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Are Distances Barriers to Sustainability for Venture Capital Syndication?

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Abstract: This study aimed to explore how both geographic and industry distances, as potential barriers, affect the sustainability for venture capital (VC) syndication. Specifically, we examined the influences of initial public offering (IPO) activity as a market environment factor and foreign VC as a firm character on VC syndication in the tourism and hospitality sectors, together with the consideration of moderating effects of geographic and industry distances. Using a purposefully developed dataset of VC deals made in China, involving 645 VC firms and 592 VC-backed venture companies from 1991 to 2017, the empirical analysis indicated that both IPO activity and foreign VC were positively related to VC syndication. Geographic distance was found to negatively moderate the relationship between IPO activity and VC syndication; on the contrary, industry distance was found to positively moderate the relationship between foreign VC and VC syndication. These findings revealed that distances are not necessarily barriers to sustainability for VC syndication. This study provided an integrated view on the factors and barriers influencing the sustainability of VC syndication in tourism and hospitality sectors. It advances the knowledge of VC syndication in tourism investment and sheds light on sustainable entrepreneurship in tourism and hospitality.

Keywords: barriers to sustainability; venture capital syndication; entrepreneurship; tourism and hospitality sectors

1. Introduction

In recent decades, we have witnessed rapid growth of entrepreneurial activities in emerging economies. New startups assume the principal responsibility for industrial innovation and changes [1]. However, entrepreneurs often face financing obstacles and resource scarcity, hindering their survival and growth [2–5]. Venture capital (VC) firms by their nature invest in entrepreneurial businesses with high growth and profit return prospects. It is common to see VC firms co-invest in a target business partnering with one or more other VC companies. This phenomenon has been defined in the literature as VC syndication [6–8]. Through syndication, VC firms are able to provide complementary resources, knowledge, and expertise for new ventures and disperse operation risks on account of the deficiency of investments in a specific industry or region [9–11]. Consequently, VC syndication is increasingly being recognized as an effective solution for startups' financial constraints, which contributes to promoting sustainable entrepreneurship worldwide.

Yet, despite the existing literature of sustainable entrepreneurship highlighting the importance of VC for entrepreneurial finance, the fact that VC firms inevitably face barriers to sustainability due to the liabilities of newness in the global entrepreneurial market has been largely ignored. In fact, as professional investors, VCs by their nature pay more attention to avoiding potential risks, particularly emphasizing investment in sustainable firms with additional environmental and social goals alongside the goal to profitably exit [12]. In the context of sustainable entrepreneurial finance in the global market, VCs in general deal with two types of liabilities of newness, with respect to geography and

industry [13]. However, the research question of whether these liabilities perform as barriers, or to what extent they perform as barriers to sustainability for VC syndication remains to be answered.

Considering the three pillars of sustainability, environmental, economic, and social, our study is set in the specific niche of VC investing in the tourism and hospitality sectors. This is mainly due to entrepreneurship within the tourism and hospitality industry being nature-based, with a particular focus on sustainable growth in the long term, such as the preservation of environments, non-profit goals regarding happiness and well-being of tourists, and the objective of the maximization of economic benefits [14,15]. Tourism constructs a significant part of a country's service-oriented or consumer-driven economy. With the transition of the world economy driven by globalization and technology advancement, experiential consumption sectors, such as tourism and hospitality, would see more growth potential as the driving force of economic development in some countries [16], like China. Accordingly, VCs would seek to invest in some new economy areas in relation to tourism, such as online travel booking and e-tourism businesses. In order to balance financial against social and environmental returns when investing in sustainable start-ups, sustainable venture capitalists seek to mitigate the potential slower financial returns and risk by syndicating with other investment partners [17]. VC shows commitment by accelerating a sustainable star-up through as many rounds of funding necessary, preferably with a syndicate [11]. In 2016, the top 10 online tourism VC investment deals in China totaled over RMB 5 billion yuan (approximately US $715 million), making an average of over RMB 500 million yuan for each deal [18]. In fact, in four of the top five VC investment deals in online tourism business, more than one VC firms were involved, indicating that VC syndication also prevails in the tourism sector [18]. Although VC syndication is also becoming more popular as an industry phenomenon in the tourism industry, to the knowledge of the authors, studies on VC in the tourism and hospitality sectors are very scarce, let alone that on VC syndication more specifically. Moreover, the existing VC literature is built upon high-technology industries in well-established institutional environments [19,20], neglecting the fact that VC in the tourism and hospitality sectors in an emerging economy context may perform differently [21].

Therefore, focusing on the situation in China's tourism and hospitality sectors, the current study considers how both geographic and industry distances, as potential barriers, affect the VC's decision to syndicate. Specifically, we examine the influences of initial public offering (IPO) activity as a market environment factor and foreign VC as a firm character on VC syndication in the tourism and hospitality sectors (e.g., restaurant, hotel, tourism, e-tourism, sport, and leisure), together with a consideration of the moderating effects of geographic and industry distances. Based on a review of the relevant literature on VC syndication and the specific features of tourism VC investment in China, we singled out two important factors that are supposed to influence VC syndication, i.e., the external investment market environment factor as reflected by IPO activity, and the internal VC firm factor relevant to the target business to invest in (foreign capital vs. domestic capital to the target business to invest in). In addition, we also considered the roles of both geographic distance and industry distance in the relationships between IPO activity/foreign VC and VC syndication. Compared to the fragmented literature in VC syndication, our study presents a theory framework to understand VC firms' decision to engage in VC syndication cases in the context of the tourism and hospitality sectors.

