How to find the right solution for your organisation

A buyer's guide to entity management software

Diligent

Executive Summary

According to Harvard Business Review[1] the average number of individuals involved in B2B solution purchases has increased to 6.8 people. Typically, these stakeholders are spread across various roles, functions and geographies, so their varying priorities make it difficult for buying groups to agree to anything other than "move cautiously," "avoid risk" and "save money."

When it comes to investing in a software solution to store the lifeblood of your organisation's corporate record, the stakes rise even higher. Utilising an appropriate evaluation framework that enables your organisation to invest with confidence becomes key.

As a leading vendor in the corporate governance space, Diligent possess critical insight into what constitutes a robust entity management evaluation framework. This guide sets out to empower you and align the needs of your various departmental stakeholders with the most appropriate vendor. Diligent Entities has been providing corporate governance solutions for over 30 years in more than 140 countries with highly respected customers within the Fortune 100, the FTSE 100 and the ASX 50.
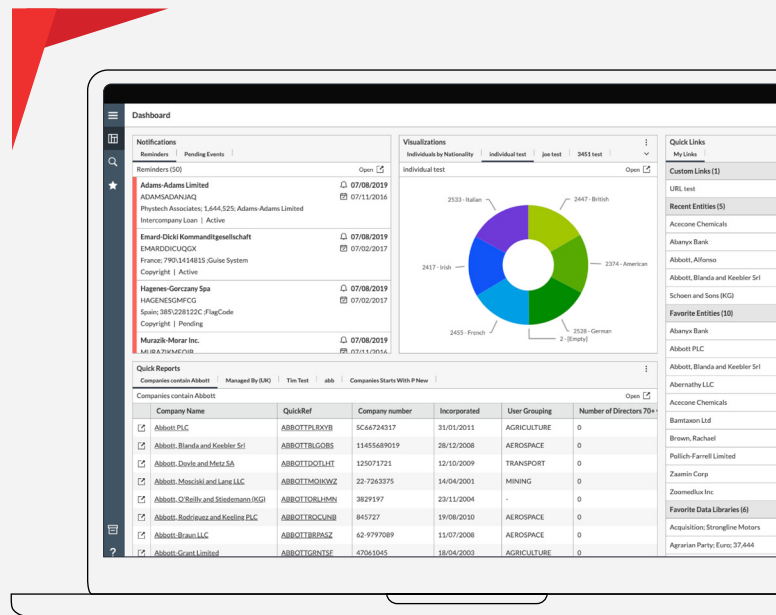
Why Use Entity Management Software?

Streamlining Subsidiary Management

To effectively identify and prevent legal and compliance risks, organisations need to focus on standardising existing manual processes and investing in software to increase the automation of everyday tasks. Entity management software, designed to streamline and automate the process of managing business entities and their regulatory and compliance needs, allows legal specialists to focus more proactively on strategic initiatives instead of manual reconciliation of data.

Based on research conducted by CEB, the General Counsel, now viewed as the Chief Assurance Officer, is primarily responsible for supporting the board of directors and overseeing the company's compliance programs. This is further evidenced by Thomson Reuters' "Cost of Compliance" report, which identified that 62% of surveyed respondents expected their compliance budget to increase in 2022.[2]

