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DO VCS EVALUATE ‘LIVE’ PRESENTATIONS LIKE THEY EVALUATE BUSINESS PLANS?

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ABSTRACT

Although much research has investigated the criteria by which angels and venture capitalists decide whether to invest in a new venture proposal, little is known about how investors evaluate “live” verbal presentations. Using dynamic response technologies, we collected the second-by-second ratings of 25 venture capitalists as they evaluated in real-time 18 presentations made in a real financing event. By synchronizing this data with an audio-visual record of each presentation, we can pinpoint what kind of information proves most influential in “moving” investors’ evaluations up or down. In turn, we use dynamic panel data analysis to assess the effects of different arguments. Our results suggest that not all arguments are equal, and that their effect is moderated by the manner in which arguments are presented.

INTRODUCTION

The question whether venture capitalists evaluate “live” presentations like they evaluate business plans may seem trivial at first. But given the ubiquity and central importance of verbal pitches in the financing process, it is far from irrelevant. Whether in the context of chance encounters with investors, “elevator pitches”, lunch meetings, business plan competitions, or formal interviews and board presentations, entrepreneurs are often called upon to “sell” their new venture by talking about it. Indeed, such verbal pitches are particularly important in the financing process, from early discussions to “family, friends and fools” to presentations to angel investors, bankers and venture capitalists, all the way to negotiations with other stakeholders such as suppliers, employees, clients, and other partners. Through these pitches, entrepreneurs have a chance to capture the attention of investors, showcase their business and highlight the merits of their new venture, all that in order to help secure funds needed for start-up and growth.

Several studies have already investigated the decision models by which angels, venture capitalists and other investors evaluate new venture funding proposals. For the most part, these studies have sought to identify the characteristics of industries, markets, projects, firms, entrepreneurs, and deal structure that lead to successful funding, and to new venture start-up, growth, and high performance. Interestingly, the vast majority of these studies have focused on the evaluation of formal documents such as business plans and other prospectuses (e.g., Hall & Hofer, 1993; Martens et al., 2007), or on the formal characteristics of new venture projects themselves (e.g., Díaz De Leó & Guild, 2003; Hisrich & Jankowicz, 1990; Shepherd, 1999a, 1999b; Zacharakis & Meyer, 1998, 2000).

In practice, however, investors do not evaluate business plans or a list of characteristics in isolation. What they evaluate are more complete “packages” where these characteristics are colored by a wide range of impressions they form about the project, its sponsors, the format in which information is presented, and/or the context in which they evaluate a proposal. But because there has been little to no research on verbal pitches and presentations, prior research on

investment decisions has largely failed to consider the more complex linkages between impression formation, information-processing and decision-making, and the central role that such linkages may play in investing decisions. As a result, there are serious reasons to ask whether the same formal criteria highlighted in prior research influence the evaluation of live presentations the same way that they influence the evaluation of formal documents.

To address this issue, we conduct a dynamic response study of venture capitalists' evaluations of new venture funding presentations. More concretely, we were able to obtain the second-by-second ratings of 25 venture capitalists as they evaluated in real-time 18 presentations made by 18 entrepreneurs from high-potential firms in the context of a "real" financing event. By synchronizing this data with an audio-visual record of each presentation, we are able to pinpoint what kind of information proves most influential in "moving" investors' evaluations up or down. In turn, we use panel data techniques to assess the effect that different arguments have on VCs' evaluation – namely the decision criteria highlighted in prior research on investors' evaluation of written documents. We are thus able to assess whether and to what extent venture capitalists evaluate live presentations the same way that they evaluate written business plans.

By studying what VCs think of real presentations in real-time, our study is making three important contributions. From a theory standpoint, we develop academic understandings of the factors and dynamics that influence the evaluation of live presentations. At a more specific level, our study expands research on the decision-making criteria of investors by showing how investment decisions can also be influenced by the larger informational context in which new projects are communicated to investors. From a method standpoint, we illustrate the use of an innovative data collection technique that allows for investigating phenomena taking place in rich information contexts. Doing so, we expand the array of techniques that can be used in research on new venture funding. From a practical perspective, finally, our findings point to concrete advice to entrepreneurs about what arguments seem to be the most effective to retain VCs' attention and convince them of the merits of one's project. At the same time, our research helps investors become more self-aware of phenomena that may affect their decision-making, thereby enabling them to make more optimal decisions.

