

Analysis of the factors to determine Customs Service with AHP

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I. Introduction

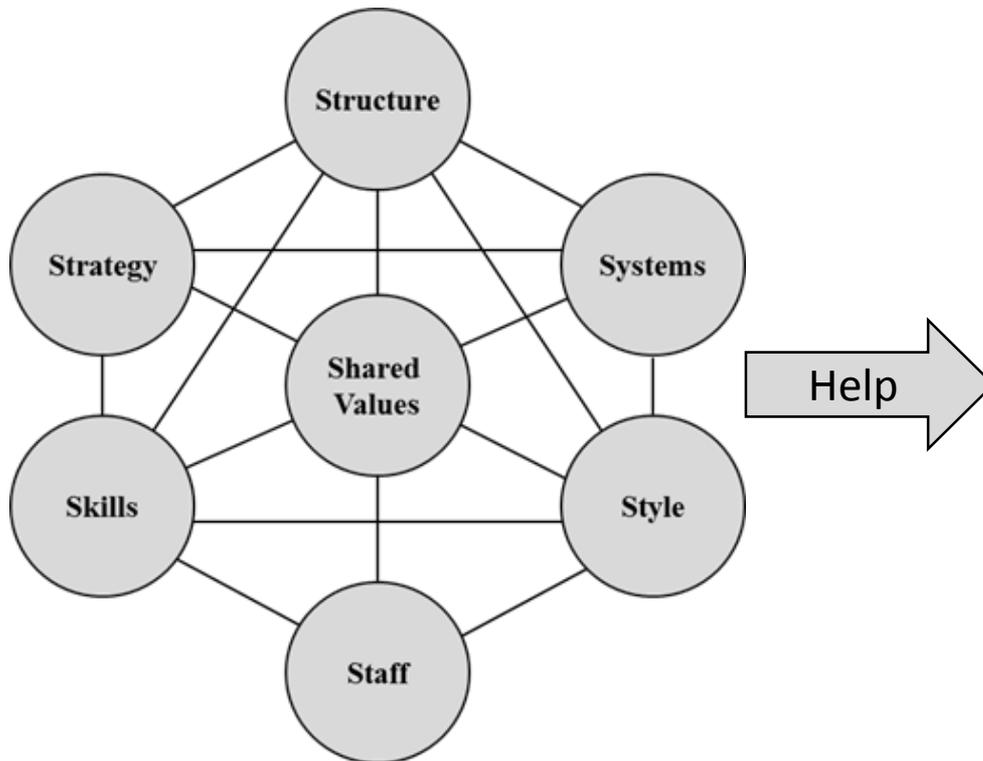
- In every country, customs role has been one of gatekeepers that are the barriers for international trade.
- Recent years, there were many efforts of world organizations such as WCO, World Bank or WTO... to simplify and harmonize customs service.
- With the same purpose, this research is about how to find the most interesting factors of customs service by using:
 - McKinsey 7S Framework to determine factors and sub-factors;
 - AHP to find the most interesting factors among them.



II. Framework of Customs Service

The McKinsey 7S Framework is a management model

- developed in the 1980s
- by Robert H. Waterman, Jr. and Tom Peters.

