Doing more with less
Bringing strategic value to trade management
The Ernst & Young Customs and International Trade 2009 Symposium Report
The 2009 Ernst & Young LLP Customs and International Trade Symposium was organized in conjunction with the American Association of Exporters and Importers initiative to develop education and training in the area of global trade facilitation and compliance. Marianne Rowden, Executive Director of the American Association of Exporters and Importers participated in the symposium.
The global economic crisis has significantly affected global trade, but not in an entirely consistent manner. While overall trade volumes have declined, complexity of conducting trade has increased. Within the first few months of the crisis, the World Bank reported that 17 of the 20 largest industrialized nations had enacted new trade restricting measures. Trade disputes, along with remedial and retaliatory actions, have increased. A renewed emphasis on health, safety and environmental regulation has also directly impacted imports and exports.

Against this backdrop, executives responsible for import and export activity at their companies are seeing workload increase in a time of constrained corporate resources. They are, in short order, having to do more with less. At the same time, as corporate strategies are developing to reestablish future corporate growth, plans for increased international activity are at the forefront. With the expectation that new markets, new sources for products and new production locations will be increasingly important in the future, global trade executives are positioned to have a direct impact on corporate value when the economy recovers – provided they can effectively utilize resources. For global trade executives, the challenges and opportunities have never been greater.

In conjunction with an initiative of the American Association of Exporters and Importers to develop education and training in the area of global trade facilitation and compliance, the Customs and International Trade practices of Ernst & Young’s global network invited a select group of key executives from wide-ranging industries to examine leading practices and evolving strategies of global trade departments. Each participant company is an established global trader, with import and export operations in multiple jurisdictions, and recognized as a leader in its industry.

In a discussion format facilitated by Ernst & Young professionals from around the world, the executives provided their views on the organization and metrics of a world-class global trade function, identifying and managing global risks and opportunities in a resource-constrained environment and developing a strategic plan for the future.

This report summarizes the findings and identifies leading practices from the Ernst & Young LLP Customs and Trade Symposium “Doing more with less: bringing strategic value to trade management.” We hope you will find the report insightful and valuable to your organization.

William M. Methenitis  
*Americas Director*  
Customs and International Trade Practice  
Ernst & Young LLP

Adrian Ball  
*Asia-Pacific Director*  
Customs and International Trade Practice  
Ernst & Young Solutions LLP

Neil Byrne  
*Europe, Middle East, India and Africa Director*  
Customs and International Trade Practice  
Ernst & Young
Doing more with less: bringing strategic value to trade management
Contents

Introduction .............................................................................................................. 02
Workshop format and participants ............................................................... 04
Organization and metrics of a global trade department ......................... 06
Identifying and managing global risks and opportunities in a resource-constrained environment .................................................. 15
Predicting the future: developing a strategic plan for the next decade... 23
Concluding thoughts ......................................................................................... 34
Introduction

Customs risk management has been a focus for trade professionals over the past decade. As part of a series of symposiums on the topic, Ernst & Young LLP conducted an extensive review in 2006 of the leading customs global risk management practices of multinational importers. That review found proactive risk management had become the norm; progressing from a singular focus on regulatory compliance to whether trade management was contributing to corporate growth and value. The definition of risk had expanded, mirroring a broader business definition – including regulatory compliance, financial, business and personal risks that arise when an internal control over the import function fails.
There is no single owner of customs risk. Instead, there are stakeholders throughout the organization and different departments that are impacted in different ways when an internal control fails. To effectively deal with this dynamic, many of the leading risk management practices reported in 2006 emphasized strong connectivity with the corporate organization, including:

- Solid alignment and integrated approaches with business functions
- A thorough understanding of risks throughout the organization
- Senior management involvement
- Documented strategies
- Being process-focused (as the import function crosses many departmental lines)
- Trade professionals having a “seat at the table” in larger initiatives
- Sufficient resources, coordinated globally

Connectivity with the business appears to have taken on even greater significance as a result of the economic downturn. While all aspects of the business have been impacted by the downturn, indications are that the international trade function will be significantly impacted as the economy recovers.

Corporate reshaping is directly impacting international trade

Ernst & Young, in conjunction with the Economist Intelligence Unit, surveyed more than 300 C-suite and board-level executives during January 2009. Executives were drawn from across the world and a variety of industries; all worked for companies with turnover in excess of US$1 billion. Titled *Opportunities in Adversity*, the survey explored how companies are reacting to the global economic crisis, identifying common experiences and leading practices.

*Opportunities in Adversity* revealed that substantial business reshaping is already underway and expected to continue. Moreover, global trade is at the epicenter of much of the activity. It seems readily apparent from a number of the survey findings that trade executives can expect new challenges and significant opportunity for impact from the business reshaping.

- **Entry into new geographic markets is anticipated.** New market entry brings new trade risks. At the same time, strategic trade planning can directly impact the costs of new market entry and identify potential barriers or prohibitions of certain products.
- **Offshoring will increase.** Offshoring can occur for production, procurement, sales or service. Each new offshore location brings new regulatory requirements and effectively managing trade regulations directly impacts bottom-line performance.
- **Performance improvement will be expected.** Corporate executives identified key areas critical to expense reduction and revenue growth without sacrificing corporate strategy. More than half identified supply chain opportunities as “significant.” Global trade departments can be expected to contribute directly to these initiatives.
- **Cash management is vitally important.** Efforts to improve cash management through supply chain improvements and customs duty and Value-Added Tax (VAT) reduction and deferral will directly involve the trade function.
- **Increased focus on risk management.** Corporate executives will emphasize risk management across key business processes and expect Board-level review. With international trade a key aspect of business growth strategy, trade risk management will take on increased significance.

Accordingly, our focus for the 2009 Ernst & Young Customs and International Trade Symposium naturally evolved into an assessment of how corporate change in the economic crisis impacts the goals, leading practices and strategies of the global trade function. In the face of corporate-wide pressure to reduce costs, increase efficiencies and expand revenue, how are trade organizations aligning, integrating and communicating global trade risks with stakeholders? At the same time, executing on business recovery plans requires focused international trade planning. Business reshaping related to the supply chain creates new import flows, supply chain partners, changing import volumes and new jurisdictional rules and protocols. Both the complications and opportunities are vast. Our 2009 symposium presented an opportunity for detailed exploration of these questions, examining how trade executives are adjusting approaches to do more with less and position their departments to execute on new opportunities to demonstrate strategic value.
Workshop format and participants

The 2009 symposium followed a facilitated workshop format. This report summarizes the discussion and highlights selected statements made by participants during the discussion; quotes, however, are not attributed to any individual. Opinions expressed are those of the participants and are not necessarily those of the organizations they represent.
<table>
<thead>
<tr>
<th>Industry</th>
<th>Company/Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>Doug Whitman</td>
<td>3M Company</td>
</tr>
<tr>
<td>Susie Hoeger</td>
<td>Abbott Laboratories</td>
</tr>
<tr>
<td>Christine Berghofer</td>
<td>AT&amp;T Operations, Inc.</td>
</tr>
<tr>
<td>Fiona Simpkins</td>
<td>Avaya Inc.</td>
</tr>
<tr>
<td>Lori Goldberg</td>
<td>Avery Dennison Corporation</td>
</tr>
<tr>
<td>Janete de Carvalho</td>
<td>Avon Latin America Supply Chain Logistics</td>
</tr>
<tr>
<td>Louis Lisowski</td>
<td>Baker Hughes Incorporated</td>
</tr>
<tr>
<td>Mark Dailey</td>
<td>Bayer Corporation</td>
</tr>
<tr>
<td>Antoinette Montoya</td>
<td>Bechtel Corporation</td>
</tr>
<tr>
<td>Karen Kelly</td>
<td>Becton, Dickinson and Company</td>
</tr>
<tr>
<td>Uwe Grosse</td>
<td>BMW AG</td>
</tr>
<tr>
<td>Vittoria Crea</td>
<td>Boehringer Ingelheim USA Corporation</td>
</tr>
<tr>
<td>Tim Van Oost</td>
<td>BP America Inc.</td>
</tr>
<tr>
<td>Craig Laabs</td>
<td>Chevron Phillips Chemical Company LLC</td>
</tr>
<tr>
<td>Luisella Basso</td>
<td>Choice Logistics, Inc.</td>
</tr>
<tr>
<td>Chuck Robinson</td>
<td>Choice Logistics, Inc.</td>
</tr>
<tr>
<td>Rick Casey</td>
<td>Ciba Vision Corporation</td>
</tr>
<tr>
<td>Jill Franze</td>
<td>Cisco Systems, Inc.</td>
</tr>
<tr>
<td>Blythe Severson</td>
<td>General Mills, Inc.</td>
</tr>
<tr>
<td>Steve Gordon</td>
<td>Lear Corporation</td>
</tr>
<tr>
<td>Michael Singer</td>
<td>Macy’s Merchandising Group, Inc.</td>
</tr>
<tr>
<td>Joan Pan</td>
<td>Merck &amp; Co., Inc.</td>
</tr>
<tr>
<td>Beth Foster</td>
<td>Novartis Pharmaceuticals Corporation</td>
</tr>
<tr>
<td>Charlene Stocker</td>
<td>The Procter &amp; Gamble Distributing Company LLC</td>
</tr>
<tr>
<td>Karl Riedl</td>
<td>Robert Bosch LLC</td>
</tr>
<tr>
<td>Jerry Hanifin</td>
<td>Sojitz Corporation of America</td>
</tr>
<tr>
<td>Mary Lee Courtney</td>
<td>Teleflex Medical</td>
</tr>
<tr>
<td>Scot McManus</td>
<td>Terex Corporation of America</td>
</tr>
<tr>
<td>Carol Fuchs</td>
<td>Tyco International</td>
</tr>
<tr>
<td>John Soares</td>
<td>Walmart Stores, Inc.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>American Association of Exporters and Importers</th>
<th>Country</th>
<th>Contact Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marianne Rowden</td>
<td>Washington, DC</td>
<td>+1 202 857 8009</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Ernst &amp; Young</th>
<th>Country</th>
<th>Contact Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adrian Ball</td>
<td>Singapore</td>
<td>+65 6309 8787</td>
</tr>
<tr>
<td>Armando Beteta</td>
<td>Mexico City</td>
<td>+52 55 5283 8684</td>
</tr>
<tr>
<td>Neil Byrne</td>
<td>Dublin</td>
<td>+353 1 221 2370</td>
</tr>
<tr>
<td>Frank de Meijer</td>
<td>São Paulo</td>
<td>+55 11 2112 5413</td>
</tr>
<tr>
<td>Franky DePril</td>
<td>Brussels</td>
<td>+32 497 05 10 96</td>
</tr>
<tr>
<td>Nathan Gollaher</td>
<td>Chicago</td>
<td>+1 312 879 2055</td>
</tr>
<tr>
<td>Michael Heldebrand</td>
<td>San Jose</td>
<td>+1 408 947 6820</td>
</tr>
<tr>
<td>Debra Izzo</td>
<td>Boston</td>
<td>+1 617 375 8352</td>
</tr>
<tr>
<td>Karen King</td>
<td>New York</td>
<td>+1 212 773 8582</td>
</tr>
<tr>
<td>Werner Kreissl</td>
<td>Montreal</td>
<td>+1 514 874 4436</td>
</tr>
<tr>
<td>Michael Leightman</td>
<td>Houston</td>
<td>+1 713 750 1335</td>
</tr>
<tr>
<td>Courtenay Lutterman</td>
<td>New York</td>
<td>+1 212 773 2506</td>
</tr>
<tr>
<td>Sharon Martin</td>
<td>New York</td>
<td>+1 212 773 0273</td>
</tr>
<tr>
<td>Carrie Maier</td>
<td>New York</td>
<td>+1 212 773 2968</td>
</tr>
<tr>
<td>Bill Methenitis</td>
<td>Dallas</td>
<td>+1 214 969 8585</td>
</tr>
<tr>
<td>Claudia Montoya</td>
<td>Dallas</td>
<td>+1 214 969 9831</td>
</tr>
<tr>
<td>Kristine Price</td>
<td>New York</td>
<td>+1 212 773 2662</td>
</tr>
<tr>
<td>Bob Schadt</td>
<td>Washington</td>
<td>+1 202 327 7743</td>
</tr>
<tr>
<td>Bryan Schillinger</td>
<td>Houston</td>
<td>+1 713 750 5209</td>
</tr>
<tr>
<td>Robert Smith</td>
<td>Shanghai</td>
<td>+86 21 22282328</td>
</tr>
</tbody>
</table>
Organization and metrics of a global trade department

