



How to Leverage Structure Charting for Your Business

Structure charting facilitates data visualization for smarter decision making.

As your entity structure grows more complex, the data at your disposal explodes exponentially. It doesn't help that the economy, markets and regulations are moving at light speed at the same time. There is rarely time to digest the data at your disposal and leverage it for the insights that you need to tactically grow your core businesses.

However, without context, the data you possess is, at worst, potentially misleading and, at best, virtually useless. To be of value, data must be appropriately visualized and contextualized so that stakeholders can understand it quickly and leverage it to make smarter business decisions.

If you've ever been mired in an inbox of spreadsheets, you understand that numbers in themselves don't create enough of an impact to build understanding of a situation, let alone make change. That's because the human brain is designed to process stories, which are highly visual.

“We think in story, which allows us to envision the future.”ⁱ

– Lisa Cron, *Wired for Story*

That’s why structure charting is so effective at conveying the narrative behind a business structure and creating the visualizations that reveal the impact of potential change. Every change has the potential to ripple across your universe of entities and subsidiaries, creating intended and potentially unintended change.

Don’t let the vortex of unexamined, unvisualized data undermine your organization. Instead, leverage structure charting to empower your organization to better understand potential options and outcomes.

Current Entity Operating Environment

Entities gain complexity due to their business purpose and in response to their operating and regulatory environment. The largest corporate groups, with thousands of international entities, must comply, accurately and on time, with financial, governance, statutory compliance, tax and audit regulations in hundreds of jurisdictions.

Along with regulatory and geopolitical change comes economic uncertainty. With political leadership across the globe in constant flux due to varying election cycles and a changing regulatory environment, even change in a positive direction can create uncertainty.

As entities seek a competitive edge, they need fresh business intelligence visualized in more effective ways than ever before. Even if the external environment is relatively benign, internal change can impact business structures and management. Successful management through change requires visibility to make the best possible decisions for the successful execution of ongoing business objectives.

ABCs of Structure Charting

In this constantly evolving entity management environment, employing effective data visualizations is even more imperative. Why? Because data visualizations provide an entry point for consumers of information, including stakeholders such as your board of directors, executives and shareholders. Spreadsheets and similar mediums lack business efficacy, and are unsuitable to visualizing entities and their dynamic relationships within a corporate group.

65% of individuals are visual learners

Nearly two-thirds of all individuals are visual learners, who absorb and recall information best in visual formsⁱⁱ.

Data visualizations allow for the manipulation of data that reveal the potential ways structures and organizations can be altered, making it easier to comprehend the impact of change. For groups with thousands of entities, external or internal change has a ripple effect across the organization, often resulting in unexpected and unintended consequences.

That’s why the entity management space’s form of data visualization—known as structure charting technology—is so useful. It translates complex data about group entities into visual information that can be manipulated to show the potential impact of change, before those changes are implemented.

This 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 a final decision.



