

How Do Venture Capitalists Make Decisions?

ONLINE APPENDIX

Paul Gompers, Will Gornall, Steven N. Kaplan, Ilya A. Strebulaev

This appendix provides a complete export of the survey questions asked. Some questions were not shown to all respondents.

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Survey of Venture Capitalists

Introduction



Thank you for helping Stanford Graduate School of Business, Harvard Business School, and the University of Chicago Booth School of Business learn about venture capital. Your response will help us to learn best practices in venture capital, market venture capital to policy makers and the public, and guide academic research.

This survey is designed to take between 15 and 20 minutes. Your responses are strictly confidential and will be used only for non-commercial research purposes. Click [here](#) for more details.

If you provide an email address, we will give you an early look at the complete survey results that will allow you to compare your responses to your peers. You will also be invited to a special early presentations of results held at Stanford, the University of Chicago, and Harvard.

Thank you!

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Categorization of Investors by Type

Do you invest on behalf of either an institutional venture capital fund or a corporate venture capital vehicle?

- Yes, institutional venture capital fund
 - Yes, corporate venture capital vehicle
 - No
-

In the past, did you invest on behalf of either an institutional venture capital fund or a corporate venture capital vehicle?

- Yes, institutional venture capital fund
 - Yes, corporate venture capital vehicle
 - No
-

Who do you invest on behalf of? Choose the one that applies the most.

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- Other
 - Private equity fund
 - Mutual fund
 - I am an individual angel investor
 - Fund of funds
-

VC Questions - Shown ONLY to VC/PE

You answered that you invest on behalf of a venture capital fund. The following set of questions ask about your current fund. If you are associated with multiple funds that make venture capital style investments, consider the fund that you are most closely associated with or the fund that most recently began investing.

You answered that you invested on behalf of a venture capital fund in the past. The questions in this survey are all phrased in the present tense, but please answer them based on your experience as a venture capitalist working at the last fund you raised.

You answered that you invest on behalf of a private equity fund. The following questions ask about that fund and the investments you make. If you are associated with multiple funds that make venture capital style investments, consider the fund that you are most closely associated with or the fund that most recently began investing.

What type of private equity fund do you invest on behalf of?

- Leveraged buyout fund
 - Venture capital fund
 - Growth equity fund
 - Other
-

What is your job title?

- Managing partner

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- General partner
 - Partner
 - Venture partner
 - Associate
 - Other
-

Including yourself, how many people work at your fund?

Partners	<input type="text"/>
Venture partners	<input type="text"/>
Associates	<input type="text"/>
Other	<input type="text"/>

What is your most recent fund's vintage year?

vintage year

Approximately, what is your most recent fund's total committed capital in millions of dollars?

\$ million

Corporate VC Questions - Shown ONLY to Corporate VC

You answered that you invest on behalf of a corporate venture capital vehicle. The following questions ask about your parent corporation, your investment vehicle, and the investments you make. If your parent corporation has more than one investment vehicle, answer on behalf of the vehicle you most associate with.

You answered that you invested on behalf of a corporate venture capital vehicle in the past. The following questions ask about your parent corporation, your investment vehicle, and the investments you make. The questions in this survey are all phrased in

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the present tense, but please answer them in the context of your time as a corporate venture capital investor.

What industries is your parent corporation involved in? Select all that apply.

Consumer Internet/Mobile

Financial

Healthcare

Energy

IT Infrastructure/Systems

Software & Services

Industrial Technology

Other

Approximately, what is the revenue of your parent corporation, in billions of dollars?

\$ billion

How much does your fund or vehicle aim to invest in a normal year, in millions of dollars?

\$ million

Including yourself, how many people work on your team?

Partners or other investment professionals

Venture partners

Associates

Other

What is the most important objective of your company's venture capital investments?

Support existing businesses

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- Financial returns
 - Develop new businesses
 - Other
-

Is your fund or vehicle run on or off balance sheet?

- On balance sheet
 - Off balance sheet
 - Other
-

Specialization Questions

Do you target a particular stage, industry, or geography? Select all that apply.

- Stage
 - Geography
 - Industry
 - Generalist
 - Other
-

What stage of company do you target for your first investment? Select all that apply.

- All Stages
 - Seed Stage
 - Early Stage
 - Mid Stage
 - Late Stage / Growth Equity
 - Other
-

What industries do you target? Select all that apply.

