

**STATUS IN A STRANGE LAND?**  
**CONTEXT-DEPENDENT VALUE OF STATUS**  
**IN CROSS-BORDER VENTURE CAPITAL\***

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## **Abstract**

While recent literature has depicted status as an intangible asset that is firm-specific and mobile, we have a limited understanding of whether status confers advantage in a way similar to other intangible assets. This study examines the macro-structural contingencies that influence the marginal value of firm status as firms expand to new markets. Building on the literatures on status and social approval assets, as well as globalization and international management, we hypothesize that two conditions influence how valuable home-country status will be in a given host country: the interconnectedness of the home and host countries and their relative position in the global network. We test our hypotheses in a study of 187 VC-backed biotechnology ventures in 19 countries between 1990 and 2006.

Recent years have seen a surge in the interest in status as a valuable firm-specific resource (e.g., Bothner, Kim, and Smith, 2012; Khaire, 2010; Pollock *et al.*, 2015). An early impetus for this interest has been the widely reported benefits to high status in the marketplace at a given level of quality (e.g., Merton, 1968; Podolny, 2005). Entrepreneurial strategy scholars have reported that high-status partners help new ventures as well. Accordingly, affiliations with high-status firms can improve new ventures' chances of survival, performance and rates of growth (Hochberg, Ljungqvist, and Lu, 2007; Khaire, 2010; Stuart, Hoang, and Hybels, 1999).

However, we still have a limited understanding of the boundaries of status-related benefits outside the originating social structures. Most prior studies have focused on the benefits of a firm's status standing within a given industry and country. Few examine the impact of the social structure itself on status outcomes, and even fewer simultaneously consider interactions of multiple structures in examinations of firm status, in spite of calls to do so (George *et al.*, 2016; Podolny and Phillips, 1996; Sauder, 2006). This is surprising, as "...the terrain that status actors negotiate is more complex than is often recognized; rather than simply trying to find ways to rise within a single status hierarchy, actors must negotiate crosscutting and competing hierarchies, each with its own demands about what is deserving of recognition and how this is best achieved. The types of interactions between and among status systems are many, and scholars have just begun to explore their varieties and consequences" (Sauder, Lynn, and Podolny, 2012: 277).

Our aim is to contribute to the growing literature on status as a firm-specific resource by highlighting the macro-structural contingencies that could influence its value in new contexts. This quest is important for strategy scholars, because firms rarely stay within the boundaries of a single industry or country. Given the prevalence of diversification across product and geographic markets, it is important to understand the contingencies that influence the value of status in such

endeavors. In particular, we ask, how do the relationships between two markets influence the value of status gained within one market when the firm operates in the other one? In order to answer this question, we examine the case of international expansion. We build on the implicit assumption in the literature that every country and industry has its own status ranking, and investigate the conditions under which a given firm's status in its home country can contribute to its performance in a host country.

To our knowledge, our study is one of the first that compares and contrasts the value of organizational status originating from multiple settings, and examines the macro-structural contingencies that influence its value when a firm moves from one setting to another. To be sure, we are not the first to investigate the value of firm status in new markets. In two notable priors, Jensen (2003) has examined how status in commercial banking may influence entry into investment banking, and Guler and Guillén (2010a) showed that US firms with high status were more likely to enter new markets. However, these studies focus on a single originating market and sometimes a single target market, a limitation that has been noted as significant in testing theories that cut across multiple settings (Brouthers, Marshall, and Keig, 2016; Van Hoorn and Maseland, 2016). As a result, what is missing from these accounts is the consideration that not all markets are at equal distance from one another, nor equal in standing. Instead, we argue that the value of social status as a firm-level resource may depend on the market from which it originates, as well as the relationships between the originating and target markets. Our study extends prior work by emphasizing that it is not only the firm's standing in a market, but also the relationship of the market to others, that influences the value of firm status.

Unpacking the value of firm status across multiple markets is of theoretical interest, because it helps achieve higher conceptual clarity about the value of status as a firm-level

resource. Recent scholarship classifies status as an intangible and mobile firm resource, which may suggest that theories about intangible resources should apply to status (e.g., Wernerfelt, 1984). In particular, scholars of international business have long examined the role and value of intangible resources, such as technological or marketing know-how, in expansion (Alcacer and Zhao, 2012; Kogut and Chang, 1991; Lu and Beamish, 2004). However, status is distinct from such intangibles, and resembles other social approval assets, in that it is relational and audience dependent (Jensen, Kim, and Kim, 2011; Pfarrer, Pollock, and Rindova, 2010), and may have limited value in new settings. Examining the boundaries of status advantages helps us distill the understanding of the similarities and distinctions between social approval assets such as status and conventional intangible assets such as technological capabilities.

Building on the literatures on organizational status and other social approval assets (Pollock and Rindova, 2003; Sauder *et al.*, 2012) as well as international business and globalization (e.g., Guillén, 2001; Weber, Davis, and Lounsbury, 2009), we develop predictions about the macro-structural conditions under which home-country status may confer economic benefits in international markets. We predict that two relational characteristics of the home and host countries will influence how effectively firms can leverage their home-country status in the host country: the interconnectedness of the two countries and their relative positions in the global network. First, we argue that the strength of the interactions between industry participants of two countries will influence how effectively status signals from one country will be transmitted to the other. Second, building on recent literature on status and categories (Bowers and Prato, 2017; Jensen *et al.*, 2011; Sharkey, 2014) we submit that market participants in a host country will assess a firm's status in conjunction with their collective evaluation of the firm's home country. We develop the notion of relative global position to examine the standing of each country with

respect to another within the broader world system. We then examine whether the relative position of the home country with respect to the host country acts as a substitute or complement to the firm-specific status signal. In other words, we inquire whether high-status firms enjoy higher performance vis-à-vis lower-status counterparts when they go from countries of higher relative position to those of lower relative position, or vice versa.

We focus our inquiry on a context in which status effects are particularly pronounced: venture capital (VC). Our empirical setting is cross-border VC investments in 187 biotechnology ventures in 19 countries between 1990 and 2006. This setting is ideal for several reasons. First, the VC market is one in which status dynamics are prevalent (e.g., Podolny, 2001; Pollock *et al.*, 2015). Second, while cross-border VC activity is relatively new, it has become increasingly common. Cross-border VC comprises about half of VC investments outside the United States (U.S.) (Deloitte, 2015). It is therefore an attractive context to examine the value of status advantages across multiple settings. We start with the well-accepted finding that entrepreneurial ventures benefit from having high-status investors (Hochberg *et al.*, 2007; Khaire, 2010; Stuart *et al.*, 1999). We then construct status hierarchies for all countries with active cross-border VC activity in biotechnology, and examine the conditions under which the status-performance relationship holds when the VC firm and the venture are located in different countries.

## **INTERNATIONAL VENTURE CAPITAL INVESTMENTS**

The VC industry originated primarily in the U.S. in the 1960s (Hsu and Kenney, 2005), and its success in fostering innovation and economic growth has spurred interest in VC in other parts of the world. The number of international VC deals had caught up with the number of U.S. deals by 2001 (Ernst&Young, 2015). The VC industry has grown especially in countries with favorable legal systems, market conditions, and infrastructure for innovation (Jeng and Wells, 2000), with

most international VC activity in Europe, Israel, and Canada, and more recently in China and India (Ernst&Young, 2015).

Traditionally, VC firms have preferred ventures in close geographic proximity for closer interactions and monitoring (e.g., Sorenson and Stuart, 2001). As our interviewees stated,

VC is a very local business. Especially in the early stage you need to be very hands on, involved. You do a lot of things from recruiting to strategy to the board. Sequoia can't really do it for a company here.

