



On Second Thought With Jennifer Wade

Strategic road to trade compliance

We have all worked for companies who don't understand the importance of global trade compliance. They see compliance as an unavoidable cost of doing

business, not as a strategic tool in the overall push for competitive advantage.

As trade compliance and supply chain professionals, I am sure you have had at least one change initiative start and fail. It may have seemed like for months, or even years, the company hasn't been able to see the need to invest in infrastructure, or longer term projects to support global trade compliance operations. Maybe you get a third of the budget you requested for a project, or maybe a company will even spend a lot of money upfront on external compliance resources, thinking that the issue is temporary or they just need to get started, and then the internal team can take it from there. However, to really be successful, a change initiative needs to have leadership, ideas, and energy (not to mention funding, resources and strong project management) from start to finish.

In today's world, it is more common than not that you will experience significant leadership changes throughout a particular project or lifecycle of a compliance program. Typically, companies go through multiple changes in leadership, are reorganized under new departments on a frequent basis and rarely have any sort of solid executive stakeholder. Each time there is a change, a new set of leaders must be coached about the risks of their current positions and the clear advantages of taking a strategic change management approach. It is always a painful road, but consistent and persistent communication that clearly outlines risks, benefits, the reality of where the company is today, and exactly how to get to the desired "to be" state will pay off. From a consulting perspective, we do see most companies eventually take a sharp turn onto the right road.

What finally wakes up a company to the point where it's willing to take a completely different approach to global trade compliance? You would guess that it takes

a large penalty or a threat to its ability to fulfill orders. But that is not always the case. While a penalty will always get attention, the reality is a penalty is a onetime event, and it does not always leave a lasting impression. What really drives a company to value global trade compliance is an understanding of how elemental it is to the company's overall success. And it takes a keen leader to recognize that fact.

Trade compliance has the ability to educate, empower and partner with the right people in the company to get the job done, rather than being a barrier to business.

So, how do we spur this recognition? We improve understanding by constantly driving for better ideas and delivering them with energy. Instead of only speaking from a position of fear — penalties, delays, or lost revenue; we speak of opportunity, such as increased sales, happier customers, and improved market access. Instead of pointing out failures, and not offering solutions, we pull together cross-functional groups which can work together to come up with solutions to minimize impact and optimize benefits. We show trade compliance has the ability to educate, empower and partner with the right people in the company (e.g. engineering, legal, sales, and finance) to get the job done, rather than being a barrier to business.

To generate the energy necessary to spark new ideas, and keep people working through the tough parts of change management, it is important to speak clearly about the benefits of compliance rather than the punitive side of things. It is important to find ways to say "yes," instead of "no." "Yes, we could get a license instead of not shipping the product." "Yes, we can teach you design options that allow self-classification rather than government review." And most importantly, talk about compliance in terms of money; directly tie actions to financial implications. It's not always clear that late notification of a new product release can result in millions of dollars in lost sales while the company waits until the proper export authorization from the federal government is received. Another example is where incorrect incoterms can add days of delay, inventory carrying costs, or paid taxes which are not recoverable, and result in contractual penalties.

Does this sound like your company? We implore you to have hope. Try to focus on leadership, ideas and energy, in addition to your usual change management techniques, and keep shining the light on tangible examples of things that go awry, and how much cheaper, faster and easier they would have gone with a strategic approach to global trade compliance. Join cross-functional teams that are designing new processes, so you can introduce global trade strategies for the project to succeed. Volunteer to get to the bottom of the causes of issues and frustrations facing your sales, marketing and shipping teams, so they can see that the issues are usually self-made and many times easily corrected.

We strongly believe companies have the best intentions in mind and they want to deliver the shareholder value to which they have committed. It's just a matter of time and investment in communications to get the message across — from leadership on down. Once you have gotten the message across, it's so much easier to follow through with the strategic impact that you know can be delivered to your company.

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