Balancing and optimizing trade facilitation and border integrity

Strategies and options for the global Customs agency community

An IBM Institute for Business Value executive brief
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Overview

A complex set of external drivers influence the modernization strategies for Customs agencies. The heightened focus on physical security threats and transnational crime affects operational priorities. The private sector expects Customs to improve clearance efficiencies and reduce the burden of trade to support their integrated, just-in-time supply chain requirements. Increased global trade and international travel strains the current Customs infrastructure, procedures and available resources. Rapid advances in technology available to Customs agencies push investments to replace antiquated systems with more sophisticated tools and processes. Agency missions are rapidly expanding to manage these complex processes, organization and technology challenges. However, to achieve long term success, modernization approaches need to focus on creating stakeholder value in this dynamic environment – not just pursue ad hoc, non-value added projects. These approaches focus on developing strategies to simultaneously balance and optimize the twin goals of trade facilitation for economic development and enhanced border integrity to protect national interests and public safety.

Executive summary

The dynamic, global economic, political and security setting creates multi-dimensional charters and complex management challenges for Customs agencies. Increasing trade volumes – a necessary component for economic growth – complicates the traditional compliance mission of regulatory enforcement and revenue collection. In addition to the normal roles, many Customs agencies have been given responsibility to administer all indirect taxes, including value-added tax (VAT) and excise duties. Political leaders are further looking for Customs to become more involved with managing physical security threats. Added organizational complexity also exists because Customs work often requires strong working relationships with multiple private sector parties, as well as collaborative interactions with other government agencies. Combining this environment with stagnant levels of human and financial resources often forces Customs leaders into difficult operational decisions.
While the influence of these factors varies by national priorities and sophistication of current systems, these challenges all center on resolving a key strategic question: How does Customs simultaneously balance and optimize the twin goals of trade facilitation and border integrity? Balance requires involving the various stakeholders and making resource trade-offs within program areas. Optimization requires focus on high-value producing areas and collaboration with other government departments and private sector partners. In a survey of global Customs leaders, the IBM Institute for Business Value found that Customs agencies think they can achieve an appropriate balance for these goals, given their individual national priorities and economic objectives. However, they struggle to simultaneously improve both goals.

**Stakeholder challenges**

Balance and optimization are complex challenges, given that Customs administrations have multiple stakeholders with individual interests. Businesses seek profits and competitiveness for their shareholders; while governments seek prosperity and security for their citizens. To effectively perform its mission, Customs agencies need to understand the issues across three different operating environments: the global trading community, internal Customs operations, and their relationships with other government departments and Customs agencies.

The trading community is comprised of a complex series of business-to-business processes with multiple players using various modes of transport. Competition in the global marketplace demands operational efficiency. The private sector is adopting e-business to transform the international supply chain and expects Customs to support businesses by creating electronic services with advanced interfaces and just-in-time data access. The role that Customs plays is significant, since they sit at the business-to-government nexus of the global trading environment. The performance of Customs can affect the selection of countries in which businesses invest. To meet the trading community needs, Customs must reduce the burden of trade as measured by the *three C’s*: Clearance time, Cost of compliance and Consistency of practice.
For internal Customs operations, interrelated business processes, information flows and decision making raises many challenges. These challenges include:

- Risk identification and containment
- Allocation and deployment of constrained resources
- Quick processing of data from multiple public- and private-sector organizations
- Simplification and consistency in processes
- Delivering value to the trading community
- Complex procedures for hiring, developing and retaining professional staffs
- Successful transition: Modernization without disruption.

Additional challenges exist because Customs agencies do not work in isolation. Their success depends on communicating and collaborating with other government departments and Customs agencies around the world. Communications with other departments for border integrity is essential. Local law enforcement and national security agencies can provide useful information to Customs, and can, in turn, benefit from information sharing with Customs. Currently, many interdepartmental linkages exist but are often not fully leveraged.

Cooperation among Customs agencies empowers more effective cross-border enforcement through interagency data sharing of goods movement and financial flows. Although global relationships are valued, they are not fully developed. Common and transparent information technology (IT) and data trading models are necessary for effective information sharing among governments. Resolving national sovereignty, trust, diplomacy and privacy concerns can also enhance coordination.