- All Industries

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- Industrial Technology
 - IT Infrastructure/Systems
 - Software & Services
 - Consumer Internet/Mobile
 - Energy
 - Healthcare
 - Financial
 - Other
-

What geographies do you target? Select all that apply.

- All geographies
 - California
 - U.S. East Coast
 - Other
-

Deal Selection

What are the most important factors when deciding whether to invest?

Drag any important items to the box on the right and order them by importance (most important first).

Items	Rank important items in order of importance
Total addressable market	
Management team	
Industry	
Valuation	
Fit with fund	
Our ability to add value	
Business model / competitive position	

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Product / technology

Other

What qualities are most important in a management team?

- Ability
- Industry experience
- Entrepreneurial experience
- Teamwork/cohesiveness
- Passion
- Other

Do you often make a gut decision to invest when meeting a company's management team for the first time?

- Yes
- No
- Other

At the fund level, how do you normally come to a final decision on whether to invest in a new company?

- Unanimous
 - Unanimous minus one
 - Consensus with veto power
 - Majority of partners
 - Scoring
 - Each partner has the authority to make independent decisions
 - Other
-

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Do you use the same procedure for follow on investment decisions?

- Yes
- Yes, but the lead partner does not vote
- No, unanimous
- No, consensus with veto power
- No, majority of partners
- No, scoring
- No, discretion of the lead partner
- Other

After being pitched an investment, how many days does it normally take to close the deal?

days

Deal Structure

What are the most important factors when deciding what valuation to offer a company?

Drag any important items to the box on the right and order them by importance (most important first).

Items	Rank important items in order of importance
Competitive pressure from other VCs	
Anticipated exit of the company	
Valuation of comparable investments	
Desired ownership fraction	
Other	

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On average, do you think unicorns (companies with a valuation in excess of \$1 billion) are presently overvalued or undervalued?

- Significantly undervalued
 - Slightly undervalued
 - Appropriately valued
 - Slightly overvalued
 - Significantly overvalued
 - Other
-

What is your target ownership stake? (%)

%

For any investment,

Post-money Valuation = Amount Invested / Ownership Percentage.

Do you ever set valuations based on the amount invested and desired ownership percentage?

- Yes
 - No
 - Other
-

What financial metrics, if any, do you use to analyze investments? Select all that apply.

- None
- Multiple of sales / earnings
- Cash-on-cash multiple
- Hurdle rate or IRR
- NPV

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Other

What is your required IRR for an investment? (%)

%

What is your required gross multiple or required cash-on-cash multiple / return for an investment?

x

What does your required metric vary with? For example, does your required IRR vary with the investment's riskiness? Select all that apply.

Required metric is the same for all investments

Expected time to liquidity event

Industry conditions

Financial market conditions

Investment's riskiness

Other

You said that your required metric varies with an investment's riskiness. When assessing an investment's riskiness, does market risk (exposure to movement in aggregate stock market) have a larger or smaller impact on your required metric than other types of risk?

No, market risk is treated the same as other types of risk

Yes, investments that are more exposed to risks unrelated to the aggregate stock market must meet a higher hurdle

Yes, investments that are more exposed to movement in aggregate stock market must meet a higher hurdle

Other

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Do you forecast the financials of your portfolio companies, such as revenues or cash flows?

Yes

No

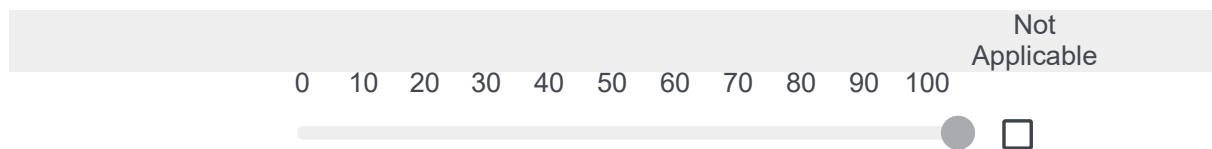
Other

How many years out do you generally forecast portfolio company financials?

years

Do you have any rules of thumb for interpreting financial projections? If so, what are they? For example, do you increase or decrease management's revenue forecasts by a percentage?

In your experience, what percentage of portfolio companies meet or exceed their projected performance metrics? (%)



What term sheet items are you flexible on when negotiating a new investment?

