



**THE 12<sup>TH</sup> JOINT INDUSTRY OUTREACH SEMINAR ON  
STRATEGIC TRADE MANAGEMENT – SINGAPORE 2024**

**COMPLIANCE BLUEPRINT:  
Best Practices in STM Organization Design**

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GE Aerospace



1 STM ORGANIZATION MODELS

2 KEY CONSIDERATIONS

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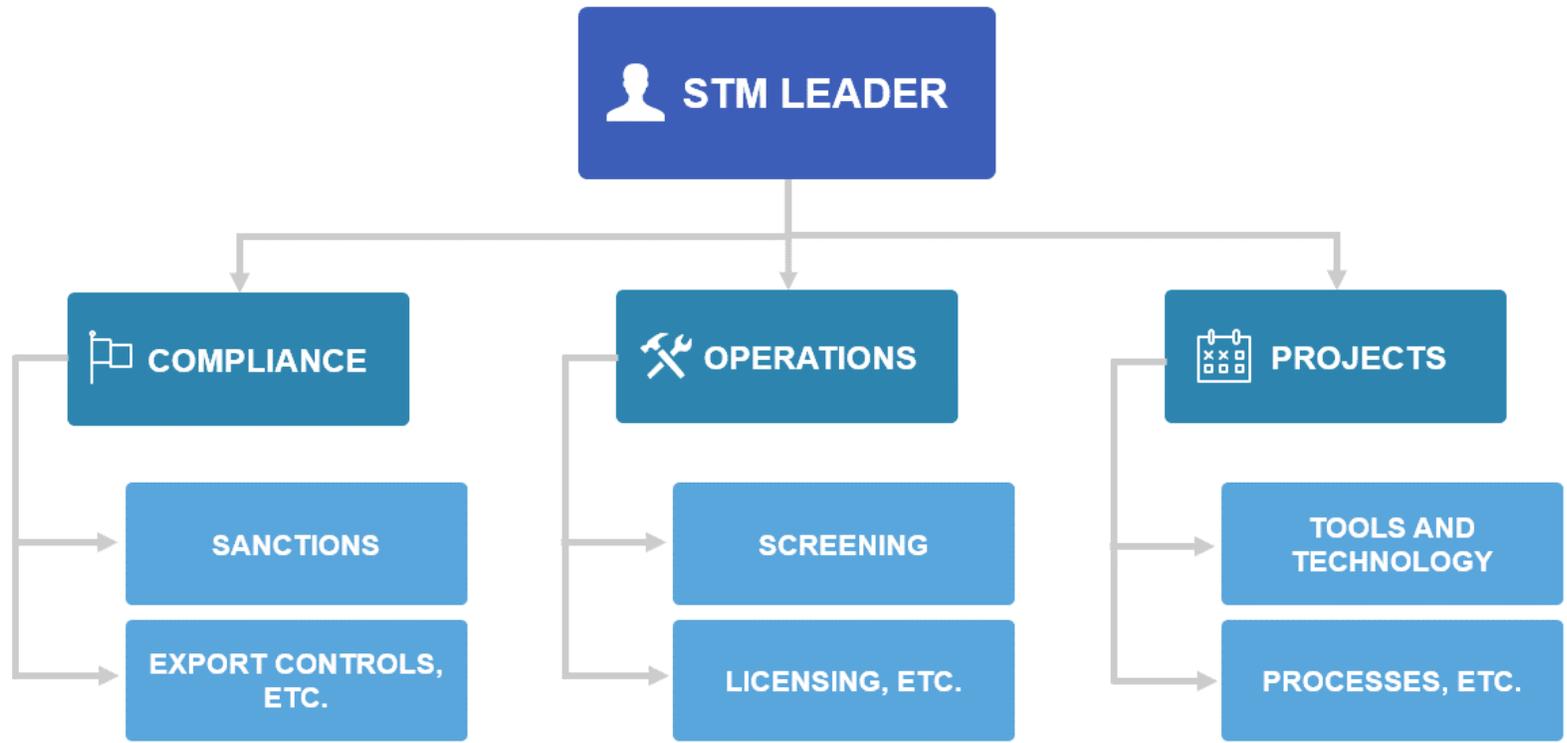
# AGENDA





