


The logo consists of an orange hexagon with the text 'TMF LABS' inside. The background of the entire page is a vibrant, colorful mosaic of small squares in shades of red, orange, yellow, and blue, creating a tunnel-like perspective that draws the eye towards the center.

TMF
LABS

A central rectangular frame containing a detailed view of the mosaic tunnel, showing the intricate grid pattern and the way light reflects off the various colored tiles.

**The expansion paradox:
entity management risk
for multinationals**

The logo is a solid red rectangle with the text 'TMF GROUP' in white, bold, sans-serif font.

TMF
GROUP

Managing a global organisation has never been more challenging. Over the past decade, multinational organisations have expanded into new markets, navigated evolving regulatory environments, and engaged in strategic mergers and acquisitions at an unprecedented pace.

While these developments support growth, they also give rise to increasingly complex entity footprints – collections of subsidiaries, branches and legal entities spanning dozens or even hundreds of jurisdictions.

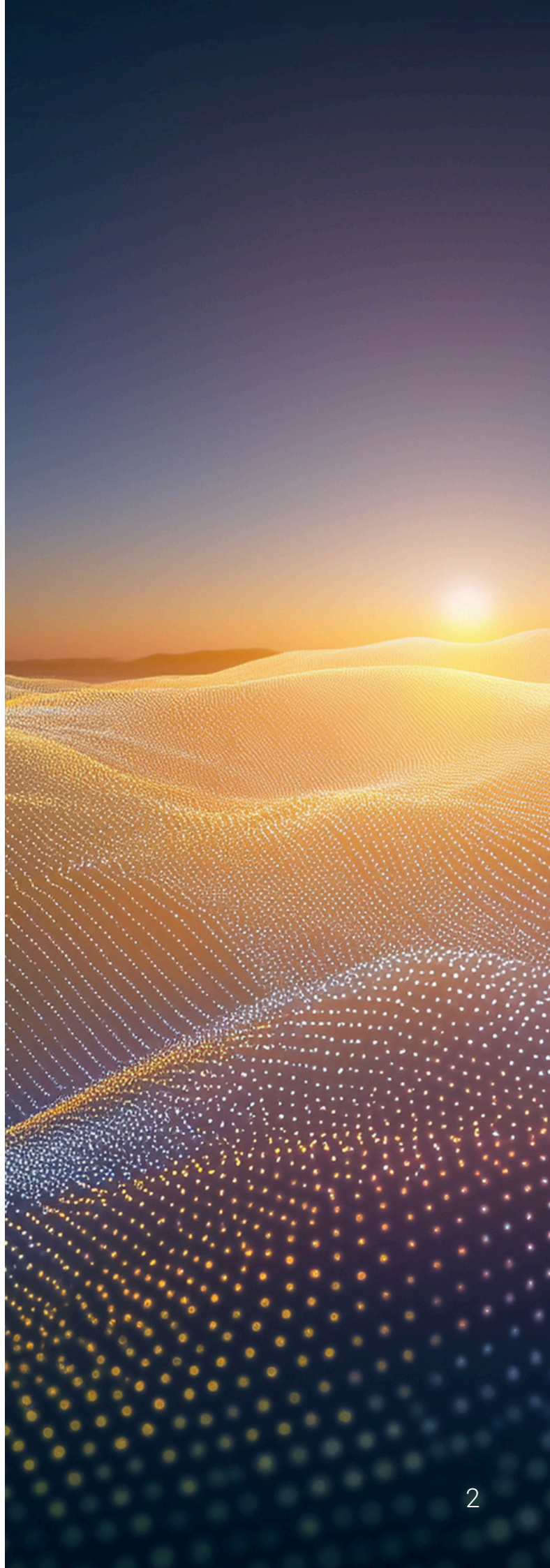
The geopolitical climate in recent years has compounded the challenge for business leaders when assessing where to set up and operate, to reach new customers or broaden the client base. In some cases, getting a foothold in new geographies – so-called ‘connector economies’ – has become a necessary diversification strategy to make supply chains more resilient.

The hidden cost of growth

The effectiveness of expansion is often assessed through its impact on revenue, geographical coverage or market share. Less attention is paid to the administrative weight of this growth; there needs to be some acknowledgement that global expansion inevitably leads to a proliferation of legal entities and the back-office bloat that this incurs.

Many organisations already suffer from ‘entity sprawl’ – legal structures inherited through M&A, legacy expansion, restructuring or tax strategies that are no longer relevant. Most organisations have dormant entities, requiring some – albeit minimal – effort to maintain for little or no return.

These contributions to the overall admin burden - a form of complexity - if not actively measured, monitored and managed can expose organisations to operational inefficiencies, strategic limitations and compliance risk.





Deconstructing complexity: a two-axis approach

Many organisations lack a systematic way to measure, compare and ultimately reduce their global entity complexity.

To address this gap, TMF Labs – a team of data scientists tasked with extracting insights from our data – conducted an analysis of multinational organisations' global footprints.

TMF Labs' data-led approach to quantifying this overall burden, identifies complexity as being driven by two forces.

1. Administrative complexity

The volume burden. Simply, the tally of legal entities within an organisation's structure.

Entity count serves as a useful proxy for administrative complexity; a greater volume of legal structures means more board meetings, more financial statements and more data points to gather, monitor, maintain and submit.

An organisation with 500 entities is almost certainly under a heavier administrative load than one with 50 – before we consider entity types or where they are domiciled. This greater volume of ongoing obligations takes time and resources and must be handled in compliance with local rules and regulations.

2. Regulatory complexity

The burden imposed by where those entities sit. Not only how many different jurisdictions an organisation operates in, but also how complex those jurisdictions are. Managing 10 entities in a light-touch location (e.g. Delaware, BVI) is fundamentally different to managing the same number of entities in a highly regulated or volatile business environment.

