Refocusing on the global trade functional organization — a global trade perspective

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Introduction

As a result of multiple years of trade disruption and geopolitical tensions, companies are recalibrating, refocusing and re-establishing their interest in their global trade function's organizational design. Consequently, as a "new norm" is established, clients have been raising topics, such as the following: Where should global trade sit within the company? What should be the scope of the global trade function? Should operational activities be separated from advisory and compliance activities? Should export be owned by legal? These are a few of the key questions we have contemplated with global trade executives and agree should be further examined.

Background

The EY organization welcomed the renewed interest from global trade executives for updated benchmarks and a fresh perspective on leading class global trade organizational design. As a result, the EY organization dedicated its 2022 EY Global Trade Focus Day to global benchmarking.

For more than two decades, the EY organization has assembled select groups of key global trade executives from wide-ranging industries to examine leading practices and evolving strategies of global trade functions. Each participant company is an established global trader with import and export operations in multiple jurisdictions and recognized as an industry leader. In a discussion format facilitated by EY member firm professionals, participating executives described how they coped and adapted amid the rapid changes and are now focusing on the future of trade.

This *Refocusing on the global trade functional organization — a global trade perspective* report summarizes these discussions and findings. Where additive, we have included results from a 2022 anonymous global benchmarking survey that was subsequently conducted and accessed by 135 companies with a global footprint, as well as insights from clients sessions at our 2023 Indirect Tax Symposium.

We are confident that you will find the report insightful and valuable to your organization. Readers of our previous benchmarking results have reported finding the information useful in not only being able to provide corporate executives a glimpse into the scope and breadth of challenges and activities faced by the global trade function, but also in their own look on how to further enhance their function through the incorporation of leading practices, as articulated by their peers, found within this report.

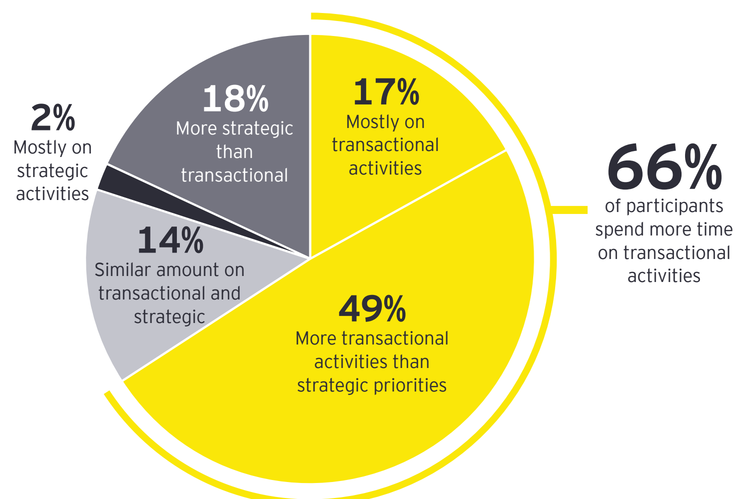
As the conversation on leading-class global trade functions and the associated building blocks continues to evolve and given the dynamic global trade landscape, the EY organization will continue to develop the results from the benchmarking survey with global trade leaders, publishing results when available.

Global trade function maturity

When we began conducting trade function benchmarking over 20 years ago, and even when we last produced benchmarking results eight years ago, the discussion was heavily focused geographically on multi-national companies based in the United States (US) and import activities as opposed to also including export and governance activities.

A significant amount of that conversation was dedicated to discussions about increasing awareness of the customs function and connecting to the business, moving the function from a sole focus on compliance to how a global trade function could create value and provide strategic input to the business. At that time, many trade functions were best characterized as reactive, focusing on battling fires and, when time allowed, establishing core processes. In addition, trade functions were loosely organized and decentralized. Few were truly global in scope or reporting. The functions were often named "customs group" or "import compliance function." These names were consistent with the scope — often import with a compliance focus. The graph below shows the balance current global trade functions are achieving.

How much time do your global trade function resources spend on tactical routine transactional activities vs. strategic priorities?



We have seen some of the functions progress over the years with more globally organized departments, a broader scope of activities that covers export, divisions of activities between operational and strategic or advisory groups, and direct access to executive-level roles. We also note that certain functions have achieved "leading-class processes" in many of the core customs and export compliance areas, with high levels of compliance and increased efficiencies through automation, as well as goals and objectives that actively align to the overall corporate strategy. However, the desired level of maturity has not been fully achieved. Operating at leading practice, mature levels across all scope areas is not yet the norm.

During our 2022 EY Global Trade Focus Day, global trade executives agreed that a centrally organized, globally focused trade organization is the objective. They continue to believe that while the organization can be global, "the function needs to be fed locally." The level of harmonization of rules has progressed, but significant variations concerning interpretation and application continue to challenge our global trade executives. However, navigating trade uncertainty and disputes, rising costs, strained resources and the inability to leverage trade technology are listed as the greatest challenges by executives impacting their global trade function.

Top activities that are globally centralized

1. Import classification
2. Export classification
3. Restricted party screening

EY point of view

In past benchmarking, we noted that companies that achieved a higher level of maturity were generally characterized as top-tier traders with significant trade volumes or duty rates, companies that were the subject of audits or investigations and had to implement corrective plans, or companies that had high rates of duties. However, in this round of benchmarking we note progression. With the significant level of trade activity and disruption, in particular with the age of the "301" duties in the US, rework of trading blocs and revisions to trade agreements, along with increased focus on export regimes, the profile of these companies has shifted and the breadth of companies that have focused on the development of their global trade function has widened.

Risk registers and RACIs

Global trade executives agreed that a key initial step to establishing a high-performing global trade function is having a risk register. The risk register catalogs risks, recognizes variation from country to country and program to program, and incorporates the type of risk, whether an inherent risk, a control risk or both. Global trade executives acknowledged once risks are identified, they can then build their program to incorporate people, processes and technology to adequately manage the risk.

They indicated that a risk register can be expanded to also acknowledge and assess talent and experience levels. The risk register can contribute to how programs are built, including consideration of varying levels of centralization vs. a requirement for autonomy. Companies also use the risk register to advise on staffing and support decisions related to outsourcing. In this way, global trade executives also brought up the importance of RACIs (a responsibility assignment matrix that stands for "responsible, accountable, consulted and informed"). In fact, one executive commented, "Having a RACI is critical."