The contributions of our study are as follows: First, our study contributes to current sustainable entrepreneurship research by focusing on its fundamental premise of how to survive, which has been largely neglected. Since VC syndication in the tourism and hospitality sectors is increasingly attracting VC investment from a strategic perspective, our study fills this gap by examining the influences of IPO activity as a market environment factor and foreign venture capital as a firm character on venture capital (VC) syndication in the context of China's tourism and hospitality sectors. Furthermore, our study proposes a theory framework to understand VC firms' decision to engage in VC syndication in an emerging economy context. The research context allows us to generate sector-specific knowledge that can not only benefit the sustainable development of tourism investment in China but also provide empirical evidence for a better understanding of VC syndication

in general. Second, our study contributes to the growing recognition of sustainability by focusing on the context of VC investing in sustainable entrepreneurship. Considering the significant characteristics of new ventures and start-ups distinct from those of established firms, our study adds an important missing piece in understanding the triple bottom line of sustainability in the context of sustainable entrepreneurship. More importantly, our study provides empirical evidence on how geographic and industry distances, as potential barriers, affect the sustainability of VC syndication, which deliver insights into how sustainable VC investment contributes to supporting the sustainable growth of start-ups and encouraging sustainable entrepreneurship.

This paper is organized as follows: The second part develops the literature review and hypotheses, and the third part describes the data, variables, and methodology. The fourth section is about the results of our model. Finally, conclusions, implications, and limitations are discussed.

2. Literature Review and Hypotheses Development

In line with the high prevalence of VC syndication among VC firms, existing studies have applied a diverse set of theoretical perspectives to identify the motives of VC firms to co-invest in entrepreneurial firms [6]. For example, from the perspective of finance theory, VC syndication has been viewed as a means to share risk and avoid uncertainty through investment portfolio diversification [22]; from the knowledge-based view, internal knowledge development and external knowledge accessed through inter-firm relationships were crucial drivers of VC syndication [23]; and from the resource-based view, VC syndication enables access to complementary assets, financial resources, and network resources [24,25]. Therefore, the motives of VC syndication are generally considered as corporate actions of reducing risks, obtaining resources, accessing future deals, and adding value [8,22,26]. Despite the growing attention and fruitful literature on the antecedents of VC syndication, there are still potential gaps left for overlooked factors that may influence VC syndication. A vast body of literature highlights the uncertainty associated with a specific target venture company, for example, a new venture in the early stage and a high technology start-up company, as a driver for VC syndication [25]. Such studies, on the basis of VC's role as a financial intermediary, identified functional antecedents of VC syndication and examined the reasons why VCs choose to syndicate, such as providing more capital availability for current and follow-on cash needs, sharing risks by bringing together more expertise and support, and making more rational decisions by joint efforts [27]. However, the strategic intention for VC syndication is usually generated by both the opportunity and the need perceived by potential investors. Therefore, the "strategic antecedents" for VC syndication within the frame of its role should be further examined. Moreover, besides the venture-related factors, the question of why VCs decide to syndicate is highly contingent on both the VC firm's characteristics and contextual factors [7].

2.1. IPO Activity and VC Syndication

VC firms are characterized as financing and nurturing entrepreneurial start-ups of high potential growth to exploit market opportunities at the early stage of a typical business [22]. In return, VC firms target a successful exit, with the VC-backed company going public in order to garner high returns in the stock market [28]. VC firms' decision-making on how to perceive, seek, and evaluate future investment opportunities remains a continuing research interest [29]. In the literature, a "hot" market environment, characterized by an IPO activity frequency in the venture company's target market, signals potentially positive investment opportunities [30]. VC firms are more likely to be involved in investments in such hot markets, which are less risky and more likely to exit successfully [31]. Therefore, VC firms are inclined to select co-investors in a market with a high volume of IPO activity in order to pool resources, reciprocate deal flows, and form partnerships through VC syndication [32,33]. In addition, an increase in IPO activity may also attract more potential venture companies into the local market, thereby increasing the pool of potential investments and the likelihood that a VC firm will find an attractive deal [30]. Therefore, VC syndication may be a natural response by VC firms to

the potential opportunities provided by a hot IPO market. Based on the above analysis, we developed the following hypothesis:

Hypothesis 1 (H1). *Active IPO activities in the location of the target venture company lead to more VC syndication.*

2.2. Foreign VC and VC Syndication

With the prevalence of international VC investments, emerging markets, such as China, have attracted a lot of foreign VC firms to invest in their start-up businesses [33]. Compared with domestic VC firms, foreign VC firms are typically large, better connected with key intermediaries, more experienced, and more knowledgeable [34]. In the context of China's VC industry, foreign VC firms generally have comparative advantages that arise from their global operations and their past experiences [35]. However, due to an unfamiliarity with the local market, the liability of foreignness often limits their ability to gather local information and obtain market legitimacy [36,37]. In addition, cultural differences may generate conflicts and disruptions between foreign VC firms and their target venture companies; hence, foreign VC firms are also more likely to work with partners when financing investments in a culturally unfamiliar locality [38,39]. Subsequently, foreign VC firms could benefit from collaboration through syndication in terms of reducing information asymmetry, lowering entry barriers, obtaining legitimacy, and thus expanding their investment portfolio [33]. Thus, based on the above analysis, we developed the following hypothesis:

Hypothesis 2 (H2). *Foreign VC firms are more likely to engage in VC syndication than domestic VC firms.*

2.3. Geographic Distance and VC Syndication

A large body of literature has examined and identified the negative effect of geographic distance on VC investments in different contexts [40]. Tian (2011; 2012) highlighted that the geographic location could be a very essential factor when VC firms make decisions on their investments [41,42]. Similarly, Cumming and Dai (2010) found that VC firms exhibit strong local bias in their investments, which means that VC firms tend to invest in new ventures geographically close to their offices [43]. Moreover, geographic distance could potentially cause information asymmetry and an agency problem [43]. The location of VC firms matters because VC firms monitor the venture companies and coach the management team, besides providing financial support [44]. Therefore, VC syndication is more costly because it takes time for negotiation with other co-investors if the geographical location of the target venture company is far away from the VC firm [45]. Based on the above discussion, the following hypotheses were developed:

