

Time Tells: Unraveling the Temporal and Risk Dynamics of Venture Capitalists

Abstract

Access to financing is critical for the survival and growth of new ventures, yet many startups face significant challenges in securing funds. While prior research has examined organizational and institutional factors influencing venture capital investments, we focus on the role of investors' individual preferences. We explore how these preferences shape investment, exit, and other strategic decisions by using incentive-compatible measures of time and risk preferences from a large-scale survey of European venture capitalists involved in over 11,000 deals. Results indicate that venture capitalists with a higher degree of patience spend more time on a given deal, invest in much younger firms, and syndicate less with other investors. Instead, risk-averse venture capitalists tend to invest in more mature firms. Importantly, time and risk preferences provide different pathways to success: patient investors are more likely to exit through IPOs, whereas risk-averse investors favor trade sales.

Keywords: venture capital; individual preferences; decision-making; risk aversion; patience; investment; exit

1. INTRODUCTION

While new ventures are the engine of innovation, job creation, and economic growth (Dencker et al., 2009), they often face difficulties in raising capital because of problems of asymmetric information and moral hazard (Hall & Lerner, 2010), as well as psychological factors during the fundraising phase (Jiang et al., 2019). Venture capital (VC) firms have emerged as specialized investors dedicated to financing new ventures by employing screening and monitoring tools that can alleviate some of these problems (Drover et al., 2017; Gompers & Lerner, 2001). Therefore, VC firms can play a crucial role in fostering startups and generating financial returns (Samila & Sorenson, 2011). Nevertheless, there are significant differences in how VC firms invest (Petty & Gruber, 2011) and the outcomes they attain (Fitza et al., 2009).

An extensive literature at the intersection of entrepreneurship, strategy, and finance research has explored the sources of heterogeneity in VCs' investment approaches and outcomes by focusing on, e.g., organizational factors (Amore et al., 2023; Chemmanur et al., 2014; Petty et al., 2023; Ryu et al., 2025), fund specialization (Kang et al., 2011), market conditions (Cumming et al., 2005), and institutional and contextual factors (Bottazzi et al., 2016; Castellaneta et al., 2016; Dushnitsky & Sarkar, 2022). At the individual level, existing works have looked at a wealth of factors such as venture capitalists' skills (Ewens & Rhodes-Kropf, 2015), human capital (Zarutskie, 2010), and network relationships (Hochberg et al., 2007). In contrast, the role of venture capitalists' *individual preferences* is underexplored.

This paper aims to fill this gap by investigating the role of venture capitalists' *time* and *risk* preferences on investment decisions alongside other strategic choices (e.g., syndication). Several reasons underscore the importance of focusing on both of these preferences. First, voluminous research emphasizes the pivotal role of time and risk preferences as fundamental drivers of economic decision-making (Falk et al., 2018; Tanaka et al., 2010). These preferences might be particularly relevant in the context of VC decision-making, given that entrepreneurial ventures inherently entail substantial risk and often require a certain period before financial gains materialize (Åstebro et al., 2014; Elfenbein et al., 2017; Lévesque & Stephan, 2020; Wood et al., 2021). Second, although there is evidence that households' and retail investors' risk and time preferences are associated with investment choices (e.g.,

Dohmen et al., 2011), we cannot assume the same patterns among professional investors. Venture capitalists are highly sophisticated investors with substantial industry expertise (Alvarez-Garrido & Guler, 2018), and they typically employ standardized metrics to select and monitor startups (Gompers & Lerner, 2001). They also invest considerable resources into deal sourcing and selection (Gompers et al., 2020) and face pressure from limited partners to generate financial returns (De Clercq et al., 2006; Petty et al., 2023). Hence, one might argue that venture capitalists' idiosyncrasies play a minimal role in investment decisions. Moreover, empirical evidence shows that experienced professional investors often display attenuated—or different—behavioral patterns: they are quicker to cut losses than retail investors (Shapira & Venezia, 2001), react more sharply to short-term losses than non-professionals (Haigh & List, 2005), and are less sensitive to herding (Menkhoff et al., 2006). These divergences suggest that the way risk and time preferences translate into actual investment behavior can differ fundamentally for venture capitalists compared with individual investors. By moving the focus to venture capitalists rather than entrepreneurs and analyzing how venture capitalists' time and risk preferences impact their investment decisions and outcomes, this study answers the call for research into how these dimensions affect managerial decision-making (Park & Tzabbar, 2016).

It is notoriously difficult to get individual-level information on investors' preferences. To overcome this challenge, we conducted a large-scale incentivized survey of individuals who hold top positions in European VC firms. Our data contain incentivized measures of time and risk preferences (as in Andersen et al., 2014 and Dohmen et al., 2011) and several other behavioral and demographic characteristics. By matching such survey data with information on VC deals from Pitchbook, we construct a comprehensive dataset that offers a unique opportunity to unpack how venture capitalists' risk and time preferences affect investment decisions. Our analysis shows that venture capitalists' patience is positively associated with the time spent to evaluate a given deal (potentially owing to more extensive due diligence), whereas it is not associated with the number of deals considered in a year or the expected internal rate of return (IRR). Next, our analysis, based on over 11,000 deals, reveals that more patient venture capitalists invest in ventures at an earlier stage of development. They also syndicate less, consistent with the notion that syndication makes exit less time-consuming (Das et al., 2011). By contrast, more risk-averse venture capitalists invest in significantly more mature firms,

potentially due to the lower risk inherent in these deals. Moreover, risk-averse investors syndicate less, not more (though not robustly across specifications)—a finding suggesting that syndication might not be perceived as a risk-mitigation strategy.

Isolating the causal effects of venture capitalists’ individual preferences is difficult, and we therefore make no claim of causal identification. However, we perform a series of analyses that yield results that are consistent with the interpretation that venture capitalists’ patience and risk aversion shape their selection, syndication, and exit decisions. We exploit VC firms with multiple funds to estimate a difference-in-differences model, which allows us to account for VC firm-level heterogeneity. Importantly, we also show that our results become *insignificant* when focusing on individuals who do *not* hold top positions in their firms and are thus unlikely to directly influence investment decisions. Additionally, we provide evidence suggesting that our results are attributable to individual preferences rather than selection as a function of the fund’s time horizon (i.e., time preferences do not affect investment behaviors just because more patient investors are more common in VC funds that are far away from the exit period). To address concerns about the temporal stability of preferences, we establish the robustness of our results using the subset of deals completed between 2021 and 2022—a period closer to when preferences were measured.

In conclusion, we focus on exit outcomes and document that patient investors are more likely to exit via IPO, whereas risk-averse investors favor exit strategies based on trade sales. The positive effect of venture capitalists’ patience on the likelihood of an IPO diminishes with increasing risk aversion, indicating that IPOs are most likely to occur when investors exhibit both patience and risk appetite. By contrast, venture capitalists’ patience negatively affects the likelihood of exit via trade sale for investors with moderate to high risk aversion.

This research advances our understanding of the psychological dimensions of venture capital’s decision-making (e.g., Kirsch et al., 2009; Zacharakis & Shepherd, 2001), complementing the large literature on the role of venture capitalists’ characteristics, including their skills, education, and experience (Aggarwal et al., 2015; Bottazzi et al., 2008; Dimov & Shepherd, 2005; Ewens & Rhodes-Kropf, 2015; Zarutskie, 2010). It also shows that time preferences, despite being “largely neglected in entrepreneurship research” (Lévesque & Stephan, 2020, p. 164), play a critical role in VC investment

decisions. More broadly, this study contributes to the growing literature on the role of top decision-makers' traits on strategic decisions and outcomes (e.g., Galasso & Simcoe, 2011; Kaplan et al., 2022; Koh et al., 2018; Malmendier et al., 2023). Furthermore, it contributes to recent works on the reasons why investors evaluate startups differently (Brooks et al., 2014; Ewens & Townsend, 2020; Franke et al., 2008; Zunino et al., 2022) and to ongoing research that uses surveys and experimental methods to map the preferences of top executives (Graham et al., 2013), investors (Bodnaruk & Simonov, 2016), and entrepreneurs (Koudstaal et al., 2016). Finally, we extend a small body of literature exploring the intricate interplay between risk and time preferences (e.g., Anderson & Stafford, 2009), shedding light on how these two dimensions may jointly influence VC investment decisions.

