
This version is available at https://strathprints.strath.ac.uk/39703/

Strathprints is designed to allow users to access the research output of the University of Strathclyde. Unless otherwise explicitly stated on the manuscript, Copyright © and Moral Rights for the papers on this site are retained by the individual authors and/or other copyright owners. Please check the manuscript for details of any other licences that may have been applied. You may not engage in further distribution of the material for any profitmaking activities or any commercial gain. You may freely distribute both the url (https://strathprints.strath.ac.uk/) and the content of this paper for research or private study, educational, or not-for-profit purposes without prior permission or charge.

Any correspondence concerning this service should be sent to the Strathprints administrator: strathprints@strath.ac.uk
DOES VENTURE CAPITAL PAY OFF? A META-ANALYSIS ON THE RELATIONSHIP BETWEEN VENTURE CAPITAL INVOLVEMENT AND FIRM PERFORMANCE (SUMMARY)

Nina Rosenbusch
Friedrich Schiller University Jena, Germany, ninarosenbusch@aol.com

Verena Müller
University of Jena

Recommended Citation
Available at: http://digitalknowledge.babson.edu/fer/vol30/iss3/8
SUMMARY

DOES VENTURE CAPITAL PAY OFF? A META-ANALYSIS ON THE RELATIONSHIP BETWEEN VENTURE CAPITAL INVOLVEMENT AND FIRM PERFORMANCE

Nina Rosenbusch, University of Jena, Germany
Verena Müller, University of Jena, Germany

Principal Topic

Venture capital (VC) as an alternative to mainstream corporate finance (Wright and Robbie, 1998) has attracted a large amount of interest in academic research and among practitioners. One of the main questions is whether VC adds value to firms. Yet, empirical research results are highly inconsistent. Venture capitalists do not only provide capital and monitoring, but also actively assist firms with industry-specific knowledge and skills (MacMillan et al., 1989). Furthermore, they increase the legitimacy of entrepreneurial firms (Zimmerman & Zeitz, 2002). On the other hand, venture capitalists may pressure firms to an initial public offering (IPO) in a premature stage of their life cycle (Gompers, 1996). High costs associated with an IPO may, in turn, decrease profitability and even endanger the survival of firms.

Whether venture capital really pays off, thus, largely depends on contextual factors. The aim of this study is to provide a review and synthesis of existing empirical research on the relationship between VC and firm performance. Specifically, we intend to answer two research questions: (1) Does VC increase the performance of firms? (2) Which variables moderate this relationship?

Method

To locate studies we performed computerized keyword searches in databases and manual searches of relevant journals. The final sample includes 65 independent sub-samples (N=30,187). We used two meta-analytic techniques: a traditional bivariate approach suggested by Hunter & Schmidt (2004) and a meta-regression (Lipsey & Wilson, 2001).

Results and Implications

Our results indicate that VC has a positive, but small effect on firm performance. Several context-related factors moderate the relationship. Performance dimensions such as profitability, growth and stock market returns are affected differently by VC. Furthermore, we find that studies which control for industry show significantly lower effect sizes than work that does not control for industry. Our study contributes to the literature on VC in two ways. We synthesize previous research and give an estimate of the general performance effect of VC. In addition, we provide insights in the moderating influences of contextual variables. The latter findings offer important implications for future research as well as for practitioners.

CONTACT: Nina Rosenbusch; ninarosenbusch@aol.com; (T): +49 3641 943164; (F): +49 3641 943162; Friedrich Schiller University, Carl-Zeiss-Str. 3, 07743 Jena, Germany.