

## **PRIVATE EQUITY, GOVERNANCE, AND STARTUP PERFORMANCE: A SYSTEMATIC LITERATURE REVIEW WITH FOCUS ON EMERGING ECONOMIES**

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### **Abstract:**

This article examines the role of private equity in the governance, strategic support and performance of startups, focusing specifically on the Moroccan context. The purpose of the study is to identify the degree to which private equity investors add value beyond finance as well as how this involvement ultimately impacts future performance of the investee firm. A review of thirty peer-reviewed academic studies, which cover various national contexts and adopt complementary theoretical and empirical strategies, underpins the study.

The analysis shows that capital provision is a necessary but not sufficient condition for startup development. Governance mechanisms can achieve a structuring lever effect, particularly by decreasing information asymmetries, framing decision-making processes and strengthening managerial discipline. Formal mechanisms like investor participation in governing bodies have positive effects on financial and organizational performance while informal mechanisms – those based on trust and relational capital – improve cooperation and the stability of investor-manager relationships.

Strategic support stands out as a major determinant of value creation. The active involvement of investors in strategic decisions, the professionalization of organizational structures, and access to partner networks contribute significantly to startup strategic performance and growth. These effects are particularly pronounced in emerging economies, where institutional constraints amplify the importance of non-financial forms of support.

Relational governance, strategic investor involvement, and entrepreneurs' social capital are important performance factors for private equity fund-portfolio firm relationships but require enhanced integration and contextualization.

**Keywords:** Private equity, Governance, Strategic support, Startup performance, Morocco.

## **Introduction**

Startup financing has become a central issue for economic development, innovation, and competitiveness in contemporary economies. In uncertain environments, where asymmetry of information and technological intensity prevails, the traditional financing methods used by most firms - especially banks credit and conventional financial markets are not well-suited to the specific needs of the young innovative firms. It is within this framework that private equity and venture capital have gradually emerged as major instruments of entrepreneurial finance, especially for high-growth-potential startups (Bygrave & Timmons, 1992; Denis, 2004; Gompers & Lerner, 2000, 2001).

The academic literature shows that private equity is not limited to the mere provision of financial resources. Since the seminal work of Sapienza (1992), it has been established that venture capital investors can create value by providing managerial expertise, strategic support, and access to extensive professional networks. This idea was further developed by Hellmann and Puri (2002), who emphasize the role of venture capital in the professionalization of startups, particularly through the introduction of governance practices, the structuring of top management teams, and the improvement of organizational processes. Busenitz, Fiet, and Moesel (2004) confirm that the “value added” of investors largely rests on their capacity for strategic involvement and support, beyond the financial capital provided.

More recent studies have enriched this perspective by drawing on the resource-based and competence-based views (Barney, 1991; Amit & Schoemaker, 1993), by which private equity investors are regarded as a rare, difficult-to-imitate strategic asset that generates sustainable competitive advantage. In this regard, an investor’s sectoral expertise, accumulated experience, reputation and relational networks become an asset for the financed startup. Studies by Hochberg, Ljungqvist, and Lu (2007), as well as by Abell and Nisar (2007), highlight the positive effect of investors’ networks on firm performance by facilitating access to information, strategic partners, and growth opportunities.

Also, Governance occupies the center stage in analyzing the relationship between the investors and the entrepreneurs. Agency theory emphasizes that startups are particularly exposed to information asymmetry and opportunism problems, given the concentration of decision-making power in the hands of founders and the uncertainty surrounding innovative projects (Sahlman, 1990). Private equity investors thus act as governance mechanisms by implementing both formal arrangements (control rights, board

representation, reporting requirements) and informal mechanisms (trust-based relationship, personalized support) to align the interests of the stakeholders (Charreaux, 1998; Holmstrom & Roberts, 1998).

The concept of governance has been extensively explored in the literature. The works of Anderson and Weitz (1989), Barney and Hansen (1994), and Duffner, Schmid, and Zimmermann (2009) demonstrate that trust constitutes a key coordination and performance mechanism in investment relationships. In the specific field of private equity, De Clercq and Sapienza (2006) show that relational capital and mutual commitment influence the funded firm's perceived performance positively. These findings are consistent with the analyses of Granovetter (1973) and Shane and Cable (2002), who stress the importance of social networks and interpersonal ties in access to financial and strategic resources.

In the context of emerging economies, these theoretical discussions carry particular resonance. According to Bain & Company (2015, 2017) reports, private equity plays an increasingly important role in these economies, where financial markets remain underdeveloped and access to finance is a key barrier to entrepreneurship. Kaplan and Schoar (2005), as well as Braun, Jenkinson, and Stoff (2017), highlight the persistence of performance in private equity, suggesting that investors' skills and governance practices are decisive, even in complex institutional environments. However, studies by Johan and Zhang (2016) and Minardi, Kanitz, and Bassani (2014), focusing on emerging markets, show that value creation mechanisms may differ significantly depending on the institutional, cultural, and regulatory context.

Within this framework, Morocco represents a particularly relevant field of analysis. Research indicates that the Moroccan entrepreneurial ecosystem faces crucial structural constraints characterized as high information asymmetry, limited depth of the financial market and strong dependence on alternative sources of financing (Ettahri & Laachach, 2017; IMF, 2019). Reports by AMIC (2014a, 2014b, 2015, 2018, 2020, 2023), as well as those by Tamwilcom (2022), highlight the structuring role of private equity in financing Moroccan startups, particularly during the seed and growth stages. These studies also show that private equity investors play an active role in structuring funded firms by introducing governance, reporting, and strategic steering practices.

The Moroccan academic literature confirms these findings. Ed-Dafali, Bouzahir, and Omrane (2022) show that governance positively influences the perceived performance of funded firms in Morocco through the mediating role of investors' strategic and managerial involvement. Similarly, Ed-Dafali and Bouzahir (2022) emphasize that trust constitutes a central governance mechanism in the relationship between private equity investors and the managers of funded firms. The works of Bouzahir and Chakir (2013a, 2013b), as well as Bouzahir and Ed-Dafali (2018), highlight the importance of social capital, networks, and investor selection criteria in access to finance and the success of Moroccan startups.

Despite the richness of these contributions, the literature remains fragmented. Existing studies often address governance, strategic support, or performance separately, without offering an integrated synthesis that explains how these dimensions interact, particularly in the Moroccan context. In addition, only a handful of studies take the systematic review approach that would allow for structuring and comparing the existing empirical and theoretical findings internationally and nationally.

Against this backdrop, this article seeks to answer the following research question: ***How do governance mechanisms and strategic support implemented by private equity investors influence the performance of Moroccan startups?*** This question requires us to go beyond a purely financial perspective of private equity and consider the organizational, relational, and strategic aspects of value creation.

The objective of this article is therefore threefold. First, it aims to analyze the governance mechanisms mobilized in private equity-backed startups, highlighting their diversity and effects. Second, it seeks to examine the various forms of strategic support provided by investors, particularly in terms of strategic steering, professionalization, and access to networks. Third, it seeks to assess the combined impact of these mechanisms on startup performance through a critical synthesis of the existing literature.