However, cross-border VC activity has recently been increasing as it became clear that VC funds and attractive opportunities were not necessarily co-located (Wright, Pruthi, and Lockett, 2005). VC firms tend to choose cross-border investments based on the innovative activity and institutional infrastructure in the host country (Guler and Guillén, 2010b). Even so, operating in a different country sometimes means having to adapt investment practices, such as the criteria for investment decisions (Zacharakis, McMullen, and Shepherd, 2007) or contractual terms (Kaplan, Strömberg, and Martel, 2004; Lerner and Schoar, 2005).

Cross-border VC firms frequently turn to local partners to overcome the challenges of operating in a distant market (Liu and Maula, 2016). Cross-border syndicates provide a division of labor, in which local VC firms oversee the day-to-day operations of the ventures and provide locale-specific advice. In return, cross-border VC firms bring several advantages to cross-border investments. First, they can provide access to a larger pool of resources through their home-country networks, such as increased capital or investment experience with similar companies in other countries. Second, they facilitate the international operations of their ventures by providing access to an international network of investment bankers, lawyers, accountants, and underwriters (Cumming, Knill, and Syvrud, 2016; Taussig, 2017), and in turn, to foreign initial public offering (IPO) or acquisition markets (Humphery-Jenner and Suchard, 2013). Last, investment by a cross-

border VC firm could act as a signal to market participants that the venture has a higher growth and performance potential.

Recent studies find that cross-border VC firms contribute to the likelihood of a successful venture exit (Cumming *et al.*, 2016). Geographic and institutional distance could limit the effectiveness of cross-border VC firms; but co-investment with local VC firms and past experience increases it (Chemmanur, Hull, and Krishnan, 2014; Li, Vertinsky, and Li, 2014). And while VC firms with high status in their home countries are also more likely to expand abroad (Guler and Guillén, 2010a), we are not aware of any research on how the home-country status of a cross-border VC firm influences a venture's performance. More generally, prior research has been valuable in understanding cross-border VC as a homogeneous group; however, it is not yet clear whether all cross-border VC firms perform equally, since most prior research does not distinguish between country, firm, and cross-border effects.

## **THE VALUE OF HOME-COUNTRY STATUS IN VENTURE CAPITAL**

Status refers to a firm's rank in the social hierarchy, and is associated with esteem and prestige (Sauder *et al.*, 2012). Status is particularly valuable in markets as it provides a signal of a firm's quality (Podolny, 2005). When a VC firm makes cross-border investments, its status could be beneficial in three complementary ways.

First, high-status cross-border VC firms may have an advantage in sourcing attractive investment opportunities in a host country (we refer to this as *selection benefit*.) In general, high-status VC firms are desirable investors because ventures benefit from the endorsement of high-status firms, as well as their contacts and expertise. Prior work suggests that, all else equal, high-status VC firms may get access to better deals than low-status ones (Hochberg *et al.*, 2007). As a

result, higher-status cross-border VC firms may access more promising opportunities in the host country. In our informal interviews, VC professionals have suggested:

When they come and set up shop in India, other than saying I have so much money, they have to become the top tier VC... They need to be able to show what value they are adding... Founders are going to look at, what is the credibility of the VC? Second, is this guy bringing me a good network, how will he accelerate my business?

Founders basically believe that [marquee VC firm], being a global firm, already has a network to connect them to. So that's a very nuanced differentiation that a lot of good entrepreneurs understand.

Second, high status cross-border VC firms may add more value to their ventures through their resources and expertise (we refer to this as *management benefit*.) One of the most important resources of cross-border VC firms is their international networks (Gu and Lu, 2014; Humphery-Jenner and Suchard, 2013; Taussig, 2017). In our interviews, this frequently came up as a key contribution of high status in cross-border VC: "If [another VC] can't meet the corporate development guy in Yahoo every month or every other month, there is no relationship, no going there." Others described networking events where a high-status VC firm introduced its ventures to prospective investors and buyers —"speed dating in an area as big as a football field." In another, a VC firm periodically brought few selected ventures to present their pitches to high-level executives of potential buyers and investors.

Moreover, in most situations, status is indicative of underlying capabilities, since high status firms are cognizant of their position and opt to produce higher quality goods (Benjamin and Podolny, 1999). As a result of their higher overall quality and accumulated experience, high-status cross-border VC firms may provide better advice or global connections to ventures than lower-status counterparts. Interviewees illustrated this as follows:

We decided to co-invest in [a company] along with a Chinese fund. And that fund has a lot of contacts in China and they've helped the company connect to Chinese companies in

their own portfolio... We have a couple of Japanese investors for another company. And those [investors] have taken the company to meet with Japanese conglomerates in that particular space. And entrepreneurs really appreciate that because you are connected to the CEO of a billion dollar Japanese firm... And you can get deep insights which you may get three years later, but now you get accelerated learning through... a good connection.

Third, the status of a cross-border VC boosts the status of the affiliated ventures (we refer to this as *endorsement benefit*.) High status investors act as a certifier of the venture's quality (Stuart *et al.*, 1999), and may help their ventures attract higher quality scientists, managers, suppliers, customers or investors at a given price (Sauder *et al.*, 2012). Endorsements may also facilitate exits through reputable underwriters or potential acquirers (e.g., Megginson and Weiss, 1991; Stuart *et al.*, 1999). Ventures benefit from this endorsement effect due to two mechanisms. First, since high-status VC firms are likely to have the most investment options, market participants interpret the match between the VC and a given venture to be indicative of the quality of the venture. Second, affiliation with a high-status VC increases the perceived likelihood of success (Stuart *et al.*, 1999). As an interviewee explained,

There are of course some advantages [to high status cross-border investors.] First to me is validation, credibility. A company that gets an investment from [for example] Sequoia gets credibility. Second, it is highly likely that corporate governance and that kind of thing have been cleaned up. Everyone is more comfortable that some things of the company have been positioned well and brought to a good path, both by Sequoia's own advisors and by its partners.

In sum, our baseline expectation is that ventures with a high-status cross-border VC investor will be more likely to exhibit better performance due to selection, management, and endorsement benefits, compared to one with a lower status cross-border VC firm.

*H1: The higher the home-country status of a cross-border VC firm investing in a venture, the higher the venture's performance.*

### **When is home-country status valuable?**

Our earlier discussion of the benefits of high home-country status assumes that cross-border VC firms can transmit and exploit the status earned in their home country (hereafter referred to as a firm's home-country status) in different countries without any frictions. More specifically, it assumes that status signals from the VC firm's country are easily available to the market participants (investors, suppliers, buyers) in other countries, and those signals are equally valuable, regardless of where the cross-border VC is coming from and where it invests in.

However, recent developments in our understanding of how audiences receive and process information about social approval assets suggests that this may not be the case (e.g., Huang and Washington, 2015; Pollock and Rindova, 2003; Stern, Dukerich, and Zajac, 2014).

Boundedly rational market participants do not gather and analyze all information about each firm and its standing in the social hierarchy. Rather, they collect limited information and use simplifying heuristics to process the information easily available to them (Simon, 1965). As a result, the value of social approval assets is not intrinsic, but dependent on how an audience accesses and processes the information about the social approval asset in question.

Since market participants are likely to have more limited information about the firms and status rankings in a different country (Kostova and Zaheer, 1999), information availability and simplifying heuristics become perhaps even more relevant in cross-border investments. The availability of information to the participants of another market could significantly influence their evaluations of a foreign firm as high- or low-status, and in turn, the advantages that accrue to the focal firm. Moreover, simplifying heuristics in categorization may color perceptions of status (Hallen and Pahnke, 2016). Based on this background, we focus on two contingencies that could influence the value of a firm's home-country status in a host country. First, we argue that

the level of interconnectedness, or the strength of interactions, between the two countries likely influences the availability of information about a VC's home-country status, and in turn, its value. Second, the relative position of a VC's home country with respect to the host country could serve as a first-order signal of its quality, and influence the marginal value of the firm's status signal by providing an additional indicator of status.