THEORETICAL BACKGROUND AND HYPOTHESES

Research in decision-making has emphasized two basic types of decision models. A first type of models assumes a direct relationship from the relevant stimulus to the decision made. These "structural" models often emphasize the integration of decision cues, for instance by using some sort of algebraic or cognitive bias logic, such as Hogarth's anchor-and-adjust model or a Bayesian logic. In practice, the structural approach forms the basis of several studies of venture capitalists decision-making. For instance, studies using conjoint analysis techniques rest explicitly on the assumption that the decision of an average investor can be reasonably predicted by adding-up the individual and interactive effects of the relevant characteristics of a decision situation (cf., Hammond et al., 1975; Zacharakis & Meyer, 1998, 2000).

By contrast, a second type of models argues that in complex information situations, decision-makers must first "process" the relevant information into a mental construct (such as a map or story) that integrates as much of the presented information as possible along with impressions and other inferences that were made along the way. In turn, individuals make decisions first by comparing their intermediate mental construct to relevant decision alternatives and then by selecting the decision alternative that best fits their mental model of the evidence. Because they emphasize the intermediate mental construct, models of this type are often referred to as "narrative" or "explanation-based" models. Examples such models can be found in the cognitive

research on legal decision-making, and notably research on jury and juror decision-making (e.g., Hastie et al., 1983; Pennington & Hastie, 1981, 1986, 1988).

Prior research on investors' decision-making

As we noted above, there is a wide body of research in entrepreneurship that has investigated the structural aspects of investors' decision models. This literature informs an important premise of our research. More specifically, this research highlights the decision parameters and criteria that are most directly relevant to investors' consideration of new funding proposals (cf., MacMillan et al., 1989; MacMillan et al., 1985; MacMillan et al., 1987; Tyebjee & Bruno, 1984). For instance, prior research has emphasized the following relationships.

- Desirable characteristics of the new venture's market (for instance, its large size, its high rate of growth, the size and reliability of individual purchases, etc.) positively influence investors' evaluation of new venture proposals (e.g., Douglas & Shepherd, 2002; Hall & Hofer, 1993; Shepherd, 1999a, 1999b).
- Positive observations about the new venture's competition (for instance, the lack of competition or competitors' comparative weakness and lack of competitive advantage) positively influence investors' evaluation of new venture proposals (e.g., Shepherd, 1999a, 1999b; Zacharakis & Meyer, 1998, 2000).
- Desirable characteristics of an industry and other risk factors (for instance, the growth of an industry, advantageous conditions with respect to suppliers, the presence of barriers to entry, the wide availability of funds, etc.) positively influence investors' evaluation of new venture proposals (e.g., Martens et al., 2007).
- The adoption / pursuit of particular firm-level strategies (for instance its adoption of a technology pioneering strategy) positively influence investors' evaluation of new venture proposals (e.g., Martens et al., 2007; Tyebjee & Bruno, 1984).
- Evidence about the ownership/control of unique firm-level resources (such as patents and IP protection, exclusive sales partnerships, alliances, skilled human resources, etc) positively influences investors' evaluation of new venture proposals (e.g., Baum & Silverman, 2004; Shepherd, 1999a, 1999b).
- Desirable characteristics of the lead entrepreneurs and the new venture's senior management team (such as prior entrepreneurship success, industry experience, extensive knowledge, etc.) positively influence investors' evaluation of new venture proposals (e.g., Douglas & Shepherd, 2002; Hall & Hofer, 1993; Muzyka & Birley, 1996; Wells, 1974).
- Desirable financial characteristics (such as favorable turns, high return on investment, clear foreseeable exit strategy, etc.) positively influence investors' evaluation of new venture proposals (e.g., Douglas & Shepherd, 2002; Hall & Hofer, 1993; Muzyka & Birley, 1996; Wells, 1974).

Building on this research, our first hypothesis is that the same decision cues emphasized in prior research will influence investors' evaluation of verbal pitches and presentations. More specifically:

H1a: Positive arguments about the characteristics of the new venture's market will positively influence investors' evaluation of new venture funding presentations.

H1b: Positive arguments about the new venture's competition will positively influence investors' evaluation of new venture funding presentations.

H1c: Positive arguments about the characteristics of an industry and other risk factors will positively influence investors' evaluation of new venture funding presentations.

H1d: The adoption / pursuit of particular firm-level strategies will positively influence investors' evaluation of new venture funding presentations.

