Assessment #5: Research

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Peters, Nils. "Bringing Ownership In: A Conjunctural Approach to Venture Capital Valuations." *Socio-Economic Review*, vol. 24, no. 2, 2026, pp. 897–920. https://doi.org/10.1093/ser/mwag001

Assessment:

In "Bringing Ownership In: A Conjunctural Approach to Venture Capital Valuations," Nils Peters argues that startup valuations are not simply estimates of company quality, but the result of ownership targets and fund economics. Employing interviews with 19 early-stage London VCs, Peters finds that abundant capital during the 2010s drove larger funds into earlier rounds; such increased competition and often valuations as well. Peters ultimately describes valuations as a struggle for ownership as opposed to an objective calculation of value (1).

In providing a better baseline for deciding when valuation differences should be attributed to cultural unfamiliarity, this article progresses my research deeply. Previously, I came to discover how cross-border investors tend to apply lower valuations, and how investors can resolve foreignness through local partners. The author complicates this interpretation by suggesting that valuation shifts for several reasons aside from culture. If two VCs assign separate values to the same small business, the difference may stem from ownership targets, fund size, competition, or expected returns before cultural distance becomes a factor.

Of the factors determining valuations, ownership targets possessed an especially significant role in my eyes. Peters explains that early-stage venture capitalists often start their approach with only an idea of the percent of the company they hope to own and the capital needed to scale the said company; these two figures alone can shape entire valuations in themselves (14). This concept differs immensely from the traditional idea that investors first estimate intrinsic value and subsequently decide on the amount of equity they seek. For ISM purposes specifically, I see this implying that I can't treat every cross-border gap as evidence of bias or unfamiliarity until I account for fund differences in pricing rigidity. Alongside ownership, I also believe the article's discussion of competition offered a refreshing perspective. Peters demonstrates that larger late-stage funds transition into earlier rounds when rates are low, oftentimes overpaying in order to secure sufficient ownerships over small funds (10; 18). I picture this adding yet another variable to my future framework, seeing as capital can increase valuations even when the startup itself doesn't change. This clearly indicates that the same culturally-grounded enterprise may face different valuations on the basis of the capital currently chasing the deal as opposed to solely the current market.

From a methodological viewpoint, I'd say the study is insightful but fairly limited. Peters solely interviewed 19 investors, all in London, and most were early-stage; he also notes that junior professionals were more likely to contribute to the study than senior partners (8). Admittedly, he strengthens the study by triangulating interviews with industry metrics, though he simultaneously acknowledges that certain performance datasets may oversample successful funds (Peters 9). In addition, Peters also makes clear that the evidence supports an association and not causation between competition and valuations (3). Collectively, these limitations see the

article being more useful for understanding investor reasoning than for estimating how large any particular valuation effect is.

This fundamentally changes where I hope to direct my research. I can safely say that I see a more complete chain with the addition of this article in my analysis: financial fundamentals and ownership targets establish starting ranges, while competition and fund economics affect bargaining. Cultural unfamiliarity may then alter the risks investors then perceive, and local partners can help reduce such risks. With this understanding, my next step will revolve around asking investors which of the factors mentioned in this work are considered first when valuing a foreign startup; from there, I'll be sure to question whether cultural unfamiliarity even matters after they control for those respective elements.

In entirety, Peters aids me in avoiding an overly simple conclusion concerning cultural distance as the reason for lower cross-border valuations. Though evidence certainly exists for this, it can't be said that other elements aren't definitively at play. My objective is to isolate culture upon accounting for the financial and strategic mechanics that influence price. Such makes my research question far more precise; instead of focusing on whether culture impacts valuation, I'll look to observe what matters after the mechanics of VC valuation are controlled for.

Assessment #5: Annotated Article