### **Home-country status and interconnectedness of countries**

As process models of status and reputation formation suggest, information availability is one of the primary requirements for social evaluations (Hallen and Pahnke, 2016; Huang and Washington, 2015; Pollock, Rindova, and Maggitti, 2008). Information exchange between industry participants in two countries is then an important factor that could facilitate the spread of status signals from one country to the other. In our context, when industry participants in two countries are more interconnected through frequent exchange, both the availability of information and the attention of market participants to that information are likely to increase. Our interviewees stated that information about VC status in different countries is not always readily available, and requires collection of information through network ties:

Think about a VC firm in England, in Russia, nobody knows them here. There are incredible VCs in Nordic countries, nobody knows them. That's a big problem... So from Luxembourg to the Nordic countries, super guys, early stage, they do their own thing. People here don't even know them.

- Do you know who the top tier VCs are in other countries?
- So I studied China so I can tell you a little bit about that. But each market is slightly different. So you'd want to look at who raised a lot funds... Then...if you look at the top 20 VC-backed companies in that country... you can figure out the top guys there. [Finding it out] takes a fair bit of networking, it would take going and meeting them face to face, having a cup of coffee, having a chat.

The interconnectedness of countries refers to the extent to which information, goods, and

people move across national borders (Guillén, 2001). Increased interactions between market participants in two countries create interdependence and mutual awareness by fostering information exchange (Nordstrom and Vahlne, 1994), increases perceived proximity between market participants, and leads to salience and trust about appropriate conduct (Greve, 1998; Weber *et al.*, 2009). As interactions between two countries increase, so do shared norms and practices (Henisz, Zelner, and Guillén, 2005).

As a result, when home and host countries are interconnected, it may be easier for industry participants in either country to recognize the firms and their status positions in the other market. Even when participants do not have first-hand knowledge of the firms and their status, they may be able to access this information more easily through common contacts or the business media (Pollock and Rindova, 2003). In other words, interconnectedness between the VC firms in different countries could act as an enabler of status. When two countries are interconnected, higher status cross-border VC firms could enjoy the aforementioned benefits of status, since industry participants more readily recognize the firms, and more readily extend deference. Conversely, when there is scant contact between the industry participants in two countries, the participants in one country will know little about their counterparts in the other country, and even less about status distributions there. Interconnectedness is especially likely to influence the selection and endorsement benefits of cross-border VC, which depend heavily on audience perceptions. We therefore predict,

*H2: Interconnectedness between a cross-border VC firm's home country and a venture's country will positively moderate the impact of the VC firm's home-country status on a venture's performance.*

### **Home-country status and relative global position of countries**

When market participants need to evaluate firms from different social systems, they must find a way to commensurate, or place each firm on a single measurable scale for comparison (Espeland and Stevens, 1998). In cross-border investments, we suggest that market participants first categorize firms based on their home countries, and the attributions they have about those countries. Since status can flow from membership in a category (Negro, Koçak, and Hsu, 2010; Sharkey, 2014), the home country of a foreign firm acts as an additional signal of status along with the firm's own status position within the country. In other words, the home country of an investing firm serves as an available and salient piece of information that market participants in another country can use as a heuristic in categorizing the focal firm. This argument suggests that countries are not just borders that delineate social hierarchies, but they also serve as categories that market participants use to pool and compare firms (Bowers and Prato, 2017; Jensen *et al.*, 2011; Sharkey, 2014). Moreover, firms from some countries may enjoy higher esteem than their counterparts just by virtue of their home country when they venture abroad.

Several streams of international business studies support this argument. For instance, according to the world system theory, countries arguably derive prestige from their positions in the global system. States occupy a historically determined and relatively stable position in the center or periphery of the global system, in both the cultural and economic spheres (Wallerstein, 1974). In general, Western countries occupy the core of the global economy and are viewed as high prestige (Van Rossem, 1996; Weber *et al.*, 2009). These countries are more visible and their practices become templates that diffuse through the mobility of graduates, global professional networks, and consultants (DiMaggio and Powell, 1983; Kogut and MacPherson, 2011). Indeed, VC has diffused internationally following a similar pattern (Hsu and Kenney, 2005).

In another stream, marketing and international business studies suggest that country-of-

origin effects for products may act as cognitive cues or status markers that consumers use as a heuristic in purchase decisions (Bilkey and Nes, 1982). While the empirical results regarding this effect are inconclusive (Peterson and Jolibert, 1995), the spirit of the argument is in agreement with the categorization of foreign firms based on home countries.

Similar ideas have been suggested in international entrepreneurship and finance literatures. Host country participants may perceive a firm from a developed market to be more competent and reliable (Gu and Lu, 2014; Peng, 2003), while firms from peripheral countries face higher challenges of legitimacy (Moore *et al.*, 2012; Taussig, 2017). Home country also influences the perceived trustworthiness of international joint venture partners (Ertug *et al.*, 2013). Together, these disparate streams suggest that countries may serve as status markers in the evaluation of foreign investors.

In line with these findings, our key argument is that the value of a cross-border firm's status will be colored by its home country. This may reflect an assessment of the network resources that the cross border VC brings to the venture, as well as the resources it can muster in the venture's country. Moreover, this assessment may take place by the participants of markets in the venture's country, as well as by those in other markets, where potential investors, acquirers or customers evaluate signals of status for both VC firms and their ventures. We therefore expect relative global status to influence selection, management and endorsement benefits of a cross-border VC firm. The following quotes illustrate the importance of the VC's country:

We are interested in the US. The companies we invest in need to go global, because the UK market is small for them...having a US VC who understands the US market, who can help you read it,... is very important.

The country of the [foreign] investor matters a lot. Because we want the investor to help the startup access additional funding, it is important to get an investor from a country where there are more investors willing to fund. It is also important to get investors from countries where the startup wants to have a presence.

While prior literature suggests that membership in a category may bring status independently of the individual firm positions (e.g., Sharkey, 2014), we are not aware of any study that examines whether status gained through membership in a category (home country, in our case) acts as a complement or a substitute for the firm's own standing in the status hierarchy. There are plausible arguments for both a substitution and a complementarity effect. In other words, the country in which the status hierarchy originated may either elevate the impact of a firm's home-country status, or make it redundant. We will present each argument below.

On the one hand, the relative position of a cross-border VC firm's home country and the status of the VC firm in that market may act as substitute signals for the VC firm's quality in selection and endorsement. Status signals are most valuable when there are few alternative ways of evaluating a firm's actual quality (Jasso, 2001; Podolny, 2005). So when a firm exudes status signals both due to its home country's relative position and its own standing in the home-country status hierarchy, one of those may be redundant, as market participants are likely to satisfice on collecting and processing information (Hallen and Pahnke, 2016). For instance, if the standing of the home country is high relative to the host country, market participants may already evaluate the investment as a status enhancer for the venture, and the firm-level status signal may not provide additional value in the market. In the case of VC, when selection and endorsement benefits accrue due to home-country standing, firm status may not add additional value. Moreover, the VC firm may also offer higher management benefits since the value of its relational resources, such as access to potential buyers, is higher than those from a country of lower relative position, regardless of the given firm's status rank. So a VC firm from a country with higher relative global position may enjoy status benefits due to its home country, but gain

no additional benefits from its firm-level status within the home-country hierarchy. This suggests a substitution effect in that the marginal value of a firm's own status signal decreases when the relative global position the firm's home country increases. Thus we predict,

*H3a: The relative global position of a cross-border VC firm's home country with respect to the venture's country will negatively moderate the impact of the VC firm's home-country status on a venture's performance.*

On the other hand, it is possible that the relative position of a foreign firm's home country complements the firm's status. In other words, as the relative position of a VC firm's home country increases with respect to the venture's country, the marginal value of the VC firm's home-country status may be enhanced. There are several reasons for this possibility. First, market participants from countries of lower relative position might more readily accept status cues from countries of higher relative position than the other way around, which increases the acceptance of the focal firm in the host country. In other words, selection and endorsement benefits are disproportionately higher for high-status firms from highly ranked countries. Second, consistency between the status of a firm in its home country and the relative position of that country might increase the confidence of market participants everywhere (Stern *et al.*, 2014; Zhao and Zhou, 2011), increasing the management, endorsement and selection benefits for VC firms. Third, the management benefits through resources available to a high-status firm from a core country may be more abundant and valuable than those available to a low-status counterpart. For instance, in the VC context, status in a core country may signal access to a broader range of relational resources, enhancing the management benefits. These reasons suggest a complementarity effect, such that, when the VC firm's home country is in a higher relative position than the host country, firm status may have a larger impact on a venture's performance.

