Busy Venture Capitalists and Investment Performance

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Abstract

This paper studies the impact of limited attention on investment decisions by venture capitalists (VCs). I find that startups funded by VCs during VCs' IPO engagements tend to underperform: These startups are 9% less likely to go public or become acquired and have lower exit multiples. The effects of VCs' busyness cluster around the active phase of the IPO engagement and are more pronounced in cases of higher workload intensity or higher information asymmetry. Overall, this performance gap induced by attention constraints provides new evidence on VCs' ability to identify investment opportunities at the initial screening stage.

Keywords: venture capital, IPO, general partner, screening, investment performance
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I Introduction

Venture capitalists (VCs) spend most of their time working with their existing portfolio companies and screening new deals (Gompers, Gornall, Kaplan, and Strebulaev (2020)). The literature indicates that VCs' post-investment engagement contributes to their investment outcomes (Bernstein, Giroud, and Townsend (2016), Ewens and Marx (2018), González-Uribe (2020)). The empirical evidence on VCs' screening ability, however, is less conclusive.[1] We also know little about how VCs allocate their attention between screening new companies and engaging with already selected ones – a common trade-off faced by startup investors. As both of these activities regularly overlap in time, this trade-off has important implications for VCs' investment performance.

In this paper, I aim to bridge these gaps by studying the investment decisions ("screening") made by distracted, or busy, VCs. Specifically, I exploit variation within an individual venture capital (VC) partner's workload brought about by engagement in her portfolio companies' IPOs. I find that startups added to the VC partner's portfolio during her IPO engagement period tend to underperform relative to a group of startups funded by VCs not involved in the IPO process. These startups are 9.3% less likely to go public or become acquired, and they have 18.8% lower exit multiples. The effects are stronger in cases of higher workload intensity or higher information asymmetry. These results speak to the importance of screening for generating venture capital returns and point to the meaningful economic trade-off between engaging with existing companies and screening new startups.

[1] For example, Kerr, Nanda, and Rhodes-Kropf (2014) document a near-zero correlation between ex ante investment assessment by experienced VCs and ex post startup performance.

To evaluate the effects of this workload and attention mechanism on VC investment outcomes, I build on previous literature that links increased workload and limited attention of economic agents to their performance.[2] In the context of venture capital, I focus on periods of increased busyness of VC partners associated with the IPOs of their portfolio companies. As board members, VCs report their involvement in all key stages of IPO preparation, from selection of underwriters to final IPO pricing. VC partners' higher workload due to IPO engagements is likely to leave less time for them to meet with potential startups or conduct due diligence or risk assessment, and it might in general distract them from new deal making. Relatedly, I find that VCs are less likely to make new investments during their IPO engagement. However, whether the VCs' screening ability suffers from their IPO engagement is ultimately an empirical question, as VCs generally describe screening activities as more important than working with existing portfolio companies (Gompers et al. (2020)).

To capture time-variant attention constraints of individual VCs, I construct the data set in the spirit of Ewens and Rhodes-Kropf (2015). First, I assign investments to individual VC partners based on their board memberships in startups. For each investment made by a specific VC partner, I identify whether, at the time of that investment, this VC partner was also a board member of a company going through the IPO process. In building the data set, I focus on individual VC partners, as opposed to VC funds or VC firms, which is consistent with the role of individual partners in making investments (Malenko, Nanda, Rhodes-Kropf, and Sundaresan (2024)) and engaging with startups as board members (Lerner (1995)).

[2]Recent papers studied limits to attention of hedge fund managers (Lu, Ray, and Teo (2016)), mutual fund managers, (Kempf, Manconi, and Spalt (2017)), and boards of directors (Hauser (2018)).

In the first set of results, I study the quality of investment decisions made by VCs engaged in the IPO process, based on exits (IPOs or acquisitions) and exit multiples. In the empirical analysis, I control for a wide set of granular fixed effects that allows mitigation of a number of alternative economic mechanisms. The startup industry $\times$ state $\times$ time fixed effects make it possible to compare VCs investing in the same industry, state, and quarter. This design ensures that any time-variant industry- and state-level characteristics, including the aggregate quality of deal flow, cannot influence the results.[3] In addition, I utilize VC partner fixed effects, which not only control for fundamental differences among VC partners but also allow for comparisons between investment outcomes made within and outside the IPO engagement envelope of a particular VC partner. The resulting initial evidence shows that busy VC partners make underperforming investments: The startups added to a portfolio by busy VCs are less likely to go public or be acquired and have lower exit multiples.

One can argue that the relationship between IPO engagements and the performance of contemporaneous investments might be spurious: Good market conditions could induce IPO waves and encourage the entrance of more (and potentially lower-quality) startups (Inderst and Muller (2004), Nanda and Rhodes-Kropf (2013)). Another possibility is that VCs facing inferior deal flow might engage more with their existing portfolio companies in efforts to exit (including through IPOs). To alleviate these concerns, the analysis relies on a granular set of industry $\times$ state $\times$ time fixed effects that absorb time-varying heterogeneity in investment opportunities at the industry and state levels. In addition, the reverse causality explanation is inconsistent with the pre-, during-, and post-IPO engagement envelope dynamic of the effects I document. I find that

[3] VCs have a known preference to invest locally (Lerner (1995)) and tend to focus on certain industries (Barry, Muscarella, Peavy, and Vetsuypens (1990)).

the results cluster around the active phase of the IPO process and are not present before or after the IPO engagement period.[4]

The second set of tests further solidifies workload and attention as key mechanisms driving the core results, via estimations that rely on heterogeneity in the *supply* and *demand* conditions of the VC funding equation. On the *supply* of capital side, I first exploit the fact that seasoned and more established VCs might find it easier to navigate the IPO process and thus get less distracted by the added workload. Consistent with this intuition, I find that prior IPO experience attenuates the startup performance gap effect. Startups funded by busy VCs with at least one prior IPO engagement (no prior IPO engagement) are 7% (15%) less likely to have a successful exit and exhibit 15% (28%) lower exit multiples.

Second, I exploit the heterogeneity in the intensity of the workloads associated with types of exit events and look at investment outcomes for VCs engaged in acquisitions versus those engaged in IPOs. Acquisition-related engagements tend to be less time- and effort-intensive than the IPO process (Draper (2012), Wang, Pahnke, and McDonald (2022)). In line with this notion of a lower degree of busyness, I find much weaker and statistically insignificant performance gaps between startups funded by VCs busy with acquisitions and those funded by the control group of VCs.

On the *demand* side of the VC funding equation, I exploit the heterogeneity in the required screening intensity that stems from the extent of the information asymmetries between VCs and startups. First, VCs are likely to face higher levels of information asymmetry when they screen

[4]Importantly, IPO-induced workload and screening activity have comparable durations. Based on VentureSource, the average time between filing an initial IPO prospectus and the public offering date on NASDAQ was 97 days. Gompers et al. (2020) find that an average investment takes 83 days to close.

companies outside the area of their industry expertise. Consistently, I find that the results are much less pronounced for investments made within VCs' industry expertise. Second, follow-on rounds require lower screening intensity than first-time investments do, as prior investments significantly reduce the degree of information asymmetry. Similarly, screening intensity demands of nonlead investors are likely lower than those of a leading VC syndicate investor, who is presumably the core provider of due diligence. In line with these intuitions, I find that the negative effects of IPO workload on investment outcomes are not present among follow-on participations or nonlead investments. Taken together, the heterogeneity-based results not only indicate that screening plays an important role in VC investment performance but also further weaken the spurious correlation and reverse-causality explanations of the core effects discussed above.

To what extent does the underperformance of busy investments reflect behavioral biases versus a rational trade-off between the costs and expected benefits of information acquisition? Several results shed light on the sources of inattention. First, VCs tend to make busy investments repeatedly, consistent with ex ante optimality of their investment decisions or their persistent unawareness of the issue. Second, VCs participate in the follow-on rounds of companies they selected during the IPO engagement and try to turn them around. That is, VCs have confidence that the investment may eventually exit, or they rationally update their beliefs once the attention constraints are lifted. Finally, busy VCs are less likely to make investments during their IPO engagement, inconsistent with the overconfidence bias known to affect investors and asset managers (Barber and Odean (2000), Daniel and Hirshleifer (2015)). These patterns support the rational inattention hypothesis, though they cannot completely rule out the possibility that VCs persistently make investment errors but rationally adjust the level of post-investment monitoring.

This paper is built at the intersection of two lines of literature. First, it adds to the literature on how VCs create value. Multiple studies have looked at how VCs add value via the monitoring mechanism: their post-investment involvement and governance (Hellman and Puri (2000), Lindsey (2008), Bernstein et al. (2016), Ewens and Marx (2018)). Within a portfolio of startups, González-Uribe (2020) documents beneficial exchange of innovation resources, while Townsend (2015) and Li, Liu, and Taylor (2023) find negative spillovers across startups. This paper complements prior studies by showing that VCs' engagement with existing startups could have negative effects on the screening of new ones within the same portfolio of VC-backed companies.

A related strand of literature engages with the question of screening in the context of early-stage investments (Sørensen (2007), Bernstein, Korteweg, and Laws (2017), Gompers et al. (2020), Howell (2020), Ma and Hu (2024)). However, the empirical evidence on VC partners' screening ability is less conclusive. Scott, Shu, and Lubynsky (2020) report a positive link between short-term product performance and startup evaluation in a sample partially comprised of investors, while Kerr et al. (2014) document essentially no link between investment assessment by VCs and subsequent long-term startup performance. Moreover, Ewens, Nanda, and Rhodes-Kropf (2018) argue that VCs increasingly follow a more passive "spray and pray" investment approach by spreading capital across a large number of startups. More recently, Lyonnet and Stern (2022) find that VCs invest in some startups that perform predictably poorly. I add to this growing line of work by highlighting the contribution of individual VCs' screening abilities to the long-term quality measures of their investment decisions.

Second, this paper contributes to the literature on the limited attention of economic agents and its implications for investment outcomes and corporate actions. Kacperczyk, Nieuwerburgh, and Veldkamp (2014) and Ben-Rephael, Da, and Israelsen (2017) study the impact of institutional

and individual investors' attention allocation on their trading outcomes. Lu et al. (2016) take a similar approach in examining hedge funds' performance; Kempf et al. (2017) investigate the implications of the limited attention of institutional investors; and Shu, Tian, and Zhan (2022) study busy patent officers. Another large strand of the literature has looked at busy boards of directors, for example, Falato, Kadyrzhanova, and Lel (2014), and Hauser (2018). These studies indicate that busyness is value-destructive, emphasizing that attention is a resource in limited supply. Interestingly, in their sample of VC-backed IPOs, Field, Lowry, and Mkrtchyan (2013) provide opposite evidence: They find that busy boards of VC-backed companies are value-creating, due to network connections and experience. Such evidence is in line with studies documenting the positive impact of VCs' past experience on the performance of their new portfolio companies. In this paper, I show that sophisticated VCs are susceptible to the negative impact of attention constraints, which could have implications for fostering entrepreneurship in the economy.

The remainder of the paper is organized as follows. Section II discusses the motivating evidence. Section III describes the data, the variables, and the empirical strategy. Section IV presents the empirical results. Section V explores the sources of inattention. Section VI provides additional analyses and robustness tests. Section VII concludes.

II Motivating Evidence

High levels of risk and uncertainty are inherent in new ventures, and a startup's success is difficult to predict. Relatedly, the existing empirical evidence for VCs' screening ability remains mixed (e.g., Kerr et al. (2014), Scott et al. (2020)). Therefore, as a starting point, it is helpful to

consider the evidence for how screening could improve the quality of investment decisions in the VC industry, and for how IPO engagements might reduce the amount of time and attention available for screening of new companies.[5]

A Screening and Investment Outcomes

Venture capitalists are known to be highly selective, as they typically screen hundreds of startups to fund a few (Quindlen (2001)). Gompers et al. (2020) provide survey evidence showing that VCs rank company screening and deal sourcing as the most important activities, ahead of company monitoring. Relatedly, the survey of angel groups by Boeker and Wiltbank (2007) provides suggestive evidence pointing to a positive relationship between hours of due diligence and exit multiples: The overall multiple for high-diligence investments was 5.9×, as opposed to 1.1× for low-diligence cases. This observation suggests that screening is crucial for investment outcomes even at the very early stage of financing when uncertainty is particularly high. However, this self-reported evidence contrasts with the findings by Kerr et al. (2014), who document a weak correlation between ex ante investment assessment by VCs and startups' ultimate success. Furthermore, VCs differ in their views as well. For example, Naval Ravikant, investor and co-founder of AngelList, shares that "making an investment is like throwing darts in

[5] In this paper, screening includes a range of pre-investment activities such as deal sourcing, due diligence, investment analysis, contracting, the ability to close deals, and so on. In its totality, screening captures any factor that might influence how VCs source and select startups, including potential change in selection criteria, "good mood," preference for lower-risk projects or high-quality startups, and time to meet with founders. This definition of screening is broadly consistent with the VC literature (Kaplan and Strömberg (2001)), as well as with contract theory, in which principals use contracts to screen agents such as entrepreneurs and workers (Admati and Pfleiderer (1994), Kaplan and Strömberg (2003)).

the dark" (Yasmine (2011)). Therefore, the evidence of the impact of VC screening on investment outcomes remains inconclusive.

Conducting a diligent analysis of investment opportunities is likely to be costly in both time and effort. Are there circumstances in which VCs face trade-offs that require them to prioritize other actions, which would help them maximize the total value of their portfolio at the expense of spending less time on individual investment decisions? Rob Go, co-founder of and partner at Nextview Ventures, explains that he did not invest in Skillshare, because he had some concerns regarding the idea and was also distracted:

> I loved the idea, and am a big fan of the democratization of education. But although Michael [co-founder of Skillshare] was well regarded, I only really knew him by reputation. [...] We were also in the process of doing a close on our fund, so I was distracted. I declined to invest, thinking that we'd have another bite at the apple at a larger institutional seed round (Shontell (2011)).

The above evidence suggests that (1) doing thorough analysis and spending more time studying investments is beneficial in terms of outcomes, and (2) VCs do get distracted when they make investment decisions, even by events that they can control and that represent a standard part of their operation, such as closing a new fund. Therefore, if VCs do not have enough time to spend on screening, the quality of investments is likely to suffer. To plausibly isolate the impact of screening on investment outcomes, I build on previous literature connecting the attention of economic agents (e.g., hedge fund managers, Lu et al. (2016), or mutual fund managers, Kempf et al. (2017)) to their performance. To capture the time variation in attention devoted to screening in the context of venture capital, I focus on time constraints brought about by IPO engagements.

B IPO Engagement as Intense Post-Investment Activity

IPOs are attractive candidates for events that can create time variation in VCs' attention for a number of reasons. To begin with, both anecdotal accounts and empirical evidence suggest that VC board members actively participate in the IPO processes of their portfolio companies. Figure 1 illustrates typical types of VC partner engagements in the IPO process, including selection of underwriters, road show, IPO pricing, share allocation, and involvement with investors and media. As non-employee directors, VC partners commonly serve as compensation committee members, developing remuneration policies for the management team, including founders of the company.

[Figure 1 about here]

Several VCs admit that the process is highly demanding for them in terms of time and effort. For example, William H. Draper III, co-founder of and partner at Sutter Hill Ventures, points out that an IPO is a crucial process for the CEO and VC partners sitting on the board of the company going public:

> The whole process will take about three months. It will require endless amounts of time, money, and energy (Draper (2012)).

In addition, VCs note that IPO-related busyness can cause additional frenzy. Ruthann Quindlen, who as an investment banker helped numerous VCs take their companies public, describes VCs involved in the process as being anxious (Quindlen (2001)). Section OA.I of the Supplementary Material contains specific examples of VC partners' IPO engagements. Prior literature also points to the active involvement of VCs in the IPO process (Megginson and Weiss (1991), Lerner (1994), Gompers (1996)). Incentives to engage include facilitating higher interest in an IPO among investors and hence potentially achieving higher exit values. Successful past

IPOs also help generate future deal flow and enhance reputation going forward (Ewens and Rhodes-Kropf (2015), Nanda, Samila, and Sorenson (2020)). Relatedly, I find that VCs are less likely to make investments during the IPOs of their portfolio companies. This evidence indicates that IPO engagements, as event-driven activities, do create variation in VC partners' workload and attention.

Therefore, VCs could get distracted by their actual IPO engagement, as well as by the anxiety inherent in the process. What could prevent VCs from smoothing out the distraction and busyness of the IPO process? A number of institutional frictions exist in VC investing and IPO involvement. While the process of going public entails long-term planning and preparation, the specific time of year when a company goes public is often determined by market conditions. A survey by Gompers, Kaplan, and Mukharlyamov (2016) indicates that capital market conditions are considered the most significant factor for exit timing: They are an important concern for 96.9% of the private equity investors in their sample. Katz and Sahlman (1999) provide evidence that even though the CEO of Amazon.com, Jeff Bezos, planned his company's IPO in advance, market conditions played a central role in its exact timing. Furthermore, the decision to go public is made by a board of directors, including VCs, founders, and independent directors, which limits the ability of an individual VC partner to influence the specific timing of her IPO engagement. The inability of the involved parties to arrange the process in advance is likely to cause a shock to

their attention shortly before the event.[6] This property of the IPO process helps restrain the measurement error in the independent variable and the associated attenuation bias.[7]

III Data and Empirical Strategy

This section starts by discussing data sources and variable construction. I then present the summary statistics of the sample underlying the main analysis, describe the empirical methodology, and outline the conceptual framework behind the interaction between screening and monitoring in the context of the research design in this paper.

A Data Sources and Variable Construction

Data on VC investments come from VentureSource, one of the most comprehensive data sources available for research on venture capital. I start with the sample of VC startup investments in companies in the United States between 1990 and 2018. Based on board memberships, I assign investments to individual VC partners. For each investment made by a given VC partner, I identify whether the partner was a board member of a startup going through

[6] Another institutional friction is a restriction on the ability to quickly and easily adjust the size of a VC team by hiring additional general partners with *comparable* skills and expertise. This restriction is a common clause contained in limited partnership agreements written at the fund inception, which defines the composition of general partners within a particular VC fund. Section OA.II of the Supplementary Material presents excerpts from a typical limited partnership agreement governing issues around time commitments and fund composition.

