



# The State of Entity Management

Why Entity Management  
Software is a Must-Have in 2023



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INTRODUCTION:

# Entity Management Software



Entity Management Software now ranks amongst the most important technologies for legal departments, according to the Wolter Kluwer 2022 Future-Ready Lawyer reporting. Its increasing importance in modern law firms is likely, in large part, a response to the growing regulatory requirements.

However, there's a growing sentiment amongst organizations that mere compliance is no longer sufficient. Legal departments, management, and boards crave deeper insights into their operations, greater visibility into their structure, and easier access to corporate data. In short, they want better entity management. And it is widely accepted that entity management software can provide that.

So, where is the legal industry in terms of entity management software adoption?

We have created this comprehensive overview of the state of entity management to answer that question.

Written in collaboration with **Stephanie Ford** from **Obiter Marketing**

**Obiter Marketing** is a content marketing consultancy focusing exclusively on the legal industry. It caters to the unique marketing needs of lawyers, law firms, and legal technology providers.



# The State of Entity Management: A Snapshot

A survey of the existing literature on entity management practices in North America and across the globe reveals an undercurrent of dissatisfaction. Organizations are consistently reporting that they face significant challenges in managing their legal entities.

*Almost 90% of organizations report entity management challenges. (Source: EY: The Current State of Legal Entity Management)*

Amongst the most common entity management challenges are:

- Meeting rapidly changing compliance requirements.
- Absent or antiquated entity management processes.
- Inaccurate and/or siloed corporate records.
- Ineffective technologies to support entity management.

Given the challenges, it's unsurprising that around 20% of entities have been out of good standing with regulators within the past two years.

## The State of Entity Management Processes

Absent, manual, or inconsistent processes are among the top challenges that medium-sized and large organizations face in today's business environment.

*40% of organizations surveyed report using either manual or no processes to manage their legal entities. (Source: Deloitte's 2022 report "An Inside Look at Legal Entity Management Practices")*



These issues are exponentially compounded when poor process management at the parent-level impacts subsidiary governance.

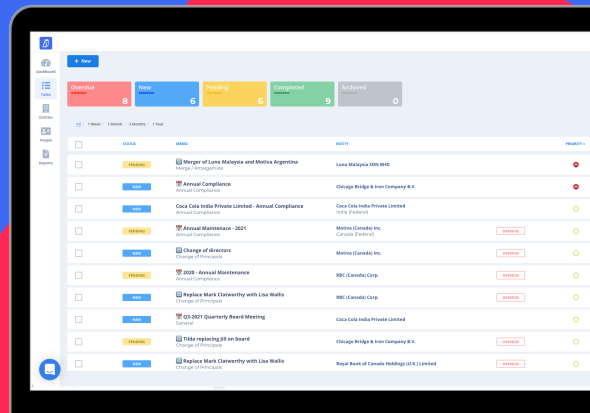
Entities practising good governance should, at a minimum, implement processes that ensure the subsidiaries' governance reflects the corporate values of the parent. However, the vast number of entities with manual or inconsistent processes suggests this 'good practice' is not widely adopted.

We suggest that one major obstacle to consistently applying policies is that many organizations do not have a central database to store up-to-date versions of enterprise-wide policy documents.

Implementing a central database that contains key organizational policies, such as governance reporting, board meeting procedure, decision-making, whistleblower, anti-bribery, ethics, health and safety, and human rights policies, is a critical first step towards consistency.

## Signs your entity management processes need an overhaul:

- ✓ Delinquent subsidiaries.
- ✓ Late filings.
- ✓ Issues locating important information.
- ✓ Inaccurate records or information.
- ✓ Reliance on other departments to achieve compliance (including tax and finance departments)



## The State of Corporate Record Keeping

### Paper-Based Records Prevalent Even in 2022

Corporate record keeping can be a complex and painstaking process. A single event, such as a director retiring from a board, can impact tens or even hundreds of corporate documents. And where corporate records are maintained either in physical files or electronically but outside of a centralized database, this single event poses a significant burden to those working in entity management.

Despite the global trend towards digitalization, it's not uncommon for legal departments in organizations to rely on paper or decentralized databases to manage entities. In fact, recent figures released by Deloitte indicate that:

- 10% of legal departments rely entirely on physical documents to manage legal entities.
- 43% of legal departments surveyed rely in part on paper files in their entity management.
- Just 40% of organizations have implemented a specific electronic entity management database.