2. BACKGROUND AND RELATED LITERATURE

2.1 Venture Capitalists' Decision-Making

The literature on entrepreneurship has extensively examined the factors that influence the investment decisions of VC firms. One stream of research focuses on aspects related to the entrepreneurial venture, including market position factors such as entry timing and competitive rivalry (Shepherd, 1999), technology (Baum & Silverman, 2004), and sales and revenue potential (Eckhardt et al., 2006). VC firms also pay close attention to the entrepreneurial venture's management team, considering education (Ko & McKelvie, 2018), gender (Kanze et al., 2018), functional or industry experience (Beckman & Burton, 2008; Shepherd, 1999), national identity (Bottazzi et al., 2016), social capital (Batjargal & Liu, 2004), local networks (Balachandran & Hernandez, 2021), and prior entrepreneurial success (Gompers et al., 2010).

A second line of research, which is more central to our study, examines the characteristics of VC firms themselves. Factors such as firm reputation (Nahata, 2008; Petkova et al., 2014), experience (Aggarwal et al., 2015; Franke et al., 2008), past success (Liu & Maula, 2016; Nanda et al., 2020), and network relationships (Milanov & Shepherd, 2013) all matter for investment decisions. At the individual level, venture capitalists' experience and human capital have been shown to be positively related to their success rate (Dimov & Shepherd, 2005; Sorensen, 2007). Moreover, similarities between venture capitalists and entrepreneurs, such as background, experience (Franke et al., 2006), values

(Matusik et al., 2008), geographic origins (Devigne et al., 2016), ethnicity (Bengtsson and Hsu, 2015), and social attributes (Claes and Vissa, 2020), have also been shown to affect VC decision-making.

One might argue that, due to their extensive knowledge and expertise, together with the intermediary nature of their role, venture capitalists' decision-making should be based on objective criteria such that biases are minimized, and individual preferences should not matter. Yet, some works suggest that this is not the case. Guler (2007), for instance, finds that the sequential investment decisions of venture capitalists are biased, potentially due to emotional attachment and escalation of commitment. Shepherd et al. (2003, p. 382) write that "experienced decision-makers appear to rely on various heuristics and other forms of mental shortcuts to the same extent as those lacking experience, and this can lead them into equally serious errors." Moreover, venture capitalists are susceptible to gender stereotyping (Malmström et al., 2017) and overreaction to weak signals (Singh et al., 2015). Other works have hinted at the potential role of individual characteristics and systematic biases in VC decision-making. For instance, Gompers and colleagues wrote that "the paucity of historical operating information and the uncertainty of future cash flows makes VCs' investment decisions difficult" and less likely to rely on "cash flow or net present value (NPV) techniques to evaluate their investments" (Gompers et al., 2020, pp. 170–171). As a result, venture capitalists' decisions can be highly subjective and influenced by personal preferences. Extending this line of inquiry, we study how *individual preferences* influence venture capitalists' investment decisions and outcomes. In what follows, we motivate our specific focus on *risk* and *time* preferences.

2.2 Time and Risk Preferences in Decision-Making

Time and risk preferences are among the most fundamental preferences shaping many economic decisions, as evidenced by extensive surveys linking them to economic decisions across diverse contexts (Falk et al., 2018; Tanaka et al., 2010). In particular, time preferences are a key element of decision-making and have been related to employment and personal finance decisions (Ashraf et al., 2006; Doepke & Zilibotti, 2008). Some studies have even suggested that an individual's patience better predicts field behaviors than usual demographic variables such as gender, age, or wealth (Chabris et al., 2008). Evidence also shows that time preferences affect managerial and entrepreneurial decisions and

outcomes (Gutierrez et al., 2024). Scholars have suggested that corporate short-termism—the tendency to undervalue the long run (Laverty, 1996)—is a “disease” (Rappaport, 2005, p. 65) that leads to undesirable outcomes such as excessive risk (Rahmandad et al., 2018). By contrast, adopting a long-term orientation—a preference to value the future over the short term (Shipp & Jansen, 2021)—is conducive to long-term strategies, competitiveness, and better performance (Flammer & Bansal, 2017; Zhang & Gimeno, 2016).

Risk preferences, too, play a crucial role in decision-making. For instance, risk tolerance is a significant predictor of various individual behaviors, including underinsurance and investment in the stock market (Cutler et al., 2008; Dohmen et al., 2011). The literature further suggests that risk preferences also play a crucial role in managerial decision-making (MacCrimmon & Wehrung, 1990), even though these preferences have proven hard to measure in the context of professionals. To overcome this challenge, scholars have used various indirect measures based on observed individual behaviors, exposure to traumatic events, and demographic characteristics. For instance, Wang & Yan (2023) used personal insurance premium rates to measure CEOs’ risk aversion and found a substantial association with strategic decisions such as investment in corporate social responsibility. Using the birth order of CEOs, Campbell et al. (2019) reported that earlier-born CEOs, who are assumed to be more risk-averse, take fewer strategic risks, such as investments in R&D. There is also evidence that CEOs who engage in risky activities, such as owning a private pilot’s license, lead firms with a higher level of debt and more volatile stocks (Cain & McKeon, 2016). Likewise, CEOs who experienced traumatic experiences in their youth, and are thus expected to be more risk-tolerant, manage firms with a higher stock price-crash risk (Chen et al., 2021). Studies using self-reported measures have also shown a relationship between executives’ risk attitudes and various aspects of corporate decision-making, such as mergers and acquisitions and corporate hedging (Bodnar et al., 2019; Graham et al., 2013). Several works have also recognized the importance of time and risk preferences in entrepreneurial decision-making (Åstebro et al., 2014; Das & Teng, 1998; Lévesque & Stephan, 2020; Wood et al., 2021). We extend this line of inquiry by probing into how time and risk preferences matter for venture capitalists’ decision-making and outcomes.

2.3 Time and Risk in Venture Capital

Practitioners have considered time horizon as “the most important factor to take into account” (Chladek, 2021) in alternative investments such as those undertaken by VC firms. Despite this importance, the few existing studies have predominantly focused on the role of time from a contractual perspective, e.g., proximity to the exit period (Barrot, 2017; Yao & O’Neill, 2022) or from the perspective of deal outcomes (Cole et al., 2023). Risk, too, plays a central role in the VC industry, but the variation in risk preferences among VC firms is not well understood. Previous studies have used coarse proxies at the firm level based on asset-pricing measures (Cochrane, 2005), return volatility (Buchner et al., 2017), or deal outcomes (Cole et al., 2023). We shift the focus to an antecedent of VC firms’ time horizon and risk-taking, i.e., the *subjective* preferences of individual VC investors, and explore how these personal preferences influence their investment decisions and outcomes.