Trade executives are keenly aware of the need for effective and efficient processes in the present economic climate. With increased corporate pressure to show value, the trade executives expressed a greater need to demonstrate to others that the department is efficient. Discussion of how to be efficient and clearly articulate that efficiency followed this framework:

- Clearly defining the trade department’s mission and objectives, aligning with corporate goals
- Efficiently organizing the trade department’s resources to fulfill those objectives, exploring different resource alignment and allocation models
- Carefully developing and tracking metrics for the department and individuals and
- Effectively articulating the trade department’s performance to management against metrics
Define mission and objective

While executives agreed that clearly defining a trade department’s mission and objectives is an important step in principle, too often global trade departments are organized without formal documentation of a stated mission or objectives. Forty percent of participants did not have a written mission statement or objectives. Of those that did, only half stated that their written mission statement or objectives are defined at a global level.

It was clear from the discussion that building a global trade department requires strong centralized leadership to organize and coordinate efforts. Some of the participants had mature departments with strong leadership and an organized global effort, while others were still organizing their global efforts. One participant described the benefits of centralization: “Building a global trade department requires a central person or team to (1) connect with personnel in various countries; (2) develop a clear philosophy, policy and structure; and (3) develop a single standard process accounting for differences from location to location.”

Another participant noted that while a company’s organization may not allow for direct accountability and reporting, a global trade department should be a “virtual team that centrally reports.”

Participants agreed that without a stated mission and objectives, a trade department often lacks stewardship or accountability, has no baseline to measure success or failure, is unable to effectively prioritize responsibilities, suboptimizes alignment of resources and often has a weak corporate image.

Trade department mission and scope of responsibility

The executives identified common high-level missions that are consistent in most trade departments. They noted that these basic missions do not change as the economy suffers or thrives. All trade departments share a similar purpose: to comply with trade laws, reduce duty payments and increase supply chain speed. However, they noted that from company to company, trade department missions generally will vary in scope, not purpose, depending on the resources that are aligned to the trade department.

Consequently, when defining a mission, executives explained that a department must define its scope considering the company’s particular needs:

Departments vary in their scope of oversight or control.

Some departments may be responsible for global trade, while others are only responsible at the regional, domestic or business unit level. Participants agreed that global oversight or control is a leading practice. One participant noted that “having responsibility on a global basis allows the company to provide a consistent message to customs authorities and allows each region to lean on each other and learn from one another.” Additional regional organization in some instances was also identified as a leading practice. “When we tried to manage Latin America country by country, we lost control,” noted one executive.

Departments vary in their scope of transactional involvement.

While some departments may only be responsible for providing consultative support to business units, others actively manage trade at the transactional level. “Trade preference decisions are so important to our company that no trade preference can be claimed without our involvement,” one executive said. Another executive noted, however, that “trade preference decisions are important, but we allow the business units to manage that process subject to our review.”

Departments vary in their scope of functional (subject matter) involvement.

While some departments may only be responsible for imports, others are responsible for related functions such as exports, supply chain security, value-added taxes and other governmental agency compliance. Two-thirds of the participants stated that their departments have overall responsibility for import, supply chain security, export controls and other governmental agency compliance. Participants agreed that integration of all or part of these functions is a leading practice, citing examples of the close interrelationship between each function, such as the utilization of the same or similar data elements. One participant noted that “you cannot truly have a global trade organization without central control of both imports and exports.” Only a few of the participants had direct involvement with value added taxes or excise taxes.
When defining a mission, executives also cautioned that a department should exercise prudence to not overextend its scope, over-promise and under-deliver. They advised that a well-defined mission should:

- Be narrowly drafted to define the department's actual scope of stewardship and accountability
- Not include stewardships for which resources have not been allocated
- Not overlap with the responsibilities of other departments

**Trade department objectives**

The executives also agreed that a mission statement is merely a framework and a trade department must define more specific, actionable objectives that support the mission to be effective. They emphasized that each company's objectives will largely be driven by the inherent risks encountered by the business and the potential opportunities available to the business when conducting international trade.

**Inherent risks and opportunities to the business**

When discussing inherent risks and opportunities to a business, participants identified several questions that they consider when defining objectives. Because objectives, risks and opportunities change from time to time, frequent reexamination of these questions is required:

- Does the business have significant imports? Exports?
- What level of business is conducted and where? (e.g., manufacture, assembly, distribution, repair or refurbishment)
- Does the business participate in special compliance or supply chain security programs that provide conditional benefits?
- Does the business import and/or produce import sensitive items subject to special requirements and/or high duties? (e.g., textile, foods, pharmaceuticals, antidumping, others)
- Does the business produce and/or export sensitive items? To sensitive countries?
- Is the business highly centralized or decentralized?
- Does the business grow or shrink organically or through frequent acquisition/divestiture?
• Does the business have uniform information systems platforms?
• Does the business purchase imports from related or unrelated parties?
• Does the business take advantage of special programs that provide conditional duty benefits? (e.g., free trade agreements, drawback, free trade zones)
• Does the business pay significant duties? In what jurisdictions?

Considerations when defining objectives
The executives discussed how an organized approach to identify, prioritize and quantify risk and benefit yields dividends. They identified leading practices to consider when defining and setting trade department objectives:

Objectives must be defined “top down.” Defining objectives is a “big picture” exercise. While the input of those doing the job is helpful, they are not always in a position to see the big picture. One participant commented that a NAFTA specialist could view the automation of a NAFTA process to be the top priority to allocate resources, unaware that the company faces more significant risk in the capturing and reporting of assists.

Objectives must be flexible as priorities change. A department’s objectives change from time to time and require periodic revision. Periodic changes may arise from external factors (e.g., changes of law, global economic health and enforcement trends) and internal factors (e.g., resource availability, reevaluation by management and business changes). “Our priorities have changed because of budget cuts, forcing us to focus our attention on creating ‘lean processes’ for management, causing significant delays in integrating new corporate acquisitions,” one executive explained.

Objectives must be within the department’s mission and control. Departments often unknowingly set themselves up for failure by defining objectives that are unattainable or defining objectives without adequately addressing the contingencies that are required for success. Contingencies may include the need for additional resources, the need for third-party cooperation, or even the need for governmental action. One executive provided an example: “While I have global responsibility, the slowdown has left me without resources to effectively assess global risk.”

Objectives must be defined with the company’s best interests in mind. In a down cycle, hard decisions are made between “needs” and “wants.” Company management often defers the wants and closely scrutinizes the needs. Trade department objectives should be aligned with company priorities focusing on what is best for the company, not only on what is best for the department. Often it is the responsibility of the trade department to inform management of how trade needs fit into overall company priorities.

Objectives must be specific and focused on results, not tasks. Departments often struggle to articulate the benefit or risk associated with each objective. Successful departments often define an objective by aligning the objective with a specific process and/or cost center. Any department can be viewed as a collection of cost centers and processes. With defined objectives, a company can better match the processes and costs required to meet the objectives. Some assumptions and allocations are a normal part of the exercise.

