Do Local and International Venture Capitalists Play Well Together? A Study of International Venture Capital Investments

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This Version: November 2010

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Abstract

We analyze the effectiveness of international versus local venture capitalists in adding value to entrepreneurial firms and the interaction between local and international venture capitalists in investing in these firms. We focus on how the success of venture backed entrepreneurial firms relates to the membership of the venture capital syndicate backing it, the stage of the venture investment, and the number of financing rounds (staging). Our findings are as follows. Entrepreneurial firms backed by syndicates composed of international and local venture capitalists are more successful than those backed by syndicates composed of purely international or purely local venture capitalists. Further, greater distance between the country of the venture capitalist and that of the entrepreneurial firm is associated with a lower probability of success. International venture capitalists farther away from entrepreneurial firms are more likely to syndicate with local venture capitalists, stage their investments over more rounds, and are less likely to invest in early stage entrepreneurial firms, potentially to mitigate their deficiencies in local knowledge and their higher monitoring costs. Consistent with this, syndication with local venture capitalists and greater staging by international venture capitalists weakens the negative association between the distance of the venture capitalist from the entrepreneurial firm and the successful outcome of the venture capital investment, whereas investment in early stage entrepreneurial firms exacerbates this negative association. All these results are stronger for international venture capital investments in emerging nations than for those in developed nations, consistent with the higher monitoring costs and deficiencies in local knowledge of international venture capitalists being more important in emerging markets. Finally, local venture capitalists that have a greater extent of prior syndication experience with international venture capitalists are less likely to syndicate again with international venture capitalists and have higher success rates. Overall, our results indicate that the greater expertise of international venture capitalists and the superior local knowledge and lower monitoring costs of local venture capitalists are both important in obtaining successful investment outcomes.

1. Introduction

In recent years, venture capital (VC) investments across national borders have started to trend upwards. Foreign or cross-border investment in venture capital markets has increased from 10% of all venture capital investments in 1991 to 22.7% in 2008 (based on number of venture capital investments). An important driver of this increase is the significant upward trend in international venture capital investments in emerging nations over this time period. The number of venture capital investments by international investors as a fraction of total venture capital investments in emerging nations increased from 8.7% in 1991 to 56% in 2008. There has also been an increase, although more modest, in the number of international venture capital investments as a fraction of all venture capital investments in developed nations over the same time period (10.1% in 1991 to 20% in 2008). While the venture capital industry originated in the US, a number of non-US economies have developed their own venture capital industries, with a significant number of local venture capitalists investing in entrepreneurial firms in their own countries. However, there has been little research on the effectiveness of international versus local venture capitalists in adding value to entrepreneurial firms, and the interaction between local and international venture capitalists. The objective of this paper is to fill this gap in the literature.

We address a number of interesting questions in this context. First, what are the factors that determine the effectiveness of international venture capital investments? In particular, how does the distance from the home country of the venture capitalist to that of the entrepreneurial firm affect the success of international venture capital investments? Second, how do international venture capitalists compare in effectiveness with local venture capitalists or a syndicate consisting of both international and local venture capitalists? A related question is how the syndicate structure affects the relation between venture capitalist distance (i.e., distance from the home country of the international venture capitalist to that of the entrepreneurial firm) and success of the venture capital investment. Third, what are the factors that determine the propensity of an international venture capitalist to syndicate with a local venture capitalist and his choice to invest in early versus late stage firms? In particular, what is the effect of the distance from the home

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country of the international venture capitalist to that of the entrepreneurial firm on the propensity to syndicate with local venture capitalists and to finance early stage firms? Further, what determines the staging of international venture capital investments? Specifically, how does distance from the home country of the international venture capitalist to that of the entrepreneurial firm and syndicate structure affect staging? Also, how does staging affect the relation between venture capitalist distance (i.e., distance from the country of the international venture capitalist to that of the entrepreneurial firm) and the success of the venture capital investment? Finally, we are interested in whether local venture capitalists' decision to syndicate with international venture capitalists is related to their prior syndication experience with international venture capitalists. We answer the above questions differentiating between international venture capital investments in emerging versus developed economies. We use the probability of successful exit through an IPO and post-IPO operating performance as the outcome variables in our analysis.

In developing our empirical analysis, we consider the following opposing effects that may affect the ability of local versus international venture capitalists in adding value to entrepreneurial firms. On the one hand, international venture capitalists are likely to have considerable expertise in helping entrepreneurial firms to become successful through better deal structure, providing product market support, professionalizing firm management, setting effective incentive schemes, and through monitoring firm management. On the other hand, international venture capitalists may lack knowledge of the local product markets of the entrepreneurial firms they invest in and may face significant costs in monitoring these firms. The above disadvantages may be exacerbated when the distance between their home country and that of the entrepreneurial firms is greater. In contrast, local venture capitalists, while potentially lacking in expertise in some of the areas discussed above where international venture capitalists are strong, may have significant strengths in areas where international venture capitalists are weak. In particular, local venture capitalists may enjoy a significant advantage in their home markets in terms of their information about local market conditions and investment opportunities. Further, local venture capitalists can monitor their investments more easily because of proximity. In summary, international and local venture capitalists have their own

advantages and disadvantages when it comes to investing in entrepreneurial firms. Our empirical analysis addresses the question of whether investments by purely international or purely local venture capitalists have a higher chance of a successful outcome, or whether both of the above types of investments are dominated by those of syndicates consisting of both international and local venture capitalists.

We differentiate our analysis by entrepreneurial firms located in emerging versus developed nations. The disadvantages of international venture capitalists in terms of their lack of knowledge of local product market conditions and difficulty in monitoring due to lack of proximity may be worse for investments in emerging nations, especially due to the worse infrastructure in emerging nations.[1] On the other side, the expertise of international venture capitalists in adding value to entrepreneurial firms is likely to be greater for developed nations than in emerging nations given the greater extent of cross-border investments in developed nations.[2] Thus, we expect significant differences between our results for developed versus emerging nations.

Our results indicate that, when international venture capitalists are farther away from the country of the entrepreneurial firm receiving venture capital financing, the probability of exit through IPOs is lower. The probability of an IPO exit is higher when the syndicate consists of both local and international venture capitalists than when the syndicate consists of purely international or purely local venture capitalists. In addition, we find that the negative association between the distance of the international venture capitalist from the entrepreneurial firm and the probability of an IPO exit is mitigated by syndication with a local venture capitalist. These results suggest that the knowledge base and skill-sets of international and local venture capitalists are complements. International venture capitalists seem to overcome their distance disadvantage by syndicating with local venture capitalists. Consistent with this argument, we also find that

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[1] For instance, according to data obtained from the World Bank website, the average per capita number of flights in developed nations was eight times greater than that in emerging nations in 2008. Another example is the average per capita number of mobile and fixed telephone subscribers, which was 64% greater in developed nations than in emerging nations in 2008. We are grateful to the International Telecommunication Union for making data on telephone subscriber usage available on the World Bank website.

[2] For instance, based on data from the World Bank website, the average foreign direct investment (FDI) in developed nations was $6.86 billion in 1990, compared to $1.16 billion in emerging nations. As recently as 2008, the difference between these two groups was still substantial: the average FDI in developed nations was $39.3 billion and that in emerging nations was $27.9 billion.

the probability of syndication between international and local venture capitalists increases with the distance of the international venture capitalists' home country from that of the entrepreneurial firm receiving venture capital financing. While the above results hold for emerging nations, we do not find similar results for developed nations, which is consistent with the notion that the difficulties in monitoring and the deficiencies in local knowledge faced by international venture capitalists are much more important in emerging nations than in developed nations.

We find that venture capitalists that are farther away are less likely to invest in early stage entrepreneurial firms, and while this negative association exists for entrepreneurial firms in emerging and developed nations, it is stronger in emerging nations. Consistent with this result, we also find that syndicates composed of purely international venture capitalists are less likely to invest in early stage entrepreneurial firms than those composed of either purely local or a combination of local and international venture capitalists. This result is also significant in both emerging and developed nations, although its economic significance is higher in emerging nations. Our results indicate that while the distance of the venture capitalist from the entrepreneurial firm has a negligible impact on the success of entrepreneurial firms in developed nations on average, this association is negative and significant for investments in early stage entrepreneurial firms alone. On the other hand, early stage investments exacerbate the negative association between venture capitalist distance and success rates in emerging nations. The above results are consistent with the idea that early stage investments, which are characterized by higher information asymmetry and uncertainty as well as a higher need for monitoring, exacerbate the disadvantages of international venture capitalists that are farther away since local knowledge and ability to monitor investments are likely to be even more important when making early stage investments.

We also find that the extent of staging, measured by the number of rounds over which an entrepreneurial firm receives venture capital financing, increases with the distance between the venture capitalist's country and the country of the entrepreneurial firm. This supports the conjecture that venture capitalists that are farther away from the country of the entrepreneurial firm use a greater extent of staging as

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a substitute for direct monitoring. Consistent with the idea that local venture capitalists in emerging markets may be less sophisticated than international venture capitalists, we find that the number of rounds of venture capital financing received by entrepreneurial firms is lower when purely local venture capitalists invest in the entrepreneurial firm. Another interpretation for this result is that staging and monitoring are substitutes, and local venture capitalists, due to their proximity, can monitor their investments more effectively rather than engage in a greater extent of staging. Further, we find that staging mitigates the negative association between the distance of the international venture capitalist and IPO exit probability, suggesting that a higher extent of staging offsets the disadvantage of international venture capitalists due to their lack of proximity to the entrepreneurial firms they invest in. We find that these results hold only for emerging nations but not for developed nations.

Our results also indicate that local venture capitalists develop greater venture capital expertise by repeated syndication with international venture capitalists. This is evidenced by our finding that local venture capitalists who have a greater extent of prior syndication experience with international venture capitalists are less likely to syndicate with them again. Further, the success rate of entrepreneurial firms backed by purely local venture capitalists is higher when they have a greater extent of prior syndication experience with international venture capitalists. These results hold for both emerging and developed nations. The above results are consistent with local venture capitalists who have a lesser extent of prior syndication experience with international venture capitalists being disadvantaged in terms of their venture capital skills, and overcoming this disadvantage over time by syndicating with international venture capitalists.

Finally, we find that investment by a combination of local and international venture capitalists in an entrepreneurial firm has a positive association with the firm's post-IPO operating performance relative to investments by purely international or purely local venture capitalists. We find that this result holds only for emerging nations but not for developed nations. It is important to note that all our results are robust to controlling for entrepreneurial firm-country fixed effects, and therefore do not reflect differences in legal, cultural, and institutional structures across countries.

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Our results support the idea that the investments that are more likely to succeed are the ones that combine the greater expertise and knowledge of international venture capitalists and the local knowledge and proximity-advantage of local venture capitalists. Distance seems to exacerbate disadvantages relating to lack of local knowledge and makes monitoring more difficult for international venture capitalists. Further, early stage venture capital investing magnifies the difficulties of venture capitalist distance related to the lack of local market knowledge and difficulty of monitoring. To mitigate the above disadvantages, international venture capitalists that are farther away seem to syndicate with local venture capitalists, stage their investments to a greater extent, and invest less in early stage entrepreneurial firms. On the other hand, local venture capitalists may be able to mitigate their disadvantage related to their lack of venture capital expertise by learning these skills from international venture capitalists by syndicating with them.