[7] These advantages make IPOs more attractive events compared to other unobservable VC activities or events that VCs can influence and better predict, such as raising a fund, turning around portfolio companies, helping startups raise new investment round, or replacing CEOs. For similar reasons, IPO engagements are more attractive than personal events, such as marriage, divorce, or childbirth.

the IPO process. I drop follow-on participation and consider only first-time investments made by lead VC partners: Investors are likely to face different and significantly lower levels of screening intensity in cases of follow-on rounds and nonlead investments. Restricting the sample to new investments allows the degree of information asymmetry between VCs and entrepreneurs in the sample to be relatively homogeneous. Following Ewens and Rhodes-Kropf (2015), I augment data in terms of exits and exit values using SDC Platinum. In the analysis, I focus on individual VC partners as opposed to VC funds and VC firms. This approach is consistent with the roles of individual partners in making investments (Malenko et al. (2024)) and engaging with startups as board members (Lerner (1995)). The resulting baseline sample enables capture of the time variation across different industries and states, and consists of 13,201 investments, 8,264 portfolio companies, and 3,255 individual partners. I observe 2,443 unique exit events via public offering or trade sale, which corresponds to 30% of all companies.

Two key measures of success in this study are IPOs and acquisitions. I create an indicator variable equal to 1 if a particular company goes public or gets acquired before the end of the sample period. I require companies to be founded prior to the end of 2012, which allows companies founded at the end of the sample six years to exit. Since some of the acquisitions could be disguised failures, I require the acquisition amount to be equal to or larger than the total amount of invested capital. For the second measure of success, I focus on exit multiples, defined as the ratio of the company value at exit to the total amount of invested capital. I do not make specific assumptions regarding exit multiples of defunct companies or those remaining private, setting the recovery rates in such cases equal to zero. Studying exit multiples helps further alleviate the concern that some acquisitions might be failures, as VCs could decide to sell poorly performing startups.

One crucial challenge in studying the screening process is that its timing, except for the actual investment close date, is not observable. To overcome this issue, I allocate known investment close days across four 90-day windows around the IPO date. Due to the lag between the decision to invest and the actual investment, I estimate the baseline regressions for the first 90-day window after the IPO date. With this approach, I can capture investment decisions plausibly made when VCs were most distracted by their IPO engagements, as the average time to close an investment is about 83 days (Gompers et al. (2020)). The average time between filing the SEC Form S-1 and the offering date was 97 days for NASDAQ-listed companies in VentureSource. Various IPO roadmaps indicate a similar time frame: For example, the British Private Equity & Venture Capital Association (BVCA (2014)) reports that the active phase of the IPO process usually takes three to five months before the offering date. Placebo tests support the validity of this assumption, while Section OA.III of the Supplementary Material describes the approach in greater detail with specific examples.

The frequency of busy investments is an interesting question on its own. The final sample contains 404 investments made by busy VC partners, or 3% of all investments. The incidence of such investments mostly comes from general partners who manage several funds simultaneously, or from startups that become listed firms before the end of a VC fund's investment period. As expected, the number of busy investments is small, although they do occur throughout the sample period. Figure 2 reports the distribution of busy investments over time.

[Figure 2 about here]

A substantial fraction of busy investments happened in the first half of the sample, and the number of busy investments peaked at the heights of the dotcom era. A potential explanation for

the decrease in the number of investments made by busy VCs after 2000 is the growth in the number of VC partners over time (the number of VC principals doubled between 1995 and 2005, Metrick and Yasuda (2011)) and the decline in the number of IPOs (Doidge, Karolyi, and Stulz (2017), Ewens and Farre-Mensa (2020)), which are used to identify the "busy" windows. Given the decline in the number of IPOs and the growth in the number of VCs, the number of busy investments in the post-dotcom period appears low. The analysis defining busyness at the VC firm level results in 9% of busy investments, which are later used in robustness tests.

B Summary Statistics

Panel A of Table 1 presents descriptive statistics at the partner and investment level, while Panel B reports statistics at the company level.

[Table 1 about here]

Three percent of all investments were made during a quarter when another company, already existing in the same VC partner's portfolio, went public (a busy investment). This observation might be an outcome of various frictions like competition for startups, time pressure, syndication of investments, and so on, that keep VCs investing during periods of increased screening costs. The median VC partner made one investment in a given quarter. Companies had a median of two investors in a financing round. The sample mostly consists of first- and second-round investments, since I consider only the first interaction of an investor with a particular company. In this sample, 30% of all companies went public or became acquired. The median startup had two VCs in its board of directors, which is in line with the evidence in Ewens and Malenko (2022) that the median startup at the second financing round has two VC directors.

Panel C compares busy and non-busy investments along a few observable dimensions at the time of investment. Busy investments tend to be younger, to be within the VC partner's expertise and state, and to have rounds with larger syndicate participation. VCs of companies selected during the IPO engagement have more experience and more current board seats at the time of investment.[8] However, these variations might reflect differences between partners rather than investments: The median VC partner did not have an IPO in his investment lifetime, and hence never appeared to be busy. As the literature suggests, partners differ considerably in their success rates, and this heterogeneity has an impact on deal flow as well as networks (Hochberg, Ljungqvist, and Lu (2007), Nanda et al. (2020)). This feature of the VC industry necessitates further regression analysis with VC partner level fixed effects, in order to control for time-invariant VC partner characteristics and to compare the quality of investments made within and outside the IPO engagement period.

C Empirical Methodology

I consider the following linear model as my baseline specification

$$\begin{aligned}(1)\quad \text{INVESTMENT\_OUTCOME}_{ij} = \beta_1 \text{BUSY\_INVESTMENT}_{jt} + \text{VC\_PARTNER\_FE}_j + \\ + \text{ROUND\_FE}_n + \text{INDUSTRY\_FE}_k \times \text{STATE\_FE}_l \times \text{TIME\_FE}_t + \\ + \beta_2 X_{jt} + \beta_3 Z_{ijt} + \varepsilon\end{aligned}$$

where i indexes the entrepreneurial firm, j indexes the VC partner, t indexes the quarter of the investment, and k and l index industry of operation and state of location of entrepreneurial

[8] Table OA.1 studies factors affecting the propensity to make a busy investment.

firms, respectively. INVESTMENT_OUTCOME$_{ij}$ is the outcome variable of interest; BUSY_INVESTMENT$_{jt}$ is an indicator variable showing whether investment was made by a venture partner j who had an IPO in the 90 days preceding the investment close date; VC_PARTNER_FE$_j$ are the individual VC partner fixed effects; ROUND_FE$_n$ are the round number fixed effects; INDUSTRY_FE$_k \times$ STATE_FE$_l \times$ TIME_FE$_t$ are portfolio company's industry $\times$ state $\times$ time (investment quarter) fixed effects; X_{jt} is a vector of time-variant VC partner-level controls, which include the number of closed investments measured at the quarterly frequency, number of current board seats, and indicators for deals made within the partner's industry expertise and location; Z_{ijt} is a vector of investment level control variables, composed of the syndicate size and the company age; and ε is an error term. I consider two types of outcome variables: an indicator variable for going public or being acquired, and exit multiples. All variables are defined in Appendix A. Standard errors are double-clustered at the VC partner and the investment quarter levels and are robust to heteroskedasticity. The coefficient of interest is β_1, which measures the impact of a VC partner's busyness on investment outcomes. Figure OA.1 contains a specific example of IPO engagement, and Figure OA.2 visualizes the empirical setting in a simplified form.

VC partner fixed effects are the essential element of the empirical strategy in this paper. As the literature suggests, VCs exhibit substantial heterogeneity across a number of parameters, including investment styles, success ratios, deal flow, and more (Ewens and Rhodes-Kropf (2015), Nanda et al. (2020)). The inclusion of individual fixed effects therefore allows study of investment decisions made by the same VC partner over time, meaning that any time-invariant unobservable VC partner characteristics cannot influence the findings. VC partner fixed effects not only control

for fundamental differences among VC partners but also enable comparisons between investment outcomes made within and outside the IPO engagement period of a particular VC partner.

The second crucial component of the analysis is the portfolio company's industry $\times$ state $\times$ time fixed effects. First, this granular set of fixed effects allows to control for the local economic conditions at the time of the investment. Second, as VCs have a known preference for investing locally (Lerner (1995)) and tend to focus on certain industries (Barry et al. (1990)), these fixed effects allow to control for the quality of deal flow aggregated at the state and industry level. This methodology helps alleviate the concern that industry-level fluctuations over time, like state-level shocks to investment opportunities, might drive the baseline results. This latter concern is particularly important, since the decisions both to go public and to deploy capital might be influenced by market- or industry-wide factors: For example, hot market conditions make IPOs attractive for companies timing the market and induce investors to make poor selection and transaction structuring decisions (Bernstein, Lerner, and Mezzanotti (2019)), while the associated high-growth expectations create an inflow of lower-quality startups (Inderst and Muller (2004)). The key variable of interest based on the IPO engagement of a specific VC partner represents a time-varying factor at the individual VC partner level. Together with the full set of fixed effects, the variable of interest therefore captures two differences: the difference in the quality of investments made by VCs in and out of their IPO engagement in relation to the difference in the quality of investments made by other VCs operating within the same industry and state.

I additionally implement a number of tests to corroborate the baseline specification. Table OA.2 gradually saturates the set of fixed effects used in the baseline regressions. Table OA.3 shows that the results remain similar when the state of company is replaced by VC state fixed effects. Table OA.4 provides robustness of the results to varying assumptions on

liquidation multiples and the timing of exits. Table OA.5 indicates that the underperformance of busy investments is more pronounced for exits via public offerings, potentially suggesting that finding more successful startups requires more time and attention. Table OA.6 explores the sensitivity of the results to investment rounds more closely.

D Interaction between VC Screening and Monitoring

The joint goal of the data strategy and empirical methodology is to capture the impact of screening on investment outcomes by focusing on VCs' attention conflicts surrounding the pre-investment activities. Admittedly, screening and monitoring activities of VCs are closely interrelated. Ex ante, VCs select companies that they can monitor and help grow, meaning that the expected post-investment involvement is one of the filters used in the screening process. Ex post, VCs can adjust their monitoring activities based on the startup performance, which can depend on the quality of screening. This close interdependence makes it challenging to disentangle one activity from another.

This paper defines screening in its broad sense, including any factor that constitutes a selection criterion. To this end, I consider the selection filter based on the ability to monitor the company in the future as part of the screening. After making an investment, VCs can select the level of their engagement with the company. VCs might decide to engage less with the companies after the revelation of their (subpar) quality over time, or VC partners could choose to engage more by substituting stronger ex post monitoring for weaker ex ante screening. Therefore, in the empirical setup of this paper, the monitoring might serve as both an amplifier of the underperformance and its mitigating factor, which plays out over the long-term horizon.

Importantly, in either scenario within this framework, monitoring on its own does not explain the results, since its impact is a part of the screening-induced mechanism, as the effects originate via pre-investment activities.

To emphasize the importance of screening, I study the sensitivity of the results to different levels of information asymmetry in the screening process. Higher information asymmetry plausibly increases the intensity of ex ante screening. At the same time, it is not clear how VCs' monitoring activities would respond to the variation in information asymmetry at the time of investment, except through the screening channel. In a different test, I aim to shed light on whether and how VCs adjust their engagement with the companies they selected during IPO engagement based on a governance mechanism such as founder replacement.

IV Main Results

I begin by studying the performance of investments made by a VC partner during her IPO engagement. I then explore the dynamics of the effects at monthly frequency, and I perform a series of cross-sectional tests based on the heterogeneity in the workload and screening intensity.

A The Effects of IPO Engagement on Investment Outcomes

In the first set of results, I examine the quality of investment decisions made by VCs engaged in the IPO process. Each time, I consider two measures of investment quality: the likelihood of going public or being acquired and the log (plus one) of exit multiples. For both measures of financial success, I present specifications based solely on the variable of interest as well as controlling for investment and VC partner-level characteristics. I gradually introduce the

set of control variables and fixed effects: I start with the specification based on VC partner and time fixed effects with no controls (Table 2, columns 1 and 4) and add round- and partner-level control variables (columns 2 and 5). Columns 3 and 6 contain the most stringent specifications with industry $\times$ state $\times$ time fixed effects, which absorb time-varying heterogeneity at the industry and state levels.

[Table 2 about here]

Across all specifications in columns 1–3 of Table 2, the likelihood of exiting via IPO or acquisition is lower for investments made by busy VCs. Estimated coefficients range from 10.9% in column 1 to 9.3% in column 3. The chances of exit increase with the size of the syndicate, while the impacts of other round and partner characteristics are not particularly pronounced. Based on the most stringent specification in column 6, exit multiples tend to be 18.8% lower for portfolio companies selected by VCs engaged in the IPO process. The effects are economically meaningful, as the unconditional probability of exit in the sample is 30%, and the average exit multiple is 4.73. The magnitudes of the coefficients are comparable to the findings in some other papers (e.g., Nanda and Rhodes-Kropf (2013), Ewens and Marx (2018)), though the sample and regression design differences do not allow direct comparisons.

The initial evidence therefore reveals that investments made concurrently with IPO engagements seem to create less value for their investors. The underperformance of investments made during an IPO reflects the notion that VC screening is important for investment outcomes (Kaplan and Strömberg (2001), Gompers et al. (2020)). Additionally, the evidence indicates that VCs' intense engagement with existing startups has negative effects on the selection of new ones within the same portfolio. This result complements prior research on the spillover effects across

startups in a given portfolio (Townsend (2015), Li et al. (2023)) and the limits to scale in VC (Jääskeläinen, Maula, and Seppa (2006)).

To explore the resilience of the effect over time, in Panel A (Panel B) of Table OA.7, I reestimate the baseline regressions before and after the peak of the dotcom era (the introduction of Amazon Web Services, following Ewens et al. (2018)). The estimations show that the baseline effects stay significant and economically relevant over time. Panel C additionally mitigates concerns about the comparability of the busy and control VCs, as the results continue to hold in the sample of VCs with at least one IPO. The results are robust in both economic and statistical significance, which further supports the main findings.

B The Effects in Dynamics

If the observed effects are indeed attributable to IPO engagement, then one would expect their duration to be similar to that of the IPO process. At the same time, factors like the accumulation of reputational capital as well as wealth effects would have a more lasting footprint on the performance. To explore the duration of the impact, I estimate the effects of VC partners' busyness in dynamics across twelve 30-day intervals around the offering date. Given that the screening process typically lasts about one quarter (Gompers et al. (2020)), this approach provides a sufficient amount of time to assess the effect of IPO engagement on the quality of investments made by VCs. Table 3 reveals the results for the probability of new portfolio companies becoming listed or being acquired as well as exit multiples. This more granular analysis controls for the time-variant industry and state characteristics at the monthly level.

[Table 3 about here]

The estimates in columns 1 and 2 show that investments made in intervals within [–180; 0 days) and [90, 180 days) are not statistically different from investments made any other time. However, the investments made in intervals within [0; 30 days), [30; 60 days), and [60; 90 days) exhibit a substantial performance gap. This pattern is consistent with the initial hypothesis about the lag between the observable investment date and the start of the screening process. As Gompers et al. (2020) note, it takes 83 days on average to close an investment, meaning that the first post-IPO quarter captures a significant portion of the busy investment decisions. The underperformance of investments made within [30; 60 days) appears to be somewhat less pronounced, which might be due to the loss in statistical power after partitioning busy investments into more granular groups.

Columns 3 and 4 of Table 3 show that in the case of exit multiples, the negative impact of busyness also manifests itself for the investments closed in the first post-IPO quarter. This dynamic is similar to that of the likelihood of exit. The performance gap continues to persist, likely because the first post-IPO window captures the peak in busyness vis-à-vis the previous quarter, due to the time lag between the company selection and the day we observe the investment close in the data. Figure 3 compares the regression coefficients across all 12 windows, which highlights similarities between the trends in the portfolio company outcomes made around IPO engagements for both measures of investment quality. Figure OA.3 shows a similar trend at the quarterly frequency indicating the robustness of the pattern, while Table OA.8 contains the corresponding coefficient estimates.

[Figure 3 about here]

The short-lived nature of the effects helps mitigate a number of endogeneity concerns. For example, since the effects are not observed prior to the IPO engagement, the low quality of concurrent deal flow is unlikely to explain the launch of the IPO process. That would have led to a reverse causality, in which VCs facing inferior deal flows engage more with their existing portfolio companies. Other properties of the analysis further undermine the reverse causality hypothesis. First, the decision of when to go public is often driven by plausibly exogenous market conditions not specific to an individual VC partner's deal flow. Companies and their investors commonly try to time the market to achieve higher valuations and raise more capital (Lerner (1994), Lowry and Schwert (2002), Benninga, Helmatel, and Sarig (2005), Bernstein (2015)).[9] Second, the nature of matching between entrepreneurs and investors is two-sided: Fund-raising entrepreneurs would approach a number of VCs, likely working in the same industry and location at a given point in time (Sørensen (2007)). Hence, the granular set of startup industry $\times$ state $\times$ time fixed effects allows to control for the quality of the potential investment opportunities faced by VCs investing in the same industry, state, and time. Overall, the market-timing driven nature of the IPO decision, the inclusion of a rich set of granular fixed effects that control for the quality of the potential investment pool, and the dynamic of the performance gap undermine the reverse causality alternative. More generally, the temporary nature of the results alleviates issues related to potential changes in slow-moving factors, such as the level of competition in the VC market (Gompers and Lerner (1999), Inderst and Muller (2004)).

[9] In a survey by Gompers et al. (2016), 97% of private equity investors name capital market conditions as important factors in deciding on the timing of exit. Bernstein (2015) reports that both completed and withdrawn IPOs are preceded by positive market movements at the time of SEC Form S-1 filing.

