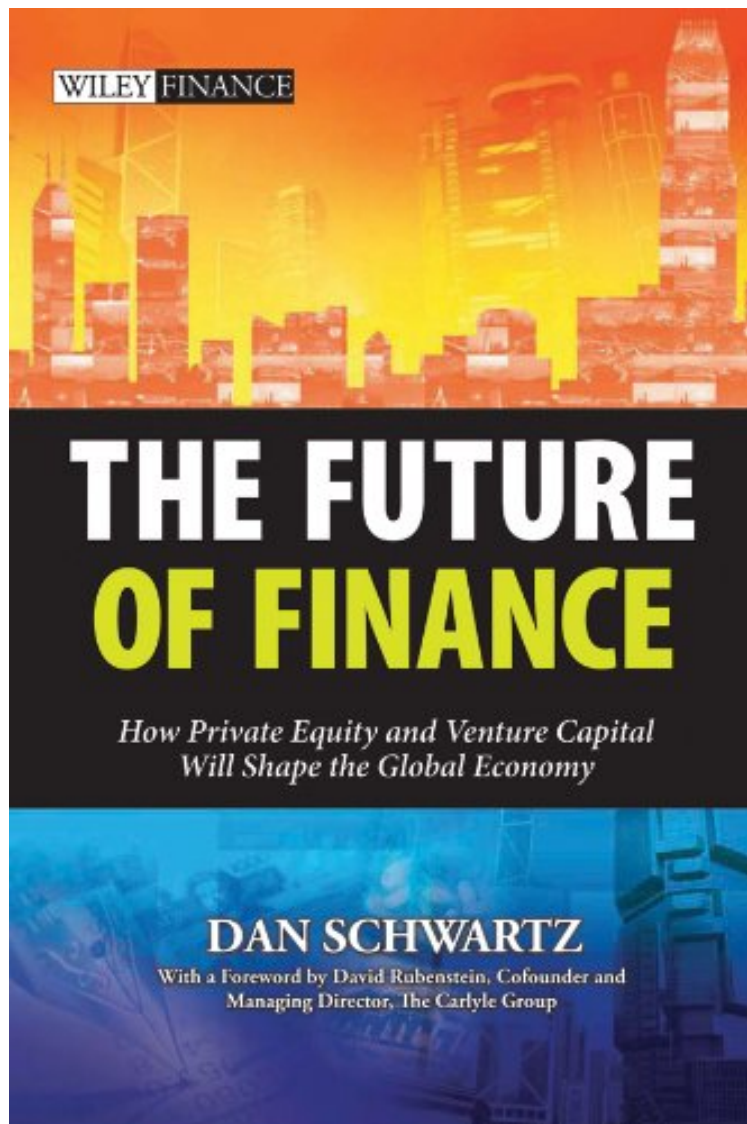


[Free] The Future of Finance: How Private Equity and Venture Capital Will Shape the Global Economy (Wiley Finance)

## The Future of Finance: How Private Equity and Venture Capital Will Shape the Global Economy (Wiley Finance)

*Dan Schwartz*

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**Dan Schwartz : The Future of Finance: How Private Equity and Venture Capital Will Shape the Global Economy (Wiley Finance)** before purchasing it in order to gauge whether or not it would be worth my time, and all praised The Future of Finance: How Private Equity and Venture Capital Will Shape the Global Economy (Wiley Finance):

1 of 2 people found the following review helpful. Taking a spin on private equity just a little furtherBy Rebecca