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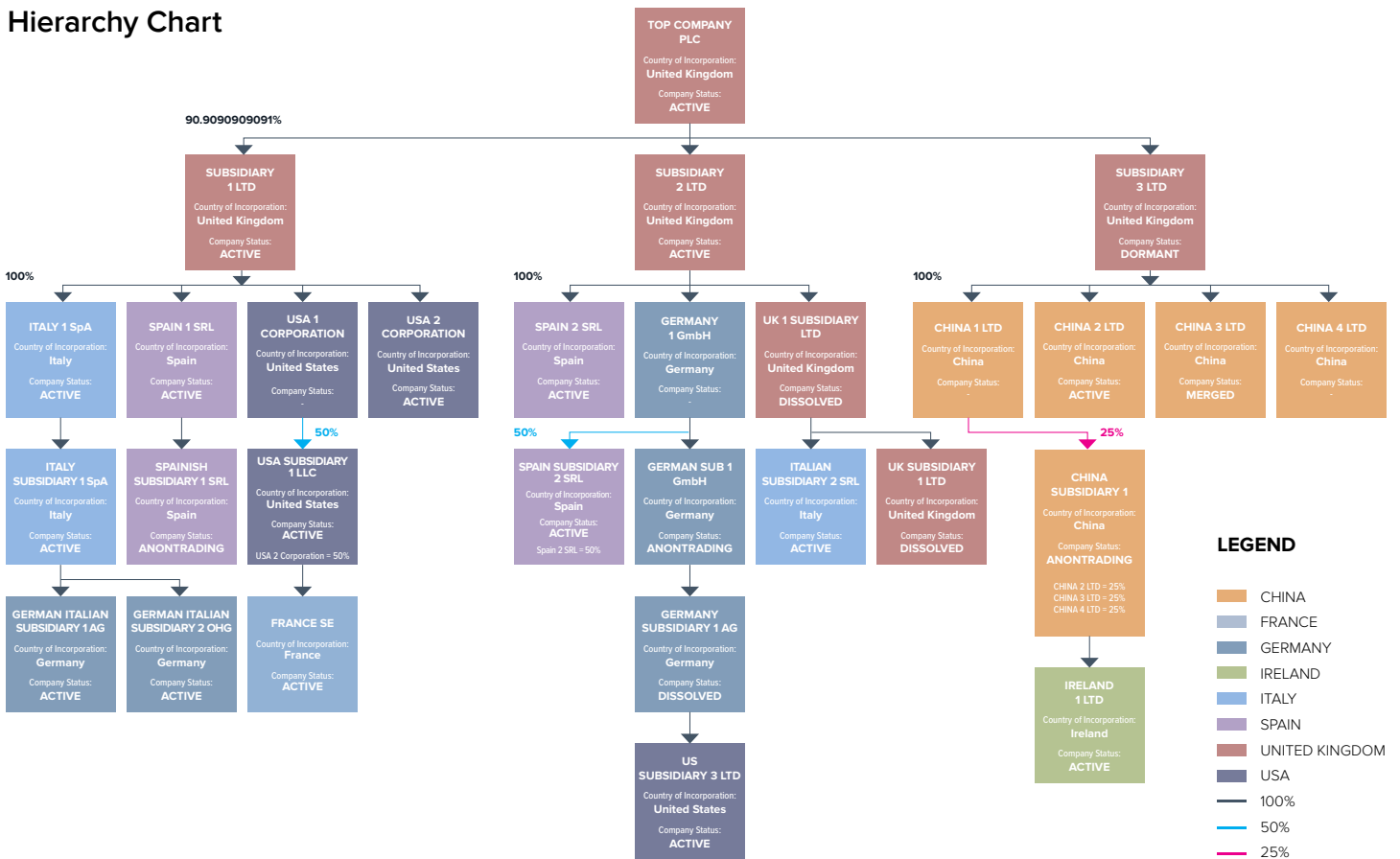
Examining entities through the lens of sophisticated charting software embedded in entity relationship management apps allows stakeholders to envision outcomes through the most potentially effective management structure, instead of allowing the organizational structure to dictate the outcome. In other words, data visualization through relationship diagramming puts the desired outcome first, rather than a specific outcome tied to specific organizational structures.

While organizational structures are important, achieving a specific business objective is vital to organizational success. Re-imagining organizational structures through structure charting technology moves a group and its entities towards an optimized solution and a business objective or external problem.

Specifically, the most robust charting applications allow users to customize rules based on a number of parameters, including:

- **Color:** Employ a varied color palette to distinguish specific types of subsidiaries or subsidiaries in various countries or regions
- **Text:** Use font styles, size, color and positioning in line with your corporate brand
- **Shape:** Size entities and subsidiaries in different ways to emphasize relationships
- **Line:** Set the width and patterns of lines and add arrows to the desired end to show the direction of ownership
- **Align/resize:** Permits change in the alignment of an entity box or the size of an entity box to emphasize relationships
- **Percentages:** Insert entity percentage ownership to indicate subsidiary ownership

Hierarchy Chart



If, for example, specific subsidiaries are associated with specific functions, those subsidiaries could share a certain color or shape, while other entities could follow a different pattern. Establishing consistent rules for color, shape and style leads to easier comprehension by your target audience as the charting application is likely to be used in many different ways. Corporate information can be similarly displayed allowing deeper visual analysis.

