



Engaging Technology for Data-Driven Excellence

Building an effective data management and analysis system

Major New U.S. Tax Law Provisions

A data tsunami is inundating corporate America, with effective data management, integrity, governance and analysis as the casualties. In a fast-moving regulatory, governance and economic environment, data is the currency organizations must employ to remain compliant and competitive.

There's little room for error. Inaccurate data translates into faulty GDPR, FATCA and tax data. Missing data equals misleading data analytics and poor business decisions. Missing data forces extensive hunts for the right data, consuming staff energy. Duplicative data leads to time wasted reconciling and checking data accuracy. Insecure data causes reputation-damaging and expensive data breaches. Sloppy data creates a lack of trust in corporate data, undermining your organization at its foundation.

That's the reality for the vast majority of corporations. A lack of investment in a framework that leads to data-driven excellence brought you to where you are today—awash in data that you have little control over and, therefore, can't mine for the essential business insights you require, let alone deploy appropriately for regulatory compliance purposes.

“80% of analysts’ time is spent simply discovering and preparing data.”ⁱ

– Harvard Business School

Contrast that with the ideal technology-enabled data environment, where data is appropriately harvested, governed, stored and secured. From that basis, customizable data is easily analyzed and shared for business intelligence, regulatory compliance and organizational purposes. Taking it a step further, a platform that allows non-experts to log in and immediately see the most recent, relevant data and reports ensures that nothing slips through the cracks. Through its robust Data Library functionality, Diligent Entities allows administrators to tailor windows or portals to pre-set filters so that any authorized user can quickly access appropriate data and reports.

Organizations can solve for that gap with the appropriate technology solution once they understand the breadth of the problem and how data, data management and data analysis connect to create a coherent data strategy.

Defining Data

Organizations possess data in many forms. The evolution of technology and the rise of artificial intelligence mean that more value can be extracted from data than ever before. As organizations collect more data, they position themselves to improve their products and services as well as make smarter, better business decisions.

In fact, The Economist magazine calls data “the new oil.”ⁱⁱ Data has morphed from an organizational by-product to an integral product and service for most organizations. Without data and the technology that enables its use, corporate activity would grind to a halt.



Organizational data can be divided into two distinct types:

- **Structured data** is organized into clearly defined types in a database for fast, easy searching and mining. Structured data includes accounting and financial information in accounting and financial applications, personnel information in databases and customer information in enterprise resource management applications.
- **Unstructured data**, on the other hand, is unorganized and difficult to search and mine. Examples of unstructured data include emails, word processing files, social media posts, PDFs, spreadsheets and images.

The amount of unstructured data dwarfs that of structured data. Conventional wisdom suggests that 80 percent of all data is unstructured; however, the explosion of data in the 21st century translates into a 90 percent to 10 percent ratio between unstructured and structured data.

Diligent Entities contributes to the ability of an organization to quickly and easily accumulate well-structured data through logical sequencing of data as it relates to the “owner” of the data. That owner may be a specific company or subsidiary, an individual with a specific job function or some other designation. Within Data Libraries, organizations can demonstrate the relationship between multiple companies or persons and companies—such as signers—as well as the relationship between internal entities and outside entities, such as outside counsel.

10x: Estimated yearly growth of data between 2016 and 2026ⁱⁱⁱ

The flood of data your organization deals with is accelerating, not abating. With that flood comes the need to ensure the accuracy, integrity and governance of that data. In other words, your organization must control the data generated; otherwise, it will continue to control you.

Controlling data is a fairly straightforward process that involves:

- **Data accuracy:** The processes an organization undertakes to ensure the data in its possession is accurate. Also known as data cleanliness.
- **Data integrity:** The accuracy, validity and consistency of data.
- **Data governance:** The system or framework established for managing data assets.

Ideally, your organization should have a Chief Data Officer (CDO), whose job it is to protect and leverage organizational data. That executive's responsibility is to set up and maintain an organization's information asset framework. However, even organizations with established CDOs find it increasingly challenging to manage data in an agile way.

The consequences of the gap between the ideal and the reality are troubling. Without control over and visibility around data, organizations can't productively analyze data, comply with regulations or engage in effective business decision-making. Continuing the data paralysis status quo risks losing competitive advantage, organizational agility, revenue and earnings, and restructuring opportunities.

Managing Data

Efficient and effective data management allows an organization to avoid data hell, or at least data purgatory. Data must be managed toward a specific end goal. Understanding the types of data being collected, and what the organization wants to achieve from using that data, is a critical step in the data management process that can't be omitted.

