42 (3)	43 (6)	37 (5)	41 (6)	36 (4)	35 (4)	33** (3)	43** (3)	34 (4)	43 (4)	37 (4)
Risk sharing	24 (2)	27 (3)	20 (5)	21* (4)	34* (5)	28 (4)	25 (4)	28 (3)	22 (3)	26 (4)	28 (3)	20* (3)
Future deals	3 (1)	3 (1)	0 (0)	3 (2)	3 (2)	3 (1)	3 (1)	2 (1)	4 (1)	2 (1)	1 (1)	4 (2)
<hr/>												
Number of responses	459	205	71	106	74	120	126	211	249	131	187	158

**Table A.19**

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.

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



**Table A.20**

Correlation Between Subsample Membership Indicators.

This table lists the correlation between indicator variables for subsample membership. In VS refers to VC firms in Dow Jones VentureSource. Correlations between two opposing subsamples are greater than  $-100\%$  when the subsamples do not partition the sample space. For example, the correlation between the Large and Small indicators is  $-85\%$  because respondents with no fund size were in neither the Large nor the Small subsample.

	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	-9**	9**	-11***	20***	3	2	-6	13***
Late	-25***	100	1	-1	-4	0	10***	-4	-1	1	0	-8**
IT	24***	1	100	-19***	0	1	-4	9**	14***	-6	-8**	0
Health	-5	-1	-19***	100	22***	-12***	13***	-8**	-2	7**	-6	4
High	-9**	-4	0	22***	100	-37***	37***	-31***	19***	-4	-15***	20***
Low	9**	0	1	-12***	-37***	100	-2	10***	-11***	4	6	21***
Large	-11***	10***	-4	13***	37***	-2	100	-85***	15***	0	-14***	13***
Small	20***	-4	9**	-8**	-31***	10***	-85***	100	-15***	-1	15***	3
CA	3	-1	14***	-2	19***	-11***	15***	-15***	100	-51***	-44***	4
OthUS	2	1	-6	7**	-4	4	0	-1	-51***	100	-55***	-5
Fgn	-6	0	-8**	-6	-15***	6	-14***	15***	-44***	-55***	100	1
In VS	13***	-8**	0	4	20***	21***	13***	3	4	-5	1	100

# How Do Venture Capitalists Make Decisions? Online Appendix

Paul Gompers, Will Gornall, Steven N. Kaplan, Ilya A. Strebulaev

## Survey of Venture Capitalists

### Introduction

---



Thank you for helping Stanford Graduate School of Business, Harvard Business School, and the University of Chicago Booth School of Business learn about venture capital. Your response will help us to learn best practices in venture capital, market venture capital to policy makers and the public, and guide academic research.

This survey is designed to take between 15 and 20 minutes. Your responses are strictly confidential and will be used only for non-commercial research purposes. Click [here](#) for more details.

If you provide an email address, we will give you an early look at the complete survey results that will allow you to compare your responses to your peers. You will also be invited to a special early presentations of results held at Stanford, the University of Chicago, and Harvard.

Thank you!

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### Categorization of Investors by Type

---

Do you invest on behalf of either an institutional venture capital fund or a corporate venture capital vehicle?

- Yes, institutional venture capital fund
  - Yes, corporate venture capital vehicle
  - No
- 

In the past, did you invest on behalf of either an institutional venture capital fund or a corporate venture capital vehicle?

- Yes, institutional venture capital fund
  - Yes, corporate venture capital vehicle
  - No
- 

Who do you invest on behalf of? Choose the one that applies the most.

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- Other
  - Private equity fund
  - Mutual fund
  - I am an individual angel investor
  - Fund of funds
- 

### VC Questions - Shown ONLY to VC/PE

---

You answered that you invest on behalf of a venture capital fund. The following set of questions ask about your current fund. If you are associated with multiple funds that make venture capital style investments, consider the fund that you are most closely associated with or the fund that most recently began investing.

---

You answered that you invested on behalf of a venture capital fund in the past. The questions in this survey are all phrased in the present tense, but please answer them based on your experience as a venture capitalist working at the last fund you raised.

---

You answered that you invest on behalf of a private equity fund. The following questions ask about that fund and the investments you make. If you are associated with multiple funds that make venture capital style investments, consider the fund that you are most closely associated with or the fund that most recently began investing.

---

What type of private equity fund do you invest on behalf of?

- Leveraged buyout fund
  - Venture capital fund
  - Growth equity fund
  - Other
- 

What is your job title?