In an environment where legal departments are concerned about balancing their resources with increasing demand, the reliance on inefficient databases and paper-based systems to manage legal entities presents a dilemma.

The benefits of digitalization and digital transformation are widely accepted. So the prevalence of paper-based recordkeeping should be cause for concern for entities.

Generally speaking, digital transformation:

- Boosts productivity,
- Improves the user experience,
- Reduces the risk of human error,
- Promotes employee excellence,
- Increases agility, and
- Lowers operational costs.

Instead, many legal professionals waste time on repetitive, low-value tasks using paper-based or siloed databases. At the same time, the volume of this work is growing, inundating legal departments with low-value work that detracts from their ability to deliver real value.

Let's look at this in the context of board minutes: Companies that rely on physical minute books to manage important information - like shareholdings - must manage thousands of pages. These are not easily referencable or searchable.

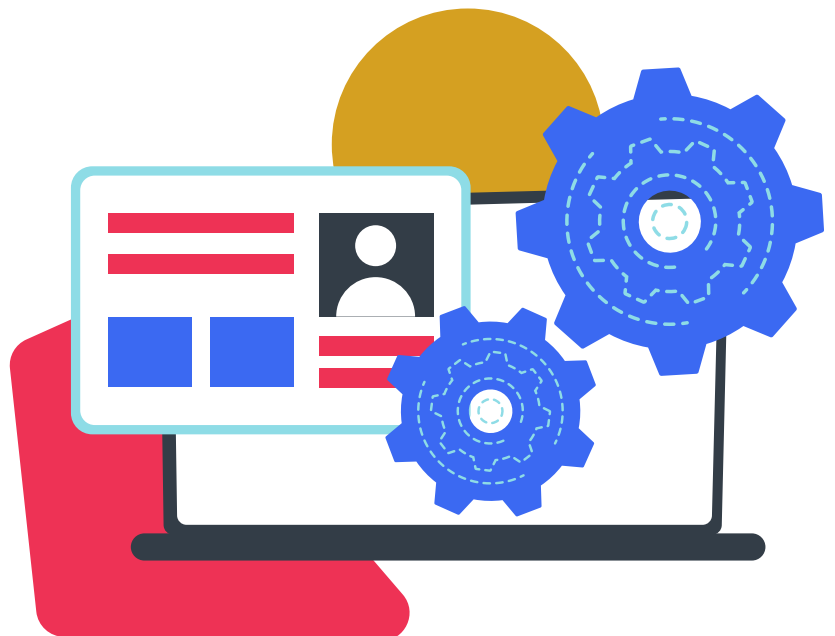
Conversely, modern virtual minute books take up no physical space and can be accessed anywhere. Moreover, leading virtual minute book providers can digitize earlier paper records into a format that is easier to search and cross-reference. In turn, paralegals, legal professionals and other team members save countless hours.

## Better Practices for Corporate Record Keeping

Organizations should move towards digital systems that promote data integrity and streamline corporate recordkeeping. Ideally, these systems should make historical records easy to access.

At a minimum, organizations should implement a central database that securely retains and stores the following current and historical data about all their managed entities:

- Entity name
- Entity address
- Date of formation
- Jurisdiction
- Taxpayer Identification Number
- Legal Entity Identifier (LEI)
- Reporting dates
- Ownership capital
- Officer details
- Director details
- Org charts
- Beneficial owner details
- Minute books (stored digitally)
- Power of attorney
- Signature authority



# The State of Entity Management Software Adoption

It is generally accepted that modern entity management software reduces risk and resolves most (if not all) of the common entity management challenges.

*Around 40% of organizations anticipate implementing legal entity management software within the coming three years. (Source: Deloitte’s 2022 report “An Inside Look at Legal Entity Management Practices”)*

Yet, studies surveying the current entity management landscape show that many organizations still rely on outdated or inadequate software.

44% of organizations in one survey revealed that they rely on manual processes and Microsoft Excel to manage their entities. A further 9% use a solution devised and developed in-house. 31% use other platforms, which are generally older or legacy systems.

**Almost all departments are dissatisfied with the technology they use for entity management.**



Legal technology experts suggest the widespread dissatisfaction with the technologies currently used by most organizations (Microsoft Excel and built or legacy systems) stems from poor implementation and a lack of modern functionality.