**How Customs agencies are responding to the challenges**

High movement of goods and people, increasing border integrity concerns and constrained resources have driven Customs to improve current policies and procedures. An evaluation of the current landscape shows that Customs agencies are responding to these multiple, global challenges by modernizing in four areas:

1. **Leadership and policies**: Customs agencies recognize that governance and human capital investments drive results. Many are restructuring to provide more focus on trade facilitation and/or border security by reducing management levels and increasing the number of front line personnel that have direct contact with
customers. Examples include the recent consolidation of three trade Customs organizations in Singapore into one organization focused on promoting trade facilitation and the creation of the Department of Homeland Security in the United States which integrates Customs with other border security operations.

Leading Customs agencies are increasingly adopting risk management as a core competency to reduce overall intervention and disruption in their country’s supply chain – while focusing finite resources where most needed. Australia, for example, has introduced a compliance risk management approach that segments clients and provides different treatment levels. Additionally, the improvement of Customs procedures has corresponded with bilateral regulatory programs such as the Container Security Initiative and 24-hour Manifest Rule announced by the United States Customs Service commissioner in 2002.

2. **Customer service**: Modernizing customer service delivery is a key goal to support trade facilitation and enhance compliance. A number of “e-service” (“e-Government”) improvements such as electronic document submissions via the Internet are augmenting traditional Customs processes. The Virtual Customs Office in Sweden provides 24 by 7 support and advice through integrated service channels. Extending the border processes through Virtual or Smart Borders and the Accredited Client concept to deploy preclearance processes is another way to speed throughput and smooth the customer experience.

Risk profiling and individual account management processes that promote preclearance of low risk customers, enables Customs to initiate exclusion action with limited impact on transit. For example, the Swedish Customs Stairway approach provides a powerful model for account management and certification strategies. While these pre-clearance actions originally had a trade facilitation focus to decrease bottlenecks they have also shown promise for enhancing compliance.

3. **Partnerships**: Seamless data exchange among all stakeholders, regardless of role – supplier, administrator or financier – is the future vision emerging for the global supply chain. Existing community-based “e-logistics” models now require active participation and investment by Customs agencies. Examples include Felixstowe, U.K.; TradeNet, Singapore; and 1-Stop.Biz, Australia. The Nippon Automated Cargo Clearance System (NACCS) in Japan is another case of public/private sector clearance partnerships. This Virtual Trading Center presents a new concept for seamless data exchange among all the required stakeholders.
Key to these efforts are setting data standards. Kyoto Convention on Customs Modernization Coalition (1999)\(^6\) and the World Customs Organization/G-7 Data Model initiative are efforts to standardize data to facilitate world trade.\(^\text{11}\)

Additionally, several multilateral organizations have been established to promote partnerships. In Europe, countries have launched multilateral initiatives with the objective of harmonizing Customs procedures. Examples include COMPACT,\(^\text{12}\) involving companies in Sweden and the Netherlands which has evolved as the baseline for the European Model for Partnership between Trade and Customs (EMPACT) model\(^\text{13}\) for pilots involving other European Union member states. As a result of heightened terrorist concerns, the U.S. government has launched cargo security initiatives – a 30-point plan with Canada\(^\text{14}\) and the overall Customs-Trade Partnership Against Terrorism, C-TPAT\(^\text{15}\) – that require cooperation from other countries and the trading community.

4. **Information Technology**: Customs agencies have access to a plethora of technology to address tactical operational priorities. Wireless networks and pervasive technologies allow mobile workforce automation. Noninvasive inspection and tracking devices are being widely adopted to promote safer, quicker cargo clearance. Knowledge-based technologies are empowering decision support. Customs agencies are also beginning to participate in the electronic transaction flow between traders and Customs agencies.

These technologies represent the foundation for the third generation of Customs agencies’ systems modernization. Information management within Customs requires strong information management practices, more data coverage and better data quality. For example, data analytics can contribute to stronger risk management programs. Expanded information accessibility and cross-departmental and cross-jurisdictional data exchange can benefit from *enterprise application integration*, which provides a structured method for merging IT assets into a consolidated portfolio aligned with an agency’s strategy.
Creating value through a new strategic framework

Many Customs agencies have made significant modernization improvements despite operating in a complex, dynamic environment with multiple – often competing – stakeholder interests. Based on in-depth interviews with Customs leaders and an evaluation of current practices, IBM has designed a Customs value framework that prompts Customs to focus on four value drivers when formulating strategies (see Figure 1).

