From: **March 30, 2018**

Vesa Pursiainen
PhD Candidate
Faculty of Business and Economics
The University of Hong Kong
vesa@hku.hk
+852 57196438

To:
The Organizers of the 11th NBER Entrepreneurship Research Boot Camp

Dear Organizers,

I am writing to apply for the NBER Entrepreneurship Research Boot Camp 2018. I am currently a third-year finance PhD candidate at the University of Hong Kong, although I intend to spend the academic year 2018-2019 at the Imperial College London as a visiting scholar. This application is accompanied by a letter of recommendation from my supervisor, professor Tse-Chun Lin.

As I discuss in the enclosed essay, I am actively pursuing research in entrepreneurial finance, with two of my papers on the crowdfunding of new ventures having been accepted for presentation at the WFA conference this year. Due to my prior career within the financial industry, I also have first-hand experience in setting up companies, working closely with entrepreneurs and managers, and financing and acquiring firms at various stages of growth. I believe my background gives me a good understanding of entrepreneurs and the investors financing them, which can be very useful for conducting research in entrepreneurial finance.

As my enclosed CV shows, my research interests generally relate to behavioral finance, entrepreneurial and household finance, and empirical corporate finance. My future research agenda will likely remain diverse, but entrepreneurial finance will surely be an important part of it. Hence, I believe the NBER Entrepreneurship Research Boot Camp 2018 would be a great opportunity to learn more about the entrepreneurial finance literature, gain insight into current trends in research, and, most importantly, meet both current and future leading scholars within the field and have a chance to discuss research with them. I believe I could also make a useful contribution to the program, given my academic and professional background.

I thank you for your consideration and look forward to hearing back from you. Of course, I remain at your disposal in case there is anything you would like to discuss or receive more information on.

Kind regards,

Vesa

Curriculum vitae

Vesa Pursiainen
+852 5719 6438
vesa@hku.hk

Current position

The University of Hong Kong **2015 – present**

PhD candidate in Finance
Supervisor: Professor Tse-Chun Lin.
Research focus on empirical corporate finance and behavioral finance.
Teaching: Spreadsheet Financial Modelling (Undergraduate).

Relevant industry experience

Oaktree Capital Management, London, UK **Dec-12 – Feb-15**

Investment professional
European Principal Group (Control investments)
Private equity and debt investments in the EMEA region, including distressed debt and special situations.

J.P. Morgan, London, UK **Jun-08 – Oct-12**

Associate
Investment Bank, Diversified Industries (advisory) – since year-end 2011
Prior to that with the Financial Institutions Group (advisory)

Pöyry Capital, London, UK **Jun-07 – Sep-07**

M&A advisory

Education

The University of Hong Kong **2015 – present**

PhD in Finance

Helsinki School of Economics **2003 –2008**
(now Aalto University School of Business)

MSc in Economics and Business Administration
Thesis supervisor: Professor Matti Keloharju

Helsinki University of Technology **2001 – 2008**
(now part of Aalto University)

MSc in Technology

Working papers

1. **Fund What You Trust? Social Capital and Moral Hazard in Crowdfunding**
   (with Tse-Chun Lin)
   Accepted for presentation at WFA 2018, AFFI 2018, FMA Asia/Pacific 2018, ABFER 2018.
   https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3088905
   We find that moral hazard is a key determinant of crowdfunding campaign outcomes and that social capital helps mitigate the problem. We find a strong positive relationship between the social capital of the entrepreneur's home county and campaign performance. For identification, we exploit a quasi-experiment based on a Kickstarter rule change.
2. **Gender Differences in Crowdfunding - Entrepreneur Overconfidence and Campaign Outcomes** (with Tse-Chun Lin)
   Accepted for presentation at WFA 2018, FMA Asia/Pacific 2018, AFFI 2018 PhD Workshop.
   https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3045050
   We test whether the observed gender differences in crowdfunding performance result from male entrepreneurs' relative overconfidence. We find that male entrepreneurs tend to overestimate the potential demand for their products and hence set higher goal amounts, resulting in more frequent failures.
3. **When Paper Losses Get Physical: Domestic Violence and Stock Returns** (with Tse-Chun Lin)
   Accepted for presentation at AFFI 2018, ESPE 2018, FMA Asia/Pacific 2018 Doctoral Student Consortium, Taiwan Finance Association (TFA) 2018.
   https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3103728
   We find a significant negative relationship between the local stock market return during the week and incidence of domestic violence during the weekend. This relationship only exists for the concurrent week stock returns, suggesting that wealth shocks caused by the stock market can affect stress levels, escalate arguments, and trigger violent behavior.
4. **Regional Culture in Mergers and Acquisitions** (with Tse-Chun Lin)
   Presented at AMES 2017, accepted for presentation at FMA Asia/Pacific 2018.
   https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3030566
   This paper studies the role of regional cultural differences in M&A transactions in the U.S. We construct a county-level measure of cultural trust based on the World Values Survey data and use that to measure cultural differences. We find that a larger cultural distance reduces merger likelihood, and for announced deals, results in lower completion rates and longer completion times. However, we also find that larger cultural distance is associated with higher gains from mergers.
5. **Cultural Biases in Equity Analysis**
   I study the link between equity analysts' cultural biases and their stock recommendations. I find that higher level of trust by the analyst's country of origin toward the company headquarter country is associated with significantly more positive stock recommendations. In contrast, higher trust is associated with more accurate and less optimistic earnings estimates.