What do our results tell us about venture capital investing in general? Our results indicate that both expertise in venture capital and knowledge of local firms and markets are important in enabling venture capitalists to add value to the entrepreneurial firms they invest in. Our results further indicate that syndicates consisting of different kinds of venture capitalists allow an exchange of information across venture capitalists and also enable the syndicate to overcome the deficiencies of individual venture capitalists. This provides empirical support for the arguments made in the literature on venture capital syndicates (see, e.g., Lerner (1994) and Chemmanur and Tian (2010)). Our results provide empirical support for the idea that greater distance between a venture capitalist and an entrepreneurial firm results in larger monitoring costs. Our results also indicate that staging is a way of mitigating the effects of the larger monitoring costs arising from greater distance between the venture capitalist and the entrepreneurial firm. The last two inferences are consistent with the findings of Tian (2010) in the US market. An important advantage of our analysis over that of Tian (2010) is that endogenous co-location by the entrepreneur near the venture capitalist is less feasible in the international context and thus international venture capital investments provide a natural and relatively parsimonious setting to analyze the effect of distance on investment success, syndication, and staging. Finally, our results suggest that younger and early stage entrepreneurial firms require a locally

available venture capital industry, since venture capitalists that are farther away may be less likely to invest in such firms. From the perspective of policy, this suggests that, in addition to attracting investments from venture capitalists from other geographic regions, national and local governments may need to consider policies that would build a local venture capital industry in order for local start-ups to get greater early stage support. The fact that our results are stronger in emerging markets than in developed markets indicates that the deficiencies of international venture capitalists may be overcome by the better infrastructure available in a given market and their greater experience in investing in these markets.

This paper is related to the literature on international venture capital investments that deals with various issues such as the determinants of cross-country venture capital deals (Jeng and Wells (2000)), contracting of private equity deals in various countries (e.g., Lerner and Schoar (2005), Kaplan, Martel and Stromberg (2007), and Bottazzi, Da Rin and Hellmann (2009)) and the role of information asymmetry in determining partial and full exits in various countries (Cumming and MacIntosh (2003)). A recent working paper by Hazarika, Nahata and Tandon (2009) analyzes the role of cultural dissimilarities between the country of the venture capitalist and the country of the entrepreneurial firm in determining the success of the venture. They find that the success of a venture capital investment is positively related to the extent of cultural dissimilarity between the country of the venture capitalist and that of the entrepreneurial firm. Our analysis differs substantially from the above papers along various dimensions. First, we analyze how the syndication of local and international venture capitalists affects the success of the venture capital backed entrepreneurial firm. Specifically, we ask whether purely international or purely local venture capital investors on a deal lead to better or worse outcomes than the combination of international and local venture capital investors. Second, we analyze the effect of geographic distance in international venture capital deals and how distance plays a role in determining the success of the deal as well as the choice of syndication, early stage investment, and staging in international venture capital deals. Third, unlike the above papers, we emphasize the differences between entrepreneurial firms located in emerging and developed nations in our analysis (an exception is Hazarika, Nahata and Tandon (2009) who also split their sample between emerging

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and developed markets). Fourth, we analyze whether local venture capitalists are able to learn venture capital skills from international venture capitalists by syndicating with them. Finally, we also analyze whether post-IPO operating performance of venture capital backed firms is associated with international venture capital investment, i.e., does the effect of international venture capitalists last beyond exit.

Our paper is also related to the broader literature on venture capital. The first strand of this literature is the one on venture capital syndication (see, e.g., Lerner (1994) and Brander, Amit and Antweiler (2002)). The second strand of literature it is related to is that on venture capital staging (see, e.g., Gompers (1995) and Tian (2010)). Another strand of literature our paper is related to is the one on financing of early stage entrepreneurial firms (see, e.g., Kerr, Lerner and Schoar (2010)). Our paper is also related to the strand of literature showing that venture capitalists create "extra-financial" value for entrepreneurial firms and the relationship between this value added and the reputation of the venture capitalist (see, e.g., Chemmanur, Krishnan and Nandy (2010), Hellmann and Puri (2002), Hsu (2004), and Ozmel, Robinson and Stuart (2007)).[3] Finally, our paper is also broadly related to the theoretical literature on value addition by venture capitalists and other private financiers (e.g., Fulghieri and Sevilir (2009)) and the effect of the availability of private financing to a firm on its going public decision (e.g., Spiegel and Tookes (2008)).

The rest of the paper is organized as follows. Section 2 develops our hypotheses, section 3 describes the data and important variables, section 4 discusses our empirical results, and section 5 concludes.

2. Development of Hypotheses

The first question that we are interested in examining is the relative importance of expertise in venture capital investing versus knowledge of local markets and the advantage of proximity. On the one hand, international venture capitalists, by virtue of their greater experience in investing in their home countries, are likely to have greater expertise in venture capital investing. On the other hand, local venture

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[3] Our paper is broadly related to the home bias literature (e.g., Coval and Moskowitz (1999), Coval and Moskowitz (2001)), which finds that local investors perform better than investors farther away because of advantages of proximity such as a more comprehensive knowledge of local markets.

capitalists are likely to be more knowledgeable about their local markets and the nature and quality of entrepreneurial firms in these markets. In addition, the proximity of local venture capitalists to entrepreneurial firms they invest in would make it easier for local venture capitalists to monitor their investments. Thus, if venture capital expertise is the most important factor affecting the success of venture capital investment in an entrepreneurial firm, then we would expect entrepreneurial firms backed by syndicates consisting of purely international venture capitalists to be more successful than those consisting of purely local venture capitalists or a combination of local and international venture capitalists (**H1A**). If, however, local knowledge and effective monitoring due to proximity are the most important factors in determining the success of venture capital investments, then we would expect entrepreneurial firms backed by syndicates of purely local venture capitalists to be the most successful (**H1B**). Finally, if venture capital expertise, local knowledge, and the monitoring advantage of proximity are complements, in the sense that all these factors are essential in determining the success of a venture capital investment, then we would expect entrepreneurial firms backed by syndicates of both international and local venture capitalists to be the most successful (**H1C**).

The second question we are interested in examining is the effect of geography on the success of venture capital investments. In particular, we are interested in examining how the distance between the venture capitalist and the entrepreneurial firm it invests in affects the success of the entrepreneurial firm. If distance exacerbates the difficulty in monitoring and the lack of local knowledge facing international venture capitalists, then we would expect entrepreneurial firms at a greater distance from the venture capitalists investing in them to be less successful (**H2**). Further, if syndication with local venture capitalists allows international venture capitalists to at least partially overcome the above deficiencies in terms of greater difficulty in monitoring and local knowledge, then we would expect the following. First, international venture capitalists that are farther away from entrepreneurial firms they invest in are more likely to syndicate with local venture capitalists (**H3**). Second, the negative association between the distance of the international

venture capitalist from the entrepreneurial firm and the probability of a successful outcome will be mitigated by syndicating with local venture capitalists (**H4**).

The third question we are interested in examining is the propensity of international and local venture capitalists to invest in early stage entrepreneurial firms. Since early stage investments are characterized by higher information asymmetry and uncertainty and may require greater monitoring, such investments would exacerbate the disadvantages of distance for international venture capitalists. In particular, we would expect that venture capitalists that are farther away are less likely to invest in early stage entrepreneurial firms (**H5**). We would also expect that international venture capitalists are less likely to invest in early stage entrepreneurial firms than local venture capitalists or a syndicate of local and international venture capitalists (**H6**). Finally, we would expect that the negative relation between the distance of the international venture capitalists from the entrepreneurial firm and the probability of a successful outcome is exacerbated (is even more negative) for investments in early stage entrepreneurial firms (**H7**).

The fourth question we are interested in examining is the staging of investments by international and local venture capitalists. If staging is a substitute for monitoring (and given that international venture capitalists at a greater distance from the entrepreneurial firms they invest in may have larger monitoring costs), we would expect international venture capitalists at a greater distance from entrepreneurial firms to stage their investments over a larger number of financing rounds (**H8**). We would expect staging over a larger number of financing rounds to mitigate the negative relationship between the probability of a successful outcome and the distance of the venture capitalist from the entrepreneurial firm (**H9**). Further, given that local venture capitalists have the advantage of proximity over international venture capitalists and may be less sophisticated (particularly in emerging markets), we would expect local venture capitalists to stage their investments over a fewer number of rounds compared to international venture capitalists (**H10**).

The final question we are interested in examining is how local venture capitalists' prior syndication experience with international venture capitalists affects their choice to syndicate again with international venture capitalists. Local venture capitalists can potentially gain venture capital expertise and skills by

interacting with international venture capitalists through a greater extent of syndication with them. If this is the case, we would expect local venture capitalists with a greater extent of prior syndication experience with international venture capitalists to have developed greater venture capital expertise and thus to be less likely to syndicate again with international venture capitalists (**H11**). Further, we expect local venture capitalists who have a greater extent of prior syndication experience with international venture capitalists to be more successful when they invest alone (compared to local venture capitalists that have a lesser extent of prior syndication experience with international venture capitalists) (**H12**).

3. Data

We draw our original sample of venture capital backed firm from the VentureXpert database over the twenty year period from 1989 to 2008. Prior to this period, there was almost no cross-border venture capital investment in emerging nations. We exclude buyouts and private equity investments from our sample. The VentureXpert database contains information about the nation of the venture capitalist as well as the nation of the entrepreneurial firm receiving venture financing which allows us to classify the venture capitalist as local or international. We exclude nations with fewer than 10 venture capital backed entrepreneurial firms over the entire sample period in order to exclude outlier nations. The final sample includes 30,071 venture backed firms from 45 countries.

3.1 Country and Year Distributions of Venture Capital Investments

Table 1 reports the distribution of countries of entrepreneurial firms in our sample that receive venture capital financing. The distribution is reported separately for entrepreneurial firms from emerging and developed nations. Nations are classified as emerging or developed using the World Bank classification of high income nations based on the 2008 real GNI per capita.[4] The statistics in Table 1 indicate that while the

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[4] The World Bank classifies economies according to the GNI per capita, calculated using the World Bank Atlas method. According to this definition, high income nations are those that had a 2008 GNI per capita of $11,906 or more. We

majority of venture capital backed entrepreneurial firms in our sample are in the US, there are a significant number of venture capital backed entrepreneurial firms in other countries. Not surprisingly, the BRIC countries (Brazil, Russia, India, and China) constitute the largest share of venture capital backed entrepreneurial firms in emerging nations. India and China have the highest levels of venture capital investment with roughly 46 percent and 21 percent of the total emerging nation venture capital investments, respectively. Other emerging nations with significant venture capital investments are Poland, Thailand, and Malaysia. Among developed nations, the US is the largest venture capital market followed by UK (5.84 percent of all developed nation venture capital investments), South Korea (4.99 percent), France (2.96 percent), Canada (2.8 percent), and Australia (2.17 percent).

Table 2 reports the yearly distribution of entrepreneurial firms receiving first round venture capital financing in the various emerging and developed nations in our sample. The figures in the table indicate the following. First, there is considerable disparity in the level of investments in developing and emerging nations. In 2008, 1563 entrepreneurial firms in developed nations received venture capital financing compared to just 116 entrepreneurial firms in emerging nations. Second, the rate of growth in venture capital investments in emerging nations is considerably higher compared to that in developed nations. In particular, the growth of venture capital investments in emerging nations over the time period from 1998 to 2008 is 59% compared to the almost 2% *decline* for developed nations over the same time period. Given the differences in the level of venture capital activity between emerging and developed nations, the higher growth rate in emerging nations is expected. Overall, these patterns suggest that there may be significant unsatisfied demand in emerging nations for venture capital financing and venture capital in these nations may have significant room to grow.

classify all high income nations (as defined above) as developed nations and non-high income countries as emerging nations.