Figure 1: Customs value framework.

This framework provides focus and flexibility by collapsing and consolidating the multitude of key operational performance indicators from the various stakeholders into four value areas:

1. **Clearance speed** concentrates resources on efficiently facilitating trades to improve market attractiveness and to support national economic strategies.
2. **Costs of trading** reduction actions lessen the burden for traders in their interactions with Customs.
3. A **compliance** focus uses risk management to facilitate low-risk trade by developing stratified procedures, allocating resources aligned with risk and establishing measures of trader and Customs agencies’ performance.
4. **Productivity** improvements unburden resources from administrative tasks and enables Customs to concentrate more resources on compliance and value-added services for traders.
Flexibility and realtime adjustments are the foundation for this decision-making framework. Modernization efforts based on this value realization framework help enable Customs to seamlessly shift resources among these four value drivers to deliver stakeholder value. The ability to seamlessly adjust value strategies exists because the four value drivers are interrelated. A focus on one will benefit the others (see Figure 2.)

**Figure 2. The value realization framework.**

<table>
<thead>
<tr>
<th>Value driver focus</th>
<th>Clearance spend</th>
<th>Cost of trading</th>
<th>Compliance</th>
<th>Productivity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clearance speed</td>
<td></td>
<td>• Reliable fast clearance reduces logistics, warehousing, insurance costs — critical to certain industries and segments</td>
<td>• Reallocate and direct people to evaluate traders that evade duties and traffic in illicit goods</td>
<td>• Enables officers to focus on customer service and reducing inefficiency in back-office processes</td>
</tr>
<tr>
<td>Cost of trading</td>
<td>• Improved partnership with traders improves clearance efficiency</td>
<td></td>
<td>• Improve knowledge of traders and better allocate resources across risk spectrum</td>
<td>• Customs resources spend less time on administrative tasks</td>
</tr>
<tr>
<td>Compliance</td>
<td>• Enables automated selectivity and clearance systems that identify and expedite low-risk shipments</td>
<td>• Promotes security-rich trading channels which reduces loss, corruption, delivery time and cost — and protects markets</td>
<td></td>
<td>• Automated, expedited clearance of low-risk shipments enables high-volume clearance regimes</td>
</tr>
<tr>
<td>Productivity</td>
<td>• Enables resource reallocation to promote clearance efficiencies</td>
<td>• Can increasingly invest in processes to reduce the burden of trade</td>
<td>• Resources are re-prioritized to high-risk compliance areas</td>
<td></td>
</tr>
</tbody>
</table>

*Source: IBM Institute for Business Value.*

We believe that this approach enables Customs to:

- Quickly adjust strategies to help meet changing pressures to promote trade or augment border integrity
- Simultaneously optimize both trade facilitation and border integrity.
Implementing the Customs value framework

The dynamic and unpredictable trading environment highlights the need to embed both flexibility and focus into Customs processes, organizations and technology. Threats can be mitigated but not always predicted. Responses to crises need to be swift, but should not significantly reduce operational efficiency. Investments need to be targeted and allocated toward adding value to key stakeholders. Constructing this type of operational environment begins with strategic planning where value-based outcomes, not outputs, drive investments.

To help identify the “right” value-driver path, we have developed a three-step approach (see Figure 3) that enables Customs agencies to achieve the goals of optimizing and balancing trade facilitation and border integrity by varying the level of focus placed on each of the four value drivers.

**Figure 3: Balancing commerce and border integrity.**

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1. Assess current environment and determine desired position for four value drivers
2. Evaluate and implement the strategies for each value driver
3. Implement critical success factors
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*Source: IBM Institute for Business Value.*

**Assessment**

Given a lack of growth in financial and human resources, Customs agencies need to focus on a subset of the four value drivers. Concentrating resources on one or two of the value drivers helps enhance returns in core areas, while simultaneously achieving broad benefits (as was shown in Figure 2). Determining the high-priority value drivers follows a two-step process. First, identify the current focus in each value driver. Second, set the desired level of focus. While this is simple in description, it requires commitment from top leadership to allocate resources based on these choices. Figure 4 provides an example of how a Customs agency may visualize and measure its focus profile.
Evaluating and implementing value driver strategies

The following four sections identify the high-impact strategies and key performance indicators that can help achieve the desired clearance speed, cost of trading, compliance or productivity targets.