VC firms set specific funds, which often have a lifetime of around ten years, and they commit to returning payouts to the limited partners (LPs) as the fund reaches its end.¹ A consequence of this feature is that as the fund gets older, the (remaining) time horizon to invest and exit from the investment becomes shorter. While Barrot (2017) examines how fund horizons drive investment in innovative firms, our study focuses on the role of individual venture capitalists’ time and risk preferences, showing how these traits influence early-stage investment choices, syndication, and exit strategies. Although the *objective* investment horizon of a fund affects the maturity of the ventures selected (Barrot, 2017), the way venture capitalists evaluate possible investments is largely *subjective*. Thus, individual preferences may affect investment decisions.

Young ventures tend to be not only riskier than more mature firms (Bruderl & Schussler, 1990) but also require more time before the realization of outcomes (Manso, 2011; Tian & Wang, 2014). Risk-averse or impatient venture capitalists might thus prefer to invest in more mature ventures that will generate a less uncertain financial return in the shorter term. Relatedly, these investors might have a higher propensity to syndicate with other investors to mitigate risk and achieve a faster exit route (Das et al., 2011). By contrast, less risk-averse or more patient venture capitalists should be more willing to

¹ An exception to this norm is given by the so-called rolling funds, which have gained some popularity recently.

invest in earlier-stage ventures and be involved with their portfolio firms for a longer period to reap the benefits of younger, more innovative ventures without resorting to syndication.

After investing and following a holding period, VC firms must exit from such investments to realize financial returns for LPs. To this end, they can undertake different types of exits, most notably an IPO or a trade sale. This is a crucial decision for any VC, and there is substantial research on the determinants of exit (e.g., Ozmel et al., 2013; Yao & O'Neill, 2022). The two exit routes differ in the level of uncertainty and the ability to time the exit. Exiting via IPO has historically been a highly profitable option for VC firms; startups have yielded the highest return for investors by going public (Gompers, 1995; Lerner, 1994), whereas trade sales have been seen as the second-best form of exit (Cumming & Johan, 2008). Even if comparing the profitability of different exit paths is difficult (e.g., due to the paucity of valuation data), IPOs represent a valuable way for venture capitalists to generate financial returns. Yet, this exit path is typically rare and might apply to a small subset of firms in the VC's portfolio. In fact, IPOs are usually considered riskier and more complicated to orchestrate because they require favorable market conditions (Lerner, 1994). Because these windows of opportunity are difficult to predict at the investment stage and may or may not occur within a given time horizon, VC firms may need to keep the venture in their portfolio for *potentially* longer periods. As a result, the ability of a VC firm to undertake an IPO can depend on investors' patience, which in turn shapes their willingness to be involved with portfolio firms over time.² By contrast, exit through a trade sale is favored when venture capital firms face increased temporal pressures to exit, and it represents a more flexible way of exiting the company (Yao and O'Neill, 2022). Collectively, these arguments suggest that the risk and time preferences of venture capitalists may matter for the exit strategy as well.

3. DATA AND METHODS

3.1 Survey Design

Surveys are a commonly used method for gaining insight into how investors make decisions and have been widely employed in studies of professional investors (Bodnaruk & Simonov, 2016; Gompers et

² In the European context, exit via IPO has been shown to take more time than trade sales and acquisitions (Félix et al., 2014).

al., 2016, 2020). Therefore, we adopted a survey approach to measure the economic preferences of venture capitalists in Europe (see the next section for details on the variables).

After developing a draft survey, we circulated it among academics and industry experts for comments. This step enabled us to develop a better version by improving the style and language, including new questions, and shortening others. The final version of the survey contained 15 questions and was designed in Qualtrics. We solicited all survey respondents via email, using a mailing list compiled from Pitchbook. In cases where Pitchbook did not provide an email address, two research assistants manually searched for the missing information. We identified all individuals on Pitchbook who had at least one professional experience in an entity identified as an independent venture capital, corporate venture capital, government venture capital firm, or angel investor in Europe. The time frame covers deals made from 1997 to 2022. From that list, we removed individuals who held junior positions (as identified by their full titles reported by Pitchbook), i.e., “Analyst,” “Associate,” and “Assistant”.

We administered the survey between April 2022 and September 2022 using Qualtrics. In total, we sent 14,727 invitations (net of bounced emails). We sent a reminder to participants who did not reply after approximately one month. To encourage completion, we offered investors who completed the survey an early look at the aggregate results (after the survey was closed but before the results were released to the public) as well as an invitation to an academic workshop. Furthermore, participants were informed that those who completed the survey would be eligible to participate in a lottery with a monetary prize (a gift card of up to approximately €2,400) depending on their answers to the questionnaire. The survey was confidential, and all the reported results are based on the aggregation of many responses to prevent anyone from inferring the answers of any specific respondent. However, the survey was not anonymous, and we were able to match the responses with the information on Pitchbook to analyze how the preferences of respondents correlated with their investment strategies and outcomes.

The survey took participants approximately 15 minutes to complete, with a median completion time of 12 minutes. We received responses from 735 investors (amounting to a response rate of 5%), of which 359 made it to the end of the survey. This response rate is comparable to similar studies on professional decision makers (e.g., Koudstaal et al., 2016). Of those 359 respondents, 12 did not grant consent to use their responses in our study, leading to 347 usable complete answers. Focusing on their

last position, 77.9% of respondents worked at an independent venture capital firm, 9.3% at a corporate venture capital unit, 1.2% at a government venture capital firm, and 8.5% as angel investors. The remaining 3.1% of respondents held positions in more than one entity (e.g., independent and corporate) at the same time.

For comparison purposes, we conducted an additional survey with participants recruited from outside the VC industry. We sent a survey containing an identical set of questions concerning risk and time preferences to 348 participants drawn from the general population in Prolific (using the same list of countries). This survey was conducted in July 2024.

3.2 Survey Measures

Our survey contained questions related to the economic and social preferences of venture capitalists, as well as questions related to their demographic characteristics and the investment activities of their VC firms. Here, we describe the questions used in this empirical analysis.

In the first section, we asked two questions to better define the investment behavior of venture capitalists. The aim was to integrate the information provided by Pitchbook with additional details gathered through the survey. Specifically, following Gompers et al. (2020), we asked venture capitalists to provide information on the number of deals their firm considers in a typical year, the required internal rate of return (IRR) from an investment, and how long they usually take to close a deal (in days).

Next, we followed the standards in the literature and measured time and risk preferences using choice-based questionnaires (Falk et al., 2018; Meier and Sprenger, 2010; Tanaka et al., 2010). To elicit time preferences, we employed a modified version of the method in Andersen et al. (2008). Time preferences are usually measured by asking participants to choose between a smaller but sooner payment and a larger but later payment. This allowed us to measure to what extent the *present* and *future* are traded off (Sutter et al., 2019). In our survey, we used a payoff table with 14 questions (listed in Appendix Table A1). For example, Option A offered a payment of €400³ in 1 month, while Option B offered an amount X ranging from €410 to €552 in 7 months (from question 1 to question 14).

³ To define the payoffs, we followed Andersen et al. (2008). We feel confident that this is an acceptable amount to pay the participants fairly for the time spent answering the survey.

Participants were asked to choose between Option A and Option B for each of the 14 questions. The row in which participants switched from the payment in 1 month (Option A) to the payment in 7 months (Option B) represents the index used to assess the time preferences. The sooner the switch from A to B, the greater the individual's patience. The final payment that corresponded to this question was determined by a random selection of 1 of the 14 questions.