This paper provides a systematic literature review focused on an emerging market that is still under-researched from an academic point of view and contributes to the body of literature on private equity and entrepreneurial governance. It enriches existing research by articulating governance, strategic support, and performance within an integrated analytical framework. From a managerial perspective, it provides valuable insights for

investors, entrepreneurs, and Moroccan policymakers by highlighting the non-financial drivers of startup performance and the conditions for effective investor support.

The subsequent sections serve specific purposes to answer the research question. The literature review is the subject of the first section. The methodology used to analyze the selected studies is presented in the next section. The third section presents the main findings of the analysis, while the fourth section discusses the findings in the light of existing theoretical contributions and the specificities of the Moroccan context. In the end, the conclusion summarizes the study's main findings, outlines its managerial implications, and identifies future research directions.

## **1. Literature Review**

The analysis of private equity in the field of entrepreneurship reveals a slow evolution in theories and empirical studies, shifting from a primary focus on financing to a more integrated understanding of value-creation mechanisms. In addition to financing, private equity investors are also engaged in governance, strategy and organizational structuring, as evidenced by existing studies. These dimensions are particularly critical in contexts characterized by high uncertainty and institutional constraints, as is the case in many emerging economies. A review of prior research thus helps to shed light on the complex relationships between private equity, governance, and performance, and to situate existing contributions within a coherent analytical framework.

### **1.1. Private Equity and Startup Performance**

Private equity and venture capital play a central role in startup financing, particularly in environments marked by uncertainty, innovation, and high information asymmetry. Seminal studies show that these forms of financing represent an alternative to traditional mechanisms, which are often ill-suited to high-growth-potential young firms (Tyebjee & Bruno, 1984; MacMillan et al., 1985; Denis, 2004). By enabling risk sharing and direct investor involvement, private equity fosters the emergence and development of innovative entrepreneurial projects (Bygrave & Timmons, 1992).

Analyses of the performance of private equity-backed startups reveal substantial heterogeneity in outcomes. In their study, Kaplan and Schoar (2005) show that fund performance is persistent, suggesting that certain investors possess capabilities that allow them to generate superior returns. These findings are extended by Braun, Jenkinson, and

Stoff (2017), who accord this persistence to the quality of project selection, managerial experience, and the governance mechanisms implemented. Moreover, Croce, Martí, and Murtinu (2013) highlight that venture capital introduction contributes positively to productivity growth and the performance of funded firms.

Beyond financial indicators, startup performance must also be assessed from a strategic and organizational perspective. Sapienza (1992) demonstrates that the value created by investors is not limited to financial contributions but rests on their ability to influence strategy, structure organizations, and support entrepreneurs. Hellmann and Puri (2002) show that venture capital plays a decisive role in the professionalization of startups, particularly through the introduction of formal managerial practices and more efficient organizational arrangements. Busenitz, Fiet, and Moesel (2004) confirm that investors' value added relies on a set of intangible resources, such as expertise, experience, and access to specialized networks.

These contributions can be interpreted through the lens of the resource-based view. Barney (1991) and Amit and Schoemaker (1993) argue that rare, difficult-to-imitate, and non-substitutable resources constitute a source of sustainable competitive advantage. From this perspective, private equity investors serve as strategic assets for startups, strengthening their competitive position and improving overall performance.

## **1.2. Governance of Private Equity-Backed Startups**

Startups financed by private equity are particularly exposed to information asymmetry and conflicts of interest between investors and entrepreneurs. Agency theory, therefore, provides a relevant analytical framework for understanding the role of governance in this context. Sahlman (1990) emphasizes that the uncertainty surrounding entrepreneurial projects necessitates implementing control mechanisms to align stakeholders' interests.

Formal governance mechanisms include control rights, investor participation in decision-making bodies, contractual clauses, and reporting systems. Gompers and Lerner (2000, 2001) show that these mechanisms help reduce opportunistic behaviors and enhance managerial discipline. Bottazzi, Da Rin, and Hellmann (2008) demonstrate that the most successful investors are also the most actively involved in the governance of funded firms. Holmstrom and Roberts (1998), as well as Garicano (2010), argue that such governance structures facilitate knowledge coordination and decision-making in complex environments.

Alongside formal arrangements, governance also relies on informal mechanisms, particularly trust and interpersonal relationships. Anderson and Weitz (1989) show that trust promotes the continuity of contractual relationships and reduces transaction costs. Charreaux (1998) focuses on trust as a key element of corporate governance systems. Also, Barney and Hansen (1994) demonstrate that trust can become a source of sustainable competitive advantage when embedded in organizational practices.

In the same context, Duffner, Schmid, and Zimmermann (2009) show that trust between investors and entrepreneurs is positively associated with investment success. De Clercq and Sapienza (2006) emphasize that relational capital and mutual commitment positively influence the perceived performance of funded firms. These findings are particularly relevant in the Moroccan context. Ed-Dafali, Bouzahir, and Omrane (2022) show that governance positively affects the perceived performance of funded firms through the mediating role of investors' strategic and managerial involvement. Ed-Dafali and Bouzahir (2022) confirm that trust constitutes a central governance mechanism in the relationship between private equity investors and Moroccan executives.

### **1.3. Strategic Support and Investor Networks**

Strategic support represents a crucial driver of value creation in private equity. Sapienza (1992) shows that investors actively intervene in startups' strategic decisions, particularly regarding growth, organizational structuring, and business development. Hellmann and Puri (2002) emphasize that such support fosters firm professionalization and enhances the ability to attract key talent. Fairchild (2011) shows that entrepreneurs' choice between institutional investors and business angels is strongly influenced by the type of support they expect.

Alongside, investor networks constitute a central component of this support. Granovetter (1973) highlights the importance of weak ties in accessing information and opportunities. Hochberg, Ljungqvist, and Lu (2007) show that investor networks positively affect the performance of funded firms. Abell and Nisar (2007) confirm that investors' integration into structured networks improves startup outcomes. Ferrary (2010) emphasizes that investment syndication enables the sharing of resources, expertise, and risks, thereby strengthening value creation.

The role of social capital is further emphasized by Batjargal (2007) and Batjargal and Liu (2004), who show that social relationships influence access to financing and firm performance. Baum, Calabrese, and Silverman (2000), as well as Beckman, Burton, and

O'Reilly (2007), highlight the impact of networks and top management team reputation on startup success. In the Moroccan context, Bouzahir and Chakir (2013a) show that social capital plays a decisive role in access to private equity.

#### **1.4. Private Equity in Emerging Economies**

Private equity mechanisms take on a particular significance in emerging economies, which are characterized by institutional constraints, limited financial market depth, and restricted access to bank financing (Bottazzi & Da Rin, 2003). Reports by Bain & Company (2015, 2017) show that private equity plays an increasingly important role in these economies by supporting innovation, growth, and firm structuring.

Empirical studies conducted in emerging economies indicate that investment performance strongly depends on the quality of governance and strategic support. Carvalho, Galucci-Netto, and Siqueira (2017), as well as Minardi, Kanitz, and Bassani (2014), in the Brazilian context, show that governance practices significantly influence the outcomes of funded firms. Johan and Zhang (2016) emphasize that exit strategies are heavily conditioned by institutional constraints specific to emerging markets.

