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단면에서 양면으로: 벤처 캐피탈 법률 회사의 중개에 있어서 경험과 네트워크의 역할
From Single-Sided to Two-Sided: The Role of Experience and Networks in Venture Capital Law Firm Intermediation

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Most theories of market intermediation focus on how established intermediaries with representation experience facilitate market transactions to create value. Little research has examined how young intermediaries gain such experience and carve out entrepreneurial opportunities to represent exchange parties. Using longitudinal data on 323 U.S.-based venture capital law firms that begin representing startups to secure financing, this study investigates how intermediaries leverage their initial experiences to develop dual-sided capabilities. We provide and find support for the argument that intermediaries can transition smoothly by developing transferable value on the sell-side (representing startups) and expanding their networks on the buy-side (representing venture capital firms). By drawing an analytical distinction between buy-side representation and sell-side representation in intermediation, this research presents two-sided intermediation as an evolving developmental process, emphasizing the critical role of experience and learning as catalysts for this evolution.

Keyword: two-sided intermediation, experience and learning, entrepreneurial opportunities, representation expansion, venture capital law firms

Ⅰ. Introduction

Intermediaries, in the form of specialized mediating agents, represent actors to create markets (Abolafia, 1996; Bidwell and Fernandez-Mateo, 2010; Bielby and Bielby, 1999; Finlay and Coverdill, 2002; Khurana, 2002; Levitt and Syverson, 2008; Marsden, 1982; Pollock, Porac, and Wade, 2004; Rider, 2009; Sasson, 2008). They facilitate resource exchanges that

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otherwise would be unattainable and, in return, extract rents in the form of representation fees. Researchers have examined the rent-seeking activities of intermediaries in a variety of market contexts including real estate, employment, venture capital and initial public offering markets (e.g., Fernandez-Mateo, 2007; Finlay and Coverdill, 2002; Levitt and Syverson, 2008; Pollock et al., 2004; Rider, 2009). Network studies show that actors occupying a bridging position tend to gain information and power benefits that translate into valued outcomes (Burt, 1992, 2004; Gould and Fernandez, 1989; Podolny and Baron, 1997). Overall, a middle position between potential transaction routes allows actors to extract rents from or make future claims on side parties.

Perhaps inspired by the tangible benefits of occupying an intermediate position, researchers have focused largely on the implications of bridging relationships for economic and social actors. This exclusive focus has left two significant gaps in the literature. First, discussions of intermediation often fail to distinguish between representations on the seller's side and the buyer's side. This oversight has led to a lack of exploration into the dynamics unique to each role. Empirically, we observe intermediaries who represent a buyer in one transaction and a seller in another across various markets, a phenomenon we term 'two-sided intermediation.' For example, realtors represent clients seeking to purchase a house in one transaction and clients seeking to sell a house in another. Headhunters match jobs with individual workers, acting for either job seekers or employers depending on their contracts. Many investment banks serve as agents to buy and sell stocks. Understanding what factors determine intermediaries' engagement in two-sided intermediation can reveal the mechanisms that explain the relationships between the emergent network structures and individual actions and outcomes (Ahuja, Soda, and Zaheer, 2012; Sytch, Tatarynowicz, and Gulati, 2012).

Second, existing research has generally noted that intermediaries can extract rents from both sides of the brokerage interaction, without sufficiently explaining how this ability develops and what factors influence its development. A few studies have begun to emphasize how brokerage experience—experience bridging gaps between different actors or groups—enables actors to quickly learn about market demands and industry trends and develop capabilities to use this knowledge in future value-creation (McEvily, Jaffee, and Tortoriello, 2012; Zaheer and Bell, 2005). However, this theoretical framework has not clearly distinguished the different facets of brokerage experience. This distinction is particularly important in mediated market contexts where brokerage involves actors seeking and intermediaries providing representation. Since representation entails interactions with clients, the type of representation experience affects the nature of the knowledge and capabilities that intermediaries accrue. For instance, experience representing sellers enables intermediaries to understand the client's technology and the market in which it competes. Representing buyers in connection with the establishment of capital investment allows intermediaries to become knowledgeable about investment management contracts, alternative fund structures, and appropriate exit strategies. Each client has its own strategic priorities, and intermediaries build and execute negotiation tactics that are consistent with these priorities during representation. Likewise, specifying representation experience helps explicate the nature of capabilities created and their associated outcomes (e.g., Eggers, 2012; Hoang and Rothaermel, 2010; Zollo and Reuer, 2010).

This paper addresses these gaps by specifying how intermediaries benefit from their experience to expand their operations from the sell-side to the buy-side. We view intermediaries as entrepreneurial firms—that is, as firms that build legitimacy and capabilities to overcome their liability of newness (Stinchcombe, 1965). We develop arguments by integrating insights from prior work on how intermediaries may develop capabilities from their structural position (e.g., McEvily and Zaheer, 1999; Zaheer and Bell, 2005) and research on alliance experience (e.g., Anand and Khanna, 2000; Barney, 1991; Dierickx and Cool, 1989; Gulati, 1999; Gulati, Lavie, and Singh, 2009; Powell, Koput, and Smith-Doerr, 1996).

We argue that there is a risk hurdle in expanding from sell-side to buy-side representation because there is no precedence on the buyer side of the market and thus no accurate proxy for success likelihood when representing buyers. This risk can be mitigated more quickly as an intermediary accumulates experience transferable to the buy-side. We emphasize that seller representation serves not merely as a business function but also as a catalyst for facilitating two-sided intermediation. This experience equips intermediaries with critical insights into exchange terms and enables them to study and compare various negotiation tactics—skills that are highly valued by buyers seeking expert representation. The benefits of this experience are particularly significant when representing early-stage sellers, which necessitates more dynamic and intensive market research and communication.

Furthermore, we explore how an intermediary's buyer network forms a basis for refining managerial and organizational capabilities and building trust on the buy-side, thereby enhancing its capacity to sustain and expand its two-sided nature. We particularly focus on multiparty syndication representation as a source of heterogeneity in this network formation.

We test these arguments in the context of venture capital (VC) law firms that have experienced waves of representation expansion in the U.S. VC market. Prior studies show that VC law firms act as market intermediaries when they represent entrepreneurial ventures—helping secure financing by making introductions for startups, evaluating exchange terms, and structuring relationships (Bengtsson, 2009; Bengtsson and Bernhardt, 2014; Bernstein, 1995; Suchman, 1994; Suchman and Cahill, 1996). Building on this foundation, we analyze which VC law firms are most likely to expand their client base from solely representing entrepreneurial ventures (i.e., sellers of equity stakes in companies) to also serving VC investors (i.e., buyers of company equity). We find empirical evidence supporting our arguments with data on 323 law firms that commence their emerging companies/venture capital practices over the time period 1996-2015.