C Heterogeneity in the Workload Intensity

The set of tests in this section relies on heterogeneity in the supply conditions of the VC funding equation. I exploit two sources of variation in workload intensity: prior IPO experience and acquisition-based busyness.

1 IPO Experience

If the results are indeed attributable to the attention and workload mechanism, one would expect the effect to be stronger in cases of higher treatment intensity. One way to capture this type of heterogeneity is to compare busy VCs based on their relative IPO experience, as we know from previous studies that experience attenuates the impact of distraction and busyness (Shu et al. (2022)). Arguably, seasoned VCs might be less negatively impacted by distraction because of their prior expertise. Therefore, IPOs are likely to be more detrimental to concurrent investments made by partners with less IPO experience. Relatedly, the attenuation of the effect might also stem from the observation that younger VCs tend to take their portfolio companies public faster and, possibly, in a rushed manner (Gompers (1996)). To test this hypothesis, I interact *Busy Investment* with indicator variables, specifying cases of high and low treatment intensity based on different cutoffs of IPO experience. Table 4 contains the baseline specification exploiting IPO experience as a source of heterogeneity in the treatment intensity.

[Table 4 about here]

The results across all regressions indicate that the coefficients of interest are more pronounced for VC partners who have less IPO experience. The attenuation of the effect becomes stronger as VCs get more experienced in terms of their past IPO engagements: The coefficients

consistently decrease with higher IPO experience in columns 2–3 for the likelihood of exit, and in columns 5–6 for exit multiples. The robustness of this result lends support to the idea that experience helps alleviate the negative effects of distraction. Plausibly, VCs with prior IPO experience might have the knowledge and skills to mitigate the negative impact of busyness and navigate the process more efficiently. This evidence additionally suggests that the baseline results are in line with the notion of workload and distraction mechanisms, which impair VCs' abilities to originate and screen investment opportunities. F-tests indicate that the difference between the two coefficients is statistically significant at the 10% level when two and three IPOs are used as a cutoff. This observation could be due to the limited number of treated VCs I have in the sample, which reduces the statistical power of cross-sectional tests.

2 Acquisition-Based Busyness

Along with public offerings, a natural candidate for an attention-grabbing event is acquisitions. The important distinction between IPOs and acquisitions is that the workload intensity for board members appears to be lower in case of the latter. Section OA.IV of the Supplementary Material contains anecdotal accounts emphasizing higher intensity of the IPO process relative to acquisitions. Apart from the shorter path to liquidity and lower complexity of acquisitions, VCs also commonly praise the absence of regulatory costs of compliance when choosing trade sales over IPOs. At the same time, VC-backed acquisitions tend to be highly correlated with IPOs over extended periods of time: For example, the correlation between the number of IPOs and acquisitions was 88% for the period from 2009 to 2021 (based on the 2022 National Venture Capital Association (NVCA) Yearbook). That is, acquisitions represent events

that are often timed similarly to IPOs, with an important distinction being the lower level of the VC partner's engagement intensity.

Acquisitions might therefore cause less distraction to involved VCs compared to the IPO process. To test this hypothesis, I redefine distraction based on acquisitions: For these tests, VCs are considered distracted when one of their portfolio companies is about to get acquired. This approach results in 874 new "acquisition-busy" investments made by the same VC partner during the first 90-day post-transaction interval, which I use to reestimate the baseline regressions. Given that there are more acquisitions of VC-backed companies than IPOs, the number of busy investments is higher than in the previous analysis.

[Table 5 about here]

Table 5 reveals that acquisition-based busyness does not seem to have a significant impact on the financial performance of new investments, though the effects go in the same direction. This evidence is in line with the hypothesis that the intensity of distraction induced by this type of event is plausibly lower compared to public offerings, as exit multiples are more moderate and the execution time frame is considerably shorter.

D Heterogeneity in the Screening Intensity

On the demand side of the VC funding equation, I utilize the variation in information asymmetry as well as the degree of VCs' involvement in the screening process. I first compare investments made within and outside the industry expertise of a particular VC partner. Second, I exploit the institutional features of the VC industry, such as staged financing and the syndication of investments: Sources of heterogeneity in screening intensity are found in the repetitive nature

of startup fundraising within the same partner and portfolio company and in differences between partners within the syndicate.

1 Investments Made within and outside Industry Expertise

As Table 1 indicates, there is a substantial industry-wide variation in the distribution of VCs' investments. VCs who screen new startups within the industry of their prior investment expertise will likely face lower information asymmetry. Relatedly, Gibbons (2023) finds that VC firms gain less from gathering industry information when investing in startups within the area of their industry expertise. Therefore, if the earlier results on the underperformance of investments made during the IPO engagement are attributable to the screening activities, we can expect the effects to be stronger for investments made outside the VC partner's expertise. Panel A of Table 6 reports the estimation results that test this hypothesis. I use the 27 distinct industry segments provided in VentureSource to define VCs' investment experience, which is more granular than the industry group classification used in fixed effects. A particular investment is considered to be within a VC partner's expertise if the partner made at least two investments in the same industry segment in the past (two investments is the average number of investments made by all VCs within a particular industry segment). I first split the sample depending on whether the investment was within or outside VC partner's pre-existing industry expertise, and then estimate the interacted model based on the full sample.

[Table 6 about here]

The estimations indicate that investments made by busy VCs within their industry expertise (Panel A, column 1) underperform to a significantly lower extent than investments made

outside their experience (column 2): Coefficients are –0.068 and –0.182 respectively. The evidence from the full sample highlights this heterogeneity, as the VCs' industry experience helps mitigate the negative impact of their busyness (column 3). The estimations focusing on exit multiples further reinforce the significance of industry familiarity (columns 4–6). Overall, the findings are in line with the screening intensity being higher in cases of higher information asymmetry, which underscores the importance of screening for the future performance of investments.

2 Follow-on Participation

VCs would typically devote a substantial fraction of a fund's capital to support their portfolio companies via follow-on financing rounds. The main sample is intentionally restricted to only first-time interactions, so that they are new to a VC partner and require a similarly higher level of screening intensity than subsequent investments. Follow-on participation is likely to require much less effort in terms of screening and, consequently, be less prone to the negative effects of busyness. In this extension of the analysis, I specifically limit the sample to only follow-on investments made during the IPO engagement.

As predicted, columns 1 and 3 in Panel B of Table 6 reveal that while the coefficients are still negative, they are not significant in the sample of subsequent investment rounds. This result is in line with the idea that follow-on participation requires less time and effort, as existing VCs are already familiar with the portfolio company by serving on the board of directors of the startup and hence face lower levels of information asymmetry when making subsequent investment decisions.

3 Nonlead Investments

One of the institutional features of VC funding is the syndication of investments, where several interested VCs would participate in a particular investing round. Typically, there is one lead VC partner who takes the largest stake in a company, drafts the term sheet, and acts as the primary supplier of due diligence to the syndicate. Other VCs would often have less "skin in the game" and rely on due diligence provided by the lead investor.[10] Since the intensity of screening is plausibly lower for nonlead syndicate members, I expect the treatment effect to be weaker for them than for lead investors.

To explore this possibility, I reestimate the baseline specification based on the first-time nonlead investments made by VC partners. In line with the intuition that nonlead VCs play more passive roles, columns 2 and 4 in Panel B of Table 6 indicate that the effects of distraction are not pronounced in the case of nonlead investments. This observation is analogous to the findings by Bernstein et al. (2016) in the context of VC monitoring by lead versus nonlead syndicate participants: Nonlead VCs are not particularly sensitive to the drop in monitoring costs. Similarly, in my setting the screening intensity is plausibly lower for nonlead syndicate participants, as they tend to rely on the due diligence done by lead investors.

Taken together, the results demonstrate that cases with higher screening intensity are associated with worse investment outcomes. This evidence reinforces the importance of screening for VC investment performance and highlights the impact of pre-investment activities as the first-order mechanism that originates the observed underperformance of investments made during the IPO engagement. While the monitoring mechanism might contribute to the future failure of

[10] Jason Yeh, founder at Adamant and former investor at Greycroft Partners, points out that "Most of these non-lead or follower investors draft off the diligence and conviction of lead investors" (Yeh (2021)).

busy investments, it is not clear how VCs' monitoring activities could directly respond to the variation in information asymmetry at the time of investment other than through the screening.

V Why Do VCs Make Busy Investments?

The evidence above emphasizes the role of screening as the channel behind the underperformance of the investments made during the IPO engagement, as well as the importance of attention VCs devote to screening. In this section, I explore why VCs choose to invest in worse deals when busy. On the one hand, VCs might be acting rationally by shifting their attention toward higher marginal benefit IPOs and away from costly information acquisition for new deals, even if the expected benefits on these deals are marginally lower due to a lack of attention. Alternatively, the underperformance might reflect VCs' behavioral biases such as overconfidence or irrationally formed expectations. Below, I detail how attention constraints relate to deal selection and provide evidence that suggests that VCs are aware of how these constraints lower expected returns when they are busy.

A Rational and Behavioral Explanations

Within the framework of rational inattention, agents choose not to be perfectly informed as they balance the cost of information acquisition against the expected benefits (Brav and Heaton (2002), Sims (2003), Hirshleifer, Lim, and Teoh (2009), Van Nieuwerburgh and Veldkamp (2010), Caplin and Dean (2015), Matejka and McKay (2015)). In the empirical setup of this paper, one might expect that a rational VC partner maximizing the value of his portfolio will optimally allocate a disproportionately higher fraction of his attention toward an IPO, which is a

practically guaranteed exit event compared to the less-assured exit prospects of a new startup. The VC partner is cognizant of his limited attention and aware that the expected returns could suffer as he is not perfectly informed. But this busy VC partner chooses to invest in a new startup, as the expected returns are still greater than choosing not to invest completely in this period of IPO engagement.[11] More attention devoted to a selected startup after making an investment can potentially increase the expected return in later periods when attention is less constrained. This VC partner continues to make the same decision again about a similar asset in a situation with a similar tradeoff between expected returns and information costs.

In contrast, a VC partner acting irrationally chooses to ignore his attention constraints or is unaware of this issue. He overlooks readily available information that is not costly to acquire. This VC partner continues to make the same decision over and over again, reflecting his persistent unawareness or inertia in investment decisions. However, consistent with the possibility of rational updating, one could expect this VC partner to subsequently adjust his behavior, including with respect to screening and monitoring. This could imply higher monitoring intensity for a company selected during the IPO process and lower propensity to make busy investments in the future.

Disentangling the rational and behavioral scenarios outside of the controlled experimental setting is challenging. To shed some light on the sources of inattention in my empirical setting, I

[11] The existence of frictions, such as competition for startups, time pressure to invest, or syndication of investments, might also limit VCs' ability to completely suspend their investment activity during the period of increased screening costs. The specifics of the interaction between limited and general partners is another possibility, as Maurin, Robinson, and Strömberg (2023) point out that general partners could inefficiently accelerate investments to ensure that their limited partners respect their funding commitment.

estimate several tests around these described behaviors. I study the post-investment involvement of VCs with companies selected during IPO engagement and explore repeat busy investments. In addition, I assess the presence of a specific behavioral bias relevant to the empirical setting of VCs going through the IPO process, such as overconfidence, which is known to affect investors and asset managers (Barber and Odean (2000), Daniel and Hirshleifer (2015)).

B Monitoring of Companies Selected during the IPO Engagement

If VCs become aware that the quality of a busy investment is lower, either prior to or subsequently after making the busy investment, we could expect them to engage more with affected companies once their attention constraints are lifted. To study this possibility, I focus on one particular type of governance action taken by VC directors: founder replacement. Following Ewens and Marx (2018), I consider the terminations of employment for C-suite employees in the two years before and after the busy investment. The estimations indicate that companies selected during IPO engagement have a higher likelihood of founder turnover one and two years following the investment.

[Table 7 about here]

The results in Table 7 indicate that portfolio companies do not exhibit higher levels of management replacement prior to their busy investment round (columns 1–2). However, the probability of founder replacement is positive and significant one and two years following the busy investment (columns 4–5). The evidence suggests that VCs, as board members, exercise the governance mechanism by replacing existing startup management as they try to help their portfolio companies selected during IPO engagement. However, the eventual underperformance

of busy investments, as demonstrated in the previous section, shows that VCs are unable to fully turn the outcomes around, which emphasizes the importance of pre-investment activities in long-term investment performance.

Relatedly, Table OA.9 reveals that VCs do not seem to abandon their investments, as there is no significant drop in the propensity of raising follow-on rounds by companies selected during the IPO engagement. Taken together, these two pieces of evidence suggest that VCs substitute stronger ex post monitoring for weaker ex ante screening in attempts to improve their investment outcomes. While this result might reflect VCs' ex ante confidence that the investment may eventually exit, the finding is also consistent with the possibility of rational updating ex post.

C Repeat Busy Investments

Making repeat busy investments would suggest that VCs are aware that these investments are expected to underperform, but choose to invest because they expect, even with incomplete information ex ante, that the return is higher than forgoing the investment altogether. To understand whether VCs make busy investments repeatedly, I study if the past experience of making a busy investment predicts the incidence of future busy investments. Importantly, VCs who made at least one busy investment tend to be more successful than their never-busy counterparts. Consequently, VCs with a history of busy investments will also make more non-busy investments going forward, which results in certain challenges with respect to exploring the persistence in making busy investments. To mitigate this concern, I perform the analysis in the spirit of Ewens and Rhodes-Kropf (2015): I focus on how the fraction of busy investments in the VC partner's history as of investment at time t is related to the probability that his next investment

is a busy one. The sample contains only one observation per partner, and the coefficients reflect a comparison between partners based on their history of making busy investments. Table 8 reports the estimations. As I condition on VC partners making an increasing number of investments from columns 1 to 4, the sample becomes less representative.

[Table 8 about here]

The results indicate that a historically higher share of busy investments is positively related to the likelihood that the next investment of the same VC partner is a busy investment. Though the coefficients of interest are not statistically significant, the relationship between past and future busyness appears to be positive across all specifications. Table OA.10 shows that the pattern becomes more pronounced when I consider the fraction of future busy investments over a longer period.

To further support the robustness of this pattern, I perform simulations in which I randomly assign busy investments to partners. Figure OA.4 compares the simple unconditional probability of observing repeat busy VCs in the real data and the distribution of the same probability based on 1,000 simulations. The fraction of VC partners with at least two busy investments (repeat busy VCs) is 2.5% in the baseline sample with 3,255 VC partners. However, the same fraction is only 0.86% across the samples with randomly assigned busy investments, indicating that VCs tend to make repeat busy investments with much greater frequency than in the randomly generated data.

Taken together, these pieces of evidence indicate that VCs continue to make new busy investments after having made a busy investment in the past. This pattern is consistent with VCs

acting rationally or being persistently unaware of the effects of their attention constraints at the time of investment.

D VC Partners' Overconfidence

It could be the case that IPOs entice VCs to become overconfident about their skills and/or form optimistic views, which might in turn lead them to make worse investment decisions. Prior research indicates that overconfidence is indeed associated with worse outcomes. A common theme across these studies is that overconfident agents tend to increase the number of their investments, and the outcomes of their investments tend to be more volatile. This finding applies to agents in various contexts: CEOs (Malmendier and Tate (2005), Kaplan, Sørensen, and Zakolyukina (2022)), individual investors (Barber and Odean (2000)), and asset managers (Daniel and Hirshleifer (2015)).

To understand the relevance of overconfidence in my context, I explore the investment activity of VCs involved in the IPO process. A profit-maximizing rational VC partner, solving a simple problem of attention allocation between an IPO and a new investment, will employ a higher fraction of resources toward the former. As a consequence, VCs might react to the attention and workload shock by choosing not to invest during the distraction period. If the results are driven by overconfidence, however, we could expect upward adjustments to the number of investments made by busy VCs. To test this hypothesis, I extend the sample to include quarters without investments during the investment lifespan of each VC partner. The exact investment dates are known for the quarters with investment, but they are not observable for the quarters

when VCs did not invest. For that reason, I conduct this analysis at the quarterly level, rather than the 90-day intervals used in the baseline analysis.

[Table 9 about here]

The linear probability models in columns 1–2 of Table 9 indicate that VCs are about 2.1% less likely to invest in a new startup during a quarter coinciding with an IPO. The regressions based on the number of investments (columns 3–4) report both quantitatively and qualitatively similar results. Across all estimations, the finding is valid only in the quarter of the distracting event. Such an investment pattern lines up with the hypothesis that busy VCs allocate their attention toward the IPO at the expense of a new investment, which provides validity to the measure of workload and distraction exploited in this paper. This is consistent with other research focusing on busy investors that also indicates that distracted agents tend to adjust their investing activity downward (Lu et al. (2016)).

Reassuringly, I do not find that other VCs working within the same VC firm as a busy VC partner adjust their investment behavior (Table OA.11). The evidence based on the lower volatility of investment outcomes further supports the above results (Figure OA.5), as it suggests that overconfidence is less likely to be the driving force behind the findings.

In its totality, the evidence presented in this section is consistent with the notion that VCs are rationally inattentive when making busy investments. After making one busy investment, VCs continue to make future busy investments and attempt to improve the outcomes by monitoring their investments more intensely, indicating that they are aware busy investments have lower expected returns than non-busy investments but are willing to accept this lower expected return. However, in general, VCs decrease the number of investments during busy IPO periods on both

the extensive and intensive margins. This result rules out an explanation whereby VCs make worse investments during IPO periods because they are continually unaware that they select marginally worse investments when distracted. While these findings do not completely rule out the possibility that a VC partner acts irrationally at the time of investment and then rationally updates his beliefs ex post by increasing effort to monitor, the described patterns are most consistent with VCs being "rationally inattentive" when making busy investments.