Fannin Dan Schwartz has written a comprehensive review of the state of the private equity and venture capital business - no easy task. What's good about this book is its breadth and in-depth coverage of several troubling issues facing the industry today. Dan interviews dozens of industry experts, including such leaders as David Rubenstein of Carlyle. It can be challenging to get time with the titans of private equity, but *Future of Finance* succeeds. Dan also paints a global picture of the business--not just from Asia, his expertise. The tables that are included in the book additionally offer a wide lens on the size and shape of funds and deals. While offering a chapter-by-chapter look at several industry crossroads, the book reads like part text book and part journalistic reporting. Some chapters, like the beginning one which defines industry terms, are a primer for newcomers--and could have been better placed as an appendix. Others, which sum up thought leaders' views on various issues confronting the business--sour relations between limited partners and private equity partners, for one--veer toward straightforward reporting. I would have liked to have seen Dan take some of the material he gathered from interviews to the next level and synthesize some of these remarks rather than quote them in long paragraphs. The book also would have benefitted with more 'color' to supplement the heavy topics and perhaps give readers an idea of the interesting personalities and their experiences in playing key roles that are shaping its outcome. Written during the depths of the financial crisis, *Future of Finance* could have been hopelessly out of date by now. But the book's futuristic spin and well-researched detail keeps much of the content still relevant. The book is best when Dan offers his own opinion on where the business is heading. His section on the so-called "+ theory" goes a long way toward arguing for a new collaborative framework for conducting business and doing deals. Likewise, his upbeat view on the resilience of the business is convincing. Both are points that could have been elaborated upon in the concluding chapters. I should point out that I worked with Dan for nearly a decade and he endorsed my own book, *Silicon Dragon* (McGraw-Hill, 2008) *Silicon Dragon: How China Is Winning the Tech Race*. What I have tried to do here is offer a fair review of *The Future of Finance* that will be helpful to industry practitioners and students alike.

0 of 1 people found the following review helpful. Lewis Rutherford on *The Future of Finance* By Lewis Rutherford My perspective on Dan Schwartz's "*The Future of Finance*" is as a general partner (manager) and as a limited partner (investor) in Asian venture funds since the 1970s. Dan's book is a must read for all fund managers of the private equity and the venture capital asset class. I would recommend it as well to MBA students, politicians and economists. Dan presents a straight forward well written analysis and excellent thesis as to what is wrong with the relationship between investors (in such as public companies, hedge funds, private equity funds) and their managers and their board of directors. He ties this thesis well into the financial crises of 2007/2008/2009. Dan then makes excellent points about how to "do it right" and change the loss of alignment and the absence of "value added control" by those (managers of companies hedge funds and direct equity funds) who are supposed to act for "the investors". I agree his points on how the managers of the private equity and venture capital funds can and have executed a very useful and effective "model" for how public company directors should function in the future. This model for how to align the interests of management and the investors - and how to add to shareholder value while avoiding excessive fees is well presented by Dan through his use of fascinating interviews with many successful and industry leading general partners of hedge funds and private equity/venture capital funds globally. As for the future in Asia for venture capital funds (to which I can speak or comment only), Dan mentions the shake out since the late 1990s between Asian venture capital funds managers and the previous group of "LPs" who supported the early and growth stage smaller more entrepreneurial deals/funds. The issues Dan mentions of alignment with investors and value added control investing are always on the table for venture capital fund managers in Asia due to the longer term of these funds compared to late stage private equity funds. Fortunately, as mentioned by Dan, there are some new industries such as green investing and water purification that require a longer view and some new more long term investors showing up for the Asian venture capital fund managers to address. I have benefitted from Dan's insights and those of the industry giants he quotes. Dan's book is a great voice of both optimism and a reality check for GPs in Asia (venture capital and private equity) as to their "forthcoming" new relationship with the LPs and as to their key role and prospects if their job is done right. Big kudos to Dan for his clear written prescient thesis and forecasts, his interviews with global financial leaders are a treat for all who would learn from recent financial disasters.