This study contributes to research on market intermediation, with additional implications for entrepreneurship studies. By drawing an analytical distinction between buy-side representation and sell-side representation, we delineate the process by which intermediaries expand between the two sides of a market. At the core of our experience framework is the understanding that firms leverage their historical alliances to inform and guide their strategic directions and actions, emphasizing the importance of collaborative learning in boosting organizational capabilities (Barney, 1991; Dierickx and Cool, 1989). Research on interorganizational alliances demonstrates how different types of experiences variably impact a firm's ability to explore new opportunities (Gulati et al., 2009; Lavie and Rosenkopf, 2006). Firms are behavioral in nature (Cyert and March, 1963) and use insights from previous alliances to guide critical decision-making processes (Anand and Khanna, 2000; Gulati, 1999; March, 1991; Yang, Lin, and Peng, 2011). This fundamental concept has been underexplored in the context of market intermediation. We clarify the experiential benefits of representing early-stage and late-stage sellers, as well as multiple-party syndicates, examining how these distinct experiences enable intermediaries to address competitive concerns and expand their scope of representation. Thus, our research advances the idea that brokerage is not merely a structural pattern, but rather a behavioral outcome driven by the actions of involved actors (Obstfeld, Borgatti, and Davis, 2014; Quintane and Carnabuci, 2016; Spiro, Acton, and Butts, 2013). By emphasizing the lasting advantages of experience, this study also contributes to the ongoing dialogue about how bridging ties can yield enduring benefits (Baum, McEvily, and Rowley, 2012; McEvily et al., 2012).

Furthermore, the study enriches entrepreneurship research by presenting two-sided intermediation as a developmental process for market brokers. To date, few empirical studies have examined the activities of market brokers from a longitudinal perspective. Our findings reveal a pathway by which market brokers transition from one-sided to two-sided operations. Additionally, the results highlight experience as an important enabling factor that facilitates this developmental process.

Ⅱ. Theoretical Background and Hypotheses

Intermediation allows actors to extract rents from the parties they represent in a mediated deal. By occupying a middle position among different individuals or social spheres, intermediaries have access to a wide range of information and use that information to facilitate resource exchanges that otherwise would be unattainable (Burt, 1992, 2004; Finlay and Coverdill, 2002; Marsden, 1982). Studies have sought to understand how intermediaries act on their information advantages to generate returns from their activities. For example, staffing agencies, which possess privileged information about and access to potential employees, can charge fees to firms seeking new workers (Bidwell and Fernandez-Mateo, 2010; Fernandez-Mateo, 2007). Similarly, placement agents representing venture capital funds consolidate valuable information on many venture capital firms and institutional investors to resolve quality concerns between the two parties, facilitating transactions in return for a representation fee (Rider, 2009). In these examples, intermediaries leverage their advantageous access to information to determine which of many potential actors they are willing to represent in an exchange.

2.1 Representation Expansion and Two-Sided Intermediation

We begin by distinguishing between buy-side and sell-side representation in intermediation. Existing literature has generally noted that the ability to mediate transactions in the buyer-seller market allows intermediaries to create value and capture part of this value in the form of rents (i.e., representation fees). However, not all intermediaries are equally capable of representing both sides of a market; some exclusively represent one side, while others serve both parties. Buyers and sellers have different interests and views in negotiations and seek different skills and expertise when hiring intermediaries. If we consider intermediaries as entrepreneurial entities, it is conceivable that a pathway exists allowing these firms to develop and expand their operations, thereby effectively engaging with both sides of the market. However, the existing theoretical frameworks that attempt to explain this pathway are not fully persuasive. To address this gap, we will provide a more detailed analysis of the theoretical explanations for intermediary growth and market engagement in the following section.

The existing literature highlights how different structural forms of brokerage can influence intermediary behavior. Gould and Fernandez (1989) identified a set of distinctive brokerage roles, including gatekeepers, liaisons, and representatives, which are influenced by the extent to which organizations are viewed as insiders by members of the same community. Further, Friedman and Podolny (1992) explored the boundary-spanning role of negotiators in labor negotiations, illustrating that strong affiliations with one's own organization could impair effectiveness in external bargaining scenarios.

These studies primarily examine how the structure of ties varies *across* intermediaries, but such variation can also manifest *within* a particular intermediary over time. Intermediaries might shift their affiliation strategies or preferences, altering the structure of their relationships on each market side. For instance, intermediaries might strategically switch between the buy-side and the sell-side to optimize value creation. Over time, to maintain a true intermediary stance and address competitive concerns of being perceived as "one of us," intermediaries may seek a balance in their activities across both market sides (Friedman and Podolny, 1992). This dynamic suggests a valuable research opportunity to investigate the causes and effects of changes in the structure of ties intermediaries maintain with different market sides.

We aim to address these gaps by examining how intermediaries move from one side to another and become two-sided. For pragmatic reasons, we take the perspective of the sell-side intermediary. Conceptually, focusing on one side of the market allows us to clarify the logic behind our hypotheses while holding the other side constant (see Bidwell and Fernandez-Mateo (2010) for a related perspective). Empirically, this perspective helps test the effects of actor-level attributes associated with sell-side intermediaries while ruling out effects attributable to buy-side intermediaries.

Empirically, we focus on VC law firms since their intermediary services provide a clear illustration of sell-side dynamics. VC law firms do more than routine legal work such as drafting term sheets; they shape interactions between startups (sellers) and VC investors (buyers), acting as market intermediaries or brokers (Suchman, 1994). Their extensive experience not only accelerates access to capital for early-stage ventures but also ensures effective coordination during the deal-making process (Suchman and Cahill, 1996). Crucially, VC law firms negotiate investment terms in line with market standards to safeguard the interests of startups (Bengtsson, 2009; Bengtsson and Bernhardt, 2014; Bernstein, 1995). Their profound understanding of these negotiations helps establish clear and advantageous terms, highlighting the value of their seasoned expertise in the venture capital ecosystem (Suchman, 1994; Suchman and Cahill, 1996).

VC law firms earn representation fees through intermediary services, typically billing on an hourly basis until transactions are complete. Alternatively, they may offer fixed fee packages or asset acquisition services for startup firms, covering tasks such as company incorporation, IP-related matters, and funding acquisition. For instance, fees at the Series A stage may start at $30,000 and increase as the process advances. Some firms, such as Venture Law Group, occasionally adopt a fee-for-equity model, taking an equity stake in the startup instead of a conventional fee, although this practice is less common compared to its use by accelerators. Fees are generally scaled based on the complexity of transactions, the need for fund formation advice, and ongoing compliance demands. For early-stage ventures, fees may be lower or deferred to accommodate startups' cash flow sensitivities. Conversely, working with established investors offers a way to mitigate risk and ensure a more predictable income. The potential for investors to form syndicates enhances profit opportunities. This rationale underpins our focus on the expansion of sell-side intermediaries to the buy-side in our analysis. In the supplementary analyses section, we provide evidence suggesting that our theoretical framework also applies to the expansion of buy-side intermediaries.

An important value of sell-side intermediaries is their normative role: they act as gatekeepers and are likely to be the first line of filtering potential buyers (e.g., Friedman and Podolny, 1992; Stovel and Shaw, 2012). This behavioral element is especially important in complex deals, where it is difficult to accurately predict the quality of buyers. Complex deals involving multiple actors can lead to nonrational decision-making, where successful dealmaking requires building trust and understanding the preferences of the actors involved (Sorenson and Stuart, 2001). The mediated markets in which intermediaries operate are often characterized by uncertainty, complexity, and difficulty in acquiring accurate information about counterparties. In the venture capital market, the study's context, there is a bet on the technologies and ideas being invested in; information on the evolution of the technology, its platforms, and potential commercialization is often unknown. In this uncertain situation, signaling—a proxy for accurate information—plays an important role in buyer and seller behavior (Han, 1994; Stuart, Hoang, and Hybels, 1999).