The availability of hyperlinks in underlying information allows users the ability to click to ensure the basis of information is correct or to gather more information in order to better understand the relationship between particular entities.

In addition, the most robust charting tools on the market allow the creation of Entity Chart Playbooks, which are a type of customized PDF report that includes detailed charts of global entity structure, spreadsheets with selected entity and transactional data, document attachments, table of contents and indexes. You can also create wall charts on large sized paper to get a better overview of a particular entity's structure and relationships.

Business Intelligence and the Brain

Effective data visualization realizes the principles of visual perception. Sight is one of the fastest and most efficient senses, while thinking is one of the slowest. Data visualization leverages our ability to process visual information more rapidly than verbal information.

This method of data presentation also leverages research about the attention and memory by encoding information visually, which allows memory to chunk more information together so that it can be stored in our working memory, according to the Encyclopedia of Human-Computer Interaction, 2nd editionⁱⁱⁱ.

Data visualization capitalizes on the brain's ability to recognize patterns.^{iv} The complex pattern recognition that characterize the best data visualizations enable decision makers to forecast the future and avoid repeating the past. Through understanding trends and interrelationships, we can make smarter decisions.

Visualizing Entity Relationships

With a powerful structure charting tool at your disposal, you can visualize entity relationships in virtually any manner. Entities can be viewed from a macro level through large, complex, charts that reveal ownership connections. Group entities can be visualized by function, geography, corporate structure, tax status, ownership (legal and beneficial), voting, shares, participations, interests and in many other ways, depending on the objective.

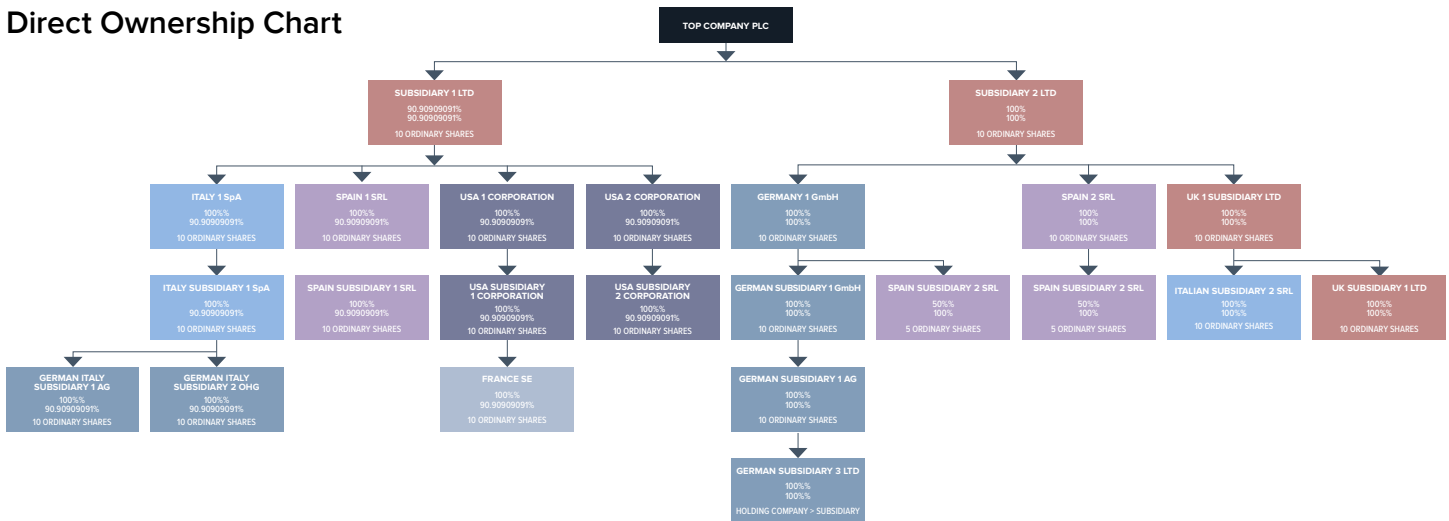
By using historical data stored within your entity management system, you can view historical relationships between entities and subsidiaries, which shows how ownership structures have evolved over time. The charting applications allow you to organize information in multiple formats and to dynamically create links, so you can emphasize the most important relationships, making visualization and decision making easier.