VI Additional Analysis and Robustness Tests

In the additional estimations, I provide a few extensions to the previous analysis and estimate supplementary robustness tests. First, I assess the alternative possibility that the results might be driven by wealth effects. Second, I study whether busy VCs engage in risk-shifting behavior and explore the impact of hot markets and valuation waves. Next, I reestimate the key results at the VC firm level, which offers several valuable insights. Finally, I discuss the potential influence of factors related to VC fund economics and provide an overview of other supplementary tests supporting the baseline results.

Wealth effects. Since IPOs could generate a substantial amount of income to their investors, one could be worried about potential wealth effects. After experiencing a personal wealth shock, VCs might prefer to exert less effort in general. To some extent, the dynamics of the effects already help assuage worries about this channel: Since the wealth created in the IPO does not disappear in a few months after the exit, the wealth effects imply a more long-lasting impact on VCs' investment behavior. To better capture the wealth creation from IPOs, I attempt to construct

a more direct measure of wealth effects stemming from the IPO based on the personal ownership of VCs. I manually search for and collect information about VCs' personal stock holdings based on the insider ownership data from Thomson Reuters. The database covers Forms 3, 4, and 5 that need to be filed with the SEC by company insiders. Since VCs serving on boards of directors fall in the category of insiders, the information about their personal ownership in the company (if any) has to be reflected in these forms. Using the collected data, I separate the key variable of interest depending on whether busy VCs had personal ownership in the companies going public. I find that approximately every sixth busy VC partner had a personal stake. If the results are driven by wealth effects, one could expect them to be stronger for VCs who directly own stock in the company. Table 10 contains the estimations.

[Table 10 about here]

The results do not reveal any particular sensitivity of the findings in line with the prediction above. The F-tests do not indicate any statistical differences between coefficients of interest. Taken together with the evidence on the dynamics of the results, wealth effects therefore do not seem to be driving the observed underperformance of investments made during the IPO engagement.

Risk-shifting hypothesis. Nanda and Rhodes-Kropf (2013) document that in hot markets (those rich with IPOs), VCs tend to fund riskier startups, meaning those that are more likely to go bankrupt but produce higher returns conditional on going public. Notably, the core analysis of exit multiples directly undermines this hypothesis in my setting, as it shows that startups funded by busy VCs enjoy lower, not higher, exit multiples. To further challenge this alternative explanation, I follow Nanda and Rhodes-Kropf (2013) and analyze pre-money valuations of

startups conditional on their exits. Table OA.12 suggests that investments made by busy VC partners do not exhibit higher pre-money valuations conditional on exit, which is true for any successful exit in general and for IPO exits in particular. In addition, I look at the portfolio companies' performance dispersion within and outside the IPO engagement (Figure OA.5). I find no evidence that investments made during a VC partner's IPO engagement period exhibit higher dispersion of exit multiples compared to investments made by the control group of VCs. These observations suggest that underperformance of investments made by busy VCs reflects a downward shift in investment quality distribution rather than risk-shifting behavior.

Hot markets and valuation waves. To further address the endogeneity story about valuation waves that might explain why IPOs coincide with underperforming new investments (Inderst and Muller (2004)), I perform a test that controls for the number of IPOs in the market (minus the one leading to a particular investor's busyness) and by industry (partitioned to seven venture industry groups). Table OA.13 shows that the results remain qualitatively unchanged. On top of that, valuation waves would normally last longer than a few months, while the previous tests indicate that the results are present for the first three months after the public offerings.

VC partners and VC firms. The focus in this paper is on individual VC partners, which offers several advantages over analyzing VC firms. VC firms often manage multiple active funds with several partners involved in each fund, while usually only one partner is engaged with each individual portfolio company. For that reason, the analysis at the VC firm level would overstate the number of busy investments, since a new investment made by a nondistracted partner would mistakenly be treated as busy. Therefore, the analysis at the individual partner level plausibly

offers a higher degree of accuracy than would be possible when studying VC firms, which is also suggested by existing empirical evidence. Malenko et al. (2024) show the prevalence of the "champions" model, meaning when the decision on investment is made by a single partner, especially at the early stage. This observation is applicable to the analysis in this paper, as the sample mostly consists of early-stage investments. Relatedly, Ewens and Rhodes-Kropf (2015) provide evidence that exit styles are more persistent at the partner level than at the VC firm level.

While conducting the analysis at VC firm level would be less accurate, it does offer some advantages. At the VC firm level, VentureSource provides better data coverage, resulting in a substantially larger number of busy investments, which reach 4,125, or 9% of the total number of investments. Table OA.14 reestimates the baseline regressions by switching the unit of analysis from VC partners to VC firms. Busy VC firms are now defined as firms with at least one VC partner engaged in the IPO process, while a busy investment means an investment made by any VC partner within a given busy VC firm. The estimates indicate that the baseline results remain qualitatively similar at this level of analysis. Notably, the coefficients have lower magnitude, which is consistent with the notion of measurement error and the associated attenuation bias. This extension provides additional robustness to the results in this paper.

VC fund economics. As financial intermediaries, VC firms typically charge a 2% management fee (Metrick and Yasuda (2011)). The standard initial base for the management fee calculation is the committed capital, which often gets replaced by the invested capital after the investment period or some other predetermined point in time. This feature of the fee structure might create incentives for VCs to make more investments, possibly in lower-quality startups, in order to maintain the base (Robinson and Sensoy (2013)). To additionally ensure that the previous

findings are not driven by this specificity in the VC fund economics, I add the time since VC fund inception as a control variable to my baseline specification. To proxy for the time since inception, I identify which VC fund made an investment and then compute the difference between the investment quarter and the quarter when the VC fund had a first close. The resulting sample is smaller, as the identity of VC funds is frequently missing in VentureSource, unlike the identities of VC firms and individual general partners. As Table OA.15 shows, the main results hold for both performance measures when the time since fund inception is taken into account. The sign of this new control variable is negative in all cases, which could be explained by the switch in the fee base. Additionally, the empirical evidence shows that the performance of an existing VC fund is often regarded as a next fund raising device (Brown, Gredil, and Kaplan (2019)). This consideration might potentially push VC partners to spend more time and effort on screening and deal flow in the beginning of the VC fund's life, leading to the negative relationship between fund life and exit prospects.

In addition to these tests, I study the sensitivity of the results to stock market returns prior to the filing of S-1 forms (Table OA.16). In a different test, I show that public equity returns are positively related to the number of IPO filings. I also consider alternative sources of data (Table OA.17 based on BoardEx, VentureXpert, and SDC Platinum). The results support the evidence previously presented in the paper and are discussed in Section OA.V of the Supplementary Material.

VII Conclusion

This paper studies the effects of limited attention on investment outcomes in the context of the VC market. Using IPO involvement as a shock to VCs' attention, I find that distracted VCs make investment decisions that underperform in the future. The companies in which VCs invest while actively involved in IPOs are less likely to go public or be acquired and exhibit lower exit multiples. The dynamics of the effects are aligned with the timing of the IPO engagement. These results speak to the importance of the pre-investment activities in venture performance. Therefore, the ex post performance of VCs' investments depends not only on the post-investment monitoring but also on the capabilities of VCs to choose startups with ex ante higher chances of success.

To further support the screening channel, I study heterogeneity in the treatment intensity. I find that the results are stronger for VCs with less IPO experience, suggesting that seasoned VCs might have knowledge and skills to navigate the process more effectively. In addition, the effects are less pronounced for investments made within the VC partner's investment experience, follow-on participations, and nonlead investments, that is, in cases of lower screening intensity. These heterogeneity-based tests emphasize the role of screening as the mechanism originating the observed underperformance and highlight the importance of attention devoted to company selection.

Apart from providing new evidence on VCs' ability to identify investment opportunities at the initial screening stage, this paper also underlines a meaningful trade-off between VCs' intense engagement with existing startups and the selection of new ones within the same portfolio. A similar trade-off exists when it comes to choosing which portfolio company to monitor or help more. There is evidence suggesting that VCs might be devoting a disproportionately high amount

of their time and attention to monitoring investments that ultimately deliver lower returns (Fu, 2024). I hope that future work will provide further insights in this direction.

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FIGURE 1

Typical Types of VC Engagement on the IPO Completion Timeline

This figure illustrates the typical IPO process through the lens of the VC partner's involvement. As board members and investors, VCs actively participate in the process of their portfolio companies going public. Examples of their participation include selection of underwriters, attendance at board committee meetings, and communication with analysts and the SEC. VCs also get involved in road shows, share allocation among institutional investors, IPO pricing, and IPO opening events on the trading venue. VC partners stay engaged after the IPO as well, as they frequently appear in media outlets to comment on the stock market's reception of the IPO and to answer questions about the newly listed company's future plans. Section OA.I of the Supplementary Material contains a list of anecdotal accounts related to the VC partners' involvement in the IPO process.

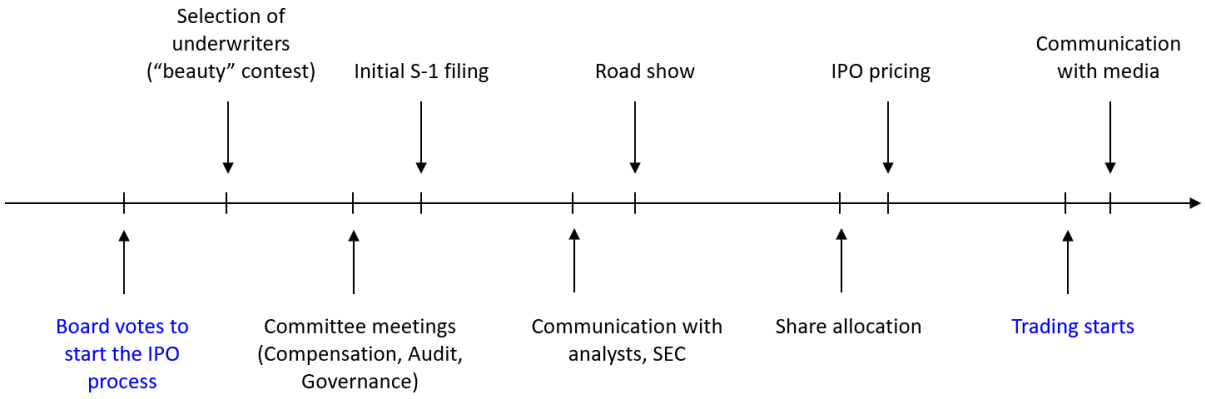


FIGURE 2

The Time Trend of Busy Investments

This figure plots the annual dynamics in the number and frequency of busy investments in the final sample. The histogram represents the fraction of busy investments in the total number of investments, and the dashed line represents the number of busy investments. Data come from VentureSource database.

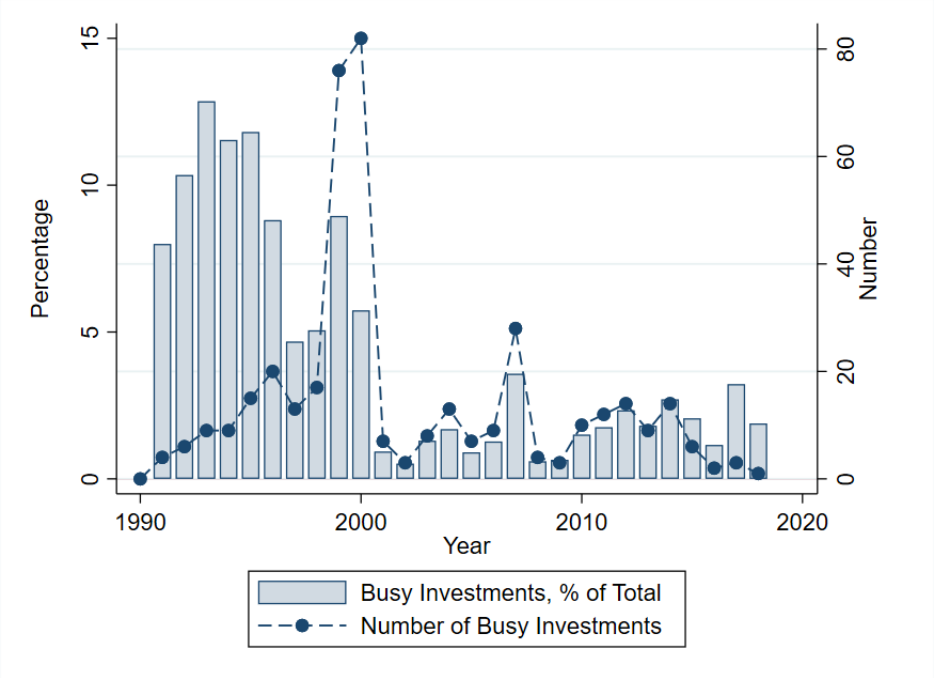
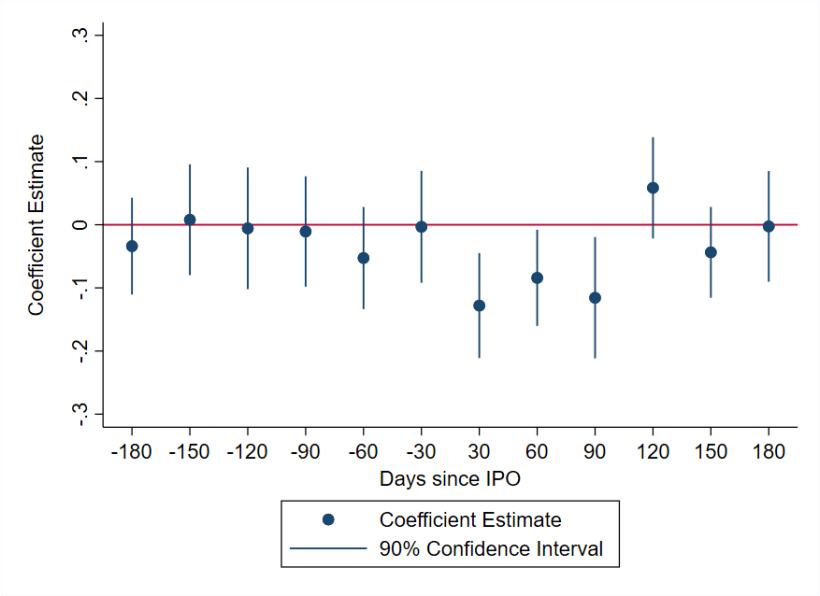


FIGURE 3

Dynamic Effect of VC Partner Busyness on Financial Outcomes

This figure plots the regression coefficients from columns 2 and 4 of Table 3. The dots represent the coefficient estimates from the regressions on the likelihood of success and the exit multiples, along with 90% confidence intervals. The horizontal axis indicates the distance (in days) of the investment from the relevant IPO, aggregated to twelve 30-day bins. Day 0 is the day of an IPO.

Graph A. Likelihood of IPO/Acquisition



Graph B. Ln(Exit multiple+1)

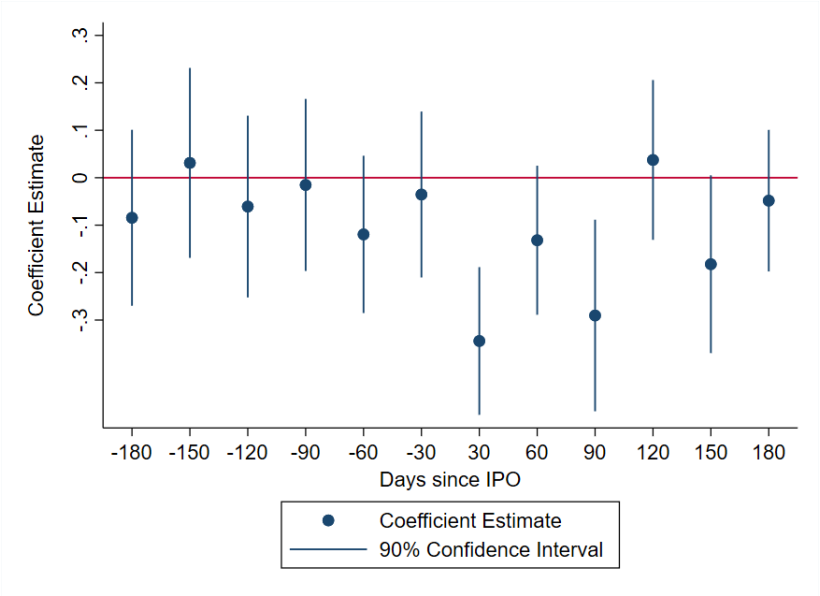


TABLE 1

Summary Statistics

This table reports summary statistics for the variables underlying the analysis of the impact of VC partner workload on investment outcomes. All variables are defined in Appendix A. The sample is a panel of venture capital investments by individual VC partners from 1990 through 2018.