Hypothesis 3a (H3a). *Geographic distance reduces the positive relationship between IPO activity and VC syndication.*

Hypothesis 3b (H3b). *Geographic distance reduces the positive relationship between foreign VC and VC syndication.*

2.4. Industry Distance and VC Syndication

Consistent with Sorenson and Stuart (2001), industry distance can be defined as the difference between the industry profile of the VC firm's previous investments and the industry that the target venture company belongs to [13]. Normally, VC firms are famous for being sensitive to new opportunities in emerging markets, but sometimes, they may encounter the problem of "the liabilities of newness" [46]. When a VC firm invests in a brand-new market without any previous experience in similar industries, it may spend extra time to select, evaluate, and decide on the investment [47]. Brander et al. (2002) argued that syndication allows VC firms to combine complementary knowledge [48]. Teaming up with partners with less experience in the target industry

can therefore be an unfavorable factor for VC syndication, due to the lack of relevant information for decision-making [23]. Thus, industry distance may become a barrier to sustainability for VC syndication, which means a greater industry distance could result in a reduced possibility of VC syndication. Based on the above analysis, we developed the following hypotheses:

Hypothesis 4a (H4a). *Industry distance decreases the positive relationship between IPO activity and VC syndication.*

Hypothesis 4b (H4b). *Industry distance decreases the positive relationship between foreign VC and VC syndication.*

3. Methods

3.1. Data Collection

Using Zero2IPO, the leading database of China's entrepreneurship and investment industry [35], we developed a comprehensive data set of VC investment in China from 1 January 1991 to 30 June 2017. This database purports to record all transactions of venture companies that receive their VC financing on a round-by-round basis. For each transaction of VC investment in a venture company, a unique record was generated in the database. We traced the full history of VC investments in each venture company and excluded non-China venture companies and those with missing or inconsistent data, leaving 2827 VC investment transactions disclosed in the following industries: Restaurant, hotel, tourism, e-tourism, sport, and leisure. These VC investment transactions include initial and follow-on investment rounds, as well as syndicate and single-investor investment rounds. We created a matched sample by pairing each VC firm with the target venture company, involving 645 non-duplicate VC firms and 592 distinct venture companies. To identify whether the funding for a given venture company is syndicated or not, we then created a dyad of the VC firm and the target venture company for each investment transaction. Further, we filtered all dyads based on the following criterion: For syndicated VC investments, we selected and included the dyad of the lead VC firm and the target venture company in our sample; for non-syndicated VC investment, we included the dyad of the single VC firm and the target venture company in our sample.

Oftentimes, the lead VC firm in syndicate investment plays a more important role in monitoring the venture company and making investment decisions [41]. Consistent with Gompers et al. (2016), we defined the lead VC status according to the following standards: The lead VC firm is defined as the founding investor, who invested in the deal first; if multiple VC firms invested at the same round, we defined the lead VC firm as the one on the earliest investment date; if the round and date information combined still could not effectively determine the lead VC firm, we looked at the amount invested by defining the lead VC firm as the one with the largest amount invested [49]. Finally, we obtained a total number of 592 dyads in our sample.

3.2. Dependent Variable

In this study, we took VC syndication (vcsyn) as the dependent variable. From the number of VC investment transactions and the number of venture companies in our sample, we can see that for each venture company, the entries of data may be more than once. In this study, we measured VC syndication as a dummy variable, assigning "1" for syndicate investment and "0" for not.

3.3. Independent Variables

IPO activity (IPO). In most cases, equity holders do not have liquidity until an "exit" event occurs. Therefore, it is commonly accepted that a successful start-up IPO is the most efficient form of exit for venture capitalists [50]. The phenomenon of "hot IPO markets", characterized by a large volumes of IPOs, signals that the equity markets are booming [51,52]. Based on Guo et al. (2010), we used the number of IPOs in the location of a venture company in the past five years before the deal year to measure IPO activity [52].

Foreign VC (forvc). We constructed a dummy variable to distinguish foreign venture capitalist from domestic venture capitalist and assigned "1" if the lead VC firm is a foreign venture capitalist firm and "0" if otherwise.

Geographic distance (geodis). We measured geographic distance by calculating the number of miles between the lead VC firm's main office and the location of the venture company by matching the latitude and longitude data for each dyad. For foreign VC, the main office refers to the general representative office in China. Following Cumming and Dai (2010), Tian (2011), and Ragozzino and Reuer (2011), we applied the following great circle distance formula in spherical geometry to calculate the geographic distance between the lead VC firm (i) and the venture company (j) [41,43,53]:

$$d_{ij} = R \times \arccos\left[\sin(\text{lat}_i)\sin(\text{lat}_j) + \cos(\text{lat}_i)\cos(\text{lat}_j)\cos\left(\left|long_i - long_j\right|\right)\right] \tag{1}$$

where latitude (lat) and longitude (long) are measured in radians and R is a constant of 3963 representing the Earth's radius in statute miles.

Taking the investment transaction that IDG capital (as the lead VC) invested in Beijing W Town in 2011 as an example, we estimated the geographic distance as follows: First, we searched and confirmed the exact registration addresses of Beijing W Town and the China headquarters of IDG Capital in an official catalogue from public sources. Second, we further obtained the latitude and longitude information for each address via Google Earth, respectively. In this case, the latitude of Beijing W Town is 40.6448°and its longitude is 117.2666°; the latitude of IDG Capital China headquarters is 39.9077° and its longitude is 116.4300°. Finally, according to Equation (1), the result of the geographic distance between IDG Capital and Beijing W Town is 3928.134 miles.