In Morocco, several institutional and academic studies take an interest on the structuring role of private equity in startup financing. Reports by AMIC, the Moroccan Agency for SMEs (Agence Maroc PME, 2020), and Tamwilcom (2022) illustrate the importance of these mechanisms for the development of the entrepreneurial ecosystem. Ed-Dafali, Bouzahir, and Chakir (2016) show that private equity contributes to the structuring of the Moroccan entrepreneurial fabric despite persistent institutional constraints. These findings are consistent with analyses by the IMF (2019), the African Development Bank, and the OECD (2011), which emphasize the importance of private equity for private-sector development in emerging economies.

## **2. Methodology**

This study is based on a systematic literature review (SLR) guided by the PRISMA 2020 framework, aimed at analyzing governance mechanisms, strategic support, and their influence on the performance of private equity-backed startups, with particular attention to the Moroccan context. The adopted approach enables a rigorous examination of academic research addressing the role of venture capital and private equity investors in entrepreneurial value creation.

A structured literature search was conducted using four major academic databases: Scopus, Web of Science, Google Scholar, and ScienceDirect. The selected publications cover the period from 1980 to 2025, allowing the inclusion of both seminal works and recent contributions on private equity, governance, and startup performance<sup>1</sup>. From an initial corpus of 200 studies, 30 peer-reviewed scientific articles were retained based on predefined inclusion criteria. The selection process strictly followed the various stages of the PRISMA 2020 framework, as illustrated in the corresponding figure.

## 2.1. Research Objectives

The objectives of this research are as follows:

- **RO1:** To conduct a systematic literature review on private equity and venture capital, with a particular focus on governance mechanisms and strategic support provided to startups.
- **RO2:** To examine the impact of these mechanisms on startup performance, considering financial, strategic, and organizational dimensions.
- **RO3:** To identify the main contextual factors influencing the effectiveness of governance and strategic support, particularly in emerging economies and in the Moroccan context.

These objectives are consistent with the works of Sapienza (1992), Hellmann and Puri (2002), and Busenitz, Fiet, and Moesel (2004), which emphasize the active role of investors in value creation, as well as with those of Ed-Dafali, Bouzahir, and Omrane (2022), highlighting the importance of governance and strategic involvement in the performance of Moroccan firms.

## 2.2. Eligibility Criteria

This review analyzes studies on private equity and venture capital published between 1980 and 2025 in peer-reviewed academic journals. It aims to synthesize existing research on governance, strategic support, and startup performance to provide an integrated view of value-creation mechanisms in this field.

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<sup>1</sup> Although the initial search was oriented toward recent publications (2000–2025), seminal empirical contributions predating this period were retained when their methodological and empirical contribution was judged essential to the synthesis.

The inclusion and exclusion criteria applied during the PRISMA selection process are summarized in Table 1.

**Table 1.** Inclusion and Exclusion Criteria for Selected Studies

Criteria	Inclusion	Exclusion
Publication period	Articles published between 1980 and 2025	Articles published before 1980
Language	Publications in French or English	Other languages
Source type	Peer-reviewed academic articles	Grey literature, non-academic reports
Topic	Private equity, governance, strategic support, startup performance	Topics unrelated to the research question
Methodology	Empirical studies or structured reviews	Purely conceptual studies without analytical grounding
Context	Developed and emerging economies, with a focus on Morocco	Non-comparable contexts

Source : Author

### 2.3. Search Strategy

To ensure an exhaustive and systematic identification of relevant studies, a structured search strategy was developed around the core themes of the research: private equity, governance, strategic support, and startup performance. This approach aimed to cover all analytical dimensions mobilized in the study while ensuring the scientific relevance of the selected publications.

Logical operators (“AND” “OR”) and truncation techniques were used to broaden or narrow the search results in line with the research objectives. This strategy enabled the identification of a diverse yet targeted body of publications covering the various dimensions of private equity, including governance mechanisms, forms of investors’ strategic involvement, and startup performance indicators, particularly in emerging economies.

The searches were conducted in Scopus, Web of Science, Google Scholar, and ScienceDirect databases using the following keyword combinations:

- (“venture capital” OR “private equity”) AND (“startup performance” OR “firm performance”)
- (“venture capital” OR “private equity”) AND (“corporate governance” OR “governance mechanisms”)
- (“strategic involvement” OR “managerial involvement”) AND (“private equity”)
- (“private equity” OR “venture capital”) AND (“emerging economies” OR “Morocco”)

These keyword combinations reflect the multidimensional nature of private equity by integrating financial, organizational, strategic, and institutional dimensions within the scope of this research. The last searches were conducted in March 2025. The first search had the following yield per database: Scopus (n = 142), Web of Science (n = 98), Google Scholar (n = 112), and ScienceDirect (n = 48), for a total of 400 records after deduplication. The databases included in this review were subjected to the filter of publication language being English and French, document type limited to peer-reviewed journal articles, publication period set from 2000 January to 2025 March, and subject areas being limited to business, economics, management, finance and entrepreneurship. Grey literature, institutional reports, doctoral theses, and conference proceedings were excluded at this stage.

The selected studies were then analyzed and classified along three main axes. The first axis includes studies examining the relationship between private equity and startup performance, encompassing financial and strategic dimensions. The second axis focuses on research analyzing governance mechanisms and investor–entrepreneur relationships, particularly the roles of control, monitoring, and trust. The third axis comprises studies investigating investors’ strategic support, especially managerial involvement, access to networks, and investment syndication.

The publications were manually coded using a thematic grid that included: the methodology employed, the geographical context studied, the type of investors analyzed, the governance mechanisms examined, the forms of strategic support identified, the performance indicators used, and the main methodological limitations reported by the authors.