As an organization grows, entity ownership can become complex. Charting applications untangle complex entity relationship structures, helping stakeholders understand the evolution of ownership over time, and the relationship of majority, minority and indirect owners to each other.

“Identifying patterns, anticipating outcomes and proactively optimizing a response will be the basis for competition in the future. In the next 10 years, the companies that don't have analytics deeply embedded in their business model will most likely cease to exist.”^v

– Gartner Group

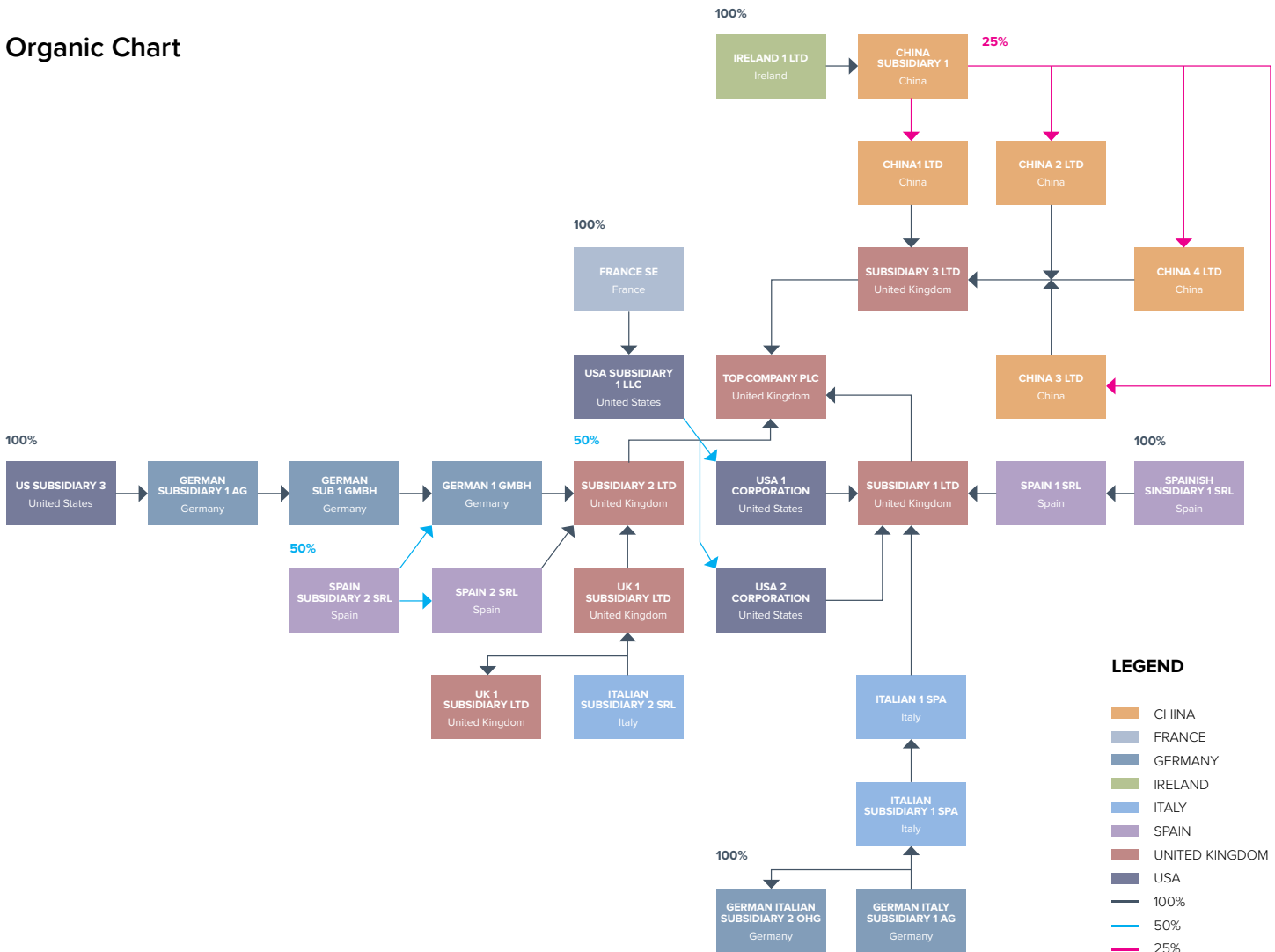
Direct Ownership Chart



When viewed on a screen or a printout, a list of entity owners by ownership status doesn't reveal much. But when placed in a structure charting application, those relationships come to life and are much easier to understand.

That's one relatively simple way of viewing information visually. There are virtually no limits on the ways you can use the information in your charting system for data visualization and intelligence purposes, as long as you have the correct tools at your disposal.

Organic Chart



Utilize Entity Relationship Data for Actionable Insights

The power of structure charting reveals itself in scenario modeling and planning. As business and business relationship get more complex, business intelligence is critical. Gaining insights more quickly can make a difference between success and failure, so it is important to have all the capabilities you need at your disposal.

Scenario modeling ensures that your organization is aware of, and prepared for, virtually any possible outcome. Many businesses are prepared for change, but the confluence of change tends to be destabilizing—when several unexpected, “black swan” events happen at once.

Few forget the financial crisis, when financial firms, entire markets and countries were on the brink of financial catastrophe. No one expected the sub-prime mortgage market to crash, creating a meltdown in the global financial system. Yet these are just the risks that directors, executives and entity staff need to plan for—and there is no shortage of information and data to help with that task.

However, in the potential overload of data, there is the danger that the right data won't get to the right person to make the right decision or that it won't be correctly understood. Appropriately using the data available in your charting application allows your organization to stay ahead of the curve, the competition, and, potentially, the next crisis.

