



Beth Peterson  
Enterprises, Inc.

# Getting Compliance a Seat in the Boardroom

**Beth Peterson**  
**President**  
**BPE**

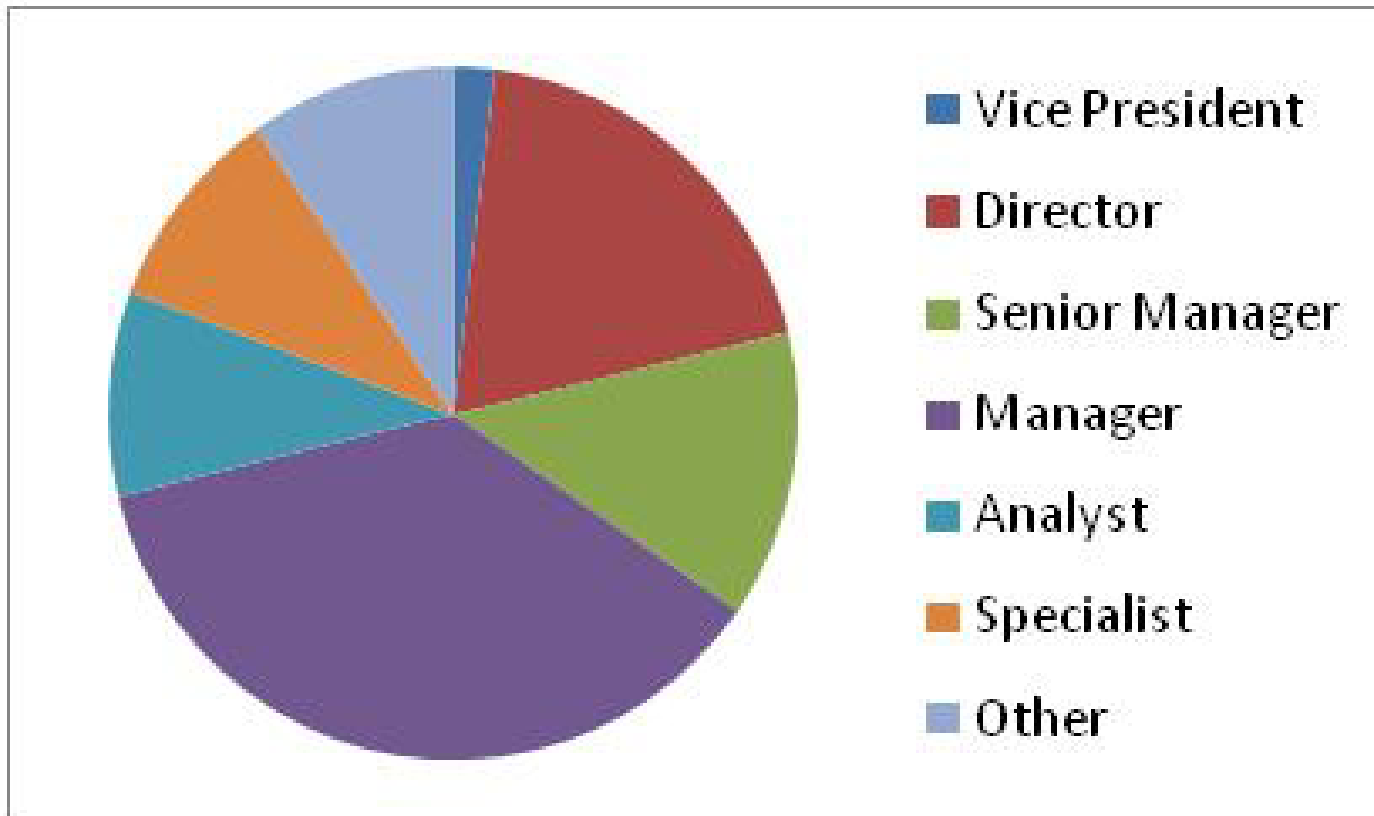


## **How to Get Compliance A Seat in the Boardroom**

- Think like an executive
- Talk like an executive
- Walk like an executive



## Global Trade Titles





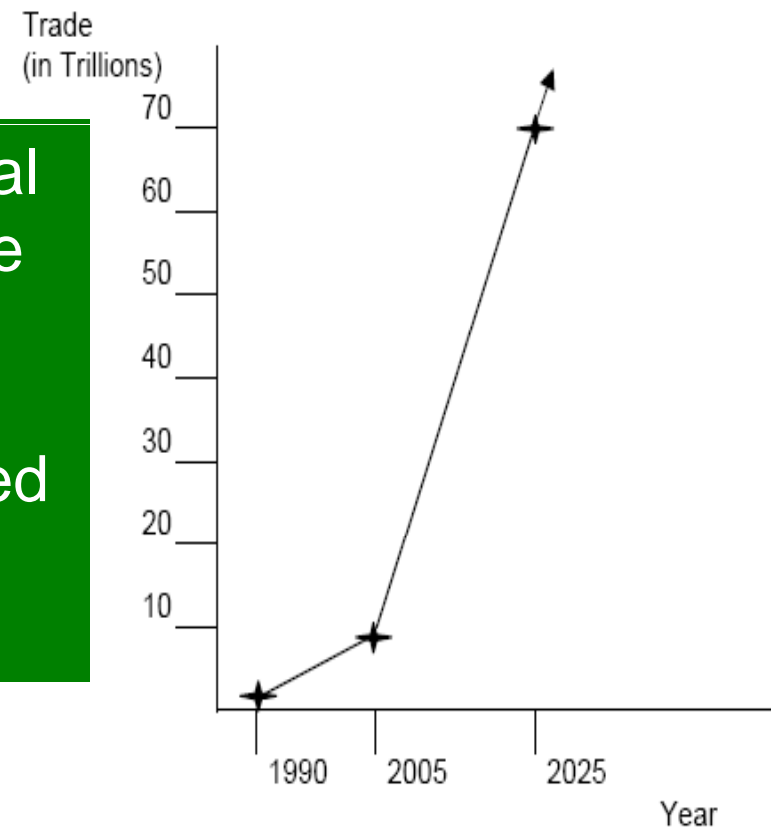
## Regulatory Compliance Realities

- Thousands of pages of regulations per country.
