Diligent
Entities

Entity Management Software

2022 Buyer's Guide How to Find the
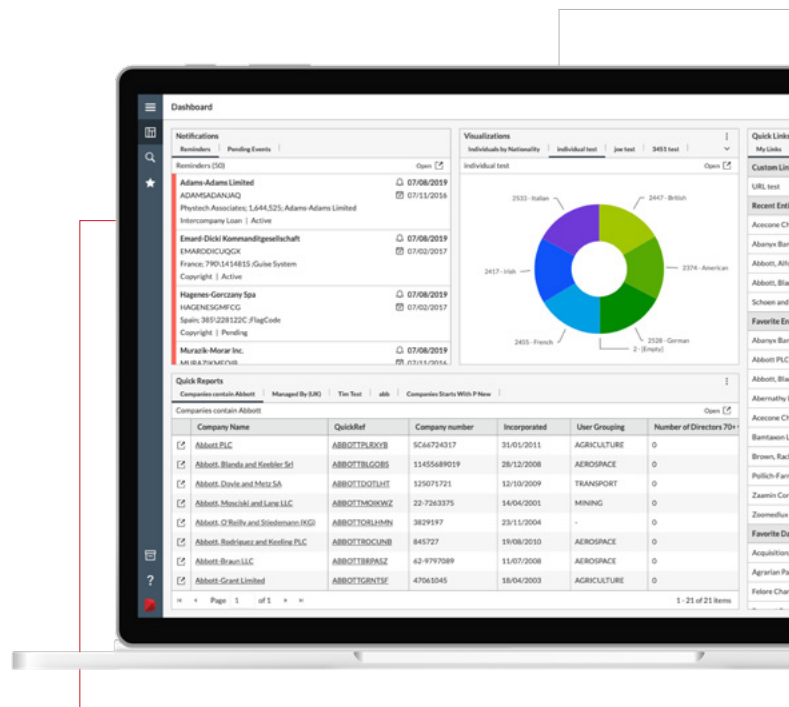Right Solution for Your Organization

Executive Summary

According to the Harvard Business Review[i] the number of individuals involved in B2B solutions purchases has increased to 6.8 people, on average. Typically these stakeholders come from various roles, functions and geographies, so their varying priorities make it difficult for buying groups to agree to anything more than such actions as "move cautiously," "avoid risk" and "save money." When it comes to investing in a software solution to store the lifeblood of your organization's corporate record, ultimately, the stakes rise even higher; therefore, utilizing the right evaluation framework allows you to invest with confidence. As a vendor in the corporate governance space, we recognized the need for an evaluation framework, so in the following guide, we've set out to empower you to align the needs of your legal department with the most appropriate vendor. As a leader in the space, 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.

Contents:

Why Use Entity Management Software?

Streamlining subsidiary management

In order to effectively identify and prevent legal and compliance risks, organizations need to focus on standardizing 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 pro-actively on strategic initiatives versus 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 2020" report, which states that 60% of firms are expecting an increase in their total compliance budget in 2020. Regulatory change was reported as the top compliance challenge.[II]

As organizations continue to focus on how to effectively grow their business globally, many organizations are increasing growth through M&A, adding subsidiaries, adding new products and services, or venturing into new markets. To properly support these high-growth initiatives, organizations 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 behavior; good governance is nothing more than using the right information and controls to effectively direct an organization and to make decisions.

3 ways entity management software is designed to help get the right information to the right person in the organization 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 centralize 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 top and bottom lines, in addition to lowered danger of organizational and reputational risk.[III]

3. **Mitigates Risk:** Standardizing 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.

When your business is in the market for entity management software, it is important to recognize that certain features and functionality have greater influence on an organization's success with entity management. Not all entity management software is created equally, so it's important to familiarize yourself with the top characteristics that should also be considered when deciding on a vendor. Our team has divided these key characteristics into five essential elements, so that one can more easily align their needs with organizational benefits.
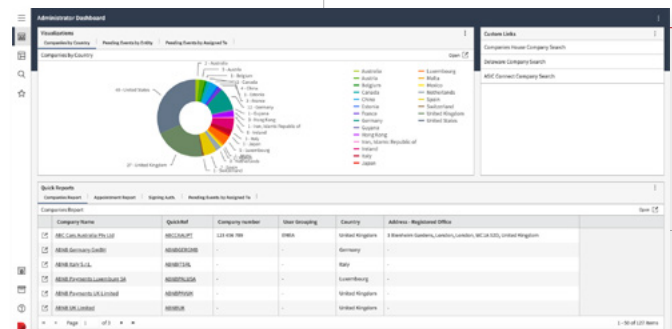
5 Essential Entity Management Software Elements

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

2. **Flexibility & Scalability** – Regardless of your organization's size, an entity management software must be able to fulfill short- and long-term goals. The chosen vendor must provide configurations relevant to your industry and organization size to be able to provide strategic growth and help reach your unique goals.