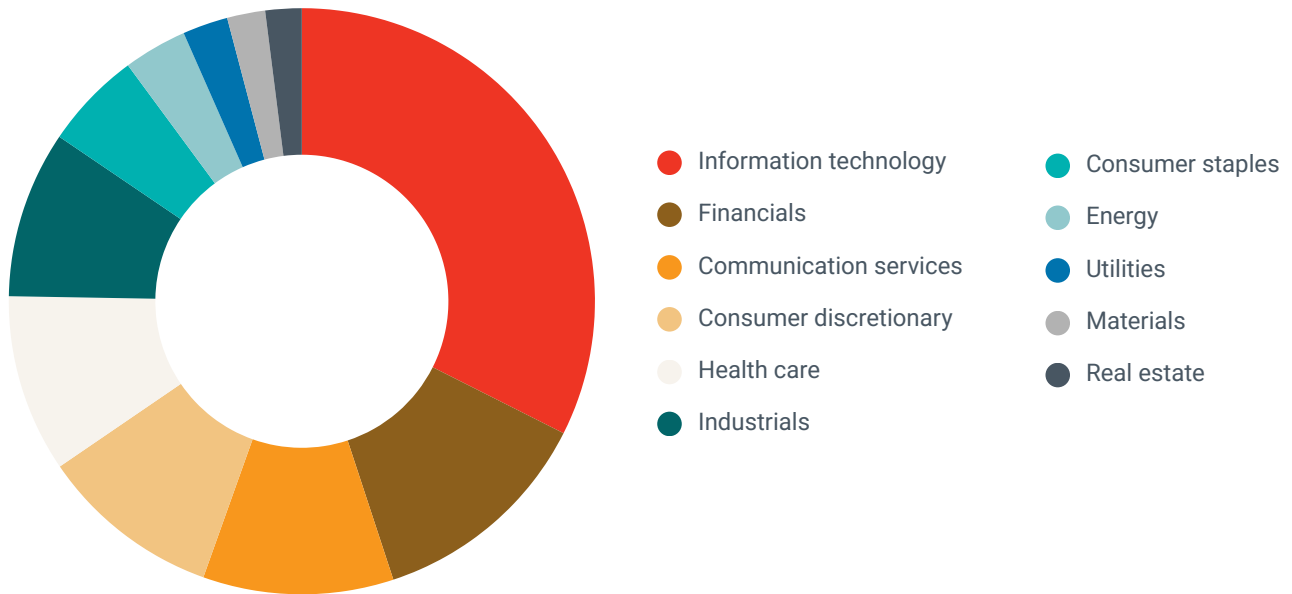
We have a proprietary measure of country complexity: the Global Business Complexity Index (GBCI). The index is compiled using a combination of statistically weighted data and qualitative research from our local in-house market experts in each jurisdiction, with analysis focused on three core areas of business administration: accounting & tax, HR & payroll and entity management.

Using a subset of our GBCI data, we can assign a score for entity management complexity to each jurisdiction.

Plotting complexity, benchmarking to identify risk

You cannot manage what you do not measure. Using our complexity framework, we analysed the global footprint and legal entity data of the S&P 500 companies to explore this further.