**Table 2.** CASP Quality Assessment of Included Studies

Study	C1	C2	C3	C4	C5	C6	C7	C8	Score
Sapienza (1992)	S	PS	S	S	S	S	S	PS	7.0
Bygrave & Timmons (1992)	S	PS	S	PS	PS	S	S	S	6.5
Gompers & Lerner (2000)	S	S	S	S	S	S	S	PS	7.5
Gompers & Lerner (2001)	S	PS	S	S	PS	S	S	S	7.0
Hellmann & Puri (2002)	S	S	S	S	S	S	S	PS	7.5
Baum et al. (2000)	S	S	S	S	S	S	S	PS	7.5
Denis (2004)	S	PS	S	S	PS	S	S	PS	6.5
Kaplan & Schoar (2005)	S	S	S	S	S	S	S	PS	7.5
De Clercq & Sapienza (2006)	S	S	S	S	S	S	S	PS	7.5
Abell & Nisar (2007)	S	S	S	S	S	S	S	PS	7.5
Batjargal (2007)	S	S	S	S	S	S	S	PS	7.5
Batjargal & Liu (2004)	S	S	S	S	S	S	S	PS	7.5
Beckman et al. (2007)	S	S	S	S	S	S	S	PS	7.5
Bottazzi & Da Rin (2003)	S	S	S	S	S	S	S	PS	7.5
Bottazzi et al. (2008)	S	S	S	S	S	S	S	PS	7.5
Busenitz et al. (2004)	S	PS	S	S	PS	S	S	S	7.0
Fairchild (2011)	S	S	S	S	PS	S	S	PS	6.5
Ferrary (2010)	S	S	S	S	PS	S	S	PS	6.5
Hochberg et al. (2007)	S	S	S	S	S	S	S	PS	7.5
Johan & Zhang (2016)	S	S	S	S	S	S	S	S	8.0
Croce et al. (2013)	S	S	S	S	S	S	S	PS	7.5
Braun et al. (2017)	S	S	S	S	S	S	S	PS	7.5
Minardi et al. (2014)	S	S	S	S	S	S	S	S	8.0
Carvalho et al. (2017)	S	S	S	S	S	S	S	S	8.0
Bouzahir & Chakir (2013a)	S	PS	S	S	S	PS	S	S	7.0
Bouzahir & Chakir (2013b)	S	PS	S	S	S	PS	S	S	7.0
Bouzahir & Ed-Dafali (2018)	S	PS	S	S	S	S	S	S	7.5
Ed-Dafali et al. (2016)	S	PS	S	S	S	S	S	S	7.5
Ed-Dafali et al. (2022)	S	S	S	S	S	S	S	S	8.0
Ed-Dafali & Bouzahir (2022)	S	S	S	S	S	S	S	S	8.0

To ensure methodological rigor consistent with PRISMA 2020 guidelines, each retained study was subjected to a qualitative assessment using an adapted version of the Critical Appraisal Skills Programme (CASP) checklist for systematic reviews (Table 2). The

assessment covered eight dimensions: (C1) clarity and appropriateness of the research question; (C2) comprehensiveness and reproducibility of the search strategy; (C3) quality and transparency of the selection criteria; (C4) validity assessment of included studies; (C5) rigor of data extraction; (C6) similarity and comparability of included studies; (C7) precision of reported results; and (C8) local applicability of findings. Each dimension was rated as satisfactory, partially satisfactory, or unsatisfactory. Only studies rated satisfactory or partially satisfactory on at least six of the eight dimensions were included in the final corpus of 30 studies. This threshold ensured a minimum level of methodological quality while preserving a sufficient breadth of empirical and theoretical contributions<sup>2</sup>.

#### **2.4. Selection process**

The selection process was conducted in two stages. In the first stage, authors screened all retrieved records based on titles and abstracts, applying the eligibility criteria defined in Table 1. Records that clearly did not meet the inclusion criteria were excluded at this stage. In the second stage, full texts of the remaining records were retrieved and assessed against the same eligibility criteria. The reasons for exclusion at the full-text stage were documented and are reported in the PRISMA flow diagram (Figure 1). The three main reasons for exclusion were: insufficient relevance to the research question (studies addressing financing without explicit reference to private equity governance or strategic support), insufficient methodological quality based on the CASP assessment, and design issues preventing integration into the narrative synthesis (absence of clearly defined analytical framework or empirical grounding). No automation tools were used in the screening process. Inter-rater agreement was assessed informally, and disagreements were resolved by returning to the original source and reaching a consensual interpretation.

#### **2.5. Data collection and synthesis methods**

Data were extracted from each included study using the standardized thematic grid described in Section 2.3. The thematic grid captured the following variables for each study: bibliographic information (authors, year, journal), geographical context, study

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<sup>2</sup> Ratings: S = Satisfactory (1 pt); PS = Partially Satisfactory (0.5 pt); U = Unsatisfactory (0 pt). Inclusion threshold: Score  $\geq 6/8$ .

All 30 studies met the inclusion threshold (Score  $\geq 6/8$ ). Scores are assigned based on methodological information reported in each study, independently assessed by both authors and reconciled through consensus.

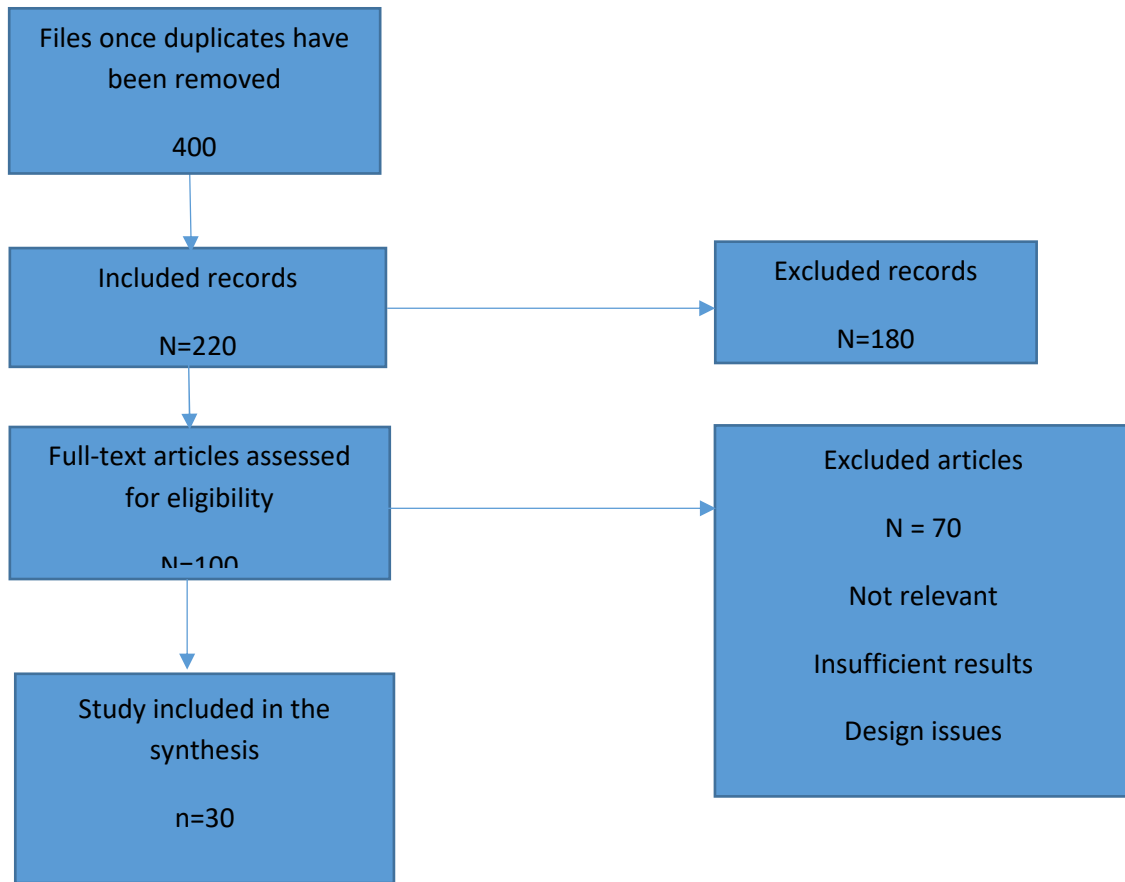
design and methodology, type of private equity investors analyzed, governance mechanisms examined, forms of strategic support identified, performance dimensions and indicators, and main findings and limitations. No quantitative meta-analysis was conducted, as the heterogeneity of study designs, contexts, and outcome measures precluded meaningful statistical pooling. Given the qualitative nature of the synthesis, no formal assessment of reporting bias was applicable. However, potential publication bias is acknowledged as a limitation in Section 5: studies with null or negative findings on private equity governance effects may be underrepresented in the published literature, which could inflate the apparent strength of positive effects reported in Table 3.