- Managing partner

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- General partner
  - Partner
  - Venture partner
  - Associate
  - Other
- 

Including yourself, how many people work at your fund?

Partners	<input type="text"/>
Venture partners	<input type="text"/>
Associates	<input type="text"/>
Other	<input type="text"/>

---

What is your most recent fund's vintage year?

vintage year

---

Approximately, what is your most recent fund's total committed capital in millions of dollars?

\$  million

---

### Corporate VC Questions - Shown ONLY to Corporate VC

---

You answered that you invest on behalf of a corporate venture capital vehicle. The following questions ask about your parent corporation, your investment vehicle, and the investments you make. If your parent corporation has more than one investment vehicle, answer on behalf of the vehicle you most associate with.

---

You answered that you invested on behalf of a corporate venture capital vehicle in the past. The following questions ask about your parent corporation, your investment vehicle, and the investments you make. The questions in this survey are all phrased in

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the present tense, but please answer them in the context of your time as a corporate venture capital investor.

---

What industries is your parent corporation involved in? Select all that apply.

Consumer Internet/Mobile

Financial

Healthcare

Energy

IT Infrastructure/Systems

Software & Services

Industrial Technology

Other

---

Approximately, what is the revenue of your parent corporation, in billions of dollars?

\$  billion

---

How much does your fund or vehicle aim to invest in a normal year, in millions of dollars?

\$  million

---

Including yourself, how many people work on your team?

Partners or other investment professionals

Venture partners

Associates

Other

---

What is the most important objective of your company's venture capital investments?

Support existing businesses

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- Financial returns
  - Develop new businesses
  - Other
- 

Is your fund or vehicle run on or off balance sheet?

- On balance sheet
  - Off balance sheet
  - Other
- 

### Specialization Questions

---

Do you target a particular stage, industry, or geography? Select all that apply.

- Stage
  - Geography
  - Industry
  - Generalist
  - Other
- 

What stage of company do you target for your first investment? Select all that apply.

- All Stages
  - Seed Stage
  - Early Stage
  - Mid Stage
  - Late Stage / Growth Equity
  - Other
- 

What industries do you target? Select all that apply.

- All Industries

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- Industrial Technology
  - IT Infrastructure/Systems
  - Software & Services
  - Consumer Internet/Mobile
  - Energy
  - Healthcare
  - Financial
  - Other
- 

What geographies do you target? Select all that apply.

- All geographies
  - California
  - U.S. East Coast
  - Other
- 

### Deal Selection

---

What are the most important factors when deciding whether to invest?

Drag any important items to the box on the right and order them by importance (most important first).

Items	Rank important items in order of importance
Total addressable market	
Management team	
Industry	
Valuation	
Fit with fund	
Our ability to add value	
Business model / competitive position	



## How Do Venture Capitalists Make Decisions? Online Appendix

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Product / technology

Other

---

What qualities are most important in a management team?

- Ability
- Industry experience
- Entrepreneurial experience
- Teamwork/cohesiveness
- Passion
- Other

---

Do you often make a gut decision to invest when meeting a company's management team for the first time?

- Yes
- No
- Other

---

At the fund level, how do you normally come to a final decision on whether to invest in a new company?

- Unanimous
  - Unanimous minus one
  - Consensus with veto power
  - Majority of partners
  - Scoring
  - Each partner has the authority to make independent decisions
  - Other
-

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Do you use the same procedure for follow on investment decisions?

- Yes
- Yes, but the lead partner does not vote
- No, unanimous
- No, consensus with veto power
- No, majority of partners
- No, scoring
- No, discretion of the lead partner
- Other

---

After being pitched an investment, how many days does it normally take to close the deal?

days

---

### Deal Structure

What are the most important factors when deciding what valuation to offer a company?

Drag any important items to the box on the right and order them by importance (most important first).

Items	Rank important items in order of importance
Competitive pressure from other VCs	
Anticipated exit of the company	
Valuation of comparable investments	
Desired ownership fraction	
Other	

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On average, do you think unicorns (companies with a valuation in excess of \$1 billion) are presently overvalued or undervalued?

- Significantly undervalued
  - Slightly undervalued
  - Appropriately valued
  - Slightly overvalued
  - Significantly overvalued
  - Other
- 

What is your target ownership stake? (%)

%

---

For any investment,

**Post-money Valuation = Amount Invested / Ownership Percentage.**

Do you ever set valuations based on the amount invested and desired ownership percentage?