One element of behavior is the choice of representation. Sell-side intermediaries may set their sights on buy-side activities. However, switching sides poses a competitive risk because there is no precedent on the buy-side and no accurate proxy for the likelihood of success in representing buyers. Subtle shifts in the structure of ties may also blur the intermediary's market identity as a specialized listing agent, making their offerings less appealing to sellers. If an initial buy-side representation fails or yields undesirable outcomes, the intermediary may face even more obstacles in future moves, as buyers would infer the underlying quality of its services from these outcomes (e.g., Gulati and Higgins, 2003; Hallen, 2008; Han, 1994). For buyers choosing between intermediaries, sell-side intermediaries represent additional risk due to the lack of observable histories in evaluating their capabilities. However, buyers may occasionally decide that the potential benefits of engaging sell-side intermediaries outweigh the risks.

We suggest that intermediaries may leverage their sell-side experience to mitigate the risks associated with moving to the buy-side. Next, we will discuss prior work explaining how intermediaries may develop capabilities from their structural position and, more broadly, research on alliance experience to develop hypotheses regarding the roles of early-stage seller representation and representation relationships with buyers in such value development.

2.2 Learning from Representation

A few studies have acknowledged that the value firms derive from an intermediate position in the market is not just a function of informational advantages accruing to the position. The resources and capabilities internal to the firm must also be considered in conjunction with the emergent network structure (Zaheer and Bell, 2005). A firm's exposure via its advice network, which is rich in nonredundant ties to diverse sources of information, allows it to study and compare the advantages and disadvantages associated with different kinds of capabilities and adopt the capability with the highest potential for value creation (McEvily and Zaheer, 1999). Because knowledge is developed partially through firm interaction (Nahapiet and Ghoshal, 1998), firms with many bridging ties are well-positioned to develop new understandings regarding emerging opportunities that best fit their internal capabilities (Zaheer and Bell, 2005). Nevertheless, this theoretical explanation has been developed without sufficiently considering different facets of bridging experience.

Research on interorganizational alliances has informed our understanding of how firms develop and improve managerial and organizational capabilities through collaborative relationships (Barney, 1991; Dierickx and Cool, 1989). Alliances, especially those of an exploratory nature that are marked by high uncertainty and ambiguous outcomes, provide firms with critical insights into new markets and technologies. This enhances their capacity to scan for emerging opportunities (Gulati, 1999). Such partnerships foster intensive interaction and significantly enhance a firm's ability to evaluate the resources and true value of potential partners (Kogut, 1991; March, 1991).

Moreover, experience at the nexus of a network of alliances offers firms a strategic vantage point. From this central position, firms are better equipped to identify promising projects and recruit talented individuals, thereby fostering organizational growth (Powell et al., 1996). Additionally, these alliances act as signals to potential partners, highlighting the firm's valuable assets and enhancing its appeal as a collaborative partner (Gulati and Higgins, 2003; Jensen, 2004; Reuer, Tong, and Wu, 2012). Engaging with diverse partners not only sharpens firms' managerial skills but is also essential for forming and managing future alliances effectively (Dyer and Singh, 1998; Gulati et al., 2009; Kale, Dyer, and Singh, 2002; Lorenzoni and Lipparini, 1999).

Strategic positioning and the enhanced understanding that comes from alliances are invaluable, especially during market transitions or expansions. Partnerships in uncertain and ambiguous environments enrich a firm's knowledge of the operational and strategic capabilities of potential partners. This depth of insight enables more informed decision-making and opens up new growth opportunities. Engaging in such strategic alliances not only positions firms advantageously for future corporate activities, such as acquisitions (Yang et al., 2011), but also leverages a comprehensive understanding of the true value and potential compatibility of partners (Kogut, 1991; March, 1991). The ability to navigate complex negotiations and grasp the nuances of new market segments underscores the importance of exploratory partnerships in driving a firm's expansion into new areas.

Our argument draws insights from the literature on alliances while emphasizing the importance of representation experience. Specifically, we focus on early-stage and later stage representation experiences as key aspects that enable expansion to the buy-side. On the buy-side, we focus on syndication representation as a catalyst for capability refinement and trust building.

2.3 Early-Stage/Later-Stage Seller Representation

Representation provides intermediaries with opportunities to study and compare negotiation tactics that help secure favorable terms for the actors they represent. This learning is particularly intense and effective in complex and uncertain exchange relationships, where partners frequently interact to understand and address challenges (Dussauge, Garrette, and Mitchell, 2000; Yang et al., 2011).

In venture financing, representing early-stage sellers involves dynamic interaction, including intensive market research and communication, to establish the organization's capabilities and craft complex contracts. These ventures present greater complexity and uncertainty than later-stage ventures do, due to their limited track records, which complicates the demonstration of market viability (Hsu and Ziedonis, 2013; Sorenson and Stuart, 2008). Consistent with this view, research on alliance experience suggests that exploration alliances—where partners face high collaboration and technical risks in new technology development (Dussauge et al., 2000; Rothaermel and Deeds, 2004)—offer more dynamic and valuable learning opportunities than exploitation alliances that focus on refining existing knowledge (Yang et al., 2011).

In contrast, representing later-stage sellers focuses more on scaling the company. This stage provides a more stable environment with reduced uncertainty and risk, allowing intermediaries to assist mature companies in optimizing their operations and market strategies (Hsu and Ziedonis, 2013). The experience gained from working with later-stage sellers endows intermediaries with insights into efficient business scaling and risk management. This expertise is invaluable to buyers looking to invest in or acquire companies with established business models and stable returns.

Successful representation often relies on reputation and centrality/power as proxies for effectiveness (Burt, 1992; Gould and Fernandez, 1989; Marsden, 1982). An intermediary's ability to transfer constraints imposed by buyers onto sellers may require sellers to accept lower prices in certain transactions. For this to occur, the intermediary must exercise a degree of power (Fernandez-Mateo, 2007). This power stems from advantageous access to information gained through the intermediary's central position between potential transaction routes (Burt, 1992, 2004). If competitive constraints undermine the intermediary's ability to control interactions between two parties, its reputation becomes an invaluable asset to mitigate these challenges (Rider, 2009).

In markets where information is poorly distributed, intermediaries build reputation and power among sellers through repeated representations. Successful transactions signal to the market that intermediaries possess the expertise to identify likely successful sellers. This market signal acts as an informational cue, allowing others to infer the underlying quality of the intermediaries and their activities (Han, 1994; Stuart et al., 1999). In environments characterized by rapid and uncertain technological changes, such as the venture capital market (Gaba and Terlaak, 2013), market actors rely heavily on quality signals to alleviate uncertainty (Podolny, 2001). With increased experience and deeper knowledge, intermediaries are better equipped to exploit market signals and provide valuable insights, making them more attractive to buyers.