Sector breakdown



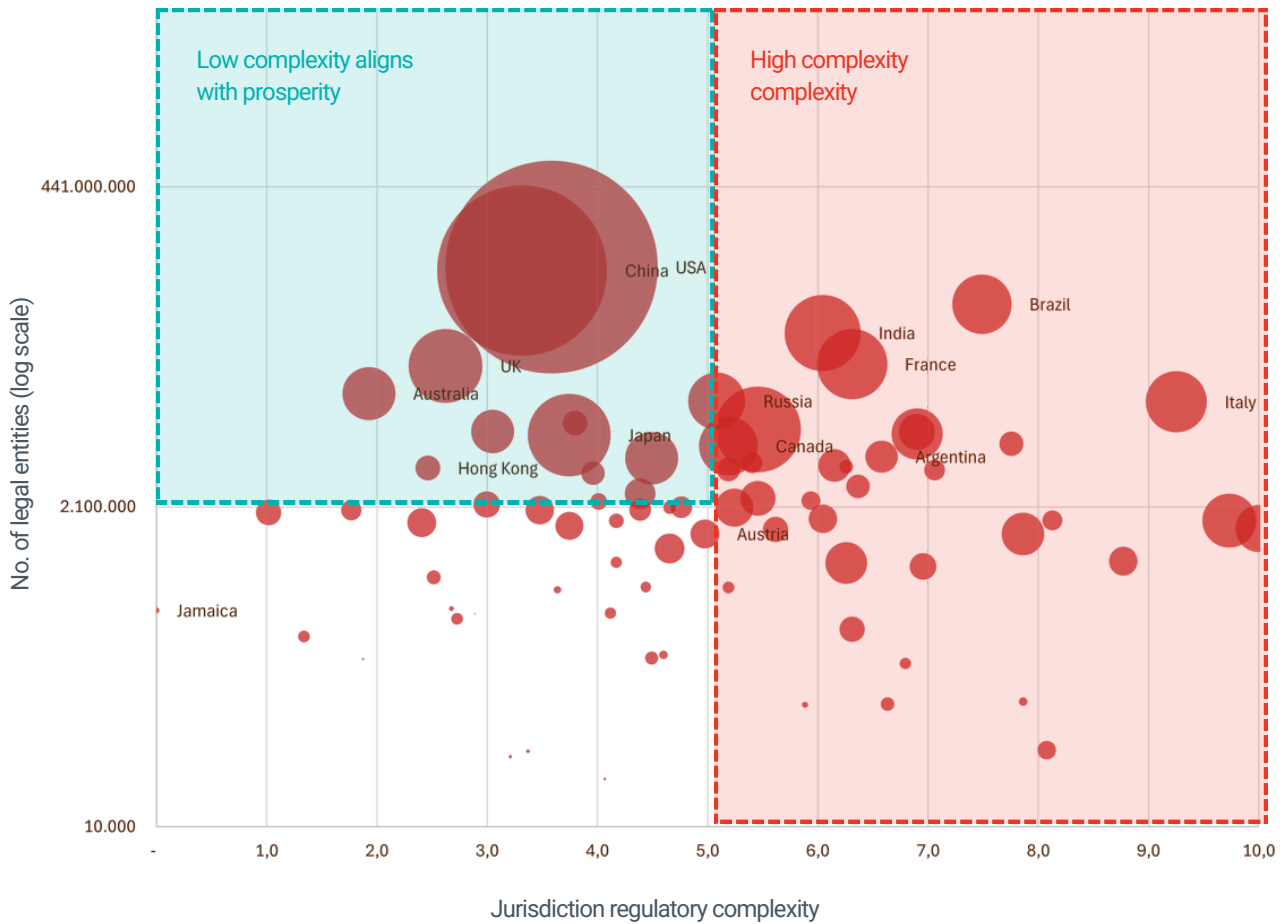
Characteristics

Number of constituents	503
Constituent total market cap [USD MILLION]	
Largest market cap	4,305,717.00
Smallest market cap	5,008.64
Mean market cap	122,152.66
Median market cap	40,960.61
Weight largest constituent	7.3
Weight top 10 constituents	36.4

Looking at entity distribution for all companies, we see that there are a number of low complexity, high density countries. These are preferred hubs – business-friendly environments where companies cluster holding companies, regional entities or headquarters (e.g. UK, Hong Kong, SAR, US)

We also see that certain markets attract large numbers of entities despite high compliance burdens. This is likely due to market size, supply chain reasons or local incorporation requirements (Brazil, India).

Global entity distribution



Complexity means different things across industries. Highly regulated sectors – such as financial services, life sciences or energy – tend to operate in jurisdictions with greater compliance demands. Meanwhile, sectors such as technology or consumer goods may expand rapidly into new markets, creating high administrative complexity even when regulatory complexity is moderate.

Value is concentrated, complexity isn't

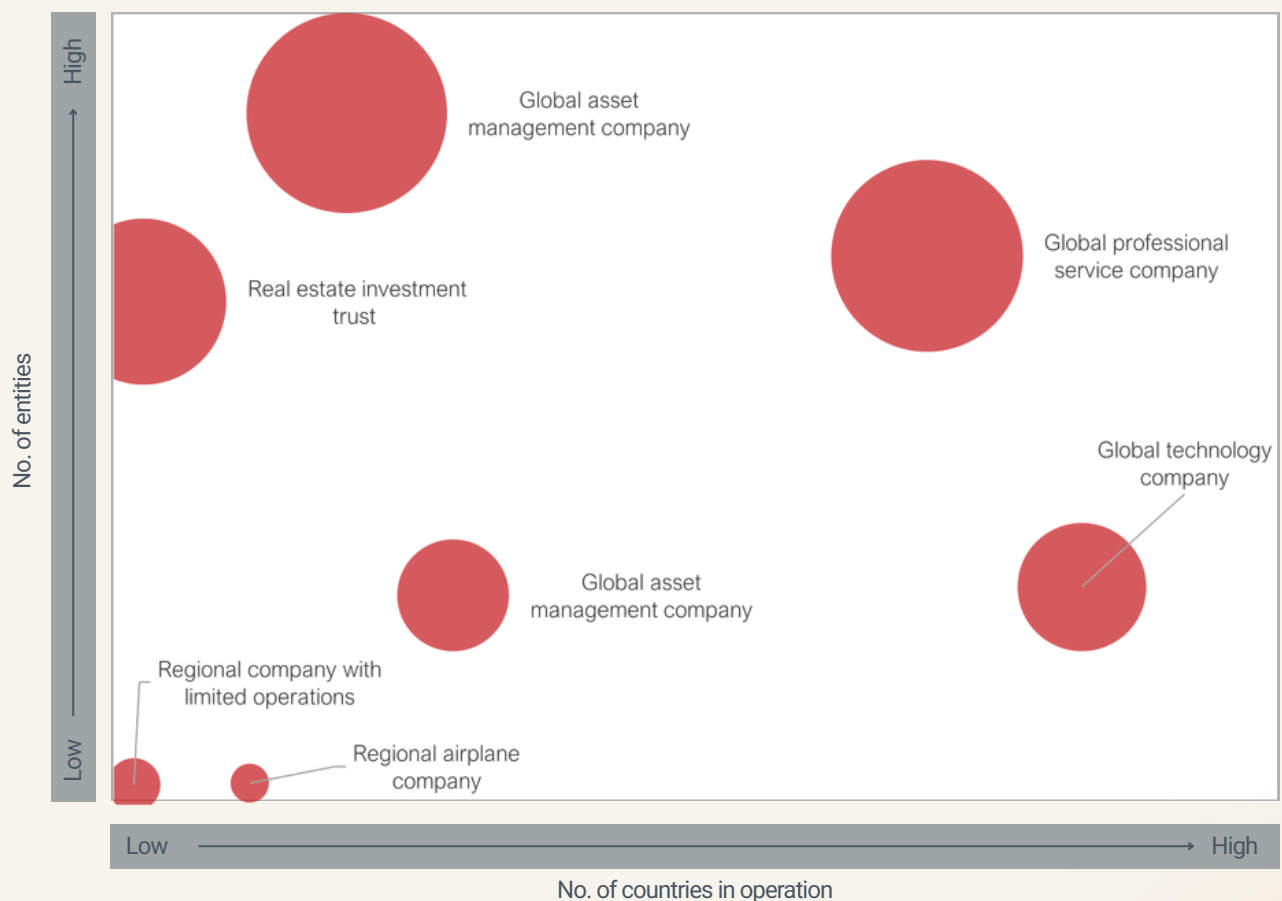
What can we learn from this? Firstly, quantifying this pressure and understanding your position relative to your peers is an important step in identifying potential risk exposure.