## **2.6. Certainty of Evidence**

Given the qualitative and narrative nature of this systematic review, formal certainty-of-evidence frameworks such as GRADE were not applicable. Instead, the confidence in the synthesized findings is assessed along three dimensions: convergence; the degree to which multiple independent studies reach consistent conclusions, methodological quality; as assessed through the CASP tool applied to each included study, and contextual transferability; the extent to which findings from developed economy contexts are corroborated by studies conducted in emerging economies, particularly Morocco. Findings rated as “strong” or “very strong” in Table 4 correspond to mechanisms supported by convergent evidence across at least five studies spanning multiple contexts, and rated satisfactory on the majority of CASP dimensions.

## **2.7. Registration, Protocol, and Ethical Considerations**

This review was not pre-registered on PROSPERO or any other systematic review registry, and no formal protocol was prepared prior to data collection. This constitutes a limitation of the present work. No ethical approval was required for this study, as it is based exclusively on publicly available published literature and does not involve human participants or personal data. This research received no specific financial support from public, commercial, or not-for-profit funding agencies. The authors declare no conflicts of interest.

**Figure 1.** PRISMA diagram.

The PRISMA diagram presented constitutes an essential methodological tool, enabling a clear, rigorous, and transparent design of the study selection process adopted in this research. It illustrates a structured scientific approach based on a progressive and demanding screening of publications, aimed at building a coherent, relevant, and reliable corpus focused on governance, strategic support, and the performance of private equity-backed startups, with particular attention to emerging economies and the Moroccan context.

In the first stage, 400 documents were identified after duplicates were removed. This initial volume reflects the breadth of the literature search conducted using recognized academic databases, covering a wide range of studies in entrepreneurial finance, private equity, corporate governance, and startup performance. This phase highlights the diversity of theoretical and empirical approaches mobilized in the field.

Following an initial screening based on titles and abstracts, 220 documents were retained, while 180 publications were excluded. These exclusions were mainly due to the lack of a direct link to the research question, including studies addressing corporate financing

without explicit reference to private equity, research on governance unrelated to startups, or works examining performance without considering the role of investors. This stage enabled a necessary conceptual refocusing.

The subsequent phase involved an in-depth assessment of 100 articles reviewed in full text. At this stage, the eligibility criteria focused on methodological quality, robustness of empirical analyses, clarity of the theoretical frameworks employed, and the relevance of the findings with respect to the study's objectives. Seventy articles were excluded due to insufficiently exploitable results, significant methodological limitations, or design issues that prevented rigorous integration into the final synthesis.

At the end of this selection process, 30 studies were deemed to meet the established scientific and methodological standards and were included in the final synthesis. These works constitute the analytical foundation of the research and provide structured insights into the mechanisms through which governance and strategic support by private equity investors influence startup performance, particularly in the Moroccan context.

### **3. Results**

The analysis of the thirty selected studies reveals structured findings regarding the role of private equity in governance, strategic support, and startup performance. The reviewed literature shows a strong convergence on the idea that value creation does not rely solely on financial contributions but rather on a combination of governance mechanisms, trust-based relationships, and investors' strategic involvement, with effects particularly pronounced in emerging economies, notably Morocco.

#### **3.1. General Characteristics of the Analyzed Studies**

Table 3 presents a descriptive synthesis of the thirty studies constituting the final corpus. It highlights substantial methodological diversity, combining qualitative, quantitative, and mixed empirical studies, as well as foundational theoretical contributions. This diversity reflects the complexity of the phenomenon under study and the need to mobilize complementary approaches to analyze interactions between investors and startups.

Empirical studies dominate the corpus, reflecting a strong emphasis on analyzing actual private equity involvement and its effects on funded firms. Qualitative studies primarily focus on investor–manager relationships, informal governance mechanisms, and strategic support processes (Sapienza, 1992; De Clercq & Sapienza, 2006; Ed-Dafali & Bouzahir,

2022). Quantitative studies, by contrast, rely on secondary data and financial databases to measure the impact of private equity on startup performance, growth, and productivity (Kaplan & Schoar, 2005; Braun, Jenkinson & Stoff, 2017).

From a geographical perspective, Table 3 shows that the studies cover both developed and emerging economies. Research focusing on Europe and North America remains predominant, but a significant share of the corpus addresses emerging economies, notably Brazil, China, and Morocco. Moroccan studies occupy a specific place in the corpus due to their empirical contributions on local governance practices, social capital, and strategic support (Bouzahir & Chakir, 2013a, 2013b; Ed-Dafali, Bouzahir & Chakir, 2016).

Overall, Table 3 reveals that the corpus is structured around three main axes: the performance of funded startups, the governance mechanisms implemented by investors, and the forms of strategic support mobilized.

**Table 3.** General Characteristics of the Studies

No.	Author(s)	Year	Geographical context	Type of study	Main analytical focus
1	Sapienza	1992	United States	Qualitative empirical	Value added by investors
2	Hellmann & Puri	2002	United States	Quantitative empirical	Startup professionalization
3	Busenitz et al.	2004	United States	Mixed empirical	Value added of venture capital
4	Kaplan & Schoar	2005	International	Quantitative	Fund performance
5	Hochberg et al.	2007	United States	Quantitative	Investor networks
6	Abell & Nisar	2007	United Kingdom	Empirical	Networks and performance
7	Bottazzi, Da Rin & Hellmann	2008	Europe	Quantitative	Active investors and governance
8	Ferrary	2010	Europe	Qualitative	Syndication and resource sharing
9	Croce, Martí & Murtinu	2013	Europe	Quantitative	Startup productivity
10	Johan & Zhang	2016	Emerging economies	Quantitative	Exit strategies

11	Minardi et al.	2014	Brazil	Empirical	Private equity performance
12	Braun et al.	2017	International	Quantitative	Performance persistence
13	De Clercq & Sapienza	2006	International	Quantitative	Relational capital
14	Duffner et al.	2009	Europe	Empirical	Trust and investment success
15	Batjargal	2007	China / Russia	Quantitative	Social capital and decisions
16	Batjargal & Liu	2004	China	Empirical	Access to private equity
17	Baum et al.	2000	Canada	Quantitative	Networks and performance
18	Beckman et al.	2007	United States	Quantitative	Founding teams
19	Bouzahir & Chakir	2013a	Morocco	Qualitative	Entrepreneurs' social capital
20	Bouzahir & Chakir	2013b	Morocco / France	Comparative	Access to finance
21	Ed-Dafali et al.	2016	Morocco	Empirical	Private equity market
22	Ed-Dafali et al.	2022	Morocco	Empirical	Governance and perceived performance
23	Ed-Dafali & Bouzahir	2022	Morocco	Qualitative	Investor–manager trust
24	Fairchild	2011	International	Empirical	Investor choice
25	Gompers & Lerner	2000	United States	Quantitative	Governance and investment
26	Gompers & Lerner	2001	United States	Theoretical	Evolution of venture capital
27	Sahlman	1990	United States	Theoretical	Structure and governance
28	Shane & Cable	2002	United States	Quantitative	Networks and reputation
29	Tyebjee & Bruno	1984	United States	Theoretical	Investment process
30	Zacharakis & Meyer	2000	United States	Quantitative	Investor decision-making

### **3.2. Private Equity and Startup Performance**

The results consistently show that private equity has an overall positive impact on startup performance, although this impact is conditioned by the quality of investors' involvement. The analyzed studies highlight improvements in financial performance indicators - such as revenue growth, productivity, and valuation for firms benefiting from private equity financing (Croce, Martí & Murtinu, 2013; Minardi, Kanitz & Bassani, 2014).