- 20,0000+ tariffs in the US alone.
- Multiple jurisdictions involved in the importation and exportation of goods.
- On average 27 parties are involved in the importation process.
- Many countries require advance filing of cargo information prior to departure or arrival.
- High penalties for non-compliance or violations.
- Risk of delays for repeat violations.



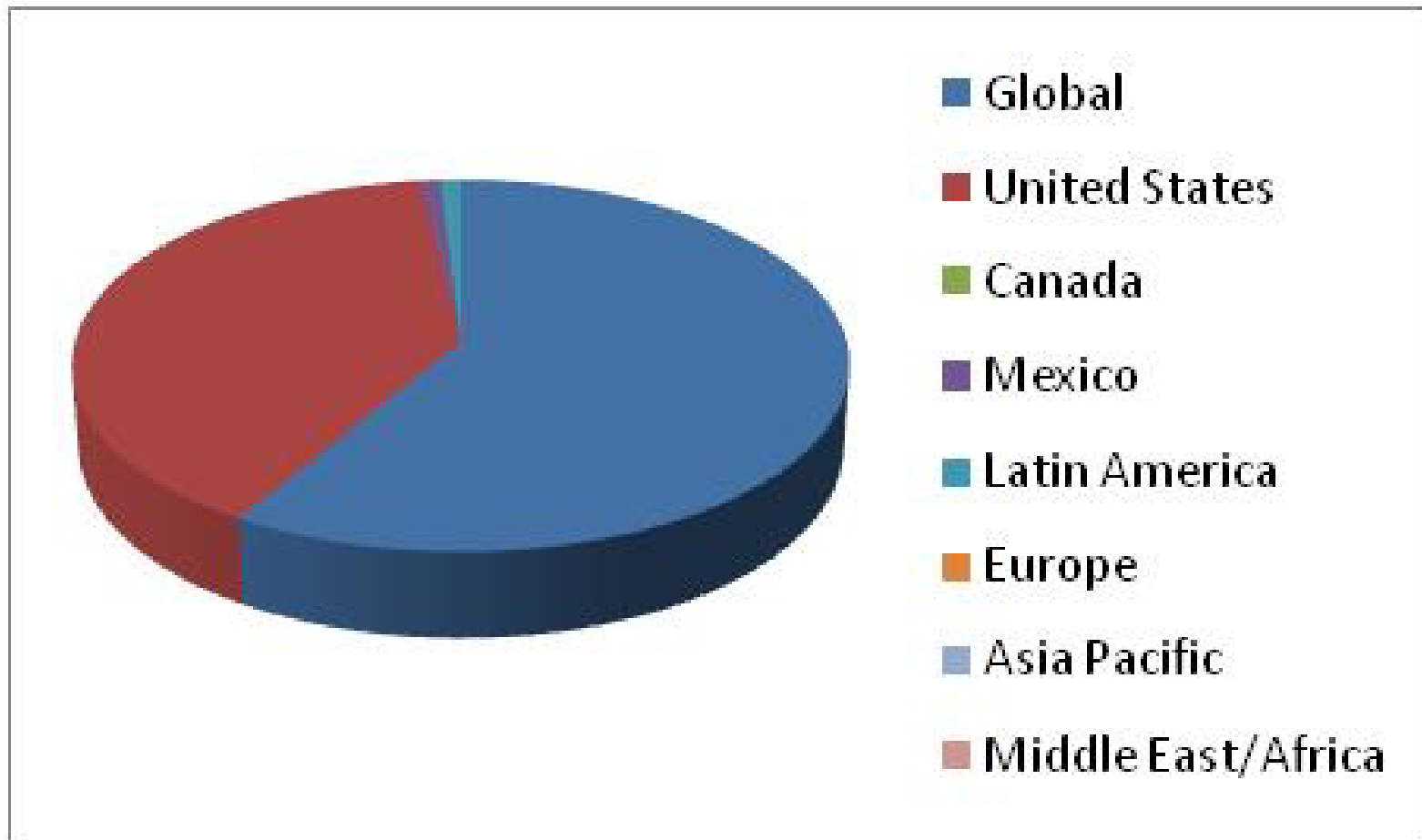
## How Big is Global Trade?

