

# MISQ Archivist

## Ending the Mending Wall: Herding, Media Coverage, and Colocation in IT Entrepreneurship<sup>1</sup>

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### Abstract

The advent of the Internet and the maturation of the information technology (IT) industry has significantly decreased transaction and coordination costs. However, there is still a strong preference for being geographically proximal, notably when accessing capital markets for innovation activities (like the formation of funding ties between venture capitalists (VCs) and new IT ventures). While VCs prefer to support colocated entrepreneurs, significant evidence suggests that the funding of nonlocal IT entrepreneurs does occur. In this work, we investigate how trends in the form of herding and media coverage, which are not specific to the entrepreneur but pertain to the technology sector in which the entrepreneur operates, may influence VCs to reach across geographic boundaries. Using a series of matched sample methodologies, results suggest that the influence of media is significantly stronger for VCs considering funding non-colocated, as opposed to colocated, IT entrepreneurs. However, and strikingly, support for the effect of herding is notably weaker. Managerial and policy implications, particularly for technology entrepreneurs and policy makers seeking to support such innovators, are discussed within.

**Keywords:** Venture capital, entrepreneurship, herding, media coverage, coarsened exact matching, colocation, information technology

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<sup>1</sup>The “Mending Wall” here refers to the 1914 poem by American poet Robert Frost ([www.poets.org/poetsorg/poem/mending-wall](http://www.poets.org/poetsorg/poem/mending-wall)).