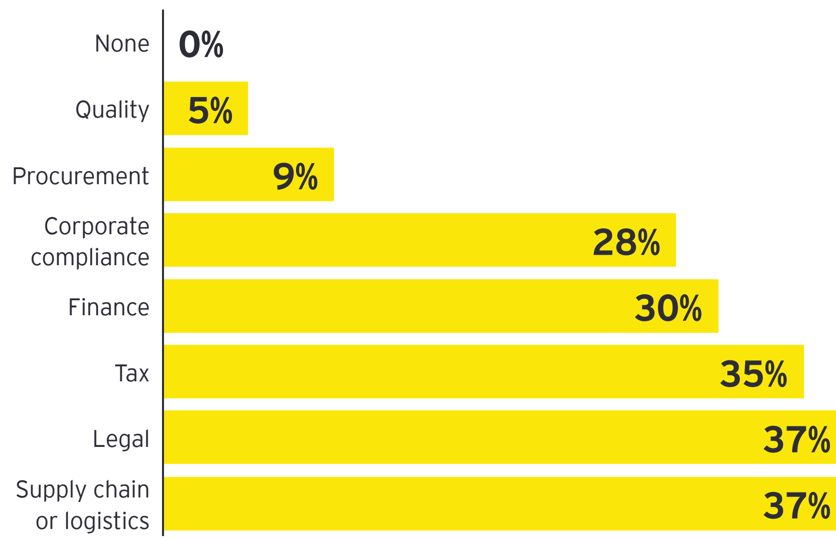
Another critical yet challenging component to the risk register is data. Data provides information about materiality as well as the level of focus and effort necessary for a particular risk. Without a sense of materiality, the risk register is meaningless.

In the end, having a risk register enables the function to organize structure, align talent and assign resources to effectively operate and is enhanced when data can be added to provide a sense of materiality for prioritization.

Cross-functional collaboration and executive support

Once the function is established, executives agree that a governance committee, ongoing cross-functional interaction and routine reporting to upper-level executives are required. The goals and objectives of the function need to be regularly communicated at all levels of the company. Global trade executives who effectively communicate routinely with company executives are more easily able to obtain resources and support when necessary.

Leaders' dotted line reporting obligations



The war in Ukraine proved a good example for assessing and testing the maturity of global trade functions. This conflict resulted in the introduction of sanctions by the US and European governments practically overnight, with ongoing evolution and expansion. Global trade executives discussed the need to "get all hands on deck" to first digest the newly introduced rules, assess the impact and effectively build processes to assign resources for compliance purposes. Companies with mature functions were typically more agile to redeploy resources while continuing to manage day-to-day operational and advisory activities that were critical to maintaining the function. The more mature functions also noted that the investment they made in raising awareness of the global trade function, which included building cross-functional relationships, became important and useful in light of the sanctions. They recognized that strong ties to the legal and procurement departments as well as IT were very beneficial because they were able to capitalize on the investment and leveraged the relationships and more established connectivity and processes. Notably, every leader who responded to the survey has dotted line reporting obligations to another function in the organization.

Even companies with mature functions struggled with the design and implementation of processes to appropriately address the sanctions. However, global trade executives also acknowledged that the many years of work already undertaken by the more mature functions enabled those functions to more swiftly and efficiently respond to the disruption — decreasing time and enabling action without negatively impacting productivity in other areas.

Evolution of location

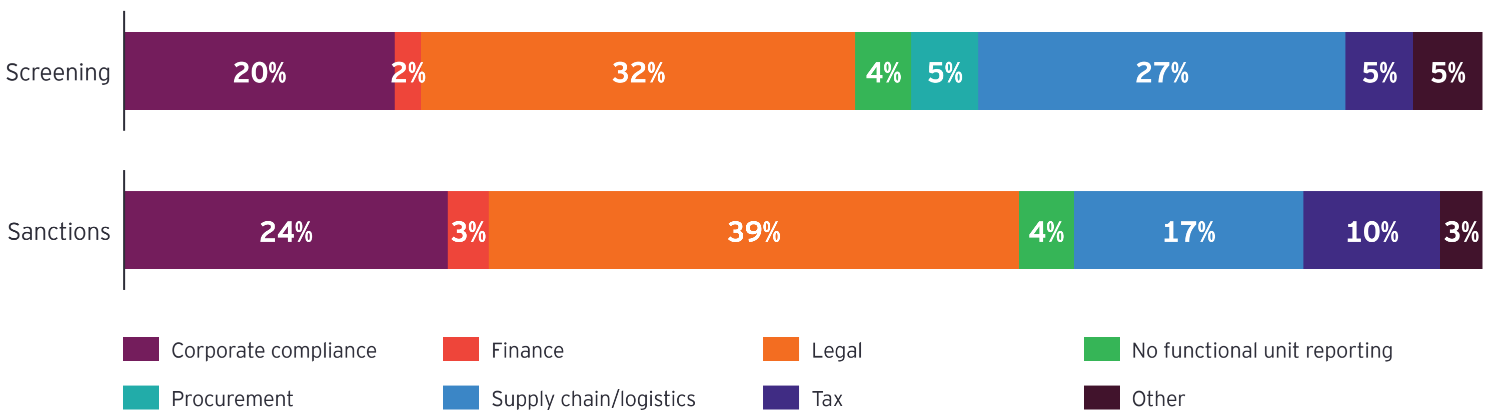
The question of location of the trade function still remains unsettled. Should it reside within legal, supply chain, logistics, tax or finance? This continues to be of interest to global trade executives. As with previous years, global trade executives agreed that the answer is not the same for all companies or industries — it is not one size fits all. The optimal location within the company continues to be company-specific rather than industry-specific. Global trade executives who understand the business and maintain strong ties to the C-suite are able to intentionally advocate for an optimal location within the company.

Global trade executives acknowledged that having the trade function sit within supply chain is often a good fit, particularly given the attention and evolving regulatory focus on environmental, social and governance (ESG) issues. This includes the increased attention and development of forced-labor topics, which has pushed companies to increase transparency and accountability within their supply chains. Having the trade function reside within supply chain also provides increased support as the supply chain changes due to issues such as the US-China trade conflict and the desire of companies to diversify, onshore or nearshore. However, residing within supply chain is not necessarily required for success.

Some companies, in particular those with higher degrees of export controls and sanctions activity, weighed the pros and cons of positioning global trade within the legal department. While trade executives generally agreed that the trade function is usually better positioned to meet its objectives when positioned outside of the legal department, executives simultaneously recognized that certain activities are well served when residing within it. Again, these activities tend to relate to export controls and sanctions. Notably, this is a popular view in the US and the European Union, where export control and sanctions regulatory requirements tend to be more advanced and complex. However, global trade executives anticipate as export control frameworks develop further in other jurisdictions, such as China, changes may be anticipated in the future.

Some executives discussed structures where the trade function is divided, with operational and day-to-day transactional activities remaining outside legal, possibly in supply chain, logistics or finance, but with compliance activities, such as advisory, policies and monitoring, residing within legal. This type of structure depends heavily on the industry and company as well as its past compliance record. Regardless of location within or outside legal, global trade executives recognized the need for increased interactions with and support from legal.

Trade function reporting



EY point of view

We note the increase in companies that are separating trade into operations, including transactional activities, and compliance, and agree that such a separation can yield positive benefits. It helps segregation of duties, auditing and monitoring, and rotation and placement of talent. In addition, for those functions that have segregated trade operations, we often observe improvements in process efficiency, speed to react and cost savings realized as repetitive tasks are often automated or outsourced. Simultaneously, a dedicated focus on policy and regulatory changes can allow for timely reaction when needed. While we don't think it's a requirement for a successful or mature function, when done in conjunction with an overall assessment and prioritization of risks, evaluation of talent, globalization and centralization of activities, and establishment of appropriate governance, the model can produce beneficial results.