Industry distance (inddis). Following Sorenson and Stuart (2001), we measured the industry distance as within the past five years, the percentage of previous investment that the lead VC firm had made in industries other than the one in which the venture company operated [13]. The range of industry distance is from "0" to "1", where "0" means the lead VC firm's prior investments fall in the target's industry and "1" means the lead VC firm has no previous investments in the target's industry, respectively.

Using the same example of IDG Capital investing in Beijing W Town in 2011 mentioned earlier, we estimated the industry distance as follows: First, we counted the total number of investment transactions in each industry by IDG during the five years prior the deal year, and obtained the total number as 226. Second, we regarded the tourism industry as the target industry, and further counted the number of investment transactions in other industries other than in the target industry. We obtained 224. Finally, we calculated the industry distance according to Sorenson and Stuart (2001) as we mentioned above [13]. The result of the industry distance is 0.9912, which means 99.12% of IDG Capital's investments were made in the non-tourism industry during the previous five years.

3.4. Control Variables

We included the following control variables in our model. First, we controlled for the characteristics of VC firms by including age and size. VC age (vcage) was measured by the difference between the deal year and the year in which the lead VC firm was founded. VC size (vcsize) was measured by the five-year average total amount of the lead VC firm's capital under management before the deal year.

Second, control variables for VC firms' past experiences were included. VC syndication history (vchis) was measured by the number of prior syndicate investments of the lead VC firm before the deal year. In addition, considering the fact that venture capitalists tend to continue to invest in and develop new relationships in a geographic region where they invested previously, we controlled VC investment experience (vcexp), operationalized as a dummy variable, where "1" stands for the lead VC firm that had previous investment in the city where the venture company is located; otherwise, the value "0" was assigned.

Finally, we also controlled the following market environment variables that may affect VC investment. The potential VC investors in the local market and investment opportunities vary by regions [13]. We controlled for VC supply (vcsup), calculated as the number of VC firms in the city where the venture company is located before the deal year. In addition, according to the National Economic Research Institute (NERI) Marketization Index of China's provinces [54], we constructed two measures to capture the level of market development [55,56]. The first variable, market change (mkt), measures the differences in marketization index between the current year and the previous year in the location of the venture company in the deal year. We operationalized this variable as the annual increase or decrease rate of the marketization index of the venture company's local market; for example, if the deal occurred in year t, it was calculated as (marketization index$_t$ − marketization index$_{t-1}$)/marketization index$_{t-1}$. The second variable, market difference (mktdif), measures the differences of the marketization index between the lead VC firm's and the venture company's local markets in the deal year. We operationalized this variable as the absolute value of marketization index differences between the lead VC firm's local market and the venture company's local market in the deal year.

3.5. Model Specification

We employed logistic regression models to examine our hypotheses, as suggested by several studies in similar contexts [35,57,58]. As we mentioned earlier, the dependent variable used in this study is the occurrence of VC syndication, which is measured by a dichotomous dummy variable. The proposed model for this study is:

$$
\begin{aligned}
vcsyn = {} & \beta_0 + \beta_1 IPO + \beta_2 forvc + \beta_3 geodis + \beta_4 inddis + \beta_5 IPO \times geodis \\
& + \beta_6 IPO \times inddis + \beta_7 forvc \times geodis + \beta_8 forvc \times inddis \\
& + \gamma controls + \varepsilon
\end{aligned}
\tag{2}
$$

Table 1 presents variable definitions and measures for *vcsyn*, *IPO*, *forvc*, *geodis*, *inddis*, and all *controls*, respectively.

Table 1. Variable definitions.

Type	Code	Name	Description
Dependent variable	vcsyn	VC syndication	The occurrence of more than one VC firms co-investing in a target business. Dummy variable set to 1 if the lead VC firm syndicate with partners.
	IPO	IPO activity	The number of IPO in the location of a venture company in the past 5 years before the deal year.
	forvc	Foreign VC	The origin of capital of the lead VC firm. Dummy variable set to 1 if the lead VC firm is foreign venture capitalist.
Independent variable	geodis	Geographic distance	The number of miles between the lead VC firm's main office and the location of the venture company, through matching the latitude and longitude data for each dyad. For foreign VC, the main office refers to the general representative office in China. See Equation (1).
	inddis	Industry distance	The percentage of previous investments that the lead VC firm had made in industries other than the one in which the venture company operated in the past five years.

Table 1. *Cont.*

Type	Code	Name	Description
Control variable	vcage	VC age	The difference between the deal year and the year in which the lead VC firm was founded.
	vcsize	VC size	The five-year average total amount of the lead VC firm's capital under management before the deal year.
	vchis	VC syndication history	The number of prior syndicate investments of the lead VC firm before the deal year.
	vcexp	VC investment experience	Dummy variable set to 1 if the lead VC firm had previous investment in the city where the venture company is located; otherwise, the value "0" is assigned.
	vcsup	VC supply	The number of VC firms in the city where the venture company is located before the deal year.
	mkt	Market change	The annual increase or decrease rate of marketization index of the venture company's local market.
	mktdif	Market difference	The absolute value of marketization index differences between the lead VC firm's local market and the venture company's local market in the deal year.

4. Results

Table 2 presents the means, standard deviations, and correlations of variables in this study, and Table 3 reports results of logistic regressions.