Model

# CENTRALIZED



# PROS

- **Consistency**

Ensures uniform STM compliance policies and procedures across the company

- **Expertise Concentration**

All knowledge and expertise are concentrated in one team, allowing for deep specialization

- **Efficient Use of Resources**

Reduces duplication of efforts and ensures cost-efficiency by avoiding redundancy

- **Global View**

A single team can have a better understanding of overall risk exposure and can coordinate responses to global regulatory changes



# CONS

- **Lack of Local Expertise**

May lack understanding of regional laws and nuances, leading to potential STM compliance gaps in specific markets

- **Slower Response Time**

Centralized decision-making could slow down responses to urgent local STM compliance issues or changes in regulations

- **Overload Risk**

Might become overwhelmed, especially if the company operates in many regions with complex STM compliance requirements



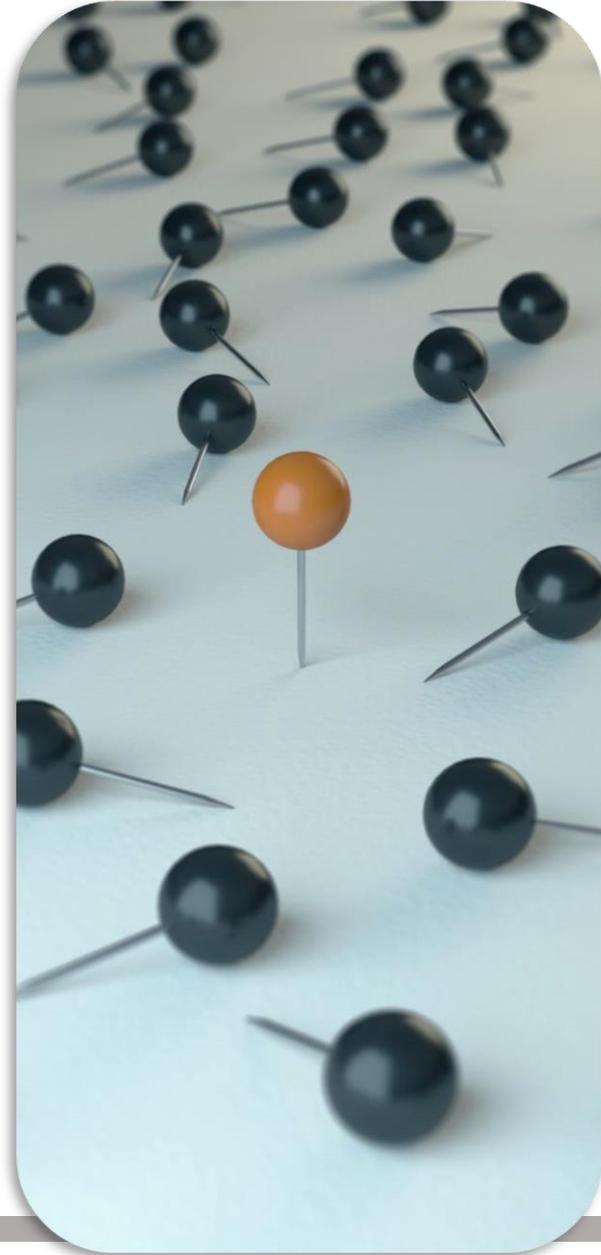
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## CENTRALIZED MODEL

