

∞ INTERACTIVE PAPER ∞

## THE EFFECTS OF TEMPORAL LANDMARKS ON VENTURE CAPITAL INVESTMENTS

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### Principal Topic

Venture Capitalists (VCs) finance the operations of startups (Fried & Hisrich, 1994; Ueda, 2004), and have been considered experts in identifying gazelles (i.e., high-potential new ventures; Zacharakis). Research has also shown that the choices made by the VCs regarding the best investments are in line with the assessments of the strategy scholars (Shepherd, 1999). Nevertheless, once an investment is made, its success is highly dependent on the strategy designed by entrepreneurs and managers (Fried & Hisrich, 1994), indicating that how and when these firms are evaluated are also of high importance.

To better understand how time can affect VCs decision making, we focus on a particular time-related component, namely temporal landmarks. Apart from suggesting that people are more likely to pursue their goals immediately after experiencing a temporal landmark (Dai & Li, 2019; Hennecke & Converse, 2017), the sparse research also indicates that temporal landmarks can be used as a “nudge” technique to push people towards a desired outcome (Lee & Dai, 2017; Riis, 2014). Our study attempts to address the following research question: How can temporal landmarks influence venture capital investments? We argue that by defining temporal categories to evaluate and manage investments, VCs can better assess business proposals and later act as an external motivator to push firms towards goal attainment.

### Method

This study employee a “semi-structured interview” model. Semi-structured interviews can be classified as an interesting way to gain insight into VCs’ involvement in portfolio firms (Rosenstein et al., 1993; Gomez-Mejia et al., 1990). Further, in order to identify how time fits into the decision-making process of VCs, we use the Tyrolean Business Angel (TBA), a network of private investors in the Alpine region of Italy.

### Results and Implications

The preliminary findings of this study suggest that venture capitalists assess business proposals and evaluate their development by subconsciously using temporal categories. Our results also indicate that when firms identify this time constraints, or pre-defined temporal landmarks, there is an impact on start-ups’ motivation to achieve them. Thus, our research contributes theoretically to the categorization theory by adding the notion of time in order to understand entrepreneurial and investors’ behavior.

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