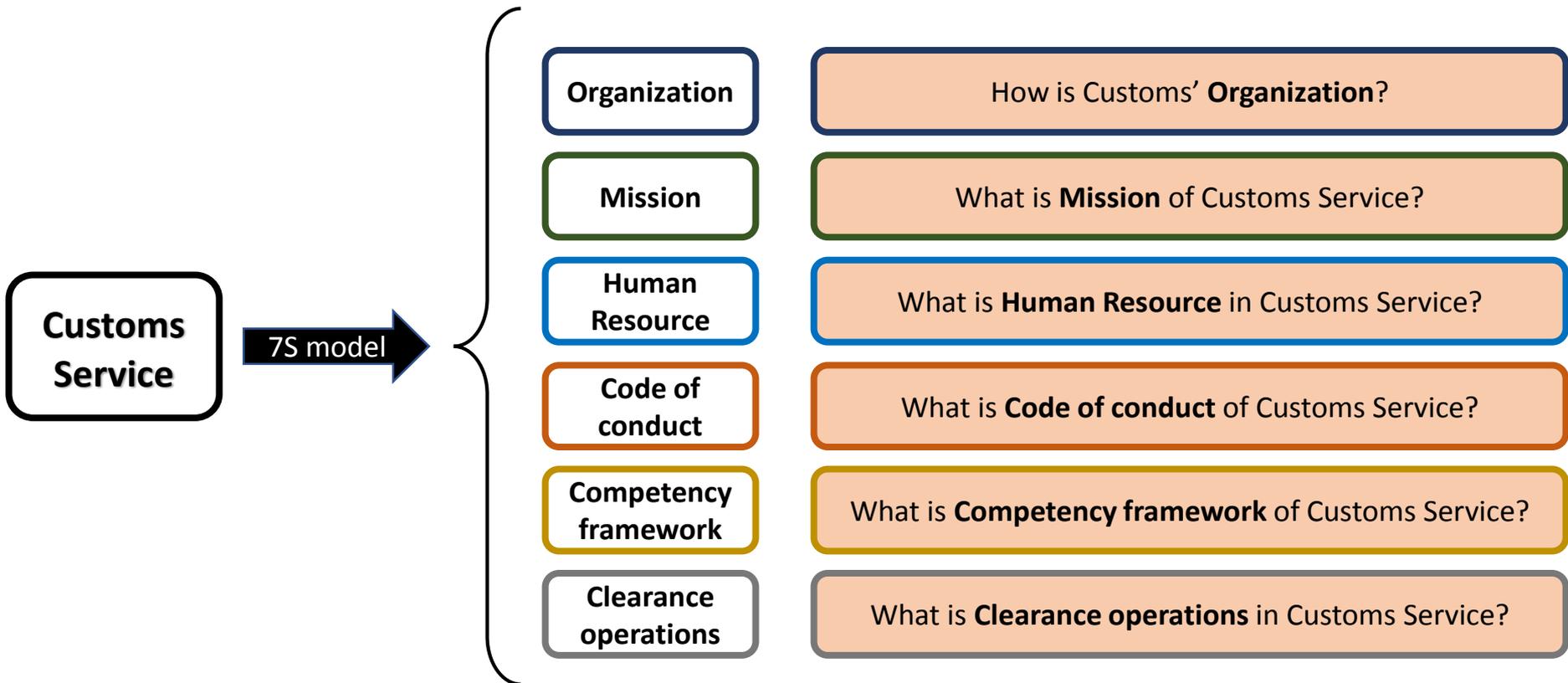


- Improve the performance of an organization.
- Examine the likely effects of future changes within an organization.
- Align departments and processes during a merger.
- Determine how best to implement a proposed strategy.

II. Framework of Customs Service

- Apply 7S Framework to Customs Service:
 - Structure → 'Organization';
 - Strategy → 'Mission';
 - Systems → 'Clearance operations';
 - Staff → 'Human resources';
 - Shared value → 'Code of conduct';
 - Style } → 'Competency framework'.
 - Skills }

II. Framework of Customs Service



II. Framework of Customs Service

How is Customs' Organization?

→ Customs' Organizations are various from country to country. Generally, customs' organization must have 4 characteristics:

- Simplicity;
- Flexibility;
- Reliability;
- Authority.

[The Theory and Management of Systems (New York: McGraw-Hill, 1973)]

II. Framework of Customs Service

What is Mission of Customs Service?

→ Mission is the objectives the government expect customs authority to achieve. Main objectives of customs service in the world are:

- Raising government revenue;
- Protecting domestic producers;
- Trade facilitation;
- Preventing the import-export of prohibited goods.

[Customs Modernization Handbook (World Bank 2005)]

II. Framework of Customs Service

What is Human Resource in Customs Service?

→ Human Resource is the process of find the appropriated employees to execute the mission and remain regulation within the organization. In general, Human Resource includes:

- Recruitment;
- Training;
- Staff Compensation;
- Sanctions and Integrity.

[Customs Modernization Handbook (World Bank 2005)]

II. Framework of Customs Service

What is Code of Conduct of Customs Service?

→ Code of conduct is the rule of behavior for all customs officials. In general, code of conduct should have factors below:

- Personal responsibility and compliance with law;
- Relations with public;
- Confidentiality and use of information;
- Work environment.

[Customs Modernization Handbook (World Bank 2005)]

II. Framework of Customs Service

What is Competency Framework of Customs Service?

→ Customs official competency framework is the whole of skills, attitudes, insights and knowledge in customs field. According to EU Customs, the competency framework should have:

- Levels of competencies;
- Hard competencies;
- Soft competencies;
- Management competencies.

[EU Competency Framework for the Customs profession (Taxation and Customs Union 2014)]

II. Framework of Customs Service

What is Clearance operations in Customs Service?

→ Customs Clearance operations are the daily works of customs service. In every nation, customs service activities usually are:

- Import-Export customs clearance procedures;
- Risk management;
- Post clearance audit;
- Customs violations and penalties.