However, Table 4 indicates that financial capital alone generates limited effects and is often insufficient to explain the observed performance differentials. The findings suggest that startups' strategic and organizational performance largely depends on investors' non-financial involvement, particularly through governance mechanisms and strategic support. These conclusions are consistent with the works of Kaplan and Schoar (2005) and Braun, Jenkinson, and Stoff (2017), who show that performance persistence is closely linked to investors' capabilities and practices.

The resource-based view provides further insight into these results. Private equity investors emerge as strategic resources by providing expertise, credibility, and access to networks, thereby strengthening the competitive advantage of funded startups (Barney, 1991; Amit & Schoemaker, 1993). Table 4 clearly shows that financial performance is maximized when capital provision is combined with effective governance mechanisms and structured strategic support.

### **3.3. Governance and Value Creation Mechanisms**

Governance-related results occupy a central place in the analysis. The reviewed studies show that private equity-backed startups are characterized by high information asymmetry, justifying the implementation of governance mechanisms aimed at framing decision-making processes and reducing opportunistic behavior (Sahlman, 1990).

Table 4 clearly distinguishes the effects of formal and informal governance mechanisms. Formal arrangements such as investor representation on boards of directors, control rights, and reporting requirements are associated with improved managerial discipline and financial performance (Gompers & Lerner, 2000, 2001; Bottazzi, Da Rin & Hellmann, 2008). However, these mechanisms appear insufficient when not complemented by trust-based relationships.

Informal mechanisms, particularly trust, play a decisive role in investment success. Table 4 shows that trust-based governance has a positive effect on startups' strategic and organizational performance. These findings are consistent with the works of Anderson and Weitz (1989), Charreaux (1998), and Barney and Hansen (1994). In the Moroccan context, Ed-Dafali, Bouzahir, and Omrane (2022) show that governance positively influences perceived performance through the mediating role of investors' strategic involvement, while Ed-Dafali and Bouzahir (2022) emphasize the importance of trust in investor–manager relationships.

### **3.4. Strategic Support and the Role of Networks**

One of the most robust findings concerns the impact of strategic support on startup performance. Table 4 highlights that strategic support generates the strongest and most sustainable effects on overall performance, particularly on strategic and organizational dimensions. Sapienza (1992) shows that investors actively intervene in the strategic decisions of funded firms, contributing to their structuring and growth. Hellmann and Puri (2002) emphasize that such involvement fosters the professionalization of startups.

Investor networks constitute a central lever of this support. The results summarized in Table 4 indicate that access to networks improves strategic performance by facilitating access to resources, partners, and financing opportunities. Hochberg, Ljungqvist, and Lu (2007), as well as Abell and Nisar (2007), show that investors embedded in structured networks achieve superior outcomes. Ferrary (2010) highlights that investment syndication enables the sharing of expertise and strengthens value creation.

In emerging economies, and particularly in Morocco, social capital emerges as a key factor. Bouzahir and Chakir (2013a) show that social relationships facilitate access to private equity and enhance the effectiveness of strategic support. Table 4 confirms that these relational mechanisms are especially critical in institutional contexts characterized by market imperfections.

**Table 4.** Effects of Private Equity According to the Mechanisms Analyzed

<b>Analyzed mechanism</b>	<b>Financial performance</b>	<b>Strategic performance</b>	<b>Organizational performance</b>	<b>Main findings from the studies</b>
Capital provision	Moderate positive effect	Limited effect	Weak effect	Financial capital alone is insufficient to explain observed performance differentials
Formal governance	Positive effect	Positive effect	Positive effect	Reduction of information asymmetry and improvement in managerial discipline
Informal governance	Moderate effect	Strong positive effect	Strong positive effect	Strengthening of cooperation and stability in investor–manager relationships
Strategic support	Strong positive effect	Very strong positive effect	Very strong positive effect	Startup structuring, professionalization, and support for growth
Investor networks	Positive effect	Very strong positive effect	Moderate effect	Facilitated access to resources, partners, and financing opportunities
Investment syndication	Positive effect	Positive effect	Moderate effect	Sharing of competencies, risk reduction, and complementarity of expertise
Entrepreneurs’ social capital	Moderate effect	Positive effect	Positive effect	Easier access to financing and improved effectiveness of strategic support
Institutional context of emerging economies	Variable effect	Positive effect	Positive effect	Reinforced effects of governance and strategic support in imperfect institutional environments

The qualitative intensity labels assigned in Table 4 (“weak,” “moderate,” “positive,” “strong,” “very strong”) are based on the following operationalization criteria applied consistently across all reviewed studies:

- “weak” or “limited” effect designates a mechanism supported by fewer than three studies or characterized by non-significant or mixed results;
- “moderate” or “positive” effect designates a mechanism supported by three to five studies with predominantly significant but context-dependent results;
- “strong” or “very strong” effect designates a mechanism supported by more than five studies with consistent findings across multiple geographical contexts.

Where effect sizes were reported in primary studies, they informed the classification alongside the direction and significance of results. It is important to note that several mechanisms exhibit divergent effects across developed and emerging economy contexts. In developed economies, notably the United States and Western Europe, formal governance mechanisms tend to generate direct and robust performance effects, supported by well-functioning legal and institutional frameworks (Gompers & Lerner, 2000, 2001; Bottazzi, Da Rin & Hellmann, 2008). By contrast, in emerging economies including Morocco, these formal mechanisms are often insufficient in isolation and must be complemented by informal, relational governance to compensate for institutional voids (Ed-Dafali, Bouzahir & Omrane, 2022; Johan & Zhang, 2016). Similarly, the performance effects of strategic support appear stronger in emerging contexts, where investor non-financial contributions substitute for market resources that are otherwise scarce. This divergence calls for context-sensitive theorizing rather than universal prescriptions.

The discussion that follows offers a critical synthesis organized around three tensions in the literature: the conditions under which financial capital becomes a performance driver versus a necessary but insufficient input, the complementarity and potential conflicts between formal and informal governance mechanisms, and the transferability of strategic support and network effects across institutional contexts.