Intermediaries may benefit from their representation experience by extracting additional value when expanding to represent buyers. Those with such experience are likely better equipped to evaluate firms' marketability, understand the implications of contractual terms, and identify key terms that can increase returns on successful exits. Expanding into the buy-side allows intermediaries to diversify their service offerings, access new revenue streams, and bolster their market standing. By engaging with buyers, intermediaries can gain comprehensive insights into both sides of the transaction process, which enhances their overall effectiveness and competitiveness in the market. As intermediaries expand into the buy-side, they can leverage their accumulated knowledge and skills to broker negotiations or manage resource flows more advantageously for buyers. This organizational and managerial capital may enhance intermediaries' confidence in expanding to the buy-side, reducing concerns about associated risks.

As noted, VC law firms are perceived as more than just legal counselors in representation relationships; they function both as repositories of wisdom, transferring knowledge from veteran entrepreneurs to newcomers, and as important safeguards, helping new entrepreneurs navigate serious pitfalls (Suchman, 1994). As sell-side intermediaries, VC law firms play a crucial role in shaping the companies they represent, thereby influencing their ultimate outcomes and the returns to their shareholders. Consequently, they establish authority individually and collectively as specialized mediating agents in the market. When expanding into the buy-side, VC law firms can leverage this authority to broker negotiations and manage resource flows more advantageously for buyers.

Based on this line of reasoning, we expect that representation experience will facilitate an intermediary's expansion into buy-side activities, with this effect being more pronounced for early-stage representation experience than for later-stage representation experience. Buyers may place a greater value on early-stage experience because late-stage ventures have already demonstrated their marketability, potentially diminishing the perceived value of law firms with primarily late-stage experience. Accordingly, we hypothesize the following.

Hypothesis 1 (H1): Experience in representing sellers will increase the likelihood of a sell-side intermediary expanding into the buy-side. This effect will be more pronounced for early-stage representation experience.

2.4 Syndication Representation and Buyer Network

As previously discussed, an initial expansion from sell-side to buy-side requires intermediaries to overcome the risk threshold associated with this expansion. For a buyer to engage a sell-side intermediary, the perceived value of the intermediary must outweigh the potential risk. However, overcoming the risk threshold for one transaction does not ensure success in all future buy-side transactions. Intermediaries closer to sellers than buyers must continue to address competitive concerns that potential buyers may have. We propose that a buyer network, built through prior representation relationships, facilitates trust building and enables the ongoing expansion between sell-side and buy-side roles. We emphasize the role of multiparty syndication representation as a source of heterogeneity in buyer networks for intermediaries.

When intermediaries expand to the buy-side, they have the opportunity to establish direct relationships with buyers. Unlike sell-side representation, where a broker represents a single seller in a deal, buy-side representation involves interacting with multiple buyers simultaneously. In syndicated deals, the number of broker-buyer interactions is multiplied by the number of buyers in the syndicate. Buyers (i.e., VC investors) participate in syndicated deals for various reasons, including better evaluation of sellers (i.e., startups) through diverse viewpoints, risk distribution, enhanced monitoring of sellers by leveraging complementary expertise, and developing reciprocal relationships that share information about future exchange opportunities, particularly outside their primary industry or geography (Brander, Amit, and Antweiler, 2002; Bygrave, 1987; Hochberg, Lindsey, and Westerfield, 2015; Hochberg, Ljungqvist, and Lu, 2007; Jääskeläinen, 2012; Lerner, 1994; Sorenson and Stuart, 2001, 2008). Despite these benefits, coordination and cooperation challenges in syndication necessitate trust and mutual understanding among participants (Zhang, Gupta, and Hallen, 2016). The dynamic and complex nature of syndication demands rich discussions to reach consensus on exchange terms and conditions.

Benefits from prior representation relationships enable the creation of opportunities to represent new buyers by refining capabilities and building trust. Representation involving buyer interactions affords intermediaries the chance to learn which skills are most useful on the buy-side. As intermediaries continue their expansion to the buy-side, they may update existing knowledge or acquire new insights into evaluation schemes, terms, and contingency plans that buyers prioritize to increase their returns. Theory and evidence suggest that firms develop organizational capabilities from prior experience and refine them through repeated interactions (Barney, 1991; Dierickx and Cool, 1989; Levinthal and March, 1993). When prior buy-side representations involve diverse buyers, intermediaries are expected to further refine their managerial capabilities, enhancing their attractiveness to buyers.

The growth of the buyer network allows

intermediaries to build closer relationships and trust with buyers. In VC markets, where uncertainty and complexity are prevalent, trust becomes crucial because of the associated investment risks. This trust is cultivated through repeated interactions and grows with increased social proximity (Sorenson and Stuart, 2001). Collaborative relationships foster a rich information exchange, enabling actors to learn about each other's capabilities and trustworthiness (Gulati, 1995, 1999; Walker, Kogut, and Shan, 1997). As the frequency of interactions as buy-side representatives increases, the broker becomes more integrated with buyers, reducing the social distance that initially exists. This relational and social proximity enhances the perception that the broker is trustworthy and a genuine member of the community (Friedman and Podolny, 1992; Stovel and Shaw, 2012).

For a sell-side broker expanding to the buy-side, navigating this delicate perceptual space is crucial. Intermediaries must maintain trust and a sense of belonging on both sides of the market to facilitate their continuous expansion from sell-side to buy-side representation. This ongoing expansion suggests that the growth of the buyer network is a crucial enabler for sustaining dual-side representation. The extent to which an intermediary is integrated with community members may indicate how buyers assess the quality of the broker's resources and capabilities (Han, 1994; Podolny, 2001). Enhanced capabilities and trust increase the intermediary's appeal to buyers and expand its pool of potential buyers. As intermediaries expand their operations from the sell-side to the buy-side, buyers might evaluate the applicability and effectiveness of the intermediary's organizational and managerial expertise based on how many buyers choose that intermediary as their representative. Accordingly, we hypothesize the following:

Hypothesis 2 (H2): The size of the buyer network will be positively associated with the intermediary's continued expansion into the buy-side of the market.

Ⅲ. Methods

We test our arguments in the context of VC law firms that play an intermediary role between ventures and VC firms. In their emerging companies and venture capital practices, law firms represent ventures or VC firms to mediate transactions between the two parties. The intermediary role of VC law firms involves introducing and matching ventures to investors, evaluating exchange terms, and structuring relationships (Bengtsson, 2009; Bengtsson and Bernhardt, 2014; Bernstein, 1995; Suchman, 1994; Suchman and Cahill, 1996). A partner attorney in a Silicon Valley law firm made the point this way:

> People definitely look for a lot of advice about how to set up the corporate structure, about valuations, about what type of stock options are appropriate—all of those kinds of issues related to the organization of the company. Unless you are dealing with somebody who has been through it a few times, they generally have no clue what's going on. People also want you to evaluate the adequacy of offers, and of term sheets. There's a lot of nonlegal advising that goes on … (Suchman, 1994, p. 21)

Another attorney seconded this point while touching on the importance of experience in representation:

> Good lawyers in this practice have to provide more than simply legal advice. They are a wonderful resource for business advice, because the problems that growing companies encounter are similar, and even if a problem is new to an entrepreneur who's never been president of a company before, the outside counsel has seen various ways people have dealt with it. So, the business lawyer is a repository of experience that he or she has observed through practice with a lot of different companies who have had similar problems. (Suchman, 1994, p. 22)

Both examples illustrate that VC law firms not only perform mechanical legal work but also shape interactions between entrepreneurial companies and investors. Drawing from the qualitative evidence, we conduct quantitative analysis to provide evidence on which VC law firms are most likely to expand their representation activities from the venture-side to the investor-side.