Objectives must be prioritized. All trade risks and opportunities are not equal. When prioritizing objectives, successful departments address inherent risk and reward, consider the likelihood and timing of occurrence, evaluate the severity of impact or extent of reward and review current control activities designed to mitigate likelihood or impact of the risk. Trade departments also consider certain internal factors when prioritizing objectives. For example, a company’s management might have a healthier appetite for risk in a slowdown, focusing on cost-saving measures. A trade department may be required to adapt its objectives and realign its compliance resources to more aggressively pursue cost-saving measures.

Objectives must be written and communicated. Some departments have a general idea of their objectives but have never put pen to paper. Effective objectives are a form of internal marketing, developing the brand of the trade department and demonstrating value. They provide an opportunity to request and demonstrate the need for management assistance with contingencies required for the department’s success, such as securing resources, management assistance with other departments or applying pressure to third parties. They set a baseline for accountability to be able to learn from failure and provide a measure to demonstrate success and seek due reward.
Organize resources to achieve objectives

Trade executives explained that organizing resources to achieve objectives is a balancing act that considers availability of resources, short- and long-term priorities, workload and personnel skill sets. They also noted that there is no “generic” or “ideal” or “one-size-fits-all” resource alignment or allocation model.

Corporate alignment

Corporate alignment may help or hinder the balancing act between resources and demands. Most of the trade executives participating in the session were primarily aligned through a logistics or tax department. Other executives reported through finance, legal, procurement, supply chain or regulatory affairs. When asked in a survey about the “ideal” corporate alignment during an economic slowdown, many of the trade executives pointed to the legal department. However, during the session, the trade executives shared experiences of how one alignment or another better served a particular objective.

Participants noted that companies that focus the trade function on timely clearance, for example, may be well suited to house the trade function within logistics or supply chain. Companies that are more focused on duty minimization may have more synergies by aligning the trade function with tax or finance. Companies that are more focused on risk mitigation in heavily regulated industries may be more effective in communicating risks through legal or regulatory affairs.

While no consensus was reached on the “ideal” department alignment, trade executives concluded that the critical factor is to be situated where the function receives the internal support it requires to ensure the company meets its mission and objectives. Alignment with a function that is structured to be conducive to global coordination was also viewed as important. They also agreed that to be successful under any alignment, the trade executives need to actively engage all of the stakeholders in the trade function, regardless of their departmental alignment.

Resource allocation

As departments are being asked to do more with less, some executives noted an increased interest by management for industry benchmarks on size and composition of a trade department. Some executives were aware of studies that purported to provide benchmarks, tying headcount to the number of customs entries filed, for example. However, participants referenced the studies skeptically and viewed them as “highly unreliable,” in part because the benchmarks do not adequately address the complexity and variety of trade related functions that drive resource demands. Moreover, the studies often do not take into account how departments use and pay for brokers or other outsourcing options.

Alternatively, participants identified having good data on the roles of individuals relative to the processes necessary to achieve stated objectives as the key to justifying and aligning headcount. They recommended creating a rational resource allocation model by sequential mapping:

- Individual roles to business objectives
- Business objectives to costs
- Costs to benefits

When undertaken for the entire department, this model provides a ready explanation of resource deployment and an answer to questions about the relative size of a trade department compared to others.

When doing this exercise, it is important to consider that there are clearly some individual roles and processes that are easier to map than others. Baseline or mission-critical roles, roles necessary to manage basic import or export processes, are often more difficult to map to a particular benefit. Participants provided examples of these baseline roles: managing broker interaction; determining import and export classifications; preparing entry documentation and security filings; and securing export licenses and import permits.

On the other hand, participants also identified many incremental or mission-complimentary roles (i.e., roles designed to meet additional objectives beyond basic import and export processes) as easier to map to readily quantifiable benefits. These roles included drawback; special trade programs; compliance risk assessment and auditing; post-merger integration; training; and governmental, industry or divisional outreach.

The executives agreed that a proactive approach and regular evaluation of resource allocation can pay dividends with senior management. They noted that an introspective look at resources,
objectives, costs and benefits often reveals wasted time, or time spent on secondary objectives while delaying primary objectives. One executive noted that “those doing the job are not always in a position to see the big picture and are often left on their own to prioritize tasks. Sometimes they do what is easier first, not what adds the most value.”

Flexible staffing
Executives commented that broad subject matter addressed by a trade department can make it difficult to quickly shift resources from one area to another. Even within the department, company resources may not have the appropriate skill sets or experiences to fulfill objectives. Key to being able to effectively redeploy resources when needed is to establish a culture of flexible staffing. Participants agreed a trade department can plan for this flexibility by cross-training, promoting the acquisition of broad skill sets and providing opportunities to work with external advisors for a fresh perspective. One participant noted that to be flexible the trade department must “place emphasis on personnel development through coaching, mentoring and promoting active participation in trade associations.”

Outsourcing
Executives agreed that outsourcing can be beneficial, although two-thirds of the participants stated that they do not currently outsource trade compliance functions other than core clearance processes with brokers and freight forwarders. The trade executives identified several considerations for outsourcing:

- **Outsourcing requires careful planning.** One participant noted that “While you can outsource the function, you cannot outsource the risk.” As a result, any outsourcing program must be carefully developed by the trade department. The trade department needs to know and define the process together with the service provider and create a mechanism for review.

- **Outsourcing makes sense sometimes.** Certain functions are easier to outsource than others. Some clerical functions lend themselves to outsourcing. One participant noted that certain export control functions can be outsourced with well-defined parameters, including some elements of denied party screening, tracking of license conditions and reviewing transactions with sanctioned countries. Other participants noted that the internal audit function can be outsourced, providing an independent and fresh look to the trade department.

- **Outsourcing requires metrics.** Executives cautioned against outsourcing “a broken process.” Clearly defining requirements, measurements and key performance indicators can be important to success.

- **Outsourcing provides variable staffing flexibility.** Often the number and type of resources can be changed on short notice. Sometimes objectives require significant up-front investment with less long-term maintenance. Being able to complete these objectives without the long-term commitment to headcount may be preferable.

- **Outsourcing provides additional core knowledge.** Outsourcing provides immediate access to knowledge that the trade department has not yet developed.

- **Outsourcing funds may be available when headcount isn’t.** One participant noted that while headcount was difficult to obtain in the current economic climate, outsourcing funds may be available to take on specific projects or functions.
Develop and track metrics

Trade executives consistently stated that developing good data is the key to success. They noted that organizing good data allows a trade executive to uncover opportunities, manage workload and risk by exception and demonstrate value. One participant noted that “effective departments create a culture of evidence. They rely on data, not intuition, to determine if something is worthwhile or if something is working.” Too often those involved may know intuitively that value is being added but cannot provide a documented look at costs or benefits.

The executives identified the definition of metrics at an individual level that support overall departmental objectives as a leading practice. One participant reported that “we capture individual metrics as a part of the performance process requiring the reporting of training hours, an articulation of the value created and an articulation of the value protected.” The departmental objectives were similarly aligned.

The participating executives expressed frustration at the inconsistent availability of good data sources. Company data systems are not automatically built to accommodate all trade-related needs. Trade executives often are required to piece together metrics from a variety of sources, internal or external. They often are not allocated significant budgets for information systems development. Notwithstanding, the executives shared examples of creative ways to pull together data, making computations based on assumptions where objective data is difficult to obtain or not tracked. They also shared examples of where they decided to track some data internally with or without an investment in sophisticated automation tools.

Reasons for metrics

Participants identified several ways that trade departments use metrics:

**Metrics provide direction and prioritization.** Trade departments often are pulled in many directions to satisfy the information needs of other departments, to comply with government requests, to participate in industry action groups, etc. Without metrics a trade department may easily drift from its primary objectives and fail. Working toward defined metrics assists individuals in determining what activities are necessary from day to day to meet high-priority objectives.

**Metrics demonstrate success.** Trade departments that lack metrics often have a difficult time in communicating successes to management. Individuals and the department do not receive feedback or reward for successfully meeting or exceeding expectations on important objectives. Showing success through numbers and examples is always more effective than showing success through examples alone.

**Metrics justify resources.** Trade departments use metrics to communicate the need for resources. Without metrics, the need for resources can be viewed as “more rhetoric than reality.” Communicating the consequences or results through data provides a much more convincing argument to management who makes the ultimate decision. Demonstrating the consequences or benefits if a resource is cut or added is essential to operational efficiency.

**Metrics provide accountability.** Management uses metrics to hold trade departments accountable for meeting the department’s mission and objectives. Trade departments use metrics to motivate individuals and hold them accountable for meeting department objectives. Where there are no clearly defined consequences, there is little risk or reward to motivate personnel to strive to meet defined objectives.
Types of metrics
Participants identified several categories of data that they currently use as metrics:

Duty and fee savings. Customs duties and fees related to imported or exported merchandise are a primary metric. Duties and fees directly impact the company's cost of goods sold. Specific objectives and tasks, such as gathering required documentation to substantiate claims for preferential treatment under a free trade agreement, are readily aligned to the overall benefit the company receives from taking on this objective. Duty and fee payments overall, however, are not generally in the control of the trade department.

Supply chain speed. Controlling the speed of the clearance process may be within the scope of a trade department's objectives. Slow clearance times, increased inspection, detention, warehousing and transportation cost all impact the cost of goods sold and may lead to disruption in production and increased inventory holding costs to account for such delays.

Penalties avoided/paid. Establishing a measurement for penalty avoidance can be difficult. Value can be directly demonstrated through managing a specific controversy and mitigating penalties, but where there is no current controversy or known error, these numbers can appear inflated or unrealistic. Some users of automated export control screening software used transactions “held” by the software for compliance reasons as a metric for penalty avoidance. Despite the challenges involved in realistically estimating penalty exposure and avoidance, participants thought it important to track government inquiries and penalties.

