

What Do You Know?

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Shocking as it is, I don't know everything! That's a monumental admission for those of you who know me. As a consultant, I'm expected to have an answer for everything right? Well I don't! There, I said it again! I know what I know and I know what I don't know. What keeps me on my toes is not knowing what I don't know.

Are you still with me? I almost lost myself in that last thought.

So what do you know? More specifically what does your company know about its trade compliance? Are your company's export and import trade programs compliant?

This is a common question I ask my clients. Their responses fall into three general categories.

1. We hope we are compliant.
2. We think we are compliant.
3. We know we are compliant.

Unfortunately, most of the responses I hear fall to the first two categories.

Hope

Companies falling to this category have usually engaged the professional services of a customs broker or freight forwarder and are trusting them to do things correctly. Hope is an admirable quality in one's personal life and demonstrates faith in the capabilities and good intentions of one's fellow human beings. Hope, however, does not a trade compliance program make. Despite the faith a company places in its brokers and forwarders, these service providers only have a limited scope of responsibility and cannot guarantee a fully compliant program. If you hope your company is compliant, in a way, you are admitting you don't know what you don't know.

Think

Companies that think they are compliant have assigned specific trade compliance tasks to individuals in the company. These people perform the fundamental trade compliance activities of assigning harmonized codes, interacting with regulators, generating documents, auditing transactions and ensuring record retention. There appears to be a flurry of activity emanating from the import and export office. Because the office is so busy, it leads the company to think it is compliant. Companies in this stage actually know quite a bit about compliance but don't know if they are compliant.

Know

"Know thyself" states the ancient Greek adage. A company that knows it is compliant knows itself. It builds on the belief phases of hope and think by engaging service providers and skilled internal staff. Instead of relying solely on tactical activities to drive compliance and hoping or thinking that these are sufficient, it implements controls to ensure that its compliance activities are indeed effective.

Getting to Know

How does a company know its international trade programs are compliant? It takes work and is not always easy. It is not, however, impossible.

1. Track activities.

As they say, you can't manage what you don't measure.

- How many export or import transactions does your company have?
- How many origin destination pairs do you manage?

- What is the value of your trade program?
- How many items do you need to classify?
- How many trading partners do you manage?

These are merely examples of metrics you might maintain. Your trade compliance program may benefit by tracking other data.

2. Identify your risks.

What new business initiatives do you have? Are their risks with a new commodity or trading partner? Is the company undergoing a growth or some other change? Have the regulations or the focus of the regulators changed? Does the company have products with difficult classifications? Does the company do business in higher risk countries?

3. Develop and implement controls.

Implement check points in your business process that ensure all new goods are properly classified, all new customers are screened and records are retained for all transactions.

4. Document control policies and procedures.

Exporters should develop export management control procedures while importers should have policy and procedure manuals.

5. Test the activities

Routinely sample your export and import records and audit them for accuracy. Do the data indicate that your controls are effective? If not, what will need to be done to alter the control?

6. Raise awareness within the company.

It is said you have to say a thing three times before someone begins to take notice of the idea and that it takes repeating it ten times before it is learned. Hold formal awareness training but also be prepared to deliver your thirty-second elevator speech about controls.

And don't forget to speak the language of your company. Describe trade compliance in terms your colleagues will understand such as cycle times, returns on investment, customer service goals, or other business terms routinely used within your company.

7. Engage experts.

What don't you know about your compliance program? How does an outsider view your level of compliance? Engage the services of a consultant, auditor or attorney to test your compliance program to see if it withstands regulatory scrutiny or if there are risks within your program you had not previously considered.

8. Persist!

Reaching the stage of knowing your trade compliance status takes time. Once you have achieved it, your work is not done. You will need to continue to be vigilant and challenge the status quo to ensure you do not backslide into a complacent state of thinking your company is compliant.

I think I just heard someone mumble that they know their company is not compliant. They know there are control gaps that management has chosen not to address. I would encourage you not to confuse your own awareness with that of the greater corporation. If you know your company is not compliant then your company is either in the "we hope we are" or the "we think we are" stage of compliance.

So I ask you again, what does your company know about its trade compliance program?