Our Changing Industry

PROFILES OF THE GLOBAL TRADE PROFESSIONAL

The work keeps changing, but in response to legislative, regulatory, political, and market transformation, a vital profession is emerging.

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There are several common threads that run through the global trade compliance community: passion for the profession, a sense of purpose extending beyond simple allegiance to employers, excitement about being part of a profession in its infancy (or possibly adolescence) with new challenges every day, and an attitude that embraces an evolving corporate role.

One more thread connects all trade compliance professionals: they never envisioned themselves in this role ten or even five years ago.

Today's trade compliance (TC) role has morphed from compliance monitor to trade facilitator to supply chain security chief to a combination of all three. A profile of today's TC executive will show an early career in logistics or transportation. Some TC execs started out in the forwarder/broker industry and transitioned to a corporate logistics role. Most started out as junior members of corporate logistics or transportation team handling either traffic, classifications, analysis, distribution or inbound/outbound freight.

In the Beginning

The Customs Modernization Act, part of the North American Free Trade Agreement Implementation Act of 1993, shifted compliance responsibilities to the importer. Up to that time few firms had an employee devoted strictly to trade compliance. Already overwhelmed import managers from larger firms began to designate customs and compliance duties to their brightest and most diligent team members. The potential for penalties and embarrassing news coverage simply wasn't worth risking assigning to marginal performers.

Logistics managers from small and midsize companies that couldn't add head count or ran very lean departments had to

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somehow manage the compliance function themselves. (Many still do, but with today's complexities, how effective can they be?) In most cases, firms didn't see the value of having a standalone trade compliance role—until the late 90s, when we saw highly publicized penalties and negative press connected to some of America's most recognized corporate names as well as many Asian and European U.S. business units. Customs was taking an aggressive posture, moving from "informed" compliance to "enforced" compliance of the regulations.

Many of the new trade compliance roles came about as a result of "strongly recommended" customs advice. The result was the creation of positions whose purpose was almost one-dimensional—compliance with customs regulations. In many companies the role also included export compliance, and then in more recent years global trade security.

The early reporting functions were almost always through supply chain, transportation or logistics. Some early reporting structures were actually dependent on who championed the value and need for an in-house standalone trade compliance role—the "you want it, you own it" mentality.

Undervalued Trade Compliance Professionals

The career profile of today's trade compliance professional reveals a solid and stable resumé and fewer company moves then their peers in supply chain management. Extended years of dedicated service to one firm is the norm. But this loyalty is a double-edged sword. On one hand it may help facilitate a successful program, but on the other it limits base salary growth. Average annual salary increases among TC execs range from 2 to 4 percent.

Dedicate seven or eight years to a firm or make two to three career moves in the same time frame to new firms with a 15 percent bump each time—you do the math.

Many trade compliance professionals are undervalued overachievers—especially those with "quiet" programs that haven't had major customs issues. The company may place a high strategic value on its trade compliance program but compensation levels haven't caught up yet. This is changing. The firm that needs to replace a trade compliance professional who has been employed more than five years is usually going to experience sticker shock when they bring in the new person.

Human resource professionals have very little comprehension of the scope of the trade compliance function, and are even less informed on how to put a compensation value on the job.

Reasons Trade Compliance Professionals Change Jobs

Turnover in the trade compliance community is low. A typical career profile will reveal a stable resumé with fewer company moves than among peers in supply chain management. Extended, dedicated service to one firm is the norm.

Great opportunities at top companies are always interesting to hear about, and most folks have an updated resumé just in case, but there must be a compelling reason to consider a move. Interesting note: we don't see trade compliance professionals exiting their roles to return to logistics or transportation. They enjoy their work. Once they're involved in global trade, they're hooked.

Reporting Structures

Reporting structures are definitely gravitating to legal, but in the majority of firms TC professionals still continue to report up through the supply chain, logistics and transportation departments. Some report through tax or finance.

A seasoned global trade professional who had personal experience with several reporting structures said it best: "The reporting structure reflects the company's priorities and its expectations of the compliance role." Reporting through legal means, "Let's comply with the law and avoid penalties." Reporting through tax/finance means, "Let's see if there are ways to reduce duties and fees." Reporting through logistics means, "Let's make sure our goods enter the U.S. quickly and efficiently."

Due to the variety of business models and cultures in corporate America, there's no ready-made reporting

Five Reasons Why Trade Compliance Professionals Change Jobs

1. **Lack of top-down support and muscle to implement and build an effective compliance program**
2. **Compensation**
3. **The arrival of the opportunity and challenge to join a bigger firm and have greater responsibility and a chance to put one's signature on a start-up**
4. **Inability to add resources to build a team**
5. **Location**

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From Central Casting: Four Classic Profiles of Today's Global Trade Professionals

These four profiles exemplify the spirit and passion of today's TC professionals. Internally they see and promote their roles as trade facilitators, not simply as the "compliance police." They have the ability to articulate the value and advantages of a best-in-class program and get buy-in both from senior management and staff. Yes, we must be compliant, they say, but let's also draw value and profit from these efforts. Each has broad, big-picture experience in imports, exports and global trade security—experience demanded by corporate America.

This TC exec runs a program for one of the world's largest firms. He's an honors college graduate, an AAEI member, and a licensed customs broker. He spent several years at a forwarder/broker upon graduation. He moved to a major importer in the late 80s and earned several promotions, eventually managing the transportation and logistics area. Customs compliance took on more and more importance and required more and more time, so he became his firm's first director of customs compliance in 1998.

Two years later he was recruited away by his current firm to take over a fledgling compliance program. A substantial bump in compensation and a corporate commitment to a best-in-class program at a much larger firm helped with the decision.