We elicited risk preferences using an incentivized multiple-price list lottery similar to the one developed by Koudstaal et al. (2016) based on the approach described by Dohmen et al. (2011). The participants faced 11 pairs of questions and were asked to choose between two lottery options (reported in Appendix Table A1). Option A was a risky choice, a lottery with a 50% chance of winning €330 and a 50% chance of winning nothing. Option B was a safe choice, a sure amount that increased in steps of €30 from one decision to the next (from €20 in row 1 to €310 in row 11). The *switching point* was calculated as the row in which participants switched between the lottery (Option A) and the sure amount (Option B). The sooner the participant switches from Option A to Option B, the greater the individual's risk aversion. The participant chose A or B in each row, and one row was later selected randomly for the payout of the selected participant's amount.⁴

The survey also contained several questions from the World Value Survey (WVS). We used a question to capture the importance of luck, which is relevant as a control variable given the role of beliefs around luck in investment and risk-taking (Fisman et al., 2023). Participants were asked to rate the extent to which they agreed that luck and connections are important for individual success on a scale from 1 to 10, with higher values indicating that luck is more important than hard work. Moreover, we used a question that measured the extent to which participants believed that people could be trusted (on a scale from 0 to 4, where higher values indicate more trust). Accounting for this dimension is important in light of the evidence from Bottazzi et al. (2016), who reported that trust influences VC decisions.

Concerning the demographic details, we only requested survey respondents to state their year of birth because we had access to the other basic demographic information through Pitchbook. The survey

⁴ Given that participants may make inconsistent decisions either by having more than one switching point or making backward choices—starting with Option B and switching to A (Charness et al., 2013)—we programmed both the risk and time preference questions in such a way as to enforce monotonicity. As soon as the participants switched from Option A to Option B, Option B was automatically selected for all the remaining rows.

also contained a set of other individual traits (i.e., loss and ambiguity aversion) (as in Koudstaal et al., 2016). These variables were used to check the robustness of our results. Finally, the survey also contained an incentivized modified dictator game that used a charity association as a counterpart and three WVS questions related to interpersonal relationships and gender preferences. These variables were not used for the analysis, given that they were not central to the research question of this paper.

3.3 Measures from Other Sources

We constructed a set of individual-level variables, which we used as controls in the analysis. First, we employed a discrete variable that identified the highest level of education attained by the investor. The variable was equal to 0 if the investor did not attain any degrees, 1 if the investor attained a BSc degree, 2 if the investor attained an MSc degree, 3 if the investor attained an MBA, and 4 if the investor attained a PhD. Such information was retrieved by manual searches on LinkedIn and investors' websites. As noted, one of the questions in the survey asked respondents to provide their year of birth, which we used to calculate their age. However, for those who did not respond to this question, age was retrieved by manual searches on LinkedIn and investors' websites or inferred by looking at the years elapsed since the year when they obtained their bachelor's degree. In such cases, age was calculated as the number of years that elapsed since the degree plus 22. Using Pitchbook, we were also able to identify the gender of the respondents, their prior entrepreneurial experience (i.e., whether they appeared as a founder of a firm), and their VC experience (computed as the number of deals made as lead partners by the respondent).

Then, we matched respondents to the investor firms they worked for. To ensure that the respondents played an active role in such firms, we only considered investments completed by the respondents' firms during their job tenure. Given that the information on the start and end dates is often missing in Pitchbook, we manually retrieved it from LinkedIn or investors' websites. Moreover, for the main analysis, we focused on investments completed by the firms in which the respondents held top management positions (as identified by their full titles reported in Pitchbook). The reason for this is that the risk and time preferences of the respondents should be relevant for the VC investments only when the respondents held top management positions (so they could actively influence the investment

decisions of their firms).⁵ Thus, we retained the deals completed by the investor. In the rare case in which two or more respondents worked for the same firm at the same time and held top management positions, we retained the survey responses of the individual with the longest tenure at the VC firm (we thus dropped the deals completed by 17 respondents).

To ensure that the risk and time preferences of investors affected their firms' investments, in a robustness analysis, we also retained investments completed by firms in which the respondents did not hold the above-mentioned roles, and we conducted a separate analysis for respondents holding titles such as "Venture Analyst," "Manager," and "Consultant." The following section shows that the results were largely insignificant when using these respondents.

Information on deals was obtained from Pitchbook, one of the most comprehensive databases in entrepreneurial finance, which is regularly used by researchers in venture capital and professional investors (e.g., Yao and O'Neill, 2022; Yu, 2020). The information provided by Pitchbook is mainly based on disclosed information from LPs and GPs, filings of national regulators, and other publicly available information. From Pitchbook, we obtained information on the date and the amount (in USD) invested by VC firms in startups, the founding year of the startup, and whether and how the investor exited, among others. Details on the key variables are reported in the next section.

3.4 Samples and Summary Statistics

As previously mentioned, out of the 14,727 invitations, we received a response from 735 people (amounting to a response rate of 5%), of whom 359 (49%) completed the survey in full. Of these, 12 did not consent to use their responses, leading to 347 usable responses.

INSERT TABLE 1 HERE

Table 1 presents the main variables used in the regression analyses, while Appendix Table A2 provides a description and Appendix Table A3 presents the correlation table. To ensure a consistent sample

⁵ To identify such top management positions, we considered titles such as "Partner", "GP", "Head", "President", "VP", "Founder", "Founding", "Principal", "Managing Director", "Investment Director", "Executive", "Chief", "Chairman", "Chairwoman", and "CEO". If one of these words appeared in the respondent's title or if the respondent was an angel investor, we considered the respondent to have a top management role.

throughout the analyses, we excluded observations with missing values in any of the variables employed in the main paper or the Appendix. As shown in Panel A, 77% of the respondents held at least one top management position in their firm. Their average age was 45, and 12% of respondents were women. About one-third of them had at least one experience as a founder and, on average, a VC experience of 4 deals as a lead partner.⁶ Regarding the main explanatory variables, the mean value for patience was 8.8 (on a 0–14 scale), whereas the mean for risk aversion was 5.3 (on a 0–11 scale). Importantly, these variables display a fairly high standard deviation. That is, venture capitalists are quite heterogeneous in terms of time and risk preferences. The correlation between patience and risk aversion was equal to 0.178.

In the survey, as mentioned before, we further asked the respondents the average time it took them to close a deal, the required IRR from an investment, and the number of deals considered in the last year. As shown in Panel B, the average number of days to close a deal was 98 (median of 90), which is fairly close to the value reported by Gompers et al. (2020) (83 days). The average required IRR was 47 (median of 25), which is above the value found in Gompers et al. (2020) (31), but the median value in our sample was close to that in Gompers et al. (2020). Finally, the average number of deals considered by the respondents in our sample was 223 (median of 50).

Panel C reports information at the deal level. To construct the dataset at the deal level, we linked respondents with the investment firms in which they held top management roles and such firms with the deals they completed during the tenure of the respondent at the firm. The original contacts list was obtained from a Pitchbook database downloaded in January 2022. To alleviate the concern that preferences may have changed over time and to assess the impact of behavioral preferences when focusing on deals completed closer to the period when the survey was completed, we matched respondents to a more recent version of Pitchbook, which was downloaded in December 2022. Out of the 735 respondents, 14 were excluded from the most recent version of Pitchbook. Such individuals were linked to the investor firms they were associated with in the original version of Pitchbook. Results are robust to the exclusion of such individuals. Panel C also includes the deals completed by the

⁶ Respondents are largely similar to the population with two exceptions: respondents are, on average, one year older and are more educated.

respondents as angel investors. The full sample consists of 11,797 deals completed between 2000 and 2022 (after excluding deals with missing values concerning key variables). These deals involved 7,567 unique ventures. On average, ventures receiving funding in our sample were 4 years old, with 32% classified as late-stage by Pitchbook. The average amount raised by the startup up to the focal deal was approximately \$30.5 million (median of \$4.8 million), and the average deal size was \$14.2 million (median of \$3.3 million). Syndication was prevalent, occurring in 82% of the deals, with the average syndicate comprising 3.7 partners.

