Call for Abstracts/Papers

Venture Capital and Private Equity Financing

JBE Special Issue

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Aim of Special Issue:

For entrepreneurs, start-ups and fast growing ventures, the provision of sufficient funds to foster growth is one of the most important if not the key success factor. While venture capital (VC) is one of the most important sources of funding for new ventures (e.g. Li and Zahra, 2012), private equity (PE) funds represent a natural financing source for firms pursuing capital-intensive and risky investment strategies.

Venture capital enables young founders to transfer the financial risk in the case of a failure of the business to the venture capital company (VCC). In exchange, the founders give up a part of their equity so that they lose a part of the possible returns on a potential exit of their venture. In addition, representatives of the VCC get comprehensive control rights as members of the board. Therefore, getting venture capital does not always pay off for the entrepreneur (Rosenbusch et al., 2012). However, venture capital enables founders to establish young ventures, as without it many would not be able to raise enough capital. In contrast, PE funds typically buy the firm seeking for additional capital, e.g., by a leveraged buyout. Specifically, this investment form, resulting in highly levered firms, has been the topic of a long-lasting and heated discussion. Critics believe that PE puts a heavy burden on firms limiting their financial flexibility and lowering their long-term prospects (e.g. Ernst et al., 2013) whether other studies showed that firms financed by PE funds increased their performance due to an enhanced financial scope (e.g. Cumming et al., 2007).

Obviously, investors in VC and PE funds expect high returns to get compensated for the risk taken by their fund investment. While PE funds generate on average high returns (e.g. Gompers et al., 2015), VC funds show a rather different picture. VC funds offer on average an unfavorable risk-return relation for their investors (Kelly, 2011). One reason might be the diverse picture of fund performances. In this respect, the management and its competencies hold a key position.
Undoubtedly, VC and PE funds play a major role for a sustainable and strong development of today’s economies. However, the role of these investors is perceived differently by the general public. Many studies show the positive impact of VC on national economies (e.g. Mason, 2009), while the economic effect of PE funds remains unclear (e.g. Davis et al., 2008).

To broaden the understanding of financing provided by VCCs and PE funds, we cordially invite researchers to submit papers on all areas and related fields. Topics may include, but are not limited to

- The role of risk capital for entrepreneurs and high-growth firms
- The economic relevance of and difference between venture capital and private equity funding
- The impact of risk financing on innovation
- Differences among financing sources of risk capital from a company’s perspective
- ...

Papers must be written in English and must not contain any reference to the identity of the authors.

Please submit an abstract of about 1,000 words to wolfgang.breuer@bfw.rwth-aachen.de until 04/15/2016. The authors of selected abstracts will be invited to submit a full paper until 11/15/2016. They must not have not been published previously. Submitted papers will be double-blind peer-reviewed and may be published in a special issue of the Journal of Business Economics at the beginning of 2018. Author guidelines are available at: http://www.springer.com/11573.

References:


