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WORKING PAPER

The influence of experiential, inherited and external knowledge on the internationalization of venture capital firms*

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The influence of experiential, inherited and external knowledge on the internationalization of venture capital firms

ABSTRACT

This paper examines the effect of different types of international knowledge accumulation on the internationalization of venture capital firms, as a particular type of professional service firms. We distinguish between experiential knowledge acquired through previous activities, inherited knowledge through the management team and external knowledge through network partners. Hypotheses are developed for both the likelihood and the number of cross-border investments. The hand collected dataset comprises a combination of survey and archival data on a unique sample of 110 venture capital firms from five different European countries. Analyses indicate a positive effect of experiential and inherited knowledge on internationalization, but external knowledge has limited impact. Intense international contacts even decrease international activities. Together, these results highlight the importance of experiential and inherited knowledge to overcome information asymmetries inherent in the internationalization of professional service firms, and of venture capital firms in particular.

Keywords: internationalization, venture capital, organizational knowledge, experiential knowledge, international experience, inherited knowledge, human capital, external knowledge, networks