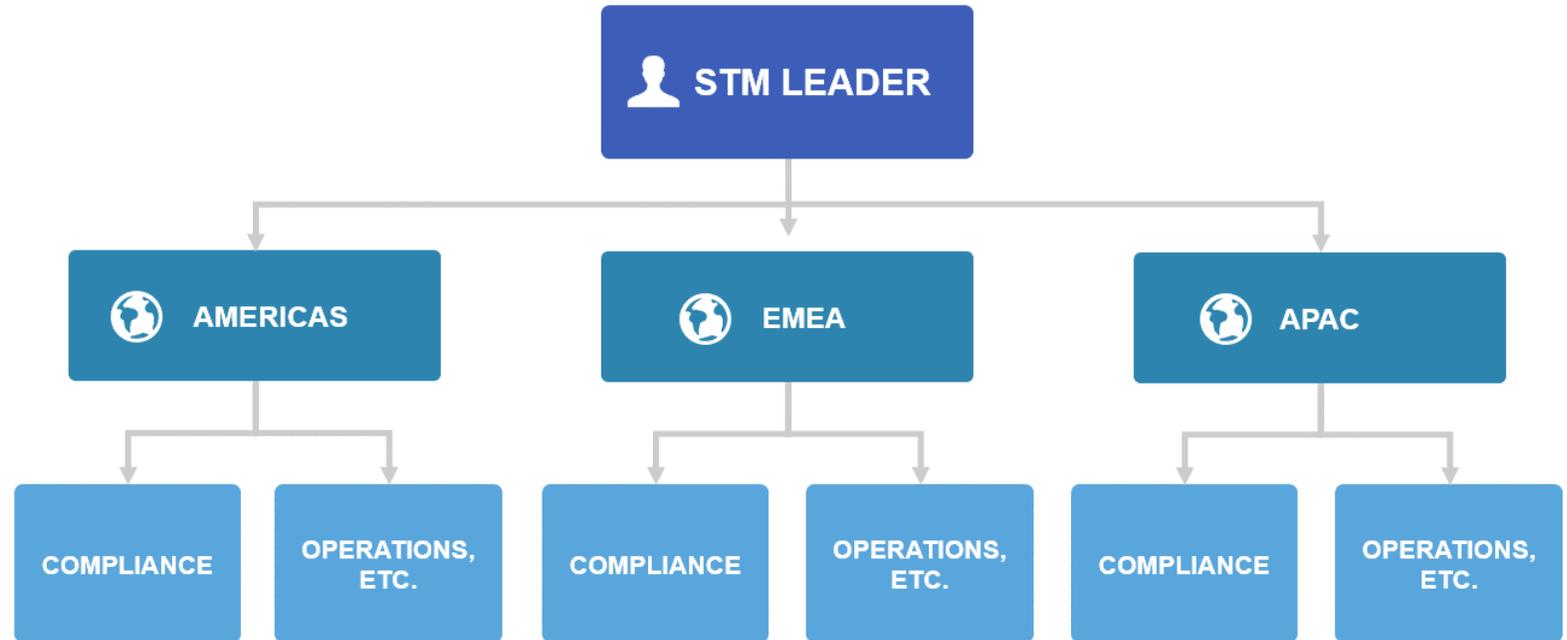
## BEST FOR

Companies with **global operations, uniform product lines**, or industries where **STM risks are highly concentrated** in specific goods or technologies, such as **aerospace or defense**





# Model REGIONAL



# PROS

- **Local Expertise**

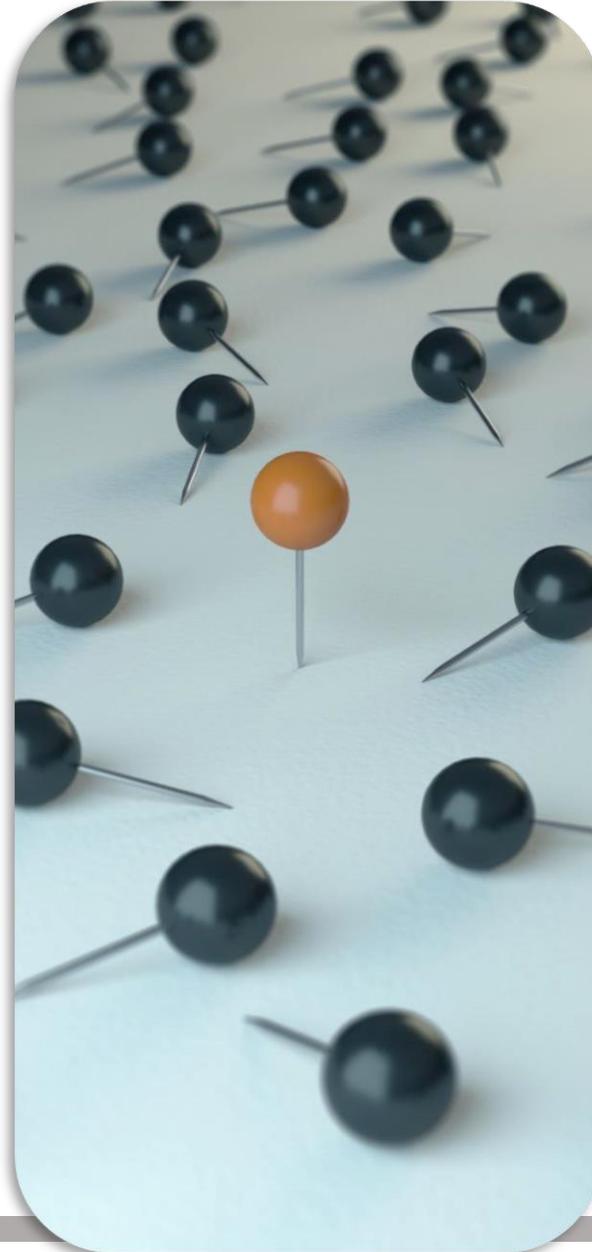
Teams are embedded within the region and better understand local STM regulations

