

# Upper Echelons dealing with risk in private equity investments

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## Abstract

The leadership team of a private equity fund plays a crucial role in strategic decision-making and ultimately determines the fund's success. However, the composition of the leadership teams, particularly partners' socio-demographic backgrounds linked to investment decisions, has received limited attention in the literature. This paper investigates the link between deal lead partners' background and risk assessment related to the investment decision in leveraged buyouts (LBOs).

The analysis of 779 LBO deals and respective deal lead partners reveals the existence of risk assessment "archetypes" differentiated by various socio-demographic attributes. Regressions indicate a negative correlation between the share of female partners and higher average age with risk factors, whereas partners with an international background tend to exhibit a predominantly positive association with risk. Further, experience-related moderators strengthen these archetypes, creating environments that are more aligned with these groups' socio-demographic-driven risk assessment.

This study contributes to the literature on TMT in private equity by examining the nuanced contributions of socio-demographic attributes and demonstrating that these attributes play a significant role in shaping risk assessment and investment decision-making. Additionally, it sheds light on the impact of experience-related moderators on deal lead partners' risk assessment in the context of LBOs.

**Keywords:** Top management teams, TMT diversity, Risk assessment, Leveraged Buyouts, Private Equity

**Subject classification codes (EFM):** 320, 370, 380

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## **1. Introduction**

The leadership team of a private equity fund has increasingly become of particular interest from a theoretical and practical perspective. While researchers aim to understand whether the characteristics of leaders can serve as a proxy for future success, capital providers such as Limited Partners (LPs) strive to comprehend the attributes most valuable for their purposes when committing capital (Fuchs, 2017). This phenomenon can also be observed in dealing with the very current topic of diversity in PE: Academic papers evaluate the variables that are linked to various aspects of investment strategies or performance, while legislative initiatives and demands from LPs cause general partners (GPs) to set diversity targets for their investment teams. For example, PE firms have committed to percentage targets for female hires across levels or broader diversity targets for higher ranks, e.g. director levels (EY, 2021). The described developments do not arise out of nowhere, as diversity levels are low across broader finance, alternative investments and private equity industries, and they unsurprisingly decrease with higher seniority among team members (McKinsey, 2023).

Managing the investment team's composition, particularly the Top Management Team (TMT), holds significant relevance. In the hierarchical structure of private equity firms, TMTs play a pivotal role in strategic decision-making. The team composition inherently influences decision outcomes (Carpenter, Geletkancz, et al., 2004; Hambrick & Mason, 1984). The backgrounds and experiences of leaders within the TMT shape group perspectives, actions, and, ultimately, organizational outcomes (Dimov et al., 2007). Specifically, within the leadership framework of private equity firms, the Leadership Partner Teams (LPT) sub-group (consisting of deal lead partners) plays a pivotal role by assuming investor-side responsibilities for deals, acting as a crucial bridge between the fund's TMT and the target's management. They significantly impact strategic decision-making for their individual portfolio firms, e.g., through a supervisory board, by closely supervising the portfolio company's management (Hammer, Pettkus, et al., 2021).

Consequently, while the composition of the TMT leads to diverse strategic decisions, in the context of PE, the backgrounds of the deal lead partners represent a better reflection of results achieved in individual investments. Therefore, when analyzing causes for future success, examining the characteristics and capabilities of deal lead partners becomes a logical supplement. For example,

Hammer, Pettkus, et al. (2021) review and relate LPT diversity in the PE context to deal performance. However, to gain deeper insights into the diversity theme, it is critical to delve into the sources of diversity. Improved insights allow for a more comprehensive evaluation of the costs and benefits associated with individual attributes and the circumstances under which these attributes unfold differently. This approach helps understand the distinct contributions of leaders with varying characteristics and skills to decision-making, strategy development, implementation, and, ultimately, performance (Nielsen & Nielsen, 2013).

Within this scope, the primary focus of research on leadership backgrounds in alternative investments literature focused on the occupational background, including education, professional experience, and networking (Acharya et al., 2013; Dimov et al., 2007; Fuchs, 2017; Patzelt et al., 2009; Zarutskie, 2010). This paper expands the scope by focusing on socio-demographic aspects such as gender, age and nationality. These attributes reflect leaders' psychology and cognition, which are less likely to change, while shaping their contributions to decision-making within the leadership team (Hambrick et al., 1998). Additionally, this paper focuses on risk assessment in the decision-making process. Partners have strong incentives to maximize the value of their portfolio firms while being exposed to significant risks.

As a result, within the broad range of perceptions shaping managers' cognitive models, risk assessment emerges as crucial for deal lead partners in strategic decision-making. This focus considers the significant impact of losses from failed investments on investors (March & Shapira, 1987; Patzelt et al., 2009). Therefore, this study examines explicitly prevalent risks in individual investments within private equity. While Patzelt et al. (2009) or Dimov et al. (2007) partly address risk, this paper maintains a strong focus on this aspect and, specifically, within the context of LBOs (Leveraged Buyouts).

In summary, by analyzing 779 LBO deals and responsible deal lead partners, I assess the link between lead partner background and risk assessment related to investment decisions in LBOs. The analyses show the existence of risk assessment "archetypes" differentiated by various socio-demographic attributes: regressions underline a negative correlation between the share of female partners and higher age with risk factors. In contrast, partners with an international background tend to exhibit a predominantly positive association with risk. Further, by including experience-related moderators, the interactions of socio-demographic attributes with finance and industry experience strengthen the

unveiled archetypes, leading to the assumption that these moderators create environments which are more aligned with the relevant partners' risk assessment in LBO investment decisions.

Consequently, this study has various contributions. First, this paper advances the discourse on diversity in PE research by reviewing the nuanced contributions of different socio-demographic attributes. While recent literature has explored performance implications (Bekyol & Schwetzler, 2023; Hammer, Pettkus, et al., 2021), this paper extends to understanding how diverse characteristics shape decision-making, particularly in risk assessment. Second, through empirical evidence, I establish a significant correlation between lead partner socio-demographic backgrounds and risk assessment, revealing the existence of risk assessment archetypes based on socio-demographic aspects in the PE context. Third, this study demonstrates that experience-moderators can create environments that are more aligned with deal partners' risk assessment derived from their socio-demographic attributes. To my knowledge, this element is unique to the intersection of TMT and PE research.

The remainder of the paper is organized as follows. Section 2 builds the theoretical foundation and introduces hypotheses. Section 3 discusses the data set and the methodology. Section 4 presents empirical evidence on risk tolerance of deal lead partners. Section 5 concludes.

## **2. Theory and hypotheses**

Within the hierarchical structure of private equity firms, partners significantly influence decision-making, strategic choices, and, consequently, deal and fund performance (Fuchs, 2017). Within the leadership structure of PE firms, deal lead partners have a crucial function, taking investor-side responsibility for their deals as they bridge the fund's TMT and the target management (Hammer, Pettkus, et al., 2021). Given the outstanding role of partners in PE firms, the Upper Echelons Theory (UET) is suitable as the theoretical framework of this paper. At its core, the theory assumes that the composition of the leadership team influences its organizational strategies (Hambrick & Mason, 1984). More specifically, the UET suggests that individual characteristics of leaders (e.g. values, experiences, and cognitive frameworks) influence decision-making, while personal backgrounds shape their perceptions of situations. This essentially affects strategic choices – in the scope of this paper, whether to invest in a target company or not. According to Hambrick and Mason (1984), demographic characteristics should be preferred to understand leaders' decision-making processes since assessing the impact of constructs such as values is more complicated. Following this line of thought, scholars have developed significant upper echelon literature that utilizes demographic information as a proxy for leaders' cognitive attributes to reason their strategic choices (Carpenter, Geletkanycz et al., 2004; Jensen & Zajac, 2004; Michel & Hambrick, 1992; Patzelt et al., 2009; Wiersema & Bantel, 1992), which guides this paper in hypothesizing that socio-demographic aspects such as gender as well as experience partly shape the perception of lead partners in PE firms and thus their investment decisions.

Among the broad range of perceptions building the cognitive models of leaders, risk perception emerges as a critical aspect for lead partners in strategic decisions, considering that losses of failed investments are significant for investors (March & Shapira, 1987; Patzelt et al., 2009). While deal-making partners operate in an environment of uncertainty, they translate uncertainties into a reward-to-risk estimation. Following this line of thought, this study focuses on risk rather than uncertainty, defined as the potential for negative outcome variations (Fiet, 1995; Macmillan & Narasimha, 1987; Patzelt et al., 2009). Along with Patzelt et al. (2009), I consider risk assessment to be the uncertainties perceived by PE partners (here deal lead partners) regarding future events that could result in unfavorable outcomes for the organization. This paper focuses on the first mentioned aspect when categorizing risk for PE firms into

the individual investment level (review of business plans, management skills, market potential, etc.) vs. the organizational level dealing with fund portfolio strategy. As a result, decisions on portfolio diversification through industry focus, geographic scope etc., are taken within the broader TMT and, therefore, serve as a filter for investments by deal lead partners. At the same time, I do not aim to analyze the full breadth of all possible types of risks discussed in the literature. Instead, I focus on the risks for individual investments most prevalent in private equity literature (see chapter 3.1 for respective variables). When investigating the link between investment risk and the socio-demographic background of deal lead partners, the study focuses on gender, age and nationality. These factors are clearly delineated and quantitatively measurable while within the scope of recent articles focusing on lead partner diversity in private equity, e.g. Hammer, Pettkus, et al. (2021).

For gender impact, past studies across board composition, TMT diversity or CEO characteristics-related literature present a relatively one-sided picture of the link between female share and risk-taking: females are found to be more risk-averse and less confident in their investment decisions than males (Graham et al., 2002; Jianakoplos & Bernasek, 1995). Huang & Kisgen (2011) find that female executives are less likely to engage in M&A and less likely to issue debt than male executives as they are less overconfident than their male counterparts. In the context of alternative investments, Dwyer et al. (2002) confirm that women seem less risk-taking than men in their most recent, largest, and riskiest mutual fund investment decisions. Furthermore, females seem less likely to invest in the equity of firms that are younger and high-tech and have a higher percentage of equity offerings, all characteristics indicating higher risk related to the investment in a target company (Mohammadi & Shafi, 2018). Graham et al. (2002) offer potential explanations for such results by arguing from an information processing perspective: males utilize simplifying heuristics rather than detailed information processing, which female investors would instead perform. This also leads to the argument that women appear more likely to spot inconsistencies when presented with financial presentations (Graham et al., 2002; O'Donnell & Johnson, 2001). Both arguments are consistent with papers that conclude that men are more efficient decision-makers who experience lower decision-making quality with increasing task complexity. At the same time, females show consistent performance in common and high-complexity task situations (Monroe & Chung, 2001).

Overall, it seems that females have a more cautious approach to investing and a lower risk tolerance than males, which leads to the first hypothesis of this study:

*H1: A higher female share among deal lead partners is associated with lower risk in LBO investments.*

The effect of age linked to risk tolerance in investment decisions has been widely analyzed for individual investors. The literature related to age appears comparable to gender with regards to risk tolerance but with a differing rationale: most papers on risk preferences show that risk aversion is higher with age (Díaz & Esparcia, 2019; Jianakoplos & Bernasek, 2006) due to lower willingness or capacity to deal with characteristics such as the complexity of more risky investments (Brooks et al., 2017). Veld-Merkoulova (2011) and Forsfalt (1999) underline that time horizon plays an important role; the breadth of studies shows that investors a higher age typically have a more limited planning horizon and, therefore, lower tolerance for portfolio risk, e.g. they do not have the time to make up for potential losses or to reach amortization of larger deals (Brooks et al., 2017; Korniotis & Kumar, 2011). To complement an argument relevant for the PE industry setting, younger partners might need to build their track record (Goyal et al., 2021) and therefore make riskier investments, while deal partners at higher age do not have to prove anything to anyone.

However, Veld-Merkoulova (2011) also finds that some investors at higher age have a longer expected time horizon and are willing to approach higher-risk investments to achieve greater returns, which underlines that a time horizon is potentially a critical psychological factor. Further, investors who mastered past fluctuations successfully may be more comfortable with risk and better equipped to handle volatility, making them somewhat optimistic. At the same time, overly optimistic investors who experienced market downturns decrease their risk tolerance due to the negative experience and its implications in the past (Roszkowski & Davey, 2010). Studies of the behavioral literature also conclude that CEO overconfidence adjusts the risk tolerance of investors at higher age for corporate investment decisions (Malmendier & Tate, 2015).

All in all, reviewing relevant papers indicates that investors at higher ages are risk averse. In contrast, some experience/position-related proxies indicate that contextual moderators are suitable (see

Hypothesis 4). For the individual consideration of age, I remain aligned with the main body of literature and formulate the following hypothesis:

*H2: A higher average age of deal lead partners is associated with lower risk in LBO investments.*

Literature on nationality adds the third demographics pillar to this study: Hambrick et al. (1998) explain that the national origin of a person reflects the institutional environment of the country where they spent most of their lives, with countries built on formal (i.e. explicit political and economic rules) and informal (i.e. norms or values) institutions that guide individuals and organizations in dealing with their environment (Crossland & Hambrick, 2007; Nielsen & Nielsen, 2013). Previous research shows that informal cultural patterns influence decision-making and are unlikely to change significantly once set within a person's mind (Hofstede and Hofstede, 2005). Further, formal national-level institutions constrain overall economic behavior, impacting information processing and executive decision-making. Nielsen & Nielsen (2013) outline that growing up in a society with specific institutional configurations influences how managers in leadership interpret information and respond to strategic issues. Hambrick & Mason (1984) find that this influence persists when joining an organization or team in a foreign country. Since nationality encompasses the influences of formal and informal institutionally embedded experiences on decision-making, investors with an international background have differing experiences and backgrounds (Nielsen & Nielsen, 2013), which shape their personal attitudes toward risk (Kalev et al., 2008). Essentially, their contributions impact decision-making in TMT, e.g., in discussions when weighing alternatives (with differing risk levels) or deciding on future strategies (Hambrick et al., 1998): international background is not only more likely to expand the focus on foreign markets / international deals due to a differing knowledge base, it also may benefit from contacts to other individuals and organizations and build up social capital in respective countries. For example, PE partners with international backgrounds can source deals from their home country using their social network (Patzelt et al., 2009). As a result, TMT members with international background perceive respective risks as more manageable, leading to a higher tendency towards risk tolerance (Kalev et al., 2008). Note that effects of international experience (e.g. gained through working abroad), on which Patzelt et al. (2009) focus



in their study, diminish over time; this is in contrast to nationality difference, which resists over time (Carpenter, 2002). All in all, the arguments above lead to the following hypothesis:

*H3: A higher share of internationals among deal lead partners is associated with higher risk in LBO investments.*

While I hypothesize a trend regarding risk tolerance for the relevant socio-demographic aspects, I do not expect a clear “black or white picture” across all risk aspects analyzed. This is because the groups in the focus of this study rather represent the minority within the leadership of PE teams. Therefore, this may result in their voices being put less weight into investment decision-making. This also counts for single person deal lead partners and larger LPT with all partners with the same underrepresented characteristics (e.g., dual female LPT) since investment decisions typically need approval from the investment committee, which includes other partners from the larger TMT. From a theoretical perspective, two concepts could explain this phenomenon: The homophily concept helps explain the situation of LPT and TMT composition where, for example, females are in the minority within the overarching TMT. According to this concept, individuals tend to form connections with those who are similar to them. In the case of gender, homophilous tendencies would lead to a gender bias and, therefore, marginalization of the minorities’ positions and arguments (Gompers et al., 2017; Gompers, Mukharlyamov, et al., 2016). While gender bias could be created in the recruitment and retention process, partners at higher age gradually become a minority, with partner colleagues in the same or higher age group quitting over time; internationals are naturally in the minority due to the smaller pool of people with an international background.