Perceptions of the global trade function

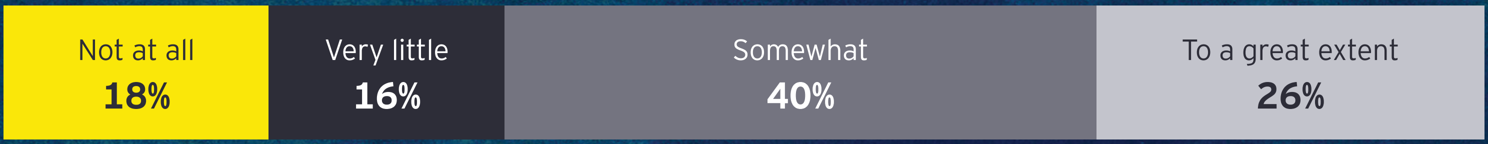
In earlier trade focus sessions, we focused on the awareness of the global trade function. Previously, global trade functions often increased in visibility largely due to audit results, whether favorable or unfavorable, or due to the sheer force and efforts to raise awareness by the global trade executive. However, given the trade and supply chain disruptions and ongoing geopolitical tensions experienced in the last few years, visibility has increased significantly and more consistently regardless of industry, size or scope of the function. Perhaps tied to this visibility is the elevation of global trade leaders — benchmarking indicated more than 70% of global trade leaders surveyed have a title of director or above.

Global trade executives not only want their functions to be visible, but to also have a brand. Most began with compliance as the key objective. Now the higher-functioning and more mature global trade functions have goals and key performance indicators (KPIs) that tie directly to overall corporate strategies objectives. Thus, global trade executives agreed that the function cannot operate in isolation because this will not bring success. The function needs to be aligned with the business, marching in step, constantly bringing the business back to the topic of compliance while simultaneously helping to maximize opportunities.

One global trade executive mentioned that flexibility is another top priority, but the function cannot be deferential. In other words, a highly functional global trade function needs to be agile and readily able to address issues and meet with other parts of the business to create efficient and cost-effective solutions. This cannot be at the expense of harming the company's level of compliance or reputation.

Global trade leaders also discussed how the global trade function's brand has been impacted due to segregation of operational from compliance work. Our benchmark results indicated that most respondents segregate operational work from compliance work in some form. For some companies, this means that compliance resides within a different function at the company, often Legal, and Operations remains in Logistics or Supply Chain. This type of segregation does not have to be that extensive, and often the segregation of compliance duties from transactional ones is within the same department, but simply split across resources.

The extent to which operational and compliance activities are segregated within the trade function



This trend led to a discussion that the "name" of the global trade function can also be critical to branding. As discussed in the beginning, we used to see "customs compliance" or "import and export compliance" as the name of the function. Some global trade executives intentionally renamed the function to accurately reflect the brand they desire to achieve, with "Global Trade Management" or "Global Trade Advisory" serving as the leading options.

EY point of view

We do not believe this is the end or even the peak of the conversation on branding. As global trade functions evolve and achieve a higher level of maturity, the function's brand will continue to develop and solidify. Global trade functions that are able to successfully articulate the scope and role of the function and align their mission and vision statements to the company's overall business strategy are steps ahead in branding. We also find that including key statistics in the branding, such as duty under management and duty saved, aids in emphasizing the role of the function.

In addition, certain executives mentioned use of a survey as a means to measure successes and areas of improvement for the function. We think this type of intentional look at how the function is viewed is important to the success and funding of the organization, and thus a leading practice. With most global trade functions structured as cost centers, the view of the customer and feedback from both internal functions as well as external parties, such as suppliers and customers, are important to the function's progression. We think the leading practice use of surveys will be used by more global trade executives in the future.

"Talent care" and business continuity

When reflecting on recent years, global trade executives recognize their challenges in recruiting, retention, and succession planning are not unlike the experience of other functional areas within the business. The difference lies in the ability and availability of global trade professionals to help quickly and effectively manage and add value to the activities within the global trade function. Global trade, whether the import or customs side of the house and perhaps even more so on the export side, continues to be viewed as a niche functional area where the availability of experienced, trained resources is limited.

This concept that global trade is a niche area that only a few can perform is not helpful when attracting and retaining talent. As a result, global trade executives continue to recognize the need to be creative and think more broadly, not only when looking for talent, but also in organizing the roles and responsibilities within their function. One participant expressed that the "black hole" is in the mid-level advisory resources. The idea of attracting talent from other areas of the business such as procurement and customer service continues to reap benefits, according to some of the participants, and could perhaps serve as an answer for filling some of those gaps. Even then, it would take time to train in the trade-specific fundamentals.

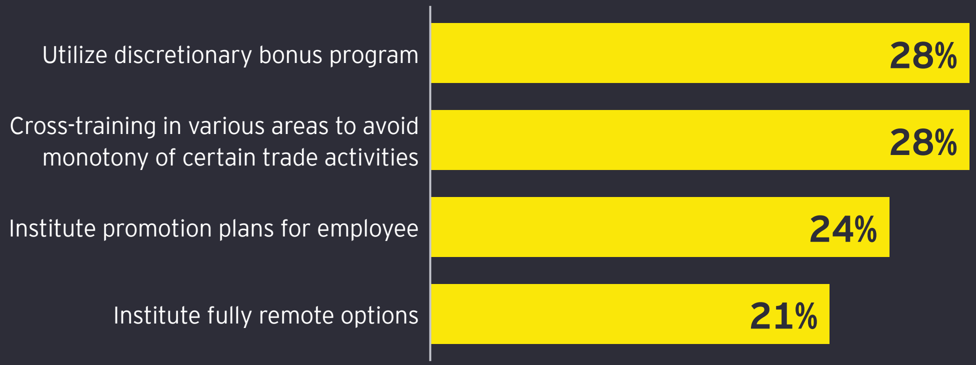
Top source of most successful hires

35%	27%	22%	10%	6%
External recruitment through personal networking efforts	Internal transfers and training program	External recruitment through headhunters	External recruitment through referrals	College recruitment with no trade experience

At the same time, participants acknowledged that the breadth of the profile for a global trade professional has broadened from a role that required knowledge in specific customs rules such as classification and valuation, to one that requires much broader skills sets, particularly in the supply chain and ESG space. Thus, all participants agreed that the race for talent "is forcing us to be more agile," but the challenge is how to transform.

One executive commented, "I spend a lot of time just making my people happy," which triggered a discussion centered on talent care and examples employed to facilitate satisfaction and continued growth in people. One executive mentioned that turnover is reduced when opportunities for upward mobility exist. The struggle in the trade function is that upward mobility can at times be limited. However, opportunities for growth are perhaps even greater now than in previous years due to the expanded breadth and scope of the function. Global trade executives brainstormed ideas ranging from conference attendance to continuing education in other areas concerning business acumen, and cross-training so as not to "pigeonhole" team members.

