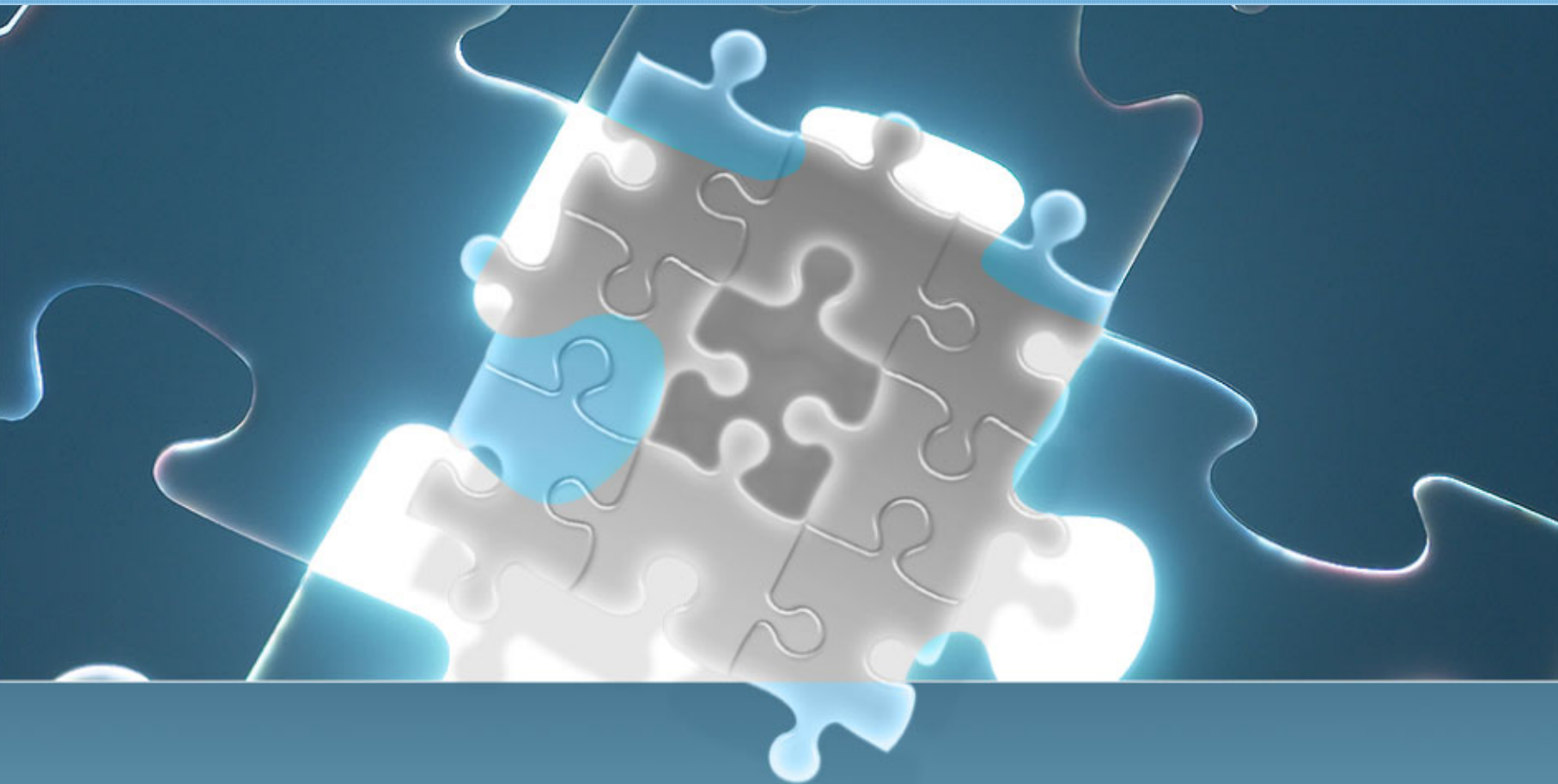


**Professor Leo Goldschmidt and Prof. Dr. Erik P.M. Vermeulen**



**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



Human Capital

The diagram features a large green circle with a white center. Inside the white center, the text 'Human Capital' is positioned at the top, and 'Equity Finance' is at the bottom. A black arrow points vertically downwards from 'Human Capital' to 'Equity Finance'. The green circle is set against a light green background.