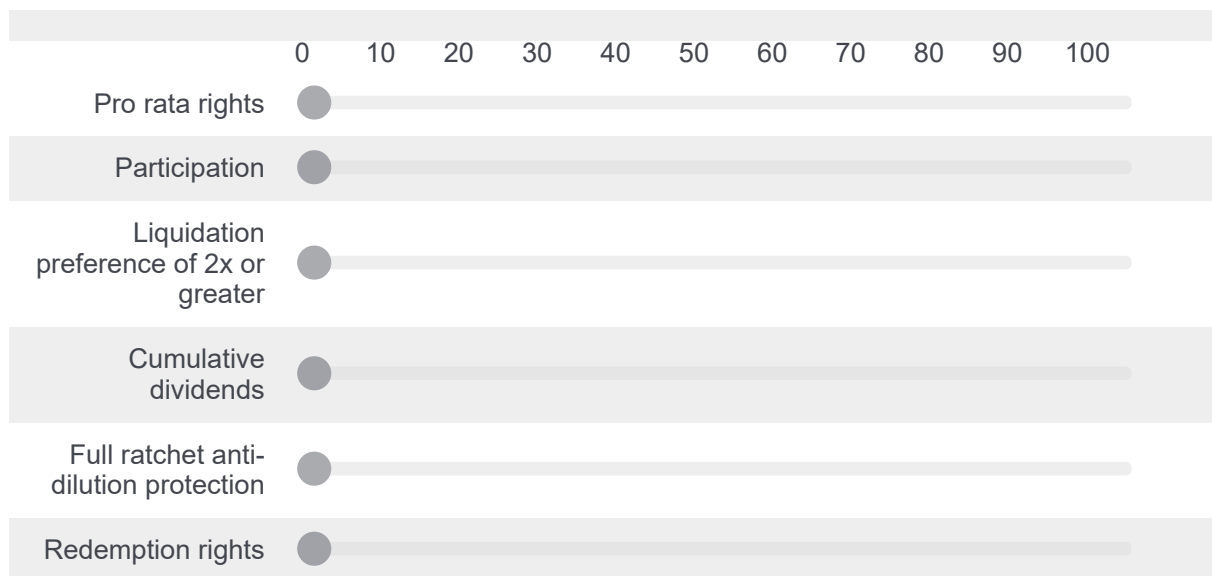
	Not at all flexible - Investor friendly	Not very flexible	Somewhat flexible	Very flexible	Extremely flexible - Founder friendly
Anti-dilution	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Redemption rights	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Vesting	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Participation	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

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Participation	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Liquidation preference	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Pro rata rights	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Valuation	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Board control	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Option pool	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Investment Amount	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Dividends	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Ownership stake	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
<input type="text"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

How frequently do you use the following contractual features on the investments you make? (%)



Deal Outcomes

Looking back at your successful investments, what factors most contributed to their success?

Drag any important items to the box on the right and order them by importance (most

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important first).

Items	Rank important items in order of importance
Board of directors	
Technology	
My contribution	
Capital market conditions	
Management team	
Timing	
Industry conditions	
Good luck	
Business model	
Other	

Looking back at your failed investments, what factors most contributed to their failure?

Drag any important items to the box on the right and order them by importance (most important first).

Items	Rank important items in order of importance
Management team	
Industry conditions	
Bad luck	
Technology	
Business model	
My contribution	
Board disagreement/conflict	
Timing	
Capital market conditions	
Other	

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What contributes most to your value creation?

Drag any important items to the box on the right and order them by importance (most important first).

Items	Rank important items in order of importance
Deal selection	
Value-add for portfolio companies	
Deal flow	
Other	

Do you quantitatively analyze past investment performance?

- No
- Yes
- Insufficient past investments
- Other

Are you currently an investor in any unicorns (companies with a valuation in excess of \$1 billion) either personally or through a fund?

- Yes
- No
- Other

How many investments did you consider in the last 12 months? Estimate if you are unsure.

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investments

Of the investments you considered in the last 12 months, how many reached each of the following stages? Estimate if you are unsure.

Meet management	<input type="text"/>
Review with partner group / investment committee	<input type="text"/>
Due diligence	<input type="text"/>
Offer term sheet / negotiate detailed terms	<input type="text"/>
Close	<input type="text"/>

How many of the deals you closed in the last 12 months were generated via each of the following sources? Estimate if you are unsure.

LPs / investors	<input type="text"/>
Referred by existing portfolio company	<input type="text"/>
Proactively self-generated	<input type="text"/>
Professional network	<input type="text"/>
Other VC firms or angels	<input type="text"/>
Conferences	<input type="text"/>
Inbound from management	<input type="text"/>
Entrepreneurs in residence	<input type="text"/>
Quantitative sourcing	<input type="text"/>
Other	<input type="text"/>

Think of the companies you have invested in and exited where you were your fund's lead investor, across all the funds you may have worked for. Of those companies, how many times have you experienced each of the following outcomes?