3.2 Summary of the Data and Description of Important Variables

Table 3 reports the summary statistics for our sample of venture capital backed firms. We create various dummy variables to identify the location of the venture capitalist and their syndication choice. The local VC dummy is one if only local venture capitalists invest in the entrepreneurial firm in all rounds, and zero otherwise.[5] Similarly, local and international VC dummy is one if at least one local and one international venture capitalist invest in the entrepreneurial firm, and zero otherwise. The table indicates that purely local and local-international combination syndicates are more common for venture capital investments in developed nations, suggesting that investments by purely international venture capitalists is more common in emerging nations (since pure international venture capital investment is the complement of the sum of the local and local-international dummies). This is consistent with the idea that emerging markets may not have many local investors with sufficient experience in venture capital investing, potentially since venture capital investing requires providing extra-financial support to the entrepreneurial firm such as management support, board monitoring, and development of relationships with customers and suppliers (e.g., Hellmann and Puri (2000), Hellmann and Puri (2002), and Chemmanur, Krishnan, and Nandy (2010)). US VC dummy and UK VC dummy are variables that are one if there is a US or a UK venture capitalist, respectively, investing in the entrepreneurial firm, and zero otherwise. We find that US and UK venture capitalists are more likely to invest in entrepreneurial firms located in developed nations than those in emerging nations.

The average VC distance is the average distance between the country of all investing venture capitalists and the country of the entrepreneurial firm receiving venture financing, in thousands of miles. Distance between countries is measured as the distance between the capitals (or the most populated cities if the capital is sparsely populated) of the respective countries using the great circle formula.[6] The distance between a venture capitalist and an entrepreneurial firm in the same country is zero. Consistent with the previous result that a larger fraction of emerging nation venture capital investments are funded by

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[5] We also conduct our analyses with only the first round data and find qualitatively similar results to the ones reported in the paper.

[6] We obtain these distances from the CEPII website. Please see http://www.cepii.fr/anglaisgraph/bdd/distances.htm .

international venture capitalists, we find that the average distance between venture capitalists and entrepreneurial firms receiving venture financing is higher in emerging nations than in developed nations. The table also provides data on VC amount, which is the total amount of venture financing received by a firm; number of venture capitalists investing in the firm; VC age, which is the average age of all venture capitalists investing in the firm; and the total number of rounds of venture funding the firm obtains. We find that venture capital backed entrepreneurial firms in emerging nations get smaller investments, involve fewer and younger venture capitalists, and have fewer investment rounds than venture capital backed firms in developed nations.

4. Empirical Results

4.1 Exit rates of International Venture Capital Investments

4.1.1. Distance, Local-International Syndication, and Exit Rates

We conduct multinomial logit analyses of exit rates of venture capital backed firms through initial public offerings (IPOs) and acquisitions. Venture capital exit is the common metric of success used in the venture capital finance literature. In particular, IPO is considered to be the more profitable exit option for venture capitalists (Gompers (1995)). On the other hand, acquisitions of venture capital backed entrepreneurial firms by well-established firms is also a common method of exit (see, e.g., Bayar and Chemmanur (2010)). We term this channel as M&A exit. Table 4 reports the results of the multinomial logit regressions of the exit rates of venture capital investments in emerging, developed nations not including US, and all developed nations. We show a separate regression for developed markets without including the US since the venture capital industry in the US is significantly larger and more mature than those in other developed nations.[7] In addition to the variables described in Table 3, we also control for the country GDP of the nation of the entrepreneurial firm obtaining venture capital financing; a stock market development

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[7] While our analysis uses the entire dataset, we repeat the exit analysis using the set of firms that obtain their first round of venture capital financing prior to 2005 to ensure that our analysis is not biased by the venture investments that do not have sufficient time to mature and exit. Our results are qualitatively similar.

variable, which is the stock market capitalization of the nation of the firm receiving venture capital financing;[8] entrepreneurial firm-country fixed effects to control for country specific characteristics such as legal structure (see, e.g., La Porta and et al. (1997), La Porta and et al. (1998)); year of first round of venture capital financing fixed effects; industry fixed effects from VentureXpert; and fixed effects for the firm development stage at the time of the first round of venture capital financing (i.e., early, late, startup/seed, expansion, and other). We also include dummies for venture capitalists being from US and UK, since venture capitalists from these countries have the largest fraction of venture capital investments in the world, and may be better at adding value to their investments because of their significant experience.

Panel A of Table 4 reports the results of the multinomial logit regressions where the main test variable is VC distance, which is the log of one plus the average distance between the country of the venture capitalists which invest in the entrepreneurial firm and the country of the entrepreneurial firm. We find that, consistent with hypothesis (**H2**), VC distance has a negative and statistically significant association with the probability of IPO exit for entrepreneurial firms in emerging nations. Economically, an interquartile range increase in the distance between the international venture capitalist's country and the country of the entrepreneurial firm is associated with a 5.28 percentage point decrease in the probability of an IPO in emerging nations. We also find that that distance has a negative impact on M&A exits for venture capital backed entrepreneurial firms in developed nations, but only in the sample where US firms are included. In addition, we find some evidence that the presence of US and UK venture capitalists has a positive association with IPO exits of entrepreneurial firms in emerging nations. On the other hand, the presence of US and UK venture capitalists has a positive association with M&A exits in developed nations (UK venture capitalists also have a positive association with IPO exits in the non-US developed nation sample).

Panel B of Table 4 reports the results for multinomial regressions using syndicate structure variables on the right hand side. In particular, we test whether investment by purely local, purely international, or the combination of local and international venture capitalists is associated with higher success rates. We find that

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[8] Data on stock market capitalization is obtained from Beck, Demirguc-Kunt and Levine (2000) and Beck, Demirguc-Kunt and Levine (2009). We are grateful to the authors for making this data available.

the coefficient estimate on the local and international VC dummy is positive and significant for IPO exits in emerging nations. Using a Wald test, we also find that the coefficient estimate of local and international VC dummy is significantly larger than that of the local VC dummy for IPO exits in emerging markets. Thus, the combination of international and local venture capitalists is associated with a higher probability of IPO exit, consistent with the idea that combining international venture capitalists' venture capital skills and local venture capitalists' local market knowledge and proximity to the investment leads to the most favorable outcome, particularly in emerging nations. This result is also consistent with the idea that local venture capitalists in emerging nations may be weaker in terms of venture capital skills than international venture capitalists. Economically, combined investment by local and international venture capitalists is associated with a 9.2 percentage point increase in the probability of exit through IPOs in emerging nations.

For the non-US developed nation sample, the combination of local and international venture capitalists has a positive association with M&A exits. In particular, investment by local and international venture capitalists increases the probability of M&A exit by 2.5 percentage points in the non-US developed nation sample. This variable is not statistically significant in the sample of developed nations with the US, potentially because the US venture capitalists are the most sophisticated in the world, having had much more experience with venture capital investing than investors in other nations, and thus may not require the expertise of non-US venture capitalists for entrepreneurial firms based in the US. Thus, consistent with hypothesis (**H1C**), our results indicate that venture capital investments by local and international venture capitalists dominate those by purely local or purely international venture capital investing in emerging nations.

Overall, the results in this section indicate the following. First, distance is associated with worse outcomes for venture capitalists, particularly for IPO exits in emerging nations. Second, international and local venture capitalists experience higher IPO exit rates in emerging nations when they syndicate with each other, suggesting that the skills and expertise of local venture capitalists in emerging nations and international venture capitalists can complement each other.

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4.1.2 Syndication between Local and International VC investors

An extended interpretation of our results in Table 4 is that the negative association between the distance of the country of international venture capitalists from the country of the entrepreneurial firm and the rate of success (particularly IPO exits in emerging markets) is mitigated by syndicating with local venture capitalists. This is because international venture capitalists may be able to overcome their lack of local market knowledge and difficulty in monitoring farther away investments by syndicating with local venture capitalists. In this section, we try to provide more direct evidence for this argument.

First, we analyze the association between the distance of the international venture capitalist from the entrepreneurial firm and the probability that the international venture capitalist will syndicate with a local venture capitalist. We use the sample of entrepreneurial firms that obtain investment from at least one international venture capitalist. We conduct probit regressions with the local and international syndicate dummy as the dependent variable and the average distance of international venture capitalists and other controls as our independent variables. Our data for this analysis is at the round level, i.e., the unit of data is firm-round. We reshape our data into this form to explicitly account for an international venture capitalist's choice of syndication with a local venture capitalist at each round. In contrast, aggregating our data across rounds may not reflect this choice.

Table 5 reports the result of our probit regressions. We find that the average distance of international venture capitalists is positively associated with the probability of syndication with local venture capitalists in emerging nations, consistent with our prior results. Economically, an interquartile range increase in the distance of the international venture capitalist's country from the country of the entrepreneurial firm is associated with a 5.9 percentage point increase in the probability of syndicating with a local venture capitalist in emerging nations. We also find that US venture capitalists are more likely to syndicate with local venture capitalists in both emerging and developed nations. This is true for UK venture capitalists as well, but the results are somewhat weaker in this case. This result is consistent with the idea that venture capitalists in US and UK are sophisticated enough to understand their disadvantages of investing in international markets,

specifically their lack of local market knowledge and proximity. As a result, they will be more likely to seek partnerships with local venture capitalists.

We also analyze whether the syndication of international venture capitalists with local venture capitalists indeed mitigates the negative association between venture capitalist distance and exit rates that we find in Table 4. We conduct the multinomial legit regressions similar to those in Table 4 using the sample of firms with at least one international venture capitalist investing in the entrepreneurial firm and add the interaction between the international VC distance variable and the local and international VC dummy. A positive coefficient on the interaction variable would indicate that syndicating with a local venture capitalist indeed reduces the negative association between international venture capitalist distance and exit rates. Table 6 reports the result of this analysis and we find that the coefficient estimate on the interaction term is indeed positive for IPO success rates in emerging nations, and M&A success rates in developed nations. Thus, our results indicate that international venture capitalists syndicate with local venture capitalists to increase their chances of success, particularly when they are farther away from the country of the firm in which they invest.

Thus, the empirical results in this section are consistent with hypothesis (**H3**). That is, international venture capitalists are more likely to syndicate with local venture capitalists when they are farther away from the nation of the entrepreneurial firm. We also find that, consistent with hypothesis (**H4**), the negative association between the distance of the international venture capitalist and the probability of a successful outcome is mitigated by syndication between the international venture capitalist and local venture capitalists. Our results are stronger for venture capital investments in emerging nations. Further, local syndication mitigates the negative effect of distance on IPO exits in emerging markets whereas such syndication mitigates the negative effect of distance of M&A exits in developed markets. We do not find a statistically significant association between international venture capitalist distance and local syndication in developed nations, suggesting that the distance disadvantage for international venture capitalists is more important in emerging nations than in developed nations.