3. **Who benefits?** – Maturity, hierarchy, size, and type of an organization all factor into how entity management software will be used and who the key stakeholders are. A software solution must have functionality tailored to many roles needs for it to meet the varying needs of firms and their entities worldwide.

4. **Importance of vendor vision, expertise, and reputation** – Beyond the current software interface, a lot goes into the vendor choice. While organizations will weigh each of these factors differently, key vendor attributes are their:

    ⌗ **Vision** – the extent to where the vendors 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 how well their teams understand problems general counsels, corporate 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 among the top 5 reasons for making a technology purchase[IV]. 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 for the information you will 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 in an entity management solution

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

With greater transparency into all entities and their performance, there will be a clearer picture of how to increase monetary gains. To effectively understand the extent of an organization'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 organization 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 while new regulations are introduced or existing ones are updated (e.g., FATCA, SMCR)

- 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, or 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

Consider that the maintenance of the minimum corporate requirements for just one foreign subsidiary can take seven to 15 hours each year. Now, multiply this across a growing global organization 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. Finally, consider how a legal and administrative staff, resources and budgets have been shrinking consistently in many industries, despite rising regulatory requirements.

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 solution, one can accomplish all of these jobs more quickly and with fewer errors.

$140 billion

Amount of productivity US/UK organizations lose each year due to disconnected data
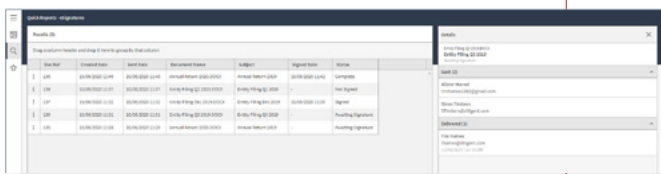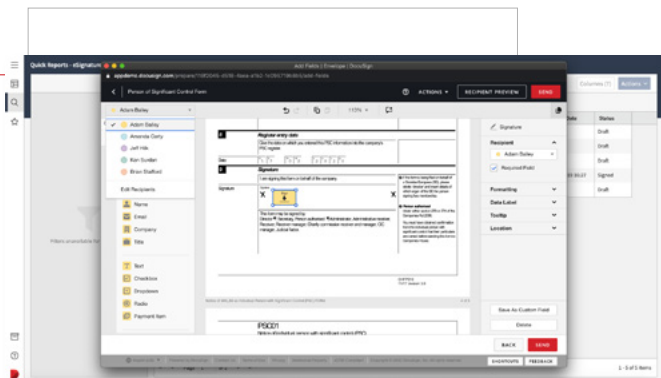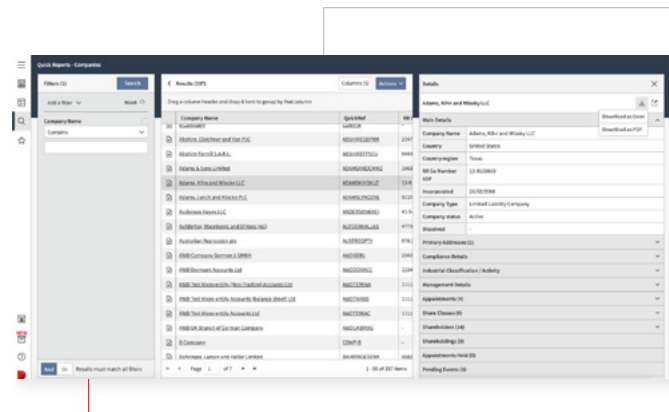
"Companies with accelerated data strategies are twice as likely to report revenue growth in excess of 30%." [v]

Flexibility and Scalibility:
Solving Organizational Challenges

Flexible solutions grow with you

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

Ħ   Scale the features and functionality of the software as your organization grows and your needs increase

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

Ħ   Adapt to the requirements of specific industries and sectors

While your organization stands at a specific juncture today, that posture isn't static. New regulations, competitive pressures, tax cuts, 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 organization'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 one ultimately selects. With scalability, the platform effectively grows with you as your organization's needs continue to evolve.

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

> "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**
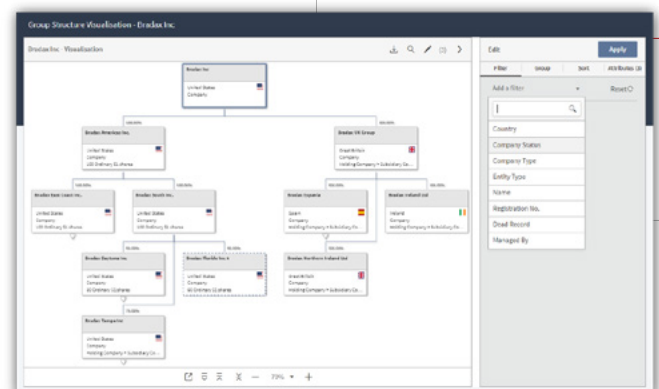
Who Benefits from Entity Management Software?

