NBER Entrepreneurship Research Boot Camp 2018

Mikael Paaso (Aalto University)

Please see attached for my application to the NBER Entrepreneurship Research Boot Camp. This application package contains the following documents:

- Page 2-4: My CV
- Page 5: List of completed courses
- Page 6-7: Essay explaining why I wish to attend the boot camp
- Page 8: Recommendation letter from Associate Professor Sami Torstila

My application includes a letter of recommendation from Associate Professor Sami Torstila (Aalto University), which he has instructed me to include with my application package. Please email/call him (sami.torstila@aalto.fi, +358 40 353 8069) if you have any questions about the letter.

My contact details are included below. If you have any questions, please do not hesitate to contact me!

Thank you.

Best regards,

Mikael Paaso
Mikael.Paaso@aalto.fi
+358 505186841

Mailing address:
Aalto University School of Business
Mikael Paaso
P.O.Box 21220
00076 Aalto
FINLAND

Mikael Paaso

Aalto University
Runeberginkatu 22-24
00100
Helsinki, Finland

Education

2013 – Present	Aalto University School of Business PhD in Finance
2018	Hong Kong University of Science and Technology Visiting PhD Student
2011 – 2012	University of Cambridge Master of Philosophy (MPhil) in Finance
2007 – 2011	Cass Business School BSc (Hons) in Investment and Financial Risk Management

Research (Drafts Available Upon Request)

It's Always Sunny in Finland: Investment and Extrapolation from Cash Flow Growth

I provide causal evidence that managers extrapolate from past growth when making corporate investment decisions. This can lead to overinvestment following good years as well as provide an alternative explanation for the observed correlation between investment and cash flows (investment-cash flow sensitivity). Using rainfall as an instrumental variable for cash flow shocks to firms which are weather sensitive, I find that companies increase investment 43% following a one-standard-deviation drop in summer rainfall, even though the drop is transitory. The excess investment appears to be driven by extrapolation from past cash flows while traditional explanations, such as loosening of credit constraints or agency problems, do not fully explain the result. High levels of investment are not optimal from the point of view of the firms, and the years following the cash flow shock feature an abnormally high number of companies closing down.

Presented at: Whitebox Advisors Graduate Student Conference at Yale (2018, scheduled), SGF (2018 scheduled), HKUST (2018), AFA PhD Poster Session (2018), Swedish House of Finance (2017), Nordic Finance Network Workshop in Copenhagen (2017), Aalto Finance Brown Bag (2016)

Perfect Pitch: Appearance in Entrepreneurial Pitching (with Elina Koivisto)

We examine the impact of first impressions and entrepreneurial appearance on financing outcomes using a large sample of real investment pitches from a major European startup event. We ask non-investors on Amazon's MTurk to rate entrepreneurial pitches on three dimensions: the appearance of competence, trustworthiness and attractiveness and test whether these ratings are associated with the probability of a company receiving early-stage investment. Companies run by entrepreneurs who are rated as one-standard-deviation more competent looking are about 25% (13 percentage points) more likely to receive funding. The other measures of appearance, such as the appearance of trustworthiness and attractiveness as well as an overall "Perception"-measure (which averages all three ratings) are also all positively associated with funding outcomes. All in all, the evidence suggests that favorable first impressions and the appearance of an entrepreneur can lead to improved financing outcomes for startups despite the extensive due diligence that goes into early-stage investments.

Presented at: Boulder Conference on Consumer Financial Decision Making (2018, scheduled), Graduate School of Finance Workshop in Oulu (2017)

Political Uncertainty and Characteristics of M&A Deals (with Bunyamin Onal)

We examine how political uncertainty (PU) affects mergers and acquisitions (M&A) at the deal level. Consistent with recent studies, we find that publicly listed US firms are less likely to make acquisitions during periods of high PU and contribute to the literature by focusing on characteristics of deals during high PU periods. We find strong evidence that deals done during high PU periods

target undervalued industries. Further, the deals conducted under PU offer a priori higher synergy estimates. These deals on average command higher premiums, leading to rising average merger premiums during uncertain times. Overall, we conclude that political uncertainty induces potential acquirers to be more selective in their acquisitions and the targets to be justifiably more demanding.