How executives avoid employee burnout and increase retention

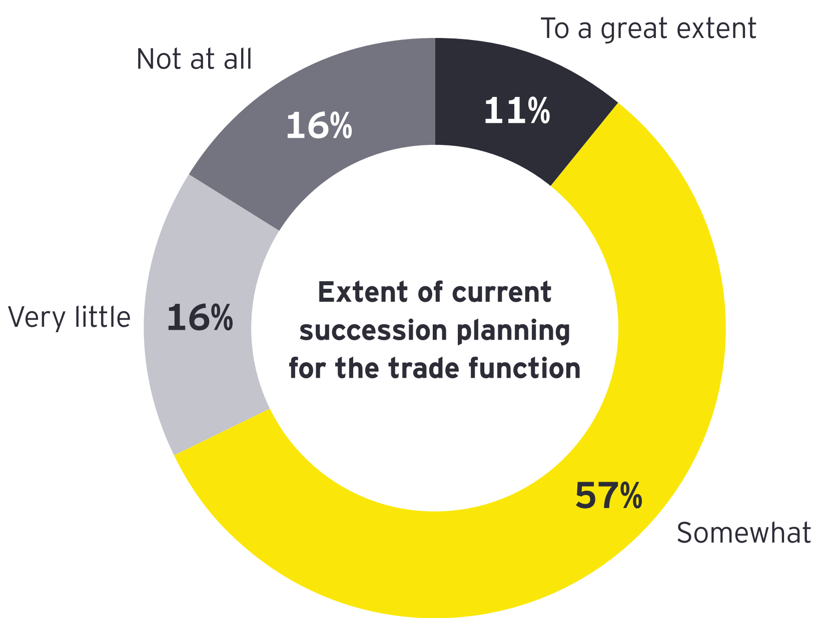


Executives also promote training and mentoring or coaching opportunities to increase retention.

One participant invested in various mentoring programs, endeavoring to facilitate exposure to other areas of the business in an effort to maintain interest and growth, as well as to attract junior-level talent. The concept of "reverse mentoring" was also highlighted as an example where junior team members mentor leadership, and peer-to-peer mentoring with peers sitting in different countries.

Another collective challenge with regard to talent is the impending retirements of the baby boomer generation. While this changing landscape of the workforce can create opportunities for those functions with transparent and intentional succession plans, absent such a clear roadmap, functions are grappling with a "brain drain." A number of participants agreed with this issue, which was summarized by one participant stating that "a person with 25 years of experience cannot be replaced by someone with five years." This is compounded by the concept that to be successful currently, a global trade professional needs to have a broader scope of talent. The upside, of course, is that this type of turnover creates the very desired potential for increased upward mobility.

One hindrance to broadening the scope is the age-old question of how to staff the repetitive, transactional and operational side of the business, which global trade executives recognize can burn out some members of their team by not allowing for adequate growth.



EY point of view

The scope of the global trade professional has undoubtedly expanded. Whereas in 2019 the focus was a return to the fundamentals of trade, valuation, classification and origin, a current global trade executive requires a multidisciplinary skill set and being embedded in multiple aspects of the business. This diverse role requires knowledge sets ranging from supply chain strategy and planning, and legal expertise to manage controversy and to address export controls and sanctions, to areas of procurement and sourcing to address ESG matters such as forced labor. In the past, the breadth of knowledge and skill sets of the trade professional may have been more industry-driven and -specific, whereas today nearly all industries are in need of this wider business acumen. The global trade functions that are able to obtain this breadth of expertise will be more agile and, thus, better positioned in today's turbulent times to succeed with talent care.

Is outsourcing the solution?

In previous EY thought leadership pieces, we addressed the pros and cons of outsourcing. The benchmarking results demonstrated that 60% of global trade executives have already outsourced or plan to outsource activities from their trade function. Thus, the relevant question is becoming how many or which activities to outsource and how to best evaluate the output. Whether a global trade executive has decided to outsource much of its function to a customs broker or created an internal shared service center, or partners with a third-party provider for outsourced services, global trade executives continue to find that some form of outsourcing aids in cost reduction, in freeing up its valuable global-trade-savvy resources and in reducing monotony. "If I can outsource, free up my resources and let someone else worry about talent rotation and hiring, why wouldn't I?" was a view expressed by one participant, and the group largely agreed.

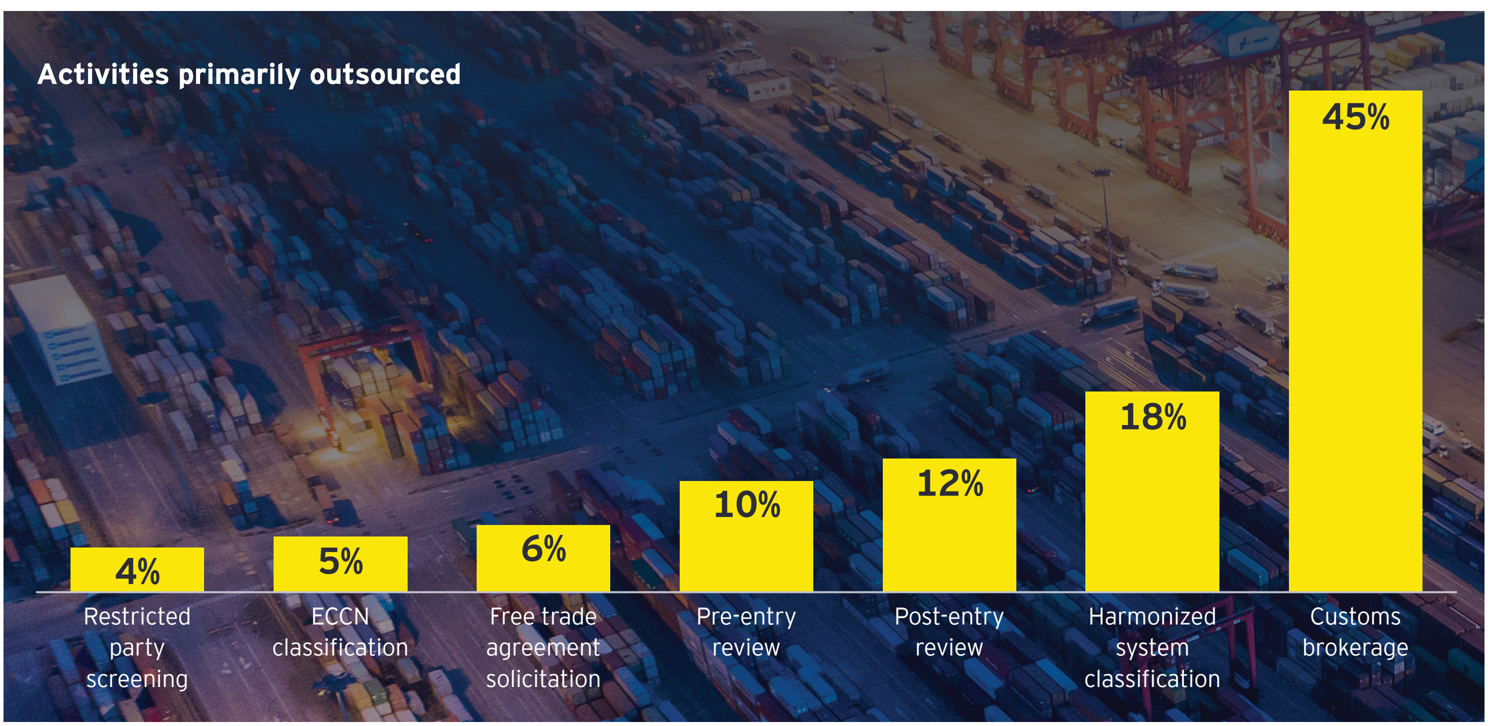
Reasons for relying on third parties (order of priority from 1 to 4)

1. We have restrictions on headcount.
2. They offer different skill sets/complementary backgrounds.
3. Third-party resources are less expensive than internal ones.
4. It is hard to find talent in this market.