Model 1 only included the control variables as predictors in the model. Models 2–4 were designed to examine Hypotheses 1, 3a, and 4a, respectively. Model 2 adds the main effect of IPO activity, model 3 adds geographic distance and its interaction with IPO activity, and model 4 adds industry distance and its interaction with IPO activity. In model 2 of Table 3, the effect of IPO activity is positive and significant (b = 0.0095, $p < 0.01$). This result strongly supports hypothesis 1, which predicted that active IPO activities in the location of the venture company increase VC syndication. This reflects the idea that the "hot" market environment provides positive opportunities for VC investments, facilitating the syndication of VC firms [30]. Hypothesis 3a predicted that a greater geographic distance would reduce the positive relationship between IPO activity and VC syndication. In model 3 of Table 3, the interaction of IPO activity and geographic distance is negative and significant (b = −0.0024, $p < 0.1$). The result suggests that geographic distance does moderate the relationship between IPO activity and VC syndication, as we predicted in hypothesis 3a. As illustrated in Figure 1, when the geographic distance between the lead VC firm and the venture company increases, the positive relationship between IPO activity and VC syndication is reduced (the solid line with a flatter slope). This result suggests that geographic distance indeed acts as a barrier to sustainability for VC syndication. Hypothesis 4a predicted that greater industry distance would decrease the positive relationship between IPO activity and VC syndication. In model 4 of Table 3, the interaction of IPO activity and industry distance is not significant, indicating that hypothesis 4a is not supported. Model 5 includes both interactions, which is consistent with those we tested in models 3 and 4.

Table 2. Mean, SD, and correlations.

Variable	Mean	S.D.	1	2	3	4	5	6	7	8	9	10	11	12
1.vcsyn	0.481	0.500	1											
2.vcage	5.446	5.866	0.040	1										
3.vcsize	3.815	10.179	0.008	0.359 ***	1									
4.vchis	78.564	141.435	0.043	0.555 ***	0.421 ***	1								
5.vcexp	0.606	0.489	0.077 *	0.324 ***	0.167 ***	0.383 ***	1							
6.vcsup	3519.394	2898.805	−0.092 **	−0.164 ***	−0.139 ***	−0.01	0.208 ***	1						
7.mkt	0.049	0.069	−0.032	−0.019	−0.101**	−0.031	−0.017	0.166 ***	1					
8.mktdif	0.573	1.040	0.015	−0.020	−0.040	0.046	0.016	−0.066	0.007	1				
9.IPO	56.150	36.641	0.017	−0.122 ***	−0.110 ***	−0.018	0.247 ***	0.736 ***	0.039	−0.076 *	1			
10.forvc	0.203	0.402	0.103 **	0.433 ***	0.040	0.267 ***	0.183 ***	−0.221 ***	−0.074*	−0.031	−0.114 ***	1		
11.geodis	4096.804	3919.699	0.031	0.155 ***	0.074 *	0.110 ***	−0.064	−0.217 ***	−0.010	−0.009	−0.265 ***	0.134 ***	1	
12.inddis	0.947	0.128	0.007	0.025	0.042	0.025	0.058	−0.036	0.040	0.008	−0.069 *	0.023	0.009	1

*** $p < 0.001$; ** $p < 0.01$; * $p < 0.05$.

Table 3. Results for logistic regression.

Variables	M1	M2	M3	M4	M5	M6	M7	M8	M9	M10
vcage	−0.0053	−0.0044	−0.0020	−0.0044	−0.0021	−0.0157	−0.0161	−0.0150	−0.0155	−0.0111
	(0.0179)	(0.0180)	(0.0182)	(0.0180)	(0.0183)	(0.0191)	(0.0191)	(0.0192)	(0.0192)	(0.0195)
vcsize	−0.0061	−0.0057	−0.0051	−0.0059	−0.0053	−0.0032	−0.0037	−0.0041	−0.0043	−0.0040
	(0.0092)	(0.0093)	(0.0093)	(0.0093)	(0.0093)	(0.0094)	(0.0094)	(0.0094)	(0.0095)	(0.0095)
vchis	0.0003	0.0004	0.0002	0.0005	0.0002	0.0002	0.0003	0.0003	0.0004	0.0003
	(0.0008)	(0.0008)	(0.0008)	(0.0008)	(0.0008)	(0.0008)	(0.0008)	(0.0008)	(0.0008)	(0.0008)
vcexp	0.4291 *	0.3466 *	0.3698	0.3475 †	0.3697 †	0.4001 **	0.4013 **	0.4251 **	0.4297 **	0.3666 †
	(0.1947)	(0.1978)	(0.1993)	(0.1986)	(0.2000)	(0.1958)	(0.1968)	(0.1975)	(0.1985)	(0.2023)
vcsup	−0.0001 **	−0.0002 ***	−0.0002 ***	−0.0002 ***	−0.0002 ***	−0.0001 *	−0.0001 *	−0.0001 *	−0.0001 *	−0.0002 **
	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(0.0000)
mkt	−0.3761	0.0132	0.0385	0.0045	0.0204	−0.2694	−0.2846	−0.3835	−0.3993	0.0036
	(1.2265)	(1.2343)	(1.2370)	(1.2360)	(1.2389)	(1.2328)	(1.2335)	(1.2449)	(1.2459)	(1.2514)
mktdif	0.0067	0.0169	0.0229	0.0150	0.0212	0.0143	0.0132	0.0155	0.0152	0.0273
	(0.0807)	(0.0811)	(0.0812)	(0.0811)	(0.0812)	(0.0808)	(0.0809)	(0.0810)	(0.0811)	(0.0817)
IPO		0.0095 **	0.0271 **	0.0216	0.0388 †					0.0385 †
		(0.0035)	(0.0103)	(0.0190)	(0.0212)					(0.0212)
forvc						0.3957 †	0.9022	−7.4108 †	−7.0695 †	−6.7225 †
						(0.2396)	(1.0062)	(3.8063)	(4.0128)	(3.9133)
geodis			0.1845 †		0.1858 †		0.0226		0.0235	0.1956 †
			(0.0966)		(0.0968)		(0.0505)		(0.0506)	(0.1012)
inddis				0.8755	0.9284			−0.3749	−0.3793	0.5605
				(1.3938)	(1.4046)			(0.6721)	(0.6732)	(1.3992)
IPO × geodis			−0.0024 †		−0.0023 †					−0.0023 †
			(0.0013)		(0.0013)					(0.0013)
IPO × inddis				−0.0126	−0.0123					−0.0122
				(0.0196)	(0.0198)					(0.0197)
Forvc × geodis							−0.0670		−0.0404	−0.0672
							(0.1280)		(0.1296)	(0.1331)
Forvc × inddis								8.1707 **	8.1317 **	7.9472 **
								(3.9665)	(3.9787)	(3.8526)
Constant	−0.0036	−0.2221	−1.6781 *	−1.0577	−2.5741	−0.0584	−0.2230	0.2852	0.1150	−2.3554
	(0.1855)	(0.2024)	(0.7918)	(1.3456)	(1.5764)	(0.1888)	(0.4240)	(0.6585)	(0.7564)	(1.5899)
Log likelihood	−404.1179	−400.3274	−398.4117	−400.1082	−398.1847	−402.7432	−402.5693	−399.9816	−399.8619	−394.0772
Pseudo R^2	0.0142	0.0234	0.0281	0.0240	0.0287	0.0175	0.0180	0.0243	0.0246	0.0387
N	592	592	592	592	592	592	592	592	592	592