*H3b: The relative global position of a cross-border VC firm's home country with respect to the venture's country will positively moderate the impact of the VC firm's home-country status on a venture's performance.*

## **METHODS**

This paper seeks to assess the impact of cross-border VC firm status on performance. “Cross-border” is a relative characteristic in itself: the same VC firm makes both local and cross-border investments. Because we need to isolate the effect of status in these two types of investments, we cannot simply consider the aggregate performance of the portfolio of a given VC firm. In addition, because we hypothesize about the relationship between the venture's country and the cross-border VC firm's country, the level of analysis should allow such comparisons. We therefore examine the effect of the cross-border VC firm's home-country status on the performance of a given venture, controlling for other aspects of the deal. When there are several cross-border VC firms investing in a venture, we focus on the cross-border VC with the highest status, since extreme status effects are likely to matter more (Ozmel and Guler, 2015).

We gathered data on a global sample of 462 VC-backed biotechnology ventures founded from 1990 to 2004 in 25 different countries, and followed through 2006. Out of these 462 VC-backed ventures, 187 are backed by a cross-border VC. These 187 cross-border VC-backed ventures from 19 countries comprise our final sample. Cross-border VC firms come from 22 countries (Table 1.) Biotechnology is an ideal setting because, being capital-intensive and high-technology, it relies on VC partnerships to a great extent (Stuart *et al.*, 1999; Zollo, Reuer, and Singh, 2002), and since it is not context-specific, expert cross-border investors can assess the quality of the technology. Cross-border VC activity started around 1990 (Guler and Guillén, 2010a), reducing concerns for left-censoring.

[Table 1 around here]

We compile data from multiple databases. Information about the ventures and their investors was collected using the VentureXpert database from Thomson Reuters. We triangulated the data with SDC Platinum, Zephyr, Factiva, company websites and internet archives, and complemented it with U.S. patents from the U.S. Patent and Trademark Office (USPTO). We gathered country information from the World Bank databases.

**Dependent variable: Performance**

We are interested in how the home-country status of a cross-border VC firm influences the performance of the ventures in which it invests. Because ventures in the sample are private and do not disclose financial statements, we measure performance by the occurrence of an IPO or an acquisition anywhere in the world (e.g., Gompers *et al.*, 2010; Hochberg *et al.*, 2007). Whereas most research focuses on IPOs as the most lucrative exit option in the U.S., acquisitions are more common in international markets, as IPOs are often not a viable route. The information was hand collected from VentureXpert, SDC Platinum, Zephyr, and the venture's website (and web archives) when available. We only included true acquisitions, gathering qualitative data on each acquisition to exclude fire-sales after bankruptcy.

The nature of the dependent variable requires a duration analysis. We estimate Cox regression models, a semi-parametric technique that, unlike other duration models, imposes few assumptions on the shape of the underlying hazard. This model allows us to estimate time-varying explanatory variables and competing events, and accommodates the right-censoring created when observations enter and exit the sample at different points in time. For robustness, we considered alternative event history models, as reported below. Since our theory builds on selection benefits of cross-border VC firms as well as management and endorsement benefits, we

first report results without a correction for selection. We then condition out selection in supplementary models to isolate the management and endorsement benefits.

### **Independent variables and controls**

*Cross-border VC status* measures the home-country status of a cross-border VC firm. We measure VC status with Bonacich's (1987) eigenvector centrality, which takes into account the centrality of the actors to which a focal actor is connected. We defined the home-country network as the co-investment network of all VC firms investing in any industry in the focal VC firm's country (Podolny, 2001; Sorenson and Stuart, 2001). We constructed co-investment matrices for each country in 10-year windows, roughly the length of an investment cycle (see Table 1). We normalized the measure such that it varies between 0 and 1 for each network.

For country-level measures of interconnectedness and relative global position, we construct a country-level VC-flow matrix by counting the annual number of cross-border VC investments in the biotechnology industry between each country dyad. The *Interconnectedness* of the cross-border VC firm's country with the venture's country is operationalized as the strength of the tie between the VC's and venture's countries in the VC-flow network.

*Relative global position* seeks to measure how the cross-border VC firm's country stands in comparison to the venture's country. We calculate the position of each country in the country-level VC-flow network using closeness centrality (Van Rossem, 1996; Weber *et al.*, 2009). We then calculate the ratio of the centrality of the VC firm's country to that of the venture's country. This measure is greater than one if the VC firm is in a more central country than the venture, and smaller than one if the venture is in a more central country than the VC firm.

We control for several characteristics of the cross-border VC and the country dyad: *cross-border VC multinationality*, as the number of countries in which the VC has invested in the

past (Guler and Guillén, 2010a); the *cultural distance* between the VC and venture countries (Kogut and Singh, 1988), based on Hofstede, Hofstede, and Minkov (2010); and also for whether they share a common language (Ghemawat, 2001). When a venture has multiple VC investors, we calculate these for the cross-border VC firm with the highest status for consistency.

We control for three characteristics of a venture that are important for performance: *Venture age* as years since incorporation; *Venture patent stock* as the number of patents granted by the USPTO (Alvarez-Garrido and Dushnitsky, 2016; Furman, Porter, and Stern, 2002); and *Cumulative investment amount* (in dollars) in the venture as a signal of quality as well as a means to advance product development and be more attractive to investors (e.g., Aggarwal and Hsu, 2009). We also control for *Local VC Status*, calculated in the same way as cross-border VC status, but for VC firms that are headquartered in the same country as the focal venture. In addition, as ventures enter the sample at different times, we estimate *Venture cohort fixed effects*.

We control for the following characteristics of the venture's country: *GDP per capita* in purchasing power parity; *stock market capitalization* standardized by GDP; an indicator for *English legal system* (La Porta *et al.*, 1998); *total population* of the venture's country (in millions) as a control for country size.

## **RESULTS**

Out of the 187 ventures, nearly 40% went public or were acquired, as shown in Table 2. In our sample, 42 of these events were local (in the venture's country) and 31 were foreign (in other countries). Table 3 shows the descriptive statistics. The median venture had one patent, and was backed by cross-border VC firms with a wide range of status.

[Tables 2 and 3 about here]

Table 4 shows the Cox regression on the hazard of a successful liquidity event (IPO or an acquisition.) Model 4.1, with only controls, shows that ventures with higher cumulative dollar investment and in countries with higher stock market capitalization are at an increased hazard of a successful event, as expected. Model 4.2 adds the main effect of *Cross-Border VC Status*, Models 4.3 and 4.4 introduce the two moderations, and Model 4.5 is the full model.

Model 4.2 reveals no direct effect of *Cross-Border VC Status*. However, the variable has a significant effect in the full model (Model 4.5, coefficient of 20.74 with a p-value of 0.039), which implies that the impact of cross-border VC status may be complex and needs to be unpacked. In fact, the fit of the full model (Model 4.5) is improved relative to Model 4.2 at 5% significance, showing that the model may be underspecified without the multiplicative effects (Dobbin and Dowd, 2000; Friedrich, 1982). Therefore, when the boundary conditions are accounted for, we find conditional support for Hypothesis 1.