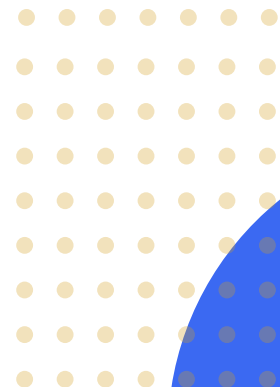
Meanwhile, modern entity management software is a growing sector. Secure, cloud-based systems that automatically populate filing documents, automate entity management workflows, streamline reporting, digitalize the process of minute taking and record keeping, and act as a single source of truth for organizations already exist.

*Three-quarters of legal departments rank using technology to simplify workflow and manual processes as a high priority. (Source: Thomson Reuters “Legal Department Operations Index: The Risk of Being Left Behind”)*

## Case Study: Athennian Adoption

The growing appetite for better entity management has resulted in a flurry of investment in specialized entity management solutions, such as Athennian - which raised \$33 million in its Series B round in March 2022.

Homing in on Athennian’s growth, the company has seen a 500 per cent increase in annual recurring revenue since 2020. The platform has more than 2,500 users who manage almost 400,000 business entities. We anticipate these numbers will more than double over the coming years.



## Which Companies Are Adopting Athennian?

Law firms of all sizes have implemented Athennian's entity management solution. These law firms, which are tapped as outside counsel to provide entity management services, use entity management software to automate repetitive processes and reduce risk. By doing so, they free up time for their legal professionals to focus on higher-value work.

In turn, this helps law firms keep costs competitive as they deliver increased value for their clients.

For corporate legal teams, we typically see adoption by organizations with revenue upwards of \$20 million. This trend in adoption suggests more mature organizations are implementing legal technologies designed to decrease risk, improve efficiencies, and cut costs in their legal department.

# The State of Entity Management Risk

## Legal Risk

Over the past decade, compliance requirements and the penalties for failing to meet them have increased notably.

Previously, organizations faced reputational and business interruption risks when entities were delinquent with their filings. But the penalties, particularly those relating to anti-money laundering laws, are swiftly increasing.

This trend has dramatically shifted the risk profile for organizations and their leaders.

*In their comprehensive Global Business Complexity Index, Dutch professional services firm TMF Group stated: "The hardest to navigate jurisdictions are frequently the most punitive".*



Consider these entity management requirements:

- Private companies with limited liability (BVs) in the Netherlands must register with the Dutch Trade Register within eight days of incorporation. Information about its directors, ultimate beneficial owners, and shareholders must be up to date in the Trade Register. Subsequent changes must be filed within eight days, too.
- In Poland, changes to the ultimate beneficial owners of companies must be registered within seven days under the local Know-Your-Customer laws. Failure to do so can incur a fine of up to one million Euros.
- In France, companies must register changes to beneficial ownership within 30 days or risk a fine of 7,500 Euros and imprisonment.

## Case Study: The Corporate Transparency Act

The US Corporate Transparency Act is a prime example of the risk rapid changes in compliance requirements pose to modern organizations.





Since 91% of legal departments manage their entities in-house, it is becoming essential that corporate lawyers have accurate information about directors, beneficial owners, board members, and shareholders at their fingertips. The increasing penalties, including the risk of imprisonment and personal fines for directors in the US and throughout Europe, make this a non-negotiable going forward.

### The Risk of Being Left Behind

Thomson Reuters identified the increasing use of legal technologies as its top trend among corporate legal departments for 2021, noting that the average number of technologies for in-house departments is now nine. Before the pandemic, it was six.

52% of legal departments surveyed increased their use of legal technology between 2020 and 2021. (Source: Thomson Reuters “Legal Department Operations Index: The Risk of Being Left Behind)

The report then evaluated the legal departments’ perceived value of their technologies. eBilling, eSignature, legal research, and centralized document management were amongst the top-rated technologies for this metric.

Looking forward, the survey respondents highlighted legal workflow automation, contract management, and document management solutions as future technology investment priorities.

63% of lawyers expect their software investment to increase within the next 12 months. (Source: Wolters Kluwer: Future Ready Lawyer Report 2022)

Entity management software emerged as another technology that will be given priority by law firms and legal departments in Wolter Kluwer’s 2022 Future-Ready Lawyer report. The corporate lawyers surveyed ranked it among the most important technologies to their legal departments.