Further, the Social Identity Theory complements explaining the setting: minorities might be less heard and have a limited impact on investment decisions. According to Tajfel & Turner (1979), individuals categorize themselves and others into social groups based on shared characteristics. For example, in domestic partner-dominated TMT, internationals may face social categorization challenges that impact their perceived status and influence within the group. Consequently, due to these social identity dynamics, their perspectives may be given less weight in decision-making processes. As a result, I

expect that the analyses for H1-3 are likely to indicate risk profile “archetypes” leaning towards more / less risk-taking in investment decisions.

The hypothesis is motivated by the opportunity to expand the arguments above with the existing coverage of literature, linking the human capital of TMT or working teams with strategic decision-making in private equity: the review of the VC and PE-specific literature indicates a strong focus on occupational aspects of TMT. While diversity-related papers cover gender, age, nationality, social background and/or ethnicity (individually or combined), most papers analyzing TMT or deal lead partner background cover education, experience or network. One prominent paper is Acharya et al. (2013), which finds that deal partners with financial background are more successful in deals with an inorganic growth strategy, while partners with operational experience (ex-consultants or ex-industry managers) are more successful with deals that follow an organic growth strategy since TMT gained the respective skill-set required in their previous positions. Further, DeGeorge et al. (2016) confirm these results by focusing on secondary deals only. Others, such as Dimov et al. (2007), find a link between TMT finance expertise and investments stage choice and skills to manage risk; Zarutskie (2010) assesses if VC managers with start-up executive, industry-specific or consulting experience are more or less successful with deal exits; Patzelt et al. (2009) evaluate if education and experience of TMT members impact invest decisions (i.e. early stage focus, industry specialization or geographic scope); and Fuchs (2017) links experience and education to fund raising, investment strategy and performance in first sequence funds. Overall, the overview above indicates that experience in various forms is a crucial research topic. This study combines experience with the link between socio-demographic aspects and risk for the following reasons: First, experience appears to be an important aspect that is more researched than others, which also offers potential to expand previous research. Second, moderators, in this case experience, can influence research results and should not be omitted when interpreting analyses (Carpenter, 2002; Patzelt et al., 2009). For example, Carpenter (2002) theorizes that the effects of education, work experience, and tenure on performance depend on the strategic and social context of TMT. Therefore, the scope of this study and the data basis allow the use of the following rationale to develop an additional hypothesis in the intersection of socio-demographic aspects, risk taking in PE investments and experience: As theorized above, underrepresenting certain socio-demographic groups

can lead to lower consideration of their perspectives in investment decision-making. However, involvement of partners possessing significant experience can break through this cycle. A view from the standpoint of the Information-Processing / Decision-Making Approach may explain the breakthrough in investment decisions for minorities. This approach underlines the benefits of variety regarding information, backgrounds and expertise within teams. For example, when individuals, including females with significant finance or industry experience, add new perspectives, it enriches decision-making. By leveraging their significant finance or industry expertise, females gain credibility and are better positioned to contribute their viewpoints that enhance the overall decision-making process, ensuring that their arguments are considered more often and more prominently. Alternatively, as females are the ones that incorporate a broader set of information into their decision-making, they benefit from another partner in their team by incorporating the other party's expertise. As a result, I hypothesize that experience-related moderators strengthen the risk profile "archetypes" indicated by the respective socio-demographic aspects. When building the hypothesis, I follow Acharya et al. (2013) by considering significant finance, industry and consulting experience as moderators. The discussion above leads to the following hypothesis:

*H4: The risk assessment archetypes based on socio-demographic attributes of lead partners are more pronounced with substantive previous work experience.*

### **3. Data and methodology**

#### ***3.1. Sample construction***

The analyses of this study are based on a sub-sample collected by Bekyol and Schwetzler (2022). This sample has been produced from a proprietary dataset provided by a funds-of-funds. It includes approximately 3,500 private equity transactions from 1986 to 2021, involving roughly 350 funds. The sample comprises the following data points at the fund, deal, and top management team (TMT) levels:

- Deal-level characteristics: Information such as the entry date of the deal, the enterprise value (EV) at entry, and the headquarters and industry of the portfolio company.
- Fund-level characteristics: Details such as the fund's headquarters, size, vintage year, sequence, and performance metrics. The focus on LBOs is only to ensure better comparability.
- TMT-level characteristics: Partner information based on their curriculum vitae (CV), including gender, nationality, date of birth, role at the fund and deal, year of fund entry, previous employers, and universities attended, along with their study fields and degrees.

Compared to the original sample utilized by Bekyol and Schwetzler (2022), I excluded deals outside of Continental Europe and the U.K. (6% of the original sample), which helps increase the sample's validity for the respective regions. Finally, hand-collecting data points from Bloomberg, Mergermarket, LinkedIn, and company websites helped to maximize the sample size. Overall, this process allowed me to achieve a sample of 779 deals.

This sample is significantly larger when comparing sample sizes with other peer-reviewed empirical TMT-background-related studies focusing on deals. Others mainly cover up to approx. 250 observations: most relevant examples include Dimov et al. (2007) with 103 observations, Acharya et al (2013), with 251 observations and Degeorge et al. (2015), with 172 observations.

Beyond, in the following, I compare various vital data points with other studies as well as public reports to ensure representativeness and enable reasonable interpretation of this paper's analyses: First, Table 1 indicates that the sample has a representative distribution of deals over time with some peaks during economic growth, demonstrating a typical deal activity pattern in the market (Kaplan & Schoar, 2005).

[Table 1: Deal distribution over time]

While deals by size cluster have a slightly stronger exposure towards the mid-market vs. PitchBook, representation appears better than other published papers (see Table 2).

[Table 2: Sample comparison of deals by size cluster]

Third, the industry distribution of the deals seems comparable to Strömberg (2008) based on the Fama-French 10-industry classification (see Table 3, Panel A; Table A3, Panel A for the comparison). Lastly, the regional distribution is broadly in line with PitchBook data: Shares of France & Benelux and DACH are very similar in both sources, whereas the sample of this study indicates a slightly more robust presence of deals in Continental Europe (specifically the Nordics), which mainly comes to the expense of the U.K (see Table 3, Panel B; Table A3, Panel A for the comparison).

[Table 3: Deal distribution by industry and region]

Other key fund and deal-related variables also seem in line (see Table 4 for details): For example, the average fund sequence of 3.2 is in line with 2.8 reported by Phalippou & Gottschalg (2009) for LBO funds. Finally, an average holding period of 5.2 years appears comparable to 4.1 years reported by Hammer, Pettkus, et al. (2021) or ca. 5 years (Gompers, Kaplan, et al., 2016).

Lastly, TMT characteristics are also comparable to Hammer, Pettkus, et al. (2021), a paper focused on diversity in private equity that comprehensively reports data on LPT: The sample of this study has 3.8% female partners (vs. 4.9% reported by Hammer, Pettkus, et al., 2021), an average partner age of 42.7 years (vs. 39 years), 49.3% partners with finance experience (vs. 57.2%), 9.6% of partners with industry experience (vs. 12.9%) and finally 28.6% of partners with consulting experience (vs. 33.6%).

[Figure 1. Distribution of partner observations by personal characteristics]

### 3.2. Variables

This study measures risk through the following five deal-risk related dependent variables:

- *Deal leverage*, a ratio representing the target company's net debt/EBITDA at deal entry (Malmendier et al., 2011);
- *deal size*, which represents the enterprise value of the target company at deal entry (Cornelli & Karakas, 2011);
- *cross-border deal*, a binary variable comparing the fund's office location country with the target company's HQ location (Meuleman & Wright, 2011; Russo & Perrini, 2006),
- *crisis deal*, a binary variable measuring deals during economic crises (Cumming & Zambelli, 2013);
- *volatile industry deal*, a binary variable representing deals during economic crises, i.e. if the peer industry (Fama–French 10-industry classification of the target company) experienced an above global average standard deviation of sales growth over the sample period (Boutchkova et al., 2016).

The selected dependent variables reflect critical aspects of deal risk for this paper. Potential variables such as target company age with young targets implying more deal risk (Dimov et al., 2007) or holding period (Jenkinson et al., 2022) do not seem to fit well with this study's scope, as it is focused on LBOs (which are per definition more mature than, e.g., deals in seed or growth stage) and the investment decision per se (at pre-deal stage), where the holding period is not directly related to.

The main explanatory variables are *female share*, *average age* and share of *international background share* for deal lead partners. As described earlier, this study focused on the underrepresented sociodemographic background aspects in private equity TMT to uncover the contributions to decision-making.

Further explanatory variables represent occupational aspects, more specifically, the work experience of deal lead partners, which is in the scope of various papers focusing on TMT background in the context of private equity (Acharya et al., 2013; Dimov et al., 2007; Fuchs et al., 2021; Hammer, Pettkus, et al., 2021; Zarutskie, 2012). I include *finance experience*, *industry experience*, and *consulting experience* to cover various aspects of experience, all utilized by Acharya et al. (2013). The variables indicate the

partners' share of job experience in finance, industry or consulting before entering private equity and performing the relevant deal.

Furthermore, I include control variables considering fund and deal characteristics, which are aligned with papers focusing on private equity and human capital: *fund size* covers the total capital invested by the fund (Fuchs et al., 2018; Harris, Jenkinson, Kaplan, et al., 2014; Kaplan & Schoar, 2005); *fund sequence* represents the number of fund-raising rounds of a PE firm in case of the respective fund (Chung, 2012; Phalippou & Gottschalg, 2009) and *industry focus* indicates a funds' industry diversification (Patzelt et al., 2009).

Additionally, I include fixed effects to the analyses: *country FE* represents the country in which the target company is based (Degeorge et al., 2016; Hammer, Pettkus, et al., 2021), *industry FE* relates to the Fama– French 10-industry classification of the respective target company (Fuchs et al., 2021; Hammer, Pettkus, et al., 2021), *team size FE<sup>1</sup>* indicates the number of partners involved in a deal (Hammer, Pettkus, et al., 2021) and *deal year FE* controls for the year in which the investment was made (Fuchs et al., 2021; Hammer, Pettkus, et al., 2021).

Finally, as shown in the following chapters, I include another set of control variables to ensure robustness. Robustness tests include control variables on deal characteristics such as *holding period*, *organic strategy*, and on occupational background information of deal lead partners such as *MBA*, *Chartered Accountant*, *Science background*, and *operational experience* – detailed in the following chapters.

### 3.3. Methodology

Cross-sectional regression models build the basis to analyze the connection between risk and lead partner background. I build the following formula in the base model for testing H1-H3:

$$Risk_i = \alpha_0 + \beta_1 \cdot Lead\ partner\ background_i + v_q Controls_{q,i} + \sum_k \varphi_{k,i} + \varepsilon_i \quad (1),$$

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<sup>1</sup> Binary variables based on four PE partner groups: single, dual, medium-sized (three partners) and large (four or above)

where  $Risk_i$  represents *deal leverage, deal size, cross-border deal* and *crisis deal*.  $Lead\ partner\ background_i$  covers the main explanatory variables *female share, average age* and *share of international background* of deal lead partners. The vector  $Controls_q$  represents various controls in the fund and deal context, while  $\varphi_k$  represents various fixed effects. A positive coefficient of  $Lead\ partner\ background_i$  would reflect risk tolerance, whereas a negative coefficient implies risk aversion.

To test H4, I formulate the following model:

$$Risk_i = \alpha_0 + \beta_1 \cdot Lead\ partner\ background_i \cdot Experience_i + \beta_2 \cdot Lead\ partner\ background_i + \beta_3 \cdot Experience_i + v_q Controls_{q,i} + \sum_k \varphi_{k,i} + \varepsilon_i \quad (2),$$

where  $Experience_i$  is a continuous variable ranging between 0 and 1 depending on the share of partners that have the respective experience within the relevant lead partner group;  $Lead\ partner\ background_i \cdot Experience_i$  represents an interaction term between the lead partner background variables and the experience variables; all other variables are defined above in equation (1). Risk tolerance in the context of the respective experience would show a positive net effect, whereas risk aversion would show the opposite.



## 4. Results

### 4.1. Descriptive statistics

Table 4 shows the descriptive statistics for the dependent, explanatory and control variables.