[Table 4 around here]

We examine Models 4.3 and 4.5 to analyze the moderating effect of *Interconnectedness*. We do not find a significant interaction effect between cross-border VC firm status and interconnectedness in these models. In order to better understand these results, we run Models 4.6 through 4.9 to estimate competing events on local events (IPOs or acquisitions in the venture's country) in Models 4.6 and 4.7, and foreign events (outside the venture's country) in Models 4.8 and 4.9. We find that *Interconnectedness* enables *Cross-border VC status* only when the successful liquidity event is in the venture's country (Model 4.7, with the interaction coefficient at 0.25, and p-value of 0.068), and not when it is abroad (Model 4.9). The coefficients from Models 4.7 and 4.9 are different (p-value=0.01.) This is consistent with the mechanism by which interconnectedness operates: when a liquidity event takes place outside the venture's

country, there is little need for status information to travel to the venture's country. However, for the status advantage to facilitate an event in the venture's country, interconnectedness between the VC's and venture's countries is necessary. These results provide conditional support for Hypothesis 2.

We turn to the moderating effect of *Relative global position*, and whether it is one of substitution or complementarity. The results in Model 4.4 and 4.5 strongly point to a substitution effect. In Model 4.5, the main effect of *Relative global position* is positive (1.22) with a p-value of 0.044, which supports the idea that the positions of the VC's and venture's countries matter. The interaction of cross-border VC status and relative global position has a negative coefficient (-21.00) and a p-value of 0.037, in support of Hypothesis 3a of substitution. A closer inspection of events by location suggests that the effect is more significant for events outside the venture's country (Models 4.7 and 4.9). While the difference in the sizes of the coefficients is not statistically significant (p-value=0.26), the results suggest more noise in the case of local events.

### **Discriminating between selection and other benefits**

We argued that cross-border VC firms may have higher performance because they are able to attract higher quality ventures (selection) or add superior value through management and endorsement benefits. In order to assess the relative magnitude of selection benefits vis-à-vis management and endorsement benefits, we conduct several complementary tests. First, we estimate univariate analyses that compare the samples at the time of investment, where selection would be at play, and at the end of the window of observation. Second, we run two-stage models correcting for selection.

[Tables 5 and 6 around here]

Table 5 examines if high-status cross-border VC firms (measured as top quartile in status rankings) pick systematically different ventures than other cross-border VC firms. At the time of investment, there are no significant differences between ventures funded by high-status cross-border VC firms and those funded by lower-status ones. At the end of the period, however, those with a high-status cross-border VC have higher-status local VC investors and more dollar investment. Jointly, these univariate results suggest that selection is not driving the results of cross-border VC status, since samples look similar at the time of first investment.

Since selection could occur on unobserved variables, we conduct a nonlinear residual inclusion model (Terza, Basu, and Rathouz, 2008). The first stage (Table 6, 6.1) predicts the status of the cross-border of VC with an OLS model. The second stage (Table 6, 6.2) is a Cox model predicting the likelihood of a successful event, and includes the residuals from the first stage. The instrument builds on the management and finance literature (Alvarez-Garrido and Dushnitsky, 2016; Berger *et al.*, 2005; Bottazzi, Da Rin, and Hellmann, 2008; Hellmann, Lindsey, and Puri, 2008), which argues that the size of a market influences a match between a venture and a VC, such that the market has to be sufficiently large in order to have a good match of “high quality” ventures to appropriate investors. We therefore use *VC Supply* as our instrument, conceptualized as the number of VC-backed rounds in biotechnology in the venture’s country in the previous year. The intuition for the instrument is that, before the matching occurs, the more VC firms invest in a country, the more liquid the market, and we should observe a higher correlation between the instrument and the endogenous variable. Yet, after the matching occurs, the aggregate supply of VC firms is no longer relevant for the performance of that venture. All that matters is the status of the VC firm investing in the venture, and not other VC

firms in the market, hence satisfying the exclusion restriction<sup>1</sup>. The instrument is significant and strong in Model 6.2, per the likelihood ratio tests, Durbin, and Wu-Hausman scores. The residuals are not statistically significant in the second stage ( $p=0.765$ , Model 6.2), and the main coefficients of interest are similar in magnitude to those reported in Table 4. Again, selection does not seem to be the driver of the results. We conclude that status-related advantages are more likely to come from management and endorsement effects rather than mere selection.

### **Economic significance**

On Table 7, the top two figures show the effect of a one standard deviation increase in cross-border VC status for two levels of interconnectedness. At average interconnectedness (top-left quadrant), an increase in cross-border VC status leads to a 11% greater hazard of an event in the venture's country. At high levels of interconnectedness (top-right quadrant), the same increase in cross-border VC status leads to a 52% greater hazard of an event in the venture's country.

Next we turn to the economic significance of the moderation effect for relative global positions of the countries. On Table 7, the two bottom figures contrast the effect of a one standard deviation in cross-border VC status at two levels of relative global position: at mean (cross-border VC firm's country less central than the venture country) and at mean plus standard deviation (cross-border VC firm's country at a more central position.) At average relative global position (bottom-left quadrant), a one standard deviation increase in cross-border status increases the hazard of a successful event by about 6 times. At high relative global position, such that the cross-border VC firm's country is more central, the effect of cross-border VC status is negligible. This illustrates that both moderation effects are important in magnitude.

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<sup>1</sup> We further assessed instrument exogeneity with panel fixed-effect analyses in unreported analyses. We found the instrument does not predict the successful events at a country-year level of analysis with country controls, average patent stock and average cumulative investment of country ventures. This provides further assurance about the exogeneity of the instrument.

[Table 7 about here]

### **Supplementary analyses**

Table 8 shows robustness to alternative explanations. First, we address the possibility that the VC industry is globally connected by measuring the cross-border VC status in the global network of syndicate investments rather than in the home-country networks. Model 8.1 shows that the measure is not significant, supporting our starting assumption that the status effects reside in country-level networks and their relationships. Model 8.2 assesses if the VC status effects are driven by reputation. We control for VC firm reputation with the past performance of the local VC and that of the cross-border VC (e.g., Gu and Lu, 2014). As in earlier models, we consider the reputation of the VC firm with the highest status when there is more than one firm. Model 8.3 investigates the confounding effects of multiple VC firms by focusing only on cases with one cross-border VC firm. The results are robust. In unreported models, we also control for the number of cross-border VC firms and find robust results.

Model 8.4 investigates the hypothesized effects at different levels of status by including dummies for cross-border VC firms with high status (4<sup>th</sup> quartile, or Q4) and those with medium status (Q3). Lower-status cross-border VC firms are the omitted category (Q1, Q2). Interestingly, we find that the results are driven by the high-status cross-border VC firms, such that the main effect of high cross-border VC status is positive with a p-value of 0.007. This finding resonates with the recent understanding of high status as a category, and suggests that high status may act as a scarce resource capable of yielding competitive advantage. We also find that interconnectedness enables both medium- and high-status firms but not low-status ones, which may mask the effect of interconnectedness on the main analyses (Models 4.3 and 4.5, Table 4.)

[Table 8 around here]

In unreported analyses, we controlled for the potential selection of cross-border VC backing (regardless of status) by conducting a two-stage selection model on a sample of all 462 VC-backed ventures. Even though the instrument was strong, the residuals from the first stage were not significant in the second stage, and the results remained robust. We then considered alternative specifications to the Cox, Weibull, Gompertz, log-logistic models, and piecewise exponential yielded robust results. They consistently estimated an increasing hazard function, as did the Cox model. We also ran tests controlling for the presence of local VC firms in a cross-border investment, presence of U.S. VCs, and excluding the smallest country networks, and found robust results. Last, we separated events in the country of the cross-border VC firm (18 events) and those in a third country (13 events.) Competing risk analyses were qualitatively similar for both events, despite low estimation power due to few events.