[Revised Kyoto Convention (WCO 1999)]

Customs Service

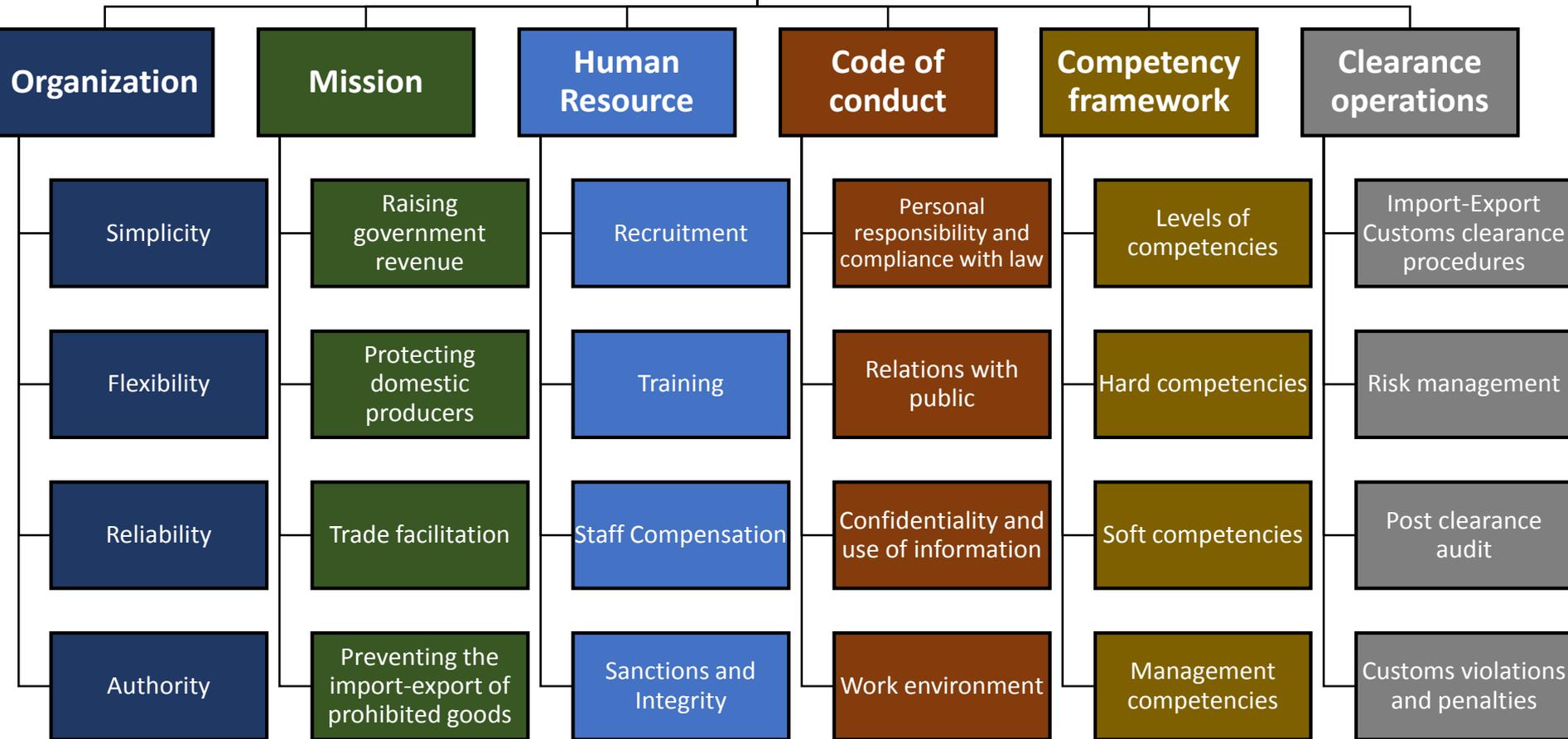
Organization	Simplicity
	Flexibility
	Reliability
	Authority
Mission	Raising government revenue
	Protecting domestic producers
	Trade facilitation
	Preventing the import-export of prohibited goods
Human Resource	Recruitment
	Training
	Staff Compensation
	Sanctions and Integrity
Code of conduct	Personal responsibility and compliance with law
	Relations with public
	Confidentiality and use of information
	Work environment
Competency framework	Levels of competencies
	Hard competencies
	Soft competencies
	Management competencies
Clearance operations	Import-Export Customs clearance procedures
	Risk management
	Post clearance audit
	Customs violations and penalties