As organisations continue to focus on how to effectively grow their business globally, many organisations are increasing growth through M&A, adding subsidiaries, new products and services, or venturing into new markets. To properly support these high-growth initiatives, organisations require a robust corporate governance platform to make sure this growth is coupled with good governance practices. Effective corporate governance means having specific rules, controls, policies and
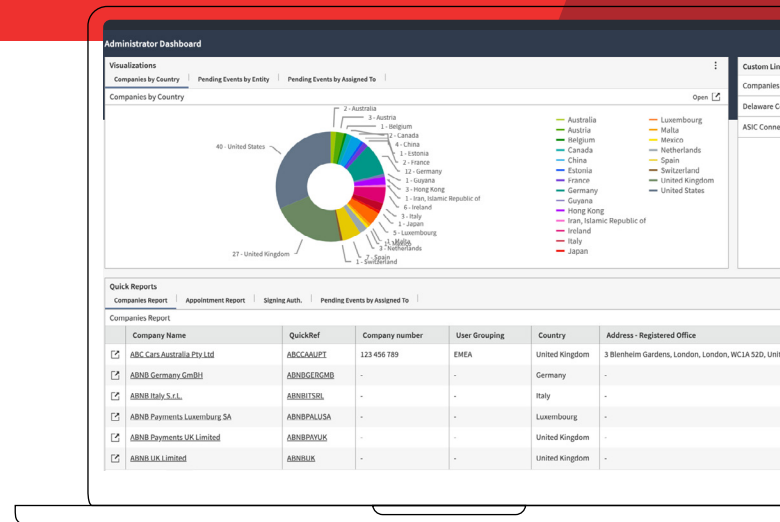
resolutions in place to dictate corporate behaviour; good governance is nothing more than using the right information and controls to effectively direct an organisation and to make decisions.

When your business is in the market for entity management software, it is important to recognise that certain features and functionality have greater influence on an organisation's success with entity management. Not all entity management software is created equally, so it's important to familiarise yourself with the top characteristics that should be considered when deciding on a vendor. Our team has divided these key characteristics into five essential elements, so that you can more easily align needs to organisational benefits.

3 ways entity management software is designed to help get the right information to the right person at the right time:

1. Increases efficiencies

Enabling multiple departments to gain real-time access to a single source of entity and subsidiary-related information in a secure manner reduces time spent tracking and reconciling information. This frees up time for teams to focus on more strategic initiatives for greater impact down the line.

2. Ensures compliance

Consolidating your corporate record will help facilitate data cleanliness and centralise visibility of regulatory obligations. Greater clarity on compliance requirements will help structure strategic action towards greater compliance. According to Deloitte, investment in the governance and compliance function—and software that helps support its operational efficiency and maturity—is associated with increased profit, in addition to lowered danger of organisational and reputational risk.[3]

3. Mitigates risk

Standardising and automating entity management processes reduces the overall complexity inherent in managing large amounts of legal entity information. With robust structure, entity management platforms help CoSecs and Paralegals find answers to questions faster with more accurate and up-to-date data. With the right information at their fingertips, stakeholders can more accurately assess risk and make better business decisions.

5 Essential Entity Management Software Elements

1   **Jobs to be done —** Identify what success looks like, how it should be measured and the steps to analyse it. Understand what functionalities you need in the program to achieve your business goals.

2   **Flexibility and scalability —** Regardless of your organisation's size, entity management software must be able to fulfil your short and long-term goals. The chosen vendor must provide configurations relevant to your industry and organisation size to be able to provide strategic growth and help reach your unique goals.

3   **The beneficiaries —** How entity management software will be used and who the key stakeholders are depend on factors such as the maturity, hierarchy, size, and type of the organisation. A software solution must have functionality tailored to the needs of many roles for it to meet the varying needs of firms and their entities worldwide.

4   **Importance of vendor vision, expertise, and reputation —** A lot more goes into vendor evaluation than just the current software interface. Whilst organisations will weigh each of these factors differently, key vendor attributes are their:

→   **Vision —** The extent to which the vendor sees entity management and related tools heading in the future and the ability to plan and execute on steps towards that future state.

→   **Expertise —** Does the vendor employ experts in both software and corporate governance? You can often tell by engaging with the vendor on how well their teams understand problems general counsels, company secretaries, board members and executive leadership face, and their ability to construct robust solutions.

→   **Reputation —** According to a Catalyst Investors study, 62% of legal individuals indicated that "peer recommendations" was amongst the top 5 reasons for making a technology purchase.[4] Buyers should seek information on a vendor's reputation from third-party publications, analysts, and peers prior to making a technology investment.