Effort level. Some metrics are defined in terms of tasks and the personnel assigned to those tasks. These metrics are communicated in terms of hours expended, full-time equivalent hours, number of transactions and otherwise. These metrics do not immediately demonstrate results but show the extent of work required for a particular objective or process. Value can be shown through reducing (from period to period) those activities that do not fulfill objectives. Value can also be shown by increasing those activities that align with objectives. Effort can also be shown through the reporting of hours expended in training, in on-boarding new companies and pursuing legislative changes.

Error/success rate. Compliance error percentages demonstrate the department's ability to file correct data. Compliance errors are directly tied to risk in a variety of areas that may or may not impact duties paid. Compliance errors are calculated based on an audit of historical performance and can be made a normal part of a trade department's auditing function. Some compliance error rates can be calculated through automated tools or determined based on external government filing system data or feedback.

Considerations when defining metrics
The executives identified these leading practices for establishing metrics:

• Metrics should be tied directly to defined objectives.
• Metrics should be tied to the department as a whole and to individual roles and objectives.
• Metrics should be simple and easy to explain.
• Metrics should be supported by objective data, not by “gut” feelings or intuition.
• Metrics and associated risks/rewards should not cause people to act in a way contrary to the best interest of the company or department.
• Metrics should be developed considering both benefits and costs over time. One participant routinely uses net present value calculations in long-term company planning, for example.
Articulate performance against metrics

Trade executives emphasized the importance of engaging and clearly communicating with stakeholders. They identified establishing a formal mechanism for regular communication with important stakeholders as a leading practice.

Because a trade department can be viewed as providing a service to other parts of the business, a “customer service” image is also important. The executives discussed several leading practices when communicating with stakeholders in order to preserve or enhance the trade department’s corporate image:

- Remember the audience. A chief financial officer may care more about duty savings than supply chain speed. A supply chain director may care more about supply chain speed than duty savings.
- Prepare for each interaction, anticipating questions.
- Talk with data to explain your point.
- Communicate frequently with stakeholders.
- Stay on message and don’t communicate everything.
- Show your value with every interaction. Highlight strengths and value, but don’t sweep bad news under the rug.

Key findings

Global trade departments can be effective and efficient when asked to do more with less by:

- Establishing and documenting a consistent global framework and supporting that framework through specific, actionable objectives
- Allocating resources by mapping individual roles to business objectives to costs to benefits
- Developing a culture of flexibility for employees to allow shifting of resources when objectives shift
- Developing a culture of evidence, relying on data, not intuition to determine if something is worthwhile
- Establishing formal mechanisms for regular communication with key stakeholders
Trade executives have consistently identified proactive risk management as the primary objective of the global trade function. That primary objective has not changed as a result of the economic crisis. For a number of trade executives, however, there has been an increasing emphasis on the direct economic impact of the trade function, and particularly on managing the amount of customs duty incurred. “The overall global trade agenda has moved up significantly because of the economic downturn,” stated one executive. Thus, given the pressures of an economic downturn, the trade function is expected to proactively and effectively manage trade-related risks and find opportunities to reduce duties and costs.

During this session of the symposium, participants discussed techniques used, successful and unsuccessful, to enhance risk management and opportunity identification.

**Trends in risk management and opportunity identification**

One trade executive summarized, “The risk management environment for us is not getting any easier; it’s getting more demanding.” Trade functions are finding that management is continuing to insist that they identify, monitor and manage risks but also devote more time to cost minimization. As the possibility of overpaying duty is itself a risk, many trade executives are working hard to incorporate duty reduction opportunity identification into their risk management programs.

The success of leveraging the risk management process to also identify opportunities has varied. Those trade executives with well-defined risk assessment and monitoring programs – particularly those that believed they had ready access to reliable trade-related data – reported some immediate success in blending opportunity identification with risk management programs. The path was more difficult for those companies with less sophisticated risk management programs or those that had difficulty accessing data. In fact, some of the trade executives who had experienced practical barriers in being able to identify opportunities reported senior level support for an immediate effort to improve the risk management program. One executive, whose global trade function is in the early stages of development, stated that the economic downturn is forcing the company to make risk management decisions now that should have been made “many years ago.”

Regardless of the level of development and sophistication of the trade function, trade executives agreed that they are adjusting approaches and priorities to meet the changing corporate focus. Specifically, trade executives noted the following corporate trends and corresponding impact on the trade function:

**Increased emphasis on cash and financial management.** Trade executives described a variety of company-wide initiatives aimed at better control of cash. They also discussed trends aimed at cash flow forecasting. While none of the executives reported any significant historic involvement in providing forecasts of future customs and VAT payments, some departments are now being called upon to provide estimates, even if minimal, of future duty and VAT expenses. One executive noted that it is now “a requirement to provide accurate forecasting on a monthly basis.”

Executives further discussed the focus on payment deferral options. For example, one trade executive talked about an effort to review options for US customs duty payment via Automated Clearing House versus broker direct pay and the participation of the corporate treasury department. The executive commented that a year ago “treasury never would have an interest” in being involved in those discussions.

**Increased restructuring activity.** Corporate restructuring projects are creating added pressures on the trade function. The types of restructuring projects with an impact on the trade function include:

- **Conversion to toll manufacturers particularly in developing markets.** This has created a need to involve the customs function particularly to consider the impact on customs valuation as well as adjustments required to existing IT systems.
- **Move to shared services.** One trade executive described a corporate initiative aimed at consolidating accounts payable functions. The trade function has been involved to research the possibility of making duty payments from foreign bank accounts.
- **Supply chain restructuring.** One example discussed was a supply chain driven project aimed at moving to a cross-docking operation for shipments between the US and Mexico. This required a significant amount of resources from the trade function including revision of customs broker standard
operating procedures and supplier documentation. In the end, it resulted in a significant reduction of customs broker expenses. Other executives recounted similar experiences, often noting that the customs procedural aspects of the operation were critical to meeting the project supply chain speed goals.

**Focus on cost savings.** Consistent with the survey results in *Opportunities in Adversity*, trade executives reported that corporate executives are very focused on cost-savings projects and are expecting participation from the trade function. Trade executives agreed that traditional savings opportunities, such as duty drawback, foreign trade zones, trade preference programs and duty deferral ideas are “grabbing a lot of internal attention” and are manifesting themselves in a variety of ways.

- **“Downstream” duty consideration.** Several executives specifically identified the growing importance of realizing free trade agreement benefits to reduce duty costs not only for the company but for its customers. “There is a corporate move to become closer to the customer and be responsive to their demands – if a free trade certificate cannot be provided, the customer will not be buying from us.”

- **No savings amount is too small.** Executives described situations in which the size of projected savings was previously considered too modest to attract management support but are now being considered. One trade executive summarized: “What was not material before, is now material.”

- **Increased proactive internal interaction and attention to the function.** Because of overall corporate pressures for cost reduction, the trade function is noting an increase in interest and outreach from other functions within the company. For example, one trade executive highlighted daily interactions from the operational departments. “Just getting their attention used to be challenging. Now operational colleagues are actually proactively reaching out to the trade function looking for ways to reduce costs and they genuinely want to understand how trade works.”

Another executive noted that other departments are also looking for ways to decrease duty up front instead of the historical approach, which was to evaluate duties paid and then look for ways to reduce or recover them. For instance, inquiries on tariff classification reengineering are “not all that uncommon these days.” Another commented, “I never dreamed I’d have so many people ask me about drawback.”

One executive achieved savings by dedicating a staff member to work with the sourcing department on trade opportunities. “Previously the trade function was only involved after design and sourcing departments made the decisions; today we are involved up front with much more impact.”

These trends are consistent with the overall corporate message of cash management. With every department looking for savings, one executive noted, “It’s a great opportunity to connect with people and build new relationships.”

- **Accessing supporting resources.** One trade executive discussed that involving supporting resources such as IT support has been easier during the economic downturn, particularly if needed for a cost savings project. As a side benefit, this company was also able to achieve some increased automation and process improvement with the assistance of IT staff whose time previously was limited. While other participants commented that in their companies IT and other support organizations had experienced downsizing, many agreed that cost savings projects would have a high priority in accessing supporting resources.

In sum, the trade function has responded to the change in corporate priorities by placing a greater emphasis on cost minimization. However, trade executives continued to reinforce the message of effective risk management as a necessary foundation. One trade executive stated that company management was directly reminded of this when a savings project was stalled as a result of systemic errors in classification. Thus, the change in focus is emphasizing the continued need for solid risk management programs while trade functions are simultaneously being called upon to make a greater contribution to the corporate bottom line — effectively doing more with less.
Using a risk management program to identify opportunities

The participating trade executives strongly believed that enhancing and leveraging risk management programs is their best avenue toward finding new value opportunities for the company. Risk assessment should be a regular activity, and by making clear that the objective is to comprehensively look at risk and opportunity, awareness of the link is enhanced. One trade executive thought there was no sound second alternative; with varying degrees of expertise around the world, and regular turnover in local business units, a regularly scheduled risk assessment was the only way to be sure information was reaching those who could identify and act on opportunity.