3.1 Data and Sample

We collected data on the transaction clients of VC law firms from the S&P CapitalIQ database. This database includes detailed information about target firms, investors, and private placements, similar to the Venture Xpert and VentureOne databases, which are widely used in venture funding research. CapitalIQ uniquely offers information on the transaction advisors of every financial transaction and information on which target or investor the advisor represents. This information allowed me to track a history of representation activities of law firms advising VC financial transactions.

We constructed a sample of VC law firms using the following procedures. First, we limited our analyses to VC law firms practicing in the U.S. venture capital market to account for unobserved market heterogeneity. Second, consistent with the proposed theory, we focused our analyses on VC law firms that started their practices with startup company representation; we label them venture-side VC law firms. Third, we restricted the dataset to VC financial transactions led by private VC firms, because other types of investors such as angel investors, banks, university endowments and pension funds play a limited role in doing due diligence and VC law firms' knowledge and network accumulation.

We started collecting venture financing data in 1991[1)] but restricted our analyses to the period from 1996 to 2015 to ensure that we had a five-year moving window of explanatory variables in the first year of our analyses. In total, we identified 329 venture-side VC law firms during this period. Of these, six law firms represented both startups and VC firms in the initial year. We excluded these firms from the main analyses to maintain a consistent conceptualization of sell-side intermediaries in line with our empirical approach. The final sample comprised 323 venture-side VC law firms, resulting in a total of 3,629 firm-year observations; 2,930 observations were in the entry stage and 699 were in the post-entry stage. Among these, 82 firms engaged in VC firm representations during the analysis period, with an average time of 4.8 years to do so.

3.2 Dependent Variable and Empirical Approach

Our dependent variable is a buy-side representation. The first empirical model, which tests the first hypothesis, identifies which sell-side intermediaries are most likely to expand their operations to include buy-side representation. We coded it as 1 when a focal VC law firm represents a VC firm for its venture investment in year t and 0 otherwise. The unit of analysis is thus the firm-year. We employed the Cox (1972) proportional hazard model for this analysis. Hazard models are designed for analyzing longitudinal data given the occurrence and timing of events. Research has shown that the Cox model specifically increases the robustness of estimates, reduces estimation biases, and helps in the interpretation of results (see Cox and Oakes (1984) for a more detailed explanation). The Cox hazard model estimates the influence of exploratory variables on the hazard of moving to investor-side representation among 323 law firms: Each subject becomes at risk from its first year of representation and is assumed to end in failure when the move occurs.

The second empirical model, which tests the second hypothesis, identifies which sell-side intermediaries are most likely to continue representing buyers after initiating their expansion to the buy-side. This model requires a new buy-side representation in the following year to distinguish it from an initial buy-side representation. Theoretically, the factors driving an initial expansion are expected to differ from those influencing subsequent expansions. However, the determinants of initial and sequential expansions may be correlated. To account for this possibility, we obtained the

1) We started the analysis period in 1991 due to data availability.

inverse Mills ratio from the first empirical model and included it as a control variable in the second model. We used a variable for similar others' moves as an exclusion restriction, based on the idea that social influence processes, which lead firms to imitate each other, pertain to a firm's initial experience with new practices (Abrahamson and Fairchild, 1999; Lieberman and Asaba, 2006).

The dependent variable for the second hypothesis is measured as the number of representations the focal VC law firm made for a VC firm's investment in a venture in year *t*. We employed a panel ordinary least squares (OLS) regression with fixed effects. Although negative binomial estimation with fixed effects is a viable alternative for count data, it tends to discard significant amounts of information in comparisons between firms and may fail to converge when discontinuous regions are encountered. Thus, a panel OLS model with fixed effects helps mitigate these numerical issues. To ensure the robustness of our main findings, we estimate a random-effects negative binomial regression.

We used firm fixed effects to control for alternative explanations arising from unobserved firm heterogeneity. For example, one could argue that intermediaries with excellent reputations could expand to the buy-side more easily and frequently. Firm fixed effects help to address this concern by estimating within-firm variation in both explanatory and dependent variables. We also included year dummies to account for temporal changes affecting venture capital activities and the associated demand for VC law firms. Consequently, the model incorporating firm fixed effects and year dummies accounts for the effects of (1) unobserved factors that differ across firms and vary over time, (2) factors that are relatively invariant across firms but vary over time, and (3) factors that are relatively invariant within a firm over time but vary across firms.

3.3 Independent Variables

We measured *early-stage seller representation experience* (H1) as the number of representations a VC law firm made for ventures at the "Venture/Seed" or "Series A" stage in the preceding five years. Similarly, we measured *later-stage seller representation experience* (H1) as the number of representations the VC law firm made for a venture's later stages of financing (Series B, C, D, and so on) in the preceding five years. We measured *buyer network size* (H2) as the number of distinct VC firms a law firm had engaged with while representing VC clients over the previous five years.

3.4 Control Variables

We included multiple covariates that may generally affect an intermediary's expansion into the buy-side. First, we included a control for *buy-side representation experience*, measured as the number of representations the VC law firm made for a VC firm's investment in a venture over the preceding five years. Past research on organizational mortality emphasizes that firms stabilize organizational structures and that their ties with environments become durable as time passes (Amburgey, Kelly, and Barnett, 1993; Freeman, Carroll, and Hannan, 1983). We also included *firm age*, measured as the number of years since the VC law firm's first representation. Existing diffusion research shows that social influence through social learning and mimicry creates forces that lead firms to adopt practices (Abrahamson & Fairchild, 1999; Burns & Wholey, 1993; Greve, 1995; Lieberman & Asaba, 2006). Hence, we controlled for *similar others' moves*, measured as the number of VC law firms that transitioned from venture-side to investor-side representation in year *t*-1. We logged this number plus one to reduce overdispersion and ensure the symmetry of the measure. To account for the effects driven by market competition, we controlled for the *number of active VC law firms*, measured as the logged number of VC law firms that had represented either a startup company or a VC firm in the preceding five years.

Ⅳ. Results

Table 1 reports the descriptive statistics for and bivariate correlations between all variables in the sample. The correlations between the hypothesis-related variables and controls are low, indicating that our estimations are

〈Table 1〉 Descriptive statistics and correlation table

Variables	Mean	*SD*	1	2	3	4	5	6	7	8	9
1. Buy-side rep.	0.096	0.580	1								
2. Move to the buy-side	0.023	0.149	0.307	1							
3. Early-stage seller rep. exp.	0.423	0.820	0.256	0.066	1						
4. Later-stage seller rep. exp.	0.700	1.718	0.252	0.063	0.484	1					
5. Buyer network size	1.144	5.268	0.495	-0.033	0.463	0.523	1				
6. Buy-side rep. exp.	0.386	2.114	0.511	-0.028	0.354	0.317	0.861	1			
7. Similar others' moves*	1.716	0.755	0.081	0.076	0.082	0.143	0.025	-0.017	1		
8. Firm age	8.074	4.334	0.011	-0.079	-0.099	-0.057	0.099	0.110	-0.345	1	
9. Number of active VC law firms*	5.507	0.283	0.055	0.016	0.069	0.158	0.075	0.036	0.400	-0.239	1

*: in natural logs; n=3,629

unlikely to be biased by multicollinearity. We also checked the variance inflation factor (VIF) values for all variables. As a rule of thumb, a variable whose VIF is greater than 10 may indicate issues that require further investigation. However, the VIF values for all variables were well below this threshold (max: 5.58; mean: 2.20), further supporting that multicollinearity is unlikely to affect the results.