For most organizations, data management fulfills two related organizational priorities: gleaning business insights and ensuring the smooth flow of data for daily business functions. These functions are wide ranging, including everything from fulfilling customer orders, filing taxes, making payroll, meeting regulatory requirements to balancing accounting books.

Managing data in an organizational vacuum is better than not managing data at all. However, creating a management process and a framework with end goals in mind is much more effective. Unfortunately, many organizations operate from haphazard legacy systems designed years—if not decades—ago.

Diligent Entities' Professional Package helps organizations that need to build clean data and clean data systems from the ground up. The solution assists with initial data entry, review of existing data and potential data feed to other golden sources.

*74% surveyed report complex data
landscape limits flexibility^{iv}*

With that in mind, the data management process is designed to bring order from just that type of chaos. Data management encompasses an administrative framework that creates institutional processes and policies around acquiring, validating, storing, protecting and processing data. The goal of data management frameworks involves ensuring that appropriate stakeholders can access correct, reliable data in a timely fashion.

Moving toward the ideal data management system doesn't happen overnight. Transitioning from the current state to the end goal requires time, effort, funding and the appropriate technology. Wherever your organization is on the data management curve, you must understand the exact state of your current systems and processes before you decide how to move toward your data management ideal.

Play Data Management Offense and Defense

Organizational data management challenges can be defined as balancing data defense with data offense, according to "What's Your Data Strategy," published in the Harvard Business Review^v.

When examined through this lens, this strategy frames defensive data management as the practice of minimizing downside risk, including complying with regulations and limiting fraud. Offensive data management directly supports business goals through improved intelligence and better decision-making.

Instead of engaging in a turf war over resources to fulfill each purpose—defense and offense—balancing those obligations is optimal. Understanding that data control and standardization works best in the defensive areas, while using data in an adaptable, flexible and transformational way is likely to be the best decision for any organization.

Analyzing Data

If anything in business can be called trendy, that's data analysis. The term is thrown around so often, it's virtually meaningless. Data analysis encompasses the processes involved in breaking data down, comparing and contrasting data, and manipulating data in various ways in order to see patterns, find trends and observe relationships.

At its best, data analysis uses data visualization to simplify the message conveyed by the data so that stakeholders such as managers, executives and board members can quickly grasp the take-aways and make better decisions. Data analysis is a top-of-the-funnel function—all of the appropriate data integrity, governance and management processes must be in place to ensure that what's being analyzed is what is intended.

Administrators who work with Diligent Entities can build their own tables of well-structured data to meet internal and external regulatory obligations. The platform accommodates a limitless amount of data. In addition, each set of data can be fine-tuned to solve specific organizational challenges.

The saying goes: “Garbage in, garbage out.” Without clean data that is properly stored, has an appropriate chain of custody, is clean and is subject to appropriate governance standards, ongoing compliance, actionable take-aways and intelligent decisions aren’t possible.

60% of organizations aren't confident about their data and analytics insights^{vi}

When stakeholders don't trust corporate data, there is no foundation from which to build confidence in the decisions derived from that data. Managers may go rogue, maintaining their

own spreadsheets and data sources outside of IT, undermining organizational commitment to a transparent, single source of data truth that is so critical to creating and maintaining a legitimate data strategy.

In an era in which change is happening at the speed of light, establishing this transparent source of data truth is a business imperative, not a luxury. To keep up with external and internal events and plan strategically, executives must be able to leverage data analytics for insights that drive positive change.

Using data analytics and visualizations to reveal ways that business strategies and structures can be altered allows for effective, timely and efficient decision-making. Decision-makers can analyze potential scenarios and the impact of external changes, such as new regulations, before making final determinations.

The Impact of Data Analysis

As organizations gain sophistication in data analysis, they are leveraging their data to make better decisions in virtually all functions. Data and analytics decision-makers use data in the following ways.

| Business Area | % of Decision-Makers who view analytics as integral to decision-making |
|---------------------------------------------------------|------------------------------------------------------------------------|
| To monitor business performance via financial reporting | 71% |
| To spot fraud | 70% |
| To drive strategy and change | 70% |
| To understand how products are used | 70% |
| To comply with regulatory requirements | 70% |
| To boost the ROI of our training spending | 69% |
| To understand our existing customers | 69% |
| To drive process and cost-efficiency | 68% |
| To monitor market changes/threats | 68% |
| To identify and manage other business risks | 67% |
| To develop new products and services | 67% |
| To support HR and workforce planning | 67% |
| To monitor brand sentiment via social media | 67% |
| To find new customers | 66% |
| To aid with maintenance and service of assets | 65% |
| To predict/manage skills shortages | 65% |
| To target marketing campaigns | 65% |

Source: KPMG; study conducted by Forrester Consulting ^{vii}

Creating a Data Strategy

Data strategy sits at the intersection of data control, management and analysis. Each step of the data control, management and analysis process builds upon the other. This is both a top-down and a bottom-up effort.

