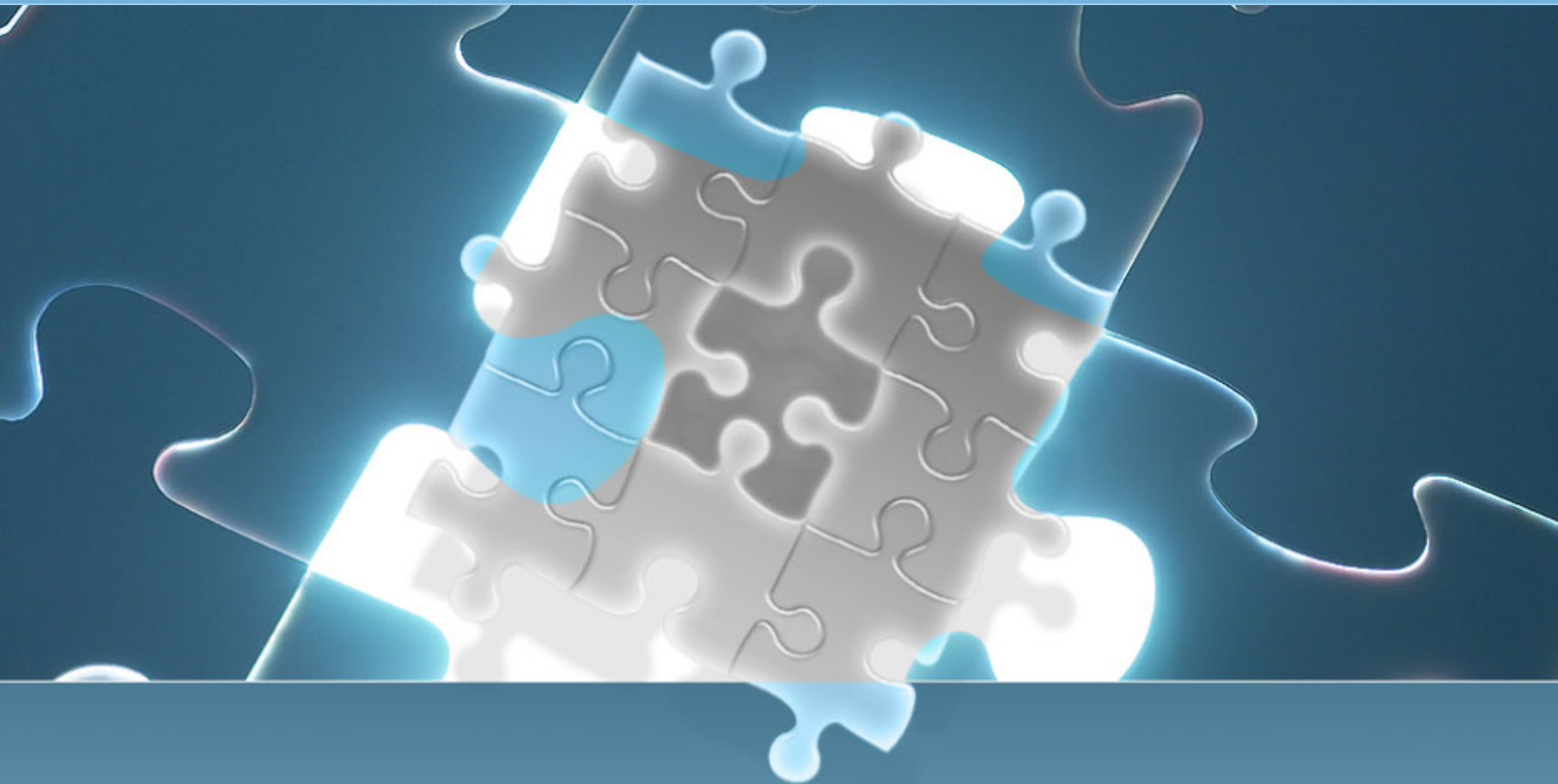


Professor Leo Goldschmidt and Prof. Dr. Erik P.M. Vermeulen



Entrepreneurs' Perspective: What Facilitates Their Innovation?