“Complex, cross-border global transactions account for more than \$10 trillion in 2007 and, according to a recent McKinsey report, are expected to grow to more than \$70 trillion by 2025 .”





## Trends - Increased Global Responsibility





Beth Peterson  
Enterprises, Inc.

# **Working With Executives Who Don't Know What They Don't Know**



## Who Feels the Pain in the Boardroom?

- CEO: Business viability and shareholder value at risk
- CFO: Accountability and transparency
- CIO: Meet requirements in a timely & cost effective manner
- GC: Confusion on how to meet an array of regulatory challenges
- VP Logistics/Supply Chain: Responsible for global trade risk and international operations



# Fragmented Internal Trade Roles

**Board, Audit Committee**

Blind to trade risks

**Executives & Managers**

Incomplete global risk profile

**Compliance/Risk Office**

Disconnected risk analysis

**Finance**

Complex, international compliance requirements

**IT Operations**

Data leakage & technology security

**Human Resources**

Deemed Export compliance

**Procurement**

Denied parties  
Total landed cost

**Sales, Service**

High credit risk customers



**Supply Chain**

**Customers & Channel**



# Unidentified Risks Impact Performance

## National Headlines

**“Agency Delayed Reporting Theft of Veterans’ Data”**

May 24, 2006, New York Times