4.2 Early Stage Investments in International Venture Capital

In this section, we analyze whether and to what extent does the geography and syndicate structure affect the probability of venture capital investment in early stage entrepreneurial firms. Further, we analyze the effect of early stage investments on the negative association between the distance of the country of the international venture capitalist from that of the entrepreneurial firm and exit rates. In Table 7, we report the results of probit regressions where the dependent variable is an early stage investment dummy which is one if the investment is in an early stage entrepreneurial firm, and zero otherwise. Our results in specifications (1), (2), and (3) indicate that, consistent with our expectations, farther away venture capitalists are less likely to invest in early stage entrepreneurial firms. Since early stage firms are characterized by higher levels of information asymmetry and uncertainty as well as higher monitoring costs, and distance may further exacerbate such problems, farther away venture capitalists will attempt to reduce their costs and risk by investing in later stage firms. The negative association between venture capitalist distance and early stage investing exists for venture capital investments in both emerging and developed nations. However, our results are the strongest for emerging nations. Economically, an interquartile range increase in the distance from the venture capitalist's country to the country of the entrepreneurial firm is associated with a 31 percentage point reduction in the probability of investing in early stage entrepreneurial firms in emerging markets, while the same increase in distance is associated with a 8.7 percentage point reduction in developed nations (without the US sample) and 1.2 percentage point reduction in developed nations with the US sample.

In specifications (4), (5), and (6) of Table 7, we analyze the association between the type of venture capital syndicate (i.e., purely local, purely international, and local-international combination) and the probability of investing in early stage entrepreneurial firms. We find that, consistent with the results above, syndicates composed of purely international venture capitalists are less likely to invest in early stage firms than those composed of purely local or combined local and international venture capitalists. This result is significant not only for entrepreneurial firms in emerging nations but also for those in developed nations.

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Further, the economic significance of the local VC dummy is much higher for entrepreneurial firms in emerging nations than those in developed nations. The presence of a purely local venture capitalist is associated with a 28.5 percentage point increase in the probability of investment in an early stage entrepreneurial firm in emerging nations compared to purely international venture capitalists. This figure is 9.1 percentage points for entrepreneurial firms in developed nations (excluding the US) and 7.8 percentage points for entrepreneurial firms in developed nations including the US. The economic significance of the local and international VC dummy is slightly higher in emerging nations than in developed nations. The presence of local and international venture capitalists is associated with a 7.9 percentage point increase in the probability of early stage investment in emerging nations, and with a 6.4 percentage point increase in developed nations (excluding the US). When we include the US in the developed nation sample, the probability of early stage investment increases by 10.2 percentage points when the syndicate consists of local and international venture capitalists compared to when the syndicate consists of only international venture capitalists. This higher economic significance may indicate that early stage investment is more feasible in the US when international venture capitalists syndicate with local (i.e., US) venture capitalists than in other developed or emerging nations. Thus, we can estimate that the presence of purely international syndicates reduces the probability of early stage venture capital investment by 36.4, 15.5, and 18 percentage points in emerging nations, developed (non-US) nations, and developed nations including the US, respectively. That is, purely international venture capitalist syndicates are less likely to invest in early stage investments in emerging nations than in developed nations.

We also analyze whether international venture capitalists that are farther away from the country of the entrepreneurial firm avoid early stage investments because distance has a more negative impact on the success probability of early stage entrepreneurial firms compared to that of later stage entrepreneurial firms. Thus, we replicate the multinomial logit analyses in Table 6 for the sample of international venture capital backed entrepreneurial firms and add the interaction variable between the early stage dummy and the international VC distance variable. Our results, reported in Table 8, are consistent with our expectations.

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That is, in both emerging and developed nations, the interaction between the early stage dummy and international VC distance has a negative and statistically significant coefficient estimate for IPO exits. The interaction variable is also negative and statistically significant for M&A exits in the developed nations excluding the US sample. Therefore, our results suggest that early stage venture capital investments exacerbate the disadvantages associated with the lack of proximity due to which such investments by farther away venture capitalists are associated with lower success rates.

Thus, the results in this section are consistent with the conjecture that farther away international venture capitalists are less likely to invest in early stage entrepreneurial firms, consistent with (**H5**). While this effect is observed in both emerging and developed nations, it is economically stronger in emerging nations. Further, syndicates with purely international venture capitalists are less likely to invest in early stage entrepreneurial firms, consistent with (**H6**), and this effect is stronger for investments in emerging nations than those in developed nations. We also find results consistent with (**H7**), that is, investment in early stage entrepreneurial firms is associated with an even more negative relation between venture capitalists distance and the probability of successful exit. This result is true for entrepreneurial firms in both emerging and developed nations. Thus, while distance has a negligible impact on the success of entrepreneurial firms in developed nations on average, such an association becomes negative and significant for investments in early stage entrepreneurial firms. On the other hand, early stage investments exacerbate the negative association between venture capitalist distance and success rates in emerging nations.

4.3 Staging in International Venture Capital Investments

In this section, we analyze staging patterns in international venture investments. Since international venture capitalists that are farther away may find it harder to monitor their investments, we expect that the distance between the country of the venture capitalist and the country of the entrepreneurial firm will be positively associated with staging. We use the number of rounds over which the entrepreneurial firm receives

venture capital financing as our measure of staging. Since this is a count variable, we conduct Poisson regressions.

Table 9 reports the results of the Poisson regressions. We find that, consistent with our hypothesis (**H8**), distance between the country of the venture capitalist and that of the entrepreneurial firm has a positive association with staging for entrepreneurial firms located in emerging nations (specification (1)). In particular, an interquartile range increase in the distance between the venture capitalist's country and the country of the entrepreneurial firm is associated with a 14.8 percent increase in the number of rounds. This result is consistent with the idea that international venture capitalists that are farther away attempt to mitigate their disadvantage due to distance by staging their investments over more rounds. Our results also indicate that older venture capitalists are more likely to stage their investments, regardless of the development stage of the country of the entrepreneurial firm, consistent with staging being conducted by more experienced venture capitalists.

In specifications (4), (5), and (6) of Table 9, we analyze the extent of staging by syndicates composed of purely local, purely international, or the combination of local and international venture capitalists. We find that purely local venture capitalists in emerging nations are less likely to stage venture investments than purely international venture capitalists, consistent with hypothesis (**H10**). Economically, entrepreneurial firms with investment by purely local venture capitalists in emerging nations are associated with 6.85% fewer rounds than those with investments made by purely international venture capitalists. This result is consistent with the idea that local venture capitalists do not need to produce information about their investments through staging since they already have better information about the entrepreneurial firm and market in which the firm operates. This result is also consistent with the idea that local venture capitalists in emerging nations are not as sophisticated as international venture capitalists regarding strategies such as staging for monitoring their investments.

Thus, we find that the distance of the venture capitalist is positively related to the extent of staging in venture capital investments in emerging markets. We expect that staging may mitigate the negative

association between distance and success rates for international venture capitalists investing in emerging nations. Thus, we conduct multinomial regressions similar to those in Table 6 using the sample of firms where at least one international venture capitalist invests in the entrepreneurial firm. We interact a staging dummy, which we define to be one if venture capital financing is disbursed to the firm over multiple rounds and zero otherwise, with the distance of the nation of the international venture capitalist from the nation of the entrepreneurial firm. Our results, reported in Table 10, are consistent with expectations. That is, the interaction between the distance of the venture capitalist and the staging dummy has a positive coefficient estimate for IPO exits in emerging nations. Thus, we find that, in emerging nations, staging mitigates the negative effect of the lack of proximity for international venture capitalists on the success of their investments. This result is consistent with our hypothesis (**H9**).

In summary, our results indicate that venture capital investments in emerging nations are more likely to be staged by venture capitalists that are farther away from the country of the entrepreneurial firm. Local venture capitalists are less likely to stage than international venture capitalists for investments in entrepreneurial firms in emerging nations. Further, staging of venture capital investments in emerging nations mitigates the negative association between the distance of international venture capitalists from the entrepreneurial firm and the IPO exit rate. Thus, our results suggest that staging helps international venture capitalists to mitigate their disadvantage of lack of proximity to their investments in emerging nations.

4.4 Learning by Local Venture Capitalists and Local and International Venture Capitalist Syndication

In this section, we provide additional evidence for the conjecture that local venture capitalists benefit from syndicating with international venture capitalists because they are able to mitigate their lack of venture capital skills and expertise through such collaboration. We test this conjecture by analyzing how the choice between purely local venture capital versus local and international venture capital syndication depends on the extent of prior interaction of the local venture capitalist with international venture capitalists. Our main analysis variable is a dummy variable, called high prior syndication, which is one if the number of rounds in

which the local venture capitalists syndicated with international venture capitalists is greater than the sample median, and zero otherwise. We use a dichotomous variable since we that expect learning by the local venture capitalist will not be linear in the number of interactions, but rather a process that takes multiple interactions.

In Table 11, we report probit regression results for the choice in a particular round between purely local and local-international venture capitalist syndication. The data is analyzed at the round level since syndication choices are made at the round level.[9] Our results indicate that the local venture capitalists that have had a greater extent of prior interaction with international venture capitalists are less likely to syndicate with international venture capitalists. This result suggests that a potential benefit of syndicating with international venture capitalists, which is their expertise in venture capital investing, is greater for local venture capitalists that have lower venture capital investing experience. The results are statistically and economically significant for both emerging and non-US developed nations. In particular, local venture capitalists that have a greater extent of prior syndication experience with international venture capitalists are associated with a 7.7 percentage point reduction in the probability of syndication with international venture capitalists in emerging nations and with a 19 percentage point reduction in the probability of syndication with international venture capitalists in non-US developed nations. As a fraction of the unconditional rate of international syndication (19.3 percentage points in emerging nations and 33.5 percentage points in non-US developed nations), the magnitude of decrease in international syndication probability is 40 percent in emerging nations and 56 percent in non-US developed nations.

We also analyze whether the relation between investment by purely local venture capitalists and successful exit outcomes depends on the extent of prior syndication of the local venture capitalists with international venture capitalists. We thus conduct multinomial logit regressions with IPO and M&A exit rates as dependent variables and the interaction of local VC dummy and high prior syndication dummy, local VC dummy, and other controls as independent variables. The results, reported in Table 12, show a positive

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[9] The US and UK venture capitalist dummies are dropped in these regressions because of collinearity.

coefficient estimate on the interaction term for IPO exits suggesting that investments made by purely local venture capital syndicates are more likely to be successful if they have had greater syndication experience with international venture capitalists in the past.[10] This result holds for IPO exits in both emerging and developed nations. However, we also find that the coefficient estimate for the interaction term is negative for M&A exits in emerging nations, which is counter to the above conjecture. We find that the economic impact of the interaction between local VC dummy and the high prior syndication dummy on the probability of M&A exit is quite small. In particular, we find that for a purely local venture capitalist in emerging markets, a high level of prior syndication experience with international venture capitalists decreases the probability of M&A exit by 0.01 percentage points while it increases the probability of IPO exit by 2.3 percentage points.

In summary, the results in this section indicate that the probability that a local venture capitalist will syndicate with international venture capitalists is negatively related to the extent of the local venture capitalist's prior syndication experience with international venture capitalists, consistent with hypothesis (**H11**). Further, local venture capitalists that syndicate with international venture capitalists to a greater extent are also more likely to be successful than local venture capitalists that syndicate with international venture capitalists to a lesser extent, consistent with hypothesis (**H12**). These results suggests that local venture capitalists that have a lesser extent of prior syndication experience with international venture capitalists may be more disadvantaged in terms of their venture capital skills, and thus need to syndicate with international venture capitalists to overcome this disadvantage. This is consistent with the idea that a significant motivation for local venture capitalists to syndicate with international venture capitalists is to overcome their relative lack of venture capital skills.