- **Faster Decision-Making**

Can react more quickly to local issues and changes in regulations, enabling quicker implementation of necessary controls

- **Tailored Compliance**

STM compliance programs can be adapted to regional legal and operational nuances, improving effectiveness in local markets



# CONS

- **Inconsistencies Across Regions**

There's a risk of uneven STM compliance standards across regions if not properly coordinated

- **Higher Costs**

Maintaining multiple teams may lead to higher operational costs due to duplication of efforts

- **Potential Siloing**

May operate in silos, leading to a less sharing of knowledge, insights, and best practices across the organization

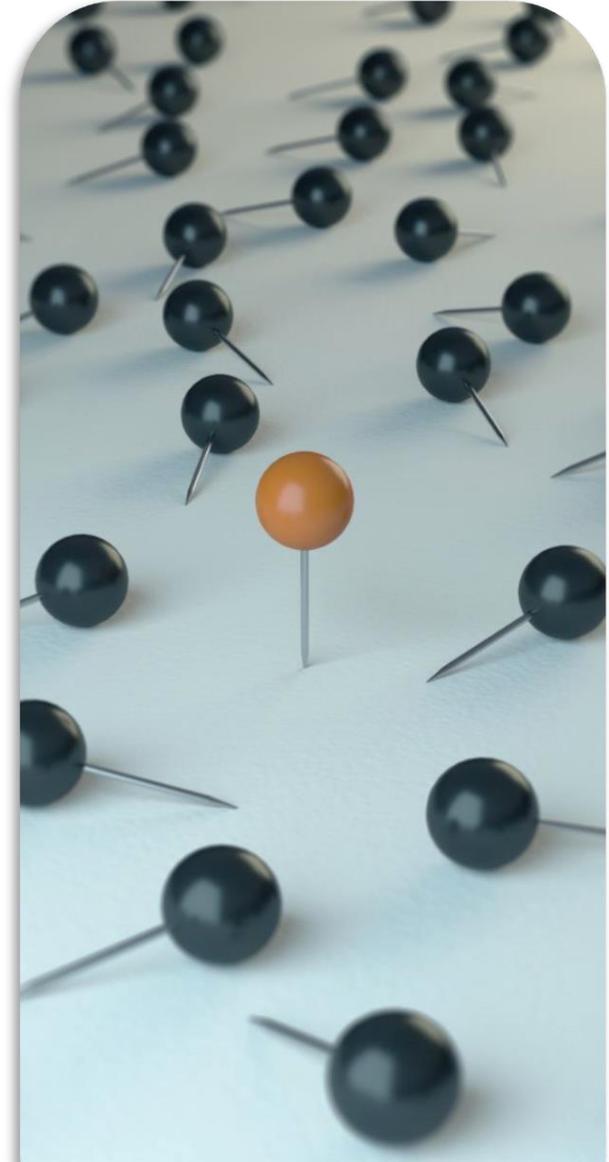


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## REGIONAL MODEL

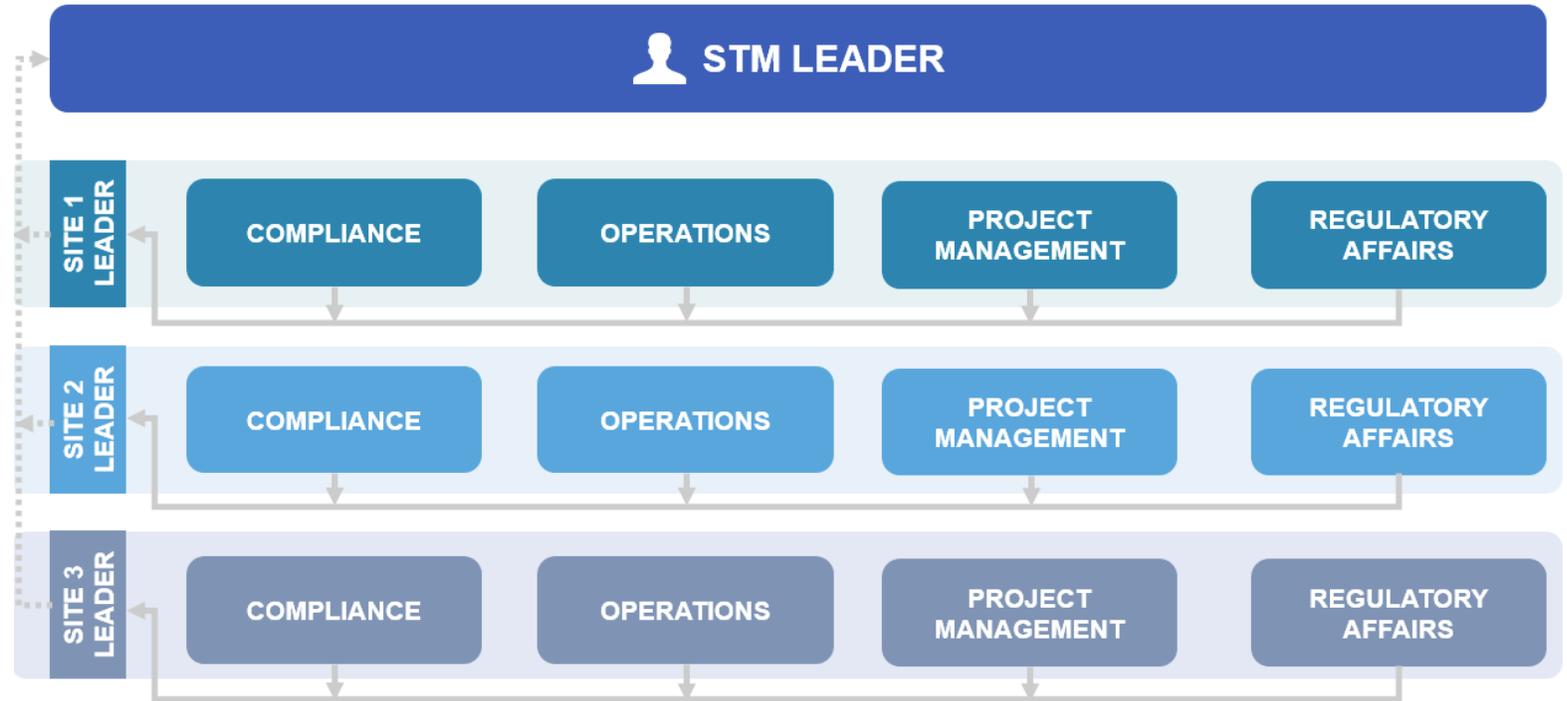
## BEST FOR

Companies with **strong regional operations**, where local regulations vary significantly and require tailored STM compliance programs (e.g., MNCs in **technology, automotive, or pharmaceuticals**)





# Model SITE-LEVEL



# PROS

- **Proximity to Operations**

Embedded directly in the operational sites, allowing for hands-on management of STM activities

- **Direct Knowledge or Processes**

Have intimate knowledge of day-to-day operations, making them better equipped to spot potential STM risks

- **Tailored Solutions**

STM programs can be directly tailored to the specific products or operations at each site



# CONS

- **Lack of Consistency**

Different sites may interpret or apply STM policies inconsistently without strong central oversight

- **Duplication of Efforts**

May duplicate STM activities that could be more efficiently managed at a regional or global level

- **Resource-Intensive**

Managing STM compliance at each site can be resource-heavy, especially for larger organizations with multiple locations