## **4. Discussion**

### **4.1. Financial Capital**

A dominant stream of studies converges on the finding that financing alone is insufficient: Sapienza (1992) demonstrates that investor value added depends primarily on the degree of strategic and managerial involvement, not on the volume of capital injected. Busenitz, Fiet, and Moesel (2004) confirm this, showing that financial capital without active investor engagement produces at best moderate performance gains. This convergent finding is important because it shifts the explanatory burden from the financial dimension to the relational and organizational dimensions of the investor–startup relationship. However, the literature diverges sharply on the mechanism underlying observed performance persistence. Kaplan and Schoar (2005) and Braun, Jenkinson, and Stoff (2017) attribute performance persistence primarily to investor’s ex ante selection skills - better investors pick better firms. This interpretation is in tension with the involvement-

centered view of Sapienza (1992) and Hellmann and Puri (2002), who argue that performance is produced *ex post* through active governance and support throughout the investment life cycle. The present synthesis suggests that both mechanisms are likely at work, but that the reviewed corpus does not allow their relative contributions to be disentangled, as most studies conflate selection and treatment effects in their research designs. This constitutes a significant limitation of the primary literature: the predominance of observational, non-experimental designs makes it impossible to fully separate the effect of investor involvement from the pre-existing quality of selected firms. Future research using matched difference-in-differences or regression discontinuity designs would be better positioned to isolate these effects.

#### **4.2. Governance Mechanisms**

A second major tension concerns the relative efficacy of formal versus informal governance mechanisms. Here the literature displays a more nuanced pattern of convergences and divergences than is often acknowledged. On the side of convergence, Sahlman (1990), Gompers and Lerner (2000, 2001), and Bottazzi, Da Rin, and Hellmann (2008) broadly agree that formal governance mechanisms - board representation, control rights, staged financing, and reporting obligations - reduce information asymmetries and discipline entrepreneurial behavior. This disciplinary effect is robust across multiple country samples in developed economies. The divergence emerges, however, when formal governance is examined in isolation from its relational context. Charreaux (1998) and Barney and Hansen (1994) argue that purely contractual governance mechanisms have significant limitations: they create monitoring costs, may suppress entrepreneurial initiative, and generate adversarial dynamics that undermine the collaborative relationship required for value co-creation. This critique is empirically supported by De Clercq and Sapienza (2006), who find that perceived firm performance is more strongly associated with relational capital and mutual commitment than with formal control rights *per se*. Duffner, Schmid, and Zimmermann (2009) similarly demonstrate that trust between investors and entrepreneurs is a stronger predictor of investment success than contractual completeness. This formal–informal tension is further complicated by a critical methodological issue in the primary literature: the majority of studies measuring governance quality rely on proxies, such as board seat count, investor voice rights, or reporting frequency, rather than on direct behavioral observation of investor involvement. As a result, what is measured is governance structure, not governance quality. This

distinction may account for some of the heterogeneity in reported effect sizes across the corpus. The context-dependency of these findings is particularly pronounced in emerging economies. Ed-Dafali, Bouzahir, and Omrane (2022) and Ed-Dafali and Bouzahir (2022) show that in Morocco, formal governance mechanisms alone are insufficient to explain perceived firm performance; their effect is mediated by investors' strategic and managerial involvement and conditioned by trust-based relational norms. Johan and Zhang (2016), analyzing emerging market exit strategies, reach a convergent conclusion: institutional voids force investors to rely on relational rather than contractual governance, producing a qualitatively different value creation model. This finding challenges the implicit universalism of much of the developed-economy governance literature and calls for context-sensitive theorizing that takes institutional environments seriously as moderators of governance effectiveness, rather than as mere background conditions.

#### **4.3. Strategic Support and Networks**

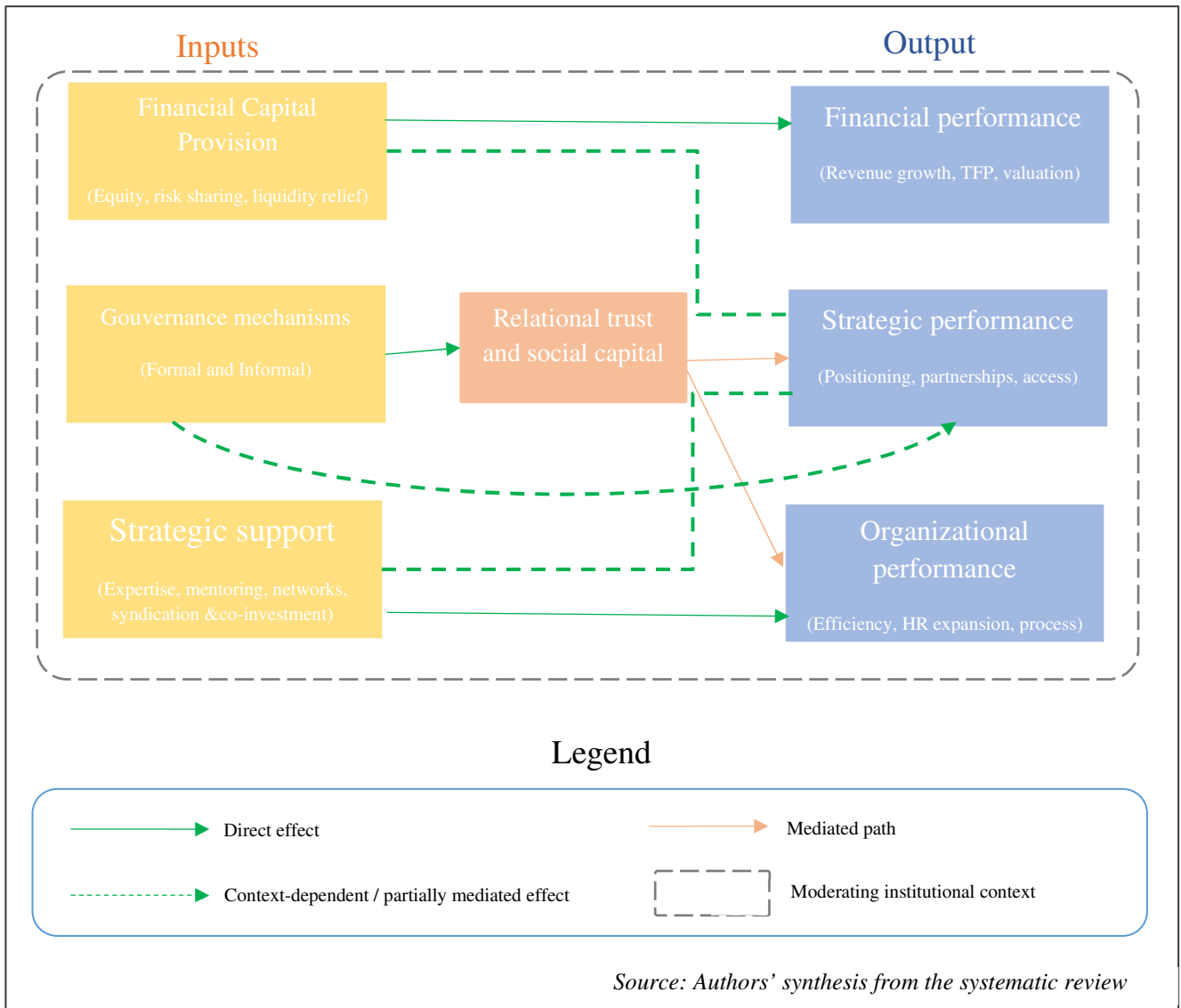
A third cluster of findings concerns strategic support and investor networks, where the literature presents a strong surface consensus that conceals important boundary conditions and methodological limitations. The convergence is real and robust: Sapienza (1992), Hellmann and Puri (2002), Hochberg, Ljungqvist, and Lu (2007), and Abell and Nisar (2007) collectively demonstrate that active investor involvement in strategic decisions, coupled with access to structured networks, generates positive and durable effects on startup performance. This finding holds across different national contexts and methodological approaches. However, three important divergences and limitations qualify this consensus. First, the literature diverges on the conditions under which strategic support is actually welcomed and beneficial. Fairchild (2011) shows that entrepreneurs' preferences between institutional investors and business angels are shaped by the anticipated type of support and that many entrepreneurs in fact prefer the less intensive but more experienced support of business angels over the more interventionist posture of institutional VCs. This preference heterogeneity implies that the value of strategic support is co-produced and contingent on relational fit, a dimension largely absent from quantitative performance studies that treat support as a homogeneous treatment. Second, the network literature presents an internal tension that the corpus does not resolve. Hochberg, Ljungqvist, and Lu (2007) find that network centrality is associated with superior fund performance, suggesting that more connected investors generate more value. Ferrary (2010) similarly argues that syndication enables skill