4.5 Post-IPO Operating Performance of International Venture Capital Investments.

As a robustness check for our exit regressions in Table 4, we also analyze the post-IPO operating performance of firms obtaining venture capital investments. Our dependent variable is the three year average

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[10] The US VC dummy is dropped in this table because of collinearity.

of the post-IPO operating income to assets of the entrepreneurial firm that obtained venture capital financing and went public in their local markets. We obtain our data on operating performance from various data-sources including the Bureau Van Dijk's Osiris, Global Compustat, and CMIE Prowess databases. Since only a subset of entrepreneurial firms actually exit through IPOs, and since not all entrepreneurial firms exiting through IPOs have data in our data sources (data had to be hand-matched to the various data sources using firm names), the sample for this analysis is significantly smaller than the sample used in previous analyses.

Table 13 reports OLS regressions of the post-IPO operating performance on the independent variables similar to those in the exit regressions in Table 4. To control for entrepreneurial firm size, we use assets, which is the log of the IPO year assets of the entrepreneurial firm in US Dollars. Our distance variable is significant and negative for the non-US developed nations sample, but not for the emerging nations or the developed nations with US sample, although all coefficient estimates are negative. For the developed nation (non-US) sample, an interquartile range increase in distance is associated with 29.6 percentage point decline in the average post-IPO operating performance of venture capital backed entrepreneurial firms. As mentioned before, the diminished significance in the regression for the emerging nation sample could be because of loss of power due to the significantly smaller sample size.

When we use the local VC and the local and international VC dummy in columns (4), (5), and (6), we find that our results mirror those in Table 4; i.e., syndicates composed of both international and local venture capitalists in emerging nations are associated with better post-IPO operating performance of entrepreneurial firms they back. Economically, the presence of local and international venture capitalists is associated with a 7.1 percentage point increase in the post-IPO operating performance of entrepreneurial firms in emerging markets. This result is consistent with the idea that the combination of local venture capitalists' location-specific skills and proximity advantage and international venture capitalists' venture capital skills has a long-lived impact on the firm obtaining venture financing.

5. Conclusion

We study the relation between the probability of a successful outcome for venture capital backed entrepreneurial firms and syndication with local venture capitalists, early stage investments, and the extent of staging. Our findings are as follows. Venture capital investments by syndicates composed of international and local venture capitalists are more successful than venture capital investments by syndicates composed of purely international or purely local venture capitalists. Further, greater distance between the country of the venture capitalist and that of the entrepreneurial firm is associated with a lower probability of success. Farther away international venture capitalists are more likely to syndicate with local venture capitalists and stage their investments over more rounds, and are less likely to invest in early stage entrepreneurial firms, potentially to mitigate their deficiencies related to the lack of knowledge of local markets and higher monitoring costs. Consistent with this, we find that syndication with local venture capitalists and greater staging by international venture capitalists mitigates the negative association between the distance from the international venture capitalist to the entrepreneurial firm and the successful outcome of the venture capital investment. On the other hand, investment in early stage entrepreneurial firms exacerbates this negative association. The above results are stronger for venture capital investments in emerging nations than for those in developed nations, which is consistent with the notion that the difficulties in monitoring and the deficiencies in local knowledge faced by international venture capitalists are more important in emerging markets.

Finally, we find that local venture capitalists that have a greater extent of syndication experience with international venture capitalists are less likely to syndicate again with international venture capitalists and have higher success rates than local venture capitalists that have a lesser extent of syndication experience with international venture capitalists. This result suggests that an important motivation for local venture capitalists to syndicate with international venture capitalists is to overcome their lack of venture capital investing skills. Overall, our results indicate that the greater expertise of international venture capitalists and the superior local knowledge and lower monitoring costs of local venture capitalists are both important in

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obtaining successful outcomes and backing by syndicates consisting of the two kinds of venture capitalists enable entrepreneurial firms to benefit from their strengths.

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Table 1: Venture Capital Investments in Emerging and Developed Nations

This table reports the distribution of venture capital financed firms by the venture capital backed entrepreneurial firm's country. The frequencies and respective percentages are tabulated separately for emerging and developed nations. We categorize emerging nations as all non-high income nations and developed nations as all high income nations, as classified by the World Bank. The World Bank classifies economies according to the GNI per capita, calculated using the World Bank Atlas method. According to this definition, high income nations are those that had a 2008 GNI per capita of $11,906 or more.

Emerging Nations	Frequency	Percentage	Developed Nations	Frequency	Percentage
Argentina	15	0.79	Australia	611	2.17
Brazil	154	8.14	Austria	71	0.25
China	400	21.15	Belgium	180	0.64
India	878	46.43	Canada	790	2.80
Indonesia	22	1.16	Croatia	10	0.04
Malaysia	79	4.18	Czech Republic	31	0.11
Mexico	14	0.74	Denmark	151	0.54
Nigeria	12	0.63	Finland	166	0.59
Philippines	20	1.06	France	833	2.96
Poland	81	4.28	Germany	543	1.93
Romania	34	1.80	Greece	10	0.04
Russia	55	2.91	Hong Kong	138	0.49
South Africa	39	2.06	Hungary	58	0.21
Thailand	76	4.02	Iceland	19	0.07
Vietnam	12	0.63	Ireland	188	0.67
Total	1,891		Israel	389	1.38
			Italy	106	0.38
			Japan	433	1.54
			Luxembourg	18	0.06
			Netherlands	143	0.51
			New Zealand	72	0.26
			Norway	101	0.31
			Portugal	86	0.31
			Singapore	168	0.60
			South Korea	1,407	4.99
			Spain	271	0.96
			Sweden	317	1.12
			Switzerland	133	0.47
			United Kingdom	1,645	5.84
			United States	19,092	67.75
			Total	28,180	

Table 2: Venture Capital Investments by Year

This table reports the distribution of venture capital backed entrepreneurial firms by their first round investment year. The frequencies and respective percentages are tabulated separately for emerging and developed nations. We categorize emerging nations as all non-high income nations and developed nations as all high income nations, as classified by the World Bank. The World Bank classifies economies according to the GNI per capita, calculated using the World Bank Atlas method. According to this definition, high income nations are those that had a 2008 GNI per capita of $11,906 or more.

Year	Emerging Nations Frequency	Percentage	Developed Nations Frequency	Percentage
1989	4	0.21	552	1.96
1990	3	0.16	388	1.38
1991	23	1.22	276	0.98
1992	35	1.85	405	1.44
1993	25	1.32	337	1.20
1994	42	2.22	398	1.41
1995	55	2.91	880	3.12
1996	86	4.55	1,314	4.66
1997	85	4.49	1,388	4.93
1998	73	3.86	1,599	5.67
1999	126	6.66	2,951	10.47
2000	354	18.72	5,075	18.01
2001	169	8.94	2,281	8.10
2002	123	6.50	1,299	4.61
2003	137	7.24	1,191	4.23
2004	121	6.40	1,343	4.77
2005	121	6.40	1,569	5.57
2006	94	4.97	1,643	5.83
2007	99	5.24	1,727	6.13
2008	116	6.13	1,563	5.55
Total	1,891		28,180	

Table 3: Summary Statistics of Venture Capital Backed Firms

This table reports summary statistics for venture capital backed entrepreneurial firms in emerging and developed nations. *Local VC dummy* is a dummy variable which equals one if all venture capitalists investing in the firm are located in the same nation as the entrepreneurial firm, and zero otherwise; *Local and international VC dummy* is a dummy variable which equals one if at least one venture capitalist investing in the entrepreneurial firm is located in the same country as the entrepreneurial firm and at least one venture capitalist is located outside the entrepreneurial firm's country, and zero otherwise; *US VC Dummy* is a dummy variable that equals one if at least one US venture capitalist invests in the firm, and zero otherwise; *UK VC Dummy* is a dummy variable that equals one if at least one UK venture capitalist invests in the firm, and zero otherwise. *Average VC distance* is the average distance, in thousands of miles, between the entrepreneurial firm's nation and the nation of each venture capitalist investing in the entrepreneurial firm; *VC investment amount* is the total amount of venture capital invested in the entrepreneurial firm, in thousands of US dollars; *Number of VCs* is the total number of venture capitalists that invest in the project; *VC age* is the average age of all venture capitalists investing in an entrepreneurial firm; *Number of rounds* is the number of the rounds of venture capital.

		Emerging Nations	Developed Nations	Difference
Local VC dummy	Mean	0.463	0.706	-0.242***
	Observations	1891	28180	
Local and international VC dummy	Mean	0.179	0.216	-0.036***
	Observations	1891	28180	
US VC dummy	Mean	0.390	0.813	-0.423***
	Observations	1891	28180	
UK VC dummy	Mean	0.037	0.098	-0.061***
	Observations	1891	28180	
Average VC distance	Mean	2.417	0.619	1.798***
(thousands of miles)	Median	0.973	0.000	0.973***
	Observations	1891	28180	
VC amount	Mean	12281.23	19881.70	-7600.47***
(thousands US$)	Median	2340.00	5999	-3659.00***
	Observations	1891	28180	
Number of VCs	Mean	1.617	3.278	-1.662***
	Median	1.000	2.000	-1.000***
	Observations	1891	28180	
VC age	Mean	6.561	9.211	-2.650***
	Median	5.500	9.000	-3.500***
	Observations	1891	28180	
Number of rounds	Mean	1.487	2.624	-1.137***
	Median	1.000	2.000	-1.000***
	Observations	1891	28180	

Table 4: Effect of Venture Capitalist Distance and Local Syndication on Probability of Exit

This table reports the results of multinomial logit estimation with the type of Exit (i.e., No Exit, IPO, or M&A) as the dependent variable. No Exit is the base case outcome. Panel A explores the effect of venture capitalist distance on the probability of a successful exit. Panel B explores the effect of syndication type on the probability of a successful exit. The independent variables are: *VC distance,* which is the log of one plus the average distance, in thousands of miles, between the entrepreneurial firm's nation and the nation of each venture capitalist investing in the entrepreneurial firm; *Local VC dummy,* which is a dummy variable which equals one if all venture capitalists investing in the firm are located in the same nation as the entrepreneurial firm, and zero otherwise; *Local and international VC dummy,* which is a dummy variable which equals one if at least one venture capitalist investing in the entrepreneurial firm is located in the same country as the entrepreneurial firm and at least one venture capitalist is located outside the entrepreneurial firm's country, and zero otherwise; *Firm country GDP*, which is the GDP of the entrepreneurial firm's country in trillions of dollars; *VC investment amount*, which is the log of the total amount of venture capital invested in the entrepreneurial firm, in thousands of US dollars; *Number of VCs*, which the total number of venture capitalists that have invested in the project; *VC age*, which is the average age of all venture capitalists investing in an entrepreneurial firm; *Number of rounds*, which is the number of the rounds of venture capital that the entrepreneurial firm receives; *Stock market development*, which is the entrepreneurial firm nation's total stock market capitalization in trillions of US dollars; *US VC Dummy*, which is a dummy variable that equals one if at least one US venture capitalist invests in the firm, and zero otherwise; *UK VC Dummy,* which is a dummy variable that equals one if at least one UK venture capitalist invests in the firm, and zero otherwise. Fixed effects are included for the year of the investment round, firm financing stage, the firm's industry, and the firm's nation. The regression is also separately estimated for investments in emerging nations, developed nations (non-US), and developed nation including the US. Heteroskedasticity corrected robust p-values, which are clustered on the firm's nation, are in brackets. The regression is estimated with an intercept term. ***, **, and * represent statistical significance at the 1, 5, and 10 percent levels, respectively.