Presentations

1. Asia Meeting of the Econometric Society (AMES) (2017)
2. The University of Hong Kong (May 2017 and November 2017)
3. Upcoming: Western Finance Association (WFA) 2018
4. Upcoming: French Finance Association (AFFI) 2018
5. Upcoming: FMA Asia/Pacific 2018
6. Upcoming: European Society for Population Economics (ESPE) 2018

Courses finished

ECON6005	Econometric Theory I
ECON6017	Financial Economics
ECON6012	Macroeconomic Theory
ECON6011	Microeconomic Theory
ECON6010	Monetary Policy: Theory and Practice
ECON6053	Selected Topics in Financial Economics
ECON6052	Selected Topics in Macroeconomics I
ECON6068	Advanced Topics in Applied Econometrics
ECON6054	Graduate Seminar
GRSC6029	Research Ethics for Graduate Students (Faculties of Business & Econ, Education, Law & Soc. Sciences)
GRSC6008	Transferable Skills
GRSC6020	Introduction to Thesis Writing (The Humanities & Related Disciplines)
ECON6881	Economics and Finance Workshops I
ECON6882	Economics and Finance Workshops II
ECON6883	Economics and Finance Workshops III
ECON6884	Economics and Finance Workshops IV

Why I want to attend the NBER Entrepreneurship Research Boot Camp 2018

– by Vesa Pursiainen

I am currently a third-year finance PhD candidate at the University of Hong Kong. For the academic year 2018-2019, I will be at the Imperial College London as a visiting scholar. Prior to pursuing PhD studies, I worked for a number of years in the financial industry, first as an investment banker at J.P. Morgan and then as an investment professional at Oaktree Capital Management. This background distinguishes me from many other PhD candidates, as it provides me with slightly different experience and perspectives that come from working in the industry. I believe it also helps me generate interesting and workable research ideas.

A substantial part of my on-going research focuses on entrepreneurial finance. Two of my working papers studying the crowdfunding of new ventures have been accepted for presentation at WFA 2018, along with a number of other upcoming conference presentations. Generally, my research interests relate to behavioral finance, entrepreneurial and household finance, and empirical corporate finance. My other working papers focus on the link between financial markets and the incidence of domestic violence, the impact of regional culture on mergers and acquisitions, and the impact of cultural biases on sell-side analyst recommendations. My future research agenda will likely remain diverse, but entrepreneurial finance will definitely be an important part of it.

To me, the main attractions of studying entrepreneurship include its general importance to society as an engine of economic growth and welfare on the one hand, and its inter-disciplinary nature on the other hand. Entrepreneurial finance provides endless opportunities for a micro-level research that can have a significant macroeconomic impact. Furthermore, technological progress and the proliferation of online platforms for anything from venture financing to recruiting professionals are creating an ever-expanding universe of potential novel datasets that can be tapped to generate new insights on entrepreneurial activity. A substantial part of my current research is relying on web-crawled datasets from such platforms.

Given my professional background, I also have first-hand experience in setting up companies, working closely with entrepreneurs and managers, and financing and acquiring firms at

various stages of growth. Similarly, I have been closely involved in structuring managerial incentive packages in the context of private equity transactions, and hence have a good understanding of the underlying incentive and agency issues from a very practical point of view. I believe such understanding of entrepreneurs and the investors financing them is very useful for conducting research in entrepreneurial finance.