*** $p < 0.001$; ** $p < 0.01$; * $p < 0.05$; † $p < 0.1$; standard errors reported in parentheses.
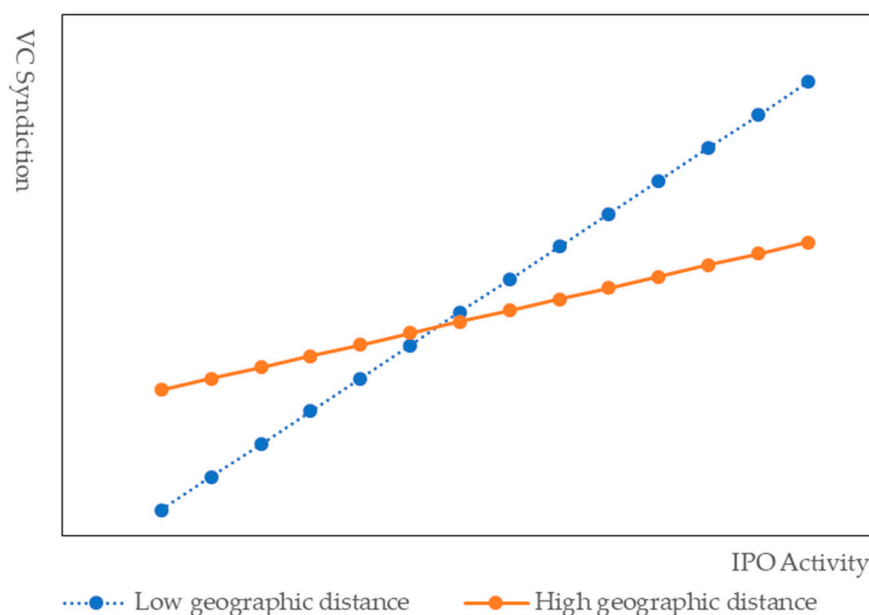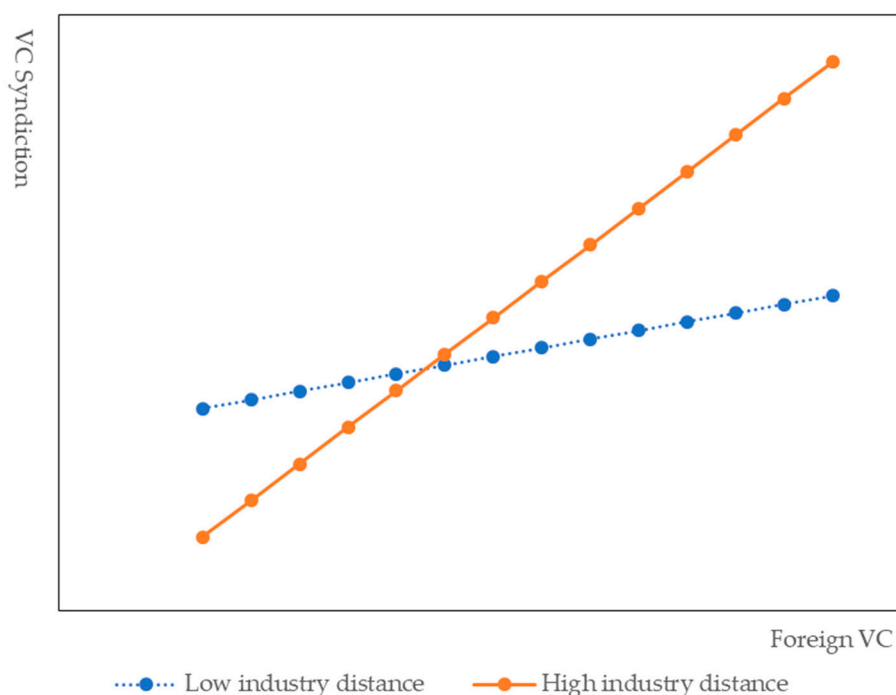
Figure 1. Two-way interaction plot between IPO activity and geographic distance (H3a).