A number of the trade executives report successfully identifying opportunities through risk assessment exercises; including free trade agreement or preference program qualification and special program eligibility or classification errors. Sometimes processes used in one market could also be extended to others, resulting in savings. The executives were quick to point out, however, that identifying an opportunity and listing it in a report of findings was not enough to meet the objective. Businesses that successfully leverage risk programs to find opportunities have also developed a “next step” process to further evaluate the opportunity and develop an execution plan when warranted. “We perform a justification analysis for each identified opportunity, looking at high-level possibility and engaging in dialogue with the business to see if this should be looked at in more detail,” explained one executive. Sometimes it is apparent that action should be taken right away. When a more complex opportunity looks promising, executive support is obtained to establish a cross-functional team to perform a more detailed review of costs, benefits and expected return on investment before a decision to pursue the idea is made. Having a formalized “next step” process for identified opportunities was viewed as a leading practice.
Enhancing risk management and opportunity identification

Trade executives agree that the focus on cost reduction and savings has created opportunity for the trade function to improve upon its approach. “We do not have the time to waste any more and we have fewer resources,” stated one executive who is actively adjusting risk management processes to be sure data is gathered to properly assess opportunities. In some cases, the shifting priorities are resulting in a fresh look at the way trade executives approach risk management and opportunity identification and in others, reinforcing old messages. The executives cited these as leading practices in enhancing the function:

Don’t sweat the small stuff: prioritize to focus on areas of greatest risk or greatest savings

Companies agreed that when resources are constrained, it becomes even more important that resources are appropriately assigned to areas of greatest risk. Clear prioritization of risks and opportunities is time well spent.

Work smarter not harder: getting the most of risk management and cost savings activities

In this resource constrained environment companies are emphasizing the importance of approaching risk management in an organized, disciplined, well-thought-out manner. The approach to risk management should be process and internal control focused. One executive emphasized that a good work plan before the recession is probably still a good work plan — it just needs to be flexible enough to change with the times and be critically examined against both short- and long-term goals. More emphasis on careful planning makes resources go farther.

Keep in touch: regular and meaningful connectivity to the business

Trade executives with less time and resources to devote to trade risks are relying on people in the business that are closest to current corporate initiatives to assist. The need to establish relationships and regular communication with the right people has increased in importance as the trade department’s resources are stretched and expectations are increasing.

Trade executives emphasized the importance of finding out who in the company is impacted by trade issues and bringing them into the trade network. They recommended first educating other groups on the trade agenda and then leveraging these groups to advance the agenda. Leading practices included:

• Create a customs council consisting of key members of the business and functional areas of the company that may be impacted by customs risk or benefit from customs strategy. For some companies, those impacted by export control risk might also be included, while in others it may be more effective to establish a parallel export compliance council.
• Be involved in company initiatives where trade may be impacted. In particular, stay close to the supply chain teams and the tax department as they often have early involvement with corporate projects.
• Conduct regular training to raise awareness of trade risks.
• Keep current and have wide distribution of import and export policies and procedures.
• Establish links with the business and functional units of the company that can assist in furthering the trade agenda.

Change the lens: make the message clear to the audience

Trade executives recognize the importance of understanding how others view the message they are trying to deliver. Consequently, working to accurately define opportunities, in proper context and scope, is vitally important. “When we were too broad in a customs concept, the sourcing folks couldn’t grasp it,” recalled one trade executive. “But when we narrowed the scope to a particular product line eligible for certain Free Trade Agreements based upon sourcing options, for example, we were able to work together in bringing the idea to reality and realize tangible duty savings.” Another noted that, “For the FTA to benefit the company, the global trade department has to get to the right people who make sourcing decisions and make sure they have the right information they need to realize the actual benefits.”
Don’t go it alone: develop executive support and sponsorship

Effective risk management needs to have the support and participation of company executives. While access to appropriate company executives may require substantial investment in time and education on trade related issues, trade executives agreed that the investment can provide significant benefits in the long run. One trade executive stated, “I need unyielding, unwavering, management support.”

Actively engaging appropriate executives is key to being able to manage risks and realize savings. This often requires defined communication paths and protocols. Several trade executives also emphasized the importance of concise messaging focused on benefits, costs, timing and resource requirements as essential to mobilizing and maintaining executive support.

A number of trade executives also emphasized the additional impact when significant messages were validated and delivered by independent outside resources. In appropriate circumstances, the right outside resources can provide a time and cost effective way of engaging upper management.

Emerging markets

Trade executives identified emerging markets as particularly challenging. Oftentimes, business opportunity pursuit and business growth occur faster than infrastructure growth. This makes it difficult for trade executives to properly assess risk. Add to this an environment where customs duties and indirect taxes often account for the majority of government revenues, more aggressive enforcement and inexperienced local resources – and it quickly becomes apparent that accurate information and thorough risk assessment are vital.

Planning for market expansion

Participants readily acknowledged that emerging markets also provide a great deal of opportunity for duty reduction planning. They advised caution in approach, however. “There are ongoing responsibilities,” advised one executive. “It isn’t enough to set something up and let it go.”

Executives commented that oftentimes when dealing with a new market entry, a new project or a substantial expansion, the first look is at country risk. “If it is a high-risk country, we anticipate more logistical issues and build the project team accordingly,” stated one. As a sales force becomes active in a new market, specialized awareness training can be very effective in both preventing risk and for using training feedback to identify issues. Several recounted situations in which customer requests had created risk and that interaction with sales and marketing personnel was essential to identifying and managing the risk. One of the executives described developing training profiles by position and having primary awareness training in the local language. “It was very expensive but very effective.”

Virtual teams

Strong local resources with centralized coordination was recognized as the preferred structure for managing risk and recognizing opportunity in emerging markets. Nevertheless, most of the executives thought this difficult to achieve both because of corporate restraints and because of lack of experienced resources at the local level. A number of the executives had created virtual teams to try to duplicate the results of the preferred structure, ensuring uniformity of approach with flexibility to address local needs.

Virtual teams included both company and outside resources. Local country participation included those responsible for clearance and compliance activities. Regional or global trade leaders were also part of the team. Outside team members varied based on the situation but often included brokers, customers and outside advisors. “Sometimes customers are driving our activity,” one executive said. “It is better to include them in the conversation.”

With regular input from the virtual team, trade executives could better gauge risk and decide on appropriate resource commitment. One provided an example: “We have corporate procedures for import and export. We can turn those into desk procedures when we need to based on risk.”

The virtual team approach also allows corporate experience to be leveraged from one market to another. “Local resources sometimes tell us: ‘no, no, we cannot do that here, it is against the law’, ” recounted one executive. “We guide them through the research and it’s not all that novel. Breaking the myth is a great way to develop credibility.”
Identifying and managing global risk, continued

Enforcement environment
Many of the executives have directly experienced aggressive enforcement and severe penalty assessments in emerging markets. They have also noticed a growing level of sophistication of the customs authorities, resulting in more scrutiny of very detailed issues. “Their sophistication is increasing. It is actually quite impressive that they have built key capacity so quickly,” Several executives commented on recent requests to provide significant data to developing country customs authorities and their ability to deal with large amounts of data. World Customs Organization efforts at capacity building in developing countries were cited as one factor driving this trend.

Special considerations
Trade executives were very cognizant of the need to identify market-specific considerations that tie to trade. For example, some countries have exchange controls that materially impact operations. In others, incentive programs for manufacturing have requirements that tie to trade. Identifying these items and building compliance into trade processes was identified as a leading practice.

Export controls
The majority of the participating trade professionals had responsibility for both import and export functions. They were quick to point out that while transactionally related – somebody’s export is somebody else’s import – there are fundamental differences in the disciplines that require variances in approach to risk assessment. First, export controls are strictly regulatory requirements. There is no opportunity for tax savings, and consequently, the dynamic of matching risk and reward present in the customs area is not a factor in managing export risk. Second, they are often subject to multiple sets of regulations at the same time. US export control rules are extraterritorial, following US companies, citizens and products to foreign countries. This creates a great deal of misunderstanding and risk. Some foreign persons do not understand the need to consider US as well as local rules, and some US persons erroneously believe that complying only with US rules is sufficient for activity occurring outside the US. One executive explained, “A lot of export control issues don’t involve the US at all.” Third, there is typically no penalty amnesty for self-disclosure of export violations, as there often is...
for customs violations, and while disclosures can lead to export penalty mitigation, even mitigated penalties can be notable.

Participants indicated that export control risks have significantly increased during the last three years due to both regulatory changes and operational changes caused by the economy. For violations of US export controls and most US economic sanctions rules, administrative penalty exposure increased to $250,000 per violation in October 2007 – a substantial increase from the March 2006 $50,000 penalty level, that was itself a raise from the $11,000 per violation penalty regime which had existed for years before. Participants observed that non-US governments, after historical lax enforcement, have begun more active policing of their own export control rules, with particular enforcement activity noted in Belgium, Germany, Ireland, Italy, Japan, the Netherlands and the United Kingdom.

At the same time, operational changes due to globalization and the economy raised the companies' export control risks. Offshoring manufacturing required analysis of whether the manufacturing technology could be exported and whether the finished goods manufactured in low-cost jurisdictions would be subject to both US extraterritorial and local export controls. Mergers and acquisitions raised successor liability for export control violations, requiring due diligence. Centralizing computer systems required analysis of export controls over technology residing on servers and “deemed exports” of such technology to foreign national employees. Sales personnel felt “increased pressure to ship.” Increased use of drop shipments complicated export control screening. And these changes occurred against a backdrop where operational personnel were being reduced or hiring was frozen, despite attrition losses, resulting in “lost tribal knowledge,” in the words of one compliance director.

Participants suggested a number of ways that they manage these increased risks using decreased or static resources. The group agreed that compliance was a requirement regardless of resources – “you’re not allowed to choose to break the law.” There was near universal agreement that export control screening software tied to the enterprise resource planning platform was an integral tool in enhancing compliance using fewer resources. “Computer programs are better ... people are prone to make mistakes.” Companies are reducing the number of freight forwarders that serve them, aligning with large global vendors that have compliance programs. As one person said, “You don’t want to be dealing with a small player any more. You want someone with compliance software, with trained employees.” Several companies managed increased workload by consolidating their compliance resources; for example, pulling subordinate business compliance personnel into a single corporate compliance organization serving the enterprise and making use of compliance outsourcing in appropriate cases. They also took advantage of similarities in certain aspects of global export control rules, particularly the high concordance for export control classification in nations participating in the Wassenaar Arrangement.