The NBER Entrepreneurship Research Boot Camp 2018 would be a great opportunity for me to learn more about the entrepreneurial finance literature, gain insight into current trends in research, and, most importantly, meet both current and future leading scholars within the field and have a chance to discuss research with them. Given the global nature of the program, it represents a unique chance to meet like-minded ambitious PhD candidates from other parts of the world. Together with the testimonies that can be found online, my discussions with prior participants of the program have convinced me of the high quality of the Boot Camp and its beneficial impact on a future career in the field. I am very excited about the possibility to participate myself and, hopefully, to contribute to the on-going success of the program.

I am also confident that I could make a useful contribution to the Boot Camp. While there is obviously no typical participant, as a European based in Asia, and having worked for a number of years in the financial industry, I would probably have some slightly different perspectives than many other participants. This, combined with my diverse research (and other) interests, makes me well-equipped to actively participate in the discussions.

In summary, by accepting me you would get a highly enthusiastic participant with both academic and practical background in entrepreneurial finance. I could probably also add some diversity in terms of geography, culture, experiences, and viewpoints.

FACULTY OF BUSINESS AND ECONOMICS
THE UNIVERSITY OF HONG KONG

香港大學
經濟及工商管理學院

Tse-Chun Lin
Professor of Finance
Faculty of Business and Economics
The University of Hong Kong
K.K. Leung Building 928
Tel: (852) 2857-8503
Email: tsechunlin@hku.hk

Dear Entrepreneurship Research Boot Camp Committee,

I am privileged to write in support of my Ph.D. student, Mr. Vesa Pursiainen, to apply for the NBER 11th Entrepreneurship Research Boot Camp. I am Vesa's thesis supervisor and thus know him quite well. Overall, Vesa is a very strong applicant to consider for the Session. He has the intellectual curiosity for this profession and possesses excellent skills for empirical studies, and I am sure he will be a wonderful scholar and colleague to have around in the future. Among all my supervised Ph.D. students, including those graduated and have been working in the UK, HK, and Australian Universities, I would rank Vesa as my best student so far. This evaluation comes from his independent research capability and intellectual maturity to deliver research output, which I briefly mention below.

Vesa is working on his solo paper, entitled "Cultural Biases in Equity Analysis." In this study, Vesa investigates the link between equity analysts' cultural biases and their stock recommendations. He finds that the level of trust by the analyst's country of origin toward the company headquarter country is positively related to the stock recommendations. In other words, trust matters in analyst recommendations. This effect is stronger for analysts working for smaller brokers. Vesa's paper speaks to the literature on the economic impact of cultural biases. This paper also adds to the literature on the determinants of the quality and biases in equity research. The major innovation of the paper is to quantify bilateral trust that allows for an identification of cultural biases based on the Eurobarometer-based measure of bilateral trust between European nations. Compared with the existing studies, the bilateral nature of the trust measure can capture the influence of cultural biases in a more direct fashion. I believe that the polished version of the paper could make a meaningful contribution to the literature and have a decent chance to be published in top finance and accounting journals.

Vesa also has several on-going projects with me. Two research papers on financial technology, better known as Fintech, might be particularly interesting. It is worth mentioning as well that **both projects** are scheduled to be presented at **Western Finance Association (WFA)** annual meeting at San Diego, 2018. In the first project, using Kickstarter data, we find that male entrepreneurs tend to overestimate the potential demand for their products and hence set higher goal amounts, resulting in more frequent failures. In the second project, also using Kickstarter data, we find that moral hazard is a key determinant of crowdfunding campaign outcomes and that social capital helps mitigate moral hazard problems. We also have an "unconventional" finance project studying a potential negative externality of the stock market on families. In the paper, we find a significant negative relationship between the local stock market return during the week and the incidence of domestic violence during the weekend. This relationship is robust to controlling for local economic conditions at the state-month level and only exists for the concurrent week stock returns.

In all the projects with me, Vesa is in charge of collecting the data, coding and performing the empirical analysis, and writing the first draft. It is usual for a third-year Ph.D. to be so productive and independent, and I have strong confidence that he will finish his Ph.D. program as a star student. In sum, I believe that Vesa's work has excellent potential and will be published in top journals. I also feel that the combination of energy and ability to communicate with other researchers will allow him to perform very well in the future. I hope this letter is helpful and informative, and I would be more than willing to give more information either in writing or on the phone should it be necessary.

Sincerely,

Tse-Chun Lin

Hong Kong, March 30th, 2018

