

Time to IPO: Measuring the Contribution of Heterogeneous Venture Capital Syndications*

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Daisuke MIYAKAWA† Miho TAKIZAWA‡

Abstract

This paper empirically studies the contribution of venture capitals (VC) to their client firms' initial public offerings (IPO). We test whether the IPOs of VC-backed entrepreneurial firms are expedited by more heterogeneous VC syndication in terms of the types of VCs involved in the syndication. The results of our hazard estimation based on more than 6,800 investment rounds for 615 Japanese VC-backed firms accomplishing IPO over the last decade show that the hazard ratio of IPO increases not only when the number of VCs in the syndication increases but also the composition of VC types becomes more heterogeneous. We also confirm that such a positive impact of heterogeneous VC syndication is muted when the duration of VC investment becomes longer or bank-based VCs are included in the syndication. This result implies the existence of complementarity among various types of VCs, and the condition under which such a mechanism becomes more sounding.

JEL Classification: G24, G32, C41

Key words: IPO; VC Syndication; Complementarity; Hazard Estimation.

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† Associate Senior Economist, Research Institute of Capital Formation, Development Bank of Japan. 1-9-3 Otemachi Chiyoda-ku, Tokyo 100-0004, JAPAN. E-mail: damiyak@dbj.jp. Web: http://www.dbj.jp/ricf/en/staff/miyakawa_daisuke.html

‡ Associate Professor, Department of Economics, Toyo University, 5-28-20 Hakusan Bunkyo-ku, Tokyo, 112-8686 JAPAN. E-mail: takizawa@toyo.jp. Web: <http://www2.toyo.ac.jp/~takizawa/>