Clearance speed

A focus on clearance speed concentrates resources on efficiently facilitating trades to improve market attractiveness. Nations become prime destinations because Customs streamlines processing of goods and people.

One fundamental strategy is to *disengage the payment process from physical transactions*. This helps ensure goods and services are not delayed, waiting for potentially antiquated financial approval processes. Supporting this strategy includes adopting *standardized international payment methods* to help ensure payments are received and approved in realtime.

Customs can institute more advanced clearance strategies by enabling pervasive *electronic information input and submissions*. Adopting *virtual border clearance activities* further helps capture data before the arrival of goods and people. This extends the decision making time which enables faster processing at arrival time.

Emerging trends in this area include implementing and encouraging *preclearance and pre-certification programs*, to help segment traders based on various risk criteria. Participation in accredited client preference programs can expedite clearance processing and the arrival of goods and people is not delayed for

*Figure 4: Strategic focus example.*

### Key performance indicators

<table>
<thead>
<tr>
<th>Focus Area</th>
<th>Desired Focus</th>
<th>Current Focus</th>
<th>High Focus</th>
<th>Low Focus</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clearance speed</td>
<td>High</td>
<td>Low</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Productivity</td>
<td></td>
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</tr>
<tr>
<td>Cost of trading</td>
<td></td>
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</tr>
</tbody>
</table>

*Source: IBM Institute for Business Value.*
certified traders. Key elements include service level agreements with traders for clearance time and internal strategic objectives for compliance. Overall, clearance also improves with investments in new technologies. Biometrics, wireless networks, noninvasive tools – such as x-ray and gamma-ray machines – global positioning satellites for container tracking with embedded radio frequency (RF) tags all help improve clearance efficiency by limiting time-consuming inspections and long data capture processes.

Case study

Singapore, with its strategic trading position in Asia, promotes speedy clearance to attract business. Singapore’s mission highlights the focus on clearance efficiency: “Efficient collection of Customs revenue and goods and services tax (GST), and safeguarding our borders against the entry of contraband, while facilitating trade and travel.” They have operationalized this strategy by establishing concrete performance objectives for clearance speed. For example, they target clearing 90 percent of air cargo within 13 minutes, 90 percent of postal parcels within 12 minutes, 95 percent of air passengers within 4 minutes and 95 percent of sea passengers within 4 minutes.

Singapore also helps improve clearance speed by ensuring timely payment processing. For example, they assess and collect 95 percent of Duty/GST within 8 minutes. Strategic and tactical activities that have improved clearance speed include; focusing on risk management and technology; actively consulting, cooperating and performing joint training with the trading community to achieve a greater transparency in procedures; and implementing “e-filing” of documents for end-to-end electronic completion.

Cost of trading

A cost of trading focus is aimed at reducing the burden for traders and thereby can facilitate legitimate trade and economic development. However, balance and optimization occur only when the various public and private sector players work in concert.

Customs agencies’ success relies heavily on information obtained from the trading community and other government departments. Therefore, strategies cannot be formulated in a vacuum. A new operating standard or model that heightens public-private partnership models in the trading community helps improve consistency and reduce processing time. This, in turn, enhances private sector planning and data exchange across the global supply chain. While establishing these relationships might initially increase a trader’s costs – due to required startup or retooling/IT development – they can result in new service offerings from brokers, as well as elimination of some costly activities.
Customs and traders need accurate and timely information to improve risk assessments and operational decisions. Bad data in realtime does not help. Public-private information sharing mechanisms pool data collected between Customs and the trading community. This feature shifts information exchange from multiple, one-to-one relationships to just in time data accessibility. TradeNET in Singapore, Felixstowe in the U.K. and 1-Stop.Biz, Australia have all implemented community portals to enable “advanced information” and pre-filing. This tactically helps meet policies like the U.S. Customs 24-hour Rule. A community-based approach can streamline the trade processes through more border transparency, improved data interfaces and better identification of problem suppliers. Compliant traders in such a community would benefit from better policing of the supply chain, meaning they would avoid being unwitting tools of the drug trade.

