KPMG **SMART PRACTICE**

Export compliance managers: What to do with your first 100 days

For any corporate officer, the first 100 days are a critical period in which challenges are identified, priorities established and the way forward charted. For an export compliance manager ("ECM"), this time period is especially important to the preparation of a strategic plan – one that identifies specific export compliance risks faced by the company, their root causes, and business-friendly solutions that leverage technology to create efficiencies. Without these steps – which can offer clarity around long-term priorities, and marshal support for budget requests – the role of the ECM and his/her team can quickly devolve into daily fire-fighting

This 100-day period is actually best viewed in smaller 30-, 60- and 90-day groupings, each with its own delineated goals. At the conclusion of this period, the ECM will have achieved important milestones that will drive success for the rest of his or her tenure.

In the first 30 days, the ECM's focus should be on aligning stakeholders and understanding their perspectives on the group's function, as well as its future state. This period can serve as an opportunity to develop consensus for the group's direction, and to evaluate the current budget in light of the direction everyone agrees should be taken. Simultaneously, the new ECM should assess his/her team to understand if it is functioning effectively, identifying where efficiencies can be gained. Included in this step, is evaluating the individual strengths and weaknesses of each team member, so that a development plan can be implemented, as necessary.

Within the 30-60 day period, a deeper focus should be placed on core compliance processes to assess if they are adequately mitigating the risk of an export compliance violation. One of the first questions to answer is whether, and when, an internal risk assessment was conducted. This is important to understanding what is driving current processes – whether they are relevant and tailored to the organization's specific risks or if they are cookie-cutter procedures overlaid on the business.

Additionally, this is the time to validate that the enterprise's global trade-management systems support export transactions. For example, an initial priority should be validating that the settings on automated restricted-party screening solutions are appropriately configured. If they are not, an overwhelming number of results may need to be reviewed, increasing the likelihood of an error. Alternatively, if the system is under-configured, sanctioned parties may not be properly identified – resulting in a transaction with a restricted entity.

The final step is to assess all relationships with those groups whose activities impact export compliance. At a minimum, this will include product development/engineering, procurement, logistics and accounts payable. Educating these groups about their export compliance responsibilities is necessary to ensure that processes and procedures are followed. At the end of the 60-day period, the ECM should have prioritized the areas requiring immediate remediation and developed long-term goals.

During the 60-90-day period, the ECM should evaluate the individual compliance drivers at a more granular level. This will likely include transactional testing to gain a deeper understanding of day-to-day processes. For example, how is product classification and jurisdiction determined and is a sound rationale documented and maintained in a centralized database? How are licenses managed and what is the audit process to validate that they are appropriately decremented?

Using the knowledge gained in the previous 60 days, the ECM should target areas of concern to understand where a process breakdown is occurring. Once a detailed evaluation has been conducted, the ECM will be in a position to develop an effective strategic plan that lays out a path to remediate gaps and improve the group's efficiency.

The first 100 days present a unique opportunity for a new export compliance manager to develop a plan that can be used to drive decisions during the rest of his or her time in the role. It is also a critical period in which to build consensus for the group's future direction, both among the staff and the organization's leadership – increasing the likelihood of achieving both short- and long-term goals through the development of solutions that fit the company's needs. ■

About the authors:

Steven Brotherton (San Francisco) is a Principal in the Global Export Controls & Sanctions practice of KPMG LLP and leader of the service line. sbrotherton@kpmg.com

Elizabeth Shingler (Philadelphia) is a Manager in the Global Export Controls and Sanctions practice of KPMG LLP. eshingler@kpmg.com

This article is reprinted with permission from Issue 5 (July/August 2020) of Export Compliance Manager magazine

www.exportcompliancemanager.com