Benchmarking can highlight whether an organisation carries disproportionate complexity relative to its size and provides an opportunity to identify hotspots. It can point out where you may need to streamline structures and can also serve as a step towards better governance.

And good governance is essential when we consider the typical profile of a multinational, as revealed by profiling the S&P 500 companies.

We've observed that organisations tend to have a cluster of countries in low complexity locations, often including their headquarters, representing much of the organisation's scale.

Typical profile of different company types



More problematic is the complex tail of locations, where scale is low and complexity is high. In this situation, oversight can become fragmented and, owing to the low scale, there is a lack of specific expertise in those locations where it is needed most.

Consider that a dedicated legal or company secretarial team handles compliance at HQ or regional HQ; however, no such team, or perhaps even individual, exists in a low headcount location with complex compliance rules.

With headquarters typically located in low complexity, low burden locations, those responsible for global compliance at HQ can underestimate the burden in low-scale locations, where compliance obligations are greater than those they are regularly exposed to. Language barriers can compound this issue, as certain locations mandate filings and provide guidance in the local language.

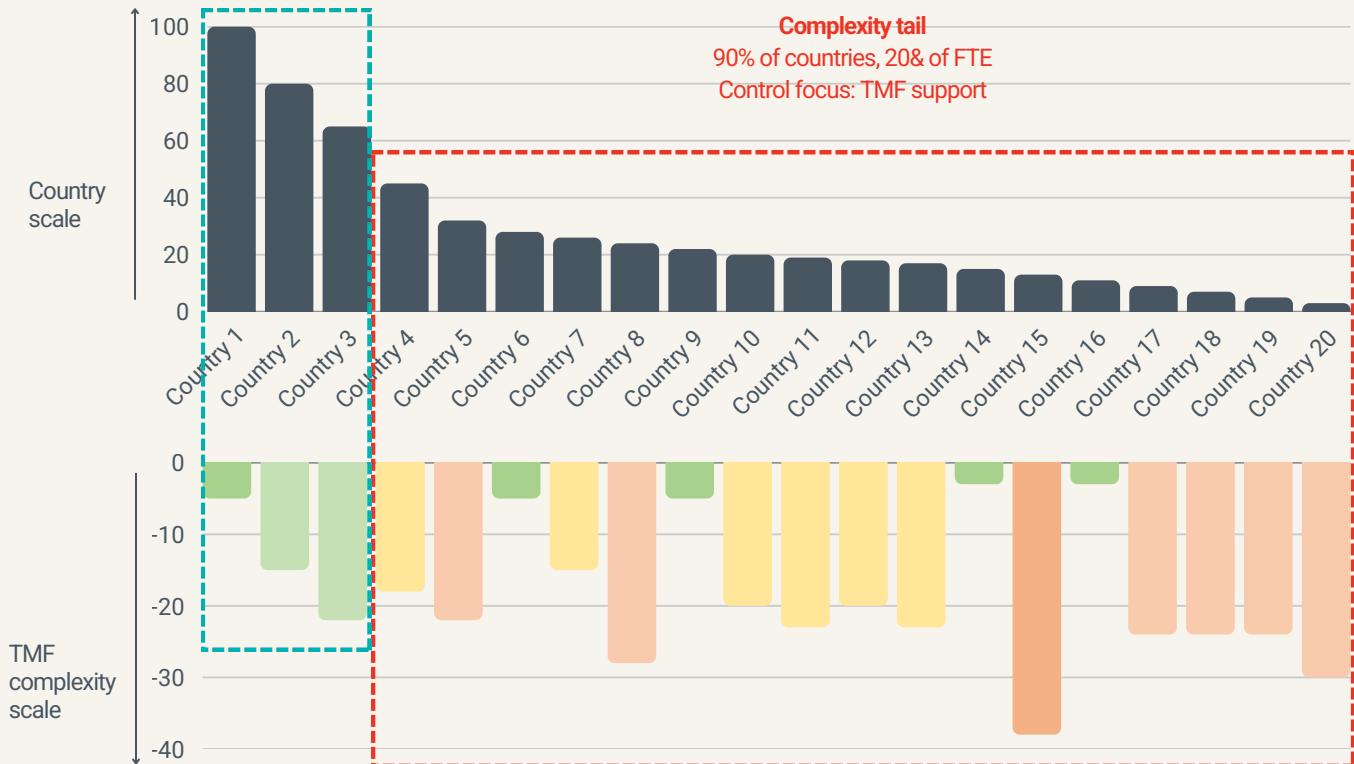
The takeaway is that as businesses grow or as structural debt accumulates, even a small presence in complex markets can create an oversized compliance risk and cost.