Integrating revenue collection into industry payment reconciliation processes serves to lower the cost of trade and makes nations more attractive trading partners. Customs can further strengthen private sector relationships and build better industry knowledge by creating business partners relationships with key sectors. This new role can add to strategic planning capabilities and enable Customs to help the private sector become more competitive through targeted trade facilitation programs.

Case study

Sweden has reduced the costs of trading through a range of leading-edge programs that rely on risk management throughout Customs work. The Stairway® system offers different levels of service to businesses, based on in-depth quality assurance processes. Transparency and openness toward all stakeholders exists as they promote structured cooperation with trade and industry, on both the policy and operational levels. The “My Customs Office” suite of Internet services such as Tullverkets Internetdeklaration (TID) enables small- and medium-sized companies to lodge declarations via the Internet for free. TID won an award for best eXtensible Markup Language (XML) application in 2002. A Virtual Customs Office now provides 24x7 access to all Customs and related government processes. Cost of trading also has improved through EMPACT, a European Commission model for cooperation between Customs and the trading community.

The benefits of these programs highlight the integrated nature of the four value drivers. Cost of trading benefits include a goal to reduce costs to business by 20 percent, or 500 million Swedish Kronas. They have also established the goal to be the first public authority to offer a paperless transaction flow. Clearance processing also improved in 2001, as 86 percent of important and export declaration were handled electronically and 64 percent were handled automatically within 3 minutes. They have set a goal to clear 95 percent automatically by 2003. Another target is to improve compliance by ensuring 100 percent of businesses pay their Customs duties.
Case study

Japan has reduced the costs for trading through a public-private partnership for streamlining clearance, while maintaining security. The NACCS is a comprehensive Customs clearance, physical distribution and inventory control processing system for import/export and air/maritime cargo. It was jointly designed and developed by the Ministry of Finance, Customs and related private sector businesses. Today, it provides an online system used by Customs and related companies to help efficiently and accurately expedite imports and exports. NACCS processes approximately 90 percent of total air cargo and 90 percent of maritime cargo import /export declarations.

Tangible cost of trading benefits include:
- Reducing the time required from arrival to delivery of cargo
- Automatic payments, where Customs duties and taxes are paid automatically through electronic funds transfer from bank accounts
- Multipurpose use of data, as stored data is used by multiple users in the system
- Quick information service, which enables users to quickly and accurately trace the status of cargo
- Users can answer their customers’ queries on cargo status promptly.

Further advancements of this program and the introduction of automated Customs would lower the direct costs of Customs clearance by the equivalent of 0.2 per cent of the value of traded goods (Japanese MITI estimates).

Compliance

A compliance focus uses risk management-based compliance approaches to implement effective controls across the global trading supply chain. Risk management is a fundamental approach to launch innovative compliance and trade facilitation initiatives. It enables a better understanding of threats and allows for more-targeted enforcement programs. Risk management provides the framework for effective deployment of constrained resources to focus on priority areas. Tactical programs include instituting stratified account management to facilitate trade processes and augment compliance and enforcement. Australia has used this approach to create specific treatments targeted to four different trader segments. The different classifications are outcome- and motivation-based.

An effective risk management program is quite dependent on timely access to high-quality data from multiple stakeholders. Customs needs source data delivered electronically, in a machine-readable format. The time frames for making decisions are extended and additional precautions can be made. Strategies that enable and encourage electronic information input and submissions and establish virtual borders are prime examples. Self-service and early information submission reduces the risk of unintentional errors and other forms of noncompliance. Typically, these

Key performance indicators

Key performance indicators for compliance include:
- Revenue gap percentage
- Percent of fraud
- Effectiveness of specific intervention programs / “data-driven decisions”
- Frequency of updates to risk management compliance profile
- Percent of positive invasive investigations.

“Handling Customs matters should be simple and free of charge and you must have the freedom to conduct them any time of the day. Then our customers can feel free to develop their enterprises and products instead of wasting time shuffling papers.”
– Lars Karlsson, Head of the Customs Development Division, Sweden.
voluntary compliance initiatives require less direction action by Customs personnel, so resources can be re-deployed to higher-risk areas.