[Table 4: Summary statistics]

A review of the dependent variables shows that they are in line with PE literature and market reports: On average, deals have an average leverage multiple (net debt / EBITDA) of 3.2x (vs. 3.9x reported by Gompers et al. (2016) for debt / EBITDA) and an average deal size of €157m (vs. €154m reported by PitchBook in a comprehensive market report for Europe in 2006-2020). Also, the comparison of the fund size demonstrates comparability with an average fund size of approximately €584 million (vs. €627 million reported by PitchBook in the same report). Approximately 17% of the deals have a cross-border character, close to 21% reported by Hammer, Janssen, et al. (2021), who similarly include information on PE firms' local presence in their study on cross-border pricing in the PE industry. 21% of the deals are performed during times of crisis, and 63% of the target companies conduct business in volatile industries (experiencing an above-global average standard deviation of sales growth over the sample period). Both numbers resonate well with published papers indicating higher deal activity during economic growth and exceptionally performing targets attracting PE firms as investors (e.g. Kaplan & Schoar, 2005).

The correlation matrix in Table 5 shows that the pairwise correlation of the five dependent variables is relatively low. This implies that the selected dependent variables capture various aspects of deal risks and therefore should be analyzed in individual regressions instead of combining them in an index variable.

[Table 5. Correlation matrix – dependent variables]

First, the results indicate a technical independence of the five risk factors. It underlines that separate regressions measure different aspects of risk, which are not strongly linked to each other, as changes in one variable are relatively independent of the variation in the other variable. In addition, low pairwise

correlations suggest that by conducting five separate regression analyses (for each lead partner background variable), the coefficients for each explanatory variable in each regression would be less likely to be influenced by the potential presence of other variables. Consequently, individual dependent variables (e.g. leverage) do not necessarily need to be included as explanatory variables other regressions when measuring the link between lead partner background aspects and other risk factors (e.g. gender and deal size). It is noteworthy, however, that all dependent variables are systematically controlled for in the regressions of the respective other risk factors to increase model robustness. Second, beyond the technical perspective, separate regressions for all five dependent variables allow improved interpretation of the regression results since keeping variables separate allows to capture and understand different dimensions of risk individually. The results likely reflect the relationship between each individual explanatory variable (e.g. gender) and each specific risk factor. All in all, it shows that a complex understanding of risk is required: understanding the distinctions can provide a nuanced perspective on the effects of demographic aspects on various facets of risk.

Further, the explanatory variables also seem aligned with published papers: the female share of partners is at single digits across private equity-related papers and reports (BVCA and Level 20, 2021; Fuchs, 2017; Hammer, Pettkus, et al., 2021; Preqin, 2020); partners have an average age of approx. 40 years (Hammer, Pettkus, et al., 2021); and only a minority of partners have a foreign background (BVCA and Level 20, 2021). I do not discuss the control variables here for brevity, considering a broader introduction in chapter 3.1 regarding the sample construction. All in all, the utilized controls are very similar to those in recent PE literature.

Overall, the correlation matrix for the independent variables (see Table 6) shows low pairwise correlations (below 0.6). Additionally, VIFs of the base regressions are below the critical value of 10 (Neter et al., 1996). As a result, multicollinearity does not seem to be a relevant issue in this data set.

[Table 6. Correlation matrix – all variables]

#### 4.2. Regression results

This section first shows the base results of the analyses related to hypotheses H1-H3. Overall, the base results indicate the existence of archetypes (with most specifications showing a significant sign towards one direction) for all three lead partner characteristics in focus. While a high share of female partners and a higher age average among deal lead partners correlate negatively with most risk factors, the coefficient for international background share appears to have a positive sign related to risk.

In detail, Table 7 displays the results of the regression analyses to test H1 on the relationship between risk and female share, complemented with control variables and fixed effects. The analysis shows the influence of *female share* on *deal leverage* (specification 1), *deal size* (specification 2), *cross-border deal* (specification 3), *crisis deal* (specification 4) and *volatile industry deal* (specification 5), respectively. I use OLS regression for the continuous variables (specifications 1 and 2), and for the binary variables (specifications 3-5), I use the probit regression technique. I omitted industry fixed effects to avoid multicollinearity when analyzing the link between volatile industry deals and the main explanatory variable, in this case female share. To support H1, I find a significant negative correlation between female share and risk in specifications 3-5. Noticeably, there is an inverse relationship between female share and deal leverage (specification 1). Similar findings are also reported by Schopohl et al. (2021), showing that female CFOs significantly decrease firm leverage, however, the extent of their influence remains contingent on the senior decision-making environment within the company. This aspect is reviewed again in the context of moderators (see below).

[Table 7. Risk relative to lead partner female share – base results]

Next, Table 8 shows the results of the analyses testing H2 on the relationship between *risk* and *average age*. In line with H2, I obtained a significant negative correlation between average age and risk in specifications 1,2 and 4. Note an inverse relationship between average age and *volatile industry deal* (specification 5). Further, Table 9 presents a positive correlation between *risk* and *international background* in specifications 3-4, supporting H3.

[Table 8. Risk relative to lead partner average age – base results]

[Table 9. Risk relative to lead partner international background – base results]

Finally, regression analyses combining all main explanatory variables (female share, average age and international background share) as well as all control variables and fixed effects in one analysis per risk factor confirm the results presented above (see Table 10).

[Table 10. Risk relative to lead partner socio-demographic backgrounds – all variables]

As a result, the analyses support H1-3 regarding the archetypes: generally, female partners seem to avoid investment risk, and higher age also appears to correlate with risk aversion. In contrast, partners with international background seem more risk-taking when investing in LBOs.

When reviewing the impact of moderators, Tables 11-12 show partial results related to H4. The analyses include the interaction of *finance, industry and consulting experience* with the explanatory variables in the focus of this study. The objective is to understand whether results change when involving various types of experience. Out of all analyses related to the interaction between the explanatory variables and experience, the following three seem noticeable with significant correlation with risk-related dependent variables: First, Table 11 shows that the negative coefficient of the interaction term *female share x finance experience* (-2.653) exceeds in absolute size the coefficient of the *female share* variable (1.486) linked to *deal leverage*. This leads to an overall negative net effect (-1.167), which reverses the impact for deal leverage shown in the base results related to deal leverage. As a result, the archetype for females as more risk-averse becomes more explicit, supporting H4. This result of the regression analysis stands out, mainly due to the reversal of the sign in the net effect by including the moderator *finance experience*. It suggests an enhancement of the negotiation position through attributed finance competencies.

[Table 11. Risk relative to lead partner female share – select results for interactions]

Further, Table 12 displays that the interaction term *international background x finance experience* causes the coefficient of international background to become significant in correlation with deal size, which causes the coefficient of the international background to become significant, leading to an overall

significant positive net effect (+7.072). Hence, in support of H4, the archetype for internationals as more risk-taking becomes more conclusive.<sup>2</sup>

[Table 12. Risk relative to lead partner international background share – select results for interactions]

The results above show that some types of experience as moderators strengthen the risk profile archetypes, supporting H4 (see Table 13 for the summary overview). Overall, the analyses indicate the existence of archetypes with females and higher age correlating with lower risk, while international background is linked to higher risk. Including the experience-related moderators leads to selective support of the described archetypes. In summary, the alignment with the risk profile increases by including moderators across all archetypes. Notably, moderator analyses show that no regression decreases the alignment with the risk profile (explanatory power does not decrease). The analyses indicate a higher importance of finance experience, followed by industry experience. Consulting experience does not seem to play a significant role. Thus, a pattern when separating into finance vs. operational experience (including consulting and industry experience) does not seem to exist in the context of risk tolerance in LBO investment. This differs from Acharya et al. (2013), who find that finance vs. operational experience plays a role in the performance of M&A vs. organic growth strategy in LBOs.

[Table 13. Risk relative to lead partner background – summary of archetypes]

### ***4.3. Sensitivity and robustness***

I conduct a range of sensitivity analyses and robustness tests to verify the credibility of the findings. First, I test for potential omitted variables bias by following Frank (2000) and comparing impact thresholds (see Table A3). The impact threshold signifies the minimum product of the partial

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<sup>2</sup> In addition to the analysis on experience-related moderators, I also explored interactions between individual socio-demographic factors (e.g., female share x average age). However, as systematic results were not obtained, these analyses have been excluded from this paper.

correlations between an unobserved variable and both the predictor and the dependent variable, resulting in an insignificant relationship. The analyses show that the impact threshold would need to be relatively high for an unobservable variable to undermine the significantly positive link between the explanatory variable and the dependent variable. Exemplary, this would be 0.015 for female share (see panel A). This value is higher than the impact thresholds of other independent variables included in the analysis, with the highest among them being 0.010. Note that further impact threshold tests across all other model specifications consistently yield similar results, indicating robustness to uncontrolled external effects.

Second, I cover sensitivity analyses on the primary explanatory variables to account for potential measurement errors. When examining the key explanatory variables (see Tables A4-6), I use natural logarithms (ln) for female share, average age and international background. This underlines that outliers do not influence the findings of this study. Overall, the analysis confirms that the outcomes are not shaped by outliers in the explanatory variables.

Finally, I run the analyses with an alternative set of control variables (see Tables A7-9). Following Acharya et al. (2013), I include various variables to control for further TMT and deal characteristics: *operational experience* is defined as the share of lead partners with consulting experience and/or significant industry experience (i.e. multiple industry experience and/or experience in the same Fama–French 10-industry classification as the target company); *science background* reflects the share of lead partners with a university degree in science (e.g. engineering, mathematics, or other natural science); *MBA* indicate the share of lead partners having an MBA degree; *Chartered Accountant* shows the share of lead partners who is a chartered accountant; *organic strategy* is defined as a binary variable that equals 1 for deals without M&A activity during the PE ownership; and *holding period* displays the time in years from entry to exit of the respective LBO. Like the base results, the analyses indicate that higher female partner share and average age are associated with risk aversion, whereas higher international share is linked to higher risk tolerance.

## 5. Discussion and conclusions

This study investigates the risk acceptance of PE partners in LBO investment decisions based on their socio-demographic background. More specifically, it reviews whether partners are more or rather less risk tolerant when considering their gender, age and nationality; in other words, what their background contributes to the risk assessment of deals. This paper is mainly related to four other studies: Hammer, Pettkus, et al. (2021) analyze the concept of LPT diversity in the PE context and connect it to deal performance. Bekyol & Schwetzler (2023) review the multi-dimensional link between TMT diversity on fund- and deal-level with PE fund performance. Patzelt et al. (2009) investigate how the composition of the TMT influences risk-taking in VC organizations. Acharya et al. (2013) find that experience of involved PE partners (i.e. with either industry/consulting or banking/accounting experience) impacts the success of the strategy followed by the target company during the holding period (organic or M&A).

By analyzing 779 deals across Europe, this study expands the research in various ways. First, it expands the diversity conversation in private equity research to the next level by focusing on the contributions of different socio-demographic attributes. While recent papers establish performance benefits/drawbacks (e.g. Hammer et al., 2021; Bekyol & Schwetzler, 2023), this study reviews which other characteristics contribute to decision-making in the light of risk assessment. Second, it shows empirically that there is a significant link between deal lead partners socio-demographic backgrounds and their evaluation of risk, i.e., the existence of risk assessment archetypes based on socio-demographic aspects in the PE context. In contrast, previous PE-related papers instead focus on the link between occupational aspects and risk assessment in strategic decision-making (e.g. Fuchs, 2017; Patzelt et al., 2009). Third, this paper shows that experience-moderators create environments that are more aligned with their position regarding risk assessment, which is sourced from their socio-demographic attributes. To the best of my knowledge, this aspect is novel in the intersection of TMT and PE research.

This research carries several managerial implications for the PE industry. When disassembling the conversation of diversity, whether as a moral objective or for enhanced outcomes, the study reveals that each partner contributes a unique set of characteristics and competencies to the leadership and decision-making processes of the PE firm, which are assets for the success of a fund. For example, more females can help incorporate additional parameters (which are possibly overseen by men) to improve the basis

of the decision-making in LBO investment decisions and, therefore, hinder unnecessary or severe risks with investments. While decisions based on the rule of thumb are efficient in many cases, e.g., larger or cross-border deals imply higher risks. These deals are especially associated with significant investment sums and potential losses due to wrong decisions, which can be severe and imply substantial write-offs. The same applies to age-driven assessment of risks. Partners at higher age can help by not downplaying risks in decision-making processes and defining investment decisions with a realistic payback time axis, thereby contributing to its achievement. Lastly, partners with international backgrounds can help to widen the TMT perspective to potentially attractive deals that have not been on the radar by complementing the group knowledge base their differing knowledge. As a result, this could lead to improved fund performance by capitalizing on untapped potential. Overall, this study guides investing LPs to review the composition of GP leadership teams and appeals to GPs to consider which capabilities are needed when assembling the LPT.

Finally, it is appropriate to address the limitations of this study and the paths for future research. First, the research design does not allow for causal inferences between socio-demographic aspects and risk. For a more in-depth exploration of the topic, a future qualitative research endeavor could employ detailed questionnaires. Second, the available data does not allow differentiation in capacity or time invested by each TMT member. Therefore, we can only assume equal distribution from an outside-in perspective, which can also be complemented in a qualitative setting. Third, data structure does not allow one-to-one allocation of work experience to individual people. Here, I also assume an equal distribution, which is reasonable especially in smaller settings such as deal leadership teams (approx. 2.5 partners per deal), as in the focus of this study. Fourth, generated insights are limited to the PE side, i.e. characteristics of managers at portfolio firms are not considered. Although this might be difficult to incorporate, this aspect is expected to complete the picture of this study's topic. Fifth, this study is focused on the link between partner background and risk assessment. Future studies could complement the generated insights by deepening or adding individual aspects, e.g., other TMT characteristics, other moderators and decision-making factors beyond risk.