Regulatory vs administrative complexity: US-headquartered multinational

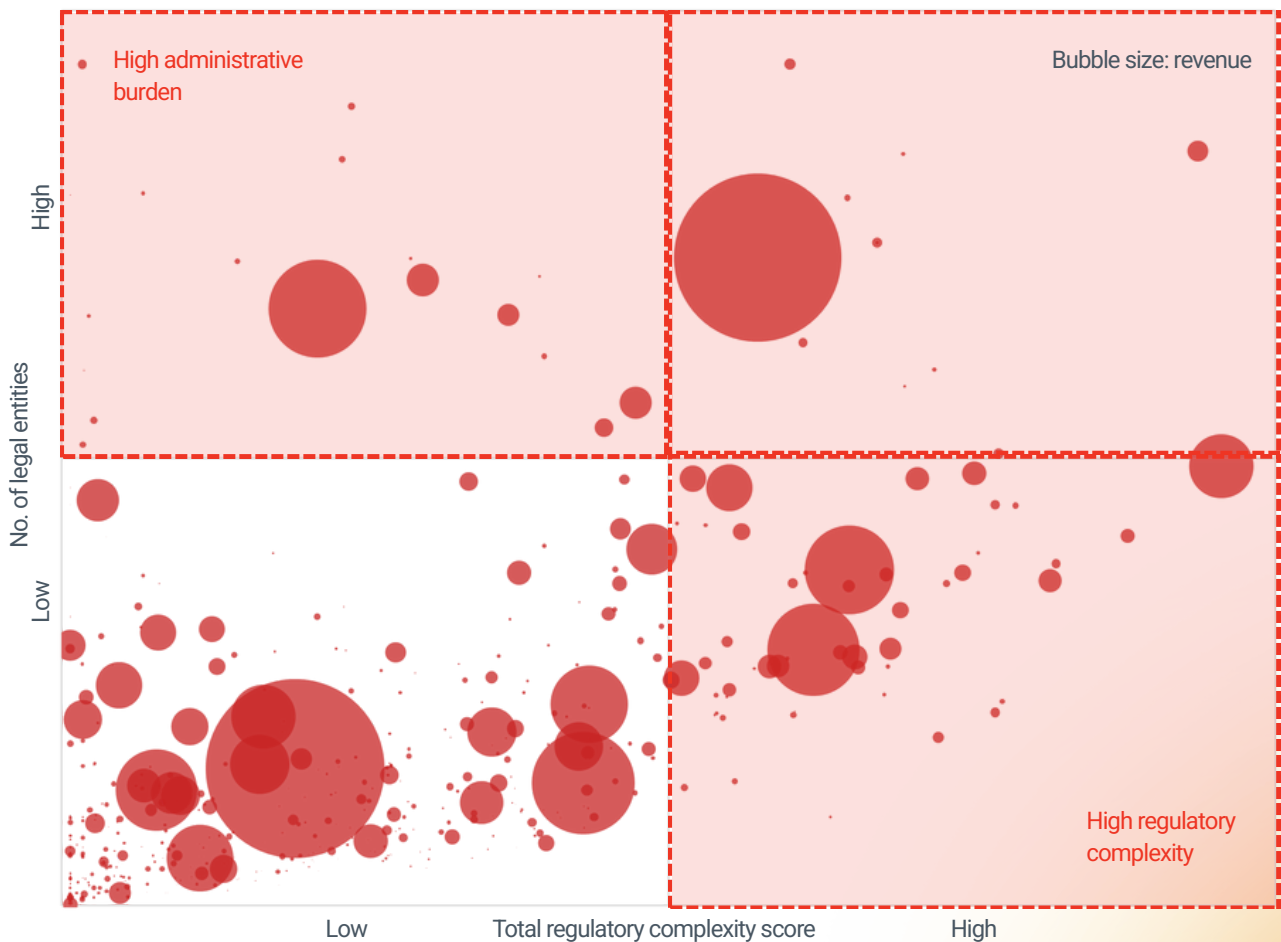


Simple core
 80% of FTE, 10% of countries
 Cost focus: DIY or BPO

Complexity tail
 90% of countries, 20% of FTE
 Control focus: TMF support



More countries lead to greater regulatory complexity;
 more entities lead to greater administrative complexity.



The risks of poor entity management

Failing to manage this complexity effectively can expose organisations to risk in a number of ways. There's compliance risk; missed deadlines, inaccurate records or incorrect filings can lead to financial penalties, liability exposure for directors or other forms of sanction. Business activities can be disrupted in certain situations if access to compliance portals is suspended or licenses are withdrawn.

Complex structures with dormant entities can also pose a **strategic risk**, limiting an organisation's ability to implement changes, such as restructuring or reorganisation, and reducing agility when executing M&A integrations or divestitures.

Finally, there is the **reputational risk** of poor local compliance. If we take compliance and governance around entity management as a barometer for organisational health, failures due to negligence or oversight are indicators that all is not well.

Such complications can erode investor confidence, damage brand and, in extreme cases, even affect valuation. In highly regulated industries, this loss of good standing can be especially damaging – and will likely invite further scrutiny from regulators.

Compliance first: check up on entity health

We serve a broad cross-section of organisations: corporates, financial institutions, asset managers, private equity and real estate investors and family offices. We understand the challenges of managing corporate structures, the importance of complying with local requirements and the increasing demands on governance and transparency.

Across the board, a good starting point for many clients is our health check service: comprehensive evaluations to assess and then improve the statutory compliance status of their legal entities.

With a focus on minimising risk and ensuring seamless global operations, each health check variance/gap analysis provides peace of mind by providing local compliance support for a client's legal entities. Our experts carry out deep dives into public and statutory records, as well as internal documentation, to identify any potential issues before they disrupt a client's business.

Solutions to reduce fragmentation, consolidate oversight

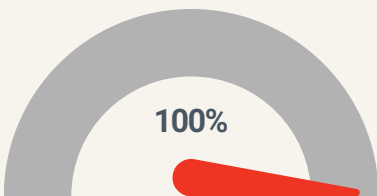
Fortunately, as well as being something that can be measured, entity complexity is something that can be addressed. A combination of governance, technology, expert support and ongoing monitoring can significantly reduce risk and improve efficiency.

Having reviewed all entities and established a global footprint, complexity scores can be calculated and a benchmarking exercise undertaken. If the organisation carries disproportionate complexity relative to its size, this may be an opportunity to rationalise entities and streamline structures to maintain coverage and agility for as little complexity as possible.