Panel A. Partner and investment-level statistics

	N	Mean	Median	Std. dev.	p25	p75
Busy investments	13,201	0.03	0.00	0.17	0.00	0.00
Deals closed each quarter	13,201	1.15	1.00	0.41	1.00	1.00
Round number	13,201	2.24	2.00	1.66	1.00	3.00
Syndicate size	13,201	2.10	2.00	1.43	1.00	3.00
VC's experience (years)	13,201	4.59	3.00	4.13	1.00	7.00
VC's current board seats	13,201	2.12	1.00	2.11	1.00	3.00
Within VC's industry expertise	13,201	0.35	0.00	0.48	0.00	1.00
Within VC's state	13,201	0.47	0.00	0.50	0.00	1.00

Panel B. Company-level statistics (conditional on being founded prior to 12/31/2012)

	N	Mean	Median	Std. dev.	p25	p75
IPO/Acquisition	8,264	0.30	0.00	0.46	0.00	1.00
Exit multiple	8,264	4.73	0.00	176.76	0.00	0.80
Company age	8,264	4.95	3.00	6.30	2.00	6.00
# VCs on a board of directors	8,264	1.91	2.00	1.14	1.00	2.00

Panel C. Busy versus "non-busy" investments at the time of investment

	N	"Non-busy" investments	Busy investments	T-test
Deals closed each quarter	13,201	1.15	1.23	-0.08***
				(-3.85)
Round number	13,201	2.24	2.03	0.214**
				(2.56)
Syndicate size	13,201	2.09	2.38	-0.286***
				(-3.97)
VC's experience (in years)	13,201	4.56	5.70	-1.140***
				(-5.45)
VC's current board seats	13,201	2.09	3.03	-0.941***
				(-8.85)
Within VC's industry expertise	13,201	0.34	0.55	-0.211***
				(-8.80)
Within VC's state	13,201	0.47	0.52	-0.049*
				(-1.95)
Company age (years)	13,201	5.14	3.89	1.250***
				(3.79)
Raised amount (mln)	5,701	35.19	30.45	4.736
				(0.25)

TABLE 2

Busy VC Partners and Performance of New Investments

This table presents estimates of the effects of VC partner busyness on financial outcomes of new investments. All variables are defined in Appendix A. The sample is a panel of venture capital investments by individual VC partners from 1990 through 2018. Parentheses contain standard errors clustered by VC partner and quarter and robust to heteroskedasticity. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

	IPO/Acquisition			Ln(Exit multiple+1)		
	1	2	3	4	5	6
Busy investment	-0.109***	-0.111***	-0.093***	-0.261***	-0.263***	-0.188***
	(0.025)	(0.026)	(0.024)	(0.053)	(0.054)	(0.050)
Round characteristics						
ln(Syndicate size)		0.051***	0.036**		0.010	-0.010
		(0.016)	(0.016)		(0.030)	(0.031)
ln(Company age)		0.046***	-0.015		0.049**	-0.021
		(0.010)	(0.012)		(0.021)	(0.027)
Partner characteristics						
ln(Deals closed each quarter)		-0.054	-0.050		-0.133**	-0.097
		(0.035)	(0.035)		(0.053)	(0.062)
ln(Current board seats)		0.010	0.007		0.012	0.009
		(0.012)	(0.012)		(0.025)	(0.027)
Within VC's industry expertise		0.007	-0.002		-0.002	-0.012
		(0.013)	(0.013)		(0.023)	(0.024)
Within VC's state		0.009	0.026*		0.028	0.040
		(0.013)	(0.014)		(0.026)	(0.032)
VC Partner FE	Yes	Yes	Yes	Yes	Yes	Yes
Round FE	No	No	Yes	No	No	Yes
Time FE	Yes	Yes	No	Yes	Yes	No
Industry × State × Time FE	No	No	Yes	No	No	Yes
Observations	13,201	13,201	13,201	13,201	13,201	13,201
R^2	0.34	0.34	0.54	0.33	0.33	0.54

TABLE 3

Dynamic Effect of the IPO Workload on Financial Outcomes: Days since IPO

This table studies the dynamic effect of VC partner busyness on the probability of exit for new investments made 180 days before and after the distracting IPO. The variable *[-180; -150 days)* indicates investments closed between 180 (inclusive) and 150 (exclusive) days before the distracting IPO. Other interaction variables are defined in a similar fashion with respect to the IPO date. All variables are defined in Appendix A. The sample is a panel of venture capital investments by individual VC partners from 1990 through 2018. Parentheses contain standard errors clustered by VC partner and month and robust to heteroskedasticity. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

	IPO/Acquisition		Ln(Exit multiple+1)	
Investment Made	1	2	3	4
Between [-180; -150 days)	−0.036	−0.034	−0.084	−0.084
	(0.047)	(0.046)	(0.113)	(0.112)
Between [-150; -120 days)	0.010	0.008	0.033	0.031
	(0.053)	(0.053)	(0.122)	(0.121)
Between [-120; -90 days)	−0.005	−0.006	−0.063	−0.061
	(0.059)	(0.058)	(0.117)	(0.116)
Between [-90; -60 days)	−0.010	−0.011	−0.015	−0.015
	(0.053)	(0.053)	(0.110)	(0.110)
Between [-60; -30 days)	−0.053	−0.053	−0.119	−0.119
	(0.049)	(0.049)	(0.100)	(0.100)
Between [-30; 0 days)	−0.003	−0.003	−0.037	−0.035
	(0.053)	(0.054)	(0.106)	(0.106)
Between [0; 30 days)	−0.126**	−0.128**	−0.344***	−0.344***
	(0.050)	(0.050)	(0.095)	(0.094)
Between [30; 60 days)	−0.083*	−0.084*	−0.130	−0.132
	(0.046)	(0.046)	(0.095)	(0.095)
Between [60; 90 days)	−0.118**	−0.116**	−0.292**	−0.290**
	(0.058)	(0.058)	(0.123)	(0.122)
Between [90; 120 days)	0.057	0.058	0.038	0.037
	(0.048)	(0.049)	(0.102)	(0.102)
Between [120; 150 days)	−0.043	−0.044	−0.182	−0.182
	(0.043)	(0.044)	(0.114)	(0.114)
Between [150; 180 days)	−0.003	−0.003	−0.050	−0.048
	(0.053)	(0.053)	(0.091)	(0.090)
Controls	No	Yes	No	Yes
VC Partner FE	Yes	Yes	Yes	Yes
Industry × State × Month FE	Yes	Yes	Yes	Yes
Observations	11,373	11,373	11,373	11,373
R^2	0.62	0.62	0.63	0.63

TABLE 4

The Effect of the Prior IPO Experience

This table reestimates Table 2 by separating the indicator of busyness into two variables. "= *0 IPOs before*" is an indicator variable equal to one if the VC partner had no past IPO experience; "$\geq$ *1 IPO before*" is an indicator variable equal to one if the VC partner had at least one IPO; and so on. All variables are defined in Appendix A. The sample is a panel of venture capital investments by individual VC partners from 1990 through 2018. Parentheses contain standard errors clustered by VC partner and quarter and robust to heteroskedasticity. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

	IPO/Acquisition			Ln(Exit multiple+1)		
	1	2	3	4	5	6
Busy investment × VC had 0 IPOs before	-0.146***			-0.278***		
	(0.044)			(0.081)		
Busy investment × VC had ≥ 1 IPO before	-0.070**			-0.148**		
	(0.028)			(0.061)		
Busy investment × VC had < 2 IPOs before		-0.138***			-0.269***	
		(0.037)			(0.062)	
Busy investment × VC had ≥ 2 IPOs before		-0.045			-0.100	
		(0.033)			(0.078)	
Busy investment × VC had < 3 IPOs before			-0.132***			-0.275***
			(0.034)			(0.061)
Busy investment × VC had ≥ 3 IPOs before			-0.025			-0.033
			(0.043)			(0.100)
Controls	Yes	Yes	Yes	Yes	Yes	Yes
VC Partner FE	Yes	Yes	Yes	Yes	Yes	Yes
Round FE	Yes	Yes	Yes	Yes	Yes	Yes
Industry × State × Time FE	Yes	Yes	Yes	Yes	Yes	Yes
Observations	13,201	13,201	13,201	13,201	13,201	13,201
R^2	0.54	0.54	0.54	0.54	0.54	0.54
F-stat	0.14	0.08	0.08	0.20	0.09	0.06

TABLE 5

Evidence from Acquisition Engagements

This table presents estimates of the effects of VC partner acquisition-based busyness on financial outcomes of new investments. All variables are defined in Appendix A. The sample is a panel of venture capital investments by individual VC partners from 1990 through 2018. Parentheses contain standard errors clustered by VC partner and quarter and robust to heteroskedasticity. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

	IPO/Acquisition		Ln(Exit multiple+1)	
	1	2	3	4
Acquisition-busy investment	−0.013	−0.015	−0.050	−0.051
	(0.019)	(0.018)	(0.037)	(0.036)
Controls	No	Yes	No	Yes
VC Partner FE	Yes	Yes	Yes	Yes
Round FE	Yes	Yes	Yes	Yes
Industry × State × Time FE	Yes	Yes	Yes	Yes
Observations	13,201	13,201	13,201	13,201
R^2	0.54	0.54	0.54	0.54

TABLE 6

Screening Intensity: Industry Expertise, Follow-on Participations, and Nonlead Investments

This table explores the role of information asymmetry and the degree of VC partner's involvement in the screening process. Panel A studies investments made within and outside a VC partner's industry expertise based on sample splits (columns 1, 2, 4, and 5) and interacted model (columns 3 and 6). Sample splits report the number of observations after dropping singletons. Panel B reestimates Table 2 on the sample of follow-on participations (columns 1 and 3) and first-time nonlead investments (columns 2 and 4). All variables are defined in Appendix A. Industry expertise is based on the 27 industry segments as reported by VentureSource. The sample is a panel of venture capital investments by individual VC partners from 1990 through 2018. Parentheses contain standard errors clustered by VC partner and quarter and robust to heteroskedasticity. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

Panel A. Investments within and outside VC Partner's Industry Expertise

	IPO/Acquisition			Ln(Exit multiple+1)		
	Within Expertise	Outside Expertise	Full Sample	Within Expertise	Outside Expertise	Full Sample
	1	2	3	4	5	6
Busy investment	-0.068	-0.182***	-0.144***	-0.057	-0.422***	-0.313***
	(0.045)	(0.048)	(0.038)	(0.090)	(0.107)	(0.079)
Busy investment × Within VC's industry expertise			0.087*			0.216*
			(0.048)			(0.118)
Within VC's industry expertise			-0.005			-0.021
			(0.014)			(0.024)
Controls	Yes	Yes	Yes	Yes	Yes	Yes
VC Partner FE	Yes	Yes	Yes	Yes	Yes	Yes
Round FE	Yes	Yes	Yes	Yes	Yes	Yes
Industry × State × Time FE	Yes	Yes	Yes	Yes	Yes	Yes
Observations	3,219	7,611	13,201	3,219	7,611	13,201
R^2	0.55	0.66	0.54	0.54	0.67	0.54

Panel B. Follow-on Participation and Nonlead Investments

	IPO/Acquisition		Ln(Exit multiple+1)	
	Follow-on	Nonlead	Follow-on	Nonlead
	1	2	3	4
Busy investment	−0.015	−0.013	−0.043	−0.055
	(0.021)	(0.025)	(0.041)	(0.061)
Controls	Yes	Yes	Yes	Yes
VC Partner FE	Yes	Yes	Yes	Yes
Round FE	Yes	Yes	Yes	Yes
Industry × State × Time FE	Yes	Yes	Yes	Yes
Observations	25,133	12,919	25,133	12,919
R^2	0.60	0.57	0.58	0.57

TABLE 7

Busy Investments and Post-Investment Involvement

This table focuses on the future involvement of a VC partner with startups selected during her IPO engagement. Affected portfolio company is a portfolio company selected by a VC engaged in the IPO process. The future engagement is defined based on the turnover of C-suite employees: CEOs, CFOs, and CTOs. All variables are defined in Appendix A. The sample is a panel of venture capital investments by individual VC partners from 1990 through 2018. Parentheses contain standard errors clustered by VC partner and quarter and robust to heteroskedasticity. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

	CEO/CFO/CTO replaced within				
	-2 Years	-1 Year	Year 0	+1 Year	+2 Years
	1	2	3	4	5
Affected portfolio company	-0.001	-0.001	0.003	0.019***	0.020***
	(0.002)	(0.004)	(0.003)	(0.007)	(0.007)
Controls	Yes	Yes	Yes	Yes	Yes
VC Partner FE	Yes	Yes	Yes	Yes	Yes
Round FE	Yes	Yes	Yes	Yes	Yes
Industry × State × Time FE	Yes	Yes	Yes	Yes	Yes
Observations	13,201	13,201	13,201	13,201	13,201
R^2	0.48	0.52	0.52	0.52	0.50

TABLE 8

Repeat Busy Investments

This table focuses on the propensity of VC partners to make new busy investments depending on the fraction of their prior busy investments. The dependent variable is equal to one if the VC partner's t^{th} investment is a busy investment. The independent variable of interest is *% of Busy investments* which is the fraction of busy investments in the VC partner's history. All variables are defined in Appendix A. Each column includes only one observation per VC partner. The variables are derived based on the sample of venture capital investments by individual VC partners from 1990 through 2018. Parentheses contain standard errors clustered by investment quarter and robust to heteroskedasticity. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

	VC Partner's t^{th} Investment Is Busy			
	t=2	t=3	t=4	t=5
	1	2	3	4
% of Busy investments in t < 2	0.049			
	(0.036)			
% of Busy investments in t < 3		0.105		
		(0.088)		
% of Busy investments in t < 4			0.202*	
			(0.117)	
% of Busy investments in t < 5				0.063
				(0.122)
Controls	Yes	Yes	Yes	Yes
Round FE	Yes	Yes	Yes	Yes
Industry × State × Time FE	Yes	Yes	Yes	Yes
Observations	2,608	795	346	170
R^2	0.31	0.38	0.46	0.45

TABLE 9

VCs' Investment Activity around IPOs

This table presents estimates of the effect of VC partner busyness on the probability of making a new investment. The sample is extended to include quarters with no investments. The dependent variable is equal to one if the VC partner makes a new investment in a given quarter (0 otherwise) or the number of new investments in a given quarter. The regressions in this table focus on quarters instead of 90-day intervals, as the absence of investments could be defined only for the quarterly data. Columns 1–2 focus on the likelihood of any investment, and columns 3–4 focus on the number of investments. The sample is a panel of venture capital investments by individual VC partners from 1990 through 2018, extended to include quarters with no investments within the investment lifespan of each VC partner. Parentheses contain standard errors clustered by VC partner and robust to heteroskedasticity. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

	Prob(Investment)		ln(Number of investments+1)	
	1	2	3	4
-1 quarter		−0.0118		−0.0092*
		(0.0080)		(0.0052)
IPO quarter	−0.0214**	−0.0214**	−0.0152***	−0.0153***
	(0.0086)	(0.0086)	(0.0058)	(0.0058)
+1 quarter		−0.0069		−0.0048
		(0.0093)		(0.0060)
VC Partner FE	Yes	Yes	Yes	Yes
Time FE	Yes	Yes	Yes	Yes
Observations	121,200	121,200	121,200	121,200
R^2	0.07	0.07	0.07	0.07

TABLE 10

Wealth Effects

This table reestimates Table 2 by separating the indicator of busyness into two variables. *Personal ownership (No Personal ownership)* is an indicator variable equal to one if a VC partner has personal ownership (no personal ownership) in the company going public based on insider ownership data. All variables are defined in Appendix A. The sample is a panel of venture capital investments by individual VC partners from 1990 through 2018. Parentheses contain standard errors clustered by VC partner and quarter and robust to heteroskedasticity. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

	IPO/Acquisition		Ln(Exit multiple+1)	
	1	2	3	4
Busy investment × Personal ownership	-0.078	-0.079	-0.186	-0.186
	(0.068)	(0.070)	(0.122)	(0.123)
Busy investment × No Personal ownership	-0.093***	-0.096***	-0.186***	-0.188***
	(0.024)	(0.024)	(0.051)	(0.051)
Controls	No	Yes	No	Yes
VC Partner FE	Yes	Yes	Yes	Yes
Round FE	Yes	Yes	Yes	Yes
Industry × State × Time FE	Yes	Yes	Yes	Yes
Observations	13,201	13,201	13,201	13,201
R^2	0.54	0.54	0.54	0.54
F-stat	0.84	0.82	1.00	0.99

A Variable Definitions

Variable	Definition
Panel A. Partner-Level Variables	
Busy investment	Equals one if a given investment was closed by a busy VC partner within 90 days after that partner's IPO
Busy VC partner	Equals one for a VC partner who has a portfolio company that is about to go public in 1 to 90 days (inclusive)
Deals closed each quarter	Number of new portfolio companies in which a VC partner invested in a given quarter
Personal ownership	Equals one if VC partner has personal ownership in the company going public
Time since inception	Time between investment date and VC fund's inception (first close) date
VC's experience	Time between investment date and the first time a given VC partner made an investment (in years)
VC's current board seats	Number of current board seats held by a particular VC partner in a given quarter. To avoid counting seats in "walking dead" companies, startups are dropped two years after their last funding round
VCs	VC firm employees with board memberships in their portfolio companies
Within VC's industry expertise	Equals one if VC partner makes an investment in a company within that partner's prior industry expertise. Industry expertise is defined as having made at least two investments (average number of investments made by all VCs within a particular industry segment) at the industry segment level in the past
Within VC's state	Equals one if VC partner makes an investment in a company within the state of operation of that partner's VC firm
Panel B. Investment-Level Variables	
Raised amount, mln	Investment amount raised in a particular investment round
Round number	Consecutive number of an investment round
Syndicate size	Total number of VC funds participating in a given investment round
Panel C. Company-Level Variables (conditional on being founded before 12/31/2012)	
Acquisition	Equals one if the company gets acquired for the amount equal to or larger than total invested capital Equals zero otherwise
IPO	Equals one if the company goes public by the end of the sample. Equals zero otherwise
Company age	Company age at the date of an investment round (years)
Exit multiple	Equals the exit value over the total capital invested (total funding)
Exit value, $ mln	Equals the transaction value as reported by VentureSource and SDC Platinum for acquired companies, and market capitalization for companies that went public Equals zero otherwise
Industry	Industry of company's operation based on VentureSource classification, partitioned into seven categories: Information Technology, Healthcare, Business and Financial Services, Consumer Services, Industrial Goods and Materials, Energy and Utilities, Consumer Goods
State	State of company's location as defined by VentureSource
Total funding, $ mln	Total amount of VC funding raised by a particular company across all investment rounds

Supplementary Material for

"Busy Venture Capitalists and Investment Performance"

OA.I Anecdotal Accounts of VC Partner Engagements in the IPO Process

This section contains anecdotal accounts of VC partner engagements in the IPO process. All discussed VC partners served as board members of the respective companies during the IPO process.

Selection of the Underwriters

The meeting of Amazon's CFO with investment bankers was organized at Kleiner Perkins's office in San Francisco. John Doerr, general partner at the venture capital firm Kleiner Perkins, also gave advice to Amazon's CFO (Joy Covey) on the IPO process.

> Covey flew to San Francisco to meet each of the investment banking teams, including analysts and brokerage team, in Kleiner Perkins's offices.