FinCEN, the regulatory body tasked with implementing and enforcing the CTA, has set very short reporting timelines. It believes that requiring companies to complete initial reporting and updates very quickly encourages companies to embed compliance into their processes as early as possible.

Legal entities and certain individuals that fail to meet these short deadlines may incur stiff penalties, particularly if the non-compliance stems from the willful flouting of the reporting obligations.

Civil and criminal penalties associated with failing to meet the reporting obligations contained in the CTA range up to:

- Penalties of up to \$500 per day while the violation continues.
- Individual fines of up to \$10,000
- Imprisonment of up to two years.

The Corporate Transparency Act demands US companies maintain accurate records of beneficial owners. Legal entities must be able to reflect changes to beneficial ownership almost in real time for US companies to remain compliant.

## Dentons Cuts Entity Creation Time by 87% with Athennian

After merging with Dentons, Bingham Greenebaum LLP (DBG) implemented Athennian to improve its entity management and revenue. Athennian has maximized the team's efficiency in corporate entity creation, reducing the time from four hours to 30 minutes.

"It's really streamlined the workflow," says corporate paralegal Rhonda Everhart. "Now, when a client wants us to create an entity, it's just half an hour, and we have it set up in the system. We can even file their articles with the secretary of state."

The DBG team also appreciates the virtual minute book integration and the ease of edits and changes. "It really has streamlined the work," said Everhart. "With our old minute books, there was so much process and paper. With Athennian, it's all electronic, and we can drag and drop everything."

The transition to Athennian's integrated document signing capability also eased their workload. "Years ago documents were required to be signed with a particular color of ink," said Huffer. "Now, we just email them, they're signed digitally and sent back to us. It's just wonderful."

And Athennian has reduced the research needed to finalize client invoices, freeing up attorney time for billable work. "Athennian saved our lawyers so much research time on their annual billing," said Everhart.

[Read the Case Study](#)

# The Takeaway: Modern Entity Management Software is Now a Must-Have

Legal departments have long craved better entity management solutions. But as the burden of corporate governance increases and the risks of falling behind mount, entity management software is rapidly becoming a must-have, not a nice to have.

*40% of organizations surveyed listed a lack of technology as one of the main challenges they face in managing their legal entities. Lack of bandwidth also ranked highly. (Source: Deloitte's 2022 report "An Inside Look at Legal Entity Management Practices")*

Modern entity management software (EMS) is the antidote to most challenges law firms and legal departments face in managing their entities.



## The Benefits of Modern Entity Management Software:

- ✓ Streamlined and automated corporate reporting
- ✓ High data integrity
- ✓ Proactive reporting and compliance management
- ✓ Reduced governance risk
- ✓ A single source of truth for entity data
- ✓ Easier access to corporate data
- ✓ eSignature management
- ✓ Digitized and virtual corporate minutes
- ✓ Reduced time spent on low-value tasks

Modern EMS achieves more than mere compliance. It allows innovative law firms and legal departments to shift their focus from risk-centric and reactive services to growth-oriented, supportive, and value-driven. How? By facilitating the reallocation of resources from repetitive manual tasks to strategic work.



In order to move a legal department (or law firm) from a reactive, risk-centric model to a more strategic and supportive model, it's essential to implement the following best practices for entity management:

## 5 Best Practices for Entity Management

### 1 Implement Written Policies and Procedures

As outlined earlier, inconsistent processes are a significant obstacle to entity management for 40% of organizations. Therefore, it is advantageous to implement written policies and procedures and require your team to follow them.

### 2 Regular Updates to Organizational Charts

Updating your org charts every month places your organization ahead of 82% of organizations that do it annually, quarterly, or as needed. However, updating the charts contemporaneously is a better practice.

### 3 Tracked Corporate Records

Corporate records should be digitized and easily accessible, and updates to the various versions of documents should be stored. These records should be stored in one centralized database that serves as a single source of truth.

### 4 Create a Compliance Calendar

Compliance calendars track reporting and filing dates and deadlines to ensure internal meetings and information-gathering exercises take place in time to meet regulatory requirements. Yet, around 38% of organizations do not have a compliance calendar.