Presented at: Paris Financial Management Conference (2017), HEC Paris PhD Workshop (2016), FMA Europe (2016, coauthor), Nordic Finance Network Workshop in Bergen (2016), Graduate School of Finance Workshop in Helsinki (2015)

Grants and Awards

2016 – 2019	Jacob Palmstiernas Scholarship (full funding for PhD studies, awarded by the Swedish Institute for Financial Research)
2014 – 2015	OP-Pohjola Foundation Scholarship (full funding for PhD studies)
2017	Finnish Foundation for Business Education (€10,000 for HKUST visit)
2017	HSE Support Foundation Travel Grant (€1,800 for AFA 2018)
2017	Finnish Foundation for Share Promotion (€5,000 grant for Perfect Pitch project)
2013 – 2018	Several Nordic Finance Network and Finnish Graduate School of Finance travel grants
2011	British Council Scholarship (€10,000 for MPhil in Finance at Cambridge)
2007 – 2011	Cass Undergraduate Prize (awarded to top student on course, awarded for first and second year of studies), Cass Undergraduate Scholarship (awarded to top 25% of students on each course)

Conference Discussions

2017	Helsinki Finance Summit – Discussion of Bliss, Engelberg and Warachka (2018)
2017	Paris Financial Management Conference – Discussion of Fairhurst and Williams (2017)

Other Experience

2012 – 2013	Aalto University School of Business Research Assistant (Mandatory Finnish National Service)
2010	Morgan Stanley (London) Intern, Equity Capital Markets (5 months)
2009	Goetzpartners Corporate Finance (London) Intern, Corporate Finance (6 months)

Teaching

2016 –2019	Aalto University, School of Business: Rahoituksen Perusteet (Introduction to Finance, BSc) – Exercises

2016	Aalto University, School of Engineering: Introduction to Finance – 3 days of lectures to Mining Engineering students as part of a module for the European Mining Course-program (EMC)
2014 – 2015	Aalto University, School of Business: Advanced Investment Theory (MSc) – Exercises
2014 – 2015	Aalto University, School of Business: Derivatives and Risk Management (BSc + MSc)– Exercises
2013 – 2018	Aalto University Executive Education (and other MBA programs): Grading and ad-hoc tutoring for various courses on corporate finance, mergers and acquisitions and introductory finance. Graded exams and cases on over 10 courses in Finland, Singapore, Iran, Germany and others and provided individual tutoring on two courses.

Other/Hobbies

Lived in five countries (Finland, Germany, Singapore, China, UK)
Traveled to about 100 countries
Completed nine marathons (very slowly)

List of Courses

Course	Date	Instructor
Aalto University / Graduate School of Finance Courses		
Theoretical Asset Pricing	2013	Peter Nyberg (Aalto) Claus Munk (Copenhagen Business School)
Empirical Asset Pricing	2013/2014	Peter Nyberg (Aalto) Jan Antell (Hanken) Doron Avramov (HU Jerusalem)
Theoretical Corporate Finance	2014	Mikko Leppämäki (Aalto) Martin Ruckes (Karlsruhe Institute of Technology)
Empirical Corporate Finance	2014	Renee Adams (UNSW)
Behavioral Finance	2014	Harrison Hong (Princeton University)
Finnish Doctoral Program in Economics Courses (and other economics courses)		
Microeconomics I&II	2013/2014	Klaus Kultti (Uni Helsinki)
Principles of Econometrics	2013/2014	Mika Meitz (Uni Helsinki) Mika Kortelainen (Gov't Institute of Economic Research)
Applied Microeconometrics	2013	Manuel Bagues (Aalto)
Other Courses/Workshops		
Audited: Text Mining (at the Swedish House of Finance)	2015	Gintarė Grigonytė Robert Östling Mats Wirén (Stockholm University, Linguistics Department)
Unassessed: Northwestern-Duke Causal Inference Workshop (Main and Advanced Workshops)	2015	Various lecturers
Corporate Finance: Creative Empirics (at the Swedish House of Finance)	2016	Alexander Ljungqvist (NYU Stern)
Behavioral Decision Making	2014	Jyrki Wallenius (Aalto)
Communication for Research Purposes	2014	Various (Aalto)

Letter of Motivation

I am applying for the Entrepreneurship Research Boot Camp because I want to improve my understanding of the current state of research in entrepreneurship and meet other scholars working in the area. As a doctoral student conducting research in small business economics / entrepreneurial finance, the Boot Camp would be an excellent opportunity to learn more about the kinds of research being conducted in entrepreneurship right now. It would also provide an excellent opportunity to network with other students and researchers in the field, especially those based at US schools.