5   **Security —** None of these other factors matter much if the solution does not have a high baseline of security to protect the information you plan to store on their platform. A preferred vendor should engage third-party professionals to perform rigorous security tests against their networks and provide these results to customers upon request.

Jobs to Be Done

Minimum Functionality of an Entity Management Solution

Organisations invest in software to accomplish three things: make money, save money or reduce risk. An entity management solution should effectively help organisations do all three. This agile software primarily helps organisations save money and reduce risk by increasing efficiency with standardisation and automation of manual processes.

Greater transparency into all entities and their performance will provide a clearer picture of how to increase monetary gains. To effectively understand the extent of an organisation's efficiency gains, one must first understand the jobs that must be accomplished to achieve the bare minimum standards for proper entity management.

These can be broken down into the following:

- View all significant individuals related to a specific entity (e.g., appointments, shareholders)

- Set granular permissions to ensure people have the right level of information access

- Review which people within the organisation have the authority to perform key actions (e.g., power of attorney)

- View the most important information about an entity in one place

- Access information quickly and identify actions that are used frequently

- Use the correct terminology to label information for each jurisdiction

- Respond to ad hoc requests for information quickly

- Allow multiple people to update information without compromising data integrity

- Stay compliant whilst new regulations are introduced or existing ones are updated (e.g., Privacy Acts, Corporations Acts)

- Alert and track which actions need to be performed on key dates

- Track the status of submissions made to external bodies

- Identify changes to entities as soon as they happen

- Update information when changes occur such as an entity's merger, divestiture, dissolution or a person's status

- File regulatory documents in relevant jurisdictions

- Onboard new colleagues from various functions to complete core tasks

- Manage signatures for approval

- Report accurately on group structure

- Verify the accuracy of information being held against external sources

- Keep entity information up to date

- Record precisely, with clear updates, how entities are related to each other

- View a clear history of all important events in an entity's lifecycle

- Secure the information being kept about entities and personnel

- Audit changes that are made against entities

Minimum corporate maintenance requirements for just one foreign subsidiary can take seven to 15 hours each year. Now, multiply this across a growing global organisation with myriad other governance, risk, and compliance issues to manage.

Think about all these subsidiaries operating in silos, with all of the collaboration and document exchange required to get everyone on the same page. Not to mention that despite rising regulatory requirements, legal and administrative staff, resources and budgets have all been consistently shrinking in many industries.

Effective governance and compliance suddenly becomes a drain on productivity and an area of risk in need of an immediate solution. With the introduction of an entity management software, one can accomplish all of these jobs more quickly and with fewer errors.

89%
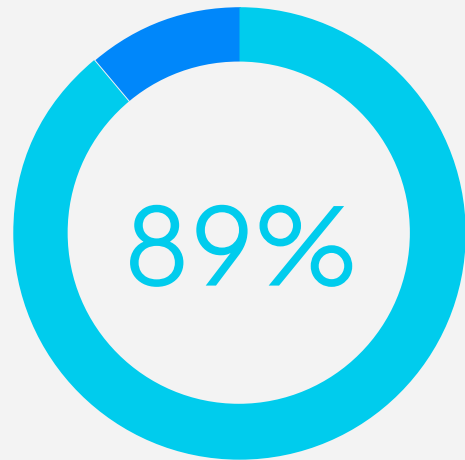
of companies report facing challenges in managing their legal entities.
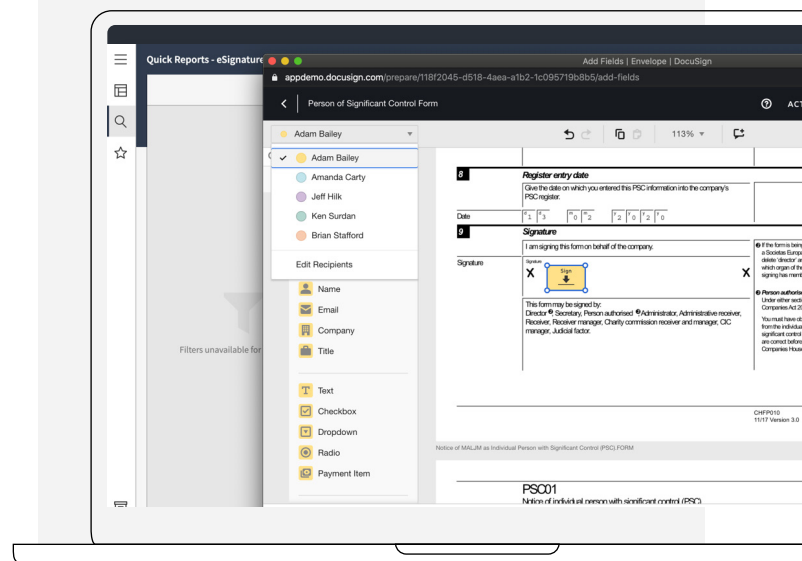
Flexibility and Scalability: Solving Organisational Challenges

