**The Presence of the Tie or the Content of the Tie: Venture Capital Syndication Networks and Limited Partner Investment Decisions**

**ABSTRACT**

Existing theory has focused largely on how the presence of indirect ties via shared partners can increase the likelihood of direct tie formation between two actors. In contrast, the present study argues that such indirect ties can either facilitate or impede the formation of direct relationships between the two actors depending on the content of the information that the shared partner (“the intermediary”) transmits. Success in the interaction between the intermediary and one of the actors engenders positive information flow to the other actor and thus facilitates direct tie formation. Failure, on the other hand, engenders negative information flow and reduces the likelihood of tie formation between the two actors even below what we would expect in the absence of an indirect tie. Successful intermediaries are more credible and magnify the effect of both the positive and the negative information they transfer. Finally, actors rely less on information transmitted across indirect ties if they have access to other sources of public or private information about prospective counterparties. The present study found support for these hypotheses using a longitudinal dataset of the investment decisions of limited partners investing in venture capital firms.