My main research interests are corporate finance, household finance and entrepreneurial finance. I initially started working on general corporate finance topics but have since gravitated towards entrepreneurial finance (both small business economics as well as "high growth" entrepreneurship), which are both closely tied to household finance. In the future, I intend to continue working in these fields, with several of my prospective job market paper ideas relating to the governance of young public firms. A major appeal of the Boot Camp would be gaining more of an economic intuition towards assessing the importance of various research questions and improving my understanding of the current state of the literature.

Of my four ongoing research projects, the two most recent ones relate to entrepreneurship. The first project ("It's Always Sunny in Finland: Investment and Extrapolation from Cash Flow Growth") looks at the investment decisions of small businesses in Finland in order to show that managers extrapolate from current cash flow growth when making investment decisions. I do this by using low summer rainfall as an exogenous (positive) shock to the cash flows of tourism-oriented businesses and showing that these firms invest more following a positive cash flow shock. A good year also appears to inspire more would-be entrepreneurs to start up businesses, providing further evidence for the idea that would-be entrepreneurs learn from their surroundings. The years following the positive cash flow shock are characterized by an unusually high number of businesses closing down, suggesting that the initial entry and investment decisions may not have been optimal.

A second project focuses more on high-growth entrepreneurship. We examine the relationship between entrepreneur appearance and firm funding outcomes using a large sample of real investment pitches from a major startup event in Finland. We find a strong link between the

entrepreneur's appearance of competence and funding outcomes as well as a weaker link between two other measures of appearance, attractiveness and trustworthiness and funding outcomes.The paper adds to a growing literature on entrepreneurs pitching to investors for capital and our knowledge of early-stage investments. Unlike previous papers on similar topics (such as Huang, Ivkovich, Jiang and Wang, 2018), we utilize a set of "real" investment pitches and real funding outcomes, while the prior literature has studied very specialized settings with limited external validity, such as the game show "Shark Tank."

In the future, I am looking to keep working on topics in entrepreneurial finance. I currently have several possible ideas for my job market paper around the area of governance of newly public (i.e. directly post-IPO) firms. The ideas would build on my experience working in the Equity Capital Markets department of an investment bank and use some features of IPOs to identify exogenous sources of variation in the funding of public firms. However, a big part of my motivation for attending the Boot Camp is to provide inspiration for new research ideas as well as feedback on existing ones and as such I am still quite open minded when it comes to future research.

As mentioned before, improving my economic intuition and awareness of current research issues is a major reason for attending the workshop. The workshop would help me develop a better understanding of the extent and limitations of current research and possibilities for further research. In particular, the possibility of finding unanswered questions in the literature that Finnish data could be beneficial in answering would be great.

In summary, the Entrepreneurship Research Boot Camp would be an excellent opportunity for me to learn more about the latest in entrepreneurship research and meet other scholars working in the same field.

Aalto University
School of Business

March 28, 2018

NBER Entrepreneurship Research Boot Camp
To whom it may concern:

I am happy to strongly recommend Mikael Paaso for the NBER Entrepreneurship Research Boot Camp. I have been his principal PhD advisor for 4.5 years at Aalto University and have known him since 2012. Mikael has progressed well in his studies and is preparing to go on the academic job market next year.

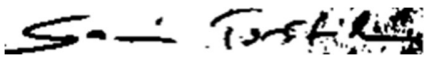
Several of Mikael's ideas and projects have shown great potential. He has been very active in the department and Scandinavian research community, presenting his work at seminars and workshops both in Finland and abroad.

Mikael's PhD thesis is focuse on entrepreneurial finance and the financial decisions of small copmanies, so his research is an excellent fit for the Boot Camp. He has several projects in entrepreneurial finance. The first project looks at excessive extrapolation from irrelevant information, in the context of investment decisions of small businesses in Finland following a rainfall-based cashflow shock. A second project uses data from a large set of pitches at a major global startup event to evaluate the impact of entrepreneur appearance on funding outcomes.

Mikael has shown an ability to work hard and I have no doubt that he would prepare well for the Boot Camp. Within the department at Aalto and at workshops, Mikael has also been a natural at networking and as such would benefit from being introduced to other early-career researchers focused on entrepreneurship. It is a pleasure to recommend him for the NBER Entreprenurship Research Boot Camp.

If I can be of any further assistance or provide further details, do not hesitate to contact me.

Best regards,



Sami Torstila
Associate Professor of Finance
Aalto University School of Business