It's top-down in that the board of directors and the C-suite must overtly and vocally commit to establishing a framework for data strategy. That strategy must include repeatable processes and procedures so that employees, managers, executives and stakeholders know what their roles in the data strategy regime are. A plan must be created to build a workable framework that ensures appropriate data integrity, governance and security.

It's bottom-up because every scrap of data, every rogue spreadsheet, every far-flung entity must entrust their data to the appropriate custodians, who will ensure that it is clean, accurate and secure.

The consequences of painting outside the lines must be clearly articulated and enforced. That rogue spreadsheet could end up in the hands of hackers through a targeted phishing attack against the manager who maintains it. At that point, all the firewalls, security protocols and double-factor authentication procedures in the world won't matter. And if your data security protocols aren't up to standard, all bets are off as hackers gain in sophistication and resourcefulness.

Whatever strategy is adopted must be consistent, scalable and flexible. Consistent processes ensure that mistakes are less likely and keep everyone on the same page. A scalable framework translates to fast adaptability as entities, products, services and business lines are added. A flexible system allows for the most appropriate analysis and visualization of data, while ensuring that data is accurate and secure.

Diligent Entities users employ the Data Library's Data Life Cycle feature to meet this need. Specific features designed to maintain data integrity include:

- **Change Manager:** prevents bad data from entering the system
- **Review Manager:** initiates repeatable data review cycles
- **Data Exchange Manager:** acts interdependently with outside systems



Business Accounted for 90%+ of 2017 Data Breaches Don't Join the Identify Theft Resource Center Data Breach Report

| Category | # of breaches | % of breaches | # of records | % of records |
|-----------------------------|---------------|--------------------|--------------|--------------|
| Business | 680 | 50.8% | 159,365,480 | 91.4% |
| Government & Military | 70 | 5.2% | 5,838,098 | 3.3% |
| Medical & Healthcare | 374 | 27.9% | 5,141,972 | 2.9% |
| Banking, Credit & Financial | 99 | 7.4% | 2,910,117 | 1.7% |
| Educational | 116 | 8.7% | 1,146,861 | 0.7% |
| Total: | 1,339 | 174,402,528 | | |

Source: Identify Theft Resource Center ^{viii}

Solving the Data Problem with Technology

Technological innovation was designed to solve precisely these problems. With the right data security, management and storing solution, your organization can solve for these problems and more.

Perhaps you're already invested in a secure storage solution. Unfortunately, that doesn't completely take care of your problem. Your data may be secure, but it is not accessible, convenient or organized for the right personnel or purpose.

Imagine a solution that organizes your information in the form of a secure, comprehensive digital filing cabinet that expedites your compliance, legal and tax filings instead of impeding them. All tax returns, compliance filings, legal documents, statutory paperwork, financial information and intellectual property are stored in the appropriate category with all of the associated documents and information.

Within Diligent Entities' Data Library functionality, table- and field-level security ensure data stewardship so that users can only access appropriate and approved data and information, either as part of the user experience or through reporting.

Such a solution is customizable to your particular organization needs and scalable as you add products, services, entities and business lines. Users are authorized to access only the specific documents they need and can also search through those files to find exactly what they need. No more calling Pretoria to see if a paper copy of that contract is still in the back room filing cabinet or opening every virtual folder in search of a spreadsheet with a misleading name.

Existing files, data and information can easily roll over into a new calendar or fiscal year, automatically carrying desired content into the next year's record, including dates. Audit trails are automatically created within existing records that reveal the creator, editors and viewers.

Diligent Entities' Professional level suite includes Rollover functionality as part of existing data library records. This functionality assists data stewards with next cycle base-level data and repeatable date changes.

For organizations with complex structures, technology should easily enable the creation of data libraries attached to multiple entities. Slice and dice information into reports that capture any sub-set of information that you need. Organizations can't fully leverage their data without these types of critical functionality.

Any technology solution you choose to help manage your data must integrate with other business function platforms, such as your overall entity management application, to make integration

and transfer of information as easy and as seamless as possible. Simplify regulatory compliance with GDPR and the PSC Register through your data management technology, so that you are not duplicating solutions and reinventing the wheel, or spending money on a less-than-comprehensive application.