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 in order to provide advice on how the organization can achieve or maintain a healthy position
C-Suite Leaders	View compliance-related data and make sure the organization is in a healthy position
General Counsel	Ensure 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 modeling
Corporate 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 more accurate and up-to-date data.
Head of Tax	Easily access tax ID and jurisdiction information to simplify tax clearances, ID changes and adjusting 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 your decision-making. The opportunity cost of poor governance is high and continues to escalate.

Choosing to use an entity management software platform is a transformative decision that will clear your organization'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 scrutinize and assure what the vendor offers properly aligns with your specific business goals along 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 times budgets will come into play, and buyers will want to go with the cheapest option. This is a risky course of action. Given the often laborious process of migrating entity data to a new platform, organizations often stay with the vendor they've chosen for a long time. Investing in a vendor based on the upfront cost many times will lead to greater expenses in the long run from missed efficiencies, lack of customer or product support or abundant service costs.

When deciding based on vendor reputation, some key actions listed below will help evaluate if a vendor is future-proof:

⯳ Examine each organization's history in the space

⯳ Consider the total number of customers each vendor has, along with how their existing customers match up with your organization'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 in order to evaluate their financial standing

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

⯳ Consider a vendor's third-party recognition by organizations 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 Organization

Don't let security be an after thought

In a universe in which hacks and security 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 organization'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 world-class security and that hosts their own equipment. Things that you should look for include a self-hosted data center that is 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 for you 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.

2019 State of Security Breaches[vi]

279 days	**Average time to identify a security breach**
$3.92M	**Average total cost of a security breach globally**
$8.19M	**Average total cost of a security breach in the United States**
25,575 records	**Average size of a data breach**
$150	**The cost per lost record globally**
$242	**The cost per lost record in the United States**

Investing in the Future of Your Organization
The Diligent Entities Difference

At Diligent Entities, we believe there are three key differentiators that set us apart from our competition:

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. With Diligent, the leading solution for boards, and Diligent Entities, the leader in global entity management, unifying as one company, we'll be able to drive the Governance, Risk and Compliance industry forward with Governance Cloud and invest in innovative solutions for customers inside and outside the boardroom. In order 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, and we now spend more on R&D per year than the annual revenue of nearly any other player in the space.

Expertise

Diligent Entities was developed by Corporate Secretaries for Corporate Secretaries. We have been providing 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 a 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 fulfill the short- and long-term needs of your organization's legal and compliance functions. Diligent Entities offers an impressive growth platform with a wide range of configurations, in addition to the ability to more closely customize the platform according to the needs within your industry in order to create a unique instance that drives process efficiency, ensures compliance and decreases risk across your unique organization.
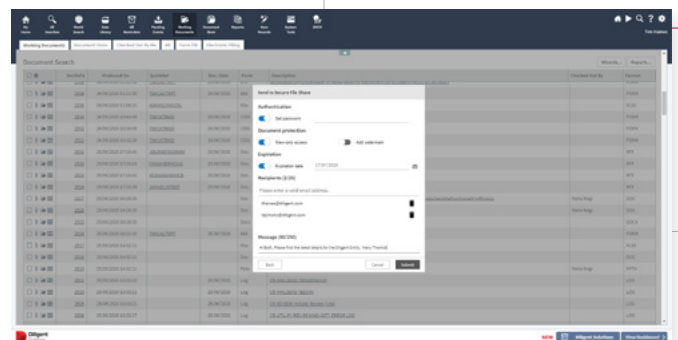
About Diligent Entities

About Diligent

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, Time Warner, General Motors, as well as large clients in North America, Europe, Australia, Africa, the Middle East, and Asia. have dedicated sales and support offices in the UK, US, and Australia. 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.

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[II] "Cost of Compliance 2020," Thomson Reuters, 2020, http://financial-risk-solutions.thomsonreuters.info/Cost-of-Compliance-2020

[II] "The compliance function powers performance," Deloitte, 2018, https://www2. deloitte.com/us/en/pages/financial-services/articles/compliance-to-power-performance.html

[IV] "Legal Tech Market Report," Catalyst Investors, 2017, https://catalyst.com/research_item/legal-tech-market-overview/

[V] "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/

[VI] "2019 Cost of a Data Breach Study: Global Overview," Ponemon, https://databreachcalculator.mybluemix.net/executive-summary