HOW COMPANIES CAN MASTER ENTITY MANAGEMENT

"With a single source of truth for your company's entity data, you can be sure that those who need access to entity data are doing so securely and with confidence that the information is current."

Entity-management that is up-to-date and accurate is not a "one size fits all" scenario. There are multiple factors that come into play. A few fundamental items that will help ensure soundness for your entity management are data integrity, organization, and a central repository for ease of use and accessibility.

Data integrity is paramount. Maintaining it may seem to be a simple and straightforward concept, but this endeavor becomes unwieldy and time consuming when you consider the volume and myriad types of entity data. Corporate Secretaries can be asked to manage over 100 unique data fields on a single entity. When updates are required, highly valuable employees become data inputters rather than being data managers.

Ongoing entity management is crucial. It allows companies to stay on top of the necessary tasks such as compliance deadlines, officer and director elections, ownership changes, and locating corporate records. In this paper we will discuss how companies can benefit from outsourcing the management of their entities.

WHAT DOES IT MEAN TO HAVE AN OUTSIDE COMPANY "MANAGE MY ENTITIES"

The events of 2020 have forced businesses to significantly change the way they operate. This has created new opportunities and sparked a reexamination of the business-as-usual mindset in almost every facet of work..

Technology has proven to be a lifeline for businesses transitioning from office-centric work to a new work-from-home culture. With numerous companies announcing permanent remote-working policies, the attention of both management and employees has shifted to prioritizing the most business-critical tasks, while eliminating, ignoring, or outsourcing low-value work.

HOW DOES A CORPORATE LEGAL DEPARTMENT BALANCE ALL OF THE VARIOUS DEMANDS AND OBLIGATIONS PLACED UPON THE LEGAL TEAM ON ANY GIVEN DAY, WEEK, OR MONTH?

Certain tasks will be better managed by outsourcing so employees can be deployed to handle business-critical assignments.

A prime example is entity management, which is typically defined as completing the tasks required to keep an entity compliant with the laws, regulations, and rules governing the entity based upon where it has registered to do business.

In addition, entity management includes tracking the material data associated with the entity and being able to distribute this data as needed.

WHAT ARE THE BENEFITS OF ENTITY MANAGEMENT? WHY IS IT IMPORTANT?

The concept of entity management may seem simple enough. So why would a company need to outsource this responsibility?

In today's world, companies are comprised of any number of subsidiary entities, which all need to be managed to ensure proper compliance and governance. Many of the tasks associated with governance and compliance are extremely mundane but absolutely necessary. Any failure to perform these functions can lead to penalties and disruption of the business.

Adding another layer of complexity, companies that form entities outside of their native country become subject to the regulations of that country, which imposes additional levels of compliance and governance on the parent company.

At some point in the lifecycle of every organization, the number of mundane but required tasks reach a level that warrants a reevaluation of how best to administer that work.

There are several service providers that have combined services and technology to assist organizations in managing entity compliance and governance. The most advanced service providers integrate years of industry experience with technology-backed solutions to address business challenges and to offer tailored solutions to meet the customer's unique needs.

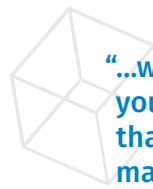## HOW WOULD AN OUTSIDE COMPANY MANAGING MY ENTITIES WORK IRL (IN REAL LIFE)?

The first step for a legal team considering outsourcing is to understand how they are currently completing the work, how much time it takes, what it costs to complete the work, and how removing that workload would create greater dividends for the employee and the organization.

Establishing a baseline of the cost and the possible benefits will help inform the decision to move forward versus keeping the status quo.

If you are unable to easily determine this information, we suggest that you seek out a service provider that will help you gather this data.

In terms of entity managed services, the typical areas of opportunity include the following:

> Implementing a central system of record (database) for all entity information

> Engaging a service provider to update the data in the system of record, both at the deployment of the database and as an on-going service

> Election of Officers, Directors, and Managers through an Annual General Meeting or through unanimous written consent

> Management of the organizational documents of the entities

> "…when the information is managed for you by a team of experts, you can be sure that your organizational charts are tracked, major compliance events and deadlines are calendared, and interdepartmental collaboration is done seamlessly."

> Creation and distribution of organizational charts

> Report creation and distribution

> Database security, including the issuance and discontinuance of user IDs for accessing the central system of record

> Document filing and document retrieval, both in the entity's country of formation and internationally

> Submission of country-level, province/state-level, and local-level filings required for the entity to do business in a particular jurisdiction.

WHAT TYPICAL BENEFITS SHOULD AN ORGANIZATION EXPECT IF THEY UTILIZE ENTITY MANAGED SERVICES?

When an organization is deciding whether to outsource the management of their entities, an important consideration is what functions and groups may be impacted.

Identifying which groups are consumers of entity data enables an organization to gauge the benefits of outsourcing this function. Documenting the specific needs of legal, tax, finance, the Corporate Secretary, and other groups allows an organization to determine where their current process is successful and where improvements would be helpful. This in turn creates the framework for what successful outsourcing entails.

Here are some examples of where companies have achieved greater efficiencies:

> Seamless integration of filings and transactions with a central system of record

> Additional bandwidth created by the inclusion of the Managed Service Team into entity workflow

> Shifting employees from data inputters to data managers

> Documenting of corporate actions and other entity-driven events

> Reduced time for updating data in your central system of record

> A central communication point to receive and document information from entities around the globe

> Easy and secure distribution of information to relevant teams within an organization

Again, identifying and outsourcing low-value, time-consuming database tasks provides your organization with the flexibility to deploy employees to handle high-value responsibilities, which are core to their specific business or team.

ENTITY MANAGEMENT IS EVERYONE'S RESPONSIBILITY. OR IS IT?

One of the major advantages to outsourcing the management of an organization's entities to an expert service provider is the continuity that service provider will provide.

Changes in personnel — whether employees are promoted to other positions within the organization or they leave the organization entirely — highlight the need for uninterrupted handling of entity matters. Having a service provider "own" the management and maintenance of your organization's data based upon your specifications provides a critical level of assurance that your data is being consistently updated.

This approach pays dividends in a variety of ways, including the ability to quickly determine what data exists for an entity, the capacity to train users to access the data easily, and the successful, long-term well-being of the database.

Lastly, from an executive management perspective, having a single company fully responsible for the upkeep and maintenance of entity data removes all doubt about where the buck stops when problems arise. No longer does an organization have to stress that entity management, data updating, and data input is "everyone's responsibility", which in many cases turns out to be no one's actual responsibility.

HOW DO YOU ENSURE THAT CLEAR AND COMPLETE ENTITY DATA IS BOTH ACCURATE AND UP TO DATE? WITH A SINGLE SOURCE OF TRUTH FOR ALL ENTITY DATA.

With a single source of truth for your company's entity data, you can be sure that those who need access to entity data are doing so securely and with confidence that the information is current. It also eliminates worries about version control.

Using a cloud-based platform allows users to access data from anywhere, at any time. This removes the burden of sifting through and responding to information requests, freeing legal teams to focus on more important matters.

Finally, when the information is managed for you by a team of experts, you can be sure that your organizational charts are tracked, major compliance events and deadlines are calendared, and interdepartmental collaboration is done seamlessly. You can also get assistance with management, document storage, and business licensing. You'll never miss another entity compliance event or deadline again.

Related content: Mastering entity data compliance [infographic]

LEARN MORE

The right comprehensive solution effectively and efficiently manages your data to save time and resources and increase ROI — giving you peace of mind so that your team can focus on what's most important.

To learn more about how CT can help you navigate your entity management needs, contact a CT Service Representative or call (844) 400-9804.