Data and automation

Our 2006 symposium confirmed that trade functions had become highly automated and data dependent. Timely and reliable data are key to both assessing and managing risk and identifying and executing on opportunity. Our 2009 trade executives expanded this discussion to include thoughts on the process of automation.

Executives consistently described automation of the trade function as valuable, but challenging. Because there is no global standard to use as a benchmark, it is often difficult to estimate the necessary internal resources. Several participants recounted situations in which needed resources were significantly underestimated. Consequently, automating the trade function can be easier when the company has a long-term view, is flexible and trade personnel have a customs IT skill set.

Trade executives noted that even the automation of a single process often requires integration with many aspects of the business. The classification of products was discussed as an automation example. Executives agreed that to effectively utilize automation in the classification process (including developing a classification database) information has to be gathered before new products are introduced. Engineers should be part of the process and need to understand the data required to provide accurate classifications. The customs technical aspects can be complex, too, particularly when classification is addressed from a global perspective, since there can be interpretive differences among countries.

In fact, trade executives had varied opinions on the extent to which automation efforts can be global. While many thought that global automation can be largely effective, some executives...
cautioned “It has to be flexible.” One trade executive suggested that a global system should be thought of as “an effective starting point.” With the baseline global process as the starting point, specific country attributes must then be considered and integrated in plans. Notably, the trade executives described existing trade software options as not truly global. One executive commented, “I have found an extreme level of frustration,” when trying to address multicountry issues. Several commented that software used in the US may not be directly transferable to other jurisdictions and often other effective options do not exist.

When an “off the shelf” solution is not available, trade departments have to invest time and money to develop automation. One executive described the process: “You have to hold their hands [the software vendor or internal IT] so they will build it with you.” The process is expensive, and budget constraints for software development were common. One executive stated, “You have to pick your battles for what you want to automate.” Several executives reported successful development of in-house custom software when requisite resources were made available. One executive reported devoting a full-time position in the trade function to an international trade automation specialist. This employee develops requirements, implements automation and also coordinates with the IT department. Many believed this company’s approach was highly desirable, assuming IT and upper management supported it.

As a result of these challenges, trade departments have generally focused on automating specific processes as opposed to the entire function. Common areas to automate included pre-entry review, export controls, licensing and trade agreements. Nevertheless, many of the trade executives aspire to more comprehensive automation and anticipate continuing to pursue budget for automation solutions.

Key findings

- The need for a fundamentally sound, efficient trade risk management program has never been greater.
- Embedding opportunity identification into a risk management program is a leading practice.
- A process to further refine identified opportunities, assessing cost, risk and benefit is essential to creating value.
- Shifting corporate priorities provides opportunities to enhance trade department connectivity and executive support.
- Emerging market opportunity is significant but can be illusory if it is not matched with risk and the resources needed to obtain the benefit.
- Virtual teams, including internal and external resources, can be effectively used to manage risks and recognize opportunities in markets that are resource constrained.
- Ready availability of reliable data is a key to successful risk management and opportunity identification.
- Export control risks have greatly increased due to regulatory changes and operational changes caused by globalization and fiscal crisis response.
- Global trade management software has been one way that companies “do more with less,” particularly with respect to export controls compliance, but implementing such programs presents its own challenges.
Predicting the future: developing a strategic plan for the next decade

The economic crisis has immersed trade executives in a complicated environment with competing demands. The executives report a clear need to be lean and efficient, driven by common corporate initiatives:

- Enhanced supply chain efficiency is a top priority
- Efforts to drive down costs are pervasive across the company
- Cash management has become a corporate-wide directive

At the same time, however, the trade executives report that workload has increased:

- Rules continue to become more complex. In addition to the normal litany of trade regulations, a whole series of new measures are being put into place. Many of these have protectionist overtones, some promoting "economic nationalism," while others are in the form of non-tariff requirements either actually or plausibly promoting other goals, such as consumer products safety.
- Governments need revenue, and as a result, positions are changing and enforcement is becoming more aggressive.
- While overall trade volumes have decreased, the number of transactions has remained consistent for many of the companies. “We receive the same number of shipments each week at each of our locations, with the same number of line items,” reported one executive. “Quantities on each line may be less, but that does not save me one minute of time.”
- Management expects active participation in managing duty spend, including identifying and acting on savings opportunities.

With an increasing workload in a very dynamic, yet resource-constrained environment, strategic planning is vitally important. Most significantly, the trade executives uniformly believe that the “doing more with less” theme that started with the economic crisis will continue to describe their environment as the economy turns and grows, but perhaps with a twist. “Demand on us will continue to increase,” predicted one executive. “So will opportunity.”

Our company has progressed from thinking about the supply chain in isolation to thinking about the 'customer value chain'
The importance of relevance
Looking forward, trade executives are asking themselves a single question that sets the tone for future strategic planning: “How can I make the trade function relevant to the company?” Trade executives identified three distinct activities that they believe important to being relevant. First, the trade executives have to understand the direction of the business and be sure that goals and objectives of the trade department align with the broader goals of the business. Alignment is multifaceted requiring trade executives to consider strategic and operational goals and predict future challenges, risks and opportunities. Second, it is important that the trade executives both identify and engage the stakeholders who can benefit from a proactive trade department and who may be adversely impacted if trade risks are not properly managed. Finally, it is important that the trade executives “think big.” Small day-to-day victories can be important to the business, but to be viewed as truly relevant to the business, impact needs to be measurable and significant.

Alignment along the value chain
The global trade function is widely recognized as an important component of a company’s supply chain. Executives were quick to point out however that their impact is broader than just the supply chain and they expect the importance of broader alignment with company goals will increase in the future. “Our company has progressed from thinking about the supply chain in isolation to thinking about the ‘customer value chain,’” stated one executive. “It isn’t just about the cheapest way to move product. It is about where the customers are and how to optimize sales revenue. We can impact that.”

Opportunities in Adversity uses a graphic to describe the business value chain, shown below. Trade executives agreed that the graphic can also be used to illustrate the variety of touchpoints that the trade function has across the business in addition to those in the supply chain. For example, the trade function directly impacts key management processes as the controls framework for trade processes impact accurate financial reporting, operations and regulatory compliance. Cost base can be impacted by customs aspects of procurement decisions, as can tax cost management. Interface with research and development occurs with new product design and development. Decisions on where to make particular products and on sourcing and configuration options often are enhanced with consideration of available free trade agreements or special customs programs which provide benefits for manufacturers (i.e., free trade zones or bonded facilities). The trade function can also touch the supporting processes, especially the design of IT systems to empower the use of data for trade planning. To be relevant, it is important to identify all of the touchpoints and look for opportunity to have impact at each.
The executives provided a number of examples of the variety of places in the value chain that the global trade function has had impact. Some are quite traditional: building free trade agreement planning into the procurement process, using special programs such as free trade zones and bonded facilities to save duties at manufacturing locations and working with intellectual property licensing and management to keep licensed IP nondutiable. Other instances have been decisively nontraditional. One of the executives has devoted substantial time to working with the company’s government sales team. In many jurisdictions, including the US, only products made in specified countries are eligible for government procurement. In today’s manufacturing environment, with different stages of production often occurring in different countries, country of origin is not always clear. Moreover, it is also sometimes possible to adjust the production process to establish or negate origin at a particular location. In this particular situation, a cross-functional team (including government sales, manufacturing and trade departments) was able to establish a process to qualify lines of products for government sales without being required to move labor intensive processes to higher cost jurisdictions. This led to a substantial increase in sales.

The executives identified several areas where they thought alignment would be even more crucial in the future. High on the list were continued alignment with the supply chain organization and alignment with the tax and finance personnel responsible for transfer pricing. Also referenced was increased interaction with security initiatives. With the growth of customs authorities’ supply chain security programs, there is a clear need for alignment and opportunity to leverage security initiatives to achieve trade benefits. As discussed below, better alignment continued as a common theme in discussions about meeting the anticipated challenges of the trade function in the future.

The fundamentals
While the trade executives anticipate increased attention to aligning to broader business goals, they were also quick to point out that the basic mission and objectives of a global trade department are not likely to change in the future. At a high level, companies still need to be compliant, manage risk, keep the supply chain moving and manage duty spend. None of these are going to be less significant in the future. None is likely to be easier either. Most significantly, the day-to-day operations must be handled without limiting the time available to execute on strategic opportunity. Consequently, what changes about the fundamentals looking forward is the same thing that has changed with the crisis: in a resource constrained environment, the team has to be more disciplined, plan better and be very effective with time management. That will continue in the future with additional time focused on adding value.

Compliance and operational excellence.
There was a clear consensus among the executives that the foundation for all other activity is a sound risk-based compliance program. Operational excellence and continuous improvement are expected by management and the trade executives are actively encouraging a culture of continuous improvement in their organizations. They clearly want to make everyone on the team a contributor to operational excellence: “Continuous improvement is on everyone’s agenda, from the vice president to the people on the floor.”
The import process effectiveness journey graphic developed from the 2006 symposium, shown below, remains a key pictorial descriptor of a desired culture of continuous improvement. Recognizing that sound internal controls are important to achieving strategic, financial reporting, regulatory compliance and operational efficiency goals, processes are regularly assessed, improved and monitored. This approach “is no longer an option,” noted one executive, “and executing in this framework is essential to moving to the next level in adding value.”
Performance improvement
Aligning with business goals involves not only activity to support corporate initiatives but also activity in managing the department. Trade departments, like many other parts of the company, are being looked at for performance improvement. The majority of corporate executives interviewed in the Opportunities in Adversity survey stated that they expected cost savings from supply chain performance improvement. Trade executives are facing the same scrutiny and expect it to continue.