- Yes
  - No
  - Other
- 

What financial metrics, if any, do you use to analyze investments? Select all that apply.

- None
- Multiple of sales / earnings
- Cash-on-cash multiple
- Hurdle rate or IRR
- NPV

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Other

---

What is your required IRR for an investment? (%)

%

---

What is your required gross multiple or required cash-on-cash multiple / return for an investment?

x

---

What does your required metric vary with? For example, does your required IRR vary with the investment's riskiness? Select all that apply.

Required metric is the same for all investments

Expected time to liquidity event

Industry conditions

Financial market conditions

Investment's riskiness

Other

---

You said that your required metric varies with an investment's riskiness. When assessing an investment's riskiness, does market risk (exposure to movement in aggregate stock market) have a larger or smaller impact on your required metric than other types of risk?

No, market risk is treated the same as other types of risk

Yes, investments that are more exposed to risks unrelated to the aggregate stock market must meet a higher hurdle

Yes, investments that are more exposed to movement in aggregate stock market must meet a higher hurdle

Other

---

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Do you forecast the financials of your portfolio companies, such as revenues or cash flows?

Yes

No

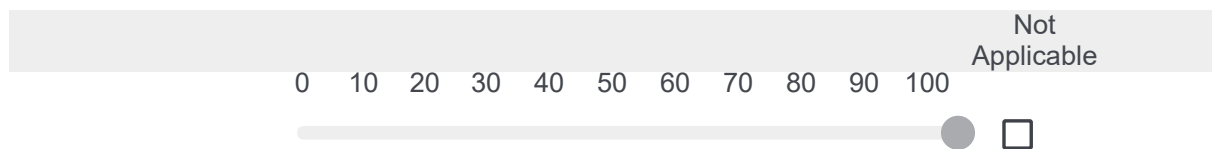
Other

How many years out do you generally forecast portfolio company financials?

years

Do you have any rules of thumb for interpreting financial projections? If so, what are they? For example, do you increase or decrease management's revenue forecasts by a percentage?

In your experience, what percentage of portfolio companies meet or exceed their projected performance metrics? (%)



What term sheet items are you flexible on when negotiating a new investment?

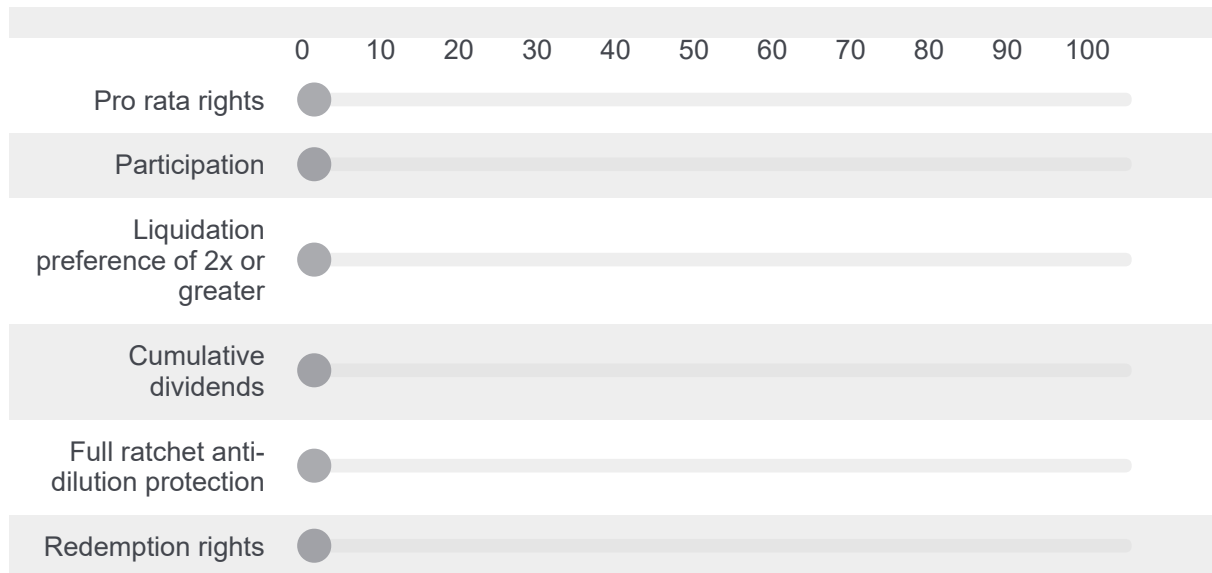
	Not at all flexible - Investor friendly	Not very flexible	Somewhat flexible	Very flexible	Extremely flexible - Founder friendly
Anti-dilution	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Redemption rights	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Vesting	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Participation	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

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Participation	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Liquidation preference	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Pro rata rights	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Valuation	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Board control	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Option pool	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Investment Amount	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Dividends	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Ownership stake	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
<input type="text"/>					

How frequently do you use the following contractual features on the investments you make? (%)



### Deal Outcomes

Looking back at your successful investments, what factors most contributed to their success?