Gain Control Over Your Data

There's only so much you can do to control the external regulatory, economic and market environment. Taxes are down, while regulation is up. Go figure.

What you can do is get your data house in order. Not only do regulations such as GDPR make that an imperative, but opportunities such as the U.S. tax cut make it in your best interest to wrangle your data in order to gain applicable business insights. With the help of a customizable, adaptable and comprehensive data management and strategy solution, your organization can reach its full potential.

GDPR and Data Compliance

The European Union's General Data Protection Standards (GDPR) apply to any entity or organization that processes, collects, records or uses the personal data of EU residents. With an effective date of May 25 2018, organizations are scrambling to comply.

If you're not convinced that gaining better control over your data is a business imperative, GDPR should convince your organization to funnel resources into data management and strategy. That's because fines for failing to appropriately safeguard EU member personal data are stiff—4 percent of organizational annual revenue, or 20 million euros.

The principles behind GDPR are that companies should act responsibly and transparently when it comes to consumer information. These regulations require companies to minimize the amount of data they store for each intended purpose. Organizations are also responsible for:

- **Accurate data processing**
- **Data security**
- **Up-to-date data processing**
- **Data accountability**
- **Data confidentiality**
- **Data liability**

Even if you don't have a business presence in the EU, GDPR applies to your business if you possess or use the personal data of EU residents in any way. GDPR can be viewed as a compliance headache, or as a method to demonstrate organizational trustworthiness to your current and future customers.

The extensive Diligent Entities audit trail allows administrators to account for sensitive data by tracking every time such records are opened, edited, deleted or emailed.

About Diligent Entities

Diligent Entities is our web-based entity management, governance and compliance solution, allowing users to access and manage their corporate compliance data 24/7, anytime, anywhere. With thousands of Users worldwide, across every conceivable industry, our client-base features many of the largest companies in the world such as Microsoft, Exxon, Chevron, Disney, TimeWarner, General Motors, as well as large clients in Europe, Africa, the East, Far East and Australasia. We have dedicated sales and support offices in the UK (HQ), US (Stratford, CT), Australia (Sydney), the UAE (Dubai) and Hong Kong. We are also a multi-site Microsoft Gold Partner with both the ISV and Hosting competencies.

Our commitment to providing a suite of highly secure and integrated solutions is the reason why many FTSE100, FORTUNE 500, EURONEXT 100, ASX 200, government organizations and public bodies trust us to manage their corporate information to deliver good governance.

We have a 98% client retention rate, the highest client retention rate in our industry, achieved by providing superior customer service and support.

Notes

- i "What's Your Data Strategy?" by Leandro DalleMule and Thomas H. Davenport, Harvard Business Review, May-June 2017, <https://hbr.org/2017/05/whats-your-data-strategy>
- ii "The World's Most Valuable Resource is no Longer Oil, but Data," The Economist, May 6, 2017, https://www.economist.com/news/leaders/21721656-data-economy-demands-new-approach-antitrust-rules-worlds-most-valuable-resource?utm_campaign=Data%2BElixir&utm_medium=email&utm_source=Data_Elixir_130
- iii "Data Age 2025: The Evolution of Data to Life-Critical," April 2017, IDC, <https://www.seagate.com/files/www-content/our-story/trends/files/Seagate-WP-DataAge2025-March-2017.pdf>
- iv "Data 2020: State of Big Data Study," SAP, Sept. 25, 2017, <https://news.sap.com/sap-study-reveals-key-data-challenges-and-opportunities-in-enterprise-data-landscapes/>
- v "What's Your Data Strategy?" by Leandro DalleMule and Thomas H. Davenport, Harvard Business Review, May-June 2017, <https://hbr.org/2017/05/whats-your-data-strategy>
- vi "Building trust in analytics: breaking the cycle of mistrust in D&A," KPMG, October 2016, <https://assets.kpmg.com/content/dam/kpmg/xx/pdf/2016/10/building-trust-in-analytics.pdf>
- vii "Building trust in analytics: breaking the cycle of mistrust in D&A," KPMG, October 2016, <https://assets.kpmg.com/content/dam/kpmg/xx/pdf/2016/10/building-trust-in-analytics.pdf>
- viii "Data Breach Reports," Identity Theft Resource Center, Dec. 27, 2017, http://www.idtheftcenter.org/images/breach/2017Breaches/DataBreachReport_2017.pdf



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

Tel: 1-866-877-5865

E-mail: entitiessales@diligent.com

Visit: diligent.com/entities