With that said, global trade executives continue to emphasize the need to strike the appropriate balance of outsourcing with the appropriate level of oversight. The group also recognized that the transactional activities most prone to outsourcing can become "robotic," leading to the potential for complacent behaviors. Because of this, the incorporation of analytics to review the output is an opportunity that has not been fully realized and also serves as a higher-level task that junior- to mid-level trade professionals require for development.

EY point of view

The scope and volume of outsourcing or shared service center development continue to grow. The most successful models leverage established and compliant business processes and incorporate technology to automate the process where possible. Procedures related to escalation, ongoing monitoring and risk-based auditing are critical for measuring efficacy and continual improvement of the outsourced activities. No longer are classification and free trade agreement solicitation the only activities on the table for outsourcing. Mirroring the ever-expanding scope of the function, so too are the outsourced activities with expansion to areas such as restricted party screening and pre- and post-entry review. Recently, we began seeing a trend for outsourcing data analytics, and, in some cases where companies are resource constrained, we see engagement with third parties to assist in performing certain process activities. This expansion of scope necessitates an evolution, or a transformation, in how companies manage the outsourced resources and activities.



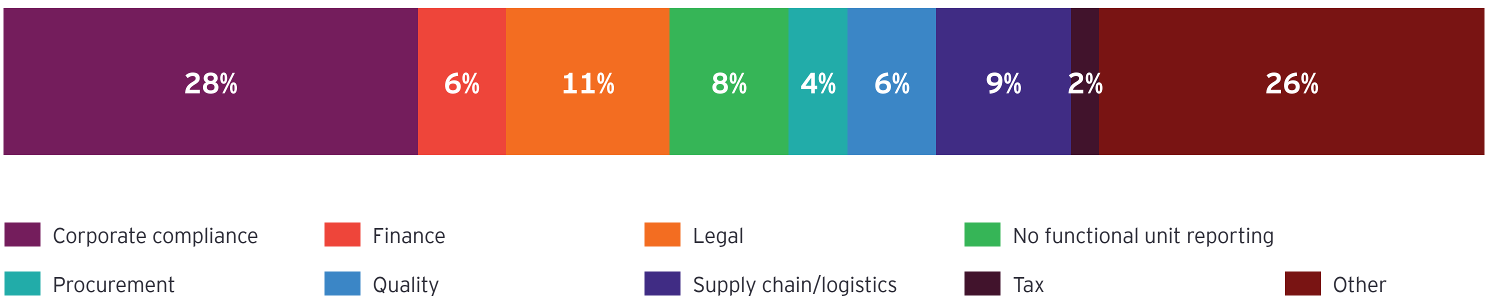
Managing the "extras" — an outcome of disruption

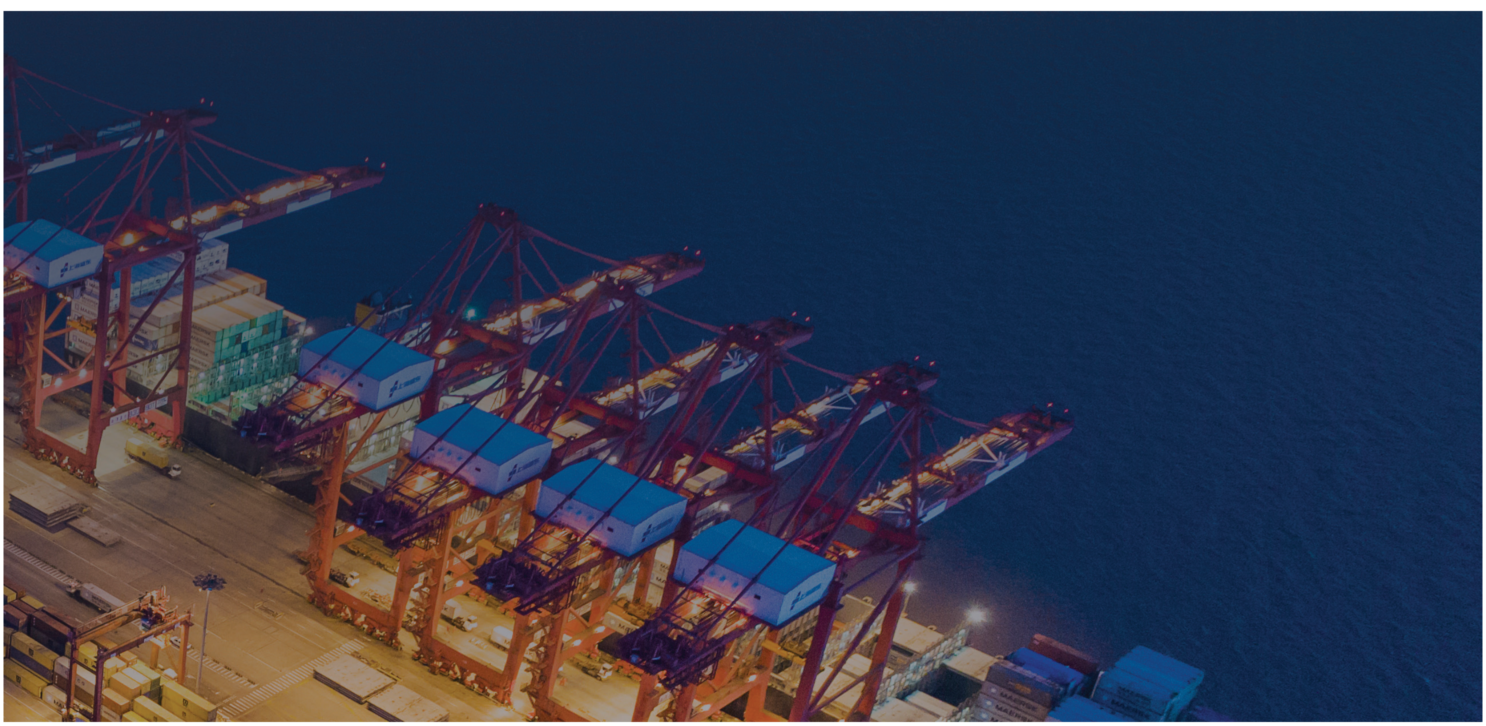
Although the term "disruption" is giving way to the "new normal," our group of trade leaders certainly views the broadening of the function's scope as a by-product of the tumultuous times. As additional responsibilities for the trade function come into focus, such as ESG-related developments and heightened export control and sanctions regimes, the question really is how many of these add-ons or extras are properly part of the trade function, and perhaps an even more relevant question, what is the role of trade in managing the activities?