Setting the Theme

Part I:

A Menu of Business Forms
Prof. Dr. Erik P.M. Vermeulen

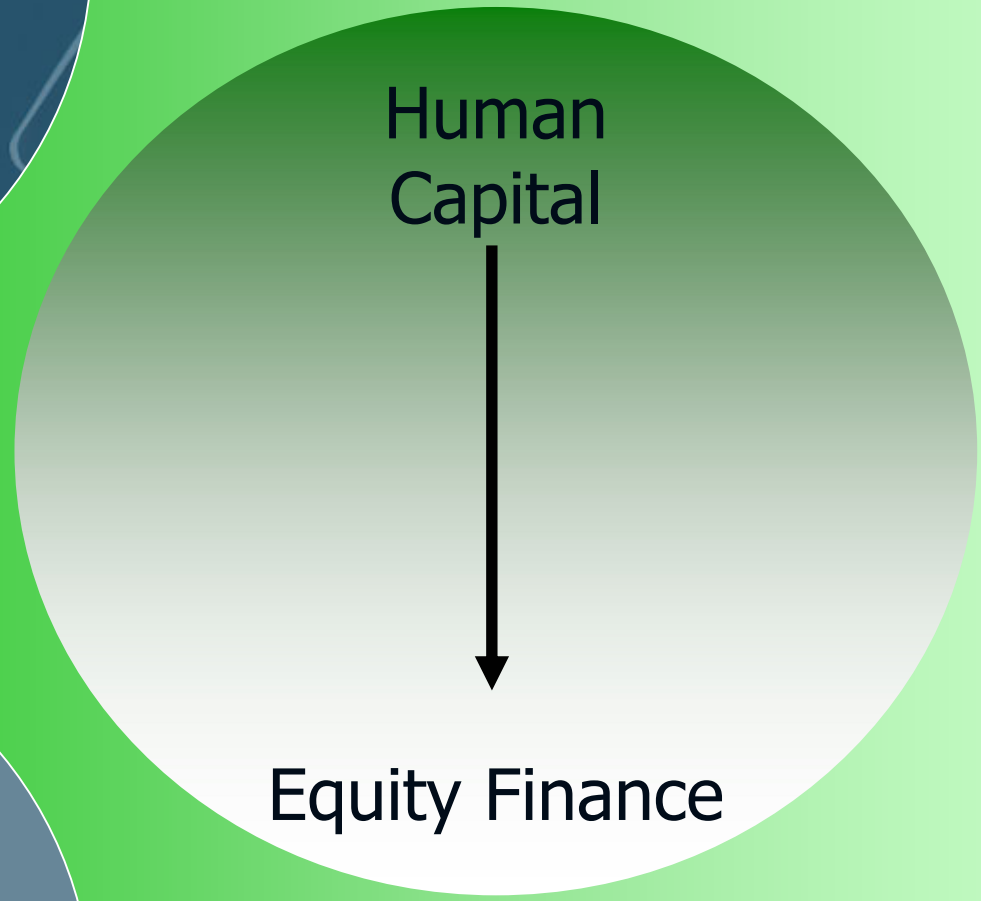
Part II:

Disclosure
Prof. Leo Goldschmidt



Company Law: Internal Governance Structure

- Limited Liability Partnership
- Limited Liability Company
- (Close) Corporation
- Limited Partnership