The bottom line is that entity diagramming applications allow your organization to proactively respond to change, rather than blindly reacting. Neither the economy, your organization or your competitors are standing still. It's imperative to use all the tools at your disposal to create the actionable intelligence that your directors and executives need to make informed decisions.

Leveraging relationship diagramming applications for better business outcomes has the potential to:

- **Improve productivity**
- **Streamline business processes**
- **Enhance organizational structures**
- **Facilitate accurate forecasting**
- **Reveal insights missed via traditional reporting**
- **Aligning the views of stakeholders**
- **Increase efficiency**
- **Improve the auditing process**

Finally, relationship diagramming creates a narrative structure so connections are more easily understood. The brain grasps stories more easily than information. By creating a narrative and a story around the scenarios you are modeling, you engage your stakeholders at a deeper creative and intellectual level to brainstorm and imagine a variety of outcomes, optimizing the potential of your organization.

Impact of U.S. Tax Reform

Congress passed a historic revamp of the U.S. tax code at the end of 2017, which lowered the overall tax rate while trimming the benefit of other corporate deductions. Cutting the overall tax rate makes it more attractive for companies to engage in profitable transactions because of the 60 percent decline in that rate. Such transactions could include sale of profitable assets.

Other features attractive to corporations with U.S. operations include:

- **Cash repatriation:** Multinational companies that have stashed corporate cash overseas can repatriate such cash under the new law at a rate of 8 percent on illiquid assets such as real estate and 15.5 percent for cash and cash equivalents^{vi}
- **Capital expensing:** Businesses can immediately write off the full value of property, plant and equipment for the next five years
- **Pass-Throughs:** Lowers the tax rate for qualified business income for partnerships and sole proprietorships

With the first significant corporate tax reform in more than 30 years comes the opportunity for multi-national firms to review their entity structures and relationships.