Panel A

	Emerging Nations		Developed Nations		Developed Nations with US	
	IPO	MA	IPO	MA	IPO	MA
VC distance	-0.321**	0.187	-0.044	-0.046	-0.010	-0.120***
	[0.014]	[0.385]	[0.589]	[0.599]	[0.858]	[0.000]
Firm country GDP	-2.487***	-1.617**	0.031	-0.028	-0.589***	-0.519***
	[0.000]	[0.043]	[0.966]	[0.980]	[0.002]	[0.001]
VC investment amount	0.306***	0.265***	0.243***	0.247***	0.462***	0.257***
	[0.000]	[0.000]	[0.000]	[0.000]	[0.000]	[0.000]
Number of VCs	0.039	0.171***	0.082*	0.059**	0.071***	0.033***
	[0.208]	[0.002]	[0.073]	[0.022]	[0.000]	[0.000]
VC age	-0.012	0.018	-0.003	-0.003	0.004	-0.006
	[0.769]	[0.392]	[0.873]	[0.847]	[0.607]	[0.232]
Number of rounds	0.093***	-0.222***	-0.141***	-0.093***	-0.169***	-0.046***
	[0.007]	[0.003]	[0.000]	[0.001]	[0.000]	[0.002]
Stock market development	1.884***	-2.741**	-0.060	-0.206	0.031	0.050
	[0.000]	[0.023]	[0.530]	[0.294]	[0.458]	[0.180]
US VC dummy	0.498**	-0.095	0.150	0.193**	-0.153	0.233***
	[0.025]	[0.698]	[0.252]	[0.035]	[0.317]	[0.000]
UK VC dummy	0.788***	0.217	0.267*	0.420***	0.114	0.212**
	[0.000]	[0.583]	[0.088]	[0.000]	[0.233]	[0.033]
Observations	1891	1891	9088	9088	28180	28180
Pseudo R-sq	0.174	0.174	0.193	0.193	0.172	0.172

Panel B

	Emerging Nations		Developed Nations		Developed Nations with US	
	IPO	MA	IPO	MA	IPO	MA
Local VC dummy	0.143	-0.120	-0.269	-0.105	-0.109	0.160**
	[0.332]	[0.586]	[0.245]	[0.486]	[0.531]	[0.048]
Local and international VC dummy	0.804***	-0.045	0.049	0.279**	0.016	0.044
	[0.000]	[0.823]	[0.794]	[0.029]	[0.929]	[0.715]
Firm country GDP	-2.596***	-1.606**	0.055	-0.079	-0.596***	-0.520***
	[0.000]	[0.048]	[0.938]	[0.945]	[0.001]	[0.001]
VC investment amount	0.306***	0.269***	0.236***	0.246***	0.460***	0.257***
	[0.000]	[0.000]	[0.000]	[0.000]	[0.000]	[0.000]
Number of VCs	-0.017	0.161***	0.080*	0.043*	0.067***	0.036***
	[0.655]	[0.004]	[0.064]	[0.084]	[0.000]	[0.000]
VC age	-0.008	0.020	-0.004	-0.001	0.004	-0.006
	[0.832]	[0.400]	[0.834]	[0.939]	[0.660]	[0.256]
Number of rounds	0.088**	-0.223***	-0.139***	-0.096***	-0.168***	-0.045***
	[0.011]	[0.002]	[0.000]	[0.001]	[0.000]	[0.002]
Stock market development	2.039***	-2.762**	-0.050	-0.202	0.031	0.050
	[0.000]	[0.025]	[0.610]	[0.306]	[0.448]	[0.183]
US VC dummy	-0.106	0.094	-0.128	-0.074	-0.231**	0.218***
	[0.718]	[0.691]	[0.477]	[0.568]	[0.039]	[0.000]
UK VC dummy	0.549**	0.280	0.214	0.347***	0.059	0.231***
	[0.014]	[0.462]	[0.176]	[0.000]	[0.557]	[0.002]
Observations	1891	1891	9088	9088	28180	28180
Pseudo R-sq	0.178	0.178	0.194	0.194	0.172	0.172

**Table 5: Effect of International Venture Capitalist Distance on the
Probability of Syndication with Local Venture Capitalists**

This table reports the results of a probit estimation with the dummy as the dependent variable, which equals one if the syndicate consists of international and local venture capitalists and zero if the syndicate consists of purely international venture capitalists. Each observation represents a unique firm round. The independent variables are: *Intl. VC distance*, which is the log of one plus the average distance in thousands of miles between the entrepreneurial firm's nation and the nation of each international venture capitalist investing in the entrepreneurial firm; *Firm country GDP*, which is the GDP of the entrepreneurial firm's country in trillions of dollars; *VC investment amount*, which is the log of the total amount of venture capital invested in the entrepreneurial firm, in thousands of US dollars; *VC age*, which is the average age of all venture capitalists investing in an entrepreneurial firm; *Stock market development*, which is the entrepreneurial firm nation's total stock market capitalization in trillions of US dollars; *US VC Dummy*, which is a dummy variable that equals one if at least one US venture capitalist invests in the firm, and zero otherwise; *UK VC Dummy,* which is a dummy variable that equals one if at least one UK venture capitalist invests in the firm, and zero otherwise. Fixed effects are included for the year of the investment round, firm financing stage, the firm's industry, and the firm's nation. The regression is also separately estimated for investments in emerging nations, developed nations (non-US), and developed nation including the US. Heteroskedasticity corrected robust p-values, which are clustered on the firm's nation, are in brackets. The regression is estimated with an intercept term. ***, **, and * represent statistical significance at the 1, 5, and 10 percent levels, respectively.

	(1) Emerging Nations	(2) Developed Nations	(3) Developed Nations with US
Intl. VC distance	0.276*	0.247	-0.224
	[0.074]	[0.290]	[0.101]
Firm country GDP	-0.052***	-0.093***	-0.090***
	[0.000]	[0.000]	[0.000]
VC investment amount	0.382	0.288	-0.188**
	[0.583]	[0.608]	[0.014]
VC age	-0.002	0.005	0.044
	[0.943]	[0.883]	[0.269]
Stock market development	-0.034	0.016	-0.059***
	[0.939]	[0.895]	[0.010]
US VC dummy	0.971***	0.924***	2.412***
	[0.000]	[0.000]	[0.003]
UK VC dummy	0.495*	1.031	1.082**
	[0.075]	[0.120]	[0.040]
Observations	1252	7243	13488
Pseudo R-sq	0.182	0.249	0.436

Table 6: Effect of Local Syndication on the Relation between International Venture Capitalist Distance and the Probability of Exit

This table reports the results of multinomial logit estimation with Type of Exit (i.e., No Exit, IPO, or M&A) as the dependent variable. No Exit is the base case outcome. The independent variables are: *Intl. VC distance*, which is the log of one plus the average distance in thousands of miles between the entrepreneurial firm's nation and the nation of each international venture capitalist investing in the entrepreneurial firm; *Intl. VC distance*local and international VC dummy,* which is the average international VC distance interacted with local and international VC dummy (*local and international VC dummy* is a dummy variable which equals one if the syndicate consists of international and local venture capitalists and zero if the syndicate consists of purely international venture capitalists); *Firm country GDP*, which is the GDP of the entrepreneurial firm's country in trillions of dollars; *VC investment amount*, which is the log of the total amount of venture capital invested in the entrepreneurial firm, in thousands of US dollars; *Number of VCs*, which the total number of venture capitalists that have invested in the project; *VC age*, which is the average age of all venture capitalists investing in an entrepreneurial firm; *Number of rounds*, which is the number of the rounds of venture capital that the entrepreneurial firm receives; *Stock market development*, which is the entrepreneurial firm nation's total stock market capitalization in trillions of US dollars; *US VC Dummy*, which is a dummy variable that equals one if at least one US venture capitalist invests in the firm, and zero otherwise; *UK VC Dummy,* which is a dummy variable that equals one if at least one UK venture capitalist invests in the firm, and zero otherwise. Fixed effects are included for the year of the investment round, firm financing stage, the firm's industry, and the firm's nation. The regression is also separately estimated for investments in emerging nations, developed nations (non-US), and developed nation including the US. Heteroskedasticity corrected robust p-values, which are clustered on the firm's nation, are in brackets. The regression is estimated with an intercept term. ***, **, and * represent statistical significance at the 1, 5, and 10 percent levels, respectively.

	Emerging Nations		Developed Nations		Developed Nations with US	
	IPO	MA	IPO	MA	IPO	MA
Intl. VC distance *local and international VC dummy	0.240**	-0.108	0.084	0.164*	0.073	0.169***
	[0.026]	[0.356]	[0.381]	[0.064]	[0.316]	[0.008]
Intl. VC distance	-1.013***	0.086	-0.306	-0.191**	-0.252**	-0.215***
	[0.001]	[0.796]	[0.111]	[0.047]	[0.012]	[0.000]
Firm country GDP	-2.160***	-1.305**	-0.142	0.098	-0.722***	-0.659***
	[0.000]	[0.019]	[0.856]	[0.915]	[0.000]	[0.000]
VC investment amount	0.302***	0.216***	0.260***	0.232***	0.357***	0.235***
	[0.000]	[0.002]	[0.000]	[0.000]	[0.000]	[0.000]
Number of VCs	0.003	0.165***	0.051	0.042*	0.051***	0.014
	[0.938]	[0.008]	[0.210]	[0.065]	[0.000]	[0.174]
VC age	-0.029	-0.010	-0.015	-0.006	-0.006	-0.006
	[0.321]	[0.790]	[0.380]	[0.768]	[0.663]	[0.581]
Number of rounds	0.042	-0.207***	-0.169***	-0.114***	-0.186***	-0.059**
	[0.390]	[0.000]	[0.000]	[0.000]	[0.000]	[0.018]
Stock market development	3.131***	-3.903**	0.031	-0.462**	0.043	0.019
	[0.001]	[0.015]	[0.666]	[0.041]	[0.321]	[0.626]
US VC dummy	0.904**	0.239	0.154	0.048	0.018	0.029
	[0.013]	[0.525]	[0.456]	[0.769]	[0.923]	[0.728]
UK VC dummy	0.720***	0.582*	0.227	0.427***	0.046	0.221**
	[0.001]	[0.064]	[0.211]	[0.000]	[0.729]	[0.041]
Observations	1015	1015	4834	4834	8299	8299
Pseudo R-sq	0.190	0.190	0.176	0.176	0.170	0.170

Table 7: Effect of Venture Capitalist Distance on the Financing of an Early Stage Entrepreneurial Firm

This table reports the results of a probit estimation with the early stage dummy as the dependent variable, which equals one if entrepreneurial firm is an early, seed, or startup level firm in its firm round of financing, and zero otherwise. The independent variables are: *VC distance,* which is the log of one plus the average distance, in thousands of miles, between the entrepreneurial firm's nation and the nation of each venture capitalist investing in the entrepreneurial firm; *Local VC dummy,* which is a dummy variable which equals one if all venture capitalists investing in the firm are located in the same nation as the entrepreneurial firm, and zero otherwise; *Local and international VC dummy,* which is a dummy variable which equals one if at least one venture capitalist investing in the entrepreneurial firm is located in the same country as the entrepreneurial firm and at least one venture capitalist is located outside the entrepreneurial firm's country, and zero otherwise; *Firm country GDP*, which is the GDP of the entrepreneurial firm's country in trillions of dollars; *Number of VCs*, the total number of venture capitalists that have invested in the project; *VC age*, which is the average age of all venture capitalists investing in an entrepreneurial firm; *Stock market development*, which is the entrepreneurial firm nation's total stock market capitalization in trillions of US dollars; *US VC Dummy*, which is a dummy variable that equals one if at least one US venture capitalist invests in the firm, and zero otherwise; *UK VC Dummy,* which is a dummy variable that equals one if at least one UK venture capitalist invests in the firm, and zero otherwise. Fixed effects are included for the year of the investment round, the firm's industry, and the firm's nation. The regression is also separately estimated for investments in emerging nations, developed nations (non-US), and developed nation including the US. Heteroskedasticity corrected robust p-values, which are clustered on the firm's nation, are in brackets. The regression is estimated with an intercept term. ***, **, and * represent statistical significance at the 1, 5, and 10 percent levels, respectively.