Matching costs with benefits
The participating trade executives have largely been able to avoid headcount reduction in their organizations but are well aware of colleagues who have experienced downsizing. They are actively looking to refine metrics to be sure that a reduction in resources is not equated to performance improvement. “Our impact is a multiple of costs,” stated an executive. “But the impact is spread out, recognized in different departments.” This reinforces the importance referenced earlier in this report of trade departments being able to capture benefits and establish metrics that match costs to benefits. Taking the initiative to set the metrics was identified as a leading practice to be sure that value is established and communicated. Trade executives expect their future strategic plans will include metrics that properly frame performance improvement objectives.

Resource planning
Participants believe that an emphasis on performance improvement is here to stay. It will not go away as the economy improves, and trade executives should be prepared to address performance improvement on a continuing basis. Resource planning, already a primary aspect of a strategic plan, becomes more important. This involves more than simply determining the number of people and job descriptions. As discussed earlier, a well-designed plan should contain a functional analysis of the trade function with an ability to reassess necessary functions as the environment changes. Personnel needs are a derivative of the functional analysis. A process should be established to regularly review resources and to align them in light of business changes.

All companies are feeling budgetary pressures on personnel. Nevertheless many recognize that companies that have previously emerged successfully from difficult economic situations have been in a position to capitalize on experience of retained personnel rather than finding themselves with a gap in needed experience. In the trade area, lack of qualified people is itself a risk.

Trade executives expect future strategic plans to include a well-defined resource plan, which both defines resource needs and shows that resource deployment is aligned with the department’s goals and objectives.

New challenges
Participants also identified several new challenges that are requiring changes in the operation of the trade function and will likely become more prominent in future strategic plans.

Activities of 3PLs and distributors
Trade executives have typically defined their area of responsibility in terms of direct regulatory compliance obligations to the government. If the company serves as the importer of record in a particular jurisdiction, the trade department has responsibility. If a supply chain partner, such as a third-party logistics provider (3PL), is the importer of record, then compliance oversight is traditionally considered outside the scope of the trade department’s responsibility. The trade executives report that the dynamic has changed radically in the past two years. Following some well-publicized cases in which errors or in some instances fraudulent conduct by 3PLs or distributors led to companies being subject to investigation and product shipments being delayed, the activity of 3PLs and distributors has become a new focus for the trade executives. “It is not that we would be penalized directly by the government,” said one executive, “it is that the brand is damaged and sales decrease.” Another commented, “Customs knows you want to protect your brand and they will use that to get you involved in a situation regardless of who has ultimate liability.” Consequently, several of the companies report active programs to review the conduct of supply chain partners and anticipate that activity will increase in the future.
Foreign Corrupt Practices Act (FCPA)
Also unforeseen just a few years ago was the need to become proactively involved in preventing FCPA violations related to the import of goods. Following several widely reported cases of the US Justice Department pursuing FCPA penalties for payments made to foreign customs officials and related books-and-records violations, a number of the trade executives report being assigned direct responsibility for FCPA compliance, and those that do not have direct responsibility report significant concern about the area.

One trade executive summed up the source of the problem: “Agents put you at risk.” It is oftentimes hard to monitor the type of conduct that can create a violation, particularly in jurisdictions where companies rely heavily on customs brokers and freight forwarders. The traditional internal controls used to identify and prevent FCPA risk are generally accounting controls that are focused on payments and due diligence controls based on relationships. These controls are often not effective in detecting import-related FCPA violations for three reasons: (1) the nominally lower amounts involved, (2) the casual relationship between potential bribe-payer and payee, and (3) the difficulty of proving the bona fides of each fee for service and reimbursement listed on a typical customs broker or freight forwarder invoice.

Trade executives report that managing FCPA risk requires new policies and procedures for brokers, forwarders and other agents. “We have to be very clear on what is acceptable and what is not. We have to insist on itemized invoices without lines for ‘special charges.” Perhaps most importantly, the participants noted that sound internal controls around the import process may be the most effective way to address FCPA concerns. For example, sound internal controls on classifications, coupled with regular monitoring, can go a long way in preventing a broker from making a bribe to a customs official to accept an inaccurate, low rate, customs classification or to avoid a seizure caused by an incorrect classification.

Anticipating risky behavior of others
The recent experience with 3PLs and FCPA issues, coupled with the economy, has also led to a new role for some of the trade executives: proactively monitoring the risky behavior of others. Economic pressures can lead to a company decision to change risk tolerance. This is a measured approach to risk management, and while it may require an adjustment in the thinking of the trade professionals, it is an adjustment that can be made without significant departmental disruption provided communications are sound and rationale appropriately documented.

Economic pressures can also lead individuals to take actions that in other circumstances they might not. This is a much more difficult situation to deal with. It is not a measured, institutional decision but instead it is erratic behavior resulting from intense economic pressure. Some of these actions can directly affect management of the trade function. Most notably, pressure may increase to overlook export controls in order to make a quick sale. FCPA violations are another example. Whether the risk of this type of conduct comes directly from company personnel or from brokers, forwarders or other agents, in many instances, sound internal controls over the trade function can go a long way in preventing the severe consequences that can result from this kind of behavior. Enhanced directed training can also aid in preventing these types of violations.

While these problems do not start with the trade function, the trade function is often in a position to help reduce the risk of such occurrences. Consequently, trade executives now find themselves in the position of having to predict and monitor the risky behavior of others. While this is an additional burden that may not have traditionally been part of the trade department function, it can prove to be a significant factor in the overall company risk management program. Consideration of how to incorporate it into a strategic plan for the trade function is a leading practice.

Risks and opportunities in the 21st century
Trade executives identified challenges that, while not new, were expected to have the greatest focus looking forward.

Emerging markets
Opportunities in Adversity reports two developments that are clearly on the minds of trade executives: the expected significant increase in the pursuit of new market opportunities and offshoring. Both will increase global trade activity and are likely to increase it disproportionately in emerging market countries. Virtually all of the
challenges experienced in the current environment are amplified in emerging markets: resources are less available, it is more difficult to obtain timely and reliable data, duty rates and costs are higher, enforcement actions and penalty regimes are more severe and corporate infrastructure often lags behind business development, particularly sales opportunities. “Even now,” noted one executive, “Fifty percent of our duty spend is in Asia-Paciﬁc, which accounts for only 10% of our revenues.” An essential element of a strategic plan is anticipating risks and opportunities resulting from growth in emerging markets.

**Customs valuation.** Many of the trade executives expect customs authorities to very aggressively attack valuation issues, particularly related-party pricing and royalties. “This is where the money is,” noted one executive. “Classiﬁcation is so last century.”

A strategy for alignment with the tax transfer pricing function is a top priority for a forward-looking strategic plan. For many companies, there is also need to align with the management of intellectual property and particularly with counsel who is responsible for licensing agreements in order to optimize duty treatment. While many noted the perceived increase in risk in this area, there was also a note of optimism: “This is an area where we can really add value.”

**Country of origin.** Repeating the theme heard in the valuation discussion, country of origin determination was cited as an area with increasing risk and opportunity. The number of free trade agreements continues to grow, and with the Doha Round negotiations stalled, most of the trade executives expect the number of agreements to continue to increase. With no standardization of the rules of origin and efﬁciencies driving the use of manufacturing platforms for multiple markets, the application of the rules can be quite complicated. Additionally, the development of processes and systems to properly establish and track origin is very complex.

The trade executives report that for many of their companies the need for accuracy in applying nonpreferential rules of origin is increasing in importance. These rules, applicable to determine origin of products absent free trade considerations, have taken on a new intensity in the economic crisis. For example, the nonpreferential rules of origin are generally used to determine eligibility for government procurement. Additionally, they are important for applying remedial duties for unfair trade actions such as antidumping and countervailing duties and retaliatory duties for WTO violations.

The preferences gained for product with speciﬁed origin, whether reduced duty under a free trade agreement, eligibility for government sale or exclusion from an antidumping order, can be quite signiﬁcant. Companies that are able to use these rules to their advantage by incorporating them into the planning, procurement and production process can recognize a competitive advantage. For many companies, a forward-looking strategic plan will set both risk management and opportunity goals related to origin.

**Data.** The timely availability of accurate data remains one of the biggest challenges of a global trade function. Data gaps make it difficult to identify and mitigate risk and difﬁcult to identify and execute on opportunity.

The trade executives expect to address data gaps head on in future strategic plans. “This area is vital,” stated one executive. Data needs should be clearly communicated, and as with all aspects of a strategic plan, the beneﬁts of gathering appropriate and timely data should be clearly articulated. That said, some of the executives also note the importance of having realistic expectations and not building a plan where performance is conditioned on having all needed data readily available. “Don’t sweat the small stuff,” advised one executive who had been through a substantial system infrastructure project. “Set your sights on getting about 80% right and move on.”

**Other governmental agencies.** Trade executives have long dealt with regulations from a variety of agencies that are border enforced and applicable to imports or exports. The number and complexity of these rules seems to be rapidly increasing, and the trade executives expect this trend to continue. To properly address these requirements, it is often necessary to align with subject matter resources from other parts of the company. Additionally, the trade function may need access to information that was previously not needed to move goods across borders. “We have to be prepared,” stated one executive. “We expect the government agencies will be sharing data, and we have to share internally,
too.” With these rules potentially covering new categories of products in the future, it is important that a strategic plan include a process for quickly assessing new requirements and engaging appropriate internal resources and information when new rules become applicable. “The next time we get together, we might all be discussing climate change regulation. Virtually anything can impact trade.”

**Trade protection measures.** Along with measures of other governmental agencies affecting trade, the executives expect that the proactive and retaliatory use of trade protection measures will be more prominent in the future. “It is a political and economic topic – it isn’t going away.”