Equity Finance



# Internal Governance Structure: Management & Ownership Structures

Limited Liability  
Partnership

Limited Liability  
Company

(Close) Corporation

Limited  
Partnership

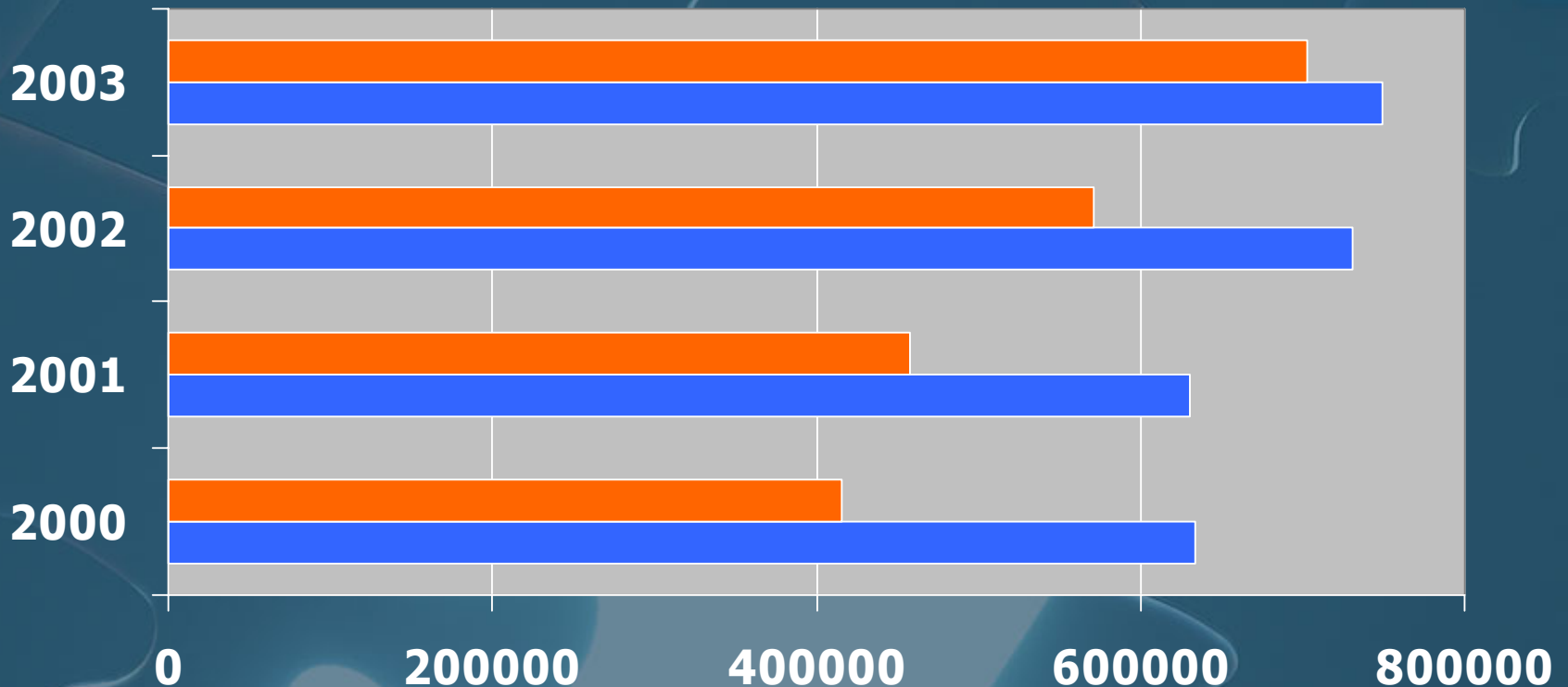
Decentralized  
Management



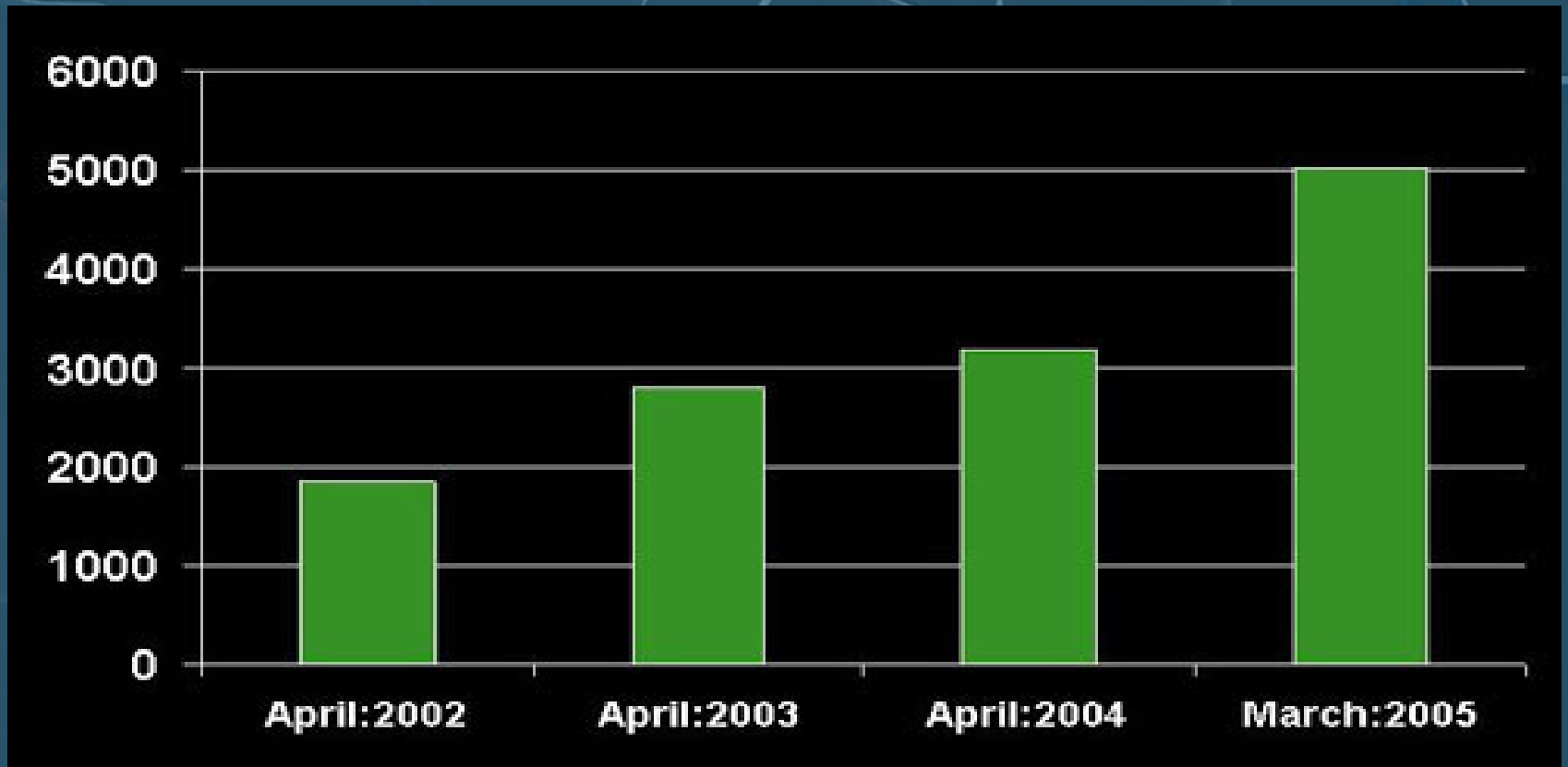
Centralized  
