

Organizational innovation in private equity backed companies

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SLIDE 1

Investments in innovation have been collapsed because of the wrong culture of entrepreneur

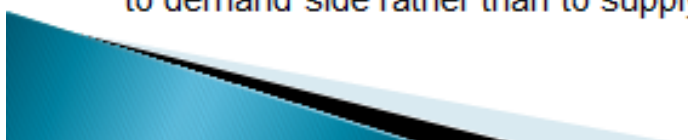
- ▶ In Italy public and private investments in innovation account 0,5% of GDP under the minimum target of 2% fixed by Lisbona agreements



- ▶ Regional policies and the government have been mainly promoting the innovation by policies on the side of supply of funds



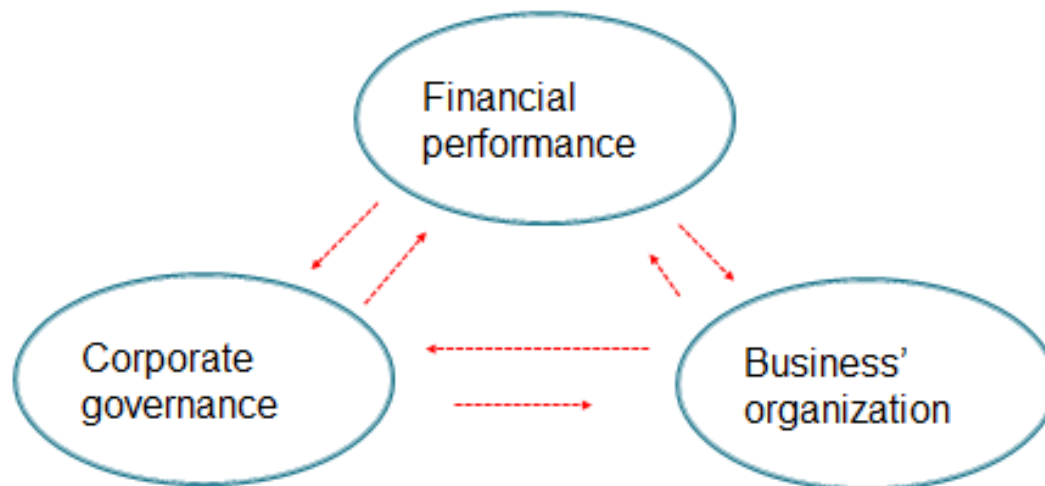
- ▶ The deficiency of investments in innovation could be ascribed to demand side rather than to supply of funds



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SLIDE 2

DO PRIVATE EQUITY BACKED COMPANIES PERFORM BETTER THAN NON PRIVATE EQUITY BACKED COMPANIES?



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SLIDE 3

DOES PRIVATE EQUITY SPUR THE INNOVATION?



- Eingel and Keilleback (2006) proved that PEs invest in those companies which are more innovative demonstrating the companies have already developed their innovation before raising up money

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SLIDE 4

➤ **FINANCE FOCUSES ON**



Private Equity Investment Funds

➤ **MANAGEMENT FOCUSES ON**



Private Equity Backed Companies

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SLIDE 5

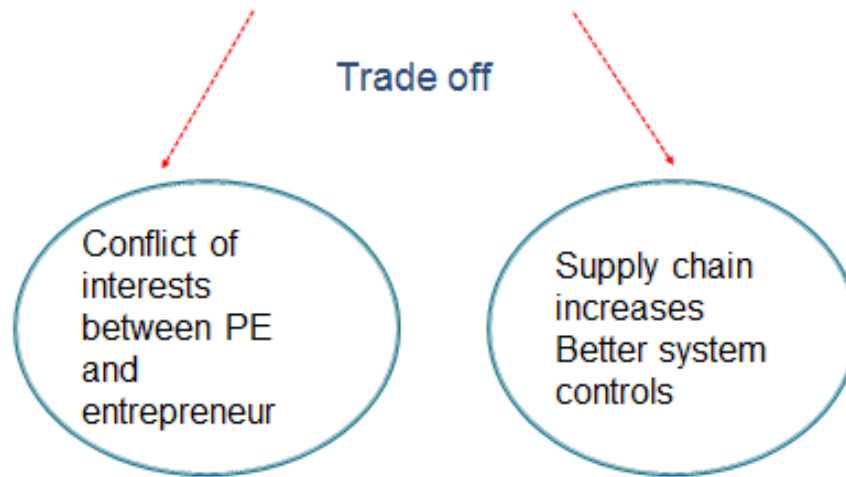
P.E. monitor 2014 samples 261 Italian PEBCs and 456 non PEBCs (2006- 2010)

	PEBCs	Non PEBCs
ACTIVE	130154594	7555880
NET ASSETS	39254902	2460232
REVENUES	67734638	6337824
ROE	-10,04	4,20
ROA	-0,73	0,25
NET DEBT	44572384	1863929
DEBTT/ EQUITY	2,73	1,71

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SLIDE 6

PE improves the internal and external organization of target businesses although weaken their corporate governance



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SLIDE 7

Right controls and legal system improve corporate counselling from PE's manager to entrepreneurs

	Total	Hours<10	10<hours<20	20<hours<30	Hours>30
Investments with full veto controls	47	6	7	16	18
Investments with partial veto controls	27	13	11	2	1
Average legality index in the entrepreneur's country	19.53	20.06	19.29	17.89	17.68

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SLIDE 8

PE's participation widens the network of target companies and improves their control systems

	Level of participation	Level of participation
AREA OF PARTICIPATION	PRIVATE EQUITY	PRIVATE INVESTORS
Solicit costumers/ distributors	4,50	1,53
Improving control system	4,30	1,80
Formalize relationship with personnel	4,10	1,30

1 = no participation at all by investors

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SLIDE 9

This research spurs future researches on the PEBCs to aim to

- Verify their financial performance
- Analyse their corporate governance under different prospective
- Realize what happens inside the internal and external organization after few years that PE has disinvested

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SLIDE 10