Like other governmental agency regulation, trade protection measures are not always predictable. A process to try to identify measures that may come into effect and to quickly assess impact and alternatives is a leading practice.

**Identifying and engaging stakeholders**

Our 2006 symposium report contained detailed discussion on the variety of stakeholders in the trade function. Each of these stakeholders, whether in manufacturing, sales, supply chain, tax, finance or procurement functions, may be adversely affected if trade risk is not properly managed. A variety of stakeholders may also benefit from the execution of strategic trade planning.

Clearly communicating trade function goals and objectives remains a key part of a strategic plan. Moreover, clear explanations to each of the stakeholders in terms they will understand about how the trade function benefits them is important. One executive summarized the objective: “We need allies.”

**Coordinated communications plan**

The trade executives viewed a combination of customized and coordinated communications to the stakeholders, both collectively and individually, as a leading practice. A formalized organization of stakeholders, often referred to as a customs council, remains a leading practice as does a standardized approach for presenting issues and developments at regularly scheduled meetings. These concepts were discussed in detail in the 2006 symposium report and trade executives anticipate this approach continuing to be utilized in the future.

The concept of individualized communications has evolved since the 2006 report and the executives expect it will have a more
prominent role in future strategic planning. Developing succinct, meaningful, individualized communications was described by one participant as involving “both art and science.” The trade executives need to understand what is important to each audience. For some stakeholders, the time of customs clearance is paramount; for some, it is the duty spend; and for others, it is the time it takes to get an export license. With the objectives of a stakeholder identified, it is important to provide data to support the message. One executive advised: “Say it with numbers.”

Matching risk and reward
Of course there is limited time to craft messages, which means that a strategic plan must identify the objectives important to specific stakeholders in their terms and measure performance accordingly. For many of the stakeholders, this involves a matching of risk and reward that might not otherwise be important for operating the trade function. The matching of risk and reward (discussed in detail in the 2006 symposium report in the context of valuation planning) continues to be a good example of the dynamic. Because most duties are assessed on an ad valorem basis, any method which legally reduces the declared value of goods reduces duties. As a result, companies that affirmatively arrange transactions to achieve valuation reduction benefit, but the benefit often comes with an increased risk. That risk may be related to the validity of the position taken, often called a gray area risk. A risk can also be related to the need for necessary documentation to support a position whether or not that position is controversial. Appropriately planning for duty reduction and indeed, for most any opportunity in the trade area, involves both the anticipated reward and the incremental risk undertaken to achieve the reward.

Standardized reporting
Developing a standard methodology to measure and a standard format to report the anticipated benefit of a particular planning initiative, as well as the associated costs and risks, was identified as a leading practice. Specific, measurable objectives relative to both the reward and risk of undertaken initiatives was also identified as a leading practice and anticipated to be a regular part of future strategic plans. One executive provided an example: “In our company, NAFTA savings are expected. That is fine; they should be. And, we need to focus our time on new initiatives. At the same time, we cannot lose sight of the fact that there is a cost to maintain the NAFTA benefits. They have to be clearly matched.”
Creating an image
Finally, some of the trade executives also described the economic crisis as making them more “image conscious.” Tied to the desire to be relevant, some noted that even the name of the department can connote a desired or undesired image. For example, while a few trade executives in highly regulated industries thought a department name including “compliance” was beneficial, most thought it a negative and several had intentionally changed the department name to eliminate “compliance.” “We are so much more than that,” said one participant.

Thinking big
In an environment where management is looking for improved performance, it is timely to take stock of where and how the trade function can have real impact. This is not to say that the only focus of a strategic plan should be on big ticket items, but rather to say that the norm should not get in the way of the more complicated, longer term initiatives. “We have historically spent a lot of time providing information to other departments,” noted one executive. “In the end, is just not that valuable.”

Putting a place in a strategic plan for impactful longer term initiatives is expected to be a more frequent occurrence in the future. Executives recognize that these can be resource intensive projects but were quick to point out the impact of undertaking significant projects aligned with corporate objectives. One recounted a multiyear effort to achieve “end-to-end” automation, explaining both the importance and the difficulty of balancing resources and demands to achieve long-term objectives and the necessary day-to-day objectives. Another described a corporate initiative to institute a cross-docking model to eliminate supply chain costs and the critical importance of customs processes and participation in customs-trade partnership programs to make it work. A third example was an initiative to change the way in which warranty risk is allocated, allowing substantial customs duty savings by eliminating warranty cost from the cost of goods. Critical to success in each was articulation and measurement of benefit. “It is all about return on investment,” concluded one executive.

Key findings
Future strategic plans are expected to be:
- More global
- More relevant
- More aligned with corporate value objectives

Anticipated elements of future strategic plans:
- Goals for efficient execution of fundamentals in the framework of continuous improvement
- A clear business case aligned with corporate strategy across the value chain
- A resource plan with performance improvement metrics
- An expanded scope of responsibility, including oversight over nonemployees, such as 3PLs, distributors, agents and brokers
- Processes to quickly address changes in regulations
- A plan for stakeholder buy-in and effective ongoing stakeholder communications
Concluding thoughts

Our 2006 Ernst & Young Symposium Report, *Global Customs Risk Management: An Examination of Leading Practices*, contained these findings:

- Proactive risk management had become the norm for the trade function
- The definition of risk had expanded to mirror the broader corporate definition including considerations of regulatory compliance, financial, operational and reputational risk
- Strong alignment with and connectivity to the business are essential for managing trade risk
- An effective approach to managing risk can lead to corporate growth and value

Trade executives in 2009 confirmed these findings and noted progress in adopting leading practices. The continuous improvement framework has become the norm for the participating companies. Within the continuous improvement framework gaps in internal controls are addressed cross-functionally. The executives also reported significant movement toward global coordination of the trade function and the use of globally consistent processes.

From the perspective of managing risk, this progression is directly aligned with the path set forth in the 2006 symposium report. This progression also sets the stage for achieving the ultimate goal established in the 2006 symposium report – contribution to corporate growth and value.

The economic crisis has not changed the primary goals of the global trade function: regulatory compliance, managing trade risk, managing duty spend, and supply chain speed. It has, however, accelerated the emphasis on tying these goals to broader corporate initiatives and being able to clearly demonstrate the value added.

A look at the expectations of corporate executives expressed in *Opportunities in Adversity* very clearly demonstrates the opportunity for global trade executives to have significant impact in corporate initiatives:

- **Entry into new geographic markets is anticipated.** Trade executives can impact the costs of new market entry and in some cases the eligibility of products.
- **Offshoring will increase.** Whether for production, procurement, sales or service, effectively managing trade regulations will impact bottom line performance.
- **Performance improvement will be expected.** As with other departments, a flexible and scalable operating structure with a clear resource plan will enhance performance.
- **Cash management is vitally important.** The trade function can impact cash directly through duty reduction strategies and supply chain speed.
- **Increased focus on risk management.** As corporate emphasis continues to expand from financial internal controls to those involving key business process, the need to integrate internal controls related to trade will be more pronounced.

Business is being reshaped and at a rapid pace. The trade function is impacting and will continue to directly impact a number of key initiatives. Yet the significance of the impact will not be automatically apparent. It is incumbent on trade executives to clearly demonstrate strategic value in order for the function to reach its potential.

While our participating trade executives were uniformly and consistently able to describe their current operations in terms of proactive risk management in a continuous improvement framework, they were in very different places in being able to identify and measure strategic impact. A few participants believed they have defined goals aligned with corporate strategy, achieved them, measured value and are regularly recognized as significantly adding value to the company. Many more were able to describe measurable, value-added impact in a specific instance, however they had not put together the structure, approach and tools to effectively demonstrate the strategic value of the trade function on a regular basis.
Here, for global trade executives, is the opportunity stemming from the business reshaping occurring in response to the 2009 economic crisis. This year's symposium participants uniformly believe that the function is important and does contribute to value beyond ensuring compliance with rules and regulations. They anticipate that their future strategic plans will build on a sound framework for compliance and risk management to align with and contribute to broader corporate goals. They recognize that resource planning must include adequate attention to items beyond day-to-day management of imports and exports. But they also realize that they have to define and measure the impact, oftentimes in ways that have not previously been important. There is also clear concern that there can be a flip-side to the opportunity – if they fail to adequately demonstrate the value added by the trade function, the function runs the danger of being marginalized, cast off as merely a necessary compliance cost.

For many trade executives, the economic crisis has set the performance bar at a new level. Even as the crisis subsides, the bar is expected to remain high. Clearing the bar will require an emphasis not only on adding value but on being able to clearly demonstrate it.
About Ernst & Young

Ernst & Young is a global leader in assurance, tax, transaction and advisory services. Worldwide, our 135,000 people are united by our shared values and an unwavering commitment to quality. We make a difference by helping our people, our clients and our wider communities achieve their potential.

For more information, please visit www.ey.com.

Ernst & Young refers to the global organization of member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients.

About Ernst & Young’s International Tax Services

In the current challenging environment, executives are looking to align their global tax position with their overall business strategy to maintain competitive advantage and provide value to shareholders. We help you manage your tax requirements by leveraging our integrated global network of dedicated international tax professionals — working together to uncover opportunities, manage global tax risks, meet cross-border reporting obligations and deal with transfer pricing issues.

Multidisciplinary teams help you assess your tax strategies and exposures, assisting with international tax issues, from forward planning, through reporting, to maintaining effective relationships with the tax authorities. Our talented people draw on their global insights and perspectives to help you build proactive and integrated global tax strategies that address the tax risks of today’s businesses and help achieve sustainable growth. It’s how Ernst & Young makes a difference.

www.ey.com
© 2009 EYGM. All Rights Reserved.
EYG No. CM1618