Decisions are only as good as the data available. Customs needs to work with peer agencies and the private sector to **consolidate and apply all available data to improve interdiction.** Data that exists in fragmented databases often is not pooled in a timely fashion. Customs can support improved data management processes with organizational changes to implement **strategic targeting programs.** These tactical project teams may only exist for short periods. However, they are dedicated to a specific compliance threat, such as ecstasy drug interdiction, foot-and-mouth disease.

**Case study**

Australia promotes compliance by seamlessly collaborating with trading companies. Their risk management-based compliance approach establishes a Customs compliance continuum, with four categories from low risk to high risk: Self-regulation, assisted self-regulation, directed regulation, enforced regulation. Different treatments exist for each category. Advanced border security compliance initiatives examples include SmartGate, which performs face-to-passport checks in less than 10 seconds, and 52 Ionscan units and 60 X-ray units, which perform noninvasive security checks. Australia’s Frontline program establishes a private sector partnership to prevent illegal importation or exportation of prohibited items. Frontline members use their commercial expertise to identify unusual or suspicious activities. These programs have helped Australia consistently improve the value of imports and exports, total travelers and import duties despite flat staffing levels.

**Productivity**

A productivity focus optimizes resource allocation to enhance mission performance. These strategies are internally focused and seek to improve core business functions. Internal efficiency and effectiveness enables Customs agencies to reallocate resources from administrative activities to compliance and value-added services for traders, passengers and other government departments.

Productivity improvements can occur through organizational changes, such as **collaborative teaming and integrating internal governance processes across relevant departments.** These help improve information exchange and the quality of data. Developing **new or expanding international partnerships** will further promote global cooperation and potentially streamline the activities that each Customs agency needs to perform individually. Cooperation leads to less redundancy among the global Customs community.

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"Customs manages the security and integrity of Australia’s borders. It works closely with other government and international agencies...to detect and deter unlawful movement of goods and people.”

– 2002 Annual Report, Australian Customs

**Key performance indicators**

Common productivity measures across these strategies are:

- Percent reduction in operating and service delivery costs
- Number of service level agreements with traders for clearance times
- Percent of data accuracy
- Frequency of data capture and updates
- Time to access information.
Overall efficiency is further improved the more Customs agencies partner with other agencies and departments within their own country. An integrated service delivery/whole of government approach can significantly reduce or eliminate time-consuming and expensive redundant activities. Seamless service delivery across government is the result. Policies and processes must be melded together to present a seamless front to the trading community. Virtual border clearance activities are one approach to promote operational and organizational integration. Virtual border initiatives rely on partnerships with other governments and the trading community to push the zone of security outward to make border ports more efficient.

Productivity-focused strategies are process-supportive in nature. While many of these productivity strategies help improve data accuracy and information sharing, the key outcomes are their impact on clearance, cost of trading and compliance.

**Case study**

The U.S. and Canada have mutually helped each other improve productivity by announcing a 30-point Smart Border Action Plan. Key actions include: Biometric identifiers, permanent resident cards, FAST and NEXUS programs for fast-path efficiency, air preclearance visa policy coordination and sharing advanced passenger information on high-risk travelers. These programs enable U.S. and Canadian Customs to apply more resources on higher-risk travelers and goods. This reduces traveler and business wait time.

**Case study**

The U.S. is also partnering with Hong Kong as it seeks to implement the Container Security Initiative. Ten percent of all goods received by U.S. originate in Hong Kong. This high volume encourages U.S. Customs agents to work in teams with Hong Kong employees at Hong Kong ports. These teams use powerful automated targeting systems to screen and inspect high-risk shipments. U.S. Customs personnel will not enforce U.S. laws in Hong Kong – or enforce Hong Kong’s laws in the U.S.

**Addressing critical success factors**

Successful modernization programs must deliver business value through process redesign – not just automation. Investments must be more well-balanced in technological and organizational models, including change management efforts, to facilitate business transformation and productivity enhancement. Common supporting actions exist across the value driver strategies. Below are some key strategic, process, organizational and technological actions that support value strategies we have identified.
Promote committed executive leadership
- Have leaders clearly communicated a statement of mission and goals?
- Is there a strong focus on measuring performance and outcome – not just statistics?
- Have leaders integrated risk management into all corporate planning processes?

