Assessment #7: Research

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Åstebro, Thomas, Andrew Funck, and Francesco Giordano. "Decomposing Venture Evaluation: Learning about Belief Formation." *Strategic Entrepreneurship Journal*, 2026, pp. 1–36. https://doi.org/10.1002/sej.70042.

Assessment:

In "Decomposing Venture Evaluation: Learning about Belief Formation," Åstebro et al. examine the lens through which professional evaluators judge early-stage ventures. Utilizing 1,638 evaluations of 579 ventures at the HEC Paris incubator, they find that judges are typically only moderately accurate, misweighting evidence and adding little predictive value beyond application data (Åstebro et al. 8). Average multiple judgements improves accuracy, while experience primarily helps evaluators reject weak ventures rather than identifying hidden gems (Åstebro et al. 22).

This article particularly advances my research as it changes the question behind my proposed topic: measuring the facet of risk that comes from fundamentals versus absent information. My previous work has focused primarily on determining where an investor concern comes from; Åstebro et al. show that identifying the information is solely part of the equation (4). Evaluation can possess useful evidence and still weigh it incorrectly. Therefore, I firmly believe my proposed "familiarity-risk diagnostic" shouldn't simply ask what risk investors see, but simultaneously require the investor identify the evidence supporting their concern.

The most relevant finding of the study came in the gap between what judges emphasize and what later correlates with venture equity. Judges often overweight perceived investability and motivation, placing less emphasis on stronger signals such as expected sales and customer traction (Åstebro et al. 23). Such is especially significant since subjective concepts like "investability" may absorb assumptions that are difficult to distinguish from genuine risk. Seeing as the article failed to test culture directly, this can't exactly be labeled as cultural bias. Rather, it provides me a mechanism to test head on: unfamiliarity might impact decisions via the weight investors assign to ambiguous signals generally. From a practicality perspective, I was particularly intrigued by the concept of aggregation as it applies to venture capital. As the study displayed, averaging valuations across investors increased balanced accuracy to 65.6%, the largest statistical gain among each of the approaches tested (Åstebro et al. 21). When considering my topic proposal, this finding forces me to leave it a more concrete feature: when a concern appears tied to unfamiliarity, the framework could perhaps trigger secondary independent reviews before that concern affects price. I might even bridge this with my earlier research on local VC partners; a second evaluator can reduce individual judgement noise, while local or more culturally knowledgeable evaluators may concurrently reduce the underlying information gap.

For me, this work also very much changes where I feel the problem may be occurring in valuation today. Judges correctly recommend only 54% of ventures later classified as high quality, while correctly rejecting 70% of lower-quality firms (Åstebro et al. 9). More experienced judges became increasingly selective, with the majority of improvement coming from denying weak ventures as opposed to identifying more winners (Åstebro et al. 22). Till this point, I'd mainly considered unfamiliarity to be the cause of lower valuation after investor interest

appeared; it now seems as though I need to consider if unfamiliar founders might be screened out prior to even negotiating valuation. This certainly isn't a conclusion proved by the study, though it would make for an excellent hypothesis for future interviews.

Outside its literal findings, I perceive this study as useful, though not necessarily methodologically transferable to VC valuation. Although the researchers analyze real evaluations and subsequently test predictions, their samples come from a singular Paris incubator and the decision focuses more so on screening than valuation negotiations (Åstebro et al. 5). Venture quality is measured chiefly through employment and external funding, which doesn't particularly capture profitability or long-term value creation. Furthermore, the authors acknowledge that the analysis is associative, implying it can't reveal each judge's precise mental model (Åstebro et al. 24).

In spite of the vulnerabilities of its method, this study indeed adds precision to my work. I feel confident in asserting that my probable diagnostic should separate categories of risk, determine the weight investors give to each one, and flag unfamiliarity-driven judgements for independent reviews. In future interviews, I hope to ask investors the precise signals they trust most and their rationals behind such choices; debating their responses, I intend to question whether another evaluator with different market knowledge would alter their conclusion.

My research now takes the path of observing the process through which unfamiliarity enters an investor's decision process; it'll terminate by discovering how that process can be calibrated before changing valuation prices.

Assessment #7: Annotated Article