Table 2 reports the test results of the first hypothesis. Model 1 presents a baseline model that includes control variables. Model 2 introduces variables for early-stage and later-stage seller representation. Models 3 through 6 test different specifications of the independent variable.

Interestingly, we observe positive coefficients for similar others' moves across all models, although they are not statistically significant. Prior literature has shown that social influence through contagion and social learning leads firms to imitate one another, especially when they face uncertainty about future performance (Greve, 2011; Lieberman and Asaba, 2006). Given that sell-side intermediaries lack direct experience with buyers, the decision to expand to the buy-side can involve significant uncertainty regarding the operations and future performance of such representations. Even a well-established reputation on the sell-side might diminish if the intermediary becomes relationally and informationally closer to the buy-side than before (Friedman and Podolny, 1992; Stovel and Shaw, 2012). Existing research highlights the inherent uncertainty of the venture capital market, characterized by high failure rates and variable returns (e.g., Gaba and Terlaak, 2013; Suchman and Cahill, 1996). While mitigating uncertainty between exchange parties is a primary role played by intermediaries in the market, they themselves face uncertainty due to the need to assess the returns from their strategic choices. In this uncertain context, boundedly rational actors often look to the behavior of similar others when making decisions (Peteraf and Shanley, 1997). Although our study does not find statistically significant evidence to support this perspective, the positive coefficient for similar others' moves is consistent with the herding behavior frequently observed among companies.

In H1, we argued that sell-side intermediaries with extensive experience representing sellers are more likely to expand their services to include buy-side representation, with this effect being more pronounced for early-stage seller representation experience. Supporting this, both early-stage and later-stage seller representation experiences show positive and statistically significant coefficients in Model 2 (p = 0.000 for early-stage; p = 0.028 for later-stage).

While the coefficient for early-stage seller representation experience is larger, the Wald test indicates a notable difference between early-stage and later-stage representation ex-

〈Table 2〉 Results of Cox hazard models predicting expansion to the buy-side

DV: Move to the buy-side	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Similar others' moves	62.450 (81.783)	66.119 (81.742)	63.993 (81.662)	64.627 (81.915)	65.542 (81.785)	65.625 (81.770)
Number of active VC law firms	-42.278 (51.566)	-44.265 (51.537)	-42.938 (51.487)	-43.321 (51.644)	-43.843 (51.562)	-43.917 (51.554)
Later-stage seller rep. exp. (LSRP)		0.172* (0.078)				
Early-stage seller rep. exp. (ESRP)		0.535** (0.148)				
Alternative to LSRP: three-year window			0.254* (0.110)			
Alternative to ESRP: three-year window			0.610** (0.174)			
Alternative to LSRP: seven-year window				0.126 (0.078)		
Alternative to ESRP: seven-year window				0.552** (0.131)		
Alternative to LSRP: post-first round investments					0.204** (0.075)	
Alternative to ESRP: first round investments					0.351* (0.139)	
Alternative to LSRP: later-stage/post-first round investments						0.205** (0.070)
Alternative to ESRP: first round investments at the early stage						0.392* (0.153)
Year dummies	Y	Y	Y	Y	Y	Y
Observations	2,930	2,930	2,930	2,930	2,930	2,930
Number of subjects (venture-side law firms)	323	323	323	323	323	323
Number of failures (move to the buy-side)	82	82	82	82	82	82
Pseudo R^2	0.0662	0.102	0.0999	0.104	0.0962	0.0965
χ^2	42.00	74.10	79.69	90.19	65.00	64.16
Log Likelihood	-421.9	-405.6	-406.7	-405.0	-408.3	-408.2

Notes. All specifications display coefficients instead of hazard ratios. We defined the spells of event occurrence by year and evaluated the hazard on a yearly basis from the focal firm's first representation. The observations were closed if the focal firm represented a buyer. If a transition was observed, we recorded *move* as 1 and *time span* as the number of years between the firm's first representation and its first buyer representation. If no buyer representation occurred during the observation period, we applied right censoring, recording *move* as 0 and *time span* as the number of years from the firm's first representation. This setup inherently excludes *firm age*, which is measured as the number of years since the firm's first representation; Robust standard errors clustered by firm in parentheses; ** $p < 0.01$, * $p < 0.05$, + $p < 0.1$

perience (χ^2 = 3.67, p = 0.056). Beyond mere statistical significance, these findings are substantial in terms of effect size (100[exp(b) - 1]), which represents the percentage change in the likelihood (hazard) associated with a one-unit increase in the covariate. Specifically, a one-unit increase in the early-stage representation experience of the focal firm is associated with a 71% increase in the likelihood of expanding to buy-side representation, compared to a 19% increase for later-stage experience. These results lend strong support to H1.

Models 3 through 6 in Table 2 explore the sensitivity of our findings to different measurement approaches. We tested the robustness of our results using alternative measures of seller representation experience over the preceding three years (Model 3) and seven years (Model 4), instead of the original five years. These results remained consistent with our primary findings. Additionally, we assessed the sensitivity of our results to alternative definitions of early-stage sellers. Initially, early-stage seller representation was defined based on a VC law firm's involvement in ventures at the "Venture/Seed" or "Series A" stage. We constructed two alternative measures: (1) ventures at the first round of investment and (2) ventures at the "Venture/Seed" or "Series A" stage at the time of the first-round investment. We also constructed and tested corresponding alternative measures for later-stage experience. The pattern of results in Models 5 and 6 is generally consistent with our primary analyses, although there are no meaningful differences in statistical significance.

Table 3 presents the test results for the second hypothesis. Model 1 presents a baseline model, and Model 2 incorporates a variable for buyer network size. In H2, we argued that the size of buyer network facilitates continuous expansion to the buy-side. In Model 2, after controlling for investor-side representation experience, the coefficient for buyer network size is positive and significant (p = 0.041). Regarding the effect's magnitude, ten additional investor ties predict a 0.37 percentage point increase in investor-side representation. Given that the average number of investors involved in all investments represented by VC law firms is 3.55, three additional investor-side representations predict a 0.37 percentage point increase in the likelihood of new investor-side representation, corresponding to a 3.9% increase relative to the mean (0.096). In Model 3, we conducted the analysis using three-year representation relationships with investors, although our choice of a five-year window is informed by prior research on venture capital syndication networks (Hallen, 2008; Hochberg et al., 2007; Zhang et al., 2016). In Model 4, we estimated a random-effects negative binomial regression. These results provide robust support for H2.