Flexible Solutions That Grow With You

When evaluating entity management systems, scalability and adaptability are critical components. Flexibility and scalability offer multiple advantages, including the ability to:

- Scale the features and functionality of the software as your organisation grows and your needs increase

- Meet the demands of key stakeholders across different functions and global jurisdictions

- Adapt to the requirements of specific industries and sectors

Whilst your organisation stands at a specific juncture today, that posture isn't static. New regulations, competitive pressures, tax changes, M&A opportunities and expansion into new territories require proactive adjustments along the way to continue to meet evolving business objectives.

Getting a handle on your organisation's data and current structure are critical building blocks in successfully navigating growth. In fact, advanced data strategies are highly correlated with increased corporate revenue.

Growth is imperative—because if you are standing still, you're falling behind. That's why flexibility is a required feature in any entity management system. With scalability, the platform effectively grows with you as your organisation's needs evolve.

Companies with accelerated data strategies are twice as likely to report revenue growth in excess of 30%.[5]

> " Companies with advanced data strategies are not just surpassing others — they're exponentially better at achieving their top goal of more revenue."

John Hurley,
Senior Director of Product Marketing, Radius
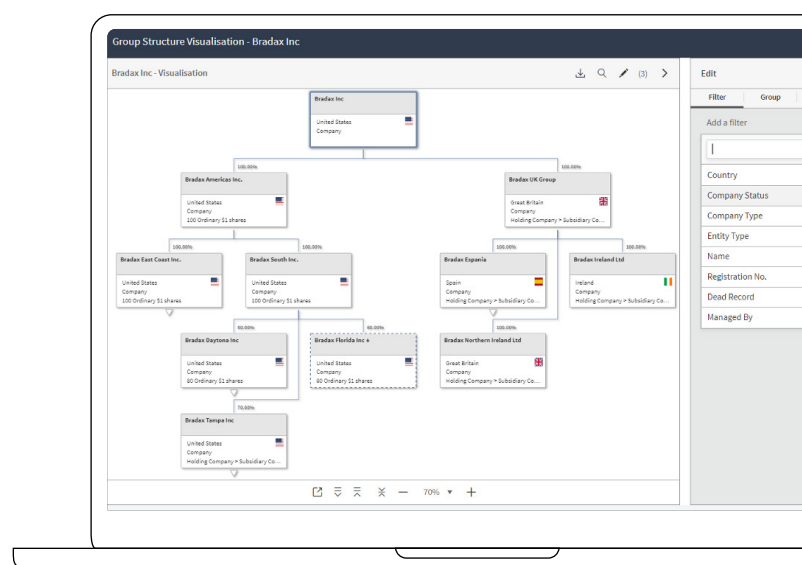
Who Benefits From Entity Management Software?

Defining Solution Usage by Role

A wide variety of stakeholders benefit from a robust, scalable entity management software platform.

