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## WORKING PAPER

# Formal venture capital acquisition: can entrepreneurs compensate for the spatial proximity benefits of south east of England and ‘star’ golden triangle universities?

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## **Formal venture capital acquisition: can entrepreneurs compensate for the spatial proximity benefits of south east of England and ‘star’ golden triangle universities’?**

**Abstract.** Building on the resource-based view of the firm and signalling theory, we challenge the traditional perspective that spatial proximity benefits can be leveraged by university spin-outs (USOs) located in the South East of England (i.e. particularly those drawn from ‘star’ golden triangle universities with additional reputational benefits), and USOs located elsewhere will be constrained from obtaining first formal venture capital (VC) required for venture development. Utilising a longitudinal database of 134 USOs involving unique archival and survey data, event history analysis identified counter to the traditional perspective that USOs located outside the South East of England were significantly more likely to obtain formal VC. Also, counter to the spatial proximity benefits view ‘star’ golden triangle USOs were not significantly more likely to obtain VC. Our evidence supports a spatial mismatch view between investors and investees. Resource combination signals sent by USOs and favourably received by VC firms were found to differ according to USO location context. USOs located outside the South East of England and ‘star’ golden triangle universities that signal the credible presence of habitual founders were more likely to obtain VC. USOs located outside ‘star’ golden triangle universities that had previously obtained publicly-backed equity finance were also more likely to obtain VC. However, USOs located in the South East of England with reputable management teams were more likely to obtain VC.