

CRESSE 2023

Comments on

**Gugle, Szücs and Wohak (2023): “Start-up Acquisitions,
Venture Capital and Innovation: A Comparative Study of
GAFAM”**

by José L. Moraga

June 30, 2023, Rhodes, Greece.



very nice paper on timely issue “how
acquisitions affect investment and
innovation”

must read!

Main contributions

- ▷ Objective is to evaluate the impact of start-up acquisitions by GAFAM firms on the incentives for investment and innovation.
- ▷ Measure *investment* using VC funding given to start-ups, measure *innovation* using patent citations.
- ▷ Data from SDC Platinum (acquisitions), Crunchbase (VC funding) and PATSTAT (patent citations).
- ▷ Finding: average treatment effect on investment is negative, sizable and significant, average treatment effect on patent citations positive but insignificant.
- ▷ 9% of acquisitions negative on both accounts, though 33 % positive

Questions and comments:

1. The **focus on GAFAM firms**: what is the authors' view on how their results extend to other sectors?
2. **Methodology** to define control and treatment groups is different: for VC funding, text-analysis is used and cosine-similarity. For patent citations, propensity-score matching. Why that? I think text-analysis and cosine-similarity could have been used for patent citations too.
3. **How accurate is the text-analysis** method to uncover businesses similarities?
 - “We market cost-effective solutions for carbon capture and storage.”
 - “We provide carbon neutral solutions to reduce storage and distribution costs.”

4. What's the **likely explanation** for the decline of VC funding?
 - Isn't it that once a GAFAM "picks a winner" the market understands that the rest of the firms in the same business won't be making much money and so they decrease investment in those types of business opportunities?

5. There is a focus on reporting on **acquisitions that are negative on both accounts**, and they deserve further investigation in the paper (to find out their determinants). Why acquisitions that are good (33%) do not deserve much attention?

6. It is puzzling that you find that acquisitions of companies in the **same technological field are less likely to entail negative effects**.
 - This contradicts usual *definition-of-the-market* approaches to antitrust.

7. Acquisitions with **publicly announced transaction prices** are also **less likely to entail negative effects**.
 - You relate this to notifications but there is no further evidence. Could you engage some data on notifications to check this?

Typos

Paper is in general excellently written.

- Page 5, line 1: provides

Thank you!!