One participant commented that when these activities are made more cross-functional in nature, they experience JOMO, or the "joy of missing out." Nowhere was this comment more supported by the group than during the discussion of forced labor. After U.S. Customs and Border Protection became the enforcer of preventing goods produced using forced labor from entering the US, attention turned to trade. However, not one participant felt that the topic should be owned by trade alone, but felt that procurement, supply chain, legal and corporate sustainability were all equal stakeholders. Taking it one step further, a comment was made that the CBP approach feels like a "square peg in a round hole" mismatch, where the methodology CBP employs feels awkward and that an entirely new enforcement mechanism has been created for one purpose.

A similar conversation followed regarding the broader ESG topic. One participant noted that in their organization legal owns the ESG regulations, but not directly. Procurement, trade and supply chain all have roles. Despite, and perhaps because of, all the roles, it was apparent that ESG is amorphous, and while the trade function is following CBP's lead of enforcement, additional infrastructure is needed to shore up the necessary activities.

ESG function reporting



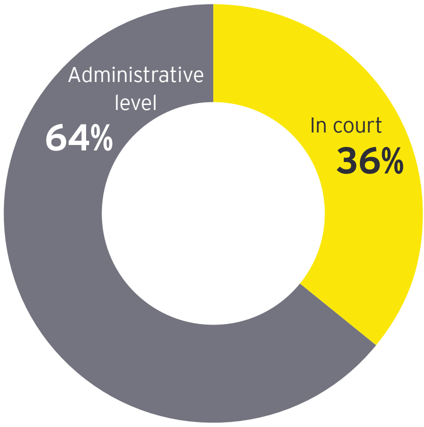


When considering how the past five years of disruption have affected the scope of the function, participating global trade executives commented that while forced labor and ESG were clearly at the top of the "extras" list, export activities and, in particular, sanctions and financial screening were a close second. There was general consensus that while the act of financial screening resides properly outside trade, trade still needs to have touch points and oversight over the activity. The trifecta of functions for managing exports and sanctions appears to be a combination of trade, finance and legal.

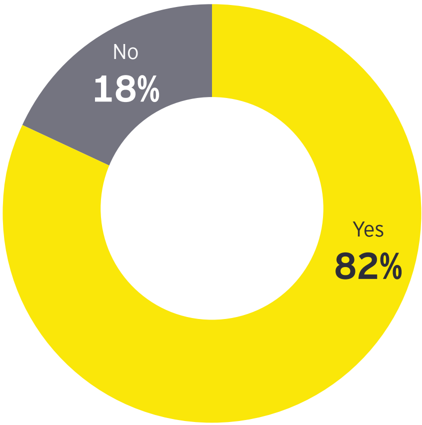
In past benchmarking conversations related to managing the extras, the two predominant topics were managing controversy and trusted trader programs.[1] These topics have reappeared and continue to require collaboration with functions beyond global trade. In our benchmarking, about half of the survey respondents have been involved in three or more audits within the last two years. Further, we found that controversy globally continues to be focused on valuation, with somewhat more activity regarding origin, as one might expect, and continues to be more prevalent in countries such as Korea, India and Indonesia. Classification continues to be a topic under scrutiny by customs administrations.

While benchmarking revealed more than 80% of participating companies participate in trusted trader programs, views on benefits remain varied. Some participants discussed reluctance for continued participation in the US but advocated for continued involvement in Europe and Brazil, where the benefits were "real."

Involvement in a dispute over a trade issue in the past two years



Trusted trader participation



EY point of view

Multiple years of global trade disruption and geopolitical instability have resulted in complex regulations impacting global trade where a cross-functional team is needed to appropriately manage the expansion. Given that customs authorities are often the first government authority at the border, global trade professionals are often left with the responsibility of managing these extras. It appears reasonable to manage the extras to both shed compliance activities that don't produce appropriate ROI and to delegate aspects of the management process to other areas of the business.

1 Trusted trader programs refer to programs that provide a higher level of security in the supply chain and facilitate legitimate low-risk trade. Programs include Authorized Economic Operator programs, Customs Trade Partnership Against Terrorism Trade Compliance, Linha Azul, World Customs Organization SAFE Framework, etc.

Trade automation

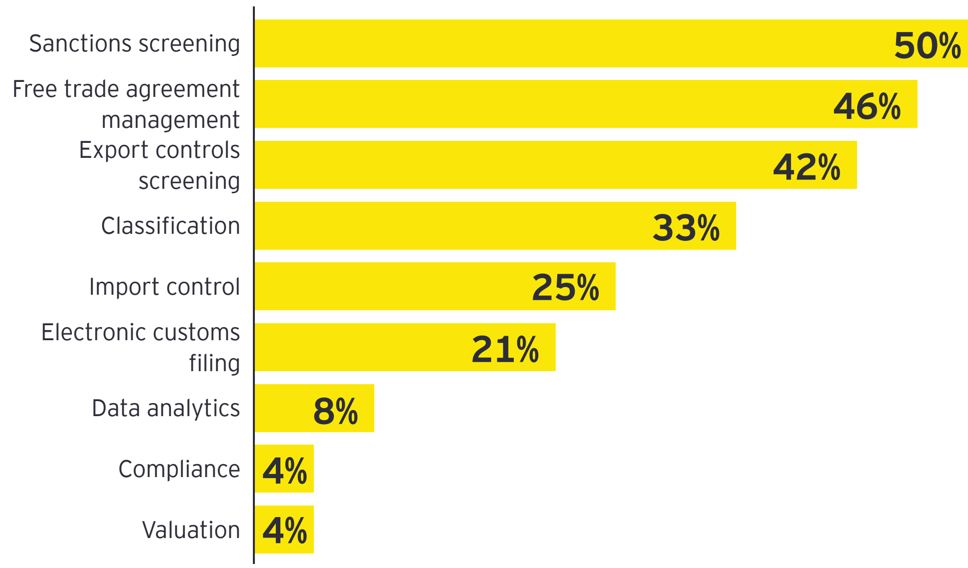
Trade automation continues to be an objective of global trade executives; however, few, if any, are fully satisfied with the current level of automation within their organization. One global trade executive was only successful in technology integration after having performed a rotation in the company's IT department.

However, progress has been made — only 15% of benchmarked companies reported not leveraging trade automation to assist in running their trade operations. The most widely used technology is by far SAP GTS, with Thomson Reuters second followed by Oracle GTM and e2open. Interestingly, a quarter of those surveyed have homegrown or internally developed systems.