Similarly, model 6, model 7, and model 8 are designed to examine hypotheses 2, 3b, and 4b, respectively. Model 6 adds the main effect of foreign VC, model 7 adds geographic distance and its interaction with foreign VC, and model 8 adds industry distance and its interaction with foreign VC. Hypothesis 2 predicted foreign VC tends to adopt VC syndication. In model 6 of Table 3, the result is positive and significant (b = 0.3957, $p < 0.1$), thus supporting hypothesis 2. This reflects the idea that foreign VC is likely to syndicate so as to reduce the liability of foreignness [39]. Hypothesis 3b predicted that greater geographic distance would reduce the positive relationship between foreign VC and VC syndication. In model 7 of Table 3, the interaction of foreign VC and geographic distance is not significant. The result suggests that geographic distance does not moderate the relationship between foreign VC and VC syndication and hypothesis 3b is not supported. Hypothesis 4b predicted that greater industry distance would decrease the positive relationship between foreign VC and VC syndication. In model 8 of Table 3, the interaction of foreign VC and industry distance is significant ($p < 0.01$). It is worth noting that, contrary to our prediction, industry distance exhibits a positive moderating effect on the relationship between foreign VC and VC syndication (b = 8.1707). As illustrated in Figure 2, when the industry distance between the lead VC firm and the venture company increases, the positive relationship between foreign VC and VC syndication is strengthened (the solid line with a steeper slope). This result implies that industry distance is not an obstacle to the sustainability for VC syndication. We may infer that with the growing trend of diversification in the tourism and hospitality sectors [59], VC firms with diverse investing experiences in multiple industries would be more competent to coach, manage, and supervise new ventures. Model 9 includes both interactions, which is consistent with those we tested in models 7 and 8.

Overall, model 10 is the full model, the results of which are consistent with those we tested in model 1 to model 9, thus supporting the robustness of the results from model 1 to model 9. For hypotheses 3b and 4a, which are not supported, the possible reasons are: First, due to the lower entry barriers for the tourism industry compared with industries, such as the high-technology industry, previous investment experience in a similar industry may not be that important; second, for foreign VC firms, when they decide to invest internationally into China, the geographic distance is not a critical factor. It is speculated, however, that cultural distance may factor more in foreign VC's investment in China than geographic distance. However, cultural distance is outside the scope of the current study.

With regards to control variables, the results show that all of them have an appropriate amount of variation to explain the respective factors in each model as expected. Among these control variables,

VC investment experience (vcexp) and VC supply (vcsup) exhibit a statistically significant influences in all models, with positive coefficients (vcexp) and negative coefficients (vcsup), respectively.

Figure 2. Two-way interaction plot between foreign VC and industry distance (H4b)

5. Conclusions and Discussion

5.1. Conclusions

While prior studies on VC investing and syndication have focused primarily on high technology industries, it is particularly notable that very little attention has been paid to the tourism and hospitality sectors [60]. Besides, extant empirical studies were built upon well-established institutional environments, such as the USA, which neglects the unique aspects of emerging markets and may render those research conclusions less meaningful [20,35,61]. With the growing investor and entrepreneur enthusiasm for the Chinese tourism and hospitality market, the purpose of this study was thus to enlighten and advance our understanding by examining the influences of IPO activity as a market environment factor and foreign VC as a firm character on VC syndication and identifying whether geographic distance and industry distance are barriers to sustainability for VC syndication in the context of China's tourism and hospitality sectors. Considering the scarcity of studies on VC syndication and new tourism ventures, our study has made meaningful contributions to the sustainable entrepreneurship and entrepreneurial finance literature, especially in the tourism and hospitality sectors in emerging economies, which are beneficial to the sustainable growth of entrepreneurial activities in emerging markets.

First, the existing sustainable entrepreneurship literature pay more attention to how VC contributes to sustainable business success [17,62,63], however, they largely neglect that new businesses' sustainability is based on the fundamental premise of survival [64]. Considering the fact that VC is viewed as a vital resource supplier to nurture entrepreneurship [20], our study fills this gap by focusing on VC syndication, as a strategic choice of venture capitalists in supporting and promoting sustainable entrepreneurship, and the potential barriers associated with this from an integrated perspective. By conducting an empirical analysis with a large sample of VC investments in China's tourism and hospitality sectors from 1991 to 2017, our findings suggest that VC syndication through co-investment is strategically necessary for sustainable entrepreneurship. On the one hand, considering the "hot"

market environment, characterized by an IPO activity frequency in the target market, as a signal for potential positive investment opportunities [30,65,66], our findings indicate that active IPO activities in the location of the venture company increase VC syndication. More importantly, this provides strong empirical evidence for a long-run notion that the attractiveness of a tourism venture's location is regarded as a paramount resource for investment [67–69]. On the other hand, considering the fact that foreign VC firms face the liabilities of foreignness, they have a higher need for syndication in order to reduce the uncertainty in the international market. Our findings also confirm that by benefiting from syndication in terms of gathering knowledge and achieving market legitimacy [39], foreign VC firms are more likely to engage in VC syndication in tourism than domestic VC firms.

Second, the majority of VC studies on the relationship between geographic distances and VC investing argue that VC firms exhibit a strong preference for the local market in their investment decisions [41,43,70]. These studies focused on the direct effect of geographic distances; however, with the rapid advances in transportation and telecommunications, the effects of geographic distances on VC investing may be complicated [42]. Thus, instead of testing the direct effect, we highlighted and examined the unexplored role of geographic distance as a moderator to test whether VC firms make decisions on syndication or not. Our findings provide evidence that the geographic distance reduces the positive relationship between IPO activity and VC syndication, which indicates geographic distance is indeed a barrier to sustainability for VC syndication. However, geographic distance did not show a significant moderating effect on the relationship between foreign VC and VC syndication. This may suggest that geographic distance is not a critical factor for foreign VC firms when they invest overseas. In addition, this finding also provides potential leads for the notion that VC's local bias could be reduced when considering international market or cross-border investment [43].

