

Invitation

You are cordially invited to the public defense to obtain the academic degree of

DOCTOR OF BUSINESS ECONOMICS

by Jeroen Verbouw

ESSAYS IN ENTREPRENEURIAL FINANCE

Supervisors:

Prof. dr. ir. Sophie Manigart - Prof. dr. Luc Renneboog - Prof. dr. Tom Vanacker

Monday, 9 September 2024 at 13h30

In C 186, Cobbenhagen Building, Warandelaan 2, 5037 AB Tilburg (the Netherlands)

<https://www.tilburguniversity.edu/nl/actueel/agenda/promotie-jeroen-verbouw>

Monday, 9 September 2024 at 18h00

A reception will be organized in the Cellarium of the Sint-Pietersabdij, Sint-Pietersplein 9, Gent.
Please confirm your attendance no later than 23 August by emailing Jeroen.Verbouw@UGent.be.

EXAMINATION BOARD

Prof. dr. ir. Sophie Manigart
Supervisor, Vlerick Business School and Ghent University

Prof. dr. Luc Renneboog
Supervisor, Tilburg University

Prof. dr. Tom Vanacker
Supervisor, Ghent University and University of Exeter Business School

Prof. dr. Mirjam Knockaert
Ghent University

Prof. dr. Louis Mulotte
Tilburg University

Prof. dr. Thomas Hellmann
Saïd Business School, University of Oxford

Prof. dr. Sofia Johan
Florida Atlantic University

Abstract

This doctoral dissertation aims to further our understanding of how the consistently and rapidly changing external environment shapes investment relationships between entrepreneurs and their investors. It provides new insights into how entrepreneurs manage their dependence on initial investors (Study 2), and how institutional factors influence investor decision-making (Study 3) and value-adding effectiveness (Study 1).

The first study aims to enhance our understanding of the role of institutions in shaping private equity value creation. Despite receiving considerable scholarly attention, the literature on the impact of private equity investments on portfolio company growth and efficiency remains inconclusive, yielding mixed findings. This chapter undertakes a quantitative review of this literature, aiming to provide clarity by contextualizing findings from previous empirical studies and aligning them with the prevailing institutional context. Specifically, we reveal that the private equity model has shifted over time from focusing on efficiency gains to an active ownership approach focusing on growth. Investor-oriented regulatory frameworks facilitate post-buyout growth but not efficiency, while equity market development and individualistic cultures facilitate both post-buyout growth and efficiency. Using insights from competition and population-level learning, this chapter furthermore reveals how cognitive frames driving private equity value creation have facilitated efficiency and growth over time. As such, we contribute to the debate on the heterogeneous impact of private equity on their portfolio companies and bring attention to temporal dynamics in institutional research.

The second study extends our understanding of resource dependence in entrepreneurial ventures. We study how ventures manage their resource dependence on their *first* key resource providers when they cannot resort to established defense mechanisms. Drawing from resource dependence theory, we theorize and show that ventures with higher ex-ante resource stocks in the form of financial and human/social capital reduce resource dependence by simultaneously attracting equity from a more diverse set of investors. We also show that this strategy has important implications by facilitating follow-on funding. This research has both theoretical and practical relevance as much of the extant literature is noteworthy silent about resource dependence in initial relationships and when it is not driven by resource need. Yet, this matters greatly for all equity-seeking ventures, investors, and policymakers.

The third study presents novel evidence on the decision-making and investment practices of Continental European venture capitalists. While much attention has been devoted to understanding institutional drivers of venture capital activity and outcomes, significantly less is known about how institutions influence the decision-making and investment practices of venture capitalists. This is surprising as institutions in the first place shape organizational decision-making, which, subsequently impacts the outcomes of that behavior. We add to this field by comparing our survey evidence on Continental European venture capitalists with that of US venture capitalists by Gompers et al. (2020). We reveal heterogeneous practices throughout all investment stages, despite similar overall performance and contracting practices. The study's implications extend to investors, entrepreneurs, and policymakers, aiming at invigorating research on the heterogeneous and intricate investment practices of venture capital investors worldwide.

Curriculum vitae

Jeroen Verbouw (1994, Knokke-Heist, Belgium) graduated magna cum laude as Master of Science in Business Economics at Ghent University in 2019 and holds a bachelor's degree in Business Management from VIVES University College. He joined the Department of Accounting, Corporate Finance, and Taxation of Ghent University in 2019 and the Department of Finance of TiSEM, Tilburg University in 2021 as a joint PhD candidate. In 2023, he was a visiting researcher at Columbia Business School. Jeroen presented his research and organized sessions at leading conferences including the Academy of Management Annual Meeting (2021, 2023, 2024), Babson College Entrepreneurship Research Conference (2021, 2022, 2023), the Corporate Strategy and Innovation Conference at the Wharton School (2023), the Summer Entrepreneurial Finance Workshop at Imperial College London (2024), the Entrepreneurial Finance Annual Meeting (2022, 2024), among others, and gave research seminars at various external institutions in Belgium, France, Spain, Sweden, and the US. His research was recognized as a top paper at the Babson Conference in both 2022 and 2023 and he was a finalist for the best Corporate Finance paper at the European Financial Management Association Conference in 2023. Next to the papers in this dissertation, Jeroen has an active research stream on Family Business and Family Offices.