Source: Quoted from Katz and Sahlman (1999)

Service as a Board and Committee Member

In the capacity of non-employee directors, VCs commonly serve as audit and compensation committee members within the board of directors. For example, Robert Kagle was a member of both the audit and compensation committees at eBay (IPO date: September 24, 1998). Among other actions, in June 1998, the board granted options to a number of independent directors, and in July 1998 the board adopted the Directors Stock Plan, the Equity Incentive Plan, and the Employee Stock Purchase Plan. Most of the plan details were set by the compensation committee. An excerpt from eBay's original S-1 filing discussing the composition of board committees and some of their activities during the pre-IPO process follows:

> The Audit Committee of the Board consists of Robert C. Kagle and Scott D. Cook. The Audit Committee reviews the Company's financial statements and

> accounting practices, makes recommendations to the Board regarding the selection of independent auditors and reviews the results and scope of the audit and other services provided by the Company's independent auditors. The Compensation Committee of the Board consists of Robert C. Kagle and Howard D. Schultz. The Compensation Committee makes recommendations to the Board concerning salaries and incentive compensation for the Company's officers and employees and administers the Company's employee benefit plans.

Source: eBay Inc.'s original S-1 filing with the SEC (available at:

https://www.sec.gov/Archives/edgar/data/1065088/0001012870-98-001814.txt)

Another example is Peter Fenton, general partner at Benchmark Capital, and director and member of audit and compensation committees within the board of directors at Twitter (IPO date: November 7, 2013). The original S-1 form (filed a month before the IPO) states,

> Prior to the completion of this offering, our board of directors will adopt, and our stockholders will approve, our 2013 Plan. [...] Our board of directors or one or more committees appointed by our board of directors will administer our 2013 Plan. [...] Our compensation committee will administer our ESPP, and have full and exclusive authority to interpret the terms of our ESPP and determine eligibility to participate, subject to the conditions of our ESPP, as described below.

Source: Twitter Inc.'s original S-1 filing with the SEC (available at:

https://www.sec.gov/Archives/edgar/data/1418091/000119312513390321/d564001ds1.htm)

Drafting the IPO Prospectus (S-1 form)

When asked about the issue of writing risk factors for the S-1 filing of Genentech, Tom Perkins said,

> I think I wrote the risk factors on that S-1, originally. Of course, the lawyers then went through it. I've been involved in a lot of risky IPOs, and early on I learned there's a way to write the risk factors so that by discussing the negative you can emphasize the positive. Something along the lines of, "There is no

> guarantee that this company will soon become the most important biotechnology company on the face of the planet." [laughter] Is that bad or good? We said there's no guarantee. And, "There's no guarantee that our fundamental patents will survive every challenge." I used to have fun writing those risk factors, so I probably wrote Genentech's.

Source: Perkins and Bugos (2002).

IPO Road Show

John Doerr participated in the IPO road show of Amazon. In an interview with CNBC, he shared,

> My most memorable part of the roadshow was the pricing call lasting almost two hours.

Source: Quoted from Ari Levy, "How Jeff Bezos Convinced Frank Quattrone to Add Another $2 to Amazon's IPO Price, Recalls John Doerr", *CNBC*, 2017.

IPO Pricing

Roelof Botha, general partner at Sequoia Capital and board member at Square, remembers the debate over the IPO price for Square:

> It was really difficult and in the run up to the IPO, because you have this quiet period we couldn't really respond. As often it happens with these IPOs is that people just keep on this negative vicious cycle of negative press. It was really painful to deal with that, and then you see the IPO price at $9. I was arguing the night before that we should price a little bit higher at least so we have more in the balance sheet. To see the way that it popped on the first day, it was still not a great outcome even at the close price on the first day.

Source: Quoted from Ben Gilbert and David Rosenthal, "Adapting Episode 2: Sequoia's Black Swan Memo (with Roelof Botha)", *Acquired podcast*, 2020.

IPO Pricing, Share Allocation, Opening Event

Robert Kagle, general partner at Benchmark Capital, had participated in the final discussion on IPO pricing for eBay on September 23, 1998, the day before the company went public.

> [...] and back in California Bob Kagle patched in through a conference call. The moment had arrived for the pricing meeting.

Source: Stross (2000).

Kevin Harvey, general partner at Benchmark Capital, had advised the team of Red Hat's (developer of operating system Linux) investment bankers on IPO share allocation among institutional investors.

> Just before the IPO, on the eve of the pricing decision, Harvey tried to persuade Red Hat's investment bankers to tell their institutional buyers who held large positions in Microsoft stock that Red Hat, with alternative operating system, offered a convenient hedge. He suggested that Microsoft investors purchase shares of Red Hat equivalent to 1 percent of their Microsoft holdings.

Source: Stross (2000)

CNBC describes the day of Mike Volpi, general partner at Index Ventures and board member at Elastic, Inc.:

> On Thursday, shortly after the Cloudera-Hortonworks deal was made public, he flew to New York, where he and other Elastic board members met for three hours to price the software company's IPO and allocate shares. Finally, on Friday morning, Volpi stopped by Elastic's breakfast at the New York Stock Exchange, where he greeted some of Elastic's 240-person contingent that was in town for bell ringing at the Big Board. "It was a zoo," Volpi said, in reference to the number of people in the room. "I barely got a coffee in my hand." He spoke to CNBC in a phone interview on Friday afternoon from the streets of Times Square.

Source: Quoted from Jordan Novet, "This Tech Investor Had a Killer Week Thanks to Two Big Open-Source Deals", *CNBC*, 2018.

IPO Engagement in General

Ruthann Quindlen, general partner at Institutional Venture Partner, describes her experience after transitioning from investment banker to venture capitalist

> Although I worked with many VCs while an investment banker, I never really understood much about their daily life or motivation. In particular, I was always amazed at how anxious they appeared when it came time to take one of their companies public. Any little setback, any little delay – common occurrences when dealing with Wall Street or the Securities and Exchange Commission – drove them into a frenzy. While I knew their companies' IPOs were important to them, I never really appreciated or understood their level of anxiety. Then, when I became an early-stage venture investor, it all became very clear.

Source: Quindlen (2001)

OA.II Excerpts from a Typical Limited Partnership Agreement

On Time Commitment

The General Partner hereby agrees to use its best efforts in furtherance of the purposes and objectives of the Partnership and to devote to such purposes and objectives such of its time as shall be necessary for the management of the affairs of the Partnership. During the Commitment Period, each of the members of the General Partner will devote substantially all of his business time to the affairs of the Partnership.

On Venture Capital Fund Composition

It is not contemplated that any additional general partners will be admitted to the Partnership. A person may be admitted to the Partnership as a general partner only with the written consent of the General Partner and Two-Thirds in Interest of the Limited Partners. Any such person so admitted as a general partner shall be liable for all the obligations of the Partnership arising before its admission as though it had been a general partner when such obligations were incurred. In the event of the addition of a general partner, the participation of such person in the management of the Partnership and the interest of such person in the Partnership's Operating Income and Loss and Investment Gain and Loss must be approved by the General Partner and Two-Thirds in Interest of the Limited Partners at the time of such person's admission.

OA.III Empirical Framework and an Example of Busy VC Partner

Figure OA.1 provides an example from the data describing the methodology used in the paper. The figure considers the case of three investments made by "General Partner X" at JK&B Capital III, L.P. The fund was the lead investor and, according to pre-IPO filings by Determine Inc., VentureSource, BoardEx and CapitalIQ biography databases, "General Partner X" had board seats in all three portfolio companies. In my analysis, I treat the IPO of Determine Inc. as an attention-grabbing event for the VC partner, while I refer to the new investment made in XOsoft Inc. as a busy investment. Investments that occur during the placebo windows are used for robustness checks, and investment in emWare Inc. is one of those placebo investments. I use this terminology throughout the paper.

Figure OA.2 illustrates the empirical framework I use in the paper. Partner A (busy VC partner) sits on the board of a portfolio company going through the IPO process. During first 90-day window after the IPO, Partner A closes an investment in a new startup company, which I consider a busy investment decision due to the lag between investment decisions and final close (83 days on average according to Gompers et al. (2020)). The outcome of that busy investment is then compared to the outcomes of other investments made by Partner A outside her IPO engagement, and to the outcomes of investments made by non-busy Partner B during the time frame of Partner A's busy investment.

FIGURE OA.1

Empirical Framework: Example of Busy Investment

This figure provides an example from the data describing the methodology used in the paper. The figure considers the case of three investments made by "General Partner X" at JK&B Capital III, L.P. The fund was the lead investor and, according to pre-IPO filings by Determine Inc., VentureSource, BoardEx, and CapitalIQ biography databases, "General Partner X" had board seats in all three portfolio companies. Due to the lag between the screening process and the final investment close date, I initially focus on the investments closed during the first 90-day window after the offering date. The remaining three windows around the IPO date are used for placebo tests.

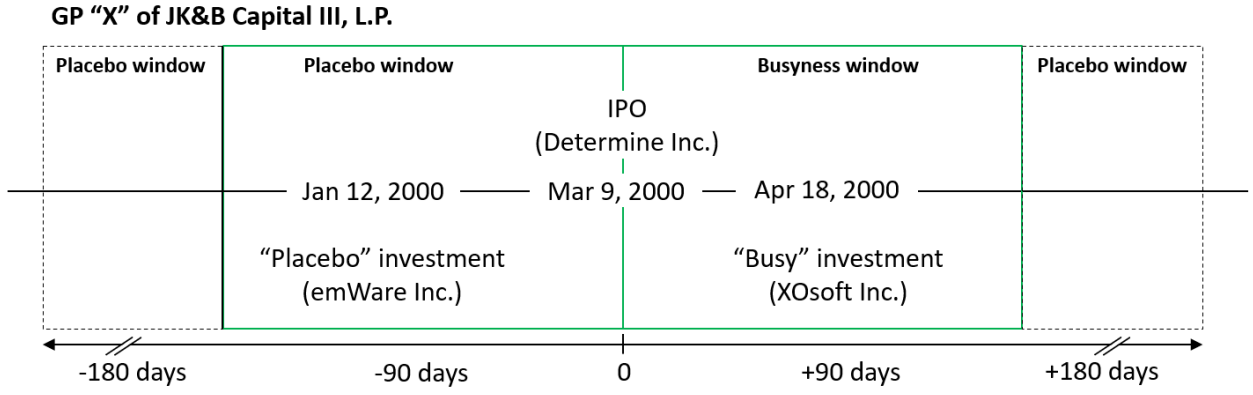
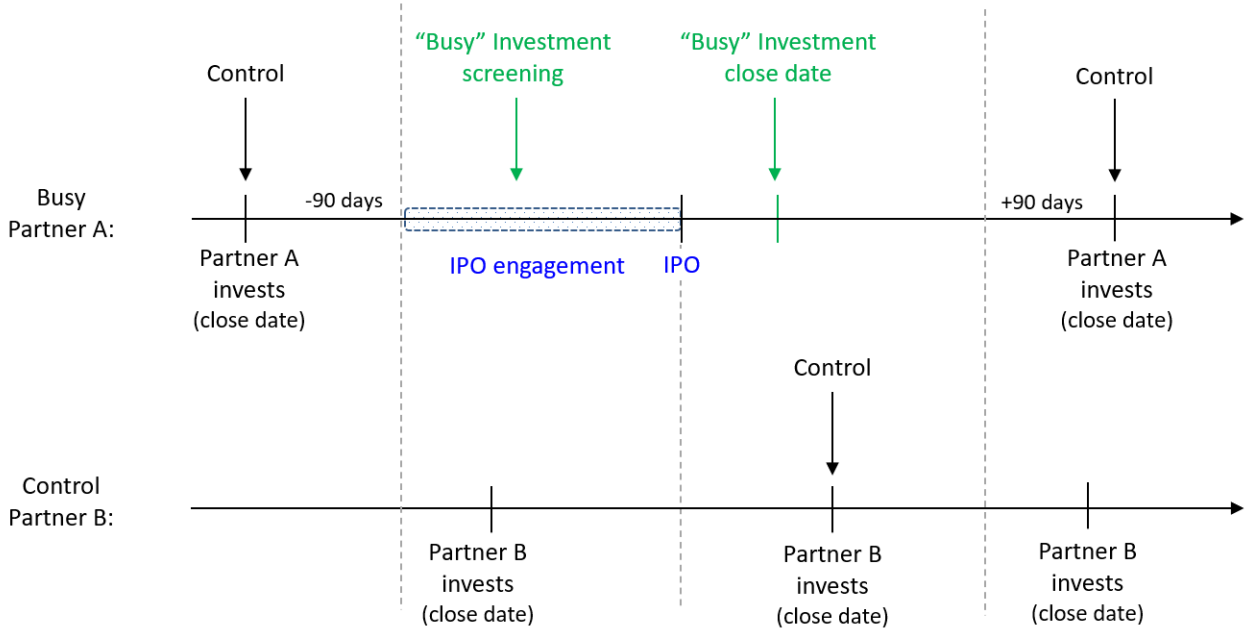


FIGURE OA.2

Empirical Framework: Treated and Control VC Partners

This figure illustrates the empirical framework of the main analysis. For each VC partner, I identify the active phase of the IPO engagement as the 90-day period prior to the public listing day. Since the average investment takes 83 days to close, and we only observe investment close dates, investments made by busy VCs are likely to appear in the 90-day period following the IPO (busy investments). The research design draws comparisons between investments made within and outside the IPO engagement period of a busy VC partner, as well as investments made by the control VC groups in the same industry and state at a given point in time.



OA.IV IPO Engagements versus Acquisition Engagements

This section contains comparisons between intensities of IPOs and acquisitions based on anecdotes from industry practitioners and academics.

A prominent venture capitalist, William H. Draper III, shares his experience:

> Cashing out through a merger with a larger public company as we did with Torrent and Skype is far less complicated and usually more liquid for large holdings like ours than going through the IPO or public offering route (Draper, 2012).

Eckermann (2006) provides extensive comparison between trade sales and IPOs. Regarding the timing of sale process, the author points out that

> Over a brief period of time, corporate control is transferred to the new investor... The IPO, however, involves different activities and lasts several months.

Wang, Pahnke, and McDonald (2022) point out that IPOs are more time-consuming and complex than trade sales.

> ...acquisition of a private company is a relatively straightforward financial transaction that can be accomplished rapidly. In contrast, a firm is more likely to exit via IPO (a broadcast success) if it shows the promise of serving multiple market segments, if its growth potential is high, and if it can mobilize a diverse set of partners. Like other broadcast successes, an IPO is a complex and time-consuming transaction that requires coordinating service providers, such as investment banks, with professional investors such as endowments; it also requires appealing to a broader set of potential investors.

In his book, Ramsinghani (2014) describes advantages and disadvantages of different exit routes (Table 24.2 of the book), and outlines speed and reduced amount of regulatory challenges as advantages of trade sales compared to IPOs. Similarly, Blaydon et al. (2004) highlight significant time requirements and increased scrutiny as major drawbacks of the IPO process (Table 2 of the case notes).

OA.V Extensions and Robustness Tests

Sensitivity to NASDAQ returns. The decision of when to go public is often driven by stock market fluctuations, as VCs and companies actively try to time the markets to ensure higher exit valuations (Lerner (1994), Lowry and Schwert (2002), Benninga et al. (2005)). For example, Snap Inc. executives cited "the general health of the stock market" as a primary driver for its IPO timing, even though the CEO of the startup had circulated plans to go public two years earlier.[1] This pattern makes the exact timing of IPOs less predictable and VCs more distracted at the time of the IPO process, and especially during periods of consistent growth in stock prices – "hot markets" or "IPO windows." To test this hypothesis, I split distracting IPOs into two variables based on the above-median (*Hot Market*) and below-median (*Cool Market*) NASDAQ returns prior to filing of SEC S-1 forms. In the spirit of Bernstein (2015) and Borisov, Ellul, and Sevilir (2021), I use fluctuations in the NASDAQ Composite Index measured over the two-month period. Given that the research designs and empirical setups are inherently different, I focus on IPO initiation as opposed to IPO completion and consider market fluctuations prior to the filing of the IPO prospectus. Panel B of Table OA.16 lends additional support to the positive relationship between the decision to go public and preceding stock market fluctuations: The number of S-1 filings is positively correlated with NASDAQ returns measured over the two-month period prior to the filing.

The coefficients of interest in Panel A of Table OA.16 indicate that the findings are stronger for IPOs preceded by *Hot Market* conditions, which supports the idea of higher treatment intensity during favorable exit opportunities in public stock markets. These results are in line with

[1] Kurt Wagner and Jason Del Ray, "Snapchat has hired Morgan Stanley to raise debt financing," *Recode*, 2016.

the intuition that hot markets push companies to go public more quickly by making the IPO engagement rushed, more compressed and potentially more intense and stressful for companies' board members. I note, however, that the difference between the two coefficients is not statistically significant. The limited number of VCs making investments during their IPO engagement poses statistical challenges regarding the identification of cross-sectional differences, even if they are present.

Anecdotally, CEOs point out that stock market characteristics impacted their choice, even when they did not initially plan for an IPO. J.J.Wilson, the CEO of the pharmaceutical startup Optimi Heath Corp., shares that "We didn't plan to go public this early but the market timing around psychedelics made it feel like this was the right move."[2] Stock market conditions are likely to make the timing of IPO engagement less predictable, affecting the involved parties' attention and workload.

The resilience of the effect over time. Since about a third of all busy investments happened during the dotcom period, one might be concerned that the effects represent a phenomenon of early internet companies. To explore this possibility, I split the sample and reestimate the baseline regressions for the periods before and after the first quarter of 2000, which was the peak of the NASDAQ index.

Panel A of Table OA.7 indicates that the results hold both before and after the dotcom bubble burst. The coefficients of interest exhibit similar magnitudes and statistical significance. This evidence suggests that the baseline results of the paper are not specific to the period of early web companies.

[2] Vanmala Subramaniam, "The shiny new object," *The Globe and Mail*, 2021.