Role	Advantages
Board of Directors	View compliance-related data to provide advice on how the organisation can achieve or maintain a healthy position
C-Suite Leaders	View compliance-related data and make sure the organisation is in a healthy position
General Counsel	Ensure the legal department is working with good quality data, is on top of tasks, and can adapt to changes in regulatory environment or new circumstances
Security	Ensure security around the data and documents that make up the corporate record
Financial Management	Leverage entity data to assist with tax reporting and financial modelling
Company Secretary	Keep companies up-to-date with requirements, ensuring they can respond to requests from other internal/external stakeholders
Outside Counsel	Easily access the information required to keep company up-to-date with local filing requirements
Paralegal	Find answers to entity-related questions from key stakeholders faster and with accurate and up-to-date data.
Head of Tax	Easily access tax ID and jurisdiction information to simplify tax clearances, ID changes and adjust to new regulations.

Importance of Vendor Vision, Expertise and Reputation

Align With a Vendor That Follows Through

Good governance isn't a luxury to aspire to - rather, it is a corporate imperative that must guide decision making. The opportunity cost of poor governance is high and continues to escalate.

Choosing to implement an entity management software platform is a transformative decision that will clear your organisation's path for strategic growth and good governance. It means you will entrust your data, governance, compliance and risk functions to
a partner vendor's software platform.

Every vendor you talk to will tout the advantages of their long list of features and benefits. However, it is important to scrutinise and assure that what the vendor offers properly aligns with your specific business goals in conjunction with improving efficiency, ensuring compliance and mitigating risk. There are, however, some attributes that set top entity management software vendors apart from the pack.

The ideal vendor will have:

- Decades of corporate governance product experience

- Best-in-class product features and functionality to achieve ongoing governance, risk and compliance excellence

- A strong vision for continuing to develop and improve the product, adapting it to new trends and technology

- Outstanding customer support

- Devotion to information security

- A reputation for having good governance itself

Often CAPEX budgets will come into play, and some buyers may want to go with the cheapest option. This can be a risky course of action. Given the often laborious process of migrating entity data to a new platform, organisations tend to stay with the vendor they've selected for a long time. Investing in a vendor based on the upfront cost can lead to greater expense in the long run from missed efficiencies,
lack of customer or product support or abundant service costs.

When evaluating vendor reputation, some key actions listed below will help determine if a vendor is future-proof:

- Examine each organisation's history in the space

- Consider the total number of customers each vendor has, along with how their existing customers match up with your organisation's size, revenue and industry

- Assess each vendor's appetite for innovation by evaluating their investment in R&D, security and M&A

- Consider the revenues of each company to evaluate their financial standing

- Examine whether the vendor's focus is being a software-driven organisation or a services-driven organisation

Consider a vendor's third-party recognition by organisations like Forrester and Gartner, along with the opinions of peers and the Big Four professional services networks: Deloitte, KPMG, PwC and Ernst & Young.

Security: Protecting Your Organisation

Don't Let Security Be An Afterthought

In a time where hacks and data breaches are increasing, security must remain a key factor in your purchase of entity management software. Transparency is a major factor surrounding security. All too often, it is easy for vendors to either brush off security questions or assure prospects that all is well.

The best potential partners will walk you through what you need to know about security on a particular platform and ensure that you understand the exact parameters of security associated with that software. Anything else is negligence. In the buying process, it is important to work in tandem with your organisation's security team to understand the minimum standards needed for any software investment.

Instead of checking the security box toward the end of the buying process, bring up security earlier in the conversation. Educate yourself about appropriate security measures and what they mean and create a baseline for what you will accept in terms of vendor security. You want to look for a vendor that has worldclass security and that hosts their own equipment. Things that you should look for include a self-hosted data centre, protected by industry-leading ISO 27001:2013 certification and has a SOC 1 type 2/ISAE 3402 audit report. Any entity management vendor should be able to clarify this information to assure you that your data is safe. Additionally, you should look for the highest-level hard drive encryption possible and make sure that any data that is in transit is protected via HTTPS connections.