〈Table 3〉 Results of regression models predicting continued expansion to the buy-side

DV: Buy-side rep.	Model 1	Model 2	Model 3	Model 4
Number of active VC law firms	7.469 (15.336)	-3.679 (10.892)	-6.961 (16.283)	-5.805* (2.897)
Later-stage seller rep. exp.	0.052** (0.011)	0.006 (0.027)	0.012 (0.027)	-0.033 (0.029)
Early-stage seller rep. exp.	0.068 (0.137)	-0.022 (0.092)	-0.052 (0.109)	-0.141 (0.102)
Firm age	-0.257 (0.495)	0.108 (0.347)	0.227 (0.534)	0.065 (0.073)
Buy-side rep. exp.	-0.049** (0.016)	-0.116** (0.039)	-0.106** (0.039)	-0.013 (0.027)
Inverse Mills ratio	0.224 (0.373)	-0.062 (0.265)	-0.126 (0.378)	-0.349 (0.291)
Buyer network size (BNS)		0.037* (0.018)		0.031* (0.016)
Alternative to BNS: three-year window			0.056+ (0.032)	
Constant	-35.137 (72.736)	17.747 (51.660)	33.096 (77.010)	29.237* (14.726)
Year dummies	Y	Y	Y	Y
Firm fixed effects	Y	Y	Y	N
Observations	768	768	768	768
Number of subjects (venture-side law firms)	81	81	81	81
R^2	0.094	0.112	0.154	NA
Log Likelihood	-942.2	-934.7	-915.8	-420.1

Notes. Models 1 through 3 estimate a fixed-effects OLS regression with fixed effects for law firms. Model 4 estimates a random-effects negative binomial regression; Robust standard errors clustered by firm in parentheses; ** $p < 0.01$, * $p < 0.05$, + $p < 0.1$; Similar others' moves variable is used for exclusion restrictions; since the analysis focuses on continuous buy-side representation after the first instance, it includes 81 subjects. One subject entered the buy-side market in 2015, at the end of the sample period, and was therefore excluded from the analysis.

4.1 Supplementary Analyses

This study primarily investigates how sell-side brokers transition to the buy-side to broaden their scope of representation. However, it is equally informative to explore whether the same theoretical mechanisms support the expansion of buy-side brokers into representing sellers. From 1996 to 2015, we identified 164 buy-side brokers (i.e., investor-side law firms), of which 54 expanded their operations to the sell-side.

In H1, we have argued that representation experience catalyzes the development of managerial capabilities that are advantageous when transitioning to the opposite side of the maket, which is particularly evident in early-stage representations. Accordingly, for buy-side brokers, early-stage representation experience was measured by the number of representations a VC law firm made for VC firms investing in early-stage ventures.

Model 1 in Table 4 presents the results estimating the movement of buy-side brokers to the sell-side. While similar others' moves have a positive yet insignificant effect on buy-side expansion (Table 2), their impact on sell-side expansion is negative and significant (Table 4). A possible explanation for this discrepancy might be that ventures on the sell-side pressure law firms to provide unique services that differentiate them during the fundraising process, which could diminish the effectiveness of imitation. On the other hand, investors on the buy-side may prefer more standardized approaches, which might explain why imitation is viewed more neutrally or even positively, although its effect remains insignificant. These patterns merit further investigation as an avenue for future research.

The results show positive and statistically significant coefficients for early-stage buyer representation experience (p = 0.000) and late-stage buyer representation experience (p = 0.023). The Wald test, however, indicates no significant difference between these coefficients. This pattern of results may be

〈Table 4〉 Results of the Cox hazard model predicting expansion to the sell-side

DV: Move to the sell-side	Model 1
Similar others' moves	-12.724** (0.565)
Number of active VC law firms	-14.612** (0.872)
Later-stage buyer rep. exp.	0.354* (0.156)
Early-stage buyer rep. exp.	0.346** (0.085)
Year dummies	Y
Observations	1,321
Number of subjects (investor-side law firms)	164
Number of failures (move to the sell-side)	54
Pseudo R^2	0.134
χ^2	2759
Log Likelihood	-226.2

Notes. All specifications display coefficients instead of hazard ratios. The firm age variable was excluded due to the setup of the Cox model, as mentioned earlier. Robust standard errors clustered by firm in parentheses; ** $p < 0.01$, * $p < 0.05$, + $p < 0.1$

because sellers (startups) view both early- and late-stage experience as equally valuable when selecting buy-side brokers (investor-side law firms). In other words, brokers' general expertise in navigating transactions, regardless of the stage, may be seen as more important than their specific experience at any particular phase of the deal process. These findings provide marginal support for H1.

In H2, we have argued that sell-side brokers expanding to the buy-side may continue representing buyers as they refine their capabilities and build their reputation through networks established via syndication representation. The dynamics differ for buy-side brokers moving to the sell-side, where they typically represent a single seller. Despite this, these brokers can enhance their capabilities and reputation within the seller community through deals involving multiple buyers in a syndicate. This symmetrical reasoning implies that buy-side brokers who cultivate a reputation by facilitating syndicated deals with multiple buyers on the sell-side are likely to hone their negotiation and contracting skills, thus becoming more appealing to sellers aiming to include more buyers to increase potential funding. Additionally, buyers may prefer sellers who engage familiar VC law firms and might encourage sellers to bring those firms into the deal.

To explore this further, we developed a variable *indirect buyer network size*, measured as the number of distinct VC firms with which a law firm had indirectly engaged while representing startup clients over the previous five years. This measure aims to explore whether the patterns observed among sell-side brokers are mirrored on the buy-side, rather than merely validating the symmetry of the theory.

In Model 1 of Table 5, the coefficient for indirect buyer network size is positive and statistically significant (p = 0.000), indicating that VC law firms are more likely to continue representing ventures as they engage with a broader array of VCs in their seller representations.

Together, these supplementary analyses broadly support the proposed mechanisms for sell-side to buy-side expansion and are applicable to buy-side brokers expanding to the sell-side.

〈Table 5〉 Results of the Panel OLS model predicting continued expansion to the sell-side

DV: Sell-side rep.	Model 1
Number of active VC law firms	-79.212^{*} (34.594)
Later-stage buyer rep. exp.	-0.159^{+} (0.088)
Early-stage buyer rep. exp.	0.113 (0.072)
Firm age	2.901^{*} (1.262)
Sell-side rep. exp.	-0.154^{**} (0.044)
Inverse Mills ratio	0.364^{+} (0.191)
Indirect buyer network size	0.084^{**} (0.017)
Constant	360.672^{*} (157.263)
Year dummies	Y
Firm fixed effects	Y
Observations	621
Number of subjects (investor-side law firms)	53
R^2	0.286
Log Likelihood	-1152

Notes. Robust standard errors clustered by firm in parentheses; ** $p < 0.01$, * $p < 0.05$, $^{+}$ $p < 0.1$; Similar others' moves variable is used for exclusion restrictions; since the analysis focuses on continuous sell-side representation after the first instance, it includes 53 subjects. One subject entered the sell-side market in 2015, at the end of the sample period, and was therefore excluded from the analysis.