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## 7. Tables

**Table 1. Distribution by investment time**

This table shows the distribution of the sample of 779 LBO deals, illustrating the distribution of deals by investment time.

|                                      | Obs. | Share  |
|--------------------------------------|------|--------|
| New Economy (1993-2000)              | 56   | 7.2%   |
| Post New Economy (2001-2003)         | 59   | 7.6%   |
| Buyout Boom (2004-2007)              | 179  | 23.0%  |
| Financial Crisis (2008-2010)         | 102  | 13.1%  |
| Post Financial Crisis (2011-2015)    | 199  | 25.5%  |
| Robust Buyout Growth ( $\geq 2016$ ) | 184  | 23.6%  |
| Total                                | 779  | 100.0% |

**Table 2. Sample comparison - deals by size cluster**

This table presents the deal distribution by size clusters. Deals are compared based on the number of deals and the value of the deals by size cluster, respectively. Note that the number of relevant papers with LBO focus that report deals by size cluster is relatively limited.

|                                   |                           | Size of deal (€m) |         |      | Obs.   |
|-----------------------------------|---------------------------|-------------------|---------|------|--------|
|                                   |                           | 0-99              | 100-500 | >500 |        |
| This sample                       | Per # of deals            | 63%               | 32%     | 6%   | 779    |
|                                   | Per deal value (EV in €m) | 17%               | 42%     | 41%  | 779    |
| Pitchbook (2006-20)               | Per # of deals            | 79%               | 18%     | 3%   | 47,062 |
|                                   | Per deal value            | 17%               | 43%     | 40%  | 47,062 |
| Hammer, Pettkus,<br>et al. (2021) | Per # of deals            | 34%               | 37%     | 29%  | 241    |
|                                   | Per deal value            | 2%                | 11%     | 87%  | 241    |
| Acharya et al. (2009)             | Per # of deals            | 0%                | 50%     | 50%  | 66     |
|                                   | Per deal value            | 0%                | 16%     | 84%  | 52     |
| Nikoskelainen &<br>Wright (2005)  | Per # of deals            | 83%               | 13%     | 4%   | 2,086  |
|                                   | Per deal value            | 18%               | 27%     | 56%  | 200    |

**Table 3. Deal distribution by industry and region**

This table shows the distribution of the sample of 779 LBO deals, illustrating the distribution of deals by industry (Panel A) and region (Panel B).

| Panel A: Deal distribution by industry | Obs. | Share  |
|--|------|--------|
| Consumer - Non-Durables (FF01)         | 87   | 11.2%  |
| Consumer - Durables (FF02)             | 40   | 5.1%   |
| Manufacturing (FF03)                   | 155  | 19.9%  |
| Energy (FF04)                          | 6    | 0.8%   |
| Technology (FF05)                      | 78   | 10.0%  |
| Telecommunications (FF06)              | 13   | 1.7%   |
| Wholesale & Retail (FF07)              | 114  | 14.6%  |
| Healthcare (FF08)                      | 84   | 10.8%  |
| Utilities (FF09)                       | 3    | 0.4%   |
| Services & Other (FF10)                | 199  | 25.5%  |
| Total                                  | 779  | 100.0% |

| Panel B: Deal distribution by region | Obs. | Share  |
|--------------------------------------|------|--------|
| UK & Ireland                         | 139  | 17.8%  |
| France & Benelux                     | 225  | 28.9%  |
| DACH                                 | 95   | 12.2%  |
| Southern Europe                      | 118  | 15.1%  |
| Nordics                              | 202  | 25.9%  |
| CEE                                  | -    | -      |
| Total                                | 779  | 100.0% |

**Table 4. Summary statistics**

This table presents the summary statistics across regressions. Panel A shows the values of all dependent variables used in the regression analyses and robustness tests. Panel B shows the respective values of all explanatory and control variables.

*Panel A: Dependent variables*

|                        | Obs. | Mean    | Std. Dev. | Min.   | Max.     |
|------------------------|------|---------|-----------|--------|----------|
| Crisis deal            | 779  | 0.207   | 0.405     | 0.000  | 1.000    |
| Cross-border deal      | 779  | 0.168   | 0.374     | 0.000  | 1.000    |
| Deal leverage          | 779  | 3.278   | 2.168     | -2.778 | 9.223    |
| Deal size              | 779  | 156.721 | 367.044   | 1.500  | 5314.645 |
| Volatile industry deal | 779  | 0.634   | 0.482     | 0.000  | 1.000    |

*Panel B: Independent and control variables*

|                             | Obs. | Mean    | Std. Dev. | Min.   | Max.     |
|-----------------------------|------|---------|-----------|--------|----------|
| Average age                 | 779  | 42.653  | 5.837     | 30.000 | 57.333   |
| Average age (ln)            | 779  | 3.767   | 0.135     | 3.434  | 4.066    |
| Female share                | 779  | 0.038   | 0.153     | 0.000  | 1.000    |
| Female share (ln)           | 779  | 0.030   | 0.114     | 0.000  | 0.693    |
| Int'l background share      | 779  | 0.233   | 0.383     | 0.000  | 1.000    |
| Int'l background share (ln) | 779  | 0.169   | 0.271     | 0.000  | 0.693    |
| Consulting experience       | 779  | 0.286   | 0.347     | 0.000  | 1.000    |
| Finance experience          | 779  | 0.493   | 0.394     | 0.000  | 1.000    |
| Industry experience         | 779  | 0.096   | 0.295     | 0.000  | 1.000    |
| Chartered accountant        | 779  | 0.099   | 0.241     | 0.000  | 1.000    |
| Deal holding period         | 779  | 5.200   | 3.381     | 0.000  | 19.250   |
| Fund size                   | 779  | 584.365 | 797.804   | 31.507 | 3756.403 |
| Fund sequence               | 779  | 3.209   | 1.849     | 1.000  | 9.000    |
| Fund specialization         | 779  | 2.242   | 2.732     | 0.255  | 42.028   |
| MBA background              | 779  | 0.255   | 0.335     | 0.000  | 1.000    |
| Operational experience      | 779  | 0.520   | 0.386     | 0.000  | 1.000    |
| Organic deal                | 779  | 0.449   | 0.498     | 0.000  | 1.000    |
| Science background          | 779  | 0.354   | 0.393     | 0.000  | 1.000    |

**Table 5. Correlation matrix – dependent variables**

This table presents the correlation matrix of the dependent variables. \*, \*\* and \*\*\* denote statistical significance at the 10%, 5% and 1% levels, respectively.

|                            | (1)      | (2)       | (3)      | (4)     | (5)   |
|----------------------------|----------|-----------|----------|---------|-------|
| (1) Deal leverage          | 1.000    |           |          |         |       |
| (2) Deal size              | 0.168*** | 1.000     |          |         |       |
| (3) Cross-border deal      | 0.034    | 0.134**   | 1.000    |         |       |
| (4) Crisis deal            | -0.077** | 0.050     | 0.101*** | 1.000   |       |
| (5) Volatile industry deal | -0.066*  | -0.120*** | 0.014    | -0.060* | 1.000 |

**Table 6. Correlation matrix – all variables**

This table presents the correlation matrix of all variables used for the regressions. \*, \*\* and \*\*\* denote statistical significance at the 10%, 5% and 1% levels, respectively.

|                             | (1)       | (2)       | (3)       | (4)       | (5)       | (6)       | (7)      | (8)       | (9)      | (10)      | (11)   | (12)     | (13)    | (14)  |
|-----------------------------|-----------|-----------|-----------|-----------|-----------|-----------|----------|-----------|----------|-----------|--------|----------|---------|-------|
| (1) Female share            | 1.000     |           |           |           |           |           |          |           |          |           |        |          |         |       |
| (2) Average age             | -0.079**  | 1.000     |           |           |           |           |          |           |          |           |        |          |         |       |
| (3) Int'l background share  | -0.130*** | 0.080**   | 1.000     |           |           |           |          |           |          |           |        |          |         |       |
| (4) Finance experience      | 0.079**   | -0.034    | -0.037    | 1.000     |           |           |          |           |          |           |        |          |         |       |
| (5) Industry experience     | -0.044    | 0.102***  | -0.088**  | -0.106*** | 1.000     |           |          |           |          |           |        |          |         |       |
| (6) Consulting experience   | -0.021    | 0.097***  | -0.117*** | -0.340*** | 0.111***  | 1.000     |          |           |          |           |        |          |         |       |
| (7) Deal leverage           | 0.018     | -0.031    | 0.022     | 0.043     | -0.048    | -0.029    | 1.000    |           |          |           |        |          |         |       |
| (8) Deal size               | -0.042    | 0.028     | 0.085**   | 0.079**   | -0.010    | -0.072**  | 0.168*** | 1.000     |          |           |        |          |         |       |
| (9) Cross-border deal       | -0.076**  | 0.079**   | 0.625***  | -0.026    | -0.123*** | -0.154*** | 0.034    | 0.134***  | 1.000    |           |        |          |         |       |
| (10) Crisis deal            | -0.050    | -0.176*** | 0.093***  | -0.024    | -0.048    | -0.111*** | -0.077** | 0.050     | 0.101*** | 1.000     |        |          |         |       |
| (11) Volatile industry deal | -0.055    | 0.057     | -0.033    | -0.062*   | 0.040     | 0.051     | -0.066*  | -0.120*** | 0.014    | -0.060*   | 1.000  |          |         |       |
| (12) Fund size              | -0.067*   | 0.085**   | 0.235***  | 0.065*    | -0.082**  | -0.099*** | 0.060*   | 0.402***  | 0.415*** | 0.035     | -0.047 | 1.000    |         |       |
| (13) Fund sequence          | 0.004     | 0.251***  | 0.056     | -0.035    | -0.116*** | 0.067*    | 0.021    | 0.159***  | 0.275*** | -0.134*** | 0.053  | 0.441*** | 1.000   |       |
| (14) Fund specialization    | -0.018    | 0.069*    | -0.003    | -0.011    | 0.087**   | 0.094***  | 0.018    | 0.146***  | -0.057   | -0.009    | -0.033 | -0.048   | -0.062* | 1.000 |



**Table 7. Risk relative to lead partner female share – base results**

This table presents the results of multiple regressions of investment risk on deal lead partner background. The dependent variables are deal leverage (specification 1), deal size (specification 2), cross-border deal (specification 3), crisis deal (specification 4) and volatile industry deal (specification 5) at time of deal investment. Lead partner gender, i.e., female share is the main explanatory variable. The regressions include further control variables and fixed effects. I use robust clustering of standard errors displayed in parentheses. \*, \*\* and \*\*\* denote statistical significance at the 10%, 5% and 1% levels, respectively.

|                              | (1)                  | (2)                 | (3)                 | (4)                  | (5)                    |
|------------------------------|----------------------|---------------------|---------------------|----------------------|------------------------|
|                              | Deal leverage        | Deal size           | Cross-border deal   | Crisis deal          | Volatile industry deal |
|                              | OLS                  | OLS                 | Probit              | Probit               | Probit                 |
| Female share                 | 0.941**<br>(0.402)   | -3.130<br>(2.579)   | -1.225**<br>(0.598) | -0.658*<br>(0.391)   | -0.605*<br>(0.313)     |
| Deal leverage                |                      | 0.606<br>(0.397)    | 0.014<br>(0.009)    | -0.081***<br>(0.023) | -0.021*<br>(0.011)     |
| Deal size (ln)               | 1.276***<br>(0.225)  |                     | -0.181**<br>(0.081) | 0.047<br>(0.067)     | -0.053<br>(0.051)      |
| Cross-border deal            | 0.625**<br>(0.292)   | -3.182<br>(2.537)   |                     | 0.637***<br>(0.174)  | 0.107<br>(0.158)       |
| Crisis deal                  | -1.266**<br>(0.607)  | -9.808*<br>(5.225)  | 1.240**<br>(0.524)  |                      | 0.206<br>(0.228)       |
| Volatile industry deal       | -0.411<br>(0.478)    | -0.338<br>(2.519)   | 0.059<br>(0.281)    | -0.111<br>(0.201)    |                        |
| Fund size                    | -0.001***<br>(0.000) | 0.011***<br>(0.001) | 0.001***<br>(0.000) | 0.000<br>(0.000)     | -0.000<br>(0.000)      |
| Fund sequence                | -0.739<br>(0.742)    | 6.928***<br>(2.630) | 1.328***<br>(0.213) | -0.924***<br>(0.156) | -0.108<br>(0.158)      |
| Fund industry specialization | -0.001<br>(0.077)    | 1.388**<br>(0.630)  | -0.071<br>(0.082)   | -0.057<br>(0.040)    | -0.011<br>(0.019)      |
| Team size FE                 | Yes                  | Yes                 | Yes                 | Yes                  | Yes                    |
| Country FE                   | Yes                  | Yes                 | Yes                 | Yes                  | Yes                    |
| Deal year FE                 | Yes                  | Yes                 | Yes                 | No                   | Yes                    |
| Industry FE                  | Yes                  | Yes                 | Yes                 | Yes                  | No                     |
| Intercept                    | Yes                  | Yes                 | Yes                 | Yes                  | Yes                    |
| Maximum VIF                  | 8.88                 | 8.87                |                     |                      |                        |
| Mean VIF                     | 2.76                 | 2.61                |                     |                      |                        |
| Obs.                         | 779                  | 779                 | 779                 | 779                  | 779                    |
| Adj. R <sup>2</sup>          | 0.073                | 0.242               |                     |                      |                        |
| Pseudo R <sup>2</sup>        |                      |                     | 0.446               | 0.095                | 0.048                  |

**Table 8. Risk relative to lead partner average age – base results**

This table presents the results of multiple regressions of investment risk on deal lead partner background. The dependent variables are deal leverage (specification 1), deal size (specification 2), cross-border deal (specification 3), crisis deal (specification 4) and volatile industry deal (specification 5) at time of deal investment. The average age of lead partners is the main explanatory variable. The regressions include further control variables and fixed effects. I use robust clustering of standard errors displayed in parentheses. \*, \*\* and \*\*\* denote statistical significance at the 10%, 5% and 1% levels, respectively.

