

Predators in the Board Room?

Relating Sexually Predatory, Discriminatory Behavior to Private Capital Performance

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Abstract

This paper is a study of the impact of sexually predatory and/or discriminatory behavior on the performance of venture capital and private equity funds. We contend that predatory and/or discriminatory behavior is a poor management practice resulting in organizational dysfunction and poor investment performance. We begin by introducing a Predatory Behavior Index at the scale of the fund, which we construct by establishing an order relation between different types of predatory behavior; gathering validated information from legal filings to score the index value; and computing the index value as a weighted sum from the scoring. We find statistically significant evidence that fund-level investment performance is negatively correlated with sexually predatory and/or discriminatory behavior.

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