H1e: Positive arguments about the ownership/control of unique firm-level resources will positively influence investors' evaluation of new venture funding presentations.

H1f: Positive arguments about the characteristics of the lead entrepreneurs and the new venture's senior management team will positively influence investors' evaluation of new venture proposals funding presentations.

H1g: Positive arguments highlighting desirable financial characteristics will positively influence investors' evaluation of new venture funding presentations.

Narrative models: the moderating role of credibility

To inform the neglected aspects of investors' decision making, however, we draw from cognitive research on legal decision-making, and notably research on jury and juror decision-making. This research is relevant to our purpose for four main reasons. First, it focuses on decision tasks where the evidence is ambiguous (*Are the claims presented credible?*). Second, it focuses on decision tasks where decision alternatives are often ill-defined (*How much is this libel worth in damages?*). Third, it focuses on decision tasks where the outcomes remain uncertain (*Did jurors reach the 'right' verdict?*). And fourth, this research explicitly considers the cognitive processing of a wide range of information, from formal facts and characteristics to less formal impressions and other cues. In short, the cognitive research on legal decision-making appears highly relevant for studying new venture investing decisions, and at the same time it appears highly transferable to such decision tasks and contexts.

One interesting observation from this literature is that perceptions of credibility moderate the cognitive processing of evidence. When a witness presents information about a case, for instance, jurors not only process the evidence (from hard facts to claims made by the witness), but also attach to this evidence their own impressions about the witness' credibility. In turn, it's been observed that the same basic evidence will have a different impact on the jury's decision depending on whether the witness' claims were perceived as credible or not. In other words, claims that were not perceived as credible were discounted, while the same claims had a more important effect on the decision when they were perceived as credible (e.g., Hastie et al., 1983; Pennington & Hastie, 1981, 1986, 1988).

Building on this research, we postulate that perceptions of credibility will moderate the influence of the arguments shown to influence investors' evaluation of written documents. In live funding presentations, such perceptions of credibility could result from impressions that investors

form about the person of the entrepreneur (e.g., how he/she dresses, talks, moves, looks, etc.), from what they know of his/her past experiences and success, from what they have heard about this particular person and/or his/her project, from the actual information and evidence that is presented or from the manner in which this information is presented. Given the empirical challenges of measuring perceptions of credibility and the space limitations of the present paper, we focus only on a first dimension of credibility: how a presenter dresses. Nevertheless, our fundamental hypothesis in this regard remains the same.

H2: Perceptions of credibility will moderate the influence that different arguments have on investors' evaluations of new venture funding presentations.

Cognitive processing and attention: the moderating role of structure

Whether they make their pitch in a formal or informal venue, entrepreneurs essentially compete for investors' attention. This is particularly true of large events when investors must sit through multiple presentations. In practice, investors in these events routinely continue to take notes about various projects. With the advancement of wireless technologies, it is not unusual for investors to continue answering emails and phone calls as they watch presentations. And even in formal board meeting presentations focused on a single venture, investors' attention could easily drift away to other pressing matters. Seen in this light, an important challenge of entrepreneurs is to not only draw the attention of investors, but also to retain it.

In this regard, research in rhetoric and persuasion has documented that the logical structure of a speech has an important influence on its capability to convince (e.g., Larson, 1998). Building on this research, we postulate presentations that are well organized should fare better than presentations that are disorganized. More specifically, we argue that this effect can be observed at the level of individual arguments. All else being equal, an argument made in the context of a logically-organized flow of thought should have a more potent influence on investors' evaluation than a similar argument lost in a poorly organized presentation. More formally:

H3: The logical organization of a presentation will moderate the influence that different arguments have on investors' evaluations of new venture funding presentations.

RESEARCH METHOD

In this research, we use dynamic response technologies to assess the effect that different categories of arguments have on venture capitalists' evaluation of new venture funding presentations by entrepreneurs. In a nutshell, we gave investors taking part to a funding/networking event a small wireless device: the face of this device has a single knob that one can twist left or right (i.e., a dial). We instructed investors to start the dial in the middle position, and to use it to evaluate the funding presentations they were about to watch. To the extent that they saw or heard something that they thought would augment investors' interest for funding the venture, we instructed them to turn the knob to the right (clockwise). Likewise, we instructed them to turn the knob to the left (counter-clockwise) if they saw or heard something that they thought would decrease investors' interest for funding the venture.