This manager of trade compliance for a $5 billion firm started her career handling administrative tasks in the logistics department. An honors college graduate, this fast-track overachiever quickly found herself supervising the classifications team, eventually becoming the primary NAFTA and customs contact with a compliance program at a business unit of a large multinational firm. Her firm was a long-term AAEI member, and she not surprisingly took advantage of every seminar and conference offered.

After five years of intensive import and export training and experience, she accepted an opportunity to run a compliance program at a midsized business unit of a large multinational firm. Along the way she obtained her Customs Broker license, passing on her first attempt. Less than three years later she was courted by her current firm to start up their compliance program. Her career path has been rapid, helped along by good timing. She entered the trade compliance profession just as corporate America realized it needed exceptional trailblazers with her expertise to help them navigate the nation's trade laws.

Many of today's TC professionals started their careers in government and made a successful move to the corporate compliance side—proving that there *is* life after government. Those who move from government to corporate do not move into top-management or director roles—they start as team players. They must first prove that they have the professional savvy to negotiate the intricacies of corporate cultures and bureaucracies.

After graduating from a prestigious university and teaching for a few years and then contributing ten years of dedicated service to the Department of Commerce, this global trade pro answered an ad for an export analyst. Fast-forward ten years and now this overachiever is the export compliance manager for one of the world's largest firms and an active member of AAEI, SIA, OWIT and other organizations.

Another former government employee—in U.S. Customs for five years—chose a new career when he joined the compliance department of an F500, earning his stripes as a classifications analyst. Then he was promoted to compliance specialist. A vacancy led to an assistant manager role. The compliance manager that mentored him was in that position for several years with no intent on leaving. Realizing his best career option was to move to a new firm, he considered several good opportunities and selected a fast-growing high-tech firm, where he started up their program. It was an amicable departure, and mentor and protégé see each other at industry and association seminars and conferences (indicative of the camaraderie that exists in the community).

formula for trade compliance. Many firms bringing in a trade compliance professional to start a newly created program frequently struggle with the reporting structure, and it becomes an evolving process, sometimes even changing during the interview and selection process.

Salaries are a bit higher when the reporting function is through legal as that group tends to be in a higher salary band.

Ease of Career Mobility

Today, demand for experienced, high-caliber trade compliance professionals is much greater than the available pool of talent, which is an extremely finite number. Compensation is beginning to inch up, and there is more wiggle room during negotiations both for compensation and title. There is virtually full employment throughout the community. While not insulated to a market turndown, the trade compliance career track will be one of the stronger choices over the next several years.

Average vacancy for an analyst/specialist level is two to four months. A manager or director level will take up to six months to fill when no relocation is involved—that's from day one of an active search until an offer is made. If the position is in a remote location or the relocation package is weak, the search may take much longer.

The difficulty quotient increases exponentially when ITAR expertise is factored into a search. There simply are fewer trade compliance professionals at the junior and intermediate levels with the required hands-on EAR and ITAR experience. The manager/director who can run a complex compliance program heavily weighted on the export side is in short supply.

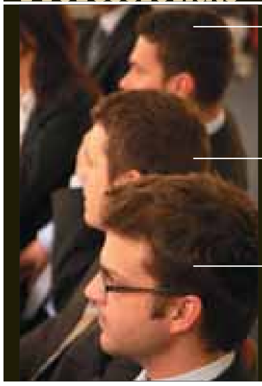
Compensation Ranges

Over the past five years we've seen trade compliance teams expanding. Managers and directors, especially those who can quantify value to senior management—demonstrating their roles as trade facilitation partners versus trade monitors—are adding headcount.

We see very few VP titles whose responsibilities are purely compliance-focused and not bundled along with other responsibilities. If you are fortunate to be earning a base salary in the $170,000 range, you are in the top 2 to 3 percent of the compliance community.

One of the biggest factors in deciding what to offer an incoming trade compliance professional is current base salary.

Compensation Ranges for Trade Compliance Professionals



Analyst/ Specialist
$50,000 – $80,000

Manager
$75,000 – $125,000

Director
$105,000 – $160,000

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A 15 percent increase is still considered a reasonable offer. Sign-on bonuses are common when there is relocation. Occasionally a local hire will be offered a sign-on bonus to seal the deal. Stock options and/or restricted stock units are offered to some incoming director levels.

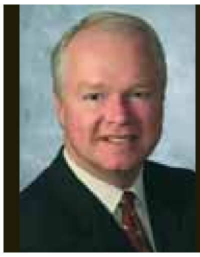
Several other determinants continue to affect compensation levels: title, location (although the differences in compensation by region are starting to even out as the workforce becomes more mobile), company size, value of imports/exports, reason position is open, length of search, current status of compliance program and whether it's a startup.

Sometimes looming audits and penalty actions can be the best motivation for a firm to accommodate a trade professional's negotiable requests.

Looking Ahead

An astute global trade compliance director once explained how his role and team is perceived internally: "We are perceived quite well, and we have strong management support. Company personnel tend to look at the compliance program like taking a maintenance drug. They may not like the taste, they may not like the side-effects, and occasionally they may even refuse to take it, but in the end, they know they will have big problems without it. Many express relief that they have a compliance team to deal with the government visits. We do work that many people would prefer not to do or simply don't know how to do."

And the work keeps changing daily. Global security has become as important as compliance in the supply chain network. Many trade compliance professionals see a "global supply chain security manager" position spinning out of global trade compliance much like trade compliance spun out of logistics. As trade volumes continue to rise, as the regulatory environment becomes even more complex, and as the world becomes a more intertwined and dangerous place, the role of the compliance pro will have to evolve with it. In 2000, who would have guessed how much time SOX and C-TPAT would require in 2007? In 2015, we'll probably say something similar: "In 2007, who could have guessed..." ❖



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