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IPO

M&A

Failure

Think of the companies you have invested in and exited. Of those investments, how many times have you experienced each of the following outcomes?

IPO

M&A

Failure

Again thinking of the companies you have invested in and exited where you were your fund's lead investor. How frequently did you experience cash on cash multiples in each of the following ranges?

0 - 1x

1 - 2x

2 - 3x

3 - 5x

5 - 10x

10x or better

Again thinking of the companies you have invested in and exited. How frequently did you experience cash on cash multiples in each of the following ranges?

0 - 1x

1 - 2x

2 - 3x

3 - 5x

5 - 10x

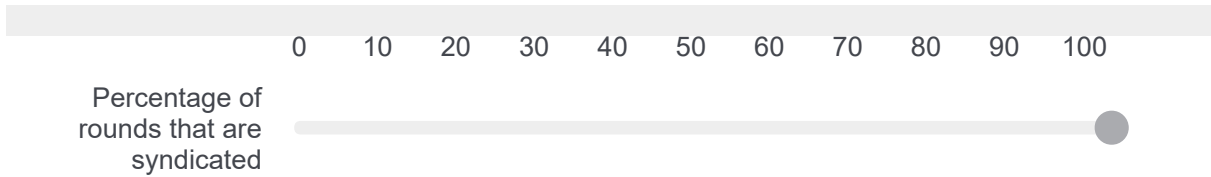
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10x or better

Syndication

What percentage of your investments are syndicated? (%)



What factors cause you to choose to syndicate a round?

Drag any important items to the box on the right and order them by importance (most important first).

Items	Rank important items in order of importance
Risk sharing	
Complementary expertise	
Desire to be invited to future rounds	
Capital constraints	
Other	

What factors are most important when choosing a syndicate partner or co-investor?

Drag any important items to the box on the right and order them by importance (most important first).

Items	Rank important items in order of importance
Capital availability / size	
Mutual social connection	
Geographic location	

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Reputation	<input type="text"/>
Track record of partner	
Past successes together	
Industry sector expertise	
Other	<input type="text"/>

Time Use

In a normal week, how many hours do you spend on each of the following tasks?

Assisting current portfolio companies	<input type="text"/>
Meeting with limited partners	<input type="text"/>
Finding and evaluating potential deals	<input type="text"/>
Management of your firm	<input type="text"/>
Networking	<input type="text"/>
Other	<input type="text"/>

For each deal, roughly how many hours do you (and the other partners at your firm) spend in total on due diligence and researching that company and its management prior to investing?

hours on due diligence

In performing due diligence on a company, how many references do you (and the other partners at your firm) normally call?

references called

How many portfolio company boards are you sitting on?

