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# Cross-Border Venture Capital Investments

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Hortense Tarrade

# Cross-Border Venture Capital Investments

Why Do Venture Capital Firms  
Invest at a Distance?

Foreword by Prof. Dietmar Harhoff, Ph.D



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**RESEARCH**

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## Foreword

Venture capital financing is an important motor of entrepreneurship throughout the world. As borders lose their relevance thanks to new technologies and sharply reduced transportation costs, start-ups are increasingly international from the start. This raises the question of which VC firm they should seek financing from – local or foreign. From the venture capitalist firms' perspective, a similar question is posed: why would they restrict their investments to companies in their immediate vicinity? And indeed they do not. Cross-border investments have become more popular. But this does not come without challenges caused by the distance between VC firm and distant portfolio company.

In her dissertation, Hortense Tarrade investigates this phenomenon that has been largely neglected in the literature. Tarrade conducts thorough literature reviews in several relevant fields of management as well as a series of interviews to develop her hypotheses. She then goes on to apply econometric methods to a large longitudinal dataset recording over 200,000 VC investments around the world between 1989 and 2008.

In her econometric analysis, the author first studies the decision of VC firms to make investments locally or at a distance. She then refines the examination by looking at the determinants of a VC's preference for investing in particular countries.

The thesis delivered by Hortense Tarrade presents interesting new research results enhancing our understanding of venture capital firms' investment behavior. It is a welcome complement to the existing scholarly research on venture capital and reflects the new global conditions which both entrepreneurs and financiers face.

Prof. Dietmar Harhoff, Ph.D.

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## List of abbreviations

e.g.	exempli gratia
et al.	et alii
EUR	euro
EVCA	European Private Equity & Venture Capital Association
FDI	Foreign direct investment
GP	general partner
HQ	headquarters
i.e.	id est
IPO	initial public offering
IT	information technology
LP	limited partner
PC	portfolio company
PE	private equity
ROW	rest of the world
SD	standard deviation
TL	target location
UK	United Kingdom of Great Britain and Northern Ireland
US	United States of America
USD	US dollar
VC	venture capital / venture capitalist