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Behind Closed Doors: Governmental Venture Capital Meetings, Cognitive Logics, and Venture Capital Decisions to Support Entrepreneurs

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Abstract:

Governmental venture capital is significant worldwide, but little is known about how such funding decisions are made. Using longitudinal observations of closed-door meetings among governmental financiers, complemented by interviews, documentation, and secondary data from 125 applications for venture financing, we identify how institutional logics guide financing decisions. Our analysis reveals a framework in which cognitive logic guides venture support decisions of whether to support an entrepreneur or not. Although the financiers officially communicate regulation to secure external legitimacy for their decisions, the meetings revealed that cognitive logic influenced financing decisions whether or not normative and regulative logics were present. We identify why the cognitive logic dominate the funding decision by outlining a set of “overshadowing forces”, which restrict normative and regulatory influence on the funding decision. This research has implications for literature on non-aligned institutional logics and venture financing.

Keywords: Government support; venture financing; venture capital; entrepreneurship, institutional theory; institutional logics

Bio

Vinit Parida (Ph.D.) is a professor at entrepreneurship and innovation at Luleå University of Technology, Sweden, and a visiting professor at the University of Vaasa, Finland. His research interests include servitization, product-service system, business models, open innovation, and organizational capabilities. He has published more than 60 journal articles, including articles in Strategic Management Journal, Journal of Management Studies, Long Range Planning, Industrial Marketing Management, Production and Operations Management, Journal of Cleaner Production, and others.