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ANTECEDENTS OF VENTURE CAPITAL FUNDRAISING SUCCESS - THE IMPORTANCE OF TRACK RECORD, TRUST AND PERCEIVED CONTROLLABILITY (SUMMARY)

Tobias Kollmann
University of Duisburg-Essen

Andreas Kuckertz
University of Duisburg-Essen, andreas.kuckertz@icb.uni-due.de

Nils Middelberg
University of Duisburg-Essen

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≈ SUMMARY ≈

**ANTECEDENTS OF VENTURE CAPITAL FUNDRAISING
SUCCESS – THE IMPORTANCE OF TRACK RECORD,
TRUST AND PERCEIVED CONTROLLABILITY**

Tobias Kollmann, University of Duisburg-Essen, Germany

Andreas Kuckertz, University of Duisburg-Essen, Germany

Nils Middelberg, University of Duisburg-Essen, Germany

Principal Topic

The first essential step in the overall venture capital (VC) process is framed by the necessity to raise funds from potential limited partners (LP). Prior research concludes that VC fundraising is predominantly determined by the individual VC firm's level of reputation, or, more specifically, its track record. However, as most prior research relies on the analysis of secondary data, the reduction to one dominant organizational factor leads to the conclusion that a more elaborate picture of VC fundraising and its antecedents of success is desirable. It is this apparent research gap that the present study addresses by answering the research question of what additional factors drive success in VC fundraising.

Method

We developed a sequential mixed methods design, i.e. based on a qualitative study among VCs and industry experts a model of VC fundraising was conceptualized and in a second, quantitative step, tested with data collected from the global population of LPs with substantial experience in investing in VC funds. The structural model analyzed with data comprising responses from 151 LPs concerning a concrete investment decision suggests that in particular a firm's track record, the level of perceived trust, and the level of perceived controllability drive the success of a VC firm's fundraising activities. Moreover, several antecedent factors of these three concepts can help the VC firm to adequately structure their fundraising tactics.

Results and Implications

Track record and trust turn out to be significant predictors of an LP's commitment and the influence of perceived controllability on commitment misses conventional significance levels only slightly ($p \leq .1$). Several antecedents of trust and perceived controllability are evaluated as well – these significant relationships together with the results of a *post-hoc* cluster analysis identifying five different configurations of how VCs are perceived in the fundraising process lead to the following recommendation: VCs should put emphasis on clearly signaling their track record (be it organizational or individual), demonstrate a certain amount of similarity with the LPs, be open and frank during the due diligence process and also concessive in negotiations of terms and conditions.

CONTACT: Andreas Kuckertz; andreas.kuckertz@icb.uni-due.de; (T): +49(0)2011832826; (F): +49(0)2011832862; University of Duisburg-Essen, Department of Economics and Business Administration, Universitaetsstrasse 9, 45141 Essen, Germany.