

Looking Ahead: Your 2015 Compliance Priorities

It is that time of year when it seems like everything you do is about what is next: planning for the holidays, planning your vacation time (hopefully!), maybe even starting to plan your new year's resolutions. And don't forget your compliance priorities for the new year. If you are like most Trade Compliance professionals, you likely have much more on your plate than could possibly be crammed into one year; especially when you consider the budget you have probably just finalized! How do you decide what gets done, and what can wait? Prioritize!



I am sure you are familiar with how much we love risk management here at BPE Global. A key element of risk management – beyond being able to identify and track the risks you identify – is prioritization. It can be tempting to allow every compliance delay or potential failure to become priority number one; especially near quarter ends and during critical sales times. However, it is important that you develop an approach to managing your trade compliance program that takes into account not just who is screaming the loudest, but the Likelihood (or probability), Impact, Timing and Resources required to address and mitigate each risk.

Even if you haven't had a method to rate your risks to date, there is no time like the present! Set aside an hour to look at all of the known risks, and what might be keeping you up at night. Start with an open brainstorm (by yourself, or with your team) to jot down every risk that is on your mind. Use a whiteboard or large sheet of paper, and then see what you can group together to simply your list. It's best to try to tackle no more than 20 risks at a time; so group if you have to.

First, assign a **Likelihood**. Yes, a whole shipment of high value items *could* be held at the border because a customs agent thinks your descriptions are bad (even though they haven't changed in years), but what is the true likelihood of that happening. I suggest you consider rating it on a scale of 1 (could happen, but highly unlikely) to 5 (currently happening).

Then, consider **Impact**. Again, assign the fall out on a scale of 1 to 5, with 1 being a slight delay of time or other easily accepted impact, and 5 being the worst possible thing you can imagine: like losing your importing or exporting privileges or your costs doubling.

Next, think about the likely **Timing** of the risk. If you know corporate audit has you on their 2015 audit plan for Q4 of 2015 that may be a 2. While a new product that is going to ship December 1, but has not yet been classified may be a 5. I recommend that you continue with the 1 to 5 scale, so that you can end up with an average at the end of the exercise.

Last, look at the **Resources** it would take to fix the problem. Continue with the 1 to 5 rating scale, if you like the idea of having an average "risk rating" to help you prioritize, or you may decide that the resources column is outside of your average rating. If you kept your same rating profile, 1 could be a "quick fix" that might take someone less than 4 hours to complete with their existing tools, and 5 could be a massive multi-month project requiring IT and other cross-functional resources and special budget approval.

After you have assigned ratings to at least the Likelihood, Impact and Timing areas of each risk, assign an average rating, and sort your risks based on this number. Now you will start to see a priority list come into focus. You may have a lot of dependencies, in which case you can then apply the filter of how many resources it would take to complete, or maybe which risks you might get the best response from the business for resolving. The important thing is that you are looking at your risks objectively, comparing them fairly, and considering both the timing of when they really need to get done and what it will take to remediate them. Remember – your goal doesn't have to be 100% risk avoidance. Your goal should be achieving an acceptable level of risk while ensuring strong compliance and a consistent supply chain!

Thank you for investing your valuable time reviewing this BPE Global Hot Topic. Our hope is that you will benefit from this information for your Trade Compliance program.