

What Drives Early-Stage Equity Investors' Propensity to Invest in University Spinoffs? An Experiment on the Signaling Role Played by University

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The link university spin-offs (USOs) have with their parent university makes them unique in the eyes of external equity investors, but it is not clear in which circumstances USO's university origin actually contributes or hampers investors' propensity to invest in USOs. To address this gap, we build on signaling theory and hypothesize that university ownership acts as a quality signal, and the effect on investors' propensity to invest is contingent on the scientific reputation of such university. Our hypotheses are tested through a randomized within-subject experimental study, by recruiting respondents with prior investment experience on Prolific. We find that investors are more propense to invest in USOs if the university has equity ownership in the company, but only when the parent university has a high reputation. Our findings contribute to the academic entrepreneurship and the entrepreneurial finance literatures.