Drag any important items to the box on the right and order them by importance (most

## How Do Venture Capitalists Make Decisions? Online Appendix

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important first).

<b>Items</b>	<b>Rank important items in order of importance</b>
Board of directors	
Technology	
My contribution	
Capital market conditions	
Management team	
Timing	
Industry conditions	
Good luck	
Business model	
Other	
<input type="text"/>	

---

Looking back at your failed investments, what factors most contributed to their failure?

Drag any important items to the box on the right and order them by importance (most important first).

<b>Items</b>	<b>Rank important items in order of importance</b>
Management team	
Industry conditions	
Bad luck	
Technology	
Business model	
My contribution	
Board disagreement/conflict	
Timing	
Capital market conditions	
Other	
<input type="text"/>	

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What contributes most to your value creation?

Drag any important items to the box on the right and order them by importance (most important first).

Items	Rank important items in order of importance
Deal selection	
Value-add for portfolio companies	
Deal flow	
Other	

---

Do you quantitatively analyze past investment performance?

- No
- Yes
- Insufficient past investments
- Other

---

Are you currently an investor in any unicorns (companies with a valuation in excess of \$1 billion) either personally or through a fund?

- Yes
- No
- Other

---

How many investments did you consider in the last 12 months? Estimate if you are unsure.



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investments

---

Of the investments you considered in the last 12 months, how many reached each of the following stages? Estimate if you are unsure.

Meet management	<input type="text"/>
Review with partner group / investment committee	<input type="text"/>
Due diligence	<input type="text"/>
Offer term sheet / negotiate detailed terms	<input type="text"/>
Close	<input type="text"/>

---

How many of the deals you closed in the last 12 months were generated via each of the following sources? Estimate if you are unsure.

LPs / investors	<input type="text"/>
Referred by existing portfolio company	<input type="text"/>
Proactively self-generated	<input type="text"/>
Professional network	<input type="text"/>
Other VC firms or angels	<input type="text"/>
Conferences	<input type="text"/>
Inbound from management	<input type="text"/>
Entrepreneurs in residence	<input type="text"/>
Quantitative sourcing	<input type="text"/>
Other	<input type="text"/>

---

Think of the companies you have invested in and exited where you were your fund's lead investor, across all the funds you may have worked for. Of those companies, how many times have you experienced each of the following outcomes?

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IPO	<input type="text"/>
M&A	<input type="text"/>
Failure	<input type="text"/>

---

Think of the companies you have invested in and exited. Of those investments, how many times have you experienced each of the following outcomes?

IPO	<input type="text"/>
M&A	<input type="text"/>
Failure	<input type="text"/>

---

Again thinking of the companies you have invested in and exited where you were your fund's lead investor. How frequently did you experience cash on cash multiples in each of the following ranges?

0 - 1x	<input type="text"/>
1 - 2x	<input type="text"/>
2 - 3x	<input type="text"/>
3 - 5x	<input type="text"/>
5 - 10x	<input type="text"/>
10x or better	<input type="text"/>

---

Again thinking of the companies you have invested in and exited. How frequently did you experience cash on cash multiples in each of the following ranges?

0 - 1x	<input type="text"/>
1 - 2x	<input type="text"/>
2 - 3x	<input type="text"/>
3 - 5x	<input type="text"/>
5 - 10x	<input type="text"/>

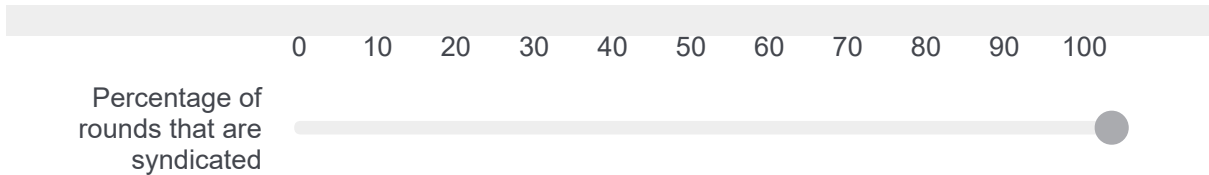
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10x or better

### Syndication

What percentage of your investments are syndicated? (%)



What factors cause you to choose to syndicate a round?