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## SITE-LEVEL MODEL

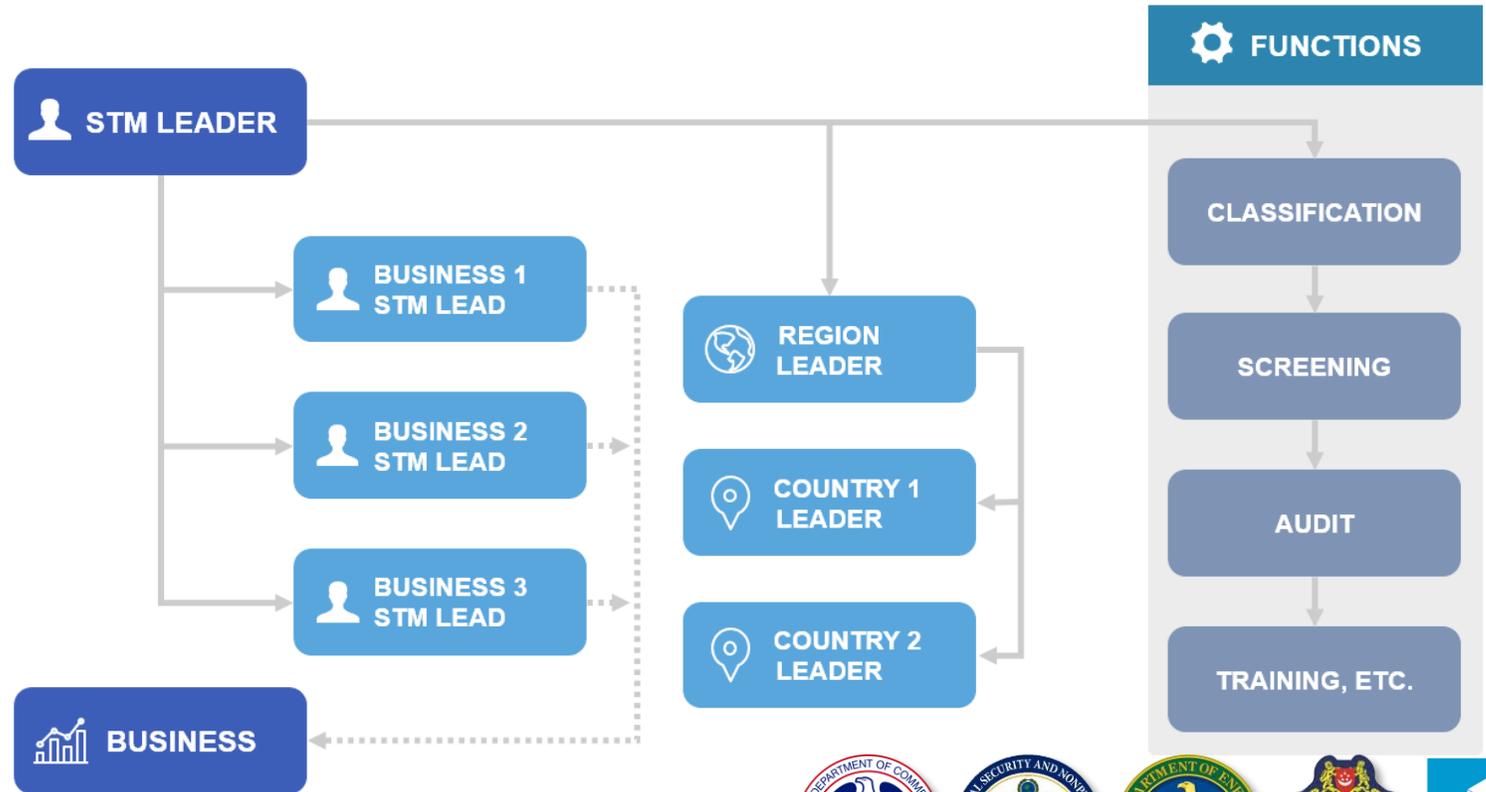
## BEST FOR

Companies in industries where **operations are highly site-specific**, such as **aerospace, defense contracting, or chemical manufacturing**, and where STM compliance must be tightly integrated with operational processes at each facility





# Model MATRIX



# PROS

- **Combines Global & Local Expertise**

Allows for both global consistency and local responsiveness, ensuring adherence to corporate STM policies while being adaptable to regional or product-specific needs

- **Cross-Functional Collaboration**

Facilitates strong collaboration between STM compliance experts, legal teams, and business operations, enabling well-rounded approach to managing STM risks

- **Scalable Functionality**

Can scale with business growth and can adapt to changes in regulatory complexity or geographic expansion



# CONS

- **Complex Management**

The dual reporting structure can create confusion regarding roles, responsibilities, and accountability, leading to inefficiencies

- **Coordination Challenges**

Ensuring alignment between centralized and regional teams require careful coordination, which can become a challenge if communication is not well managed