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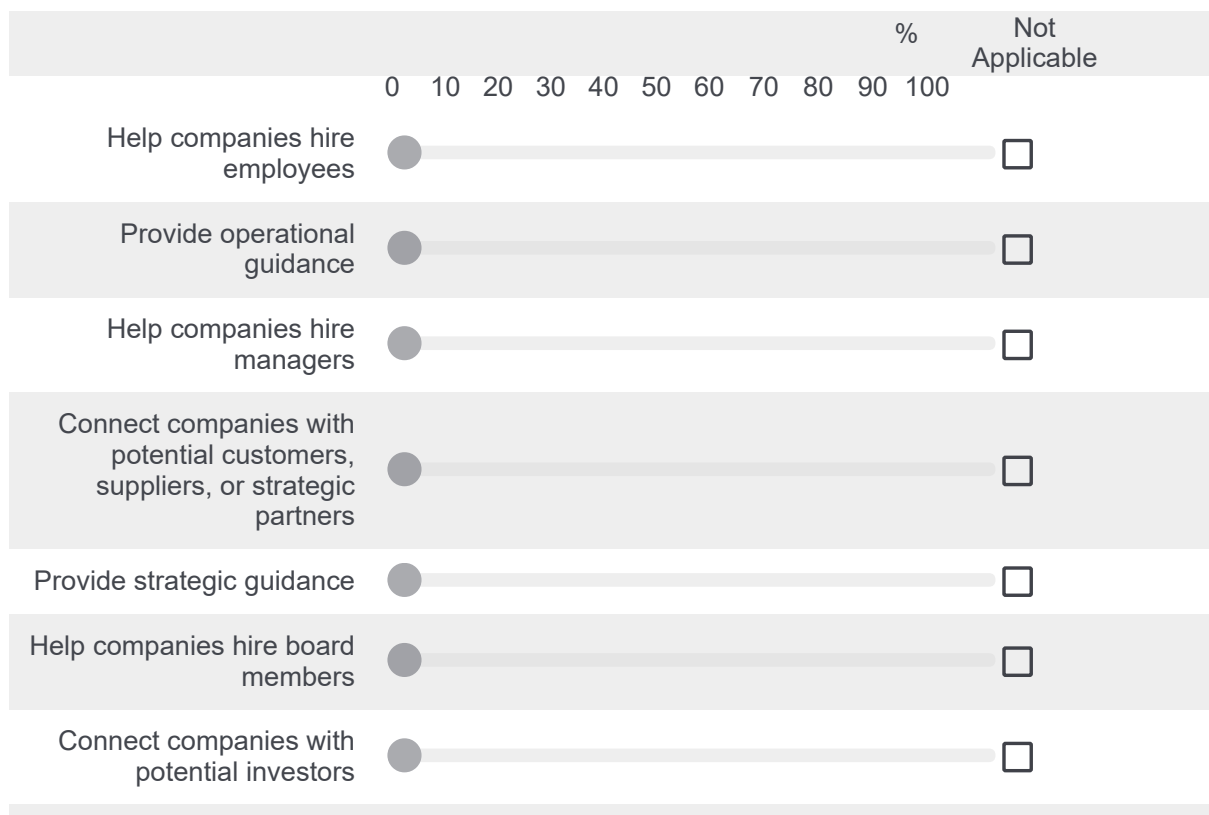
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boards

In the first six months after making an investment, how frequently do you interact substantially with the management of a typical company in your portfolio?

- Never
 - Less than once a month
 - Once a month
 - 2-3 times a month
 - Once a week
 - Multiple times a week
 - Every day
-

How frequently do you undertake the following value adding activities for the companies in which you invest? For each activity, select the percentage of the companies you invested in where you performed that activity.



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Other value adding activities



LP Issues (not shown to Angels or Corporate VC)

Which investment benchmarks are most important to your LPs?

Drag any important items to the box on the right and order them by importance (most important first).

Items	Rank important items in order of importance
Gross IRR	<div style="border: 1px solid #ccc; height: 150px;"></div>
IRR net of fees	
Performance relative to other VC funds	
Performance relative to the S&P 500	
Net cash-on-cash multiple	
Other	

What annual net rate of return do you market to LPs as your target? (%)

 %

What multiple (net of fees) do you market to LPs as your target?

 x

If you have a previous fund, what is its vintage year?

 vintage year

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If you have a previous fund, what decile of returns does it fall into?

	1st decile (worst 10%)					10th decile (best 10%)					Not Applicable	
	1	2	3	4	5	6	6	7	8	9	10	
Previous fund's performance decile	<input type="range"/>											<input type="checkbox"/>

Over the next ten years, how do you expect the investments you manage to perform relative to the overall stock market?

- Much worse
- Slightly worse
- About the same
- Slightly better
- Somewhat better
- Much better

Over the next ten years, how do you expect the venture capital industry overall to perform relative to the overall stock market?

- Much worse
- Slightly worse
- About the same
- Slightly better
- Somewhat better
- Much better

Do you intend to raise another fund to make VC investments within the next five years?

- Yes
- No
- Other

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Fund Structure - Shown only if more than one partner or partner field is blank

Do some partners in your fund specialize in different tasks?

Yes

No

Other

What tasks do you specialize in? Select all that apply.

Generalist

LP communication / fund raising

Deal sourcing

Deal making

Connecting companies with potential employees, customers, or suppliers

Other

Is the individual compensation of the general partners in your fund dependent upon their individual deal success?

Yes

No

Other

Are all general partners of your fund normally given an equal share of the fund's capital to invest?

Yes

No

Other

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Are all general partners of your fund normally given an equal share of the fund's carried interest?

Yes

No

Other

Conclusion

Enter an email address if you would like to be sent an early copy of the aggregate results and an invitation to special early presentations of the results held at Stanford, Harvard, and the University of Chicago.

Did you complete this survey on behalf of another person?

Yes

No

Would you be open to being contacted for a brief interview?

Yes

No

Enter your first name.

What is your preferred contact method?

Phone

Email

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Other

Do you have any comments on or suggestions for the survey?

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