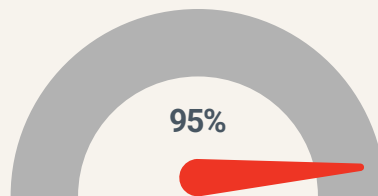
If not already in place, a strong governance framework is a must; this needs to provide clarity over who owns entity governance across the organisation. Decisions must then be made over how responsibilities are split between local teams, global compliance and central corporate functions.

GEM complexity benchmark of financial institution

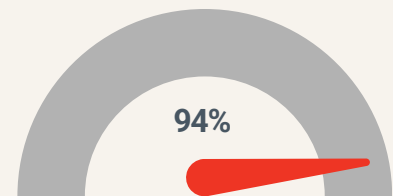
Company **regulatory complexity** percentile within financial services sector



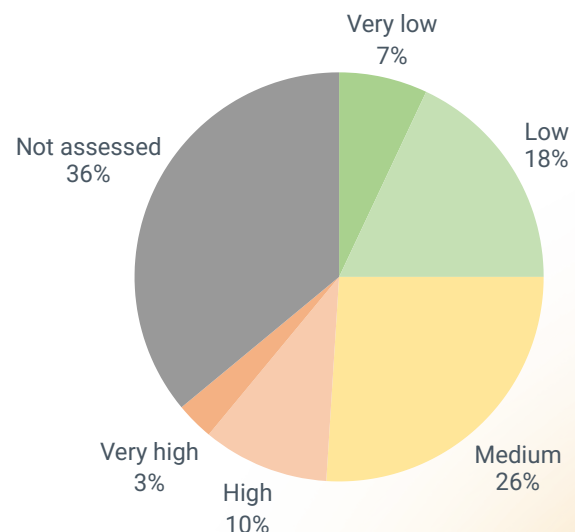
Company **administrative complexity** percentile within financial services sector



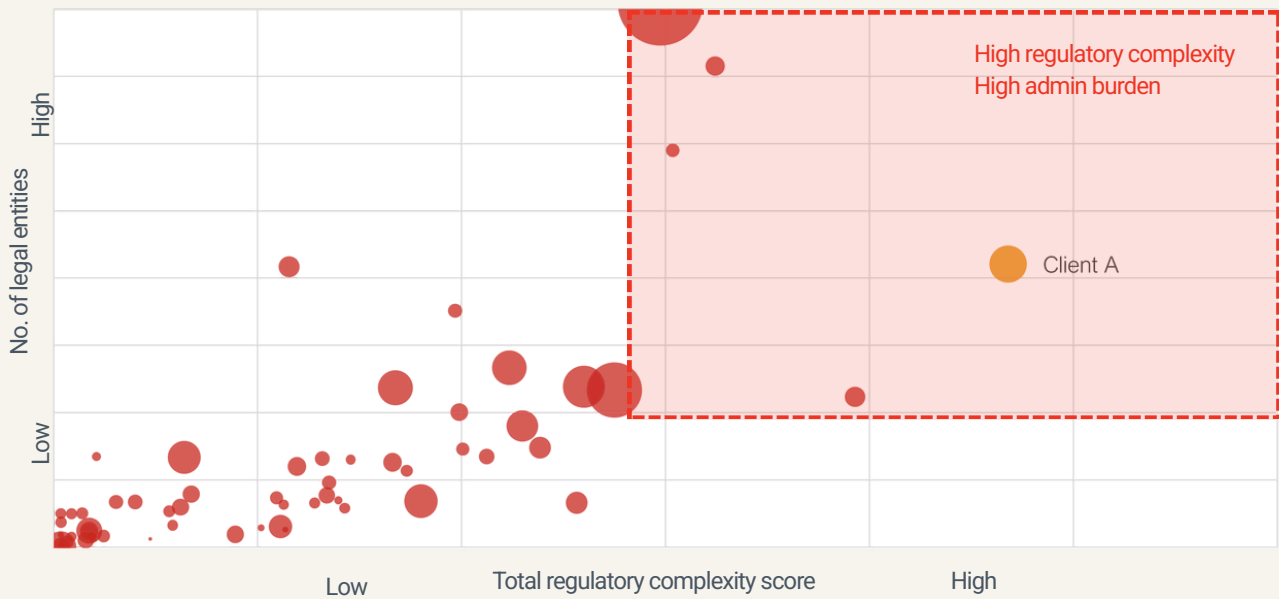
Company **revenue** percentile within financial services sector



Jurisdiction complexity distribution



Benchmark with S&P companies in financial services sector



- Client A operates in 94 countries globally, three countries (Mexico, Italy and Indonesia) fall under very high regulatory complexity category.
- Client A ranks 100th percentile for regulatory complexity burden in the 95th percentile for administrative burden, compared to financial services companies in the S&P 500, placing it in a structurally riskier position.
- Further analysis is recommended to identify regulatory hotspots and streamline the entity landscape.

Many organisations outsource these responsibilities to service providers: by task, by location, or both. This is an excellent solution, especially in those locations where an organisation lacks scale or the specific expertise to confidently handle local entity compliance.

But outsourcing to multiple providers can create its own challenges, through inconsistent processes and reporting, and the persistence of global oversight issues which can create further risk while trying to eliminate it. Supplier rationalisation is needed to ensure quality, consistency and agility, or better still, a consolidation effort.