While the technique has never been used in studies of investment decision-making before, at least to our knowledge, many may have seen it used – albeit without knowing it. For instance, the technique is regularly used by news organizations to evaluate the “performance” of political candidates in oral debates. Political analysts and commentators use the technique to collect the

impressions of lay people in the audience. In turn, they use the data to isolate whether a particular moment of the debate raised (or diminished) respondents' impression of a candidate.

Seen in this light, the advantage of using the technique for our research is that it allows us to clearly identify the specific points during a presentation when investors' interest for funding the project is increasing – or decreasing. By synchronizing this data with an audio-visual record of the presentation (we filmed all presentations and slides), we are able to pinpoint exactly what kind of information proves most influential in moving investors' evaluations up or down.

Sample

We conducted the study as part of a professional networking event organized by the Southeast Chapter of the American Electronics Association (AeA). The two-day event took place on March 14, 2007 at the Ritz-Carlton Lodge at Reynolds Plantation, a golf resort located on the shores of Lake Oconee, GA. As part of the event, entrepreneurs and investors were invited to take part in various panels discussing the challenges of managing rapid growth. There were also numerous opportunities for networking, including booths where entrepreneurs presented information about their new venture, as well as a series of lunches, a formal dinner, and a golf tournament. The event culminated on the second day with a series of six-minute audio-visual presentations made by the lead executive (or representative) of each of the 20 companies invited by the AeA.

All companies who made presentations at the event were growing ventures with ongoing sales in high-technology sectors. These include communications, computer, communication, retail, software and transportation technologies, as well as advanced web-based services and bio-pharma technologies. Most ventures had successfully gone through at least one round of angel and/or venture capital funding, and all were actively seeking additional funds. In all but one instance, the individual who made the presentation was the current President / CEO of the company. 11 were also the founders of the new venture. All presenters were Caucasian males aged between 25 and 64 years old. We contacted all the entrepreneurs who were going to attend by mail and e-mails prior to the event to explain them the purpose and context of the research, and to invite them to take part. We also met with them during the course of the two-day event. All 20 of the entrepreneurs present accepted to take part in our research, and gave us their consent to record the data and their presentation – for a 100% participation rate on the entrepreneurs' side. Because we used two presentations to develop parts of our analyses (see below), our final analysis focuses on the remaining sample of 18 presentations.

The sample of investors included both local and out-of-state individuals. The bulk of respondents' investing activities focused on the start-up and growth phases, although the sample also includes individuals and/or firms who are active at the seed or mezzanine stages. All but one investor were males, aged between 35 and 74 years old. Like we did with the entrepreneurs, we contacted all registered investors prior to the event by both mail and emails to explain them the purpose and procedures of our research, and to invite them to take part. We also had one-on-one exchanges with most of them prior to the beginning of the presentations to further encourage them to take part. 25 of the 28 investors registered to the event accepted to participate, for an 89% participation rate on the investors' side. Note that because of movements in and out the presentation room during the day, not all investors rated all presentations. In practice, the numbers of investors actively rating a presentation ranged from a minimum of 15 to a maximum of 25.

Data Collection Procedures

The 20 presentations took place on the second day of the AeA event, in two series of 10 presentations each. All presentations took place in a large conference room, on a raised podium at one end of the room. Presenters were all equipped with a wireless microphone and handheld mouse, and so had complete liberty of movement: they could pace about the room or stand behind a lectern as they pleased. To the left of the presenter, a large backlit screen displayed the entrepreneurs' Power Point® presentations. In addition to a laptop, the lectern included a series of three lights: a green light indicated that the presenter was within the prescribed six-minute time limit; a blinking yellow light indicated that less than one minute remained; and a red light indicated that the presenter was already past the 6.5 minute mark. A master of ceremony introduced each presenter as they walked towards the podium. Having first obtained the entrepreneurs' consent, we made a film and audio record of both their performance as presenter, and of the Power Point® slides they showed the audience.

To record investors' second-by-second ratings of entrepreneurs' presentations, we gave them a wireless dynamic response device. The device includes a central knob that can be turned left or right, and a three-digit display showing numbers between 0 and 100 corresponding to the left-to-right position of the knob. We explained how the device worked to each participating investors. In turn, we instructed them to use the device record their "evaluation" as they watched and listen to the presentations. More specifically, we asked them to turn the knob right or left to indicate their answer to the following question:

"Based on what you are seeing and hearing right now, do you think that this presentation will attract investors' interest?"