**“Data Theft at Nuclear Agency Went Unreported for 9 Months”**

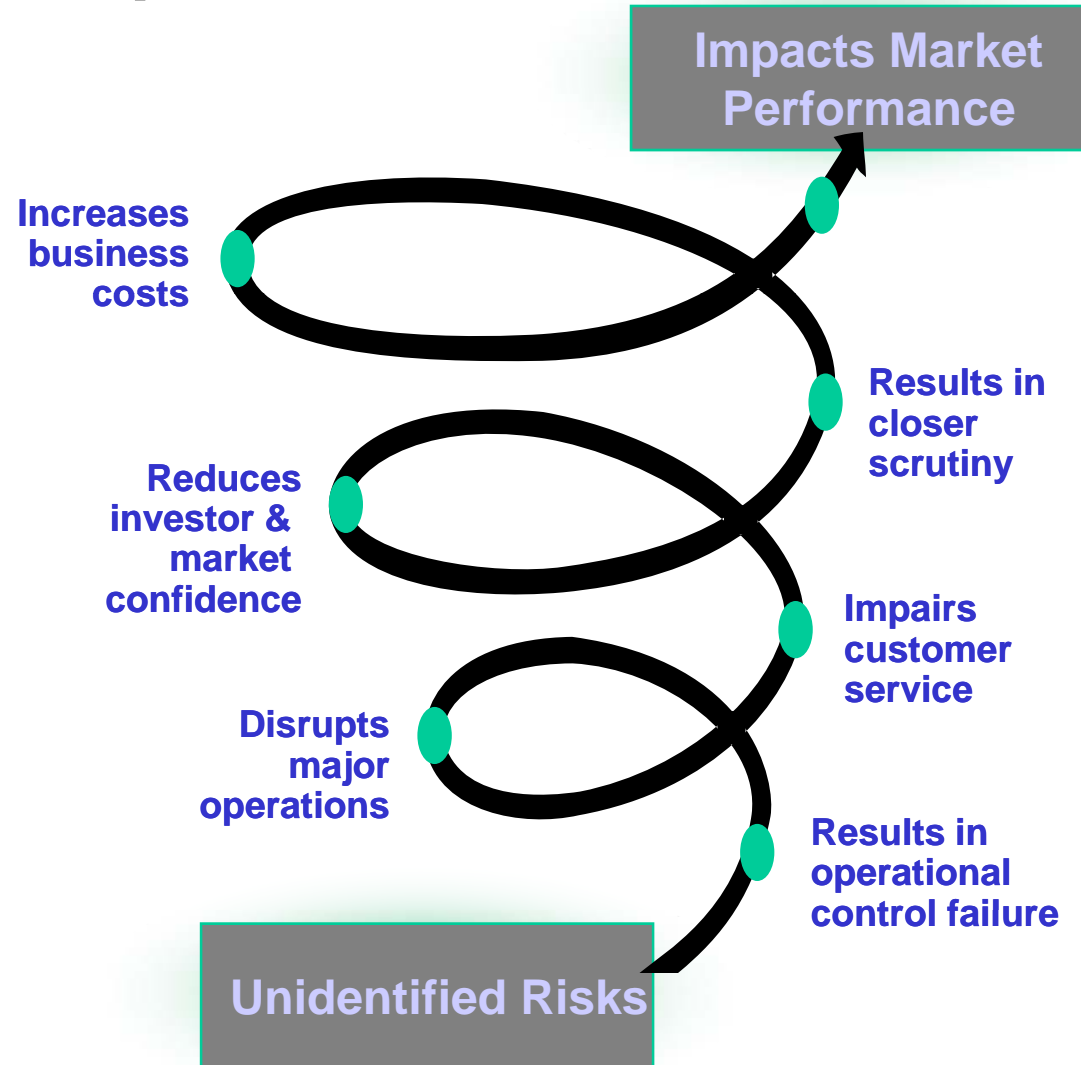
June 10, 2006, New York Times

**“Bomb Scare shuts Port’s Terminal 18”**

Aug 18, 2006, The Seattle Times

**“Palm’s Treo Violates E.U. Pollution Law”**

Jul 06, 2006, CIO Tech Informer





## Key Messaging

- CEO:
  - Cost - Potential violations, supply chain disruption
  - Market Loss – License denial, denial orders
  - Corporate image – negative headlines
- CFO:
  - Lack of Visibility to actual cost
  - Dual invoicing scenarios
- GC:
  - Misstatements
  - Omissions and errors
  - Misdeclarations



# Increasing Risk Transparency

## Board, Audit Committee

Evidence for decisions & directives

## Executives & Managers

Increased confidence in business results

## Compliance/Risk Office

Integrated risk analysis

## Finance

Global financial reporting compliance

## IT Operations

Secure IT infrastructure

## Human Resources

Environmental health & safety compliance

## Procurement

Anti-terrorist trade practices

## Sales, Service

Balanced credit profile



Supply Chain

Customers & Channel



## Raising Awareness

1. Change your language.
2. Understand your operation.
3. Align your departmental objectives to the company's objectives.
4. Measure, measure, measure.
5. Get your team thinking this way too.