|                              | (1)<br>Deal leverage | (2)<br>Deal size    | (3)<br>Cross-border deal | (4)<br>Crisis deal   | (5)<br>Volatile industry deal |
|------------------------------|----------------------|---------------------|--------------------------|----------------------|-------------------------------|
|                              | OLS                  | OLS                 | Probit                   | Probit               | Probit                        |
| Average age                  | -0.075*<br>(0.041)   | -0.233**<br>(0.116) | -0.007<br>(0.015)        | -0.045***<br>(0.010) | 0.016*<br>(0.009)             |
| Deal leverage                |                      | 0.593<br>(0.422)    | 0.013<br>(0.009)         | -0.101***<br>(0.026) | -0.023<br>(0.016)             |
| Deal size (ln)               | 1.411***<br>(0.259)  |                     | -0.219***<br>(0.084)     | 0.133*<br>(0.071)    | -0.040<br>(0.056)             |
| Cross-border deal            | 0.726**<br>(0.318)   | -1.141<br>(2.607)   |                          | 0.715***<br>(0.174)  | 0.031<br>(0.156)              |
| Crisis deal                  | -1.189***<br>(0.425) | 3.123<br>(2.312)    | 0.600***<br>(0.166)      |                      | -0.151<br>(0.118)             |
| Volatile industry deal       | -0.314<br>(0.481)    | -2.182<br>(2.485)   | -0.151<br>(0.277)        | -0.038<br>(0.206)    |                               |
| Fund size                    | -0.001***<br>(0.000) | 8.763***<br>(0.930) | 0.683***<br>(0.107)      | 0.013<br>(0.085)     | -0.080<br>(0.071)             |
| Fund sequence                | -0.541*<br>(0.282)   | 0.570<br>(2.408)    | 0.986***<br>(0.201)      | -0.744***<br>(0.168) | 0.073<br>(0.145)              |
| Fund industry specialization | 0.037<br>(0.077)     | 4.689*<br>(2.736)   | -0.621**<br>(0.270)      | -0.165<br>(0.161)    | -0.401***<br>(0.117)          |
| Team size FE                 | Yes                  | Yes                 | Yes                      | Yes                  | Yes                           |
| Country FE                   | Yes                  | Yes                 | Yes                      | Yes                  | Yes                           |
| Deal year FE                 | Yes                  | Yes                 | Yes                      | No                   | Yes                           |
| Industry FE                  | Yes                  | Yes                 | Yes                      | Yes                  | No                            |
| Intercept                    | Yes                  | Yes                 | Yes                      | Yes                  | Yes                           |
| Maximum VIF                  | 8.09                 | 8.05                |                          |                      |                               |
| Mean VIF                     | 2.82                 | 2.64                |                          |                      |                               |
| Obs.                         | 779                  | 779                 | 779                      | 779                  | 779                           |
| Adj. R <sup>2</sup>          | 0.074                | 0.209               |                          |                      |                               |
| Pseudo R <sup>2</sup>        |                      |                     | 0.435                    | 0.114                | 0.048                         |

**Table 9. Risk relative to lead partner international background share – base results**

This table presents the results of multiple regressions of investment risk on deal lead partner background. The dependent variables are deal leverage (specification 1), deal size (specification 2), cross-border deal (specification 3), crisis deal (specification 4) and volatile industry deal (specification 5) at time of deal investment. The share of lead partners with international background is the main explanatory variable. The regressions include further control variables and fixed effects. I use robust clustering of standard errors displayed in parentheses. \*, \*\* and \*\*\* denote statistical significance at the 10%, 5% and 1% levels, respectively.

|                              | (1)                 | (2)                  | (3)                 | (4)                  | (5)                    |
|------------------------------|---------------------|----------------------|---------------------|----------------------|------------------------|
|                              | Deal leverage       | Deal size            | Cross-border deal   | Crisis deal          | Volatile industry deal |
|                              | OLS                 | OLS                  | Probit              | Probit               | Probit                 |
| Int'l background share       | -0.253<br>(0.512)   | -0.862<br>(4.284)    | 2.460***<br>(0.215) | 0.364**<br>(0.178)   | -0.208<br>(0.163)      |
| Deal leverage                |                     | 0.526<br>(0.361)     | 0.016**<br>(0.007)  | -0.072***<br>(0.021) | -0.016*<br>(0.009)     |
| Deal size (ln)               | 1.216***<br>(0.199) |                      | -0.099<br>(0.088)   | 0.083<br>(0.068)     | -0.066<br>(0.054)      |
| Cross-border deal            | 0.432<br>(0.341)    | -0.172<br>(4.126)    |                     | 0.111<br>(0.157)     | 0.178<br>(0.179)       |
| Crisis deal                  | -1.285**<br>(0.639) | -11.786**<br>(5.218) | 0.780*<br>(0.422)   |                      | 0.164<br>(0.225)       |
| Volatile industry deal       | -0.262<br>(0.472)   | -0.244<br>(2.506)    | 0.134<br>(0.334)    | -0.140<br>(0.194)    |                        |
| Fund size                    | -0.287<br>(0.177)   | 8.846***<br>(0.907)  | 0.520***<br>(0.107) | 0.004<br>(0.082)     | -0.018<br>(0.071)      |
| Fund sequence                | -0.370<br>(0.836)   | 4.742**<br>(2.379)   | 1.501***<br>(0.254) | -0.576***<br>(0.149) | -0.026<br>(0.146)      |
| Fund industry specialization | 0.032<br>(0.072)    | 1.304**<br>(0.579)   | -0.023<br>(0.071)   | -0.093**<br>(0.040)  | -0.006<br>(0.018)      |
| Team size FE                 | Yes                 | Yes                  | Yes                 | Yes                  | Yes                    |
| Country FE                   | Yes                 | Yes                  | Yes                 | Yes                  | Yes                    |
| Deal year FE                 | Yes                 | Yes                  | Yes                 | No                   | Yes                    |
| Industry FE                  | Yes                 | Yes                  | Yes                 | Yes                  | No                     |
| Intercept                    | Yes                 | Yes                  | Yes                 | Yes                  | Yes                    |
| Maximum VIF                  | 4.07                | 4.23                 |                     |                      |                        |
| Mean VIF                     | 2.27                | 2.20                 |                     |                      |                        |
| Obs.                         | 779                 | 779                  | 779                 | 779                  | 779                    |
| Adj. R <sup>2</sup>          | 0.068               | 0.238                |                     |                      |                        |
| Pseudo R <sup>2</sup>        |                     |                      | 0.593               | 0.067                | 0.032                  |

**Table 10. Risk relative to lead partner socio-demographic backgrounds– all variables**

This table presents the results of multiple regressions of investment risk on deal lead partner background. The dependent variables are deal leverage (specification 1), deal size (specification 2), cross-border deal (specification 3), crisis deal (specification 4) and volatile industry deal (specification 5) at time of deal investment. Lead partner female share, average age and international background are the main explanatory variables. The regressions include further control variables and fixed effects. I use robust clustering of standard errors displayed in parentheses. \*, \*\* and \*\*\* denote statistical significance at the 10%, 5% and 1% levels, respectively.

|                              | (1)<br>Deal leverage | (2)<br>Deal size    | (3)<br>Cross-border deal | (4)<br>Crisis deal   | (5)<br>Volatile industry deal |
|------------------------------|----------------------|---------------------|--------------------------|----------------------|-------------------------------|
| Female share                 | 0.774<br>(0.527)     | -4.501*<br>(2.685)  | -0.123<br>(0.679)        | -0.761*<br>(0.450)   | -0.591*<br>(0.311)            |
| Average age                  | -0.069*<br>(0.041)   | -0.223*<br>(0.124)  | -0.003<br>(0.019)        | -0.040***<br>(0.010) | 0.015*<br>(0.009)             |
| Int'l background share       | -0.081<br>(0.428)    | -2.164<br>(4.637)   | 2.507***<br>(0.245)      | 0.105<br>(0.188)     | -0.166<br>(0.169)             |
| Deal leverage                |                      | 0.588<br>(0.434)    | 0.016**<br>(0.008)       | -0.099***<br>(0.025) | -0.003<br>(0.083)             |
| Deal size                    | 1.411***<br>(0.250)  |                     | -0.127<br>(0.089)        | 0.001**<br>(0.000)   | -0.071<br>(0.059)             |
| Cross-border deal            | 0.728**<br>(0.332)   | -0.302<br>(4.402)   |                          | 0.471**<br>(0.213)   | 0.168<br>(0.190)              |
| Crisis deal                  | -1.192***<br>(0.428) | 3.067<br>(2.336)    | 0.657***<br>(0.207)      |                      | -0.121<br>(0.118)             |
| Volatile industry deal       | -0.262<br>(0.484)    | -2.216<br>(2.508)   | 0.177<br>(0.391)         | -0.039<br>(0.207)    |                               |
| Fund size                    | -0.001***<br>(0.000) | 8.595***<br>(0.958) | 0.486***<br>(0.112)      | 0.000*<br>(0.000)    | -0.060<br>(0.071)             |
| Fund sequence                | -0.568**<br>(0.280)  | 0.740<br>(2.193)    | 0.335***<br>(0.056)      | -0.209***<br>(0.045) | 0.001<br>(0.035)              |
| Fund industry specialization | 0.043<br>(0.082)     | 5.019**<br>(2.533)  | -0.100<br>(0.079)        | -0.035<br>(0.042)    | -0.408***<br>(0.118)          |
| Experience variables         | Yes                  | Yes                 | Yes                      | Yes                  | Yes                           |
| Team size FE                 | Yes                  | Yes                 | Yes                      | Yes                  | Yes                           |
| Country FE                   | Yes                  | Yes                 | Yes                      | Yes                  | Yes                           |
| Deal year FE                 | Yes                  | Yes                 | Yes                      | No                   | Yes                           |
| Industry FE                  | Yes                  | Yes                 | Yes                      | Yes                  | No                            |
| Intercept                    | Yes                  | Yes                 | Yes                      | Yes                  | Yes                           |
| Maximum VIF                  | 8.88                 | 8.52                |                          |                      |                               |
| Mean VIF                     | 2.76                 | 2.61                |                          |                      |                               |
| Obs.                         | 779                  | 779                 | 779                      | 779                  | 779                           |
| Adj. R <sup>2</sup>          | 0.070                | 0.210               |                          |                      |                               |
| Pseudo R <sup>2</sup>        |                      |                     | 0.653                    | 0.139                | 0.055                         |

**Table 11. Risk relative to lead partner female share – select results for interactions**

This table presents the results of multiple regressions of investment risk on deal lead partner background. The dependent variable is deal leverage at time of deal investment across specifications 1-3. In addition to the explanatory variables and controls in the base regression, I interact finance experience (specification 1), industry experience (specification 2) and consulting experience (specification 3) with the main explanatory variable female share. I use robust clustering of standard errors displayed in parentheses. \*, \*\* and \*\*\* denote statistical significance at the 10%, 5% and 1% levels, respectively.

|   | (1)                 | (2)               | (3)               |
|---|---------------------|-------------------|-------------------|
|   | Deal leverage       | Deal leverage     | Deal leverage     |
|   | OLS                 | OLS               | OLS               |
| Female share                            | 1.486***<br>(0.509) | 0.654<br>(0.424)  | 0.936*<br>(0.489) |
| Female share<br>x Finance experience    | -2.653**<br>(1.338) |                   |                   |
| Female share<br>x Industry experience   |                     | 7.802*<br>(4.124) |                   |
| Female share<br>x Consulting experience |                     |                   | 1.061<br>(1.984)  |
| Moderator as stand-alone                | Yes                 | Yes               | Yes               |
| Baseline controls                       | Yes                 | Yes               | Yes               |
| Team size FE                            | Yes                 | Yes               | Yes               |
| Deal year FE                            | Yes                 | Yes               | Yes               |
| Country FE                              | Yes                 | Yes               | Yes               |
| Industry FE                             | Yes                 | Yes               | Yes               |
| Intercept                               | Yes                 | Yes               | Yes               |
| Maximum VIF                             | 8.55                | 8.63              | 9.10              |
| Mean VIF                                | 2.87                | 2.91              | 2.94              |
| Obs.                                    | 779                 | 779               | 779               |
| Adj. R <sup>2</sup>                     | 0.069               | 0.070             | 0.069             |

**Table 12. Risk relative to lead partner international background share – select results for interactions**

This table presents the results of multiple regressions of investment risk on deal lead partner background. The dependent variable is the deal size at the time of deal investment across specifications 1-3. In addition to the explanatory variables and controls in the base regression, I interact finance experience (specification 1), industry experience (specification 2) and consulting experience (specification 3) with the main explanatory variable international background share. I use robust clustering of standard errors displayed in parentheses. \*, \*\* and \*\*\* denote statistical significance at the 10%, 5% and 1% levels, respectively.

|  | (1)                  | (2)                 | (3)               |
|--|----------------------|---------------------|-------------------|
|  | Deal size            | Deal size           | Deal size         |
|  | OLS                  | OLS                 | OLS               |
| Int'l background share                         | -9.833***<br>(3.615) | -0.688<br>(4.870)   | -0.847<br>(5.430) |
| Int'l background share<br>x Finance experience | 16.905**<br>(7.014)  |                     |                   |
| Int'l background<br>x Industry experience      |                      | -17.943<br>(16.218) |                   |
| Int'l background<br>x Consulting experience    |                      |                     | -2.508<br>(5.073) |
| Moderator as stand-alone                       | Yes                  | Yes                 | Yes               |
| Baseline controls                              | Yes                  | Yes                 | Yes               |
| Team size FE                                   | Yes                  | Yes                 | Yes               |
| Deal year FE                                   | Yes                  | Yes                 | Yes               |
| Country FE                                     | Yes                  | Yes                 | Yes               |
| Industry FE                                    | Yes                  | Yes                 | Yes               |
| Intercept                                      | Yes                  | Yes                 | Yes               |
| Maximum VIF                                    | 8.23                 | 8.43                | 9.49              |
| Mean VIF                                       | 2.97                 | 3.11                | 3.21              |
| Obs.   | 779                  | 779                 | 779               |
| Adj. R <sup>2</sup>                            | 0.252                | 0.240               | 0.240             |