Management

# The Rise of the Hybrids: The Case of the US

■ Corporation ■ LLC



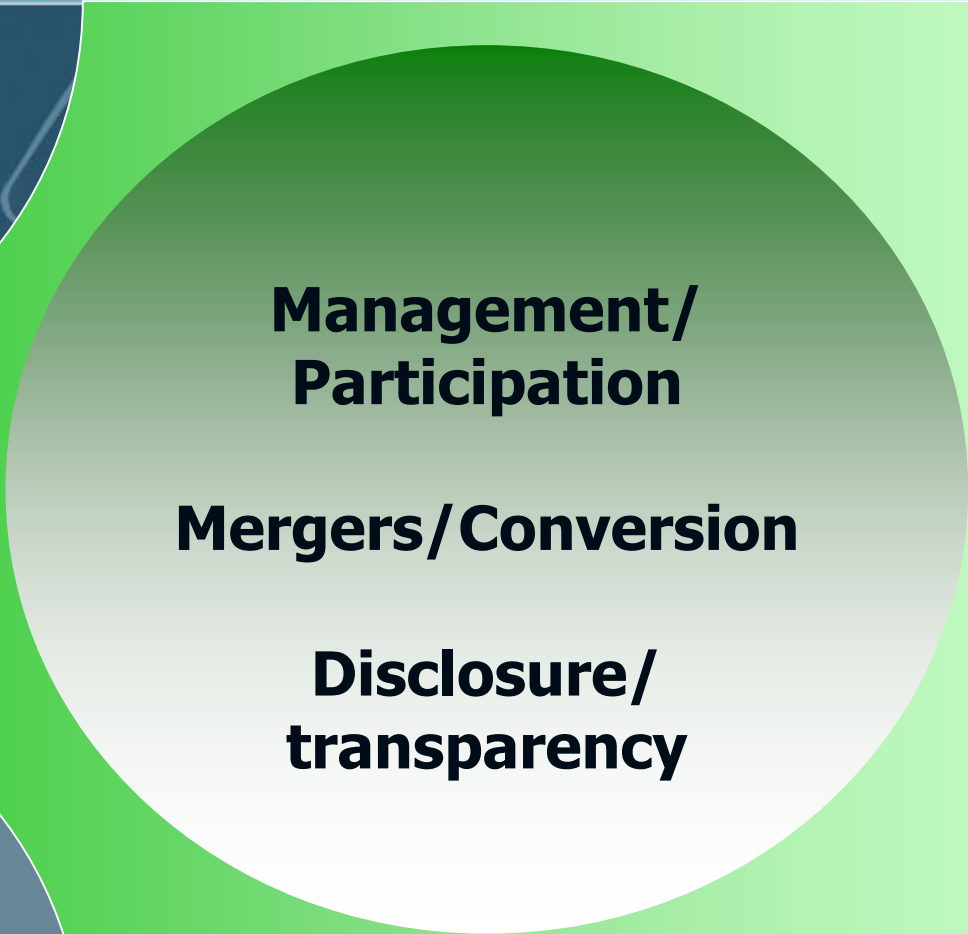
# Popularity of the LLP (UK)





# Company Law: Internal Governance Structure

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





# 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!**