Third, similarly, we also examined the moderating role of industry distances, characterized by the percentage of previous investment that the lead VC firm had made in industries other than the one in which the venture company operated [13]. On the one hand, our findings confirm that industry distance increases the positive relationship between foreign VC and VC syndication. This result implies that industry distance performs as a catalyst when foreign VC decides to syndicate. We may infer that VC firms with experiences in multiple industries other than in the tourism and hospitality industry could be a favorable factor for VC syndication. On the other hand, contrary to expectations, our findings indicate that industry distance did not exert a significant influence on the relationship between IPO activity and VC syndication. A possible explanation might be associated with the fact that in the tourism and hospitality sectors, the entry barriers are lower than that in other industries, e.g., the high-technology industry and biopharmaceutical industry [60,68]; therefore, similar investment experience in the same industry as before may not be important for VC syndication in tourism. This finding is significant as it confirms a perception that China's tourism and hospitality sectors lag behind other sectors, such as high technology-related sectors. It should also be noted that previous research conclusions showing the importance of industry-specific experience in VC investment might be limited to their specific industry contexts. Overall, our findings confirm that geographic distance constrains the sustainability for VC syndication in "hot" markets as we predicted. On the contrary, the results indicate that industry distance promotes foreign VC's co-investment through syndication, which provide significant evidence that distances do not necessarily act as barriers, and they may also bring opportunities to sustainability for VC syndication under certain circumstances. These findings shed light on future research in the field of sustainable entrepreneurship and entrepreneurial finance.

Moreover, our study contributes to the growing recognition of sustainability by focusing on the context of VC investment in sustainable entrepreneurship. To date, the majority of established firms claim to meet a triple bottom line of economic, environmental, and social value creation [17]. Under this circumstance, most of the corporate sustainability literature regard good corporate citizenship and corporate social responsibility as synonyms of sustainability [71]. However, this situation is significantly different in the case of the entrepreneurial market. On the one hand, new ventures and start-ups are struggling for survival all the time; on the other hand, VC investors inevitably face

how to balance the goal to profitably exit alongside additional environmental and social goals [64]. Therefore, understandings on the concept of sustainability from the perspective of firms' behavior, including entrepreneurial firms and VC firms, in the context of sustainable entrepreneurship may involve a broader sense of environmental friendliness, social usefulness, and economic effectiveness. Therefore, our study was set in the specific niche of VC investing in the tourism and hospitality sectors, as entrepreneurship within these sectors is regarded as sustainable business, emphasizing the pursuit of economic, environmental, and social benefits, which adds an important missing piece in understanding the concept of sustainability in the context of VC investing in sustainable entrepreneurship.

Besides, our study also made a significant contribution to advancing the knowledge of VC syndication in tourism investment, with a valuable advantage of the industry-specific focus [21,69]. To date, there has been scant research on VC syndication in the tourism industry in a transition economy. More importantly, by addressing this issue, our empirical study emphasized the moderating effects of geographic distances and industry distances on VC syndication by bridging both the market opportunity and the need of foreign VC in the context of China's tourism and hospitality sectors. Given that the tourism and hospitality sectors share some commonality in their product portfolios, with a broad range of service industries, the conclusions of our study may be applicable to a broad category of services industries as well [60].

5.2. Managerial Implications

This paper makes an important contribution to the literature due to the lack of information on strategic antecedents of VC syndication in general [7], and VC firm activity in China's tourism and hospitality sectors in particular. In a global economy, such collaborative transnational economic activity as VC syndication is now the rule, rather than the exception. The findings of our study offer several key implications for VC syndication in China's tourism and hospitality sectors. Furthermore, it delivers useful insights for tourism and hospitality entrepreneurs and potential investors in China's tourism investment market.

In the emerging tourism investment market in China, IPO activities could be a favorable public market signal for investors when seeking co-investment partners [30]. It is also true that venture capital firms locate themselves in regions with high success rates of venture capital based on investments [43]. In this geographic scenario, certain regions are seen as advantageous for VC firms simply because they have been fertile grounds for investment in the past. In terms of economic capital, those regions with a history of successful VC investment continue to attract those firms that believe that location will help them leverage resources efficiently while maintaining a lower cost.

Many decades have passed since China opened up to the world. Nowadays, many international investors attempt to enter China's VC market through syndication. It is worth noting that geographic distance is not a concern when foreign VCs invest in China. Intuitively, it can be assumed that rapid advances in transportation and telecommunications have resulted in a geographically flattened investment landscape, where international financial transactions are not only routine but also the norm. Entrepreneurs and new venture managers in the tourism and hospitality sectors in China could benefit from the findings of this study. For those who are seeking financial support from VC firms, it would be helpful if they consider selecting venture companies' locations with active IPO activities.

6. Limitations and Future Research

The current study represents an important first step in providing an integrated view on the factors influencing sustainability for VC syndication in the context of the tourism and hospitality sectors; however, there are several limitations which also inform the need for further research. First, as the tourism and hospitality sectors cover a variety of service activities, such as hotel, restaurant, tourism attraction, accommodation, leisure, sport, and other recreational activities [72], the sectors included in our study (i.e., restaurant, hotel, tourism, e-tourism, sport, and leisure) may be limited. Heterogeneity in different sub-sectors may discount the generalizability of the results in the current study. Second,

the tourism sectors in China are now experiencing rapid growth of entrepreneurial activities; however, as some VC investors may inevitably focus on short-term returns, our findings on the VC syndication might not reflect the long-term behavior of VC firms. Future research could examine the long-term behaviors of VC firms by stages over time.

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