**Table 13. Risk relative to lead partner background – summary of archetypes**

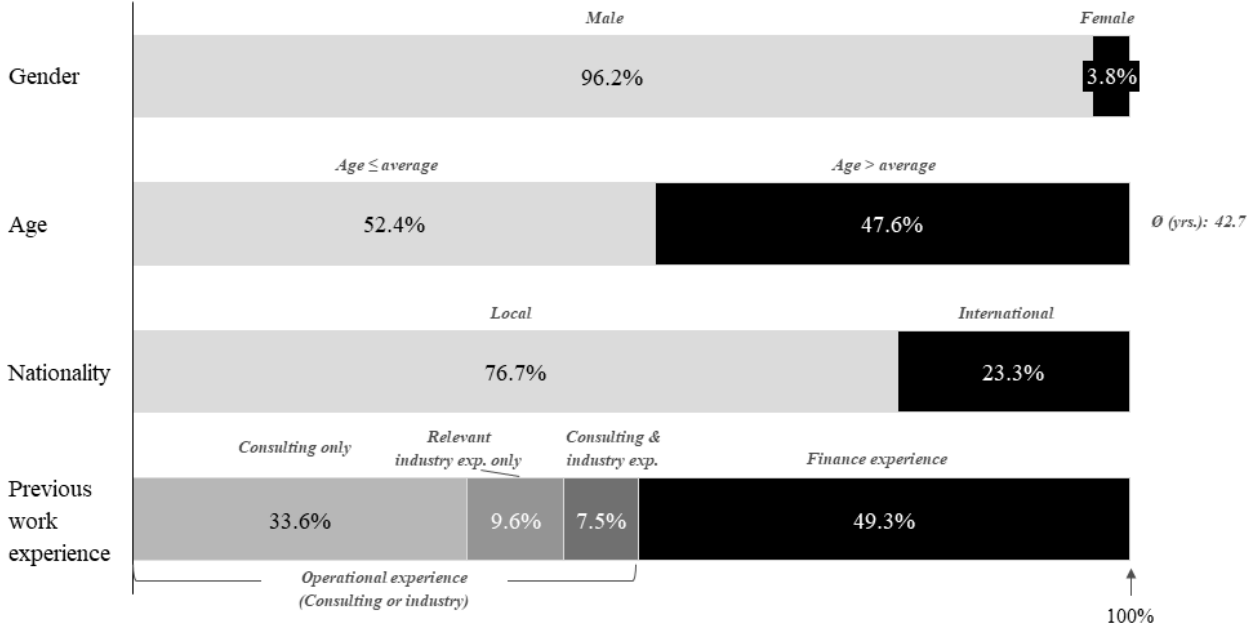
This table presents the results of all regressions of investment risk on lead partner background. Significant results of the base regressions guide in defining the archetypes. At the same time, the moderator net effect is marked as supportive if the main explanatory variable (female share, average age or international background) and the moderator (finance, industry or consulting background) have a minimum statistical significance at 10%, respectively. Controls of the base regressions and the moderator as a stand-alone are included in all shown analyses.

|                    |                    | Female share                      |                                      |                         | Average age                      |                                     |                         | International background                      |  |                         |                       |     |
|--------------------|--------------------|-----------------------------------|--------------------------------------|-------------------------|----------------------------------|-------------------------------------|-------------------------|---|--|-------------------------|-----------------------|-----|
|                    |                    | Main effect                       | Significance                         | Archetype implication   | Main effect                      | Significance                        | Archetype implication   | Main effect                                   | Significance                                     | Archetype implication   |                       |     |
| Base analysis      | Deal leverage      | +                                 | Yes                                  | Negative risk tolerance | -                                | Yes                                 | Negative risk tolerance | -   | No   | Positive risk tolerance |                       |     |
|                    | Deal size          | -                                 | No                                   |                         | -                                | Yes                                 |                         | -   | No   |                         |                       |     |
|                    | Cross-border deal  | -                                 | Yes                                  |                         | -                                | No                                  |                         | -   | Yes  |                         | +                     | Yes |
|                    | Crisis deal        | -                                 | Yes                                  |                         | -                                | Yes                                 |                         | +   | Yes  |                         | +                     | Yes |
|                    | Volatile ind. deal | -                                 | Yes                                  |                         | +                                | Yes                                 |                         | -   | No   |                         |                       |     |
|                    |                    | Female share x finance experience |                                      |                         | Average age x finance experience |                                     |                         | International background x finance experience |  |                         |                       |     |
|                    |                    | Net effect                        | Significance                         | Archetype implication   | Net effect                       | Significance                        | Archetype implication   | Net effect                                    | Significance                                     | Archetype implication   |                       |     |
| Moderator analysis | Deal leverage      | -                                 | Yes                                  | Supportive              | -                                | No                                  | Neutral                 | -   | No   | Neutral                 |                       |     |
|                    | Deal size          | -                                 | No                                   | Neutral                 | -                                | Yes                                 | Supportive              | +   | Yes  | Supportive              |                       |     |
|                    | Cross-border deal  | -                                 | No                                   | Neutral                 | +                                | No                                  | Neutral                 | +   | Yes  | Supportive              |                       |     |
|                    | Crisis deal        | -                                 | No                                   | Neutral                 | -                                | Yes                                 | Supportive              | -   | No   | Neutral                 |                       |     |
|                    | Volatile ind. deal | -                                 | No                                   | Neutral                 | -                                | No                                  | Neutral                 | -   | No   | Neutral                 |                       |     |
|                    |                    |                                   | Female share x industry experience   |                         |                                  | Average age x industry experience   |                         |   | International background x industry experience   |                         |                       |     |
|                    |                    |                                   | Net effect                           | Significance            | Archetype implication            | Net effect                          | Significance            | Archetype implication                         | Net effect                                       | Significance            | Archetype implication |     |
|                    | Deal leverage      | +                                 | No                                   | Neutral                 | -                                | No                                  | Neutral                 | -   | No   | Neutral                 |                       |     |
|                    | Deal size          | -                                 | No                                   | Neutral                 | -                                | No                                  | Neutral                 | -   | No   | Neutral                 |                       |     |
|                    | Cross-border deal  | -                                 | Yes                                  | Supportive              | +                                | No                                  | Neutral                 | +   | No   | Neutral                 |                       |     |
|                    | Crisis deal        | +                                 | No                                   | Neutral                 | -                                | Yes                                 | Supportive              | -   | No   | Neutral                 |                       |     |
|                    | Volatile ind. deal | +                                 | No                                   | Neutral                 | -                                | No                                  | Neutral                 | -   | No   | Neutral                 |                       |     |
|                    |                    |                                   | Female share x consulting experience |                         |                                  | Average age x consulting experience |                         |   | International background x consulting experience |                         |                       |     |
|                    |                    |                                   | Net effect                           | Significance            | Archetype implication            | Net effect                          | Significance            | Archetype implication                         | Net effect                                       | Significance            | Archetype implication |     |
|                    | Deal leverage      | +                                 | No                                   | Neutral                 | -                                | No                                  | Neutral                 | -   | No   | Neutral                 |                       |     |
| Deal size          | -                  | No                                | Neutral                              | -                       | No                               | Neutral                             | -                       | No  | Neutral  |                         |                       |     |
| Cross-border deal  | -                  | No                                | Neutral                              | +                       | No                               | Neutral                             | +                       | No  | Neutral  |                         |                       |     |
| Crisis deal        | +                  | No                                | Neutral                              | -                       | No                               | Neutral                             | +                       | No  | Neutral  |                         |                       |     |
| Volatile ind. deal | -                  | No                                | Neutral                              | -                       | No                               | Neutral                             | +                       | No  | Neutral  |                         |                       |     |
| Overall result     |                    | Negative risk tolerance           |                                      |                         | Negative risk tolerance          |                                     |                         | Positive risk tolerance                       |  |                         |                       |     |

### 8. Figures

**Figure 1. Distribution of partner observations by personal characteristics**

This figure presents the biographic information on PE partners, i.e., the distribution of partner observations by gender, age, nationality and previous work experience.





## 9. Appendix

The table presents the variable definitions for all variables utilized across regression analyses. Note: if the natural logarithm of the variable is used in the analysis, it is marked respectively in the regression table.

**Table A1. Variable definitions**

| Variable                              | Description  |
|---------------------------------------|--|
| <i>Panel A: Dependent variables</i>   |  |
| Crisis deal                           | Binary variable that equals 1 if deal takes place during the new economy crisis (2001, 2002, 2003) or financial crisis (2008, 2009, 2010) and 0 otherwise.   |
| Cross-border deal                     | Binary variable that equals 1 if fund's office location country is the same as the target company's HQ location and 0 otherwise.   |
| Deal leverage                         | Net debt to EBITDA multiple of the target company at deal entry.   |
| Deal size                             | Deal value in million EUR based on target companies' EV at entry.  |
| Volatile industry deal                | Binary variable representing deals during economic crises that equals 1 if peer industry (Fama–French 10-industry classification of the target company) experienced an above global average standard deviation of sales growth over the sample period and 0 otherwise. |
| <i>Panel B: Independent variables</i> |  |
| Average age                           | All involved partners' average age in years in the respective deal transaction year.   |
| Average age (ln)                      | Natural logarithm of average age (see respective definition).  |
| Chartered accountants                 | Share of partners with a 'chartered accountant' special qualification in relation to all private equity partners involved in the respective fund.  |
| Consulting experience                 | Share of partners with work experience in consulting.  |
| Country                               | Country in which the respective target company has its headquarters.   |
| Deal holding period                   | Time in years from entry to exit of the respective LBO.  |
| Deal size (ln)                        | Natural logarithm of deal size (see respective definition).  |
| Deal year (period)                    | Entry period in which the respective LBO has been performed: 'new economy' – 1997–2000; 'post-new economy' – 2001–2003, 'buyout boom' – 2004–2007, 'financial crisis' – 2008–2010, 'post-financial crisis' – 2011–2015 and 'robust buyout growth' – 2016–2020.         |
| Female share                          | Share of female partners of the respective deal.   |
| Female share (ln)                     | Natural logarithm of female share (see respective definition).   |

| <b>Variable</b>                     | <b>Description</b>   |
|-------------------------------------|--|
| Finance experience                  | Share of partners with work experience in investment banking.  |
| Fund size                           | Total amount of capital raised by a fund in million EUR.   |
| Fund size (ln)                      | Natural logarithm of the fund size (see respective definition).  |
| Fund sequence                       | The number of fund-raising rounds of a PE firm in case of the respective fund the deal belongs to.   |
| Industry                            | Industry classification based on Fama–French 10 system.  |
| Industry experience                 | Share of partners with multiple industry experience and/or experience in the same Fama–French 10-industry classification as the target company.  |
| Industry specialization             | Fund's Index of Competitive Advantage (ICA), based on the Fama–French 10 system. The ICA measures the degree of specialization relative to other funds, i.e., a high (low) ICA value indicates much (little) industry specialization the fund has with respect to the relevant target company. Calculations are analogous to Cressy et al. (2007). |
| International background share      | Share of partners that do not have the same nationality as the fund's office location country.   |
| International background share (ln) | Natural logarithm of international background share (see respective definition).   |
| MBA background                      | Share of partners with an MBA degree in the respective LBO   |
| Operational experience              | Share of partners with an operational experience in the respective LBO; including consulting experience and/or significant industry experience (i.e. multiple industry experience and/or experience in the same Fama-French 10-industry classification as the target company).   |
| Organic deal                        | Classification indicating the main strategy of the LBO (organic/inorganic). Binary variable that equals 1 if the respective target company conducted no add-on transaction or a divestment after the buyout, and 0 otherwise.  |
| Science background                  | Share of partners with a 'science' academic background (e.g. maths, natural sciences, engineering, etc.) in the respective LBO.  |
| Team size                           | Size of the partner team involved in each LBO: 'single partner' = one partner; 'duo' = two partners; 'medium team' = three partners.   |

## Table A2. LBO distribution comparison

This table compares the distribution of this study's European LBOs sample with the (Strömberg, 2008) and Pitchbook's (2020) PE market report for Europe for all reported deals in 2006-2020. Panel A shows the LBO distribution by Fama–French 10 industry and panel B shows the LBO distribution by region.

| <i>Panel A: Deal distribution by industry</i> | <i>This study</i> | <i>Strömberg (2008)</i> |
|---|-------------------|-------------------------|
| Consumer - Non-Durables (FF01)                | 11.2%             | 7.3%                    |
| Consumer - Durables (FF02)                    | 5.1%              | 5.6%                    |
| Manufacturing (FF03)                          | 19.9%             | 18.8%                   |
| Energy (FF04)                                 | 0.8%              | 1.4%                    |
| Technology (FF05)                             | 10.0%             | 16.3%                   |
| Telecommunications (FF06)                     | 1.7%              | 1.2%                    |
| Wholesale & Retail (FF07)                     | 14.6%             | 10.4%                   |
| Healthcare (FF08)                             | 10.8%             | 6.3%                    |
| Utilities (FF09)                              | 0.4%              | 1.5%                    |
| Services & Other (FF10)                       | 25.5%             | 31.4%                   |
| Total   | 100.0%            | 7.3%                    |

| <i>Panel B: Deal distribution by region</i> | <i>This study</i> | <i>Pitchbook (2020)</i> |
|---|-------------------|-------------------------|
| UK & Ireland                                | 17.8%             | 28.2%                   |
| France & Benelux                            | 28.9%             | 27.5%                   |
| DACH  | 12.2%             | 13.0%                   |
| Southern Europe                             | 15.1%             | 11.2%                   |
| Nordics                                     | 25.9%             | 13.4%                   |
| CEE   | -                 | 6.7%                    |
| Total                                       | 100.0%            | 100.0%                  |

**Table A3. Risk relative to lead partner background – omitted variable test**

This table presents results of an omitted variable test following Frank (2000). The reference dependent variable is the Crisis deal and the reference explanatory variables to be tested for omitted variable bias are female share, average age and international background share, respectively. For female share (panel A), an omitted variable would have to be correlated at 0.123 with the predictor female share (correlation (v, X)) and at 0.123 with the dependent variable Crisis deal (correlation (v, Y)) (conditioning on observed covariates) to invalidate an inference. Thus, the impact of an omitted must be  $0.123 \times 0.123 = 0.015$  to invalidate an inference. For average age (panel B) the impact of an omitted variable must be  $-0.255 \times -0.255 = -0.065$  to invalidate an inference. For international background share (panel C) the impact of an omitted variable must be  $-0.228 \times 0.288 = -0.0522$  to invalidate an inference, respectively. To interpret the results, these thresholds should be compared to the correlation of the other independent variables with the predictor Female share (correlation (v, X)) (column 1) and the dependent variable Crisis deal (ln) (correlation (v, Y)) (column 2) as well as with their impact (column 3). Note: The case of crisis deal is shown as an example, other dependent variables display similar results.