## Tools You Should Be Using

- Annual Report.
- 10K.
- Analyst briefings.
- Competitors annual reports.
- Benchmarking with peers.
- IT Investments (GTM and Analytics)

**"Companies making strategic investments in global systems to better manage and synchronize logistics, compliance, and trade finance as an integrated process are making great headway, often decreasing total landed costs and delayed shipments by 10%–40%."**

Beth Enslow, Vice President of Enterprise Research, Aberdeen Group,  
"New Strategies for Global Trade Management," *Aberdeen Report* (March 2005)





## Did you Know?

According to the Aberdeen Group,  
“a \$1 billion company can free \$10  
*million to \$40 million* in cash by  
better controlling its basic global  
trade processes...” .





## Corporate Objectives Mapped to Your Objectives

- Example - HP's Corporate Objectives
  - Customer Loyalty
    - Product compliance, online compliance data.
  - Profit
    - Trade agreements and trade preference programs.
    - Freight and Duty Payment/Audit to ensure accurate declarations.
  - Market Leadership
    - Licensing and classification for new markets/products.
    - Participation in voluntary government programs.



## Corporate Objectives Mapped to Your Objectives

- Example - HP's Corporate Objectives, continued:
  - Growth
    - Reduction of Global Barriers
    - Global trade systems to support growth.
  - Employee Commitment
    - Training and education programs, internal control programs.



## Language to Leave at your Desk

- ⊗ Compliance → ✓ Competitive Advantage
- ⊗ Regulations → ✓ Sarbanes Oxley
- ⊗ Fines & Penalties → ✓ Risk-based Approach
- ⊗ Clearance → ✓ Market Access
- ⊗ Your Projects → ✓ Corporate Objectives



## Executives are Concerned with 2 Key Topics

- **Risk exposure**
  - Understand they are responsible for holistic risk
  - How do they measure risk and relate it to strategy?
  - Highlight how trade risk fits into the overall risk picture
- **Value**
  - How much will this save the company?
  - Where will efficiencies be created?
  - Speak about Value, not Cost



## Translating your Import Responsibilities

- Cost Reduction through:
  - Decreased clearance cycle time.
  - Duty reduction/avoidance programs.
  - Process improvements.
- Customer Retention through:
  - Predictable supply chain.
  - Accurate documentation resulting in accurate declarations.
- Higher Margin:
  - Lower inventory carrying costs.





## Translating your Export Responsibilities

- Increased revenue through
  - Access to all markets as a result of compliance.
- Customer Retention though:
  - Accurate classification and licensing of products.





## Translating your Security Responsibilities

- Customer Retention through:
  - Participation in government programs.
- Cost Reduction through:
  - Reduced loss/theft/pilferage.





## Measuring Compliance Value to Companies

- Increased Profit
  - Improved product safety (e.g., 38 percent reduction in theft/loss/pilferage, 37 percent reduction in tampering)
- Reduced Cost
  - Improved inventory management (e.g., 14 percent reduction in excess inventory)
  - Improved product handling (e.g., 43 percent increase in automated handling of goods)
  - More efficient customs clearance process (e.g., 49 percent reduction in cargo delays, 48 percent reduction in cargo inspections/examinations)

The Manufacturing Institute Report on Innovators in Supply Chain Security  
[www.nam.org/supplychainsecurity](http://www.nam.org/supplychainsecurity)



## Measuring Compliance Value to Companies

- Customer Satisfaction
  - Improved Supply Chain predictability (e.g., 12 percent increase in reported on-time delivery)
  - Higher customer satisfaction (e.g., 26 percent reduction in customer attrition and 20 percent increase in number of new customers)



## Good Measures to Maintain for your Operation

- Inventory carrying costs.
- Total value of imports/exports.
- Total import/export volume as a percent of revenue by country.
- Total duties paid.

Know how the Measures Above  
Tie to Revenue and Profit





## Examples of Global Trade KPIs

KPI	Insight
Security and Compliance Costs	– How much is being spent to ensure global trade compliance and recordkeeping required by governments I do business with/in?
Operational Costs	– How much does it cost me today to execute a global shipment and process all the required steps?
Inventory Carrying Costs	– How much cost is associated with slow customs clearance and large safety stock inventories?
Preference Program Use	– How much can I save by using available trade preferences and programs?
Transactional cost by broker	– How much is my broker charging for these processes today?

But what are the Company's KPIs?