Finally, Panel D reports summary statistics on exit strategies using the deal-investor dyad as a unit of observation. As shown, 6.1% of the investors exited through an IPO, and 25.7% exited through a trade sale, translating to absolute figures of 231 and 968 exits, respectively.⁷

To compare the patience and risk aversion of the investors in our sample with the average population, as anticipated, we also identified 348 participants from the general population in Prolific. Investors are, on average, more patient than the general population (patience: 8.787 vs. 8.003, $p = 0.034$) and less risk-averse (risk aversion: 5.239 vs. 6.744, $p < 0.001$) than the general population.

4. RESULTS

4.1 Investment Approach

To start, we use the answers to the survey questions regarding the average number of days it takes for respondents to close a deal, the number of deals considered in the previous year, and the required IRR from an investment as dependent variables in Table 2. Given that the unit of observation was a single response, our controls were limited to individual-level factors without considering specific startup characteristics. The main explanatory variables were investors' *patience* and *risk aversion*. Both variables were standardized to have a zero mean and a variance equal to 1. In terms of control variables, we included a set of dummies for the countries where the investor was based, a set of dummies for the highest educational degree attained, the logarithm of investor age, gender, VC experience, and a dummy

⁷ In Panel D, we restricted the sample to the first investment completed by the investor in the venture so that each investor-venture pair is unique, even if the investor has invested multiple times in the same venture. Moreover, we restrict the sample to deals completed by December 2017. As we tracked ventures until the end of 2022, this procedure allowed for a minimum of 5 years to exit from an investment (Nahata, 2008). These restrictions explain why Panel D covers 3,763 observations rather than the 11,797 observations in Panel C.

equal to one for investors holding founder experience. Additionally, we control for the respondents' trust and luck beliefs from the WVS questions (both standardized). Standard errors are adjusted for heteroskedasticity.

As shown in Column (1), more patient investors spent substantially more time to close a deal (potentially owing to a longer due diligence phase), with a one-standard-deviation increase in patience lengthening the time to close a deal by 11.7%. Conversely, respondents' patience does not substantially affect the number of deals considered in a year (Column 2) nor the required IRR (Column 3). Similarly, respondents' risk aversion does not appear to significantly affect these variables.

INSERT TABLE 2 HERE

4.2 Venture Selection

Not all VC firms are equally likely to invest in early-stage firms. For example, Gompers et al. (2020) report that only 36% of VC firms in the US focus on seed or early-stage firms. Given that early-stage ventures are particularly vulnerable to underfunding, understanding the factors influencing venture capitalists' decisions to invest in these ventures is essential. We argued that venture capitalists' *patience* might be positively associated with investments in younger and less established ventures. In contrast, venture capitalists' *risk aversion* is likely negatively associated with investments in younger and less established ventures.

We used OLS regressions on our sample at the deal level. The dependent variables were a dummy that had a value of 1 if the investment was in a late-stage venture and a value of 0 elsewhere (Columns 1 and 2 of Table 3), the natural logarithm of 1 plus the age of the venture (in years) at the time of the deal (Columns 3 and 4 of Table 3), and the natural logarithm of 1 plus the amount raised by the venture up to the time of the focal deal (Columns 5 and 6 of Table 3).

Again, the main explanatory variables were investors' *patience* and *risk aversion*. In all models, we control for the effects of time, geography, industry, and investor type on the outcomes of interest. We included a set of dummies for the year of the investment, the countries where the startup and the investor were based, the industry where the startup operated, and the classification of investor types provided by Pitchbook (e.g., venture capital, corporate venture capital, etc.). In Columns 2, 4, and 6 of

Table 3, we included the individual characteristics described in the previous section to control for the effects of demographic traits, experience, and beliefs on the outcomes of interest. Specifically, we control for VC experience, individual age, founding experience, gender, and the highest educational degree attained. Moreover, we control for the respondents' trust and luck beliefs from the WVS questions (both standardized). Standard errors were clustered at the investor level.

Results show that a one-standard-deviation increase in investors' patience led to a 3 percentage-point decrease in their probability to invest in late-stage startups (Columns 1–2) and a 5 percent decrease in the age of the startups they invested in (Columns 3–4). Furthermore, more patient venture capitalists invested in less established startups, i.e., ventures that had raised 20% less money up to the focal deal (Columns 5–6). In terms of statistical significance, the results in Columns 3–4 are significant at the 10% level, whereas those in Columns 1–2 and 5–6 are estimated more precisely.

Table 3 also shows the statistically significant effect of the risk aversion of respondents on most of the outcomes considered: Risk-averse respondents were more likely to invest in older and later-stage startups (Columns 1–4), but the effect is insignificant if we focus on the amount previously raised by the ventures. Among the control variables, the strongest effect originated from founder experience: investors who were previous entrepreneurs were significantly more likely to invest in younger and less developed firms.

To isolate the effects of time and risk preferences, we included both variables in the regressions; however, in Table A4 of the Appendix, we check the results by including them separately. We obtained a statistical significance at a conventional level for two of the three outcomes considered. Moreover, in Table A5 in the Appendix, we show the results obtained using the logarithm of deal size as an alternative dependent variable: patient investors make significantly smaller deals (which aligns with our evidence on their tendency to invest in younger, less established firms).

INSERT TABLE 3 HERE

Ascertaining causality in our setting is difficult. However, we perform a series of tests to assess the robustness of our findings and address potential threats to identification. First, we re-estimated the model in Table 3 separately for respondents who worked at VC firms that were the lead investors in the

given deal. The intuition is that risk and time preferences should have a more pronounced impact on startup selection for lead investors, as they actively shape the direction of the investment compared to non-lead investors, who typically follow the lead of other VC firms. Figure 1 illustrates the point estimates of time and risk preferences obtained by estimating the models in Table 3 separately for lead and non-lead investors. The economic magnitudes are almost always larger for lead investors, though we also observe some statistical significance for non-lead investors. As an alternative test, we re-estimated the models by retaining only the deals completed by investors in which respondents did *not* hold top management positions. In such cases, the economic preferences of the respondents should not substantially influence investment behavior. Consistent with this notion, we found that the coefficients of patience and risk aversion were largely insignificant (Appendix Table A6).

INSERT FIGURE 1 HERE

Furthermore, we estimated a difference-in-differences model that took advantage of the fact that certain firms have multiple (sequential) funds (Table 4). We matched each respondent to the funds they worked for (and where they held top management positions, as previously defined) and used funds raised by the same firms before the respondent joined as counterfactuals.⁸ Leveraging this longitudinal variation allowed us to control for constant heterogeneity at the VC firm level. To ensure the consistency of the VC firm behind the VC fund, we excluded those funds that were raised jointly by two or more firms. We constructed a dummy variable (*Post Entry*) equal to 1 for the funds in which the respondent operated and 0 for the funds raised by the same firm before the respondent joined. We then interacted this dummy with the respondents' level of patience and risk aversion. As a result, the coefficients of patience remain statistically significant, validating our prior findings. However, the coefficients of risk aversion are insignificant.

Another challenge for the interpretation of our results is that venture capitalists with certain economic preferences (e.g., more patient) self-select into VC funds with longer time horizons. If so, our

⁸ For a few large funds, we had more than one respondent; thus, we retained the answers provided by the individual with the most senior position or with the longest experience in VC if they had the same title. We discerned the funds that VC firms raised prior to the ones in which the respondents participated by using Pitchbook, which provides information on the chronological order of the funds raised by VC firms.

results will not capture the effects of individual characteristics on investment decisions but, instead, those of the funds' time horizon. To alleviate this concern, we estimated a regression in which the dependent variable is the funds' vintage year, and the right-hand side of the model includes the variables we used so far (Appendix Table A7). This analysis was performed at the fund level and included the observations for which the vintage year was available in Pitchbook. We found no significant association between individuals' risk and time preferences and the vintage year of the VC fund where they work. This suggests that our results are not driven by the selection of more patient (or less risk-averse) investors into VC funds with longer time horizons.