III. Applying AHP to analyze Customs Service

- AHP structure
- The data
- Analysis

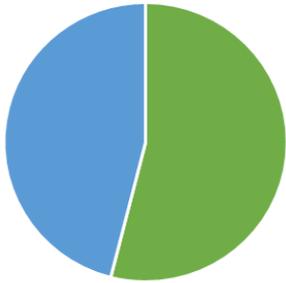
AHP structure

Customs Service



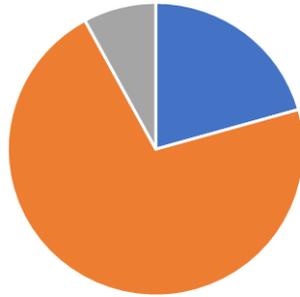
Data

Type of Respondents



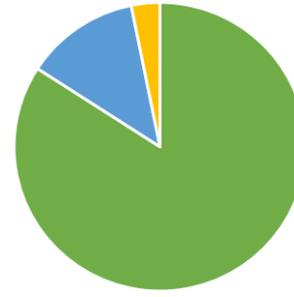
■ Officials ■ Clients

Age of Respondents



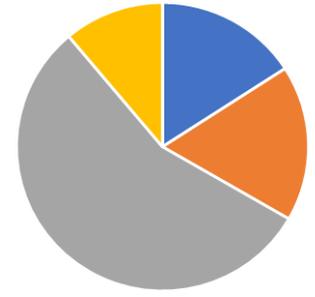
■ unknow and <30 ■ <45 ■ >45

Degree of Respondents



■ Graduate ■ Master ■ PhD

Experience of Respondents



■ <5 ■ <10 ■ <20 ■ >20

Type	Number
Officials*	54%
Clients**	46%
Total	63

Age	Number
Unknow and <30	21%
>30 and <45	71%
>45	8%
Total	63

Degree	Number
Graduate	84%
Master	13%
PhD	3%
Total	63

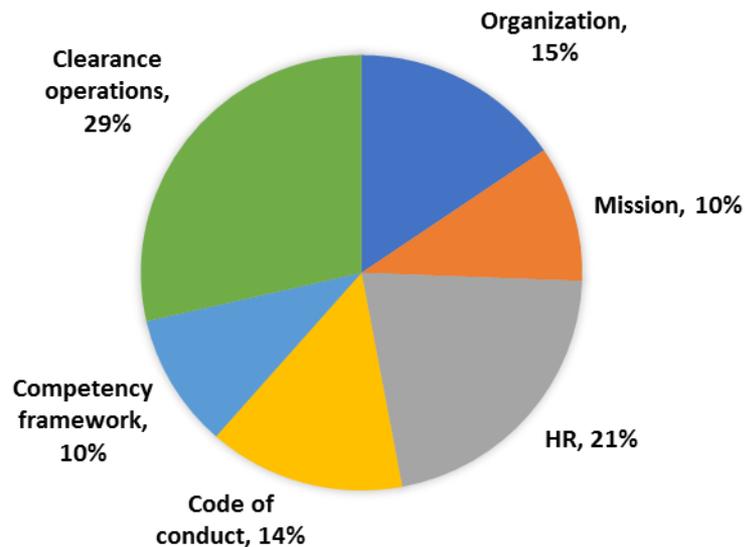
Experience	Number
<5	16%
<10	17%
<20	56%
>20	11%
Total	63

* Officials or customs officials who provide customs services.

** Clients are the people who use customs services.

Analysis

Customs Service → Main factors



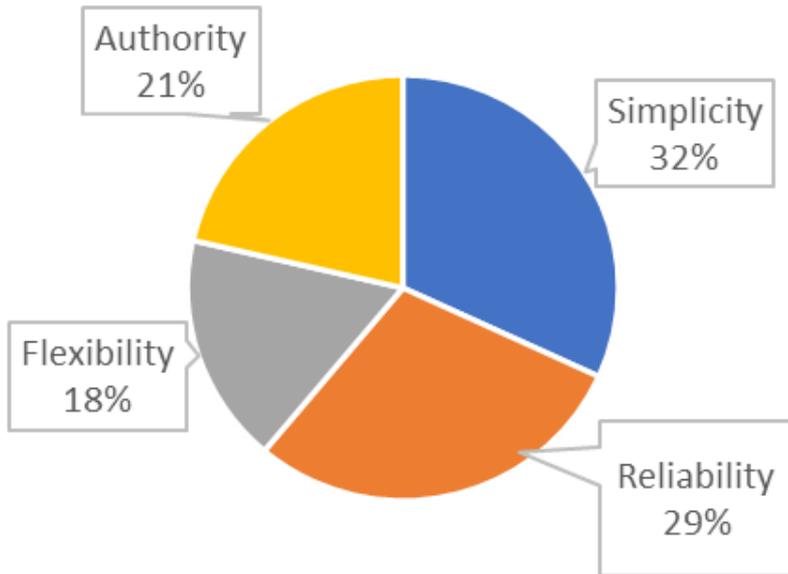
Total		
1	Clearance operations	29%
2	HR	21%
3	Organization	15%
4	Code of conduct	14%
5	Mission	10%
6	Competency framework	10%

