

# Does venture capital really improve portfolio companies' growth? Evidence from growth companies in Continental Europe

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May 2006

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## Abstract

This paper analyses whether the positive impact that venture capital (VC) exerts on investee firms is driven by the screening ability of their managers or by the value added role they typically exert on portfolio companies, thus testing the causality of the impact of VC. This is tested on a panel of 250 Spanish VC-backed companies at the expansion stage invested between 1993 and 1999, following their accounts until 2002. The results show that sales and employment growth of VC-backed companies at the expansion stage is not significantly different from that of comparable non-VC-backed companies prior to the investment, while it is different from that moment on. Therefore, we find evidence that the positive impact of VC is indeed driven by the funding and managerial support provided to portfolio companies.

*Keywords:* Venture capital, private equity, impact, causality, entrepreneurship

*JEL Classification:* C12, C33, G24, G28, M13, O31

*EFMA Classification:* 810

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