It's always the right time to re-focus on your core business. With the economy in high gear and lower tax rates, this may be the time to dispose of profitable subsidiaries that no longer align with your core business. Employing entity data visualization functions can help your executives understand the impact such divestitures will have on your overall corporate structure and how profits can be productively deployed across remaining subsidiaries.

Organizations wishing to take advantage of the repatriation provision of the tax law should analyze the impact of transferring property, plant and equipment to U.S subsidiaries. The repatriation provision is a one-time event, so careful planning can help your organization maximize this opportunity and decide upon the best ways to capitalize on it.

If taxes are now higher in other jurisdictions, it may make sense to move operations or lines of business back to the United States. Reimagine your business structure using entity data visualization tools to decide what is the best way to streamline your business structure while paying less in corporate tax.

Modeling Brexit Scenarios

Brexit can be viewed as one large event or a number of smaller events that have the potential to impact multi-national entities in multiple ways including:

- **Regulatory**
- **Trade**
- **Human capital**
- **Employment**
- **Currencies**
- **Inflation**

Many multi-national companies are creating new entities to prepare for Brexit. Corporate domicile changes are in the works that ultimately depend on the relationship between the United Kingdom and the European Union—if indeed a formal relationship is determined, and the feared “cliff edge” is avoided.

*25%: the decrease in Brexit-related
UK business investment by 2019^{vii}*

Multi-national organizations with subsidiaries can leverage entity data visualization to better understand the impact of creating new entities upon their overall structure and mission. As the value of the British pound has fallen, more companies are finding attractive acquisition targets in the United Kingdom, which touches on another use of structure charting applications—modeling the potential impact of acquisitions, divestitures or restructuring.

There is no doubt that Brexit will usher in many new regulations in the United Kingdom as well as regulations governing relationships between the United Kingdom and the rest of the world. How might those regulations affect your subsidiaries? You can model the impact of these changes on your existing entity management structure and play around with scenario modeling with potential new structures.

Bring Business Data to Life

In the final analysis, structure charting brings business data to life. Relationships are the lifeblood of complex entities—without subsidiaries and corporate structures, it would be impossible to do business in today’s interconnected world. So equip your organization with the best possible tools to reimagine the potential of your business.

By investing in the most efficient and effective entity management software with the most powerful data visualization tools, you enhance your organization’s ability to adapt and respond to changing business, regulatory and legal conditions. With better intelligence, your directors and executive can make smarter decisions, positioning your organization for competitive advantage.

Notes

- i Cron, Lisa, *Wired for Story* (Ten Speed Press, 2012). <http://wiredforstory.com>
- ii "Studying Style: What is Your Personal Learning Style? Visual Learners," *StudyingStyle.com*, <https://www.studyingstyle.com/visual-learners/>
- iii "Data Visualization for Human Perception," by Stephen Few, *The Encyclopedia of Human-Computer Interaction*, 2nd edition, <https://www.interaction-design.org/literature/book/the-encyclopedia-of-human-computer-interaction-2nd-ed/data-visualization-for-human-perception>
- iv "Analyst Insight: How Data Visualization Empower Decision Making," by James Haight, analyst, Blue Hill Research, December 2014, https://community.watsonanalytics.com/wp-content/uploads/2015/04/BlueHill_HowDataVisualizationDrivesDecisionMaking_Dec14.pdf
- v Visual Matters, "How Data Visualization Can Impact Business," by Michael Brenner, May 6, 2016, <https://visualmatters.com/data-visualization-can-impact-business/>
- vi "What's in the Final Republican Tax Bill," Dec. 19, 2017, <https://www.reuters.com/article/us-usa-tax-provisions-factbox/whats-in-the-final-republican-tax-bill-idUSKBN1ED27K>
- vii "Cost of Brexit: The Impact on Business and the Economy So far," *The Independent*, April 21, 2017, <http://www.independent.co.uk/news/business/news/brexit-economy-sterling-currency-investment-cost-impact-business-financial-banks-insurance-retail-a7695486.html>

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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.



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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