The related concern is the introduction of AWS cloud services, which led to a significant decline in the cost of experimentation and altered the investment strategies of some investors (Ewens, et al. (2018)). Similarly, I reestimate the baseline regression in the samples before and after 2006. Panel B of Table OA.7 suggests the presence of the effects in both subsamples. Therefore, the screening activities continue to be relevant in the sample of lead VCs with board memberships in the era of lower experimentation costs.

"Ever to IPO" VC partners. As the median venture capitalist does not have an IPO in her lifetime, one might raise a concern regarding the comparability of the treatment and control groups. To alleviate this issue, I limit the sample to VC partners with at least one IPO in their portfolio: "ever to IPO" VCs. Therefore, the control group entirely consists of VCs that had at least one IPO at some point in time. This approach is similar to that employed by Bertrand and Mullainathan (2003), who form the control group solely of "eventually treated" companies in the context of the staggered adoption of takeover laws. Panel C of Table OA.7 indicates that the main results continue to hold when both the treatment and control group contain VCs that had IPOs. The coefficients of interest have a similar magnitude compared to the baseline results.

Alternative data source. I reestimate baseline regressions exploiting the alternative source of data by merging VentureXpert with BoardEx and SDC Platinum. Compared to VentureSource, the resulting sample has larger coverage in terms of investments for the second half of the period under consideration. Table OA.17 shows that the key result on the underperformance of busy investments continues to hold on this sample as well, which provides additional robustness by demonstrating that the results are not specific to a particular dataset.

To combine VentureXpert and BoardEx, I use a basic name-matching algorithm, which is similar to those implemented in the literature: I match names step by step, with unmatched names rolling over to the next stage.

1. I merge two data sets based on original company names.
2. I clean company names of legal suffixes, prefixes, punctuations, and leading and trailing blanks, and render them as lowercase letters. Based on the resulting stem names, datasets are matched again.
3. For the remaining unmatched company names, I implement the fuzzy-matching technique based on the N-grams algorithm (similar to Bernstein et al. (2016)). I require the match quality to be equal to or higher than 0.9 on a scale from 0 to 1, and the first three characters to be identical for each matching pair.

Using this algorithm I create “portfolio company-to-company-to-director” and “venture capital firm-to-firm-to-partner” matched triplets. Based on “portfolio company-to-venture capital firm” combinations from VentureXpert, I match triplets to each other to form “portfolio company-to partner” pairs. Finally, I obtain IPO dates, investment dates, and dates when a director took and left a board seat. For observable starting and ending dates of board memberships, I require IPO and investment events to fall between board appointment and termination dates.

I consider the following roles at venture capital firms: "General Partner," "Partner," "Founding Partner," "Associate Partner," "Partner Emeritus," "Operating Partner," "Venture Partner," "Managing Partner," "Regional Managing Partner," "Investment Partner," "Partner/Chief Marketing Officer," "Chairman/Partner," "Senior Partner," "Principal," "Vice President," "Managing General Partner," "MD," "Partner Chairman (Executive)," "Chairman/General Partner," "Chairman/Managing Partner," "Partner/MD," "Partner/CFO," "Partner/Regional MD," "Chief Operating Partner," "Development Partner," "General Partner/Regional Chairman."

FIGURE OA.3

Dynamic Effect of VC Partner Distraction on Financial Outcomes

This figure plots the regression coefficients from columns 2 and 4 of Table OA.8. The dots represent the coefficient estimates from the regressions on the likelihood of success and the exit multiples, along with 90% confidence intervals. The horizontal axis indicates the distance (in days) of the investment from the relevant IPO, aggregated to four 90-day bins. Day 0 is the day of an IPO.

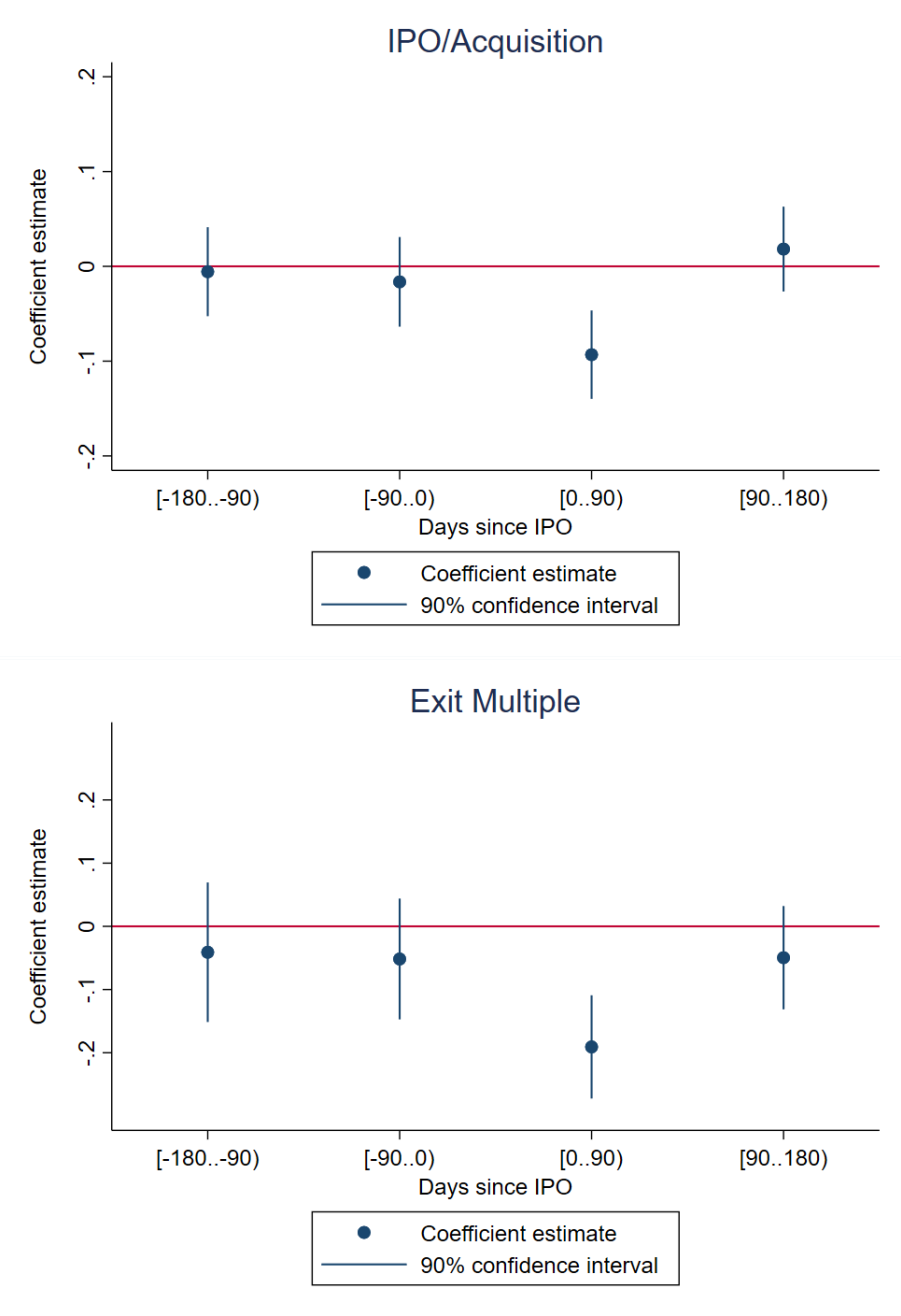


FIGURE OA.4

Repeat Busy Investments: Evidence from 1,000 Simulations

This figure compares the fraction of VCs with repeat busy investments in simulated versus real data. I randomly assign busy investments to VC partners and perform these simulations 1,000 times. VCs with repeat busy investments are defined as VCs who made at least two busy investments over their investment lifetime. The histogram plots the distribution of fractions, while the red vertical line indicates the fraction of VCs with repeat busy investments in the data used for the main analysis.

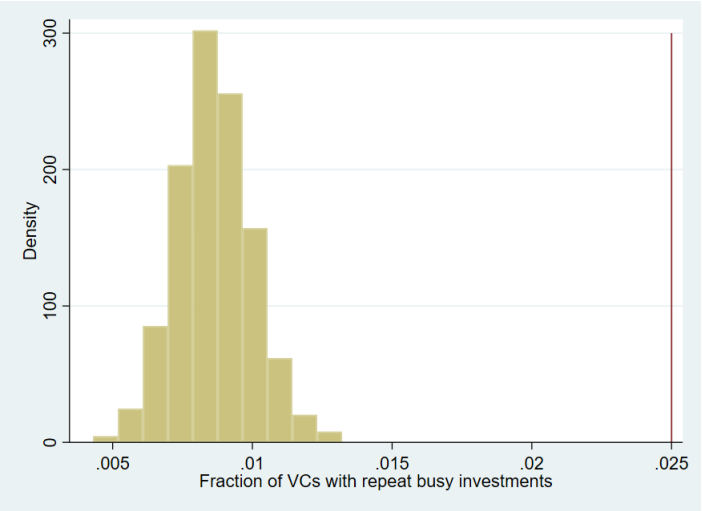


FIGURE OA.5

Standard Deviations of Exit Outcomes for Investments Made around the IPO Date

This figure plots the standard deviations of exit measures. The solid line represents the standard deviation of exit outcomes for investment made by VCs who have an IPO at time 0. The upper plot is based on the likelihood of exit, while the lower plot is based on the log(exit multiple+1).

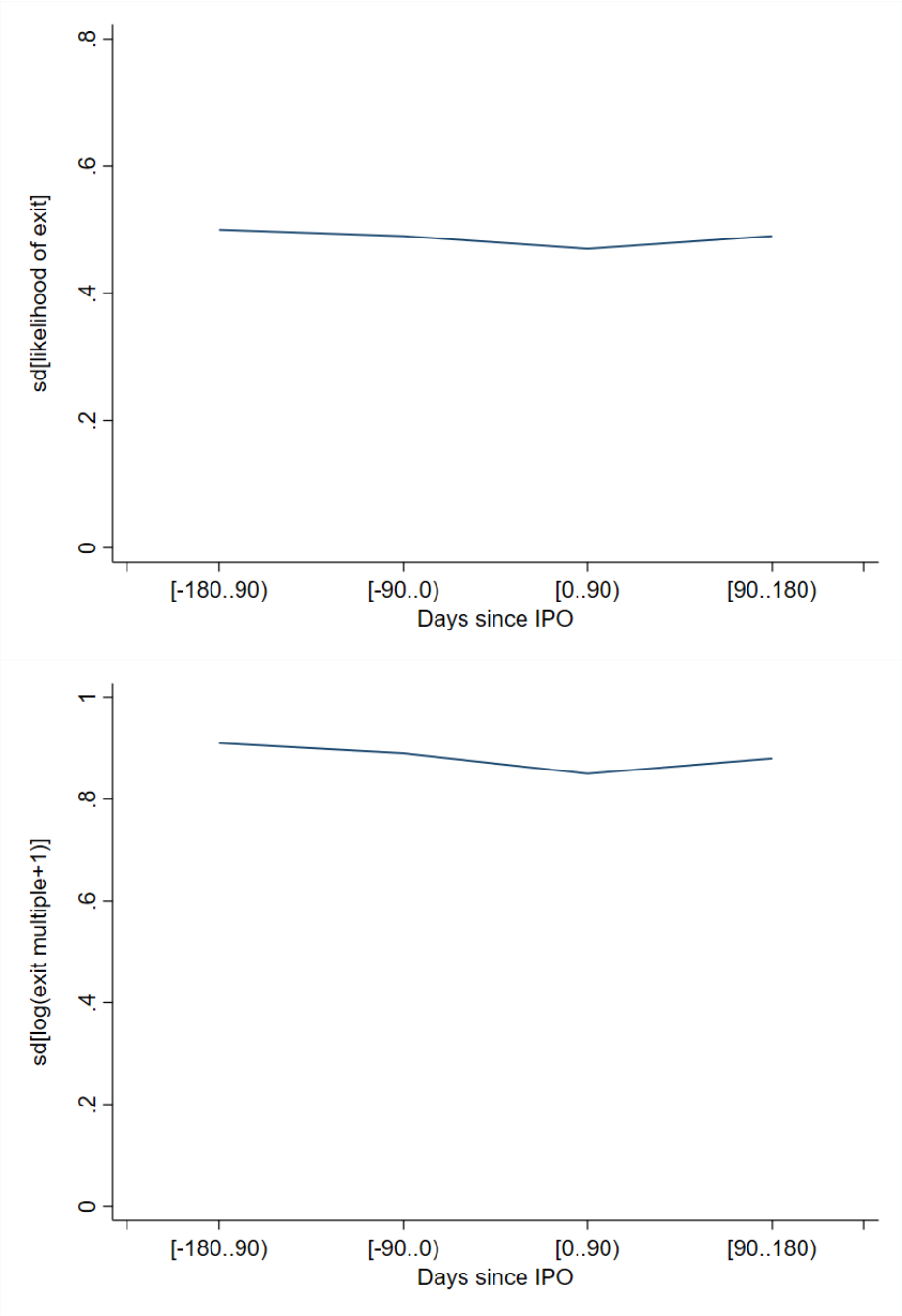


TABLE OA.1

Probability of Busy Investments

This table studies the propensity of busy investments. All variables are defined in Appendix A. The sample is a panel of venture capital investments by individual VC partners from 1990 through 2018. Parentheses contain standard errors clustered by VC partner and quarter and robust to heteroskedasticity. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

	Busy investment			
	1	2	3	4
Round characteristics				
ln(Syndicate size)	0.008			0.008
	(0.007)			(0.007)
ln(Company age)	−0.003			−0.003
	(0.005)			(0.005)
Partner characteristics				
ln(Deals closed each quarter)		−0.019		−0.019
		(0.020)		(0.020)
ln(Current board seats)		0.027***		0.026***
		(0.006)		(0.006)
Within VC's industry expertise			0.010*	0.004
			(0.005)	(0.005)
Within VC's state			0.004	0.004
			(0.006)	(0.006)
VC Partner FE	Yes	Yes	Yes	Yes
Round FE	Yes	Yes	Yes	Yes
Industry × State × Time FE	Yes	Yes	Yes	Yes
Observations	13,201	13,201	13,201	13,201
R^2	0.40	0.40	0.40	0.40

TABLE OA.2

Gradual Saturation of Baseline Fixed Effects

This table reestimates Table 2 by gradually introducing the set of fixed effects. All variables are defined in Appendix A. The sample is a panel of venture capital investments by individual VC partners from 1990 through 2018. Parentheses contain standard errors clustered by VC partner and quarter and robust to heteroskedasticity. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

	Likelihood of IPO/Acquisition				Ln(Exit multiple+1)			
	1	2	3	4	5	6	7	8
Busy investment	-0.110***	-0.111***	-0.099***	-0.093***	-0.261***	-0.262***	-0.234***	-0.188***
	(0.026)	(0.026)	(0.024)	(0.024)	(0.054)	(0.053)	(0.049)	(0.050)
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
VC Partner FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Round FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	No	No	Yes	Yes	No	No
State FE	Yes	Yes	Yes	No	Yes	Yes	Yes	No
Time FE	Yes	Yes	No	No	Yes	Yes	No	No
Industry × Time FE	No	No	Yes	No	No	No	Yes	No
Industry × State × Time FE	No	No	No	Yes	No	No	No	Yes
Observations	13,201	13,201	13,201	13,201	13,201	13,201	13,201	13,201
R^2	0.34	0.35	0.39	0.54	0.33	0.34	0.38	0.54

TABLE OA.3

VC State Fixed Effects

This table reestimates Table 2 by replacing state fixed effects based on a given portfolio company's state of location by the location of VC partner's firm state. All variables are defined in Appendix A. The sample is a panel of venture capital investments by individual VC partners from 1990 through 2018. Parentheses contain standard errors clustered by VC partner and quarter and robust to heteroskedasticity. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

	Likelihood of IPO/Acquisition		Ln(Exit multiple+1)	
	1	2	3	4
Busy investment	–0.092***	–0.090***	–0.225***	–0.226***
	(0.024)	(0.024)	(0.050)	(0.050)
Controls	No	Yes	No	Yes
VC Partner FE	Yes	Yes	Yes	Yes
Round FE	Yes	Yes	Yes	Yes
Industry × VC State × Time FE	Yes	Yes	Yes	Yes
Observations	11,209	11,209	11,209	11,209
R^2	0.51	0.51	0.51	0.52

TABLE OA.4

Varying Assumptions on the Time to Exit for Startups Remaining Active and Liquidation Multiples

Panel A reestimates Table 2 by allowing startups at least 10 years to exit. Panel B reestimates Table 2 by changing the assumption on the liquidation value in cases of failed startups; for example, column 2 assumes the liquidation multiple of 10% for failed startups, and so on. All variables are defined in Appendix A. The sample is a panel of venture capital investments by individual VC partners from 1990 through 2018. Parentheses contain standard errors clustered by VC partner and quarter and robust to heteroskedasticity. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

Panel A. Varying Assumptions on the Time to Exit for Startups Remaining Active and Liquidiation Multiples				
	Likelihood of IPO/Acquisition		Ln(Exit multiple+1)	
	1	2	3	4
Busy investment	–0.086***	–0.085***	–0.191***	–0.188***
	(0.026)	(0.028)	(0.054)	(0.055)
Controls	No	Yes	No	Yes
Round FE	Yes	Yes	Yes	Yes
VC Partner FE	Yes	Yes	Yes	Yes
Industry × State × Time FE	Yes	Yes	Yes	Yes
Observations	10,727	10,727	10,727	10,727
R^2	0.54	0.54	0.55	0.56
Panel B. Varying Assumptions on Liquidiation Multiples				
	Liquidation Multiple			
	0.0X	0.1X	0.2X	0.3X
	1	2	3	4
Busy investment	–0.188***	–0.181***	–0.174***	–0.168***
	(0.050)	(0.049)	(0.048)	(0.047)
Controls	Yes	Yes	Yes	Yes
Round FE	Yes	Yes	Yes	Yes
VC Partner FE	Yes	Yes	Yes	Yes
Industry × State × Time FE	Yes	Yes	Yes	Yes
Observations	13,201	13,201	13,201	13,201
R^2	0.54	0.54	0.54	0.54