## **DISCUSSION AND CONCLUSION**

This study examined the conditions under which status advantages can be valuable in international markets. Our results suggest that a cross-border VC firm's home-country status does not uniformly lead to increased venture performance; it does so only under specific contextual conditions. Interconnectedness of the VC firm's and venture's countries increases the impact of a VC firm's home-country status on the likelihood of a local event (in the venture's country), but not the likelihood of an event elsewhere. Finally, the relative global position of the VC firm's and venture's countries substitutes for the cross-border VC firm's status such that the marginal effect of firm status declines as the relative global position of its country increases.

Our results have a number of interesting implications. First, we contribute to a more holistic understanding of status as an intangible asset. Prior research has recently started to examine the multi-faceted nature of social approval assets, and the implications of heterogeneous

audiences (Hallen and Pahnke, 2016; Pfarrer *et al.*, 2010; Sauder, 2006). We contribute by adding that the macro-structural contingencies surrounding social systems also influence how audiences perceive firms, influencing the value of status.

Our results shed some light on the question of when home-country status can be used as a source of advantage in internationalization, contributing to strategy and international business literatures. We find that status is distinct from other intangible resources in that it confers value under a specific set of circumstances in international expansion. While the value of other intangible home-country resources such as technological know-how or marketing expertise (Alcacer and Zhao, 2012; Kogut and Chang, 1991; Lu and Beamish, 2004) may not depend on the interconnectedness or relative position of the countries, we find that the audience-dependent nature of status influences the conditions under which it will be valuable in international settings.

This finding also contributes to the resource-based view of strategy (RBV). The RBV acknowledges that a resource's value is dependent on the context (Barney, 1991), but few studies have examined whether relational resources retain their value in a new setting (cf. Vasudeva, Zaheer, and Hernandez, 2013). We find that VC firms' home-country status was not significant in explaining ventures' performance, unless under certain conditions. In light of prior findings that status influences foreign market entry (Guler and Guillén, 2010a), firms perhaps overestimate the extent to which they can leverage their status in international markets.

An interesting finding of our study is that, while VC firms benefit from home-country status under conditions of interconnectedness and relative global position, they do not benefit from a global measure of status. When we constructed the global network of VC firms and calculated status positions on this network, without taking into account country borders, global status had little explanatory power. Our interviews with VC professionals corroborated the local

character of VC industries. This suggests that the terrain in which VC firms operate is not a global but rugged one, delineated by countries and their relationships. To our knowledge, this is the first study to empirically test the assumption that status is locally constructed.

One of the distinct aspects of our study is to develop the construct of relative global position and integrate it with theories of status. We show that the macro structure of relationships among countries not only influences diffusion of policies and practices (Henisz *et al.*, 2005; Weber *et al.*, 2009), but also how firms are received in international markets. As opposed to prior work that often focuses on institutional and geographic distances between countries as macro conditions (e.g., Berry, Guillén, and Zhou, 2010 for a review), our study suggests that the patterns of interactions among countries are likely to influence the value of firms' resources, and in turn, their performance. Traditional conceptions of country distance have recently come under scrutiny for assuming distance is symmetric (Zaheer, Schomaker, and Nachum, 2012). Relative global position captures a directional aspect of country-level relationships that influence firms.

Our findings also have implications for the literature on interorganizational relationships, and status in particular. This study captures the multi-level effects of status as firms move between countries, each with its own status structure. Building on the recent literature on status originating from membership in a category (Bowers and Prato, 2017; Jensen *et al.*, 2011; Sharkey, 2014), we submit that countries not only act as boundaries to status systems, but also identity categories that influence the value of firm status. To our knowledge, ours is one of the few studies that examines status in a social hierarchy (within a country) along with status due to membership in a category (across countries) in conjunction. It is also one of the few studies in the management literature that examines and compares organizational status rankings across a

wide variety of markets. Analyzing the value of status from multiple originating and host countries allows us to draw the contextual boundaries under which status retains economic value.

Finally, our study also contributes to the rising literature on international entrepreneurship and cross-border VC that examines the practices and outcomes of cross-border VC firms (Cumming *et al.*, 2016; Gu and Lu, 2014; Humphery-Jenner and Suchard, 2013). While valuable, the majority of these studies examine cross-border VC firms as a homogenous group, potentially confounding firm- and country-level differences. Our study contributes to this literature by examining the implications of status heterogeneity among cross-border VC firms. We have theorized that high-status cross-border VC firms may have advantages due to superior sourcing, management, and endorsement of ventures. Our results shed more light into these mechanisms. We did not find evidence of a sourcing advantage, since differences in selection were not observed, and did not influence the results. We did find significant differences in intermediate outcomes such as patenting and local VC status after getting a high-status cross-border VC, which is consistent with superior management and endorsement benefits. Finally, our finding that interconnectedness enables status advantages in local markets but not in global markets suggests that high-status VC firms play an important role in organizing exit events.

The limitations of our study open up new research opportunities. First, we examined the value of home-country status by focusing on the performance implications, but not other outcomes, such as partnership formation. Second, we did not capture the dynamics of status as firms continue to operate in a country, building new status positions. Next, future work may find it fruitful to compare cross-border and local VCs in terms of their status benefits. While our tests did not reveal significant differences, our sample was not particularly suited to this query. We leave it for future research to further explore these effects on broader samples. Finally, the

generalizability of our results need to be tested, since the VC industry is one where status effects are pronounced, local context is important, and international expansion has moderate costs.

Our results have important implications for managers of both VC firms and ventures, who tend to pay a premium to attract prominent partners (Hsu, 2004). We find that performance benefits of high status do not uniformly carry over to new countries. A certain degree of interconnectedness between the VC firm's and venture's countries is necessary for status to impact performance. The relative global position of the two countries is also critical. A cross-border VC firm investing from a less central country may benefit from its high status, while another investing from a more central country may not benefit as much. This does not mean that cross-border VC firms from more central countries cannot enjoy firm-specific advantages, but heterogeneity may come from mechanisms other than status, such as complementary assets.

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**Table 1. Network descriptions and measures**

<b>Network</b>	<b>Description</b>	<b>Measures</b>	<b>Countries (and average number of nodes)</b>
Home-Country VC Syndication Networks (22 networks)	For each country, we compile VC investments in all industries, and generate the country networks aggregated to 10 years. We measure VC firm status within each of these networks as eigenvector centrality.	Cross-Border VC status measures the centrality of the cross-border VC in its home network. Local VC status measures the status of the local VC in its country network.	Australia (48 VC firms), Austria (33), Belgium (62), Canada (152), Denmark (57), Finland (28), France (164), Germany (192), Ireland (53), Israel (117), Italy (37), Japan (46), Netherlands (73), Norway (31), Rep.Korea (49), Singapore (38), Spain (46), Sweden (81), Switzerland (96), Taiwan (19), U.K. (232), U.S. (602)
Country VC flow network	Globally, we calculate the annual number of VC biotech investments between each country dyad. We measure each country's global position as the closeness centrality within this global VC flow network (Weber et al 2009).	Interconnectedness measures the strength of the tie between the cross-border VC's country and the venture's country at time t. Relative Global Position is the ratio of the global position (closeness centrality) of the cross-border VC's home country in this network to the position of the venture's country.	Global (149 countries)

**Table 2. Descriptive statistics: Dependent variable**

	IPO	ACQ	IPO+ACQ
Local Event	30	12	42
Foreign Event	8	23	31
Total	38	35	73

**Table 3. Descriptive statistics: Independent variables****Panel A**

Variable	Mean	s.e.	Min	Median	Max
1. Cross-border VC status $i_{t-1}$	0.20	0.25	0	0.10	0.90
2. Local VC status $i_{t-1}$	0.16	0.21	0	0.00	0.88
3. Interconnectedness $i_{t-1}$	3.51	5.18	0	1	17
4. Relative global position $i_{t-1}$	0.62	0.51	0	1.00	1.40
5. Cross-border VC multinationality $i_{t-1}$	7.10	8.07	0	4	28
6. Cultural distance (VC-venture countries) $i_{t-1}$	0.80	0.95	0	0.48	5.01
7. Common language (VC-venture countries) $i_{t-1}$	0.27	0.44	0	0	1
8. GDP pc $i_{t-1}$ (\$10,000)	2.39	0.49	0.00	2.32	4.06
9. Total population (millions) $i_{t-1}$	54.10	78.26	3.81	58.41	868.89
10. Stock market capitalization $i_{t-1}$	0.88	0.54	0.09	0.71	3.17
11. English legal system $i$	0.32	0.46	0	0	1
12. Cumulative investment (\$k) $i_{t-1}$	87.79	187.09	0	10.19	1617.94
13. Patent stock $i_{t-1}$	3.44	6.75	0	1	54
14. Venture age $i_{t-1}$	3.51	2.83	0	3	15