Drag any important items to the box on the right and order them by importance (most important first).

Items	Rank important items in order of importance
Risk sharing	
Complementary expertise	
Desire to be invited to future rounds	
Capital constraints	
Other	

What factors are most important when choosing a syndicate partner or co-investor?

Drag any important items to the box on the right and order them by importance (most important first).

Items	Rank important items in order of importance
Capital availability / size	
Mutual social connection	
Geographic location	

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Reputation	<input type="text"/>
Track record of partner	
Past successes together	
Industry sector expertise	
Other	<input type="text"/>

---

### Time Use

---

In a normal week, how many hours do you spend on each of the following tasks?

Assisting current portfolio companies	<input type="text"/>
Meeting with limited partners	<input type="text"/>
Finding and evaluating potential deals	<input type="text"/>
Management of your firm	<input type="text"/>
Networking	<input type="text"/>
Other	<input type="text"/>

---

For each deal, roughly how many hours do you (and the other partners at your firm) spend in total on due diligence and researching that company and its management prior to investing?

hours on due diligence

---

In performing due diligence on a company, how many references do you (and the other partners at your firm) normally call?

references called

---

How many portfolio company boards are you sitting on?

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boards

---

In the first six months after making an investment, how frequently do you interact substantially with the management of a typical company in your portfolio?

- Never
  - Less than once a month
  - Once a month
  - 2-3 times a month
  - Once a week
  - Multiple times a week
  - Every day
- 

How frequently do you undertake the following value adding activities for the companies in which you invest? For each activity, select the percentage of the companies you invested in where you performed that activity.



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Other value adding activities



### LP Issues (not shown to Angels or Corporate VC)

Which investment benchmarks are most important to your LPs?

Drag any important items to the box on the right and order them by importance (most important first).

Items	Rank important items in order of importance
Gross IRR	<div style="border: 1px solid black; height: 150px; width: 100%;"></div>
IRR net of fees	
Performance relative to other VC funds	
Performance relative to the S&P 500	
Net cash-on-cash multiple	
Other	

What annual net rate of return do you market to LPs as your target? (%)

 %

What multiple (net of fees) do you market to LPs as your target?

 x

If you have a previous fund, what is its vintage year?

 vintage year

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If you have a previous fund, what decile of returns does it fall into?

	1st decile (worst 10%)					10th decile (best 10%)					Not Applicable	
	1	2	3	4	5	6	6	7	8	9	10	
Previous fund's performance decile	<input type="range"/>											<input type="checkbox"/>

Over the next ten years, how do you expect the investments you manage to perform relative to the overall stock market?

- Much worse
- Slightly worse
- About the same
- Slightly better
- Somewhat better
- Much better

Over the next ten years, how do you expect the venture capital industry overall to perform relative to the overall stock market?

- Much worse
- Slightly worse
- About the same
- Slightly better
- Somewhat better
- Much better

Do you intend to raise another fund to make VC investments within the next five years?

- Yes
- No
- Other

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### Fund Structure - Shown only if more than one partner or partner field is blank

---

Do some partners in your fund specialize in different tasks?

Yes

No

Other

---

What tasks do you specialize in? Select all that apply.

Generalist

LP communication / fund raising

Deal sourcing

Deal making

Connecting companies with potential employees, customers, or suppliers

Other

---

Is the individual compensation of the general partners in your fund dependent upon their individual deal success?

Yes

No

Other

---

Are all general partners of your fund normally given an equal share of the fund's capital to invest?

Yes

No

Other



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Are all general partners of your fund normally given an equal share of the fund's carried interest?

Yes

No

Other

---

### Conclusion

Enter an email address if you would like to be sent an early copy of the aggregate results and an invitation to special early presentations of the results held at Stanford, Harvard, and the University of Chicago.

Did you complete this survey on behalf of another person?

Yes

No

Would you be open to being contacted for a brief interview?

Yes

No

Enter your first name.

What is your preferred contact method?

Phone

Email

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Other

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Do you have any comments on or suggestions for the survey?

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