	(1)	(2)	(3)	(4)	(5)	(6)
	Emerging Nations	Developed Nations	Developed Nations with US	Emerging Nations	Developed Nations	Developed Nations with US
VC distance	-0.505***	-0.201***	-0.123***			
	[0.000]	[0.000]	[0.000]			
Local VC dummy				0.773***	0.233***	0.200***
				[0.000]	[0.003]	[0.001]
Local and international VC dummy				0.206*	0.162***	0.269***
				[0.056]	[0.001]	[0.000]
Firm country GDP	0.957**	0.878**	0.309***	0.981**	0.896**	0.304***
	[0.049]	[0.044]	[0.006]	[0.042]	[0.041]	[0.005]
VC age	-0.479*	-0.096	-0.089***	-0.416*	-0.103	-0.085***
	[0.064]	[0.191]	[0.000]	[0.094]	[0.168]	[0.000]
Stock market development	0.015*	-0.030***	-0.012**	0.014*	-0.030***	-0.012**
	[0.068]	[0.001]	[0.033]	[0.081]	[0.001]	[0.047]
US VC dummy	0.626***	0.500***	0.304***	0.381***	0.380***	0.184***
	[0.000]	[0.000]	[0.000]	[0.001]	[0.001]	[0.000]
UK VC dummy	0.013	0.002	0.094*	-0.010	-0.012	0.011
	[0.904]	[0.972]	[0.055]	[0.934]	[0.847]	[0.819]
Observations	1,887	9,085	28,177	1,887	9,085	28,177
Pseudo R-sq	0.134	0.119	0.118	0.138	0.119	0.118

Table 8: Effect of Early Stage Investment on the Relation between International Venture Capitalist Distance and the Probability of Exit

This table reports the results of multinomial logit estimation with Type of Exit (i.e., No Exit, IPO, or M&A) as the dependent variable. No Exit is the base case outcome. The independent variables are: *Intl. VC distance*, which is the log of one plus the average distance in thousands of miles between the entrepreneurial firm's nation and the nation of each international venture capitalist investing in the entrepreneurial firm; *Intl. VC distance*Early dummy,* which is average international VC distance interacted with a dummy variable for entrepreneurial firms in the early, seed, or startup financing stages in their first round of financing; *Firm country GDP*, which is the GDP of the entrepreneurial firm's country in trillions of dollars; *VC investment amount*, which is the log of the total amount of venture capital invested in the entrepreneurial firm, in thousands of US dollars; *Number of VCs*, which the total number of venture capitalists that have invested in the project; *VC age*, which is the average age of all venture capitalists investing in an entrepreneurial firm; *Number of rounds*, which is the number of the rounds of venture capital that the entrepreneurial firm receives; *Stock market development*, which is the entrepreneurial firm nation's total stock market capitalization in trillions of US dollars; *US VC Dummy*, which is a dummy variable that equals one if at least one US venture capitalist invests in the firm, and zero otherwise; *UK VC Dummy,* which is a dummy variable that equals one if at least one UK venture capitalist invests in the firm, and zero otherwise. Fixed effects are included for the year of the investment round, the firm's industry, and the firm's nation. The regression is also separately estimated for investments in emerging nations, developed nations (non-US), and developed nation including the US. Heteroskedasticity corrected robust p-values, which are clustered on the firm's nation, are in brackets. The regression is estimated with an intercept term. ***, **, and * represent statistical significance at the 1, 5, and 10 percent levels, respectively.

	Emerging Nations		Developed Nations		Developed Nations with US	
	IPO	MA	IPO	MA	IPO	MA
Intl. VC distance *Early dummy	-0.329**	0.017	-0.326***	-0.289***	-0.186*	-0.125
	[0.019]	[0.895]	[0.000]	[0.000]	[0.054]	[0.183]
Intl. VC distance	-0.894***	-0.081	-0.133	0.051	-0.094	-0.008
	[0.006]	[0.781]	[0.456]	[0.715]	[0.221]	[0.926]
Firm country GDP	-1.986***	-1.425**	-0.126	-0.025	-0.727***	-0.697***
	[0.000]	[0.018]	[0.866]	[0.978]	[0.000]	[0.000]
VC investment amount	2.881***	-3.714**	-0.004	-0.544**	0.047	0.022
	[0.001]	[0.020]	[0.954]	[0.015]	[0.270]	[0.610]
Number of VCs	0.300***	0.287***	0.254***	0.324***	0.359***	0.323***
	[0.000]	[0.002]	[0.000]	[0.000]	[0.000]	[0.000]
VC age	0.042	0.146**	0.058	0.030	0.052***	0.005
	[0.179]	[0.027]	[0.185]	[0.158]	[0.001]	[0.642]
Number of rounds	-0.032	-0.006	-0.017	-0.002	-0.008	-0.002
	[0.294]	[0.875]	[0.293]	[0.895]	[0.550]	[0.817]
Stock market development	0.050	-0.282***	-0.172***	-0.132***	-0.188***	-0.074***
	[0.320]	[0.000]	[0.000]	[0.000]	[0.000]	[0.009]
US VC dummy	0.943**	0.256	0.182	0.070	0.049	0.102
	[0.017]	[0.458]	[0.363]	[0.666]	[0.770]	[0.187]
UK VC dummy	0.739***	0.706*	0.237	0.544***	0.066	0.297**
	[0.001]	[0.078]	[0.207]	[0.000]	[0.636]	[0.030]
Observations	1,015	1,015	4,834	4,834	8,299	8,299
Pseudo R-sq	0.177	0.177	0.136	0.136	0.145	0.145

Table 9: Effect of Venture Capitalist Distance and Local Syndication on the Number of Financing Rounds

This table reports the results of Poisson regressions with the total number of VC financing rounds as the dependent variable. The independent variables are: *VC distance,* which is the log of one plus the average distance, in thousands of miles, between the entrepreneurial firm's nation and the nation of each venture capitalist investing in the entrepreneurial firm; *Local VC dummy,* which is a dummy variable which equals one if all venture capitalists investing in the firm are located in the same nation as the entrepreneurial firm, and zero otherwise; *Local and international VC dummy,* which is a dummy variable which equals one if at least one venture capitalist investing in the entrepreneurial firm is located in the same country as the entrepreneurial firm and at least one venture capitalist is located outside the entrepreneurial firm's country, and zero otherwise; *Firm country GDP*, which is the GDP of the entrepreneurial firm's country in trillions of dollars; *VC investment amount*, which is the log of the total amount of venture capital invested in the entrepreneurial firm, in thousands of US dollars; *VC age*, which is the average age of all venture capitalists investing in an entrepreneurial firm; *Stock market development*, which is the entrepreneurial firm nation's total stock market capitalization in trillions of US dollars; *US VC Dummy*, which is a dummy variable that equals one if at least one US venture capitalist invests in the firm, and zero otherwise; *UK VC Dummy,* which is a dummy variable that equals one if at least one UK venture capitalist invests in the firm, and zero otherwise. Fixed effects are included for the year of the investment round, firm financing stage, the firm's industry, and the firm's nation. The regression is also separately estimated for investments in emerging nations, developed nations (non-US), and developed nation including the US. Heteroskedasticity corrected robust p-values, which are clustered on the firm's nation, are in brackets. The regression is estimated with an intercept term. ***, **, and * represent statistical significance at the 1, 5, and 10 percent levels, respectively.

	(1) Emerging Nations	(2) Developed Nations	(3) Developed Nations with US	(4) Emerging Nations	(5) Developed Nations	(6) Developed Nations with US
VC distance	0.061***	0.013	-0.010			
	[0.001]	[0.733]	[0.299]			
Local VC dummy				-0.061**	-0.064	-0.007
				[0.015]	[0.156]	[0.793]
Local and international VC dummy				-0.053	0.012	0.010
				[0.194]	[0.756]	[0.763]
Firm country GDP	0.412***	0.071	0.053**	0.406***	0.068	0.053**
	[0.000]	[0.677]	[0.030]	[0.000]	[0.690]	[0.035]
VC investment amount	0.020**	0.055***	0.016	0.020**	0.053***	0.016
	[0.017]	[0.000]	[0.147]	[0.012]	[0.000]	[0.161]
VC age	0.007**	0.009***	0.010***	0.006**	0.009***	0.010***
	[0.024]	[0.000]	[0.000]	[0.045]	[0.000]	[0.000]
Stock market development	-0.190*	-0.005	-0.028***	-0.188*	-0.003	-0.028***
	[0.051]	[0.935]	[0.000]	[0.054]	[0.969]	[0.000]
US VC dummy	0.026	-0.016	0.052***	0.094**	-0.058*	0.040
	[0.670]	[0.743]	[0.004]	[0.026]	[0.081]	[0.115]
UK VC dummy	0.060	0.026	0.044	0.089	0.012	0.032
	[0.585]	[0.608]	[0.249]	[0.455]	[0.796]	[0.340]
Observations	1891	9088	28180	1891	9088	28180

Table 10: Effect of Staging on the Relation between International Venture Capitalist Distance and the Probability of Exit

This table reports the results of multinomial logit estimation with Type of Exit (i.e., No Exit, IPO, or M&A) as the dependent variable. No Exit is the base case outcome. The independent variables are: *Intl. VC distance*, which is the log of one plus the average distance in thousands of miles between the entrepreneurial firm's nation and the nation of each international venture capitalist investing in the entrepreneurial firm; *Intl. VC distance*staging dummy,* which is international VC distance interacted with a staging dummy, (the staging dummy takes the value one if venture capital financing is obtained by the entrepreneurial firm over multiple rounds, and zero otherwise); *Firm country GDP*, which is the GDP of the entrepreneurial firm's country in trillions of dollars; *VC investment amount*, which is the log of the total amount of venture capital invested in the entrepreneurial firm, in thousands of US dollars; *Number of VCs*, which the total number of venture capitalists that have invested in the project; *VC age*, which is the average age of all venture capitalists investing in an entrepreneurial firm; *Number of rounds*, which is the number of the rounds of venture capital that the entrepreneurial firm receives; *Stock market development*, which is the entrepreneurial firm nation's total stock market capitalization in trillions of US dollars; *US VC Dummy*, which is a dummy variable that equals one if at least one US venture capitalist invests in the firm, and zero otherwise; *UK VC Dummy,* which is a dummy variable that equals one if at least one UK venture capitalist invests in the firm, and zero otherwise. Fixed effects are included for the year of the investment round, firm financing stage, the firm's industry, and the firm's nation. The regression is also separately estimated for investments in emerging nations, developed nations (non-US), and developed nation including the US. Heteroskedasticity corrected robust p-values, which are clustered on the firm's nation, are in brackets. The regression is estimated with an intercept term. ***, **, and * represent statistical significance at the 1, 5, and 10 percent levels, respectively.