**Panel B**

	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.
2.	.32												
3.	.43	.29											
4.	.64	.35	.55										
5.	.83	.33	.63	.70									
6.	.48	.27	.11	.63	.52								
7.	.31	.28	.29	.41	.25	.16							
8.	.05	.08	-.01	.01	.04	-.03	.11						
9.	-.01	.01	.10	-.04	.02	-.07	.01	-.46					
10.	-.09	-.01	-.16	-.08	-.13	-.07	.14	.50	-.20				
11.	-.22	-.05	-.05	-.08	-.25	-.09	.18	-.15	.05	.31			
12.	.33	.46	.29	.35	.40	.40	.31	.12	-.01	.04	.02		
13.	.21	.25	.11	.23	.18	.23	.20	.04	-.07	.05	.09	.45	
14.	.40	.26	.25	.46	.38	.33	.23	.12	.05	-.07	-.01	.28	.35

$N_{it}=1,294$

**Table 4. Cox regression on hazard of successful liquidity event**

Model DV	4.1 All events	4.2 All events	4.3 All events	4.4 All events	4.5 All events	4.6 Local events	4.7 Local events	4.8 Foreign events	4.9 Foreign events
Cross-border (CB) VC status $i_{t-1}$ (H1)		-0.20 [.815] (0.85)	-0.40 [.685] (0.97)	20.69 [.038] (9.99)	20.74 [.039] (10.07)	-0.41 [.741] (1.23)	15.29 [.242] (13.08)	-0.31 [.848] (1.59)	30.83 [.031] (14.32)
CB VC status $i_{t-1}$			0.04 [.674] (0.10)		0.05 [.635] (0.10)	0.24 [.077] (0.14)	0.25 [.068] (0.14)	-0.17 [.252] (0.15)	-0.17 [.282] (0.16)
* interconnectedness $i_{t-1}$ (H2)									
CB VC status $i_{t-1}$				-20.73 [.038] (9.98)	-21.00 [.037] (10.07)		-15.60 [.232] (13.05)		-31.42 [.033] (14.71)
* relative global position $i_{t-1}$ (H3)									
Interconnectedness $i_{t-1}$		-0.00 [.901] (0.03)	-0.02 [.700] (0.05)	0.00 [.927] (0.04)	-0.01 [.786] (0.05)	-0.07 [.323] (0.07)	-0.07 [.343] (0.07)	0.03 [.674] (0.07)	0.03 [.621] (0.07)
Relative global position $i_{t-1}$		1.30 [.023] (0.57)	1.37 [.021] (0.59)	1.14 [.051] (0.58)	1.22 [.044] (0.61)	1.74 [.029] (0.80)	1.68 [.038] (0.81)	0.58 [.529] (0.93)	0.41 [.664] (0.95)
Local VC status $i_{t-1}$	0.05 [.942] (0.71)	0.23 [.738] (0.69)	0.25 [.714] (0.69)	-0.01 [.994] (0.70)	0.01 [.994] (0.70)	0.81 [.327] (0.83)	0.60 [.478] (0.84)	-1.34 [.262] (1.20)	-1.53 [.198] (1.19)
CB VC multinationality $i_{t-1}$	0.03 [.158] (0.02)	0.02 [.493] (0.03)	0.02 [.548] (0.03)	0.04 [.274] (0.03)	0.03 [.324] (0.04)	-0.04 [.361] (0.04)	-0.03 [.484] (0.05)	0.10 [.027] (0.05)	0.14 [.008] (0.05)
Cultural distance $i_{t-1}$	-0.16 [.320] (0.16)	-0.31 [.106] (0.19)	-0.30 [.118] (0.19)	-0.25 [.185] (0.19)	-0.24 [.209] (0.19)	0.12 [.610] (0.23)	0.15 [.510] (0.23)	-0.81 [.014] (0.33)	-0.73 [.024] (0.33)
Common language $i_{t-1}$	0.14 [.620] (0.28)	-0.15 [.634] (0.32)	-0.12 [.721] (0.33)	0.05 [.889] (0.32)	0.09 [.796] (0.33)	0.24 [.546] (0.41)	0.37 [.373] (0.41)	-0.26 [.633] (0.54)	0.06 [.909] (0.56)
L GDP per capita $i_{t-1}$	-0.62 [.144] (0.42)	-0.59 [.172] (0.43)	-0.58 [.175] (0.43)	-0.69 [.119] (0.44)	-0.68 [.123] (0.44)	-0.65 [.123] (0.42)	-0.70 [.098] (0.42)	0.25 [.838] (1.23)	0.19 [.880] (1.27)
L Total population $i_{t-1}$	0.01 [.944] (0.14)	0.06 [.711] (0.16)	0.06 [.717] (0.16)	0.01 [.943] (0.16)	0.01 [.952] (0.16)	0.05 [.796] (0.20)	0.03 [.889] (0.21)	0.09 [.721] (0.25)	-0.01 [.959] (0.25)
L stock market capitalization $i_{t-1}$	0.75 [.013] (0.30)	0.82 [.010] (0.32)	0.83 [.010] (0.32)	0.84 [.010] (0.33)	0.85 [.009] (0.33)	1.27 [.003] (0.42)	1.28 [.003] (0.43)	0.24 [.646] (0.53)	0.19 [.735] (0.55)
English legal system $i$	-0.00 [.995] (0.32)	-0.03 [.923] (0.34)	-0.03 [.931] (0.34)	-0.10 [.765] (0.34)	-0.10 [.778] (0.34)	-0.38 [.401] (0.45)	-0.44 [.331] (0.45)	0.64 [.239] (0.54)	0.57 [.287] (0.53)
L cumulative investment (\$k) $i_{t-1}$	0.29 [.001] (0.09)	0.22 [.023] (0.10)	0.23 [.022] (0.10)	0.23 [.018] (0.10)	0.23 [.017] (0.10)	0.17 [.187] (0.13)	0.19 [.141] (0.13)	0.34 [.031] (0.16)	0.33 [.031] (0.15)
L Patent Stock $i_{t-1}$	0.45 [.321] (0.45)	0.58 [.204] (0.46)	0.59 [.202] (0.46)	0.85 [.077] (0.48)	0.86 [.076] (0.49)	0.42 [.461] (0.57)	0.64 [.293] (0.61)	0.56 [.440] (0.73)	0.85 [.279] (0.78)
Venture Age $i_{t-1}$	0.07 [.268] (0.06)	0.04 [.576] (0.07)	0.03 [.600] (0.07)	0.02 [.706] (0.07)	0.02 [.735] (0.07)	0.00 [.987] (0.07)	-0.01 [.897] (0.08)	0.03 [.727] (0.09)	0.01 [.953] (0.09)
Log-likelihood	-357	-357	-354	-352	-354	-221	-220	-158	-156

$N_{it}=1,294$ ;  $N_i=187$ . L indicates the variable is logged. Venture cohort fixed-effects included. (s.e.) [p-value]

**Table 5. Univariate analyses for selected variables**

Sub-Sample	High CB VC status <sup>a</sup>		
	Yes	No	
N	46	141	
Variable	Mean (sd)	Mean (sd)	Diff [test]
<b>Timing: at first investment</b>			
Local VC status $i_{t-1}$	0.102 (0.192)	0.089 (0.176)	0.013 [0.40]
Cumulative investment (\$k) $i_{t-1}$	7.550 (23.333)	18.281 (113.623)	-10.732 [1.05]
Patent stock $i_{t-1}$	1.234 (2.013)	1.850 (4.080)	-0.616 [1.36]
<b>Timing: at last observation</b>			
Local VC status $i_{t-1}$	0.270 (0.220)	0.208 (0.215)	0.062 [1.69]
Cumulative investment (\$k) $i_{t-1}$	228.843 (227.593)	157.215 (263.058)	71.627 [1.79]
Patent stock $i_{t-1}$	6.644 (9.245)	5.366 (8.248)	1.278 [0.84]

<sup>a</sup>High cross-border VC status is defined as the top quartile of status.