## Presenting to Any Executive

- Get the right supporting data... but roll it up to support the Executive's goals
- Represent opportunity for other departments and regions
- The C level thinks globally
- Start "Crayon Simple" but be able to go deep





## The Executive Pitch

- You have a presentation scheduled for 30 minutes with someone on the Executive Team
  - 10 Minutes
- You have been asked to put together a lengthy business case
  - You may get to walk through 1 or 2 slides
- You most likely will have one shot at it

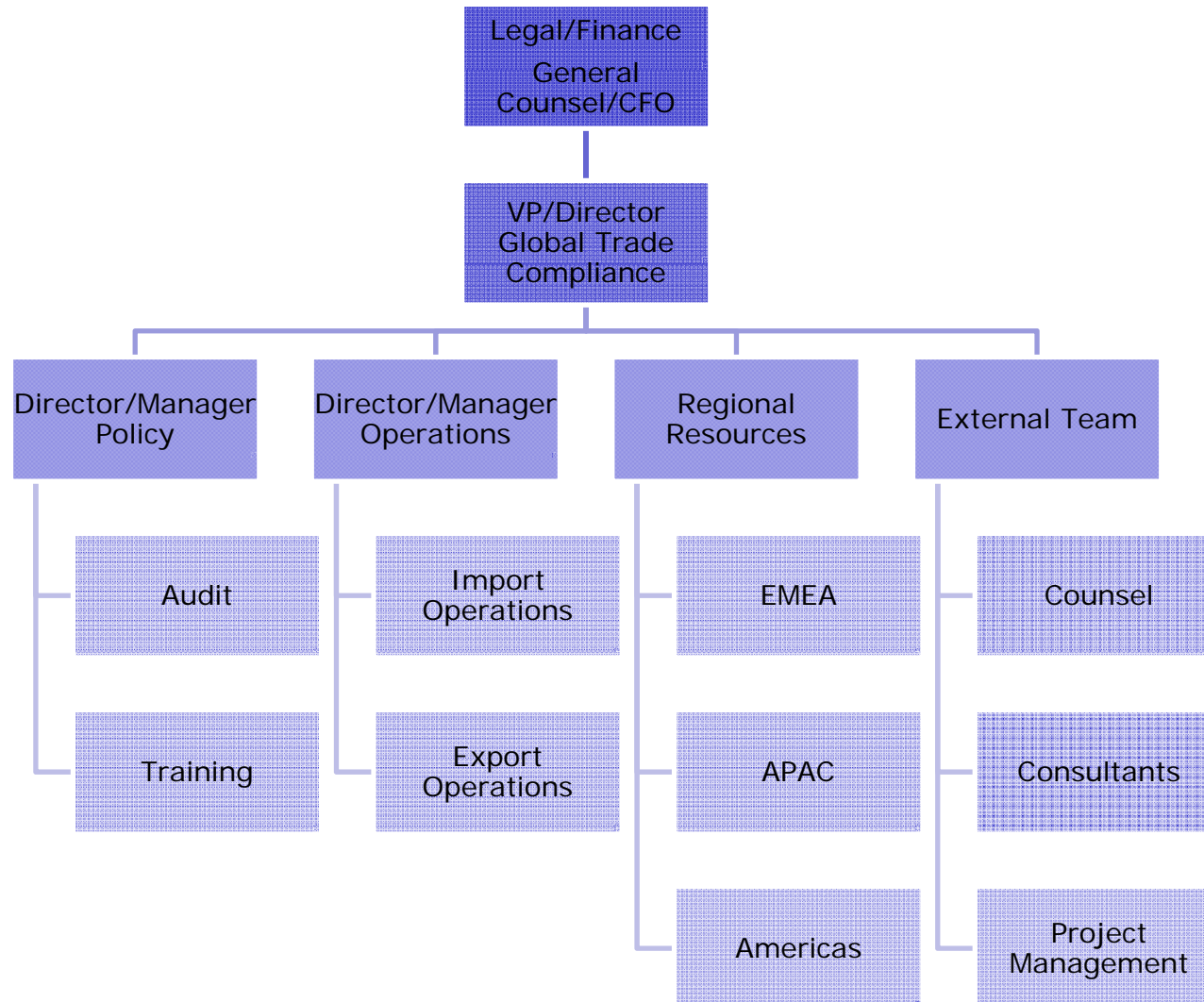


Beth Peterson  
Enterprises, Inc.