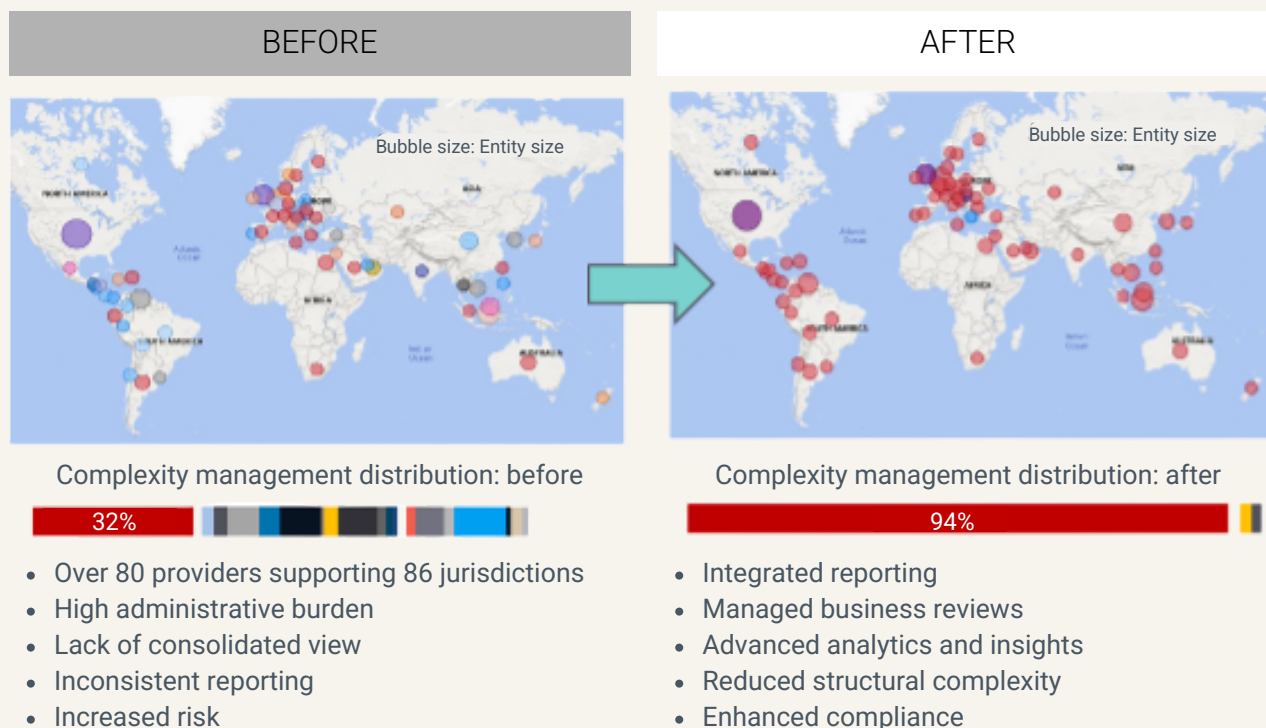
A key attraction of consolidation is the opportunity to enhance management and control, ensuring resources are allocated efficiently and third-party vendor risks are minimised. Outsourcing essential business processes to a single provider improves business continuity and provides practical advantages in fundamental areas.

This is what we provide for our clients: single, global control which becomes a strategic partnership.

A practical roadmap: from reactive to proactive

1. **Assess:** conduct a full review of your global entity footprint and complexity scores
2. **Benchmark:** compare results against sector peers to understand relative position
3. **Rationalise:** identify entities that can be merged, struck off or simplified
4. **Standardise:** implement global governance policies and controls
5. **Automate:** deploy technology solutions to streamline workflows and data management
6. **Monitor:** establish ongoing reporting, reg tracking and periodic re-assessment of complexity

Client example: fragmented entity management across 80 countries



Ongoing obligations and the AI advantage

Just as financial metrics are monitored regularly, entity footprint and complexity metrics should be revisited periodically.

Regular reassessment of entity volume, distribution, location and their complexity burden shouldn't be a one-off exercise. Establishing a review cycle will help to maintain an optimal corporate structure and prevent structural debt from re-accumulating.

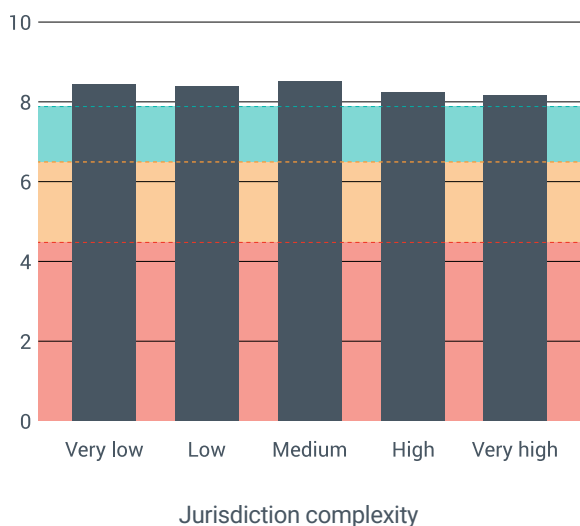
Leading organisations implement global policy frameworks with standardised processes for incorporations, dissolutions, changes in directors, record-keeping and compliance oversight. Clear accountability reduces variability and ensures nothing falls through the cracks, so you have a clear overall picture of what your ongoing obligations are.

An important aspect of entity management is keeping on top of what your obligations are in each jurisdiction. We've harnessed the power of artificial intelligence, partnered with our local experts, to keep our clients updated on the ever-changing regulatory environment.

AI agents track and summarise legislative and regulatory developments published by official sources around the world; our local experts serve as the 'human in the loop' to review these updates and disseminate them among colleagues and clients.

From burden to strategic asset

CSAT shows us absorbing complexity
Client satisfaction by jurisdiction complexity



Managing entity complexity requires an understanding that it's more than just a responsibility for the back-office function: as a barometer of organisational health, it is strategically important.

Complexity is, at least for larger multinational firms, easy to deal with. Complexity arises from known rules. Those rules change slowly, and the countries at the top and bottom of our complexity index are largely the same, year after year.

