PRESS RELEASE
HEC LIEGE-ULIEGE – SAÏD BUSINESS SCHOOL-OXFORD UNIVERSITY

New research highlights employee dissatisfaction in Private Equity buyouts

Oxford and Liège, 21th September, 2021 - Oxford Saïd Business School and HEC Liège (Management School of the University of Liège, Belgium) have published research giving insights into the effects of Private Equity buyouts on the satisfaction of employees. In the first paper of its kind, Ludovic Phalippou Professor of Finance (Oxford Saïd), Marie Lambert (Professor of Finance HEC Liege) and two PhD researchers from HEC Liège, Alexandre Scivoletto and Nicolas Moreno, focus on employees concerns in: *Employee Views of Leveraged Buy-Out Transactions*: http://ssrn.com/abstract=3926300.

The academics studied employee reviews from the *Glassdoor* website, where employees anonymously review their companies. The reviews sampled are from 2012 to 2020.

The paper gives a comprehensive view of employee welfare around Leveraged Buyout (LBO) transactions in the US – where a company is acquired using debt as a main source of consideration. The academics assess around 700,000 ratings (which contain about 5 million scores) and 400,000 written reviews posted by employees of all ranks, in different industries, types of companies and in companies that underwent different types of ownership changes. The written reviews included the ‘cons’ of working for a particular company.

Over the past 2 decades, publicly listed companies in the US have halved, with only 3,100 in 2019. Meanwhile, the number of companies held by Private Equity Leveraged Buyout funds, went from under 1,000 to over 20,000. These companies now employ nine million people and how they fare in these transactions is therefore more important now than ever.

The research indicates that previous ownership structure is the key driver affecting employee responses. When companies were publicly traded prior to the transaction, all employees are very dissatisfied. When companies were privately held prior to the transaction, only non-management employees are dissatisfied.

Key findings:

- There is an overall decrease in satisfaction of employees related to Leveraged Buyout (LBO) transactions for private equity acquisitions of public or private companies.
- LBOs are not uniform in their social impact.
- Within LBOs, the effect is the strongest when the company was publicly listed prior to the transaction (Public-to-PE transactions). This transaction affects all employees, independently of their job position.
- For companies that were privately held before the LBO (Private-to-PE), the decline in employee satisfaction is only present for employees occupying non-managerial positions.
- In Private-to-PE and PE-to-PE transactions, on the positive side, employees are relatively satisfied by the fast change, growth and challenging environment, report better working conditions (e.g., benefits and work/life balance) and complain less about company operations. On the negative side, they report relationship issues between management and non-management employees.

Professor of Finance Ludovic Phalippou (Oxford Saïd) commented: "*Academic research has demonstrated a positive impact of Private Equity on productivity, profitability, product offering, patent and innovations. In terms of employees, the literature has so far demonstrated impact on employment with mixed evidence. Our paper is the first direct measure of employee satisfaction. I hope our findings can play a role in the consideration of employee wellbeing in Private Equity buyouts*."

Marie Lambert (Professor at HEC Liège, Management School) added: "*Our paper measures the social impact of financial transactions such as change of ownership. We already knew that the management team in Private Equity Leveraged Buyouts is key for the economic success of the transaction. We now have the evidence that it is also a critical factor from a social perspective.*"

You can find out more about the research paper *Employee Views of Leveraged Buy-Out Transactions* by following the link.
https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3926300

Further information:

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About HEC Liège

HEC® Liège - Management School of the University of Liège (www.hec.uliege.be) is part of the 1% of the best EQUIS and AACSB accredited business schools worldwide. HEC® Liège is also part of the restricted circle of the “Conférence des Grandes Ecoles”. In addition, it has obtained the recognition of the CFA Institute (Chartered Financial Analyst) for its Master in Banking & Asset Management, a top level international reference in the world of finance. In Dec. 2020, the School was certified "Financial Risk Manager" (FRM) by the GARP (Global Association of Risk Professionals) for its Master in Management Engineering with a specialization in "Financial Engineering." The international vision of HEC® Liège is reflected in multiple research activities in management and economics, numerous partnerships with universities worldwide and increasing internationalization of its programs and faculty. With an alumni network of over 16,200 graduates, it develops numerous collaborations with companies. It is very active in the field of Executive Education, offering a wide range of tailor-made training courses for companies, complementary training courses and an Executive MBA.