Explore different public-private sector partnerships
- Are private sector processes – not just data – audited and approved?
- Is the wealth of data analyzed, mined and supplied back to industry – with value?
- Have community portal opportunities been explored?
- How are information brokers leveraged?

Determine appropriate funding model
- How long will funding last? Is commitment supported?
- Are there revenue sources from the data and services provided?
- Have public-private sector funding models been explored?

Enhance employee skills, capabilities and knowledge
- Is advanced training on methods and tools provided to help combat revenue and border infringements?
- Have communities of practice spread for key stakeholder issues?

Promote advanced and interoperable technology
- Does an enterprise architecture exist that serves as the roadmap for business strategy and IT alignment?
- Are common, open data standards, such as XML, widely utilized?
- Have data privacy needs been adequately addressed?
- How prevalent are business intelligence / data mining tools for deriving viable information from the data?

Promote cross-border and cross-jurisdiction collaboration
- Are data and cross border processes transparent?
- Do policies and procedures exist for sharing people and data across departments and jurisdictions?
- Are roles and responsibilities among different departments clear?
- Do shared objectives with international partners exist?
**Streamline processes around stakeholder needs**

- Are declaration forms simple and standardized?
- Are accounts settled periodically – not based on each transaction?
- Do account management teams exist?
- Have stratified service levels with specific treatment strategies been created for key clients?

**Summary**

Customs can either be a pivotal enabler or obstructive barrier to global trade and national productivity. Different strategies exist to optimize the four key value drivers. These strategies vary by benefits, risks and implementation costs. The strategies discussed above are summarized in Figure 5.

**Figure 5. Customs drivers and strategies.**

<table>
<thead>
<tr>
<th>Value drivers</th>
<th>Enabling strategies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clearance speed</td>
<td><strong>Fundamental strategies</strong></td>
</tr>
<tr>
<td>Cost of trading</td>
<td>1. Disengage payment process from physical transaction</td>
</tr>
<tr>
<td>Compliance</td>
<td>2. Enable and encourage electronic information input and submission</td>
</tr>
<tr>
<td>Productivity</td>
<td>3. Develop public-private partnership models with trading community</td>
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<td></td>
<td>4. Integrate internal governance process across relevant departments</td>
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<td></td>
<td>5. Enhance collaborative teaming</td>
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<td></td>
<td><strong>Leading practices</strong></td>
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<td></td>
<td>6. Adopt a risk management-based compliance approach</td>
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<td></td>
<td>7. Implement and/or encourage preclearance and pre-certification programs</td>
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<td></td>
<td>8. Integrate revenue collection into industry payment reconciliation processes</td>
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<td></td>
<td>9. Implement strategic targeting programs</td>
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<td></td>
<td>10. Exploit new technologies to streamline port and clearance procedures</td>
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<td></td>
<td>11. Integrated service delivery/whole of government</td>
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<tr>
<td></td>
<td><strong>Emerging trends</strong></td>
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<td></td>
<td>12. Adopt virtual border clearance activities</td>
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<td></td>
<td>13. Adopt standardized international payment methods</td>
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<tr>
<td></td>
<td>14. Consolidate and apply all available data to improve interdiction</td>
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<tr>
<td></td>
<td>15. Develop business partner capabilities with key industries</td>
</tr>
<tr>
<td></td>
<td>16. Develop new/expand international partnerships</td>
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<tr>
<td></td>
<td>17. Develop public-private information sharing mechanism</td>
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</tbody>
</table>

Combined, these strategies provide significant benefits for the trading community. Customs agencies and a nation's security and economy. Potential trading community benefits include faster, predictable and efficient clearance processes, more consistent and transparent procedures and appeals, lower business costs and burdens of trade, and enhanced competitiveness. Customs agencies benefit from
more efficient and effective deployment of resources, enhanced revenue and compliance and lower operational costs. Overall, better trade facilitation, higher levels of border security and integrity can help attract foreign direct investment, lower costs to consumers and enhance the national revenues.

When operations are guided by a strategic plan, Customs can deliver value to all stakeholders and achieve a balance of trade facilitation and border integrity that reflects national priorities.

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