	Emerging Nations		Developed Nations		Developed Nations with US	
	IPO	MA	IPO	MA	IPO	MA
Intl. VC distance *Staging Dummy	0.245**	0.043	-0.098*	0.027	-0.015	0.077
	[0.017]	[0.829]	[0.081]	[0.687]	[0.785]	[0.113]
Intl. VC distance	-1.007***	0.013	-0.214	-0.095	-0.191**	-0.144***
	[0.001]	[0.968]	[0.231]	[0.351]	[0.020]	[0.007]
Firm country GDP	-2.134***	-1.375**	-0.102	0.127	-0.730***	-0.667***
	[0.000]	[0.019]	[0.895]	[0.890]	[0.000]	[0.000]
VC investment amount	0.272***	0.218***	0.263***	0.222***	0.358***	0.227***
	[0.000]	[0.002]	[0.000]	[0.000]	[0.000]	[0.000]
Number of VCs	0.033	0.146***	0.059	0.056**	0.053***	0.018
	[0.372]	[0.004]	[0.159]	[0.019]	[0.000]	[0.131]
VC age	-0.031	-0.008	-0.019	-0.010	-0.009	-0.010
	[0.299]	[0.842]	[0.248]	[0.579]	[0.548]	[0.338]
Number of rounds	-0.039	-0.231***	-0.146***	-0.113***	-0.183***	-0.063***
	[0.338]	[0.007]	[0.000]	[0.000]	[0.000]	[0.004]
Stock market development	3.106***	-3.775**	0.038	-0.461**	0.042	0.015
	[0.002]	[0.020]	[0.616]	[0.040]	[0.309]	[0.703]
US VC dummy	0.884**	0.228	0.183	0.083	0.057	0.128*
	[0.013]	[0.545]	[0.353]	[0.597]	[0.746]	[0.062]
UK VC dummy	0.665***	0.578*	0.255	0.470***	0.062	0.247*
	[0.007]	[0.072]	[0.168]	[0.000]	[0.665]	[0.052]
Observations	1015	1015	4834	4834	8299	8299
Pseudo R-sq	0.189	0.189	0.176	0.176	0.169	0.169

Table 11: Effect of Local Venture Capitalists' Prior International Syndication Experience on the Probability of Syndication with International Venture Capitalists

This table reports the results of a probit estimation where the dependent variable equals one if the syndicate is composed of local and international venture capitalists, and zero if the syndicate is composed purely of local venture capitalists. Each observation represents a unique firm round. The independent variables are: *High prior syndication dummy*, which equals one if the prior number of rounds over which the local venture capitalist has syndicated with international venture capitalists is greater than the sample median, and zero otherwise; *Firm country GDP*, which is the GDP of the entrepreneurial firm's country in trillions of dollars; *VC investment amount*, which is the log of the total amount of venture capital invested in the entrepreneurial firm, in thousands of US dollars; *VC age*, which is the average age of all venture capitalists investing in an entrepreneurial firm; *Stock market development*, which is the entrepreneurial firm nation's total stock market capitalization in trillions of US dollars. Fixed effects are included for the year of the investment round, firm financing stage, the firm's industry, and the firm's nation. The regression is also separately estimated for investments in emerging nations, developed nations (non-US), and developed nation including the US. Heteroskedasticity corrected robust p-values, which are clustered on the firm's nation, are in brackets. The regression is estimated with an intercept term. ***, **, and * represent statistical significance at the 1, 5, and 10 percent levels, respectively.

	(1) Emerging Nations	(2) Developed Nations	(3) Developed Nations with US
High prior syndication dummy	-0.675**	-0.691***	0.162
	[0.025]	[0.000]	[0.468]
Firm country GDP	0.979	0.952	0.041
	[0.136]	[0.167]	[0.629]
VC investment amount	0.330***	0.347***	0.281***
	[0.000]	[0.000]	[0.000]
VC age	0.175***	0.151***	-0.003
	[0.000]	[0.000]	[0.944]
Stock market development	1.243*	-0.394***	-0.040**
	[0.099]	[0.002]	[0.042]
Observations	1,414	9,669	62,811
Pseudo R-sq	0.371	0.339	0.186

Table 12: The Effect of Local Venture Capitalists' Prior International Syndication Experience on the Probability of Exit

This table reports the results of multinomial logit estimation with Type of Exit (i.e., No Exit, IPO, or M&A) as the dependent variable. No Exit is the base case outcome. The independent variables are; *Local VC dummy*high prior syndication,* which is the local VC dummy interacted with the *high prior syndication dummy*, where high prior syndication dummy is a binary variable that equals one if the past number of rounds over which the local venture capitalist has syndicated with international venture capitalists is greater than the sample median, and zero otherwise; *Local VC dummy,* which is a dummy variable which equals one if all venture capitalist investing in the entrepreneurial firm are located in the same country as the entrepreneurial firm, and zero otherwise; *Firm country GDP*, which is the GDP of the entrepreneurial firm's country in trillions of dollars; *VC investment amount*, which is the log of the total amount of venture capital invested in the entrepreneurial firm, in thousands of US dollars; *Number of VCs*, which the total number of venture capitalists that have invested in the project; *VC age*, which is the average age of all venture capitalists investing in an entrepreneurial firm; *Number of rounds*, which is the number of the rounds of venture capital that the entrepreneurial firm receives; *Stock market development*, which is the entrepreneurial firm nation's total stock market capitalization in trillions of US dollars; *UK VC Dummy,* which is a dummy variable that equals one if at least one UK venture capitalist invests in the firm, and zero otherwise. Fixed effects are included for the year of the investment, firm financing stage, the firm's industry, and the firm's nation. The regression is also separately estimated for investments in emerging nations, developed nations (non-US), and developed nation including the US. Heteroskedasticity corrected robust p-values, which are clustered on the firm's nation, are in brackets. The regression is estimated with an intercept term. ***, **, and * represent statistical significance at the 1, 5, and 10 percent levels, respectively.

	Emerging Nations		Developed Nations		Developed Nations with US	
	IPO	MA	IPO	MA	IPO	MA
Local VC dummy*High prior syndication	0.874*	-33.396***	0.574**	0.236	0.180*	-0.011
	[0.092]	[0.000]	[0.011]	[0.248]	[0.067]	[0.890]
Local VC dummy	-0.783***	0.174	-0.330***	-0.366***	-0.133***	0.068
	[0.000]	[0.635]	[0.000]	[0.000]	[0.001]	[0.659]
Firm country GDP	-3.575***	-3.234**	-1.791	-0.265	-0.626***	-0.534***
	[0.000]	[0.031]	[0.185]	[0.842]	[0.005]	[0.003]
VC investment amount	0.272***	0.414***	0.284***	0.270***	0.516***	0.268***
	[0.001]	[0.000]	[0.000]	[0.000]	[0.000]	[0.000]
Number of VCs	-0.084*	0.336***	0.063	0.023	0.058***	0.033***
	[0.054]	[0.003]	[0.146]	[0.330]	[0.000]	[0.000]
VC age	-0.005	0.039**	-0.008	-0.000	-0.003	-0.001
	[0.929]	[0.040]	[0.625]	[0.989]	[0.720]	[0.833]
Number of rounds	0.266***	-0.746***	-0.160***	-0.098***	-0.177***	-0.045***
	[0.000]	[0.000]	[0.000]	[0.003]	[0.000]	[0.006]
Stock market development	0.141	-1.291	0.203	-0.140	0.021	0.065*
	[0.853]	[0.480]	[0.493]	[0.634]	[0.641]	[0.099]
UK VC dummy	0.654	0.621	0.410**	0.367***	0.108	0.149**
	[0.273]	[0.221]	[0.042]	[0.001]	[0.339]	[0.014]
Observations	1,215	1,215	7,145	7,145	25,960	25,960
Pseudo R-sq	0.262	0.262	0.216	0.216	0.175	0.175

Table 13: Effect of Venture Capitalist Distance and Local Syndication on Post-IPO Operating Performance

This table reports the results of an OLS Regression with the three year post-IPO operating income to assets as the dependent variable. The independent variables are: *VC distance,* which is the log of one plus the average distance, in thousands of miles, between the entrepreneurial firm's nation and the nation of each venture capitalist investing in the entrepreneurial firm; *Local VC dummy,* which is a dummy variable which equals one if all venture capitalists investing in the firm are located in the same nation as the entrepreneurial firm, and zero otherwise; *Local and international VC dummy,* which is a dummy variable which equals one if at least one venture capitalist investing in the entrepreneurial firm is located in the same country as the entrepreneurial firm and at least one venture capitalist is located outside the entrepreneurial firm's country, and zero otherwise; *Firm country GDP*, which is the GDP of the entrepreneurial firm's country in trillions of dollars; *Assets*, which is the log of the US dollar amount of assets in the IPO year; *Number of VCs*, which the total number of venture capitalists that have invested in the project; *VC age*, which is the average age of all venture capitalists investing in an entrepreneurial firm; *Number of rounds*, which is the number of the rounds of venture capital that the entrepreneurial firm receives; *Stock market development*, which is the entrepreneurial firm nation's total stock market capitalization in trillions of US dollars; *US VC Dummy*, which is a dummy variable that equals one if at least one US venture capitalist invests in the firm, and zero otherwise; *UK VC Dummy,* which is a dummy variable that equals one if at least one UK venture capitalist invests in the firm, and zero otherwise. Fixed effects are included for the year of the investment round, firm financing stage, the firm's minor industry classification group, and the firm's nation. The regression is also separately estimated for investments in emerging nations, developed nations (non-US), and developed nation including the US. Heteroskedasticity corrected robust p-values, which are clustered on the firm's nation, are in brackets. The regression is estimated with an intercept term. ***, **, and * represent statistical significance at the 1, 5, and 10 percent levels, respectively.

	Emerging Nations	Developed Nations	Developed Nations with US	Emerging Nations	Developed Nations	Developed Nations with US
VC distance	-0.057	-0.262**	-0.071			
	[0.638]	[0.033]	[0.370]			
Local VC dummy				0.191	0.213	0.109
				[0.311]	[0.146]	[0.182]
Local and international VC dummy				0.071**	0.118	0.113
				[0.026]	[0.186]	[0.170]
Firm country GDP	-0.081*	0.505	0.092***	-0.112	0.474	0.095**
	[0.063]	[0.491]	[0.007]	[0.176]	[0.515]	[0.014]
Assets	0.023	0.088**	0.119***	0.027	0.087**	0.120***
	[0.169]	[0.030]	[0.000]	[0.296]	[0.028]	[0.000]
Number of VCs	-0.002	-0.009	0.001	0.007	-0.012	-0.001
	[0.970]	[0.546]	[0.691]	[0.870]	[0.468]	[0.723]
VC age	0.004	0.007	-0.002	0.003	0.003	-0.002
	[0.307]	[0.472]	[0.561]	[0.394]	[0.699]	[0.605]
Number of rounds	-0.012	-0.030	-0.014**	0.013	-0.033	-0.013**
	[0.339]	[0.252]	[0.027]	[0.629]	[0.293]	[0.023]
Stock market development	-0.011	0.046	-0.041**	0.074	0.051	-0.042**
	[0.967]	[0.731]	[0.036]	[0.788]	[0.719]	[0.047]
US VC dummy	0.069	0.046	-0.134	0.050	-0.114	-0.187**
	[0.776]	[0.716]	[0.181]	[0.741]	[0.424]	[0.033]
UK VC dummy	0.190	0.021	0.003	0.295	0.086	-0.007
	[0.393]	[0.848]	[0.936]	[0.123]	[0.479]	[0.896]
Observations	50	170	515	50	170	515
R-squared	0.535	0.579	0.355	0.575	0.546	0.354