sharing and risk pooling. However, the mechanisms underlying these network effects remain underspecified: it is unclear whether performance improvements stem from access to deal flow, from collective due diligence, from post-investment resource mobilization, or from signaling effects that attract better entrepreneurs. This ambiguity reflects a broader limitation of the network studies in the corpus, most of which measure network structure (centrality, tie density) rather than network content (what resources actually flow through ties). Third, and most importantly for the generalizability of these findings, there is a systematic divergence between developed and emerging economy contexts. In developed economies, investor networks function within dense institutional ecosystems (venture associations, co-investment platforms, specialized legal frameworks) that amplify network effects. In emerging economies, and notably in Morocco, Bouzahir and Chakir (2013a) show that social capital and interpersonal relationships substitute for these absent institutional intermediaries. Batjargal (2007) and Batjargal and Liu (2004) reach convergent conclusions for the Chinese and Russian contexts. This substitution logic is theoretically important but empirically underexplored: the reviewed corpus does not allow us to determine whether social capital in emerging contexts generates effects of comparable magnitude and durability to institutional network effects in developed economies, or whether it constitutes a qualitatively inferior substitute that merely attenuates the performance gap in the short term. This is one of the most consequential unresolved questions for future research in this domain, and one that primary studies from Morocco and other emerging markets are uniquely positioned to address.

Overall, the findings confirm that the performance of private equity-backed startups relies on a close articulation between financing, governance, and strategic support. This articulation is strongly shaped by the institutional and relational specificities of the Moroccan context, calling for a move beyond a purely financial view of private equity toward an integrated and contextualized approach. Figure 2 presents the integrative conceptual framework synthesized from this review. The framework depicts three interacting input dimensions; financial capital provision, governance mechanisms (formal and informal), and strategic support (including investor networks and investment syndication), converging on three performance output dimensions: financial performance, strategic performance, and organizational performance. Critically, the framework situates these relationships within an institutional context layer, reflecting the finding that the strength and direction of each link is moderated by the degree of institutional

development. In emerging economies such as Morocco, formal governance mechanisms are mediated by relational trust and social capital before reaching performance outcomes, whereas in developed economies, formal mechanisms exert more direct effects. This moderating role of institutional context constitutes the original integrative contribution of this review and provides a foundation for future context-sensitive empirical research.

**Figure 2.** Integrative Conceptual Framework.



## 5. Conclusion

This study highlights the central role of private equity in the structuring, governance, and performance of startups, particularly in an emerging economy such as Morocco. The analysis of the academic and institutional literature shows converging evidence that investor intervention cannot be reduced to mere financial provision but rather constitutes a broader value creation process grounded in governance, strategic support, and the development of durable relationships with entrepreneurs.

The findings confirm the early insights of Sapienza (1992), according to which investor value added primarily depends on the degree of strategic and managerial involvement. This perspective is reinforced by Hellmann and Puri (2002), who stress the role of private equity in the professionalization of startups, and by Busenitz, Fiet, and Moesel (2004), who emphasize the multidimensional nature of value creation. The synthesized results show that startups' financial, strategic, and organizational performance is strengthened when financing is combined with effective governance mechanisms and active support.

The analysis also highlights the importance of governance mechanisms in reducing information asymmetries and aligning the interests of investors and managers. Formal arrangements such as control rights, participation in decision-making bodies, and reporting obligations play a structuring role, as shown by Sahlman (1990) and Gompers and Lerner (2000, 2001). However, the findings confirm that these mechanisms reach their limits when not complemented by informal, trust-based arrangements. In this respect, the works of Charreaux (1998), Barney and Hansen (1994), and Duffner, Schmid, and Zimmermann (2009) are particularly insightful, emphasizing trust as a key lever of coordination and performance.

In the Moroccan context, these findings are especially salient. Ed-Dafali, Bouzahir, and Omrane (2022) show that governance positively influences perceived firm performance through the mediating role of investors' strategic and managerial involvement. Similarly, Ed-Dafali and Bouzahir (2022) demonstrate that trust constitutes a central governance mechanism in relationships between private equity investors and Moroccan managers, contributing to partnership stability and project success. These results underline the compensatory role of relational governance in imperfect institutional environments.

Furthermore, the study confirms the importance of strategic support and investor networks in value creation. Hochberg, Ljungqvist, and Lu (2007) and Abell and Nisar

(2007) show that investors' embeddedness in structured networks enhances firm performance by facilitating access to information, partners, and growth opportunities. Investment syndication, notably analyzed by Ferrary (2010), also emerges as a key mechanism for skill pooling and risk reduction. In Morocco, the analyses of Bouzahir and Chakir (2013a) highlight the decisive role of social capital in access to financing and the effectiveness of strategic support.

Beyond its academic contributions, this study offers important managerial and institutional implications. For investors, it underscores the value of adopting an active and relational approach that combines formal governance, strategic support, and network development. For entrepreneurs, it highlights the importance of viewing investors not merely as financiers, but as genuine strategic partners. Finally, for Moroccan policymakers, the findings argue for policies that foster private equity development, strengthen startup governance, and structure entrepreneurial ecosystems.

In conclusion, this research shows that the performance of private equity-backed startups depends on a close articulation between financing, governance, and strategic support. It calls for moving beyond a purely financial view of private equity toward an integrated, contextualized, and relational approach, particularly suited to the specificities of emerging economies such as Morocco. It also opens avenues for future research, notably through comparative analyses of governance and strategic support practices across different institutional contexts.

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