TABLE OA.5

IPOs and Acquisitions as Separate Measures of Startup Performance

This table reestimates the baseline regressions by considering IPOs and acquisitions as separate measures of startup success. Columns 1 and 3 focus on IPOs, and columns 2 and 4 focus on acquisitions. All variables are defined in Appendix A. The sample is a panel of venture capital investments by individual VC partners from 1990 through 2018. Parentheses contain standard errors clustered by VC partner and quarter and robust to heteroskedasticity. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

	Likelihood of		Ln(Exit multiple+1)	
	IPO	Acquisition	IPO	Acquisition
	1	2	3	4
Busy VC Partner	–0.079***	–0.012	–0.173***	–0.023
	(0.018)	(0.019)	(0.044)	(0.036)
Controls	Yes	Yes	Yes	Yes
VC Partner FE	Yes	Yes	Yes	Yes
Round FE	Yes	Yes	Yes	Yes
Industry × State × Time FE	Yes	Yes	Yes	Yes
Observations	13,201	13,201	13,201	13,201
R^2	0.58	0.47	0.54	0.48

TABLE OA.6

Investment Rounds and Outcomes

This table contains reestimations of Table 2 focusing on investment rounds. All variables are defined in Appendix A. The sample is a panel of venture capital investments by individual VC partners from 1990 through 2018. Parentheses contain standard errors clustered by VC partner and quarter and robust to heteroskedasticity. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

	Likelihood of IPO/Acquisition		Ln(Exit multiple+1)	
	1	2	3	4
Busy investment × Round 1	−0.101***	−0.099***	−0.207***	−0.203***
	(0.037)	(0.037)	(0.059)	(0.059)
Busy investment × Round 2	−0.111**	−0.114**	−0.172	−0.173
	(0.049)	(0.049)	(0.125)	(0.125)
Busy investment × Round 3+	−0.057	−0.067	−0.177*	−0.186*
	(0.049)	(0.049)	(0.106)	(0.105)
Controls	No	Yes	No	Yes
VC Partner FE	Yes	Yes	Yes	Yes
Industry × State × Time FE	Yes	Yes	Yes	Yes
Observations	13,201	13,201	13,201	13,201
R^2	0.53	0.54	0.54	0.54

TABLE OA.7

The Resilience of the Effect

Panels A and B of this table study the robustness of the main results over time by creating subsamples based on two events: dotcom bubble burst (2000Q1) and the launch of Amazon S3 cloud storage by AWS (2006Q1) following Ewens et al. (2018). Panel C presents estimates of the effects of VC partner distraction on financial outcomes of new investments by restricting the sample to the VCs with at least one IPO ("ever to IPO" VCs). All variables are defined in Appendix A. The sample is a panel of venture capital investments by individual VC partners from 1990 through 2018. Parentheses contain standard errors clustered by VC partner and quarter and robust to heteroskedasticity. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

Panel A. Before and after Dotcom Bubble Peak				
	Likelihood of IPO/Acquisition		Ln(Exit multiple+1)	
	Pre-dotcom peak	Post-dotcom peak	Pre-dotcom peak	Post-dotcom peak
	1	2	3	4
Busy investment	–0.123***	–0.069**	–0.269***	–0.168***
	(0.042)	(0.031)	(0.086)	(0.062)
Controls	Yes	Yes	Yes	Yes
VC Partner FE	Yes	Yes	Yes	Yes
Round FE	Yes	Yes	Yes	Yes
Industry × State × Time FE	Yes	Yes	Yes	Yes
Observations	2,012	10,332	2,012	10,332
R^2	0.61	0.54	0.60	0.53
Panel B. Before and after the Introduction of AWS				
	Likelihood of IPO/Acquisition		Ln(Exit multiple+1)	
	Pre-AWS	Post-AWS	Pre-AWS	Post-AWS
	1	2	3	4
Busy investment	–0.082**	–0.113**	–0.177**	–0.194**
	(0.033)	(0.044)	(0.069)	(0.090)
Controls	Yes	Yes	Yes	Yes
VC Partner FE	Yes	Yes	Yes	Yes
Round FE	Yes	Yes	Yes	Yes
Industry × State × Time FE	Yes	Yes	Yes	Yes
Observations	6,674	5,575	6,674	5,575
R^2	0.53	0.60	0.55	0.57
Panel C. "Ever to IPO" VC Partners				
	Likelihood of IPO/Acquisition		Ln(Exit multiple+1)	
	1	2	3	4
Busy investment	–0.080***	–0.083***	–0.173***	–0.173***
	(0.026)	(0.026)	(0.055)	(0.056)
Controls	No	Yes	No	Yes
VC Partner FE	Yes	Yes	Yes	Yes
Round FE	Yes	Yes	Yes	Yes
Industry × State × Time FE	Yes	Yes	Yes	Yes
Observations	7,475	7,475	7,475	7,475
R^2	0.51	0.51	0.53	0.53

TABLE OA.8

Dynamic Effect of the IPO Workload on Financial Outcomes: Quarterly Evidence

This table studies the dynamic effect of VC partner busyness on the probability of exit for new investments made 180 days before and after the distracting IPO. The variable *[-180; -90 days)* indicates investments closed between 180 (inclusive) and 90 (exclusive) days before the distracting IPO. Variables [-90; 0 days), [0; 90 days), and [90; 180 days) are defined in a similar fashion with respect to the IPO date. All variables are defined in Appendix A. The sample is a panel of venture capital investments by individual VC partners from 1990 through 2018. Parentheses contain standard errors clustered by VC partner and quarter and robust to heteroskedasticity. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

	Likelihood of IPO/Acquisition		Ln(Exit multiple+1)	
Investment Made	1	2	3	4
Between [-180; -90 days)	−0.006	−0.004	−0.042	−0.040
	(0.030)	(0.030)	(0.067)	(0.067)
Between [-90; 0 days)	−0.016	−0.018	−0.053	−0.054
	(0.027)	(0.026)	(0.058)	(0.058)
Between [0; 90 days)	−0.090***	−0.093***	−0.188***	−0.190***
	(0.023)	(0.024)	(0.050)	(0.050)
Between [90; 180 days)	0.018	0.018	−0.049	−0.049
	(0.025)	(0.025)	(0.049)	(0.049)
Controls	No	Yes	No	Yes
VC Partner FE	Yes	Yes	Yes	Yes
Round FE	Yes	Yes	Yes	Yes
Industry × State × Time FE	Yes	Yes	Yes	Yes
Observations	13,201	13,201	13,201	13,201
R^2	0.54	0.54	0.54	0.54

TABLE OA.9

Follow-on Rounds

This table studies the follow-on rounds raised by companies selected during VCs' IPO engagements. Affected portfolio company is a portfolio company selected by a VC engaged in the IPO process. Column 1 studies the propensity of an affected portfolio company to raise a follow-on round. Column 2 explores whether a busy VC partner invested in that follow-on round (if the subsequent investment round happened). Column 3 explores whether a busy VC partner led that follow-on round (if the busy VC partner invested). All variables are defined in Appendix A. The sample is a panel of venture capital investments by individual VC partners from 1990 through 2018. Parentheses contain standard errors clustered by VC partner and quarter and robust to heteroskedasticity. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

	Any New Round?	Busy VC Invested?	Busy VC Led the Round?
	1	2	3
Affected portfolio company	0.001	0.025	-0.038
	(0.022)	(0.028)	(0.028)
Controls	Yes	Yes	Yes
VC Partner FE	Yes	Yes	Yes
Round FE	Yes	Yes	Yes
Industry × State × Time FE	Yes	Yes	Yes
Observations	13,201	10,647	6,116
R^2	0.58	0.55	0.59

TABLE OA.10

Repeat Busy Investments: Fraction of Future Busy Investments

This table focuses on the propensity of VC partners to make new busy investments depending on the fraction of their prior busy investments. The dependent variable is the fraction of busy investments among a given VC partner's investments within the specified timeframe. The independent variable of interest is *% of Busy investments,* which is the fraction of busy investments in the VC partner's history. All variables are defined in Appendix A. Each column includes only one observation per VC partner. The variables are derived based on the sample of venture capital investments by individual VC partners from 1990 through 2018. Parentheses contain standard errors clustered by investment quarter and robust to heteroskedasticity. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

	% of Future Busy Investments			
	$t \geq 2$	$t \geq 3$	$t \geq 4$	$t \geq 5$
	1	2	3	4
% of Busy investments in $t < 2$	0.078**			
	(0.032)			
% of Busy investments in $t < 3$		0.131***		
		(0.049)		
% of Busy investments in $t < 4$			0.115	
			(0.082)	
% of Busy investments in $t < 5$				0.196***
				(0.058)
Controls	Yes	Yes	Yes	Yes
Round FE	Yes	Yes	Yes	Yes
Industry × State × Time FE	Yes	Yes	Yes	Yes
Observations	2,608	795	346	170
R^2	0.28	0.39	0.46	0.49

TABLE OA.11

Investment Activity of Other VCs

This table reestimates Table 9 by focusing on the investments made by other VCs within the same firm as a busy VC partner. All variables are defined in Appendix A. The sample is a panel of venture capital investments by individual VC partners from 1990 through 2018. Parentheses contain standard errors clustered by VC partner and quarter and robust to heteroskedasticity. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

	Prob(Investment)		Ln(Number of investments+1)	
	1	2	3	4
-1 quarter		−0.0064		−0.0074
		(0.0111)		(0.0093)
IPO quarter	−0.0082	−0.0083	−0.0129	−0.0130
	(0.0132)	(0.0132)	(0.0107)	(0.0107)
+1 quarter		0.0009		−0.0119
		(0.0119)		(0.0098)
VC Partner FE	Yes	Yes	Yes	Yes
Time FE	Yes	Yes	Yes	Yes
Observations	121,200	121,200	121,200	121,200
R^2	0.33	0.33	0.27	0.27

TABLE OA.12

Busy VC Partners and Pre-Money Valuation at Exit

This table studies pre-money valuations conditional on exit via IPO or acquisition following Nanda and Rhodes-Kropf (2013). All variables are defined in Appendix A. The sample is a panel of venture capital investments by individual VC partners from 1990 through 2018. Parentheses contain standard errors clustered by VC partner and quarter and robust to heteroskedasticity. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

	Pre-Money Valuation at IPO/Acq		Pre-Money Valuation at IPO	
	1	2	3	4
Busy investment	–0.414	–0.517	–0.093	–0.134
	(0.283)	(0.349)	(0.259)	(0.145)
Controls	Yes	Yes	Yes	Yes
VC Partner FE	Yes	Yes	Yes	Yes
Round FE	Yes	Yes	Yes	Yes
Industry FE	Yes	No	Yes	No
State FE	Yes	No	Yes	No
Time FE	Yes	No	Yes	No
Industry × State × Time FE	No	Yes	No	Yes
Observations	3,071	2,367	903	439
R^2	0.48	0.70	0.67	0.93

TABLE OA.13

IPO Waves by Market and Industry

This table contains reestimations of Table 2 controlling for IPO waves. All variables are defined in Appendix A. Panel A (Panel B) directly controls for the total number of IPOs in the market (industry) minus distracting IPOs for a given partner. The sample is a panel of venture capital investments by individual VC partners from 1990 through 2018. Parentheses contain standard errors clustered by VC partner and quarter and robust to heteroskedasticity. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

Panel A. Controlling for the Total Number of IPOs in the Market				
	Likelihood of IPO/Acquisition		Ln(Exit multiple+1)	
	1	2	3	4
Busy investment	–0.092***	–0.091***	–0.168***	–0.164***
	(0.028)	(0.028)	(0.059)	(0.060)
Number of IPOs in the market	–0.000	–0.000	–0.000	–0.000
(minus distracting IPOs by partner)	(0.000)	(0.000)	(0.000)	(0.000)
Controls	No	Yes	No	Yes
VC Partner FE	Yes	Yes	Yes	Yes
Round FE	Yes	Yes	Yes	Yes
Industry × State × Time FE	Yes	Yes	Yes	Yes
Observations	13,201	13,201	13,201	13,201
R^2	0.53	0.54	0.54	0.54
Panel B. Controlling for the Total Number of IPOs in the Industry				
	Likelihood of IPO/Acquisition		Ln(Exit multiple+1)	
	1	2	3	4
Busy investment	–0.084***	–0.083***	–0.155***	–0.153***
	(0.025)	(0.026)	(0.055)	(0.056)
Number of IPOs by industry	–0.000	–0.000	–0.001*	–0.001*
(minus distracting IPOs by partner)	(0.000)	(0.000)	(0.001)	(0.001)
Controls	No	Yes	No	Yes
VC Partner FE	Yes	Yes	Yes	Yes
Round FE	Yes	Yes	Yes	Yes
Industry × State × Time FE	Yes	Yes	Yes	Yes
Observations	13,201	13,201	13,201	13,201
R^2	0.53	0.54	0.54	0.54

TABLE OA.14

VC Firm Level Analysis

This table replicates the results in Table 2 at the VC firm level and presents estimates of the effects of VC firm distraction on financial outcomes of new investments. All variables are defined in Appendix A. The sample is a panel of lead venture capital investments by VC firms from 1990 through 2018. Parentheses contain standard errors clustered by lead VC firm and quarter and robust to heteroskedasticity. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

	Likelihood of IPO/Acquisition		Ln(Exit multiple+1)	
	1	2	3	4
Busy investment	–0.017**	–0.016**	–0.044***	–0.042***
	(0.007)	(0.007)	(0.013)	(0.013)
Controls	No	Yes	No	Yes
VC Firm FE	Yes	Yes	Yes	Yes
Round FE	Yes	Yes	Yes	Yes
Industry × State × Time FE	Yes	Yes	Yes	Yes
Observations	43,609	43,609	43,609	43,609
R^2	0.38	0.38	0.37	0.37

TABLE OA.15

Time since VC Fund Inception and Exit Outcomes

This table reestimates Table 2 by controlling for the time since VC fund inception. The sample is limited to investments that can be assigned to a specific fund within a particular VC firm. All variables are defined in Appendix A. The sample is a panel of venture capital investments by individual VC partners from 1990 through 2018. Parentheses contain standard errors clustered by VC partner and quarter and robust to heteroskedasticity. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

	IPO/Acquisition		Ln(exit multiple+1)	
	1	2	3	4
Busy investment	-0.086**	-0.083**	-0.169**	-0.163*
	(0.040)	(0.041)	(0.083)	(0.087)
ln(Time since inception)	-0.030	-0.027	-0.039	-0.035
	(0.019)	(0.019)	(0.034)	(0.034)
Controls	No	Yes	No	Yes
VC Partner FE	Yes	Yes	Yes	Yes
Round FE	Yes	Yes	Yes	Yes
Industry × State × Time FE	Yes	Yes	Yes	Yes
Observations	3,474	3,474	3,474	3,474
R^2	0.63	0.63	0.65	0.65

TABLE OA.16

S-1 Form Prefiling Returns

Panel A reestimates Table 2 by separating the indicator of distraction into two variables. *"Hot market" ("Cool market")* is an indicator variable equal to one if the filing date of S-1 form is preceded by above-median (below-median) NASDAQ returns. Two-month windows are used to measure NASDAQ returns. All variables are defined in Appendix A. The sample is a panel of venture capital investments by individual VC partners from 1990 through 2018. Parentheses contain standard errors clustered by VC partner and quarter and robust to heteroskedasticity. Panel B reports the relationship between the number of S-1 filings in a particular quarter and the three-month NASDAQ returns. The sample is a quarterly panel of S-1 filings by industry from 1990 through 2018. Parentheses contain standard errors clustered by industry and quarter and robust to heteroskedasticity. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

Panel A. Sensitivity to S-1 Form Prefiling Returns				
	Likelihood of IPO/Acquisition		Ln(Exit multiple+1)	
	1	2	3	4
Busy investment × Cool market	–0.065	–0.065	–0.137	–0.138
	(0.044)	(0.045)	(0.097)	(0.097)
Busy investment × Hot market	–0.103***	–0.105***	–0.215***	–0.215***
	(0.029)	(0.030)	(0.063)	(0.064)
Controls	No	Yes	No	Yes
VC Partner FE	Yes	Yes	Yes	Yes
Round FE	Yes	Yes	Yes	Yes
Industry × State × Time FE	Yes	Yes	Yes	Yes
Observations	13,102	13,102	13,102	13,102
R^2	0.54	0.54	0.54	0.54
Panel B. Number of S-1 Filings and Prefiling Returns				
	Ln(Number of S-1 filings+1)			
	1	2	3	4
Ln(NASDAQ return+1)	2.401***	2.286***	0.681**	0.685**
	(0.117)	(0.132)	(0.229)	(0.229)
Industry FE	No	Yes	No	Yes
Time FE	No	No	Yes	Yes
Observations	1,667	1,667	1,667	1,667
R^2	0.19	0.21	0.81	0.81

TABLE OA.17

Busy VCs and Investment Performance: Alternative Data Source

This table reestimates Table 2 based on a sample constructed by merging VentureXpert, BoardEx, and SDC Platinum. All variables are defined in Appendix A. The sample is a panel of venture capital investments by individual VC partners from 1990 through 2018. Parentheses contain standard errors clustered by VC partner and quarter and robust to heteroskedasticity. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

	Likelihood of IPO/Acquisition		Ln(Exit multiple+1)	
	1	2	3	4
Busy investment	−0.058**	−0.054**	−0.124**	−0.120**
	(0.027)	(0.027)	(0.059)	(0.059)
Controls	No	Yes	No	Yes
VC Partner FE	Yes	Yes	Yes	Yes
Round FE	Yes	Yes	Yes	Yes
Industry × State × Time FE	Yes	Yes	Yes	Yes
Observations	14,712	14,712	14,712	14,712
R^2	0.57	0.57	0.57	0.57

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