

ABSTRACT

Corporate venture capital, strategic alliances, and the governance of newly public firms"

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We examine the effect of investments by corporate venture capitalists (CVCs) on the governance structures of venture backed IPOs. One of the main differences between CVCs and traditional venture capitalists (TVCs) is that the former often invest for strategic reasons and enter into various types of strategic alliances with their portfolio firms that last well beyond the IPO. We argue that the presence of such strategic alliances will have a significant impact on the governance structure of CVC backed firms when they go public and in the following years. Using a sample of venture backed IPOs, we evaluate several hypotheses concerning the role of CVCs in the corporate governance of newly public firms. We find that strategic CVC backed IPOs have weaker CEOs and more outsiders on the board and on the compensation committee than a carefully selected sample of matching firms. In addition, the probability of forced CEOs turnover is higher for strategic CVC backed IPOs, while at the same time these firms use staggered boards more frequently. In contrast, the governance structures of purely financial CVC backed IPO firms and their matching firms do not exhibit any significant differences. Following the presentation, we will have dinner at a nearby restaurant, which will be on your own.