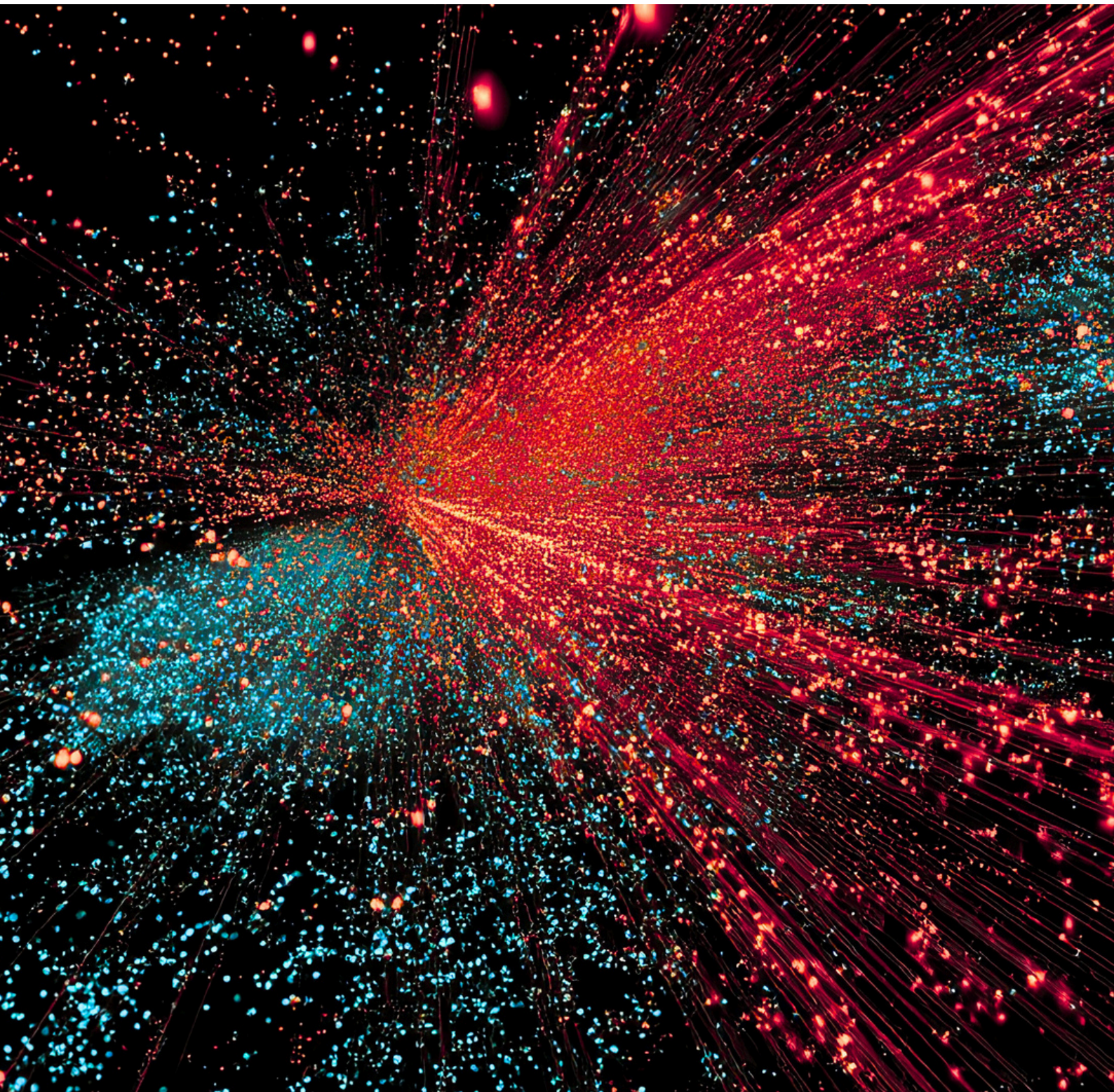
We absorb local complexity for our clients, and we see no deterioration in service quality or client satisfaction in more complex jurisdictions. In short, we know what is required and make sure it gets done.



About TMF Labs

TMF Labs is a research and analytics function that seeks to leverage data and technology to maximise the value TMF Group can add to its clients' businesses.

Through data transformation, analytics, benchmarking and client intelligence, TMF Labs aims to create insight that will lead to comprehensive solutions, improved operational performance and proactive risk management for TMF Group clients.



We make a **complex** world **simple**

TMF Group is a leading provider of critical administrative services, helping clients invest and operate safely around the world.

With over 13,000 colleagues in more than 125 offices across 87 jurisdictions, all working to the same high standards of service and security, we provide our clients with local expertise where it is needed most. Our locations cover 92% of world GDP and 95% of FDI inflow.

We are a key part of our clients' governance, providing the accounting, tax, payroll, fund administration and legal entity management services essential to their success. We make sure rules are followed, reputations protected and operational compliance maintained.

Our global service model and technology platform put our clients in control of their portfolio of entities and global locations. The data insights we deliver keep them on top of emerging regulation, the status of their own activity and any points of risk.

We serve corporates, financial institutions, asset managers, private equity and real estate investors, and family offices. We work with 60% the Fortune Global 500 and FTSE 100, and almost half of the top 300 private equity firms.

We leverage cutting-edge technologies to streamline operations, reduce manual tasks, and deliver actionable insights – enhancing your TMF Group experience and supporting your business transformation with smarter, data-driven decisions.

Whether operating in one country or many, with a handful of employees or several thousand, we have the business-critical support you need to expand, operate and grow safely, everywhere.

Find out how we can support your organisation on its expansion journey with our [global entity management services](#).

www.tmf-group.com