1 of 3 people found the following review helpful. Valuable and readable introduction to private equity By Stephen Diamond In some ways this is a very brave book. Dan Schwartz took on the issue of private equity as an asset class just as the global financial system was entering its most significant crisis since the Great Depression. But Schwartz is convinced, and I agree with him, that private equity, including buyout and venture capital funds, is here to stay as a central institutional form in modern capitalism. Readers of this book will, I believe, come to the same conclusion. And along the way they will learn a great deal about the new global financial environment. Schwartz is in an ideal position to observe and analyze the private equity ("PE") environment. He has run the *Asian Venture Capital Journal* for fifteen years based in Hong Kong. Right away that should alert readers to the fact that PE is indeed a global asset class, important not only in Europe but Asia, the Middle East and, of course, the Americas. Schwartz has also had access to all of the top players in the PE environment and the book is filled with useful case studies and discussions of the most important PE transactions of the last several years. More fundamentally, Schwartz argues that PE plays an important role in shaping the institutions of corporate governance. Here, Schwartz and I are very much on the same page and in fact Schwartz

interviewed me for the book. His argument for the impact of PE on corporate governance, however, is unique and is well worth serious consideration. At the heart of the argument is that PE helps resolve the "agency" problems that plague public companies. Public companies divide ownership and control between outside shareholders and insider managers. When a buyout or venture fund invests in a business, however, they close that gap between insiders and outsiders with unique governance mechanisms. This can help boost the value creation process and that is what makes PE such a powerful and important force in modern capitalism. Academics may immediately recognize the historic origins of this governance problem in the classic work of Berle and Means in their 1932 text on capitalism which set the tone of much debate then about the financial markets and corporate structure. Schwartz adapts their view and considers it in light of today's global capitalism. His argument for a new "+" theory of corporate governance is an intriguing evolution of the dominant modern idea of corporations as a "nexus of contracts." Particularly interesting to me is his suggestion that the PE form of unifying ownership and management is a natural direction for Asian capitalism. And indeed the continuing role of families and the state there suggests that he has tapped into an important dimension of the global economy. Of course, since at least the buyout side of PE relies on leverage it is possible that if the financial engineering is not carefully done problems will result. Schwartz does not shy away from the downside of PE: that heavily indebted deals can lead to cost cutting and layoffs that destroy more value than they create. This has led to considerable, and understandable, tension between the PE world and some on the left, particularly the labor movement. Schwartz argues this must be resolved by a larger commitment by PE to be accountable to wider society. Of course, given the drive for efficiency that motivates many PE deals that may be a challenging circle to square. Schwartz is also fully aware of the impact of the debt market collapse of the last two years and makes clear that the current period will see some shakeout in both the venture and buyout wings of PE. But rumors of the death of PE are, as Mark Twain said, greatly exaggerated. And already there are signs of renewed health in PE as investors look for above market returns in an fairly tame investment period. Readers of *The Future of Finance* will be better equipped than other investors to assess this important asset class. I teach business law in a law school and will recommend this book to my students of corporate law and finance. I think it could also be a useful text for MBA students, economics classes and sociology classes.