2022 Cost of a Data Breach Report[6]

277 days
Average time to detect a security breach

6.48M AUD
Global average cost of a data breach

4.34M AUD
Average total cost of security breach in Australia

4.28M AUD
AUD Average total cost of security breach in ASEAN

83%
Number of organisations that have experienced more than one breach

60%
Number of organisations that have increased service or product prices because of a data breach

Investing in the Future of Your Organisation

The Diligent Entities Difference

We believe there are three key differentiators that set Diligent Entities apart from others:

Expertise

Diligent Entities was developed by company secretaries for company secretaries. We have provided governance solutions for over 30 years in more than 140 countries, with highly respected clients within the Fortune 100, the FTSE 100 and the ASX 50. Diligent Entities is part of the Diligent Governance Cloud and is core to the long-term success of Diligent Corporation, with R&D investments that eclipse those of our closest competitors within the industry.

Flexibility

Whether you're a highly regulated multinational corporation with thousands of entities or a fast-growing mid-market company, the Diligent Entities platform can fulfil the short and long-term needs of your organisation's legal and compliance functions. Diligent Entities offers an impressive growth platform with a wide range of configurations, including industry-specific customisation to create a unique instance that drives process efficiency, ensures compliance and decreases risk across your unique organisation.
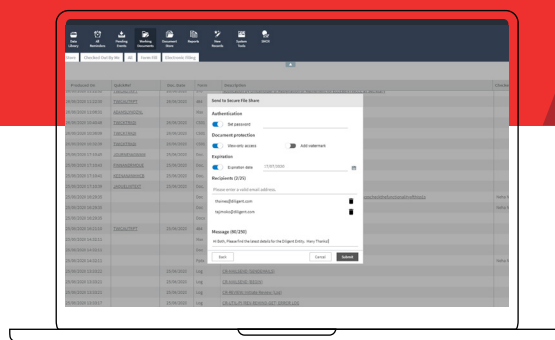
Vision

At Diligent Entities, our mission is to help legal and compliance teams achieve new levels of performance by putting the right information, operations and insights at their fingertips. Diligent is the global leader in modern governance, providing SaaS solutions across governance, risk, compliance, audit and ESG. Diligent invests in innovative solutions for customers inside and outside the boardroom. To achieve this long-term vision, Diligent and Diligent Entities have ramped up their spend in R&D to meet the evolving needs of the legal, governance and compliance functions. Diligent now spends more on R&D per year than the annual revenue of nearly any other player in the space.

Diligent

About Diligent

Diligent is the global leader in modern governance, providing SaaS solutions across governance, risk, compliance, audit and ESG. Empowering more than 1 million users and 700,000 board members with a holistic view of their organisation's GRC practices so they can make better decisions, faster. No matter the challenge. At Diligent, you are an agent of positive change. You are joining a team of passionate, smart, creative people who not only want to help build the software company of the future, but who want to make the world a more sustainable, equitable and better place. Be a part of a global community on a mission to make a real impact.

For more information or to request a demo, contact us today:

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1   "Why your data strategy is your B2B growth strategy," Harvard Business Review Analytical Services Pulse Survey, 2018, https://radius.com/landing/harvard-business-review-growth-strategy-report/
2   "Cost of Compliance 2020," Thomson Reuters, 2020, http://financial-risk-solutions.thomsonreuters.info/Cost-of-Compliance-2020
3   "The compliance function powers performance," Deloitte, 2018, https://www2.deloitte.com/us/en/pages/financial-services/articles/compliance-to-power-performance.html
4   "Legal Tech Market Report," Catalyst Investors, 2017, https://catalyst.com/research_item/legal-tech-market-overview/
5   "Why your data strategy is your B2B growth strategy," Harvard Business Review Analytical Services Pulse Survey, 2018, https://radius.com/landing/harvard-business-review-growth-strategy-report/
6   0.67 RBA rate of FX conversion.