Our research design involves measuring venture capitalists' time and risk preferences at a single point in time while examining their investment decisions over a longer period, which implicitly assumes temporal stability in these preferences. To alleviate the concern that preferences may have changed over time, we conducted additional analyses focusing only on recent deals made by the firms where the respondents in our sample work. In Table A8 in the Appendix, we replicated the findings presented in Table 3 after retaining only investments completed in 2021 and 2022, a period closer to when we measured investors' preferences.

INSERT TABLE 4 HERE

4.3 Syndication

In this section, we test whether patience and risk preferences influenced the propensity to syndicate. We use the number of syndicate partners as a dependent variable and estimate Poisson regressions at the investor-deal level with standard errors clustered at the investor level. The results in Columns 7–8 of Table 3 reveal that patience decreased the size of the syndicate partnership. A possible interpretation is that less patient investors who seek a quicker exit may resort to other investors' opinions, networks, and resources to grasp the exit potential of their investments. In fact, there is evidence that syndication speeds up exit (Das et al., 2011). Risk aversion, surprisingly, showed no positive relationship with syndication despite its potential to reduce investment risk through collaborative efforts. This could be because syndicated investments, while distributing risk among investors, tend to be inherently riskier (Brander et al., 2002), countering the expected risk reduction.

In column 4 of Table 4, we followed the difference-in-differences approach used in the analyses of startup selection, exploiting that certain VC firms have multiple (sequential) funds, to test whether the results hold. While the estimated coefficient of patience remains negative and statistically significant, the coefficient of risk aversion becomes insignificant. In Column 7 of Table A8, we replicated the results presented in Table 3, retaining once again only those deals completed between 2021 and 2022. As shown, the results presented in those tables largely align with our main findings on the role of patience.

4.4 Exit Strategies

Some of our earlier arguments suggested that venture capitalists' patience might be positively associated with exit via IPO and negatively associated with exit via trade sale. In contrast, venture capitalists' risk aversion might be negatively associated with exit via IPO and positively associated with exit via trade sale. In Column 1 of Table 5, the dependent variable is a dummy that equals 1 if the investor exited through an IPO from their investment in the startups and 0 otherwise. In Column 2, the dependent variable is a dummy that equals 1 if the investor exited through a trade sale from their investment in the startup and 0 otherwise. In this analysis, each investor-portfolio company pair was unique, even though the investor may have participated in multiple financing rounds. When this happened, we retained only the first investment in the startup (Nahata, 2008). For these analyses, we restricted the sample to deals completed by December 2017; tracking startups until the end of 2022 allowed for a minimum of 5 years for an investor to exit from an investment.⁹

We used linear probability regressions with the same set of controls as in Table 3. Furthermore, since we previously found that investors' patience and risk aversion influence the type of ventures funded, we further included variables that accounted for differences in startup characteristics, such as the age and stage of development of the startup at the time of the deal, the cumulative amount raised by the startup up to the focal deal, and the size of the focal deal. Adding these controls is useful to ensure that the effects of patience and risk aversion on exit strategies are not merely driven by differences in

⁹ In unreported analyses, we checked the robustness of the findings by considering only deals completed by December 2016 to give investors an additional year to experience a successful exit.

the selection of startups. We also controlled for the number of investors, since there was a negative relationship between patience and the size of the syndicate partnership. Standard errors are again clustered at the investor level.

The results presented in Table 5 show that a standard deviation increase in patience improves the chances of exit via IPO by roughly 1.3 percentage points (Column 1) but decreases the likelihood of a trade sale by roughly 2.8 percentage points (Column 2). Similarly, a standard deviation increase in risk aversion decreases the likelihood of exit via IPO by 1.1 percentage points (Column 1) but increases the likelihood of a trade sale by roughly 2.3 percentage points (Column 2).

As shown earlier, a large portion of the deals in our sample are syndicated. This may raise the question of how the time and risk preferences of an individual venture capitalist might impact the exit outcomes. In Columns 3–4 of Table 5, we show that the effects of time and risk preferences on the exit type are economically and statistically stronger when focusing on deals in which the venture capitalist included in our sample was the lead investor, potentially exerting a more influential voice in determining the venture’s exit strategy.

INSERT TABLE 5 HERE

In additional analyses, we explored the interaction effect between investors’ patience and risk aversion in shaping the two exit strategies. Specifically, we re-estimated the regression in Table 5 by including the interaction between patience and risk aversion. Figure 2 shows the plot of the coefficient of the effect of patience on IPO and trade sales (and relative 95% confidence intervals) along the different values of risk aversion. As shown in the left panel of Figure 2, patience has a significant positive effect on IPO exit for low to moderate levels of risk aversion; such a positive effect declines with risk aversion and becomes insignificant when risk aversion is high. In other words, patience increases the likelihood of an IPO when the investor is also prone to taking risks. The right panel of Figure 2 indicates that a negative effect of patience on trade sales becomes significant for medium to high levels of risk aversion.

INSERT FIGURE 2 HERE

5. DISCUSSION

This study advances our understanding of venture capital decision-making by examining how venture capitalists' time and risk preferences shape their investment strategies, exit strategies, and a range of strategic decisions. The findings offer several contributions and practical implications for entrepreneurship research and practice.

5.1 Contributions

We contribute to the literature on the micro-level mechanisms driving venture capital decision-making by showing that venture capitalists' individual preferences influence their investment choices. While prior research has emphasized firm-level attributes such as reputation or industry specialization (Dimov & De Clercq, 2006; Nahata, 2008; Petkova et al., 2014), recent studies show that venture capitalists' personal characteristics, including experience, competence, and demographic factors (e.g., gender or geographic origins), influence their investment decisions (Aggarwal et al., 2015; Bengtsson & Hsu, 2015; Devigne et al., 2016; Dimov & Shepherd, 2005). We extend this line of research by examining two fundamental economic preferences—risk and time—given their broad influence on decision-making across domains (Chowdhury et al., 2022; Falk et al., 2018; Tanaka et al., 2010).

Our study reveals substantial heterogeneity in time and risk preferences among venture capitalists. Many participants did not exhibit risk aversion or risk neutrality.¹⁰ This finding challenges some assumptions found in formal models and theories that portray venture capitalists as risk-averse or risk-neutral (e.g., Andrieu & Groh, 2021; Buzzacchi, 2015; Ewens et al., 2013). This empirical evidence supports calls for revisiting the assumption of investors' risk aversion (Schwienbacher, 2013). While prior work has explored how entrepreneurs' risk preferences affect various entrepreneurial outcomes, including growth, exit, and survival (e.g., Lu & Dimov, 2023; Wennberg et al., 2016), our findings highlight the importance of also considering heterogeneity in risk preferences among investors.

Third, we contribute to the growing literature emphasizing the role of time in entrepreneurship. As Lévesque and Stephan (2020, p. 1) note, “although time is often implicit in management theories...time is still largely neglected in entrepreneurship research.” While several theoretical and

¹⁰ Of the respondents who completed the survey, 42.4% were indeed risk-seekers (i.e., had a *Risk Aversion* below 6).

empirical studies explore the role of attitudes toward uncertainty in entrepreneurship (e.g., Bolinger et al., 2025; Forlani & Mullins, 2000; Kihlstrom & Laffont, 1979; Wennberg et al., 2016), research on time preferences is limited. Existing studies have investigated the influence of long-term orientation and patience on entrepreneurial decision-making (e.g., Busenitz & Lau, 1996; Falk et al., 2018; Gutierrez et al., 2024; Zahra et al., 2004). However, the role of time preferences in the high-stakes decisions of professional investors such as venture capitalists is less understood. While Barrot (2017) focused on the role of *objective* time in investment decisions, our study shows how venture capitalists' *subjective* evaluations of time influence the type of venture they invest in and other organizational decisions. Across our analyses, time preferences were associated with exit decisions and syndication with other partners. This finding regarding the key role of time horizon in entrepreneurial investment aligns with recent findings by Cole et al. (2023), who observed that impact investors exhibit greater patience than traditional investors.