| <i>Panel A: Female share</i>                   | Partial correlations      |                           |               |
|--|---------------------------|---------------------------|---------------|
|  | <i>Correlation (v, X)</i> | <i>Correlation (v, Y)</i> | <i>Impact</i> |
| <i>Female share</i>                            | <i>Reference variable</i> |                           |               |
| Volatile industry deal                         | -0.064                    | -0.044                    | 0.003         |
| MBA (ln)                                       | -0.001                    | 0.024                     | 0.000         |
| Fund industry specialization                   | 0.000                     | -0.021                    | 0.000         |
| Deal size (ln)                                 | -0.006                    | 0.023                     | 0.000         |
| Fund size (ln)                                 | -0.074                    | 0.011                     | -0.001        |
| Science background                             | -0.069                    | 0.013                     | -0.001        |
| Organic deal strategy                          | -0.063                    | 0.015                     | -0.001        |
| Operational experience                         | -0.149                    | 0.008                     | -0.001        |
| Chartered Accountant (CA)                      | -0.034                    | 0.045                     | -0.002        |
| Deal leverage                                  | 0.020                     | -0.085                    | -0.002        |
| Holding period                                 | -0.041                    | 0.171                     | -0.007        |
| Cross-border deal                              | -0.065                    | 0.113                     | -0.007        |
| Fund size (ln)                                 | 0.072                     | -0.139                    | -0.010        |
| <i>Panel B: Average age</i>                    | <i>Correlation (v, X)</i> | <i>Correlation (v, Y)</i> | <i>Impact</i> |
| <i>Average age</i>                             | <i>Reference variable</i> |                           |               |
| Cross-border deal                              | 0.076                     | 0.113                     | 0.009         |
| Deal leverage                                  | -0.052                    | -0.085                    | 0.004         |
| MBA (ln)                                       | 0.135                     | 0.024                     | 0.003         |
| Chartered Accountant (CA)                      | 0.040                     | 0.045                     | 0.002         |
| Deal size (ln)                                 | 0.067                     | 0.023                     | 0.002         |
| Science background                             | 0.088                     | 0.013                     | 0.001         |
| Organic deal strategy                          | 0.058                     | 0.015                     | 0.001         |
| Fund size (ln)                                 | 0.061                     | 0.011                     | 0.001         |
| Operational experience                         | -0.033                    | 0.008                     | 0.000         |
| Fund industry specialization                   | 0.078                     | -0.021                    | -0.002        |
| Volatile industry deal                         | 0.064                     | -0.044                    | -0.003        |
| Fund sequence                                  | 0.178                     | -0.139                    | -0.025        |
| Holding period                                 | -0.355                    | 0.171                     | -0.061        |
| <i>Panel C: International background share</i> | <i>Correlation (v, X)</i> | <i>Correlation (v, Y)</i> | <i>Impact</i> |
| <i>International background share</i>          | <i>Reference variable</i> |                           |               |
| Cross-border deal                              | 0.597                     | 0.124                     | 0.074         |
| Fund sequence                                  | -0.171                    | -0.122                    | 0.021         |
| Holding period                                 | 0.083                     | 0.176                     | 0.015         |
| Science background                             | 0.129                     | 0.013                     | 0.002         |
| Organic deal strategy                          | 0.048                     | 0.025                     | 0.001         |
| MBA (ln)                                       | 0.040                     | 0.020                     | 0.001         |
| Volatile industry deal                         | -0.013                    | -0.040                    | 0.001         |
| Deal leverage                                  | -0.006                    | -0.086                    | 0.001         |
| Operational experience                         | -0.045                    | 0.005                     | 0.000         |
| Fund industry specialization                   | 0.024                     | -0.014                    | 0.000         |
| Fund size (ln)                                 | 0.090                     | -0.007                    | -0.001        |
| Deal size (ln)                                 | -0.034                    | 0.026                     | -0.001        |
| Chartered Accountant (CA)                      | -0.165                    | 0.040                     | -0.007        |

**Table A4. Risk relative to logarithmic lead partner female share**

This table presents the results of multiple regressions of investment risk on deal lead partner background. The dependent variables are deal leverage (specification 1), deal size (specification 2), cross-border deal (specification 3), crisis deal (specification 4) and volatile industry deal (specification 5) at the time of deal investment. For robustness, I apply the natural logarithm of female share. We apply the same controls as in the base results. I use robust clustering of standard errors displayed in parentheses. \*, \*\* and \*\*\* denote statistical significance at the 10%, 5% and 1% levels, respectively.

|                              | (1)                  | (2)                 | (3)                 | (4)                  | (5)                    |
|------------------------------|----------------------|---------------------|---------------------|----------------------|------------------------|
|                              | Deal leverage        | Deal size           | Cross-border deal   | Crisis deal          | Volatile industry deal |
|                              | OLS                  | OLS                 | Probit              | Probit               | Probit                 |
| Female share                 | 1.343**<br>(0.557)   | -4.409<br>(3.588)   | -1.678**<br>(0.792) | -0.817*<br>(0.490)   | -0.870**<br>(0.418)    |
| Deal leverage                |                      | 0.604<br>(0.396)    | 0.014<br>(0.009)    | -0.078***<br>(0.022) | -0.020**<br>(0.010)    |
| Deal size (ln)               | 1.261***<br>(0.224)  |                     | -0.181**<br>(0.081) | 0.033<br>(0.067)     | -0.060<br>(0.051)      |
| Cross-border deal            | 0.219<br>(0.448)     | -0.850<br>(2.166)   |                     | 0.179<br>(0.149)     | -0.164<br>(0.131)      |
| Crisis deal                  | -1.193**<br>(0.600)  | -10.212*<br>(5.225) | 1.238**<br>(0.524)  |                      | 0.224<br>(0.227)       |
| Volatile industry deal       | -0.431<br>(0.471)    | -0.263<br>(2.530)   | 0.061<br>(0.281)    | -0.131<br>(0.199)    |                        |
| Fund size                    | -0.000***<br>(0.000) | 0.010***<br>(0.001) | 0.001***<br>(0.000) | 0.000**<br>(0.000)   | -0.000<br>(0.000)      |
| Fund sequence                | -0.646<br>(0.743)    | 6.455**<br>(2.619)  | 1.324***<br>(0.213) | -0.211***<br>(0.041) | -0.088<br>(0.156)      |
| Fund industry specialization | -0.013<br>(0.075)    | 1.447**<br>(0.640)  | -0.071<br>(0.082)   | -0.060<br>(0.041)    | -0.011<br>(0.018)      |
| Team size FE                 | Yes                  | Yes                 | Yes                 | Yes                  | Yes                    |
| Country FE                   | Yes                  | Yes                 | Yes                 | Yes                  | Yes                    |
| Deal year FE                 | Yes                  | Yes                 | Yes                 | No                   | Yes                    |
| Industry FE                  | Yes                  | Yes                 | Yes                 | Yes                  | No                     |
| Intercept                    | Yes                  | Yes                 | Yes                 | Yes                  | Yes                    |
| Maximum VIF                  | 8.65                 | 8.62                |                     |                      |                        |
| Mean VIF                     | 3.05                 | 3.03                |                     |                      |                        |
| Obs.                         | 779                  | 779                 | 779                 | 779                  | 779                    |
| Adj. R <sup>2</sup>          | 0.072                | 0.275               |                     |                      |                        |
| Pseudo R <sup>2</sup>        |                      |                     | 0.447               | 0.083                | 0.049                  |

**Table A5. Risk relative to logarithmic lead partner average age**

This table presents the results of multiple regressions of investment risk on deal lead partner background. The dependent variables are deal leverage (specification 1), deal size (specification 2), cross-border deal (specification 3), crisis deal (specification 4) and volatile industry deal (specification 5) at the time of deal investment. For robustness, I apply the natural logarithm of average age. I apply the same controls as in the base results. I use robust clustering of standard errors displayed in parentheses. \*, \*\* and \*\*\* denote statistical significance at the 10%, 5% and 1% levels, respectively.

|                              | (1)                  | (2)                 | (3)                 | (4)                  | (5)                    |
|------------------------------|----------------------|---------------------|---------------------|----------------------|------------------------|
|                              | Deal leverage        | Deal size           | Cross-border deal   | Crisis deal          | Volatile industry deal |
|                              | OLS                  | OLS                 | Probit              | Probit               | Probit                 |
| Average age (ln)             | -3.030*<br>(1.727)   | -9.396*<br>(5.113)  | -0.360<br>(0.660)   | -1.909***<br>(0.410) | 0.741*<br>(0.383)      |
| Deal leverage                |                      | 0.593<br>(0.421)    | 0.013<br>(0.009)    | -0.095***<br>(0.024) | -0.021<br>(0.014)      |
| Deal size (ln)               | 1.377***<br>(0.247)  |                     | -0.218**<br>(0.084) | 0.112<br>(0.070)     | -0.048<br>(0.055)      |
| Cross-border deal            | 0.251<br>(0.484)     | -0.205<br>(2.232)   |                     | 0.293**<br>(0.147)   | -0.164<br>(0.130)      |
| Crisis deal                  | -1.179***<br>(0.430) | 3.057<br>(2.345)    | 0.596***<br>(0.166) |                      | -0.137<br>(0.118)      |
| Volatile industry deal       | -0.264<br>(0.493)    | -2.157<br>(2.487)   | -0.147<br>(0.277)   | -0.076<br>(0.204)    |                        |
| Fund size                    | -0.370**<br>(0.180)  | 8.663***<br>(1.002) | 0.684***<br>(0.108) | 0.075<br>(0.082)     | -0.055<br>(0.070)      |
| Fund sequence                | -0.489<br>(0.314)    | 0.397<br>(2.496)    | 0.990***<br>(0.201) | -0.640***<br>(0.165) | 0.067<br>(0.144)       |
| Fund industry specialization | 0.271<br>(0.430)     | 4.773*<br>(2.745)   | -0.619**<br>(0.271) | -0.248<br>(0.156)    | -0.400***<br>(0.115)   |
| Team size FE                 | Yes                  | Yes                 | Yes                 | Yes                  | Yes                    |
| Country FE                   | Yes                  | Yes                 | Yes                 | Yes                  | Yes                    |
| Deal year FE                 | Yes                  | Yes                 | Yes                 | No                   | Yes                    |
| Industry FE                  | Yes                  | Yes                 | Yes                 | Yes                  | No                     |
| Intercept                    | Yes                  | Yes                 | Yes                 | Yes                  | Yes                    |
| Maximum VIF                  | 8.51                 | 8.50                |                     |                      |                        |
| Mean VIF                     | 2.73                 | 2.69                |                     |                      |                        |
| Obs.                         | 779                  | 779                 | 779                 | 779                  | 779                    |
| Adj. R <sup>2</sup>          | 0.071                | 0.209               |                     |                      |                        |
| Pseudo R <sup>2</sup>        |                      |                     | 0.435               | 0.096                | 0.049                  |

**Table A6. Risk relative to logarithmic lead partner international background share**

This table presents the results of multiple regressions of investment risk on deal lead partner background. The dependent variables are deal leverage (specification 1), deal size (specification 2), cross-border deal (specification 3), crisis deal (specification 4) and volatile industry deal (specification 5) at the time of deal investment. For robustness, I apply the natural logarithm of international background share. I apply the same controls as in the base results. I use robust clustering of standard errors displayed in parentheses. \*, \*\* and \*\*\* denote statistical significance at the 10%, 5% and 1% levels, respectively.

|                              | (1)                 | (2)                  | (3)                 | (4)                  | (5)                    |
|------------------------------|---------------------|----------------------|---------------------|----------------------|------------------------|
|                              | Deal leverage       | Deal size            | Cross-border deal   | Crisis deal          | Volatile industry deal |
|                              | OLS                 | OLS                  | Probit              | Probit               | Probit                 |
| Int'l background share (ln)  | -0.356<br>(0.540)   | -0.439<br>(6.977)    | 3.502***<br>(0.310) | 0.485*<br>(0.251)    | -0.058<br>(0.234)      |
| Deal leverage                |                     | 0.540<br>(0.362)     | 0.017**<br>(0.007)  | -0.072***<br>(0.021) | -0.015*<br>(0.008)     |
| Deal size (ln)               | 1.205***<br>(0.196) |                      | -0.103<br>(0.088)   | 0.081<br>(0.068)     | -0.070<br>(0.054)      |
| Cross-border deal            | 0.306<br>(0.278)    | -0.453<br>(3.676)    |                     | 0.123<br>(0.156)     | -0.091<br>(0.143)      |
| Crisis deal                  | -1.227*<br>(0.636)  | -11.922**<br>(5.400) | 0.802*<br>(0.437)   |                      | 0.165<br>(0.225)       |
| Volatile industry deal       | -0.291<br>(0.473)   | -0.089<br>(2.548)    | 0.137<br>(0.333)    | -0.142<br>(0.194)    |                        |
| Fund size                    | -0.268<br>(0.175)   | 8.205***<br>(0.954)  | 0.511***<br>(0.107) | 0.005<br>(0.082)     | -0.002<br>(0.070)      |
| Fund sequence                | -0.348<br>(0.792)   | 1.740***<br>(0.593)  | 1.501***<br>(0.251) | -0.579***<br>(0.149) | 0.017<br>(0.146)       |
| Fund industry specialization | 0.018<br>(0.071)    | 1.305**<br>(0.649)   | -0.025<br>(0.071)   | -0.093**<br>(0.040)  | -0.005<br>(0.018)      |
| Team size FE                 | Yes                 | Yes                  | Yes                 | Yes                  | Yes                    |
| Country FE                   | Yes                 | Yes                  | Yes                 | Yes                  | Yes                    |
| Deal year FE                 | Yes                 | Yes                  | Yes                 | No                   | Yes                    |
| Industry FE                  | Yes                 | Yes                  | Yes                 | Yes                  | No                     |
| Intercept                    | Yes                 | Yes                  | Yes                 | Yes                  | Yes                    |
| Maximum VIF                  | 4.29                | 4.23                 |                     |                      |                        |
| Mean VIF                     | 2.27                | 2.20                 |                     |                      |                        |
| Obs.                         | 779                 | 779                  | 779                 | 779                  | 779                    |
| Adj. R <sup>2</sup>          | 0.068               | 0.219                |                     |                      |                        |
| Pseudo R <sup>2</sup>        |                     |                      | 0.593               | 0.067                | 0.031                  |