To help investors remember the focal question, we gave them a small 3"by 5" card with a drawing of the knob and scales that included the following anchors: 0 = Certainly not; 50 = not sure; and 100 = Yes, certainly. We instructed investors to re-set their dial at "50" at the beginning of each presentation.

Unit of Analysis

From an analytical standpoint, the raw data we obtained is a continuous stream of ratings from each participating individuals. That is, we captured the position of each dial second after second, for the duration of each presentation. In terms of analysis, however, it is important to highlight that our primary unit of analysis is not the passage of "time" itself, but the specific stimulus comprised of what a presenter said during a particular portion of his presentation, what text, graphic and/or image he showed on the screen, and the manner with which he said and showed this information. As a result, the fundamental unit of analysis for this research consists of particular *segments* of presentations – that is, blocks of time that we could clearly associated with a particular stimulus / argument. To identify such segments, we paid particular attention to pauses in a presenter's verbal flow, to presenters' moving from Power Point® one slide to the next, and to obvious and explicit changes of topic. The result is that we can associate each segment with a particular argument that the presenter aims to communicate to his audience. Needless to say, different segments vary not only in the actual content of the stimulus, but also in their length as well as in their order within a particular presentation. These elements from the basis for the independent and control variables we articulate below.

Dependent Variable

In line with the data collection procedures, the dependent variable for the study builds on investors' evaluation of what they saw and heard during a particular presentation. More specifically, the question above focuses investors' evaluation on the extent to which a particular segment of a presentation will attract investors' interest for funding the venture. One will note that as it is framed, the question centers on a "third-person" evaluation taken from the perspective of an "average investor" – as opposed to asking if *this* particular investor would personally invest in *this* particular venture. As we began preparing for the study, a number of AeA board members and participating investors raised the concern that some investors might be going to the event for the specific purpose of investing in only one or two firms they already knew about or were following. As a result, a more specific question asking if you personally were going to invest in that particular firm would likely be based on other considerations than the actual content being presented, and the format in which it was presented. For these reasons, we chose to articulate our task question in more general terms.

In terms of analysis, however, it is important to observe that while dynamic response technologies record investors' ratings *in continu*, second after second, individual investors in the audience cannot be expected to respond to the same stimulus all at once, at the same time. Some investors may still be thinking of what they have heard a few seconds before, others might be distracted, others might take time to reach the dial they had left on the table in front of them, others might still want to hear more about an argument before they record a change in their evaluation. As a result, we observed that within any particular segment of any presentation, there is considerable variations as to when particular respondents chose to record a change in their evaluation (i.e., when they actually turn the dial left or right).

The implication of this observation is that it becomes meaningless – both statistically and practically – to model the specific rating of an average investor at any specific point in time. A second is just too narrow an observation for our purposes. By contrast, however, it is empirically more relevant to model the average change in ratings that took place over the entire duration of a particular segment of a presentation – with all the stimuli contained in that segment. In other words, our primary interest in this research remains to assess the effect that different arguments and other elements of an entrepreneurs' presentation have on investors' evaluation of that presentation. To this aim, we articulate the dependent variable in terms of the cumulative change in investors' ratings over the duration of a particular segment. More specifically, we calculate the following indicator for each investor "i" of each segment "s" of a presentation "p":

$$DV_{isp} = \Sigma [\text{rating}_{isp(t)} - \text{rating}_{isp(t-1)}]$$

The advantage of this approach to our purpose is that the dependent variable captures the sum total of all movements up and down within a segment. In this regard, it is relevant to observe that by and large, movements within each segment tended to be unidirectional. That is, most segments only included second-by-second changes that were going in the same direction.

Independent Variables

The different arguments made in a presentation. Given our interest for assessing whether and to what extent venture capitalists evaluate "live" presentations the same way that they evaluate written business plans, our first set of hypotheses (*H1a-g*) focuses on the different arguments made

during the course of a presentation. To this aim, the first two authors developed an extensive scheme to code all segments of the presentation in terms of the decision criteria highlighted in the prior literature on investor decision-making. We articulated the coding scheme at two levels. The first level comprises high-level codes for the 8 categories of decision criteria corresponding to those of the 8 hypotheses H1a through g. The second level expands each of these categories in more specific terms (e.g., are the positive arguments about the market emphasize market size, growth, revenue, etc.). To ensure reliability, four different persons coded the presentations. The first two authors coded all presentations, alongside with two graduate students who were blind to the study's theoretical rationale and hypotheses.

