

## Table of Contents

<b>List of Figures</b> .....	<b>XIII</b>
<b>List of Tables</b> .....	<b>XV</b>
<b>List of Abbreviations</b> .....	<b>XVII</b>
<b>List of Symbols</b> .....	<b>XIX</b>
<b>1 Introduction</b> .....	<b>1</b>
1.1 Problem and Aims of Analysis .....	1
1.2 Research Methodology.....	5
1.3 Outline of the Thesis .....	7
<b>2 Fundamentals of Venture Capital Financing and Spatial Proximity</b> .....	<b>11</b>
2.1 Venture Capital Financing .....	11
2.1.1 Definition of Venture Capital .....	11
2.1.2 Characteristics of Portfolio Companies .....	14
2.1.3 Characteristics of German Venture Capitalist Types .....	15
2.1.3.1 Private Venture Capitalists .....	17
2.1.3.2 (Quasi-)public Venture Capitalists .....	18
2.1.4 Venture Capital Investment Process .....	21
2.1.4.1 Deal Origination .....	22
2.1.4.2 Deal Screening.....	26
2.1.4.3 Deal Due Diligence .....	28
2.1.4.4 Deal Structuring.....	32
2.1.4.5 Investment Development.....	35
2.1.4.6 Investment Exit.....	38
2.2 Spatial Proximity.....	41
2.2.1 Definition of Spatial Proximity .....	41
2.2.2 Spatial Distribution of Venture Capitalists and Venture Capital Investments .....	42
2.2.3 First Implications Regarding the Role of Spatial Proximity in Venture Capital Financing.....	44
2.3 Overview of Relevant Literature.....	46

<b>3</b>	<b>Relevant Theories for the Analysis of Spatial Proximity in Venture Capital Financing .....</b>	<b>61</b>
3.1	Identification of Relevant Theories.....	61
3.2	Theories Relevant to the Venture Capitalist - Entrepreneur Dyad .....	66
3.2.1	New Institutional Economics as Starting Point .....	66
3.2.1.1	Property Rights Theory .....	68
3.2.1.2	Agency Theory .....	71
3.2.1.3	Transaction Cost Theory .....	88
3.2.2	Further Theories Explaining the Role of Spatial Proximity .....	94
3.2.2.1	Game Theory .....	94
3.2.2.2	Stewardship Theory.....	102
3.2.2.3	Social Exchange Theory.....	109
3.3	Theories Relevant beyond the Venture Capitalist - Entrepreneur Dyad: Network Approach.....	116
3.3.1	Theoretical Foundations .....	117
3.3.1.1	Approach of Inter-Organizational Networks.....	119
3.3.1.2	Formal Network Analysis.....	122
3.3.2	Relevant Networks.....	124
3.3.3	Implications of Spatial Proximity between Actors.....	130
3.4	Summary .....	131
<b>4</b>	<b>Impact of Spatial Proximity throughout the Venture Capital Investment Process .....</b>	<b>133</b>
4.1	Pre-Contractual Activities.....	135
4.1.1	Deal Origination .....	135
4.1.2	Deal Screening.....	141
4.1.3	Deal Due Diligence.....	145
4.1.4	Deal Structuring.....	153
4.2	Post-Contractual Activities .....	154
4.2.1	Investment Development.....	154
4.2.1.1	Monitoring.....	154
4.2.1.2	Support .....	159
4.2.2	Investment Exit.....	168
4.3	Summary and Testable Hypotheses .....	174
4.3.1	General Impact of Distance .....	175
4.3.2	New Venture Characteristics .....	178
4.3.3	Venture Capitalist Characteristics .....	181
4.3.4	Investment Round Characteristics .....	185

---

<b>5</b>	<b>Empirical Analysis of Relationships between Spatial Proximity and the Type and Likelihood of Venture Capital Financing .....</b>	<b>187</b>
5.1	Description of Dataset.....	188
5.1.1	Available Datasets for Analysis.....	188
5.1.2	Used Dataset .....	189
5.1.3	Measurement and Definition of Variables.....	195
5.1.3.1	Spatial Proximity .....	195
5.1.3.2	New Venture Characteristics .....	196
5.1.3.3	Venture Capitalist Characteristics .....	199
5.1.3.4	Investment Round Characteristics .....	202
5.1.3.5	Control Variables.....	204
5.1.4	Summary Statistics .....	206
5.1.5	Possible Selection Biases.....	208
5.2	Patterns in Spatial Proximity between Venture Capitalists and Investees.....	214
5.2.1	Empirical Strategy to Investigate Patterns in Spatial Proximity .....	214
5.2.2	First Bivariate Analyses.....	217
5.2.3	Ordered Logistic Regressions .....	222
5.2.4	Robustness Tests of Conducted Analyses .....	235
5.2.5	Limitations of Analyses.....	236
5.3	Impact of Spatial Proximity on the Likelihood of a Venture Capital Investment ..	238
5.3.1	Empirical Strategy to Investigate the Likelihood of a Venture Capital Investment.....	238
5.3.2	Rare Event Logistic Regressions .....	245
5.3.3	Robustness Tests of Conducted Analyses .....	272
5.3.4	Limitations of Analyses.....	273
5.4	Summary of Results and Discussion.....	274
<b>6</b>	<b>Conclusion .....</b>	<b>285</b>
6.1	Summary of Results .....	286
6.2	Implications of the Impact of Spatial Proximity on Venture Capital Financing.....	291
6.2.1	Implications for Entrepreneurs .....	291
6.2.2	Policy Implications .....	293
6.2.3	Implications for Venture Capitalists.....	296
6.3	Further Research and Outlook .....	297

---

<b>Appendix .....</b>	<b>299</b>
<b>A Definitions from VentureSource .....</b>	<b>299</b>
A.1 Venture Financing Round Types .....	299
A.2 Stages of Development .....	300
<b>B Appendix – Description of Dataset.....</b>	<b>301</b>
<b>C Appendix – Patterns in Spatial Proximity.....</b>	<b>302</b>
<b>D Appendix – Likelihood of a Venture Capital Investment .....</b>	<b>315</b>
<b>References .....</b>	<b>331</b>