Fourth, our study advances the literature on the drivers of syndication in venture capital. While risk sharing is often cited as driving the decision to syndicate (e.g., Bellavitis et al., 2020; Brander, 2002; Lerner, 1994), suggesting that risk-averse venture capitalists would syndicate to reduce risk, some studies have offered a more nuanced view of this relationship. For example, Wang and Wang (2012) argue that risk aversion could paradoxically result in fewer syndication partners because highly risk-averse investors require higher returns, which in turn induces entrepreneurs to limit the number of investors in order to get a stronger bargaining position. Similarly, Brander et al. (2002) find that syndicated investments, despite their risk-sharing benefits, tend to involve higher-risk ventures. Our results based on direct measures of preferences support this nuanced perspective, showing no positive relationship between venture capitalists' risk aversion and syndication. Instead, we find that time preferences play a crucial role: more patient venture capitalists are less likely to syndicate and form smaller syndicates when they do.

5.2 Practical Implications

For venture capital firms, our findings highlight the importance of considering individual preferences in team composition and deal assignment. Given the heterogeneity in venture capitalists' time and risk

preferences, firms can optimize investment decisions by matching investors with portfolio companies that align with their natural inclinations. For example, more patient investors may be better suited for long-term, disruptive ventures, whereas VCs with lower patience may thrive in high-growth, quick-exit investments. Firms may also benefit from tailoring syndication strategies based on their investors' time horizons, as more patient investors are less likely to syndicate and prefer deeper involvement in individual deals.

Our findings also have relevant implications for policymakers and ecosystem builders seeking to foster entrepreneurship and venture capital investment. Traditional policy approaches often focus on increasing the overall availability of VC funding, but our study suggests that the composition of investor preferences within a market also matters. Policymakers should consider ways to encourage diversity of perspectives in investment styles, ensuring that entrepreneurs with different risk profiles and time horizons can find the right funding partners. For example, policies that promote patient capital could support ventures that require more time to scale and mature.

Our results suggest that entrepreneurs should evaluate not only firm-level characteristics such as reputation, specialization, or fund size but also the individual preferences of venture capitalists when seeking VC investment. Understanding a VC's time and risk preferences can help entrepreneurs identify investors whose decision-making aligns with their venture's growth trajectory and risk profile. Entrepreneurs pursuing long-term, high-risk, innovative projects may benefit from targeting investors with greater risk tolerance and patience, whereas those seeking faster returns or quicker scaling strategies should align with VCs with shorter time horizons.

5.3 Limitations and Future Research

Our study makes a step towards a better understanding of the micro-level mechanisms underlying the decision-making of venture capital. However, our study faced limitations that should be considered. First, one of the challenges with primary data collection in the form of a survey is that participants self-report their answers. Although we aimed to increase the reliability of the survey by incentivizing the questions on economic preferences, some answers remained purely self-reported. Second, there are potential unobserved heterogeneity problems. That is, unobserved characteristics of venture capitalists

may explain their investment decisions in ways that can alter our results. While our battery of robustness analyses reduces endogeneity concerns, we do not claim causal identification. Third, we measured time and risk preferences at a given point in time and used them to explain the decisions of venture capitalists for all years in the sample; in so doing, we implicitly assumed that time and risk preferences are temporally stable. Some works have suggested that time preferences tend to be stable (Meier and Sprenger, 2015). Risk aversion has also shown certain stability (Beauchamp et al., 2017), even though scholars have pointed to time variations following adverse events (Guiso et al., 2018). Our robustness analyses focusing on deals completed close to when preferences were measured support this stability assumption, as they yield similar results to our main analyses. That said, future research could address this limitation by investigating the decision-making of venture capitalists in an experimental setting, allowing for more direct observation and isolation of the mechanisms as well as manipulation of time and risk preferences. Finally, future studies can transcend our focus on time and risk preferences and study the role of, for example, social preferences or other behavioral traits.

6. CONCLUSION

This study advances our understanding of venture capital decision-making by revealing how venture capitalists' time and risk preferences shape their decisions throughout the venture capital cycle. Using unique survey data from European venture capitalists, we reveal that investors' economic preferences matter for investment strategies and exit decisions. By providing evidence on how time and risk preferences influence different aspects of venture capital decision-making, including deal sourcing and exit strategies, our work makes an important step toward understanding the psychological foundations of venture financing.

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FIGURES and TABLES

FIGURE 1. Results for Lead and Non-Lead Investors

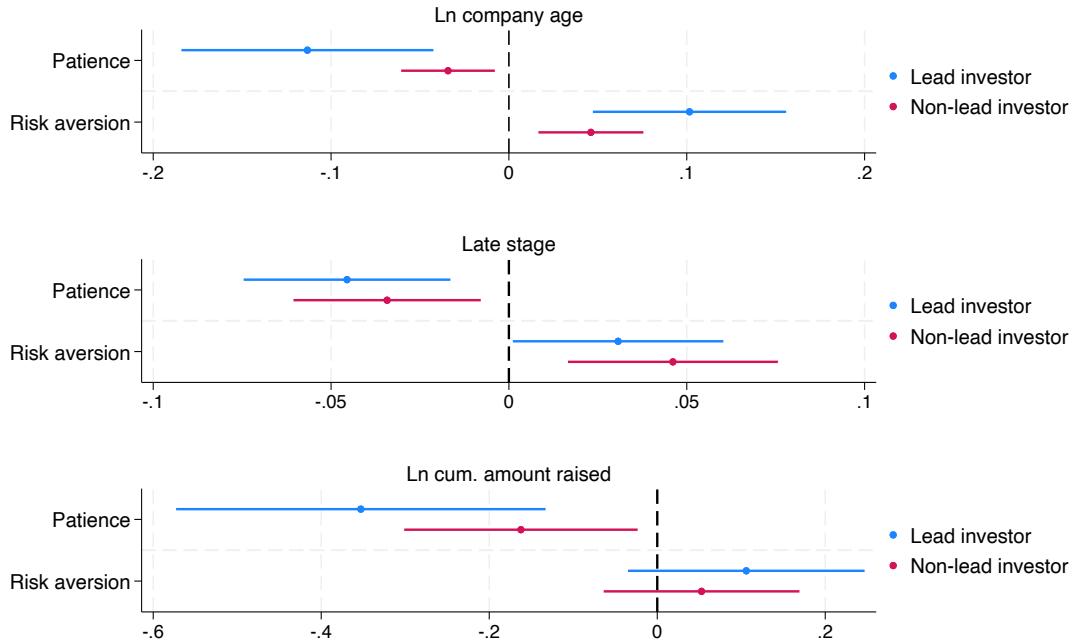
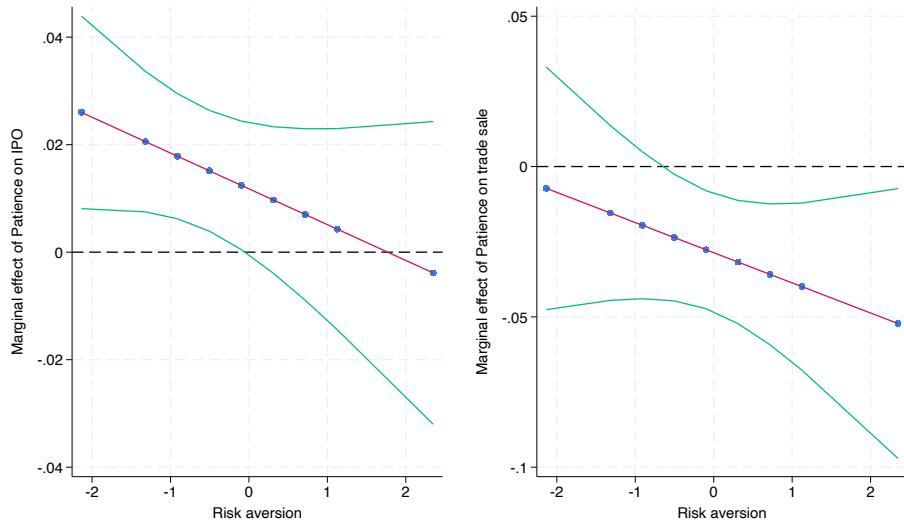


