

**GETTING TIRED OF YOUR FRIENDS:
THE DYNAMICS OF VENTURE CAPITAL RELATIONSHIPS**

Qianqian Du

Shanghai Advanced Institute of Finance

Shanghai Jiao Tong University

qqdu@saif.sjtu.edu.cn

Thomas Hellmann

Saïd Business School

University of Oxford

thomas.hellmann@sbs.ox.ac.uk

May 2017

Abstract

Does doing more deals always strengthen business relationships? A large networking literature typically assumes that agents form a relationship once they engaged in a single transaction. However, relatively little attention is paid to the strengths of the relationship, and its dynamic evolution. This paper studies the relationships of the top 50 US venture capital firms over the period 1990-2012 as reflected by syndication patterns. The paper shows that not all prior transactions strengthen a relationship, and that certain types of transactions, such the continued syndicated refinancing of the same company, actually weaken a relationship. The paper also finds differential effects of relationships forged in good versus bad market times.