Perceptions of credibility. To begin investigating the moderating impact of investors' perceptions of credibility, we focused on a first indicator of credibility: how formally dressed were the presenters. For this first set of analyses, we coded whether a presenter was formally dressed (e.g., wearing a suit and tie), or not. In addition, we coded whether the person making the presentation is the founder-entrepreneur, a seasoned hired executives, or a technology-oriented representative.

Presentation structure. To begin exploring the moderating impact of a presentation's structure, we calculated an index capturing the number of logical breaks within a presentation. The rationale for this measure rests on the idea that controlling for the number of segments within a presentation, a well-organized presentation should have a smaller number of leaps from one category of statement to another. For instance, there should be a difference between a presentation that keep jumping from one topic to another and then back, by contrast to a presentation that only has a few such jumps. We captured this general idea through the following measure, that we calculated at the level of each presentation "p":

$$IV \text{ (logical structure)}_p = \frac{[\sum \text{number of breaks btw segments of different categories}]_p}{[\sum \text{total number of segments within a presentation}]_p}$$

Analysis and Control Variables

Given the particular nature of our data (the same individuals rate the same presentation over time and multiple presentations across time), we model investors' reaction to different segments of presentations by means of dynamic panel data analysis. The technique allows us to account for the dependence problem embedded in the data. Since we did not observe any indication that the dependent variable data was left or right censored, it did not appear necessary to rely on Tobit modeling techniques.

We used fixed effects dummy codes to control for potential differences between investors/evaluators. For instance, it is plausible that different investors use different ranges to evaluate the presentations they say. In addition, we control for the order in which a presentation took place in the day (order effect between-presentation), the second in which a segment/argument appears within a presentation, (order effect within presentation), the total length of a segment (to control for the duration of different segments), and the end rating of the preceding segment (to control for regression to the mean effects).

Post-hoc analysis

To better interpret our results, we also conducted focus group discussions with a subset of 5

investors who had taken part to the event. In addition to ask them what were the general criteria that guided their evaluation of presentations, we also showed them a few presentations alongside the average ratings observed at each second, and asked them to comment why they thought investors had given these ratings.

RESULTS

As of April 14 2008, we do not yet have a complete set of analyzed results to include in the paper. While we are on course to have the full set of results ready for the Conference in June, a few preliminary observations are worth highlighting at this stage,

What do entrepreneurs talk about in their presentation?

A frequency analysis of the qualitative coding of the presentations indicate that entrepreneurs generally articulate their presentations in terms of the decision criteria highlighted in the prior literature. Indeed, we find numerous arguments highlighting positive characteristics of the new venture's market (such as size, growth, or the importance of the customer's problems in this area). Likewise, all entrepreneur-presenters highlighted their long experience in the venture's industry, as well as positive characteristics of the new venture's senior management team. Most presentations also highlighted the venture' past achievements (e.g., launching the new venture's products/services and securing sales with important clients), and virtually all made mention of the venture's current sales figures. If anything, our first surprise is that comparatively few presentations mentioned anything about the venture's particular firm-level strategy, and/or their ownership of unique firm-level resources. In this regard, it appears that strategy and resource-based arguments tend to be played much more implicitly than other arguments, if at all.

What do investors react to?

Received wisdom in new venture funding arena is that investors would much rather invest in a new venture with a "B" idea but an "A"-level management team, than in a new venture with an "A"-level idea sponsored by a "B" team. Along this line, virtually ALL presenters highlighted that their venture was lead by a well-seasoned team with years of management experience in the relevant industry(ies). Interestingly, we observed that these arguments tended to have little impact on investors' ratings of presentations. Since all presenters make similar claims, these arguments have little differentiating value. Results from the focus group discussions further suggest that investors pretty much assume that these arguments will be made, and so discount them in advance.

That said, preliminary results indicate that perceptions of credibility may moderate the impact of arguments about the quality of the management team. For instance, we observed that in the few instances when a presenter was taking the whole exercise lightly (e.g., casual dress, nonchalant tone, informal language, etc.), arguments about the entrepreneurs' experience tended to be associated with negative changes in ratings.