Despite competing priorities and recent years of disruption, the scope of trade activities leveraging technology continues to grow. Global trade executives discussed the importance of having sound, compliant processes prior to leveraging technology, and one executive cautioned about the challenge in having a single global centralized process if systems remain disparate.

While most global trade executives have not prioritized new technologies such as blockchain or machine learning, one reported reducing classification times to two minutes from 15 minutes through the incorporation of machine learning-based automation. While other executives aspire to achieve such progress, all agreed that strong cases for funding need to be established and are more successful when meaningful ROI is calculated.

How technology is used in the global trade function



EY point of view

Effectively integrating trade automation requires resources, appropriate skill sets and time. Global trade functions have been taxed over the last few years with a number of competing priorities, and as a result, technology is progressing less rapidly than other areas. While most functions have improved automation, there is work yet to do. But when trade functions are able to leverage technology, efficiencies are realized; record-keeping is enhanced; transactional data is available, allowing for analytics; and consistency is improved.

KPIs continue to shape behavior internal and external to the trade function

This year, global trade executives concentrated the discussion on internal KPIs; differences between compliance KPIs or, as one participant defined the term, "exposure-driven" KPIs; and value preservation KPIs.

Participants consistently interchanged "compliance" with "quantitative" and "value preservation" with "qualitative." With examples of compliance or quantitative, KPIs of "effective duty rate" and "duty under management" encompassed broad consensus that these historic KPIs were used to report the efficacy and efficiency of the trade function. They are still widely intact and in use with small additions. That differs, however, from the conversation about external KPIs. With risk registers reporting on quantitative and qualitative risk globally, by country and by activity (e.g., government interaction, overall enforcement increase) and global penalty calculators, global trade executives have become more effective at evaluating third parties.

In previous global trade leading practices reports, third-party KPIs were limited to broker management. Now, while still important and a part of the external KPIs, companies are developing questions and processes to better assess and model the impact of broader geopolitical risk and of individual country risk on the trade function and the business.

Quantitative

Speed

- Clearance time/speed
- Cycle time

Accuracy

- Number of entries requiring corrections
- Number of challenges from customs
- Number of entries missing information
- Import post-entry error rate

Duty spend/savings

- Duties avoided
- Savings target
- Effective duty rate

Volumes

- Number of import declarations
- Number of export declarations
- Number of licenses

Penalties

- Value of fines and penalties

Qualitative

- Audit performance
- Compliance performance
- Customs holds/delays
- First-pass yield
- Risk register
- Stakeholder feedback
- Team engagement
- Training

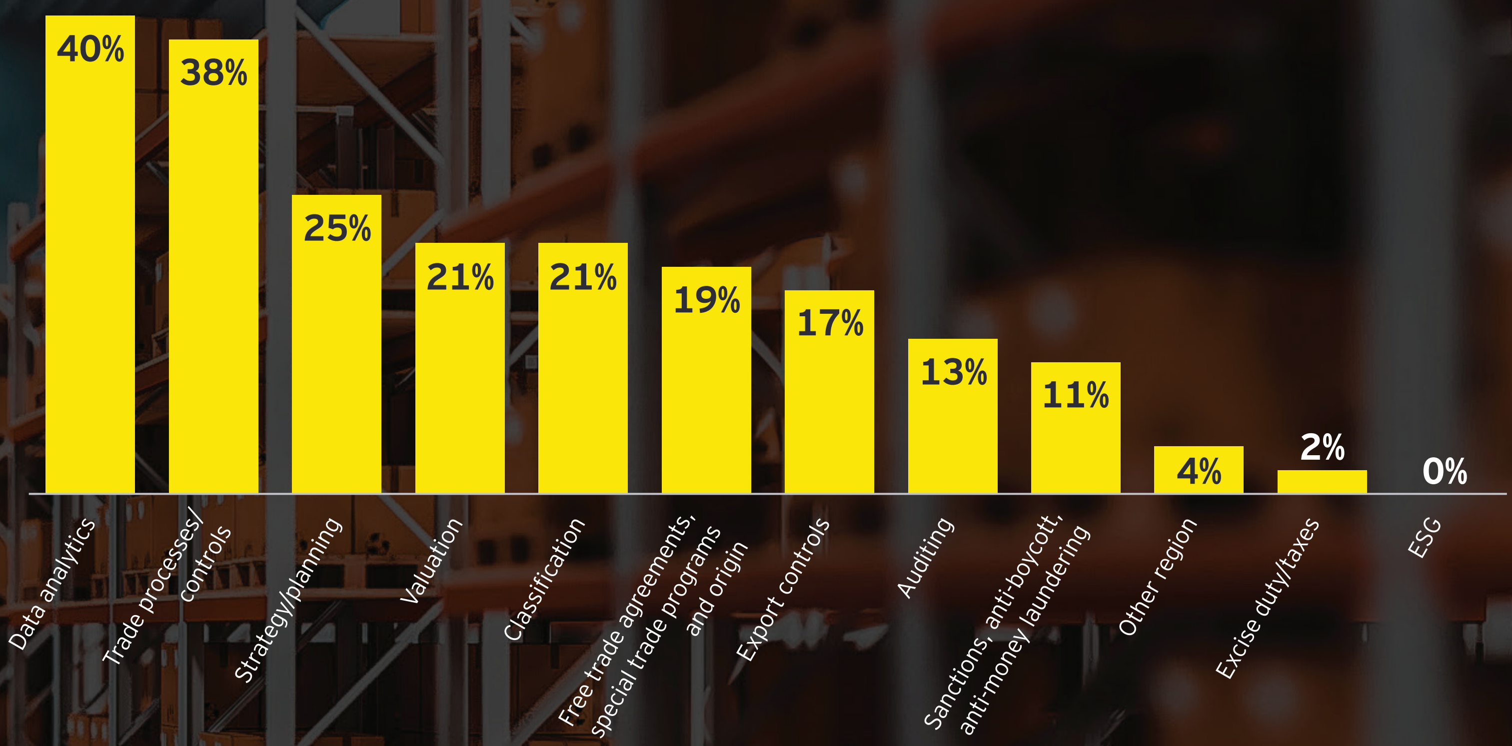
EY point of view

Developing meaningful, measurable KPIs is an area that continues to require attention and development. Objective means for measuring the effectiveness of the global trade function continue to be limited to transactional results and duty savings. In addition, few examples exist where global trade functions have developed internal KPIs to measure the effectiveness of the function in addition to KPIs that measure compliance or transactional effectiveness. Perhaps part of the challenges result from access to meaningful data. As companies progress with global trade technology and slowly achieve consistent, usable data, we expect to see progression with regard to metrics as well. Companies that can effectively develop KPIs that measure function effectiveness — even better when tied to overall corporate goals — will have another angle for effective executive communication and will elevate high performers in the function. This may assist with retention of talent as well.

