

Dreaming of being an investment shark? Better figure out if you're an 'owl' or a 'lark,' study finds

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The early bird might get the worm, but if you're a night owl looking to invest in the next big startup, making that decision first thing in the

morning might not be the best idea, according to a new study by researchers at Indiana University and the University of Central Florida.

The study, which appears in the *Journal of Business Venturing*, shows time-based factors, like time of day and whether you're a morning or evening person, can influence [investment decisions](#) and your ability to evaluate whether a startup will be successful.

"Early-stage investments—when not a lot is typically known about a company and the time to make a decision is compressed—can be risky with high failure rates," said Jeff Gish, assistant professor of management at UCF and a co-author of the story. "Trying to pick a winner is difficult enough under those circumstances, but we've also learned that when you make those decisions can have a significant impact on whether they turn out to be successful."

Individuals have an internal clock called circadian rhythm that regulates our alertness and awake-sleep cycles. In general, individuals tend to fall into three general types with respect to what time of day they are more awake and alert in a 24-hour cycle. Those with a circadian process shifted earlier in the day are known as larks, while owls are more alert later in the day. The third group of individuals is the intermediate.

"What we found was when individuals evaluated an [investment](#) opportunity at a time that conflicted with their body's natural internal clock—for example, a morning person or lark making a decision late in the day or evening—they tended to make poor choices," says Cristiano Guarana, assistant professor of management and entrepreneurship at the IU Kelley School of Business and a co-author. "This tension may not be recognized by those making the investment decision and over time could result in substantial losses for people who, on average, possess much less investment knowledge than [angel investors](#) and venture capitalists."

Gish and Guarana each have studied how lack of sleep affects cognitive skills needed to be successful in evaluating ideas and making business decisions. Gish has founded multiple businesses and now invests in others' entrepreneurial ventures.

How the study was conducted

The three-part study looked at early-stage investment decisions via equity crowdfunding where non-professional investors can invest a relatively small amount for an ownership stake in a startup. Study participants were recruited from social media accounts for active followers of several leading equity crowdfunding platforms in the U.S.—such as Wefunder, Fundable, and EquityNet—and surveyed about whether they were a morning versus an evening person, their investment experience and time zone information.

Participants were then asked to complete a [decision](#)-making task at an assigned time; for example, if they had had \$1,000 to invest, how much would they allocate to certain companies? The companies being evaluated were based on actual investment opportunities, including several desirable opportunities that had performed well and several undesirable opportunities that had performed poorly. Participants also were asked to report their sleep quantity and crowdfunding experience.

The study showed that owl investors invested more than lark investors in an unsuccessful venture in the morning, while lark investors invested more than owl investors in an unsuccessful venture in the evening. The same types of errors occur, in the opposite direction, with successful ventures.

With sites StartEngine, Microventures and others making it easier than ever for amateur investors to jump into equity crowdfunding with the click of a button, determining when you are best equipped to make those

decisions could impact your wallet.

"Prospective equity crowdfunding investors, who may be making decisions before or after their normal daily work schedule, should be cognizant of the time they select to mull investment choices," Gish says. "These investors would do well to match their lark or owl tendencies with the timing of their investment decisions."

More information: Cristiano L. Guarana et al, Owls, larks, or investment sharks? The role of circadian process in early-stage investment decisions, *Journal of Business Venturing* (2021). [DOI: 10.1016/j.jbusvent.2021.106165](https://doi.org/10.1016/j.jbusvent.2021.106165)

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