

The Interaction between Product Market and Financing Strategy: The Role of Venture Capital

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The Review of Financial Studies, Volume 13, Issue 4, October 2000, Pages 959–984, <https://doi.org/10.1093/rfs/13.4.959>

Published: 15 June 2015

Abstract

Venture capital financing is widely believed to be influential for new innovative companies. We provide empirical evidence that venture capital financing is related to product market strategies and outcomes of start-ups. Using a unique hand-collected database of Silicon Valley high-tech start-ups. Using a unique hand-collected database of Silicon Valley high-tech start-ups we find that innovator firms are more likely to obtain venture capital than imitator firms. Venture capital is also associated with a significant reduction in the time to bring a product to market, especially for innovators. Our results suggest significant interrelations between investor types and product market dimensions, and a role of venture capital for innovative companies.

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