The Impact of Investment Networks on Venture Capital Firm Performance: A Contingency Framework

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Abstract

Venture capital (VC) syndicates involve repeated transactions among partners and, therefore, they possess network-like characteristics. Although networks provide access to important resources, extant literature has not studied the impact of the focal firm’s resource endowment on performance benefits arising from different network structures. We investigate the moderating impact of firm’s maturity and status as proxies for internal and external resources on the relationship between network cohesion and VC performance. Analyzing a dataset of UK VC investments (1998-2012) we find that mature and high status VCs benefit less from network cohesion. We also show that these moderating effects are reinforcing each other.