### 5 Adopt Entity Management Software

Better entity management is more attainable with purpose-built entity management software. The days of managing compliance through legacy software or spreadsheets are behind us. EMS is now a necessity for organizations that want to remain compliant.



# The Benefits of EMS Will Be Felt Beyond Your Legal Department

Implementing entity management software doesn't just ease the burden on your legal department. It also streamlines processes and creates consistency for finance and tax professionals.

As we outlined above, a majority of legal departments tend to pull resources from the finance and tax departments to complete entity management compliance tasks. This poor practice results in inefficiencies, inconsistent processes, a higher risk of inaccurate information being used, and issues defining ownership of compliance-related tasks.

Modern EMS helps organizations implement and automate consistent processes so relevant stakeholders always know what they need to do and when they need to do it.

Beyond compliance, poor entity management can (and does) have a very real impact on other board issues - including dealmaking.

## Opportunity Spotlight: The Link Between EMS and Deal-Readiness

2021 was a record-breaking year for dealmaking in the US. The value of US deals reached \$2.6 trillion, surpassing the \$2 trillion mark for the first time. Dealmaking has not kept the same (unsustainable) pace in 2022. But, 49% of companies are expected to actively pursue M&A this year.

Meanwhile, poor entity management practices were shown to negatively impact dealmaking outcomes in a first-of-its-kind report from 2021. The report showed that below-par entity management decreased the credibility of a target company while slowing down and chilling the value transactions.



According to the report, poor entity management practices also increased the professional fees associated with the transaction. The inflated costs likely accrue due to drawn-out due diligence and/or the efforts required to fix existing issues with entity management, such as non-compliant director appointments, incorrect tax filings, and poor entity structuring.

*15% of large companies (Global revenue of US\$5 billion or more) have had a transaction or strategic initiative negatively impacted by delinquent entity status. (Source: Deloitte's 2022 report "An Inside Look at Legal Entity Management Practices")*

The reporting highlighted that better entity management wasn't just a matter of avoiding negative consequences during dealmaking. Instead, it can result in better outcomes for sellers.

## The benefits of good entity management in dealmaking are:

- ✓ Increased confidence.
- ✓ Higher offers.
- ✓ Faster decision making.
- ✓ Smoother transactions.

Evidently, the benefits of implementing an EMS will reverberate across your organization.



## Adopting Athennian: A Best-Of-Breed Entity Management Software

Athennian is an EMS that eliminates the major pain points associated with global entity management. It's also easy to implement and use.

Athennian removes the friction associated with entity management by streamlining:

### Corporate Compliance

Regulatory compliance is the top priority for almost all legal departments. Athennian makes it a breeze. The EMS automates workflows, simplifies planning, and sends reminders so users never miss a deadline.

Athennian also automatically generates an up-to-date compliance calendar. This calendar serves as your single source of truth for all compliance and reporting deadlines for your entities.

### Workflow Automation

74% of legal departments consider introducing workflow automation technologies to be a high priority in 2022. (Source: Thomson Reuters "Legal Department Operations Index: The Risk of Being Left Behind")

Athennian's entity management solution automates:

- Legal Document Generation
- Task Automation
- Stock Certificate Automation
- Updates to Records

## Equity Management

Athennian makes it possible to track and report changes in ownership in seconds. And the information you need to manage shareholder compliance effectively is always available, up-to-date, and accurate.

## Corporate Document eSigning

eSignature technologies are known to speed up the process of obtaining signatures on corporate documents. As a result, corporate lawyers rank them among the most valuable technologies in corporate legal departments.

AthennianSign allows users to send documents electronically for signature. These records are securely transmitted and stored following their completion, and permitted users can easily access them through the central database.

## Document Management

Document management technologies that centralize document storage and offer access management are ranked among the most valuable by 63% of corporate lawyers.

Athennian acts as a central database for all data and documents related to entity management. It can save your legal teams thousands of hours of low-value work by serving as a single source of truth. Our solution also pre-populates documents and updates corporate records with accurate and up-to-date director, UBO, shareholder, or other stakeholder information.

## & More



Athennian isn't a six-month implementation – we had to dedicate a resource for a few weeks to support the migration from our side, and then we were up and running. It was very painless. Athennian's value for time and value for dollars is very high.

- **Corporate Secretary**, In-House Legal Department

[Book Your Demo Today](#)

