ONLINE APPENDIX

APPENDIX A: Qualitative Study Design

Our qualitative study is helpful in validating the underlying assumptions and mechanisms of our theoretical framework. For this purpose, we conducted a total of 29 interviews with venture capitalists. Four pilot interviews took place in 2016, followed by 25 unstructured interviews in three waves from January to March 2017, August to October 2017, and August to November 2018. We reached our informants through snowball sampling (Lincoln and Guba, 1985). Twenty-six informants were in 22 VC firms, two were in funds-of-funds with direct VC investments, and one was in a corporate VC firm. These firms made investments in a variety of industries, including health care, information technology, digital media, software, and clean energy. Twelve firms reported investing in multiple stages, eight were early-stage investors, and two were focused on late-stage investing. The average VC firm represented in the qualitative study invested in 95 companies. According to VentureXpert, the average VC firm in the U.S. has invested in 168 companies. This suggests that the firms represented in our study are somewhat smaller than average; nevertheless, they have extensive experience with syndicate partners (140 partners on average). We continued seeking and interviewing informants until we reached saturation and no new themes emerged (Strauss and Corbin, 1998). Each interview lasted between 30 and 60 minutes and was recorded with permission and transcribed, with follow-up questions as needed. The interview protocol included questions about how syndicates are formed, how new syndicate partners are chosen, potential tensions or misalignments in a syndicate, and the criteria for desirable syndicate partners. We did not reveal our findings from the quantitative study to avoid leading the informants. We finished our interviews by asking whether we had missed any important aspects of syndicates and did not hear any remarks that would influence our findings. In addition, we conducted extensive reviews of archival sources, including books, blog posts, and podcasts, in which VC professionals describe the syndication process. We used these to triangulate and integrate the findings of our interview evidence (Glaser and Strauss, 1967; Shah and Corley, 2006).

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APPENDIX B: Additional Robustness Tests

Issue	Test	Result
Results may be sensitive to the definition of "incumbent members" of a syndicate.	Examined results with alternative assumptions: (1) all VC firms at the next-to-last round were also active in the last round; (2) all VC firms from all prior rounds were incumbent members in the focal round; (3) only the VC firms in the focal round that also invested in previous rounds were incumbent members.	Results are consistent except H4 in test 3.
Lead VC may have disproportionate power, influence power dynamics.	Inserted dummy = 1 if newcomer's strongest tie was with the lead VC defined by the Sorenson and Stuart (2008) approach.	Strongest tie with lead VC dummy is not significant; results for hypotheses are consistent.
	Inserted interaction of network faultlines and strongest tie with lead VC dummy.	Lead VC interaction is not significant; results for hypotheses are consistent.
CEM criteria may influence results.	Applied alternative matching criteria: (1) removing investor type as a matching criterion and using coarser (two) industry and geographic buckets; (2) using coarser (two) industry and geographic buckets; (3) using finer (six) industry and geographic buckets.	Results are consistent.
Negative relationships may carry different weight than positive ones.	Recalculated good-quality tie measures assuming that (1) negative ties have twice the influence of positive ties, (2) negative ties have three times the influence of positive ties.	Results are consistent.
Size of the syndicate may influence newcomer choice.	Conducted subsample analyses for syndicates with three members (N = 988) and more than three members (N = 948).	Results are consistent except for H4 in smaller syndicate subsample. Results are consistent in larger syndicate subsample except that H2 and H5 are weakly supported in one-tailed tests.
Number of newcomers may influence newcomer choice.	Conducted subsample analyses for rounds with one newcomer (N = 709) and those with more than one newcomer (N = 1,227).	Results are consistent in 1–newcomer sample except that H2 is weakly significant at one tail and H4 is not significant. Results are consistent in multi-newcomer sample except that H4 and H5 are significant only in one-tailed tests.
Network faultlines may influence likelihood of adding newcomers in the first place.	Expanded sample to all rounds and estimated the likelihood of adding a newcomer.	Network faultlines have a weak impact on the likelihood of adding new members but lose significance when investment amount is added.
Group-level models may not add additional explanatory power	Reconstructed the sample by decomposing a prospective newcomer's participation in a syndicate into its dyadic relationships with each existing member and ran dyadic models	Akaike information criterion (AIC) statistics suggest that the group model is a better fit and the inclusion of group-level variables in the dyadic model significantly improves the model fit.

REFERENCE

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