Ⅴ. Discussion

This study explores the expansion of intermediaries between the buy-side and sell-side of the market, drawing on a clear analytical distinction between the two forms of representation in intermediation. We specifically examine how sell-side intermediaries leverage their experience to expand their services to the buy-side. Our analysis indicates that intermediaries with substantial experience in representing sellers are more adept at engaging in buy-side representation. The findings, which include both early-stage and late-stage seller experiences, suggest that a firm's representation experience generally facilitates the creation of new partnership opportunities. Experience with later-stage sellers is beneficial, yet early-stage seller representation distinctly shapes the trajectories of emerging ventures. This stage involves guiding nascent firms through foundational business and legal frameworks, while significantly influencing a firm's strategic direction by identifying and cultivating potential. Such early involvement sets the groundwork for subsequent growth stages, establishing the foundation for future successes. The pronounced significance of experience with early-stage sellers, as shown in our analysis, suggests that intermediaries are most effective in shaping developmental trajectories and creating new market opportunities when they draw on this early-stage representation experience.

Furthermore, these intermediaries continue to represent buyers as they form more ties with buyers. In essence, representation expansion is facilitated not merely by buy-side experience, but by the extent to which the intermediary enriches its relational capital through this experience. Collectively, our findings suggest that intermediaries benefit from their experience to navigate between the two sides of representation and extract value from both sides of the brokerage interaction.

We believe this study advances research at the nexus of market intermediation and entrepreneurship in two important ways. First, we investigate the drivers of representation expansion, an important yet underexplored issue in the intermediation literature. Understanding representation expansion is crucial since it can be a source of strategic change for firms. Changes in the focus and scope of value-creation activities could lead to the maintenance and enhancement of capabilities that influence a firm's strategic direction. Moreover, we consider market intermediaries as entrepreneurial firms and conduct a dynamic, firm-level analysis of market intermediaries' activities to enrich our understanding of how new ventures grow and evolve over time.

Second, we enrich the perspective that intermediation is the outcome of an organization's learning process. Firms are inherently behavioral and learn from experience, engaging in activities that refine managerial capabilities (Cohen and Levinthal, 1990; Cyert and March, 1963). This critical aspect has been underexplored in the context of market intermediation. Extending prior studies that examined informational benefits to actors in bridging positions, we emphasize the role of experience in intermediation. By collaborating with others, firms can develop new competencies and discover new opportunities for value-creation (Koza and Lewin, 1998; March, 1991). When this collaboration entails exploratory knowledge searches, firms may experience, albeit with greater risk and ambiguity, unique learning opportunities that experiment with new and diverse knowledge and assess partners' resources and intrinsic value (Dussauge et al., 2000; Lavie and Rosenkopf, 2006; Yang et al., 2011). We ascribe this characteristic to the internal learning and knowledge accumulation that arises during representation. In doing so, we distinguish different facets of representation experience. In doing so, we differentiate various facets of representation experience and focus on the specific roles that early-stage seller representation and syndication representation play in intermediaries' expansion between the two sides of representation.

Overall, the present study illustrates how a behavioral perspective can yield important new insights into the process of market intermediation. It addresses the call for further studies that consider brokerage as a behavioral outcome of intermediaries above and beyond a particular structural pattern (Obstfeld et al., 2014; Quintane and Carnabuci, 2016; Spiro et al., 2013). The findings indicate that not all intermediaries are equally capable of managing roles on both sides of the market, and that experience significantly facilitates this capability. This perspective emphasizes that transitioning to two-sided representation involves not just a shift, but an ongoing expansion and continuous engagement with both sides of the market. This expansion is driven by the accumulation and application of relevant experience, underscoring the dynamic nature of market intermediation.

The managerial implications of our study for venture capital law firms are clear and significant. Our findings suggest that it is crucial to learn effectively from representation and capitalize on prior experience to create added value. Since not all venture capital firms have in-house legal counsel, the expertise of external law firms in negotiation and contracting becomes invaluable. Law firms with industry contacts and insights unavailable to venture capitalists are well-positioned to offer specialized services for profit. However, these firms must carefully weigh the benefits of using their industry knowledge against potential reputational risks. This is particularly critical when handling sensitive information, as startups may be concerned about the redirection of competitive data if their legal representatives begin working with investors on the opposite side of negotiations. It is crucial for law firms to manage this balance effectively to maintain client trust and maximize the strategic use of their expertise without compromising client interests.

5.1 Limitations and Future Directions for Research

This study highlights several limitations that suggest fruitful avenues for future research. First, we did not examine the economic returns of market brokers, as it falls outside the scope of this study. Future research could investigate whether dual-sided intermediaries generate higher returns compared to those operating exclusively on one side. Second, the process by which buyers select intermediaries presents a promising area of inquiry. Buyers may engage intermediaries for various reasons, such as a lack of in-house legal counsel or as a strategic decision to enhance their negotiation skills and legal expertise. This is particularly pertinent for investors expanding into emerging markets, where well-crafted contracts are essential. Exploring these selection criteria could unveil new dynamics that influence network formations (Ahuja et al., 2012).

Another valuable research direction involves examining the extent of representation expansion across different industry sectors. In our analysis, we include all industry sectors to reinforce the generalizability of our findings. Nonetheless, one might imagine that the demand for a VC law firm and the opportunities to mediate uncertainty likely vary by industry. For instance, in high-tech industries, where venture financing uncertainty tends to be greater, the dynamics of intermediary usage may differ from those in other sectors. Investigating how representation expansion rates vary across industries could shed light on how different forms and degrees of uncertainty influence intermediary activity.

Moreover, the interactions between buyer and seller intermediaries coordinating a single deal deserve closer scrutiny. Prior relationships between intermediaries can significantly influence negotiation outcomes by fostering familiarity, trust, and established routines, potentially streamlining the negotiation process. For instance, a seller might expedite a deal if the buyer's intermediary has a history of effective collaboration with the seller's intermediary. However, there is a risk that intermediaries, acting opportunistically, may prioritize rapid deal closures over their clients' best interests. This potential conflict presents a compelling area for future research into the darker aspects of brokerage.

Additionally, our findings reveal a notable pattern: buy-side experience negatively affects buy-side expansion (Table 3), and similarly, sell-side experience negatively impacts sell-side expansion (Table 5). One possible explanation is that firms with extensive experience on the same side may become more selective over time, focusing on fewer but more strategically important transactions. This selectivity likely stems from their deeper market knowledge and stronger reputations, allowing them to focus on the most promising opportunities, such as larger syndications or deals of greater size. As a result, this increased selectivity may not lead to a higher quantity of transactions but rather to higher-quality deals. Another factor to consider is the potential for diminishing returns to experience on the same side. As firms gain more experience, the incremental benefit of pursuing additional transactions on the same side may decrease, prompting them to reduce the overall number of transactions they engage in. These dynamics warrant further investigation in future research.

5.2 Conclusion

Despite these limitations, we believe that our study makes important contributions to the literature on market intermediation and entrepreneurship studies. Taking the behavioral perspective, we demonstrate not only that an intermediary's experience plays a crucial role in its transition to being two-sided, but also that not all experience is equal. Differences in the stages of companies in seller representations and differences in the number of participants in buyer representations explain the existence and persistence of two-sided intermediaries. In this way, the study advances our understanding of market intermediaries as new ventures that capitalize on real or perceived entrepreneurial opportunities for growth and survival.

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