## **Best Practices**



# Organizational Structure





## **Don't Forget Tools**

- Global Policies
- Global/Regional/Country Procedures
- Centralized Training
- Compliance Tools
- Task Automation
- Self Assessment/Audit



## **Top 10 for 2010**

1. Set objectives
2. Review contracts
3. Analyze global risk
4. Establish audit schedule
5. Identify training and educational requirements
6. Review legislative landscape
7. Understand sales and marketing strategies
8. Understand supply chain strategies
9. Review/update compliance manuals
10. Finalize annual budget



## Set Objectives

- Align with corporate objectives.
- Everything that you and your extended team plan on doing should be firmly rooted in these objectives.
- Identify clear and measurable objectives for your department, your team, and each individual on your team, as well as your service providers.



## Review Contracts

- Look at service provider contracts.
- Ensure that your rates are aligned with your corporate growth strategy for 2010.
- Review your continuous bond amounts.
- Review your rates and ensure that you are paying competitive prices.
- Review your contracts for any global trade automation and content.



# Analyze Global Risk

General	Americas	EMEA	APAC
Classification (HTS)	Red	Red	Red
Valuation	Yellow	Yellow	Yellow
Documentation	Red	Red	Red
Recordkeeping	Yellow	Yellow	Black
Exports	Blue	Blue	Blue
EMCP	Red	Red	Red
Procedures	Red	Red	Red
Training	Yellow	Yellow	Red
Internal Audit	Yellow	Yellow	Red
Screening	Yellow	Green	Black
Classification (ECCN)	Yellow	Yellow	Yellow
AES/EEI	Yellow	Yellow	Black
License Management	Yellow	Yellow	Yellow
Anti-Boycott	Yellow	Yellow	Yellow
Imports	Blue	Blue	Blue
Import Policy	Black	Black	Black
Procedures	Black	Black	Black
Training	Black	Black	Black
Internal Audit	Black	Black	Black
Free Trade Agreements	Red	Red	Black
Temporary Imports	Black	Black	Black
OGA Compliance	Black	Black	Black
ADD/CVD	Black	Black	Black
Assists	Red	Black	Black
COO	Red	Black	Black
Drawback	Black	Black	Black



## **Establish Audit Schedule**

- Audit specific processes and countries to help assess risk or confirm that past issues have been addressed and resolved.
- Frequency of the audits should correspond with your objectives and risk profile.
- While you're developing the audit schedule, identify your executive sponsor for each audit.



## **Identify Training and Educational Requirements**

- Determine if there is a way to leverage new knowledge obtained by your team by having them conduct internal trainings once they've attended training.
- Utilize your service providers and ask them to provide updates on regulatory matters to your team and your internal customers.
- See if you can coordinate team meetings to coincide with one of the annual trade compliance conferences such as ICPA.



## **Review Legislative Landscape**

- Use your trade association to identify initiatives that affect your company, your products and your risk.
- Utilize your global risk analysis to track upcoming regulations and their potential effects on your operations.



## **Understand Sales and Marketing Strategies**

- Identify new market opportunities.
- Discuss any global trade compliance concerns that may be barriers to success.



## **Understand Supply Chain Strategies**

- Understand all new undertakings that will require/impact trade compliance.
- Identify existing operations that have issues or areas for improvement with regards to global trade compliance.



## **Review and Update Compliance Manuals**

- Ensure that all updates are prioritized, based on your objectives, risk and overall strategies and your overall training strategy.
- Ensure that all training material is also updated.



## **Finalize Annual Budget**

- Do this task last after establishing your objectives, understanding your risk and knowing the internal drivers for your company's global trade compliance requirements.



## Corporate Impact

- Accelerate your supply chain.
- Increase corporate profit.
- Decrease cost of goods.
- Establish competitive advantage.
- Drive executive decisions.



**Business information can and should  
be used to outthink rivals**



Beth Peterson  
Enterprises, Inc.

**Thank You**

Beth Peterson

President

BPE

[beth@bpeglobal.com](mailto:beth@bpeglobal.com)

415-845-8967



Beth Peterson  
Enterprises, Inc.



ENABLING COMPANIES TO  
SUCCEED GLOBALLY THROUGH  
CONSULTING AND TRAINING