The time of first investment is the time of investment by a cross-border VC. On average (median) ventures are 2.8 (2) years old.

**Table 6. Cox regression on hazard of successful event: Endogeneity correction**

Stage	1	2
DV	CB-VC Status	Event
Model	6.1	6.2
Cross-border (CB) VC status $i_{i,t-1}$		19.71 [.066] (10.73)
CB VC status $i_{i,t-1}$ *interconnectedness $i_{i,t-1}$		0.05 [.637] (0.10)
CB VC status $i_{i,t-1}$ *relative global position $i_{i,t-1}$		-20.11 [.057] (10.58)
Interconnectedness $i_{i,t-1}$		-0.01 [.803] (0.05)
Relative global position $i_{i,t-1}$		1.25 [.042] (0.61)
Local VC status $i_{i,t-1}$	-0.01 [.952] (0.12)	-0.02 [.982] (0.7)
CB VC multinationality $i_{i,t-1}$		0.03 [.365] (0.04)
Cultural distance (VC-venture cty) $i_{i,t-1}$		-0.23 [.226] (0.19)
Common language (VC-venture cty) $i_{i,t-1}$		0.09 [.796] (0.34)
L GDP per capita $i_{i,t-1}$	0.03 [0.649] (0.06)	-0.67 [.130] (0.44)
L Total population $i_{i,t-1}$	-0.04 [0.07] (0.02)	0.01 [.935] (0.16)
L Stock market capitalization $i_{i,t-1}$	0.02 [.563] (0.06)	0.86 [.009] (0.33)
English legal system $i$	-0.12 [.004] (0.04)	-0.13 [.725] (0.36)
L Cumulative investment (\$k) $i_{i,t-1}$	0.01 [.789] (0.01)	0.23 [.016] (0.10)
L Patent stock $i_{i,t-1}$	0.01 [.961] (0.14)	0.87 [.073] (0.49)
Venture Age $i_{i,t-1}$	-0.01 [.196] (0.01)	0.02 [.739] (0.07)
Constant	0.60 [.485] (0.85)	
Instrument: VC supply, by country-year $i_{i,t-1}$	0.01 [.014] (0.00)	
First stage residuals (6.1)		0.28 [.765] (0.93)
$N_i$	187	187
Pseudo R-squared	11%	11%
Log-likelihood	-354	-354

L indicates the variable is logged. Venture cohort fixed-effects included. (s.e.) [p-value]

**Table 7. Economic significance of a one standard deviation increase in cross-border VC Status**

	Moderator at mean	Moderator at mean+sd
<b>Interconnectedness</b>	<p>Cumulative Hazard of Local Event Effect of Cross-border VC status Interconnectedness at mean</p> <p>From Table 4, Model 4.6. All other variables at mean.</p>	<p>Cumulative Hazard of Local Event Effect of Cross-border VC status Interconnectedness at mean+sd</p> <p>From Table 4, Model 4.6. All other variables at mean.</p>
<b>Relative global position</b>	<p>Cumulative Hazard of Event Effect of Cross-border VC status Relative Global Position: at mean</p> <p>From Table 4, Model 4.4. All other variables at mean.</p>	<p>Cumulative Hazard of Event Effect of Cross-border VC status Relative Global Position: at mean+sd</p> <p>From Table 4, Model 4.4. All other variables at mean.</p>

**Table 8. Robustness tests**

	7.1	7.2	7.3	7.4
Cross-border (CB) VC status $i_{i,t-1}$	-0.08 [.866] (0.48)	20.46 [.045] (10.22)	33.04 [.001] (9.88)	
Med CB VC status $i_{i,t-1}$				-2.53 [.638] (5.36)
High CB VC status $i_{i,t-1}$				17.03 [.007] (6.33)
CB VC status $i_{i,t-1}$ *interconnectedness $i_{i,t-1}$		0.05 [.614] (0.11)	0.10 [.465] (0.14)	
CB VC status $i_{i,t-1}$ *relative global position $i_{i,t-1}$		-20.74 [.043] (10.24)	-32.85 [.001] (10.26)	
Med CB VC status $i_{i,t-1}$ *interconnectedness $i_{i,t-1}$				0.21 [.010] (0.08)
High CB VC status $i_{i,t-1}$ *interconnectedness $i_{i,t-1}$				0.17 [.043] (0.08)
Med CB VC status $i_{i,t-1}$ *relative global position $i_{i,t-1}$				0.89 [.865] (5.22)
High CB VC status $i_{i,t-1}$ *relative global position $i_{i,t-1}$				-18.09 [.005] (6.44)
Interconnectedness $i_{i,t-1}$		-0.02 [.705] (0.05)	-0.04 [.420] (0.05)	-0.16 [.036] (0.07)
Relative Global Position $i_{i,t-1}$		1.17 [.061] (0.62)	1.50 [.023] (0.66)	2.09 [.001] (0.66)
Local VC status $i_{i,t-1}$	-0.11 [.867] (0.68)	-0.15 [.851] (0.79)	0.01 [.985] (0.80)	-0.03 [.966] (0.72)
Cross-Border VC Multinationality $i_{i,t-1}$	0.03 [.111] (0.02)	0.02 [.637] (0.04)	-0.02 [.646] (0.05)	0.04 [.239] (0.04)
Cultural Distance $i_{i,t-1}$	-0.12 [.448] (0.16)	-0.25 [.188] (0.19)	0.06 [.769] (0.21)	-0.27 [.175] (0.20)
Common language $i_{i,t-1}$	0.24 [.383] (0.27)	0.07 [.843] (0.34)	0.45 [.243] (0.39)	0.02 [.964] (0.35)
L GDP pc $i_{i,t-1}$	-0.42 [.246] (0.36)	-0.70 [.113] (0.44)	-0.38 [.288] (0.35)	-0.43 [.346] (0.45)
L Total population $i_{i,t-1}$	0.02 [.893] (0.14)	-0.02 [.905] (0.17)	0.20 [.249] (0.17)	-0.03 [.844] (0.17)
L Stock market capitalization $i_{i,t-1}$	0.76 [.010] (0.29)	0.76 [.022] (0.33)	0.96 [.014] (0.39)	0.86 [.009] (0.33)
English legal system $i_{i,t-1}$	0.06 [.841] (0.32)	-0.08 [.818] (0.35)	0.07 [.852] (0.39)	-0.14 [.691] (0.34)
L Cumulative investment (\$k) $i_{i,t-1}$	0.28 [.004] (0.10)	0.20 [.047] (0.10)	0.22 [.039] (0.11)	0.26 [.011] (0.10)
L Patent stock $i_{i,t-1}$	0.35 [.409] (0.42)	0.77 [.116] (0.49)	0.86 [.107] (0.54)	0.86 [.073] (0.48)
Venture age $i_{i,t-1}$	0.05 [.401] (0.06)	0.04 [.572] (0.07)	-0.04 [.600] (0.07)	0.01 [.830] (0.07)
Local VC performance $i_{i,t-1}$		0.01 [.653] (0.02)		
Cross-border VC performance $i_{i,t-1}$		0.02 [.247] (0.02)		
Log-Likelihood	-359	-351	-255	-347