- **Resource Intensive**

Requires robust infrastructure to support both global and regional teams effectively, which can be resource-intensive



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## MATRIX MODEL

## BEST FOR

Large multinationals with **diverse product lines** and **complex regulatory environments**, particularly in sectors such as **semiconductors**, **pharmaceuticals**, or **advanced manufacturing**, where both global oversight and local flexibility are critical





# Model HYBRID



# PROS

- **Best of Both Worlds**

Ensures uniform compliance policies and procedures across the company

- **Adaptability**

All knowledge and expertise are concentrated in one team, allowing for deep specialization

- **Efficient Resources Allocation**

Reduces duplication of efforts and ensures cost-efficiency by avoiding redundancy



# CONS

- **Coordination Challenges**

May lack understanding of regional laws and nuances, leading to potential compliance gaps in specific markets

- **Resource Management**

Centralized decision-making could slow down responses to urgent local compliance issues or changes in regulations

- **Potential Conflicts**

Might become overwhelmed, especially if the company operates in many regions with complex compliance requirements



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## HYBRID MODEL

## BEST FOR

Companies that operate in **high-risk industries** (e.g., **technology, energy, defense**) with **global supply chains** but also need **localized STM compliance strategies** due to differing regional regulations



# Key Considerations When Choosing a Model

CONSIDERATION

# 01

## Global vs. Local Risk Exposure

Companies with significant exposure to STM compliance risks in multiple jurisdictions may require a hybrid or matrix model that balances global strategy with local execution.

CONSIDERATION

# 02

## Complexity of Products & Services

If your company deals with complex, highly regulated products like dual-use goods, centralized oversight is critical, but local expertise is needed to handle regional regulatory variations.

CONSIDERATION

# 03

## Geographical Footprint

The more geographically spread your company is, the more likely you will need some form of decentralized compliance to ensure quick response to local regulatory changes.



# Key Considerations When Choosing a Model

CONSIDERATION

# 04

## Regulatory Landscape

In industries where STM laws vary significantly by country (e.g., intangible transfer of technology), a matrix or regional structure may be necessary to stay compliant.

CONSIDERATION

# 05

## Resource Availability

Companies with fewer resources may benefit from a more centralized structure to avoid duplicating efforts, while larger companies with complex operations may be able to afford a matrix or hybrid model.

CONSIDERATION

# 06

## Conflict of Interest

The STM team should operate independently from other functions, esp. those involved in Sales. This independence helps in making unbiased decisions that prioritize compliance over business interests.



# Reporting Structure

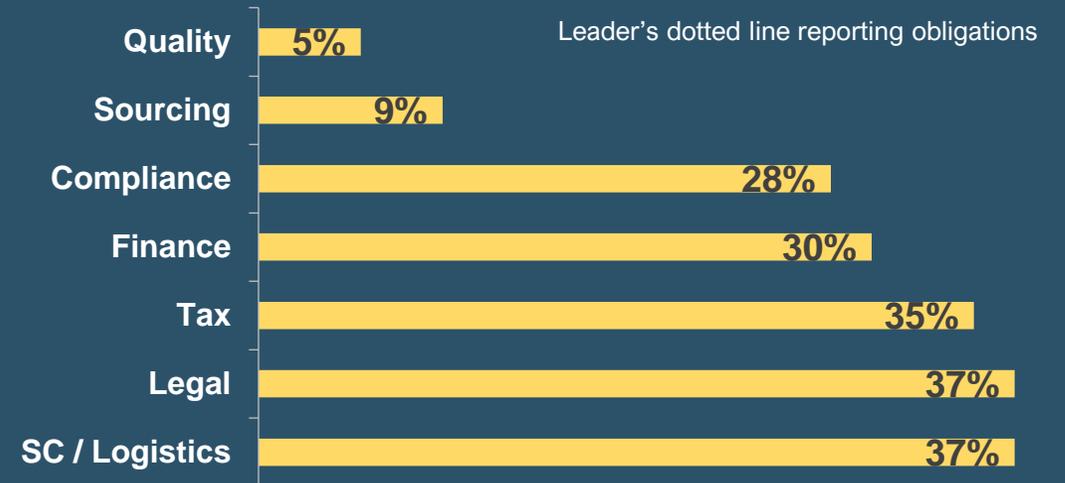
- The STM team should function independently from other departments - this independence ensures that decisions are made impartially, prioritizing compliance over business interests
- It is recommended that the STM function be **accountable to the Legal or Compliance organization**
- To foster a business-friendly collaboration, STM team can have a dotted line reporting relationship with other relevant functions

