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THE ROLE OF DOMESTIC AND CROSS-BORDER VENTURE CAPITAL INVESTORS IN THE GROWTH OF PORTFOLIO COMPANIES*

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Abstract

This paper studies how the presence of cross-border as opposed to domestic venture capital investors is associated with the growth of portfolio companies. For this purpose, we use a longitudinal research design and track sales, total assets and payroll expenses in 761 European technology companies from the year of initial venture capital investment up to seven years thereafter. Findings demonstrate how companies initially backed by domestic venture capital investors exhibit higher growth in the short term compared to companies backed by cross-border investors. In the medium term, companies initially backed by cross-border venture capital investors exhibit higher growth compared to companies backed by domestic investors. Finally, companies that are initially funded by a syndicate comprising both domestic and cross-border venture capital investors exhibit the highest growth. Overall, this study provides a more fine-grained understanding of the role that domestic and cross-border venture capital investors can play as their portfolio companies grow and thereby require different resources or capabilities over time.

Keywords: venture capital, domestic, cross-border, international, portfolio company growth, technology

JEL codes: D92; G24; G32; G34, L25