Another received wisdom in the venture funding arena is that the best ventures to invest in target big markets with high potential for growth. This is another set of arguments that entrepreneurs routinely highlighted in their presentation. Virtually all presenters made "generic" arguments about the large size of the market they are serving, and/or the significant importance of the problems/needs that their venture addresses. Interestingly, however, our results indicate that investors only react mildly to such claims. By contrast, investors' ratings tend to be larger in magnitude (and generally more positive) when presenters anchor their claims in more narrowly-defined markets / industries. For instance, arguments that a venture targets the fast-growing web

2.0 business-to-business appliances industry are not as well rated as arguments that a venture targets the fast-growing industry of web 2.0 business-to-business appliance services *for the news media industry*. In other words, it appears that anchoring market arguments into well-defined market contexts pays-off.

A third commonly heard saying in the venture funding arena is that investors want to fund new ventures that have something unique that is clearly defensible. In this regard, our findings indicate that intellectual property arguments do have a significant impact. Investors' ratings systematically increase when presenters highlight that they have patents on their venture's technology. That said, we only have limited indications about the effect of other firm-level resources – such as alliances and partnerships, or unique human resources.

The cognitive processing of presentations

First impressions don't matter! In order to assess whether the order of arguments within a presentation had an effect, we analyzed whether average investors' ratings in the first 30 seconds of a presentation were correlated with ratings at 1, 2, 3, 4, 5 and 6 minutes. Results across all presentations indicate that such correlations are generally weak. The implications are that first impressions don't matter. One can salvage a bad start, just as one can destroy a good one.

Does it matter who's telling the story? In addition to the assessing the effects of different arguments, we also looked at the moderating effect of the executive function of the presenter. Interestingly, we observed that the age range of the founder-presenters was significantly larger (from early thirties to early sixties) than the age range of the seasoned executives who had joined the ventures after its founding. Nevertheless, our results did not reveal that the executive position of the person making the presentation had an effect on investors' ratings of the presentations – and of the arguments being made.

Perceptions of credibility do matter! As indicated above, however, the casualness with which some presenters approach the exercise seems to have an impact on how investors receive the claims that are made. All else being equal, casual dress and general nonchalance tend to have a negative impact on the effects that different arguments have on investors' evaluations.

Consistency matters! Lastly, our findings indicate that presentations that “move all over” and “mix” various types of arguments dilute the effectiveness of these arguments. There is indeed preliminary evidence that arguments made within presentation that have comparatively fewer logical breaks between categories of argument have a more positive impact than arguments made in the context of more loosely organized presentations. In addition, we observed that arguments that were made beyond the 6-minute time-limit were systematically rated more negatively.

DISCUSSION

At this stage of our analysis, we can summarize our findings along the following two lines. First, there is preliminary evidence concerning the effect that different arguments have on investors' evaluation of funding presentations by entrepreneurs. Second, however, the potency of these arguments is moderated by perceptions of credibility, as well as by the consistency of one's presentation.

From a research standpoint, our findings show that the typical wisdom about what wins investors to a new venture proposal needs to be qualified. Not all arguments are equal. More

importantly, the manner in which these arguments are made (and received) strongly moderates the effects that these arguments have on investors' perceptions of a project.

By studying what VCs think of real presentations in real-time, our study is making three important contributions. From a theory standpoint, we develop academic understandings of the factors and dynamics that influence the evaluation of live presentations. At a more specific level, our study expands research on the decision-making criteria of investors by showing how investment decisions can also be influenced by the larger informational context in which new projects are communicated to investors. From a method standpoint, we illustrate the use of an innovative data collection technique that allows for investigating phenomena taking place in rich information contexts. Doing so, we expand the array of techniques that can be used in research on new venture funding.

From a practical perspective, finally, our findings point to concrete advice to entrepreneurs about what arguments seem to be the most effective to retain VCs' attention and convince them of the merits of one's project. At the same time, our research helps investors become more self-aware of phenomena that may affect their decision-making, thereby enabling them to make more optimal decisions. For instance, it appears that when making new venture funding presentations, entrepreneurs are well advised to take the exercise seriously, and to dress and prepare accordingly. Along this line, time spent on honing the logical organization of their presentation appears to be time well spent. Investors watch hundred of presentations in a year. In this context, it becomes important that entrepreneurs avoid doing anything that can cause them to lose investors' attention. That said, it appears that a few practical strategies could be helpful in strengthening investors' interest. For instance, it appears that entrepreneurs are well advised to anchor their arguments in narrowly defined contexts, such as when they name the specific clients/industries they are targeting. By doing so, they provide investors with cognitive means that they can latch on to follow other arguments the presenters are making.

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