**Table A7. Risk relative to lead partner female share – alternative model specification**

This table presents the results of multiple regressions of investment risk on deal lead partner background. The dependent variables are deal leverage (specification 1), deal size (specification 2), cross-border deal (specification 3), crisis deal (specification 4) and volatile industry deal (specification 5) at the time of deal investment. Lead partner gender, i.e. female share is the main explanatory variable. For robustness, I apply controls following the model specification of Acharya et al., 2013) by including controls for *operational experience*, *science background*, *MBA*, *Chartered Accountant*, *organic deal* and *holding period*. I use robust clustering of standard errors displayed in parentheses. \*, \*\* and \*\*\* denote statistical significance at the 10%, 5% and 1% levels, respectively.

|                              | (1)                  | (2)                 | (3)                  | (4)                  | (5)                    |
|------------------------------|----------------------|---------------------|----------------------|----------------------|------------------------|
|                              | Deal leverage        | Deal size           | Cross-border deal    | Crisis deal          | Volatile industry deal |
|                              | OLS                  | OLS                 | Probit               | Probit               | Probit                 |
| Female share                 | 0.961*<br>(0.564)    | -3.618<br>(2.926)   | -1.595***<br>(0.562) | -0.503<br>(0.416)    | -0.579*<br>(0.313)     |
| Deal leverage                |                      | 0.589<br>(0.417)    | 0.007<br>(0.009)     | -0.102***<br>(0.026) | -0.023*<br>(0.013)     |
| Deal size (ln)               | 1.377***<br>(0.245)  |                     | -0.194**<br>(0.087)  | 0.132*<br>(0.073)    | -0.032<br>(0.055)      |
| Cross-border deal            | 0.408<br>(0.502)     | -1.382<br>(2.747)   |                      | 0.658***<br>(0.180)  | 0.104<br>(0.162)       |
| Crisis deal                  | -1.116***<br>(0.361) | 3.590<br>(2.404)    | 0.609***<br>(0.174)  |                      | 0.248<br>(0.232)       |
| Volatile industry deal       | -0.133<br>(0.495)    | -3.274<br>(2.583)   | 0.093<br>(0.295)     | -0.013<br>(0.207)    |                        |
| Fund size (ln)               | -0.398*<br>(0.207)   | 8.043***<br>(0.972) | 0.696***<br>(0.118)  | 0.043<br>(0.088)     | -0.086<br>(0.074)      |
| Fund sequence                | -0.849***<br>(0.313) | 0.209<br>(2.554)    | 1.214***<br>(0.231)  | -0.900***<br>(0.165) | -0.178<br>(0.167)      |
| Fund industry specialization | 0.229<br>(0.382)     | 4.241*<br>(2.572)   | -0.450<br>(0.293)    | -0.185<br>(0.160)    | -0.397***<br>(0.121)   |
| Operational experience       | -0.288<br>(0.656)    | -2.592<br>(2.129)   | -0.811***<br>(0.205) | 0.073<br>(0.153)     | 0.153<br>(0.135)       |
| Science background           | 0.122<br>(0.521)     | 2.059<br>(1.917)    | -0.979***<br>(0.214) | 0.149<br>(0.157)     | 0.063<br>(0.142)       |
| MBA (ln)                     | -1.858*<br>(1.080)   | -4.488<br>(3.316)   | -0.133<br>(0.375)    | 0.003<br>(0.257)     | -0.647***<br>(0.222)   |
| Chartered Accountant         | -0.284<br>(1.012)    | -9.670<br>(5.887)   | -2.244**<br>(0.955)  | 0.710*<br>(0.374)    | 0.138<br>(0.364)       |
| Organic deal                 | 0.543<br>(0.458)     | -2.916**<br>(1.416) | 0.228<br>(0.151)     | -0.007<br>(0.112)    | -0.171*<br>(0.099)     |
| Holding period               | 0.027<br>(0.031)     | -0.021<br>(0.232)   | 0.073***<br>(0.023)  | 0.072***<br>(0.016)  | -0.015<br>(0.018)      |
| Team size FE                 | Yes                  | Yes                 | Yes                  | Yes                  | Yes                    |
| Country FE                   | Yes                  | Yes                 | Yes                  | Yes                  | Yes                    |



|                       |       |       |       |       |       |
|-----------------------|-------|-------|-------|-------|-------|
| Deal year FE          | Yes   | Yes   | Yes   | No    | Yes   |
| Industry FE           | Yes   | Yes   | Yes   | Yes   | No    |
| Intercept             | Yes   | Yes   | Yes   | Yes   | Yes   |
| Maximum VIF           | 8.74  | 8.73  |       |       |       |
| Mean VIF              | 2.53  | 2.49  |       |       |       |
| Obs.                  | 779   | 779   | 779   | 779   | 779   |
| Adj. R <sup>2</sup>   | 0.070 | 0.211 |       |       |       |
| Pseudo R <sup>2</sup> |       |       | 0.510 | 0.122 | 0.074 |

**Table A8. Risk relative to lead partner average age – alternative model specification**

This table presents the results of multiple regressions of investment risk on deal lead partner background. The dependent variables are deal leverage (specification 1), deal size (specification 2), cross-border deal (specification 3), crisis deal (specification 4) and volatile industry deal (specification 5) at the time of deal investment. The average age of lead partners is the main explanatory variable. For robustness, I apply controls following the model specification of Acharya et al., (2013) by including controls for *operational experience*, *science background*, *MBA*, *Chartered Accountant*, *organic deal* and *holding period*. I use robust clustering of standard errors displayed in parentheses. \*, \*\* and \*\*\* denote statistical significance at the 10%, 5% and 1% levels, respectively.

|                              | (1)                  | (2)                 | (3)                  | (4)                  | (5)                    |
|------------------------------|----------------------|---------------------|----------------------|----------------------|------------------------|
|                              | Deal leverage        | Deal size           | Cross-border deal    | Crisis deal          | Volatile industry deal |
|                              | OLS                  | OLS                 | Probit               | Probit               | Probit                 |
| Average age                  | -0.060<br>(0.045)    | -0.214*<br>(0.124)  | 0.023<br>(0.018)     | -0.037***<br>(0.011) | 0.016*<br>(0.010)      |
| Deal leverage                |                      | 0.576<br>(0.414)    | 0.004<br>(0.008)     | -0.110***<br>(0.027) | -0.025<br>(0.017)      |
| Deal size (ln)               | 1.396***<br>(0.256)  |                     |                      | 0.155**<br>(0.073)   | -0.047<br>(0.056)      |
| Cross-border deal            | 0.411<br>(0.472)     | -1.161<br>(2.734)   |                      | 0.682***<br>(0.181)  | 0.089<br>(0.161)       |
| Crisis deal                  | -1.200***<br>(0.385) | 3.369<br>(2.381)    | 0.591***<br>(0.175)  |                      | -0.119<br>(0.119)      |
| Volatile industry deal       | -0.097<br>(0.513)    | -2.926<br>(2.591)   | 0.076<br>(0.297)     | 0.026<br>(0.206)     |                        |
| Fund size (ln)               | -0.379*<br>(0.199)   | 8.240***<br>(0.986) | 0.598***<br>(0.100)  | 0.076<br>(0.087)     | -0.091<br>(0.072)      |
| Fund sequence                | -0.649**<br>(0.271)  | 0.790<br>(2.537)    | 1.100***<br>(0.222)  | -0.820***<br>(0.171) | 0.020<br>(0.147)       |
| Fund industry specialization | 0.331<br>(0.414)     | 4.509*<br>(2.621)   | -0.540*<br>(0.281)   | -0.128<br>(0.162)    | -0.402***<br>(0.120)   |
| Operational experience       | -0.389<br>(0.654)    | -2.458<br>(2.041)   | -0.684***<br>(0.195) | 0.058<br>(0.153)     | 0.211<br>(0.132)       |
| Science background           | 0.161<br>(0.488)     | 2.355<br>(1.934)    | -1.055***<br>(0.231) | 0.180<br>(0.156)     | 0.057<br>(0.139)       |
| MBA (ln)                     | -1.157<br>(0.705)    | -2.822<br>(2.322)   | -0.127<br>(0.272)    | 0.076<br>(0.189)     | -0.434***<br>(0.159)   |
| Chartered Accountant         | -0.162<br>(0.953)    | -9.232<br>(5.770)   | -2.198**<br>(0.982)  | 0.805**<br>(0.372)   | 0.143<br>(0.357)       |
| Organic deal                 | 0.565<br>(0.481)     | -2.755*<br>(1.425)  | 0.248<br>(0.151)     | 0.022<br>(0.114)     | -0.151<br>(0.098)      |
| Holding period               | -0.005<br>(0.047)    | -0.131<br>(0.251)   | 0.096***<br>(0.024)  | 0.056***<br>(0.018)  | -0.029*<br>(0.016)     |
| Team size FE                 | Yes                  | Yes                 | Yes                  | Yes                  | Yes                    |
| Country FE                   | Yes                  | Yes                 | Yes                  | Yes                  | Yes                    |

|              |       |       |       |       |       |
|--------------|-------|-------|-------|-------|-------|
| Deal year FE | Yes   | Yes   | Yes   | No    | Yes   |
| Industry FE  | Yes   | Yes   | Yes   | Yes   | No    |
| Intercept    | Yes   | Yes   | Yes   | Yes   | Yes   |
| Maximum VIF  | 8.74  | 8.73  |       |       |       |
| Mean VIF     | 2.55  | 2.51  |       |       |       |
| <i>Obs.</i>  | 779   | 779   | 779   | 779   | 779   |
| Adj. $R^2$   | 0.073 | 0.213 |       |       |       |
| Pseudo $R^2$ |       |       | 0.498 | 0.131 | 0.062 |

**Table A9. Risk relative to lead partner int'l background share – alt. model specification**

This table presents the results of multiple regressions of investment risk on deal lead partner background. The dependent variables are deal leverage (specification 1), deal size (specification 2), cross-border deal (specification 3), crisis deal (specification 4) and volatile industry deal (specification 5) at the time of deal investment. The share of lead partners with an international background is the main explanatory variable. For robustness, I apply controls following the model specification of Acharya et al. (2013) by including controls for *operational experience*, *science background*, *MBA*, *Chartered Accountant*, *organic deal* and *holding period*. I use robust clustering of standard errors displayed in parentheses. \*, \*\* and \*\*\* denote statistical significance at the 10%, 5% and 1% levels, respectively.

|                              | (1)                  | (2)                 | (3)                  | (4)                  | (5)                    |
|------------------------------|----------------------|---------------------|----------------------|----------------------|------------------------|
|                              | Deal leverage        | Deal size           | Cross-border deal    | Crisis deal          | Volatile industry deal |
|                              | OLS                  | OLS                 | Probit               | Probit               | Probit                 |
| Int'l background share       | -0.302<br>(0.390)    | -3.913<br>(4.632)   | 2.679***<br>(0.272)  | 0.320*<br>(0.186)    | -0.023<br>(0.174)      |
| Deal leverage                |                      | 0.581<br>(0.413)    | 0.012<br>(0.008)     | -0.101***<br>(0.024) | -0.017**<br>(0.009)    |
| Deal size                    | 0.003***<br>(0.000)  |                     | 0.000<br>(0.000)     | 0.001***<br>(0.000)  | -0.000<br>(0.000)      |
| Cross-border deal            | 0.214<br>(0.495)     | 1.628<br>(3.973)    |                      | 0.039<br>(0.179)     | -0.010<br>(0.147)      |
| Crisis deal                  | -1.184***<br>(0.380) | 3.655<br>(2.442)    | 0.735***<br>(0.237)  |                      | 0.163<br>(0.234)       |
| Volatile industry deal       | -0.373<br>(0.505)    | -2.992<br>(2.618)   | 0.185<br>(0.372)     | -0.028<br>(0.206)    |                        |
| Fund size (ln)               | 0.273*<br>(0.152)    | 8.138***<br>(1.009) | 0.395***<br>(0.105)  | 0.090<br>(0.076)     | -0.038<br>(0.064)      |
| Fund sequence                | -1.153***<br>(0.413) | -0.270<br>(2.487)   | 1.802***<br>(0.313)  | -0.762***<br>(0.162) | -0.054<br>(0.155)      |
| Fund industry specialization | 0.306<br>(0.452)     | 4.416*<br>(2.597)   | -0.562*<br>(0.320)   | -0.264*<br>(0.159)   | -0.343***<br>(0.123)   |
| Operational experience       | -0.354<br>(0.686)    | -2.365<br>(2.022)   | -0.534**<br>(0.216)  | 0.071<br>(0.152)     | 0.172<br>(0.129)       |
| Science background           | 0.248<br>(0.460)     | 2.437<br>(1.950)    | -0.999***<br>(0.239) | 0.069<br>(0.155)     | 0.003<br>(0.129)       |
| MBA (ln)                     | -1.840*<br>(1.064)   | -4.563<br>(3.072)   | -0.543<br>(0.490)    | -0.057<br>(0.257)    | -0.697***<br>(0.218)   |
| Chartered Accountant         | -0.474<br>(1.107)    | -10.647*<br>(5.597) | -0.329<br>(1.060)    | 0.713*<br>(0.379)    | 0.176<br>(0.313)       |
| Organic deal strategy        | 0.438<br>(0.439)     | -2.674**<br>(1.343) | 0.064<br>(0.198)     | 0.035<br>(0.114)     | -0.128<br>(0.097)      |
| Holding period               | 0.006<br>(0.195)     | 0.254<br>(1.428)    | -0.114<br>(0.175)    | 0.525***<br>(0.107)  | -0.010<br>(0.018)      |

|              |       |       |       |       |       |
|--------------|-------|-------|-------|-------|-------|
| Team size FE | Yes   | Yes   | Yes   | Yes   | Yes   |
| Country FE   | Yes   | Yes   | Yes   | Yes   | Yes   |
| Deal year FE | Yes   | Yes   | Yes   | No    | Yes   |
| Industry FE  | Yes   | Yes   | Yes   | Yes   | No    |
| Intercept    | Yes   | Yes   | Yes   | Yes   | Yes   |
| Maximum VIF  | 9.41  | 9.40  |       |       |       |
| Mean VIF     | 2.61  | 2.60  |       |       |       |
| <i>Obs.</i>  | 779   | 779   | 779   | 779   | 779   |
| Adj. $R^2$   | 0.033 | 0.213 |       |       |       |
| Pseudo $R^2$ |       |       | 0.672 | 0.119 | 0.058 |