FIGURE 2. Relationship between Patience and Exit Modes by Different Levels of Risk Aversion



These figures show the results obtained by estimating the regression in Table 5, including the interaction between patience and risk aversion. The figures plot the marginal effects of patience on IPO (left panel) and trade sale (right panel), and relative 95% confidence intervals along the different values of risk aversion.

TABLE 1. Summary Statistics

	Obs.	Mean	s.d.	Median
<i>Panel A. Individual characteristics</i>				
Top management role	347	0.772	0.422	1
Age	347	45.487	11.60	47
Woman	347	0.121	0.327	0
Founder experience	347	0.308	0.462	0
VC experience	347	4.363	8.280	1
Patience	347	8.787	4.497	10
Risk aversion	347	5.329	2.286	6
Luck	347	3.605	1.926	3
Trust	347	2.478	0.881	3
<i>Panel B. Investment characteristics</i>				
Days to close a deal	347	97.983	54.609	90
Number of deals considered	347	222.660	424.41	50
Required IRR	347	46.531	109.571	25
<i>Panel C. Deal-level characteristics</i>				
Company age	11,797	4.128	3.713	3
Late-stage round	11,797	0.322	0.467	0
Cum. amount raised (\$M)	11,797	30.53	129.02	4.794
Deal size (\$M)	11,797	14.20	56.334	3.287
Syndication	11,797	0.820	0.384	1
Syndicate partners	11,797	3.746	4.149	3
<i>Panel D. Investor-venture level characteristics</i>				
IPO	3,763	0.061	0.240	0
M&A	3,763	0.257	0.437	0

This table reports summary statistics concerning the main variables used in the regression analyses. The variables are described in detail in Appendix Table A2. The cumulative amount raised and deal size are expressed in million USD.

TABLE 2. Patience, Risk Aversion, and Investment Style

Dependent variable:	Ln days	Ln number	Required
	to close a deal	of deals	IRR
	(1)	(2)	(3)
Patience	0.117*** (0.035)	-0.091 (0.106)	-3.031 (7.935)
Risk aversion	-0.027 (0.037)	0.081 (0.098)	-10.702 (8.061)
Controls	Yes	Yes	Yes
Investor country	Yes	Yes	Yes
Education dummies	Yes	Yes	Yes
Observations	347	347	347

This table presents the results of OLS regressions. The unit of analysis is the individual response to our survey. The variables are described in detail in Appendix A2. Robust standard errors are reported in parentheses. *p<0.1; **p<0.05; ***p<0.01.

TABLE 3. Patience, Risk Aversion, Startup Selection, and Syndication

Dependent variable:	Late-stage		Ln company		Ln cum. amount		Syndicate	
	round	(1)	age	(4)	raised	(6)	partners	(8)
Patience	-0.028** (0.013)	-0.030** (0.014)	-0.045* (0.026)	-0.049* (0.025)	-0.214** (0.084)	-0.197** (0.086)	-0.067*** (0.025)	-0.065*** (0.024)
Risk aversion	0.039** (0.018)	0.041*** (0.015)	0.065** (0.033)	0.077*** (0.024)	0.067 (0.069)	0.037 (0.059)	-0.053** (0.026)	-0.060** (0.025)
Controls	No	Yes	No	Yes	No	Yes	No	Yes
Deal year	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Investor country	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Company country	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Company industry	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Investor type	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Education dummies	No	Yes	No	Yes	No	Yes	Yes	Yes
Observations	11,797	11,797	11,797	11,797	11,797	11,797	11,797	11,797

This table presents the results of OLS (columns 1–6) and Poisson regressions (column 7–8). The unit of observation is the respondent-deal. All deals completed by the firms for which the respondent was working during his/her tenure were retained. Standard errors clustered by investor are reported in parentheses. *p<0.1; **p<0.05; ***p<0.01.

TABLE 4. Patience, Risk Aversion, Startup Selection, and Syndication:
Difference-in-differences

Dependent variable:	Late-stage	Ln company	Ln cum.	Syndicate
	round	age	amount raised	partners
	(1)	(2)	(3)	(4)
Patience×Post-entry	-0.030 ** (0.014)	-0.038 ** (0.019)	-0.266 *** (0.037)	-0.046 ** (0.023)
Risk aversion×Post-entry	-0.018 (0.019)	-0.031 (0.024)	0.045 (0.045)	0.032 (0.032)
Investor FE	Yes	Yes	Yes	Yes
Observations	5,532	5,532	5,532	5,532

This table presents the results of difference-in-differences regressions estimated with OLS (columns 1–3) and Poisson regressions (column 4). The unit of observation is the respondent-deal. All deals completed by the funds for which the respondent was working were retained. The deals completed by the funds raised before the funds for which the respondents worked are used as counterfactuals. *Post-entry* is a dummy with a value of 1 for the deals completed by funds for which the respondents were working and 0 for the deals completed by funds belonging to the same firm but raised before the respondents joined the fund. Deals completed by funds raised by multiple investors were dropped. When we had more than one respondent per fund, the most senior respondent was considered. Robust standard errors are reported in parentheses. * $p<0.1$; ** $p<0.05$; *** $p<0.01$.

TABLE 5. Patience, Risk Aversion, and Exit Strategy

Dependent variable:	Whole sample		Lead investor	
	IPO	Trade sale	IPO	Trade sale
	(1)	(2)	(3)	(4)
Patience	0.013 ** (0.006)	-0.028 *** (0.010)	0.027 *** (0.008)	-0.023 (0.015)
Risk aversion	-0.011 ** (0.005)	0.023 ** (0.009)	-0.015 ** (0.007)	0.044 *** (0.013)
Controls	Yes	Yes	Yes	Yes
Deal year	Yes	Yes	Yes	Yes
Investor country	Yes	Yes	Yes	Yes
Company country	Yes	Yes	Yes	Yes
Company industry	Yes	Yes	Yes	Yes
Investor type	Yes	Yes	Yes	Yes
Education dummies	Yes	Yes	Yes	Yes
Observations	3,763	3,763	1,448	1,448

This table presents the results of OLS regressions. All deals completed by the firms for which the respondent was working during his/her tenure were retained, and in the case of multiple deals in the same venture, we retained the first one. We also restricted the sample to deals completed by December 2017 to allow sufficient time to realize the exit. Columns (3) and (4) re-estimate the models in Columns (1) and (2) by restricting the analysis to deals in which the investor in our survey was the lead investor. The variables are described in detail in Appendix A2. Standard errors clustered by investor are reported in parentheses. * $p<0.1$; ** $p<0.05$; *** $p<0.01$.