Dan Schwartz has done a masterful job of synthesizing the thoughts of some of the best minds in the private equity business along with his own to create a superb discussion of the industry, past, present, and most importantly where it is going. This is a must-read for anyone in the private equity world and for those considering the field. Leonard Harlan Chairman, Executive Committee, Castle Harlan Dan Schwartz was a first-hand witness to the birth of private equity in Asia and has chronicled its explosive growth over the past two decades. In *The Future of Finance* he uses an insiders' perspective to full effect, pulling together the views of many practitioners to illuminate both the roots of the 2008 global crisis and private equity's potential role in rebuilding our financial system. Schwartz's fast-paced, conversational style makes for a welcome contrast to dry economic analysis—well worth reading for both business leaders and students of finance. Dan Carroll Managing Partner, TPG Dan Schwartz's *The Future of Finance* offers an insightful and compelling window into the world of private equity and venture capital. Schwartz has leveraged his more than 20 years of industry experience to produce a well researched and nuanced work that will prove invaluable to anyone interested in these fields. Joe Bae Managing Partner, Kohlberg Kravis Roberts Co. Asia For anyone concerned about the future economic impact of global innovation, job creation, and finance, Dan Schwartz's comprehensive new treatise is a must-read. Replete with in-depth perspectives of dozens of the most senior global venture capital and private equity leaders and numerous case study examples, this gem artfully explains the dramatic changes happening in these vital industries and how government leaders, policy makers, entrepreneurs and investors must adapt for continuing success in the second decade of the 21st century. Dixon R. Doll Cofounder and General Partner, DCM Chairman, U.S. National Venture Capital Assoc. (2008-09) From cottage industry to multi-billion asset class, Asian private equity has transformed the region's financial and corporate landscape in two short decades. Dan Schwartz was present at the beginning of this fascinating era as iconic spokesman and entrepreneurial founder of AVCJ. His contribution as chief convener to the industry helped shape an asset class. *The Future of Finance* is forward-looking while drawing upon the rich past of an industry's development amid volatile cycles, financial crises, pandemics, capital excess, capital drought and Darwinian struggles. Many of the prime movers, who paved the way to the future, have shared privileged views with Dan over the years and now on these insightful pages. Philip Bilden Managing Director, HarbourVest Partners (Asia) Dan Schwartz's extensive and experienced network has enabled him to tap the key issues and insights of today's leading private equity and venture capital practitioners around the world. This enlivens Dan's stroll through Europe, North America and Asia as he examines the development of these private capital markets—and these insights shape the prism through which he views a future for private equity in the coming decades. Bill Ferris Executive Chairman, Champ Private Equity Dan Schwartz is the person best placed to write about the history of the private equity industry in Asia—he was there right from the beginning. In nearly two decades, he has been a keen observer of the industry's developments and market trends. He was the cheerleader when the indus

It is Private Equity 101 for anyone who wants to understand the nuts and bolts, its players, jargons, and the issues plaguing the industry in a post-Lehman world. Knowledge@SMU (Singapore) Synthesising the thoughts of the best minds in the private-equity business along with his own, Schwartz creates a masterful discussion of the industry, past, present, and the way forward. The Nation (Thailand) The author offers insights into future opportunities and the new economic paradigm ahead of us, not with the intention to lionise but to explain and to look critically at the industry's present and future. The Star (Malaysia) The Future of Finance - How Private Equity and Venture Capital Will Shape the Global Economy offers an insightful and compelling window into the world of private equity and venture capital. Malaysian Business magazine From the Inside Flap As the second decade of the new millennium dawns, financial markets and national economies remain in transition. This book is about the new world of finance and the role played by private equity and venture capital. It reflects the views of over 90 industry leaders from around the globe. The Future of Finance introduces private equity and venture capital as well as the industry's top firms, what they do, and how they do it. It discusses events that triggered the global downturn: from no rules to no credit to no deals to no exits. It also highlights key issues going forward. These include proposed government regulation, succession, and globalization. The author offers insights into future opportunities: distressed and secondary offerings in private equity, digital media and alternative energy in venture capital as well as the proposal for a new corporate norm, the "model to replace today's corporate pyramid. This economic paradigm, premised on an alignment of interests between owners, managers, and lenders, could reinvent the private equity and venture markets and reshape the global economy. The intent of the author is not to lionize but to explain and to look critically at the industry's present and future. If tomorrow will be different than today, then the way business has been done should be re-examined. Dan Schwartz's critical look at the global economy, the industry's role within it, and where both are headed in the years ahead will provoke wide discussion and debate. About the Author Dan began his career in the financial world in Houston and New York. In 1993, his firm acquired the Asian Venture Capital Journal in Hong Kong. Over the next 15 years, the AVCJ team built one of the world's top sources of ideas and information in private equity and venture capital. Dan was born in Chicago and attended Oak Park and River Forest High School. He studied at Princeton University and graduated from the Woodrow Wilson School's undergraduate program in 1972. During his junior year, he received his Certificate from the Institut d'Etudes Politiques in Paris. He served with the U.S. Army Europe before earning a JD from Boston University and an MBA from Columbia. Dan resides in Hong Kong and San Francisco.