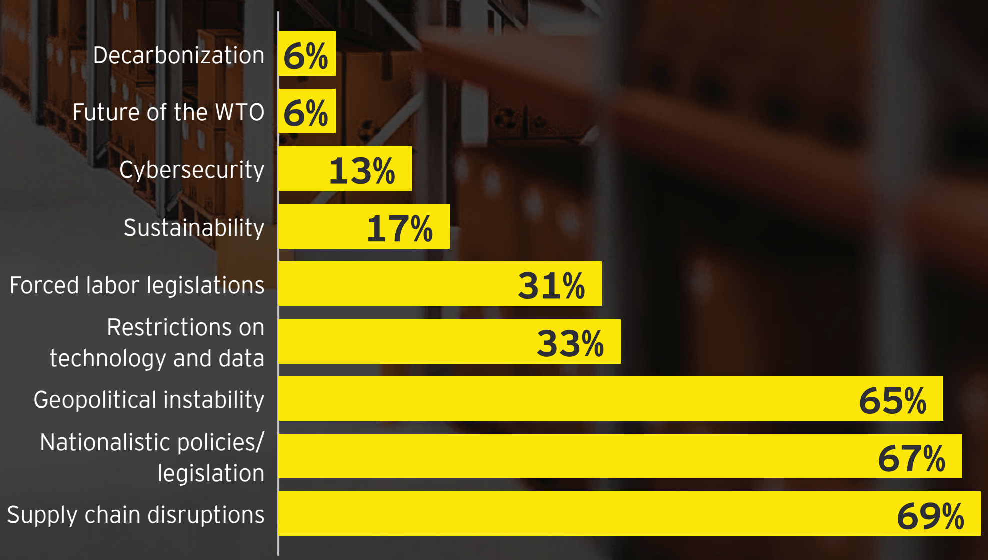
Conclusion

Global trade functions have been inundated over the last few years with matters requiring their time and attention. Even with the level of attention required, global trade executives have found some spare time to focus on the continued progression of their function, developing and caring for resources, expanding their scope to cover forced labor and other ESG topics, expanding internal processes related to sanctions and export controls, and improving automation. However, global trade executives are not fully satisfied and find that there is work yet to be done to address internal and external challenges that will continue.

If you added another resource, where would you place it?



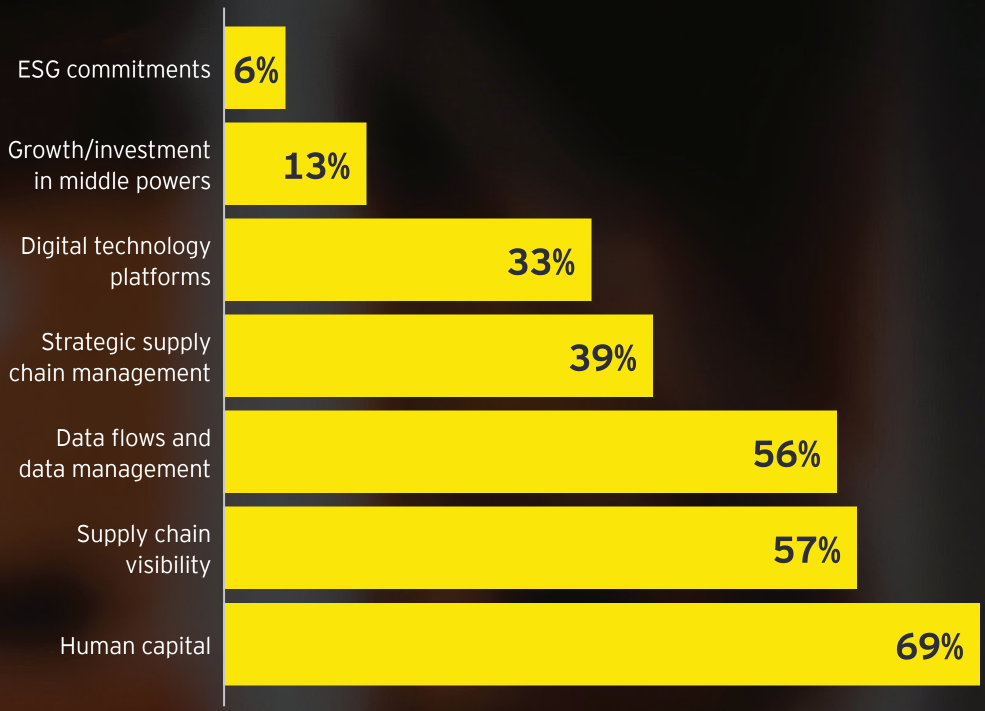
External challenges in the next 5 years, according to participants



Global trade executives would like additional time to spend on strategy and planning, data analytics, and trade processes and controls. Similarly, global trade executives would choose to add additional resources to those areas. Interestingly, even though ESG is the new hot topic in trade, none of the survey participants would choose to add resources to ESG, which may also be contributing to the ongoing discussions on where ESG responsibility should sit within the organization. Instead, global trade executives prefer to place additional resources in data analytics and trade processes and controls.

The majority of survey participants believe that supply chain disruptions, nationalistic policies and geopolitical instability will continue to be external forces requiring their attention. These are cross-functional, complex issues that will require the direct attention of the global trade functional leader. It is not surprising that the global trade executives called out human capital, supply chain visibility and data flows as being the greatest internal challenges. Thus, having an agile, well-resourced function with established processes and a certain degree of automation and operational activities running smoothly in the background will be critical to freeing up these resources. The challenge of freeing up resources for more strategic activities has been addressed in previous leading practices reports, and while some parts were addressed, it continues to cause stress on the function.

Internal challenges in the next 5 years, according to participants



EY point of view

In closing, global trade executives agreed that the "new normal" is best characterized as dynamic, if not unstable, due to three primary global events: nationalistic tendencies, geopolitical pressures and supply chain disruptions. This new normal has required global trade executives to rethink the direction, focus and strategy of their global trade function. Leading-class global trade functions more easily find success when these four elements are incorporated into the design of their function:

1. **Cross-functional support.** We note the need for cross-functional collaboration was identified more than a decade ago as a leading practice. The shift in the need has evolved from not only the need for awareness of the global trade function but to the need for ongoing engagement with the group. New and upcoming requirements related to ESG such as forced labor, Carbon Border Adjustment Mechanism (CBAM), deforestation regulation, etc., will only contribute to the need for more and stronger ongoing cross-functional collaboration.

2. **Internal branding.** The global trade function has historically been viewed as a compliance engine. However, there is now recognition throughout companies of the global trade function's ability to drive value across the organization by involvement in sourcing decisions, site planning and product or manufacturing re-engineering, to name a few.

3. **The right resources and engaged talent.** Having the right people, processes and technology has consistently been an important factor. However, the area where we have seen the greatest increased emphasis by global trade executives in recent years has been with regard to people. Given the ongoing race for talent and the Great Resignation, global trade functions have expanded their focus not only to consider how to attract the best talent, but also on how to develop and retain that talent, and in the leading cases, they also have incorporated succession planning into their functions.

4. **Agility.** Global trade practitioners have consistently been faced with the need to be agile. However, we note the more successful and mature global trade organizations have intentionally incorporated agility within the organizational model as a proactive design element. This is progression from previous years where agility was more of a reactive necessity.

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