Internal Governance Structure: Management & Ownership Structures

Limited Liability
Partnership

Limited Liability
Company

(Close) Corporation

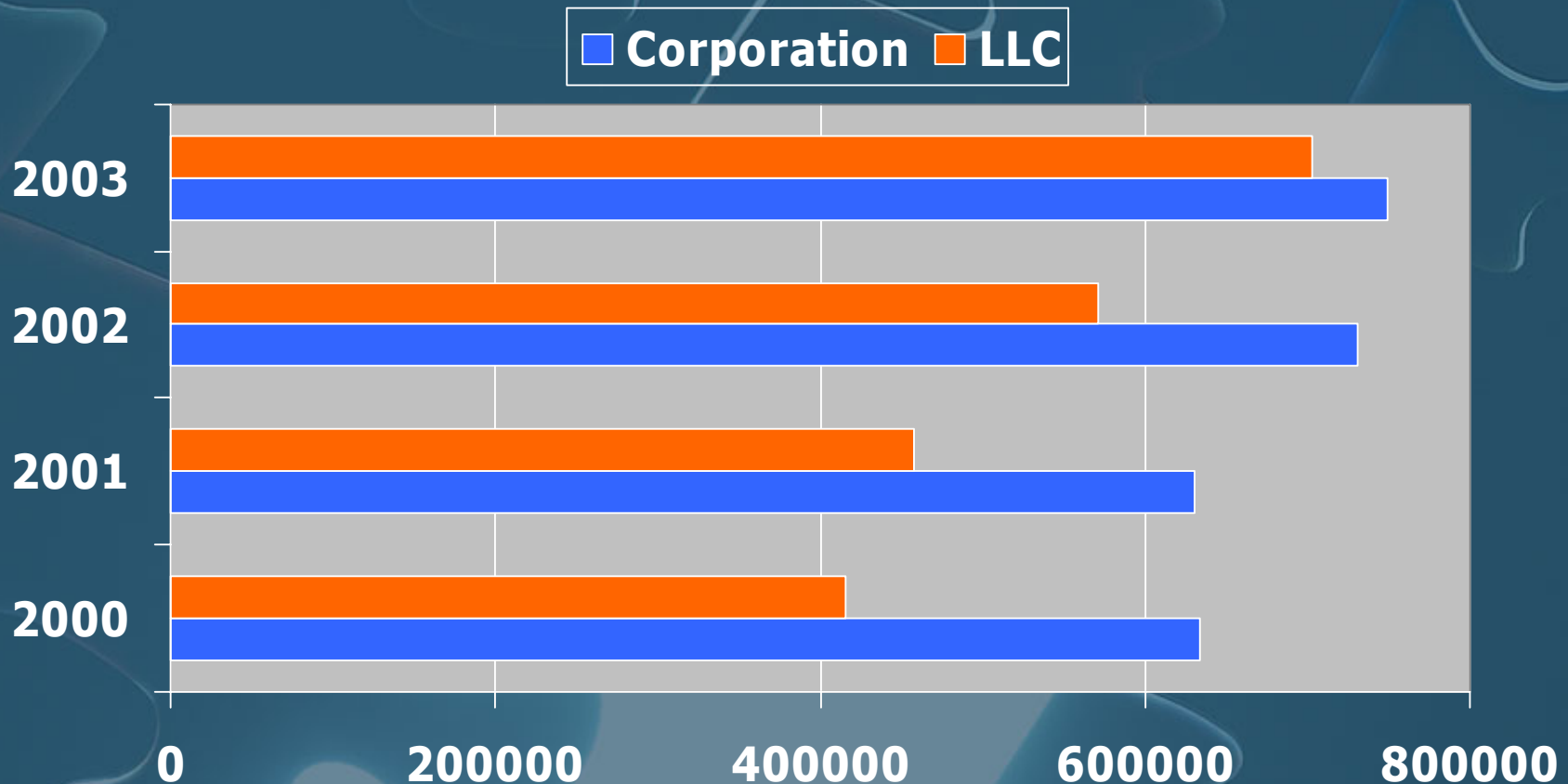
Limited
Partnership

Decentralized
Management

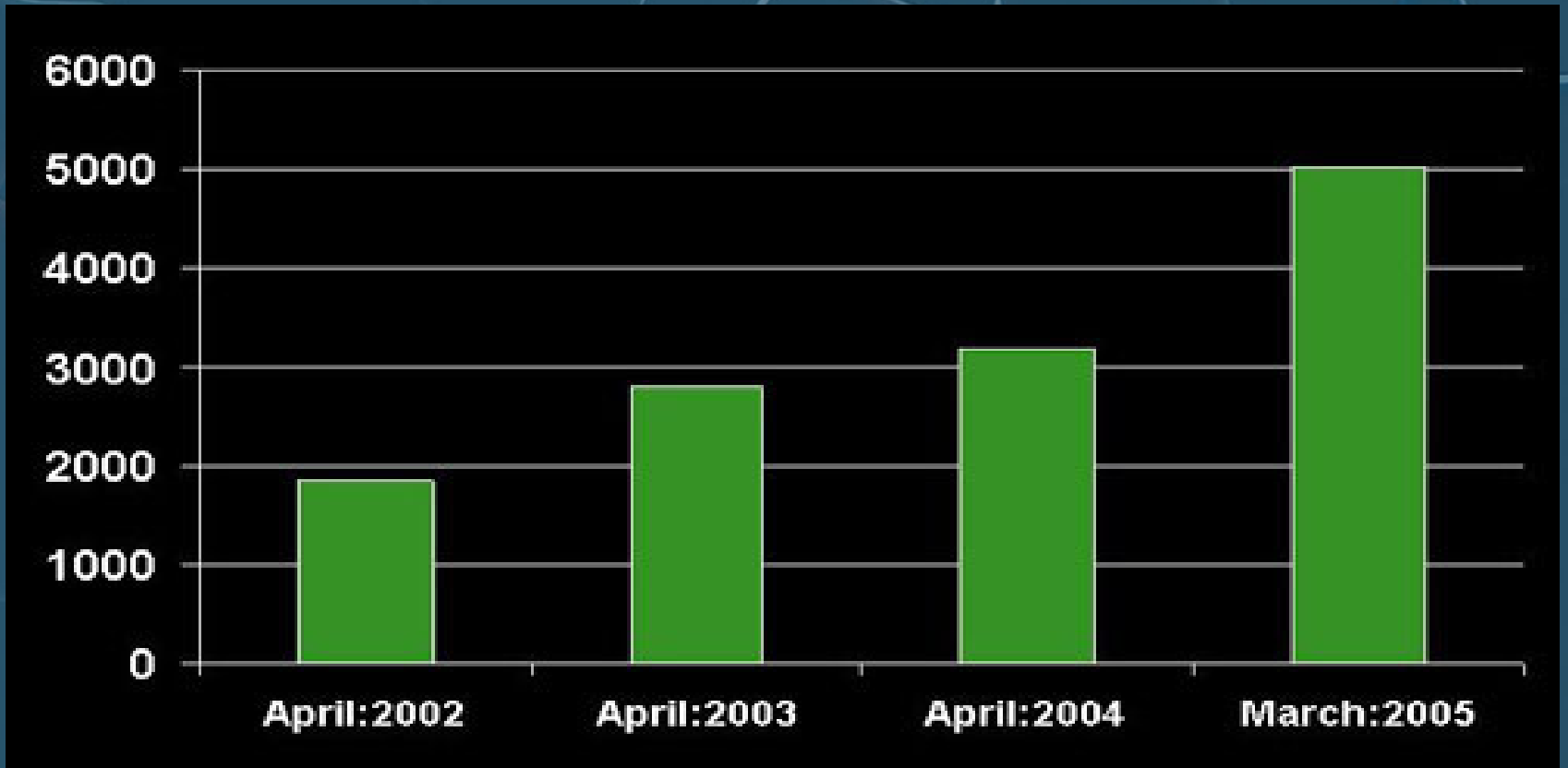


Centralized
Management

The Rise of the Hybrids: The Case of the US



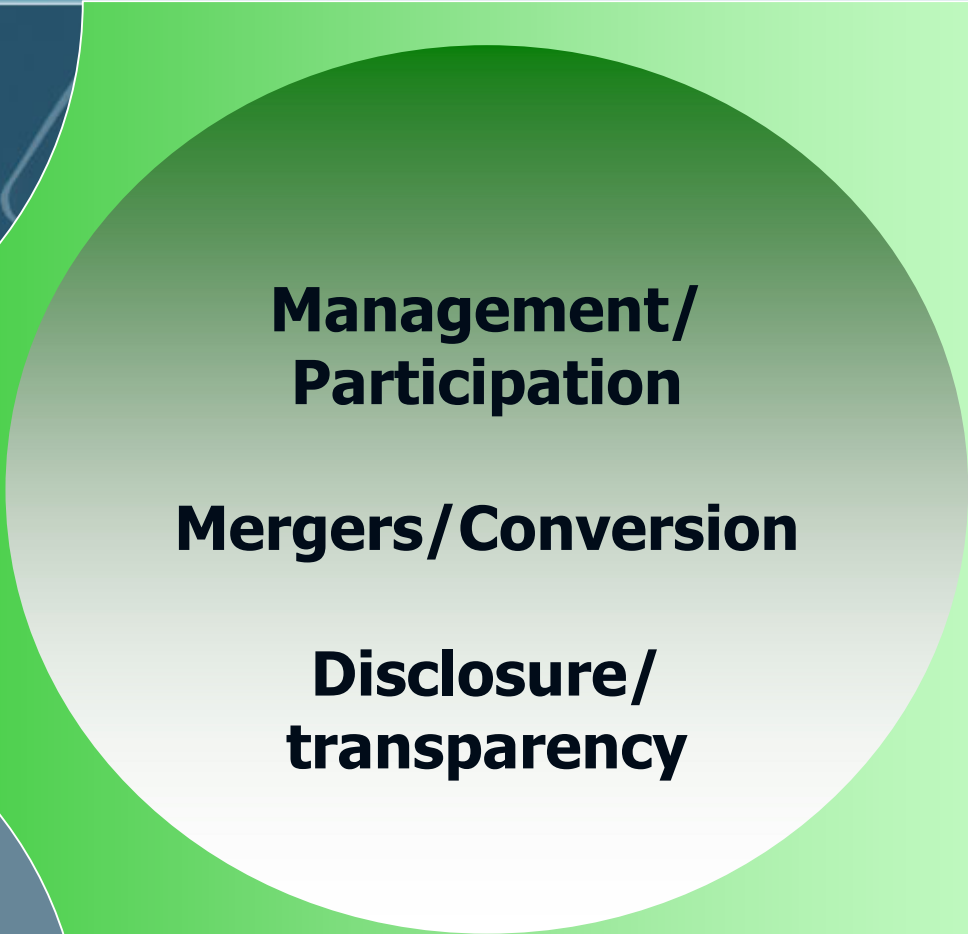
Popularity of the LLP (UK)





Company Law: Internal Governance Structure

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Rationale

- Innovation : by entrepreneurs
- Start off with NLCs
- Need to attract financial resources
 - Capital
 - Loans
- Requires trust of providers
- Need for transparency /disclosure of NLCs very relevant (already well documented for LCs)



What info ?

- Financial info

- Standardisation IFRS

Consequence : No difference NLC / LC over the longer term
(cf New markets)

- Non Financial info (Mainly CG : rights, obligations, votes)

- Heterogeneous

- Corporate >< Partnership types

Consequence ?



Pros of disclosure

- Indispensable for managing and true accountability
- Where managers and boards have to explain, justify and convince : they think proposals through and assess risks better
- Info breeds improved strategy, decision making, operations, profitability
- Communications breed trust, reduce tensions
- Transparency breeds LT stability



Cons of disclosure

- Cost of producing, auditing, disseminating info
 - fact of life
 - distinguish between investment (set-up, skills) and running costs
 - (e- and web technology)
- Cost of leaks (in terms of competitiveness) : problem of sensitive information same in LCs, but perhaps less fragile than young & small. (cf reaction to disclosure of turnover)
- Cost in terms of loss of privacy.
True. More sensitive in FOCs

Conclusion

- Disclosure and transparency are important for NLCs
- Areas exist where cons must be taken into account
- Creative solutions can be brought to specific problems e.g. discretion/privacy : shh “trustees” (cf audit committees in some countries).



Thank you!