RELATIONAL EMBEDDEDNESS, INSTITUTIONAL DISTANCE, AND PARTNER SELECTION DECISIONS ACROSS BORDERS

Miguel Meuleman¹
Mikko Jääskeläinen²
Markku V.J. Maula³
Mike Wright⁴

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¹ Department of Accountancy and Corporate Finance, Ghent University, Kuiperskaai, 55/E, B-9000 Ghent, miguel.meuleman@ugent.be and Vlerick Leuven Gent Management School, Miguel Meuleman.
² Aalto University, Finland, Mikko Jääskeläinen.
³ Aalto University, Finland, Markku V.J. Maula.
⁴ Department of Management and Innovation, Ghent University, Tweekerkenstraat 2, 9000 Gent, mike.wright@ugent.be and Imperial College Business School, Exhibition Road-London SW7, mike.wright@imperial.ac.uk, Mike Wright.
ABSTRACT

We respond to calls to incorporate the broader institutional context in which partner selection decisions occur into the study of partner selection. We examine the neglected question concerning how varying institutional distance between potential partners in different countries influences the role of relational embeddedness in cross-border partner selection decisions. We develop an integrative perspective where the institutional context in which partner selection decisions occur defines boundary conditions to the relational embeddedness approach to partner selection decisions. We construct a unique, novel dataset from various sources, comprising 1021 venture capital investments in 12 European countries in which 391 different local venture capital investors invited 302 different foreign investors from 14 European countries. Adopting a case-control analytical approach we find that the effect of relational embeddedness on partner selection is positively moderated by the regulatory, cognitive and normative distance between the institutions in which the local and foreign partners operate.