On Second Thought

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Going global: Doing it right

We are going global!" Four familiar words proclaimed by many U.S. companies, large and small. For a company and its employees, these words are thrilling, energizing, and motivating. But what does this actually mean to each function of a company? How does the movement to "go global" impact you? How can you get it right?

Sales or product development professionals may interpret this call to arms as developing new products and launching it in a foreign market. These teams may envision new demand-based products, feature updates to existing products, widespread travel, product demonstrations, tradeshows, and shipments of samples. Vendor management teams hear "going global" and start thinking about expanding sourcing strategies for new products, components, or services from outside the United States from unknown, yet regionally optimal providers. Finally, upon hearing the new marching orders, corporate legal and finance representation may collaborate on calculating landed costs and establishing foreign entities or distribution hubs. While these are all different interpretations of "going global," the truth is that all of these interpretations are a true means of an expanded global presence. "Going global" is a nebulous term that, without planning and organization, easily results in frustration with fines, delays, and corporate roles and responsibilities.

Entering a foreign market may be achieved via a "hub-and-spoke" model with the trade compliance team at the center coordinating efforts across all job functions to ensure that the movement of all types of commodities is done in compliance with the regulations of both the importing and exporting countries. Setting up this "hub-and-spoke" model should not be a daunting task. The first step is to understand U.S. Customs and export regulations. U.S. importers or exporters of record must retain an auditable record of assigned customs and export classifications, country of origin determinations, valuation justification, as well as certainty of the ultimate destination of commodities and export licensing requirements relevant to the commodity, its end-users, and end-uses. Finally, strict adherence to recordkeeping requirements and timely filing of documentation and reports is required. Unfortunately, familiarity with U.S. Customs and export requirements is where many companies end their compliance education. The regulations of the country on the other side of the transaction are often neglected and, inevitably, companies find out how costly this neglect can be.

Example: A U.S. high tech company would like to begin exporting from Singapore. Some of their hardware and software products contain encryption. In this example, the U.S. entity understands the U.S.-related controls relevant to the product when its ECCN was determined. Unfortunately, the U.S. entity overlooked Singapore's Strategic Goods Control Act. Singapore has strict controls around what they term "strategic goods." Companies must be extremely knowledgeable about the Act's requirements and applicable import and export permitting well in advance of transitioning logistics services to Singapore. In addition, Singapore authorities require companies to maintain a Singapore-specific corporate compliance infrastructure. This infrastructure includes a documented internal controls program that identifies local corporate compliance officers, as well as outlines the company's commitment to Singapore's trade regulations and processes by which a company executes its commitment to compliance.

The above example demonstrates the importance of raising awareness of compliance regulations in the countries in which a company transacts business. Delivery of awareness training may be assigned to the global trade compliance team, but every corporate function must be willing to assume responsibility appropriate to its day-to-day job duties. Some important themes to communicate:

- **Sales and product development** – Product development must inform trade compliance of the specifications of a product at the earliest stage in development so that classification may be assigned and necessary licenses obtained. Sales teams must advise trade compliance of all scheduled product demonstrations. In particular to whom the product will be demonstrated, where the product will be demonstrated, and what level of technology will be disclosed. Additionally, the sales team should work with trade compliance prior to shipping sample commodities or demonstration equipment. Shipments of samples, demos, or prototypes are treated like any commercial shipment and require the same level of care and compliance information.
- **Vendor management** – When thinking about expanding sourcing strategies, vendor management teams should ensure that new partners are screened against restricted party lists. Additionally, the vendor management function must advise trade compliance of all imported or exported products, technology, and services.
- **Corporate legal and finance** – These functions must team with trade compliance to understand total landed cost, as well as what it means to be an importer or exporter of record in a new country or enlisting the services of a third-party distribution center. Trade compliance must be engaged at the onset of setting up a foreign entity or engaging new service providers.

"Going global" is achievable for any company. Before leaping into new markets, it's important to consider how a global presence impacts the roles and responsibilities of each function. The problems outlined in the example stem from a lack of understanding about impacts of global expansion. Understanding what "going global" means to corporate functions and setting up a simple "hub-and-spoke" model to work among all corporate functions will ensure that all the trade-related requirements and internal controls are fulfilled prior to entering a new market.

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