## BEST PRACTICES

REPORTING

OUTSOURCING

FOCAL NETWORK



\*EY, 2023. Refocusing on the global trade functional organization — a global trade perspective, p.4



# Process Outsourcing

- Transactional activities that are most susceptible to outsourcing can become “robotic”, which may result in complacent behaviors\*
- Third parties can offer an impartial assessment and bring in highly-trained expertise, thereby enhancing the capabilities of the existing STM team\*\*
- **BUT**, it is crucial to emphasize the importance of finding the right balance between outsourcing and maintaining an **appropriate level of oversight\***

\*EY, 2023. *Refocusing on the global trade functional organization — a global trade perspective*, p.10

\*\*KPMG, 2021. *Export Controls and Sanctions Survey Report*, p. 14

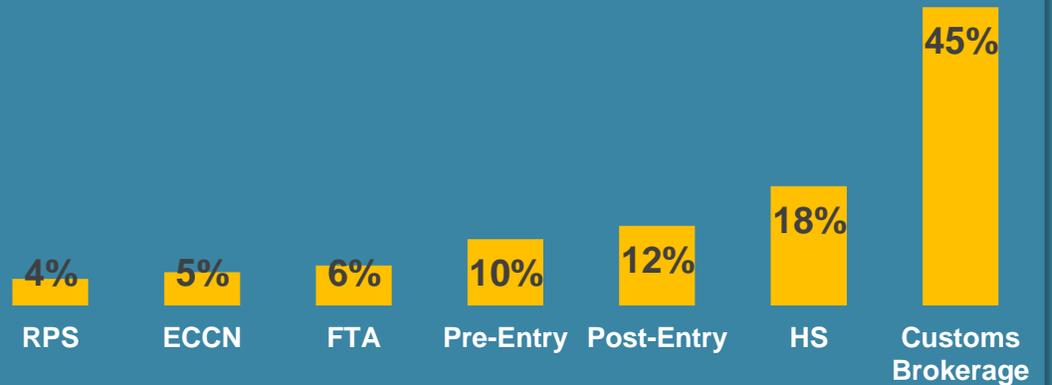
**BEST  
PRACTICES**

**OUTSOURCING**

REPORTING

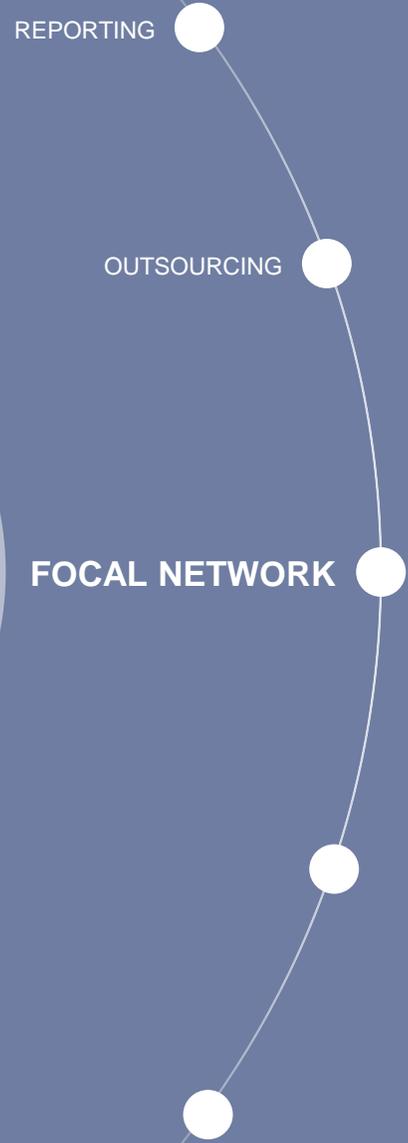
FOCAL NETWORK

Activities primarily outsourced



# STM Focal Network

**BEST  
PRACTICES**



Serve as site's primary point of contact for STM matters



Disseminate STM alerts and updates to local site employees



Resolve less complex local site's STM questions



Participate in relevant STM training and seminars