- There are a big difference between the highest and the lowest, 2.9 times.
- The order of these factors are “Clearance operations” (29%), “Human resource” (21%), “Organization” (15%), “Code of conduct” (14%), “Mission” (10%) and “Competency framework” (10%)

Analysis

Customs Service → Organization

Organization

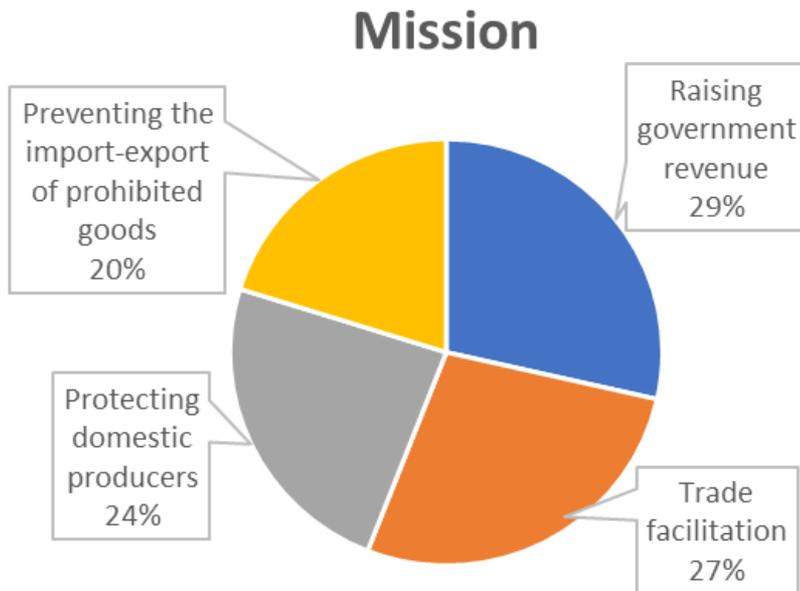


	Organization	
1	Simplicity	32%
2	Reliability	29%
3	Authority	21%
4	Flexibility	17%

- “Simplicity” is considered the most important sub-factor with 32%, greater than “Reliable” (29%), “Authority” (21%) and “Flexibility” (17%).
- The difference between the highest and lowest is 1.8 times.

Analysis

Customs Service → Mission



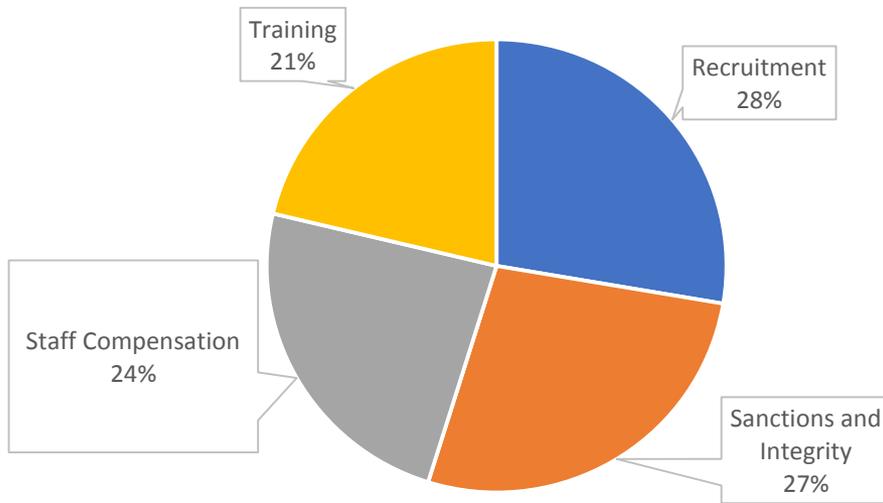
	Mission	
1	Raising government revenue	29%
2	Trade facilitation	27%
3	Protecting domestic producers	24%
4	Preventing the import-export of prohibited goods	20%

- “Raising government revenue” is considered the most important sub-factor with 29%, greater than “Trade facilitation” (27%), “Protecting domestic producers” (24%) and “Preventing the import-export of prohibited goods” (20%).
- The difference between highest and lowest is 1.5 times.

Analysis

Customs Service → Human resource

Human resource



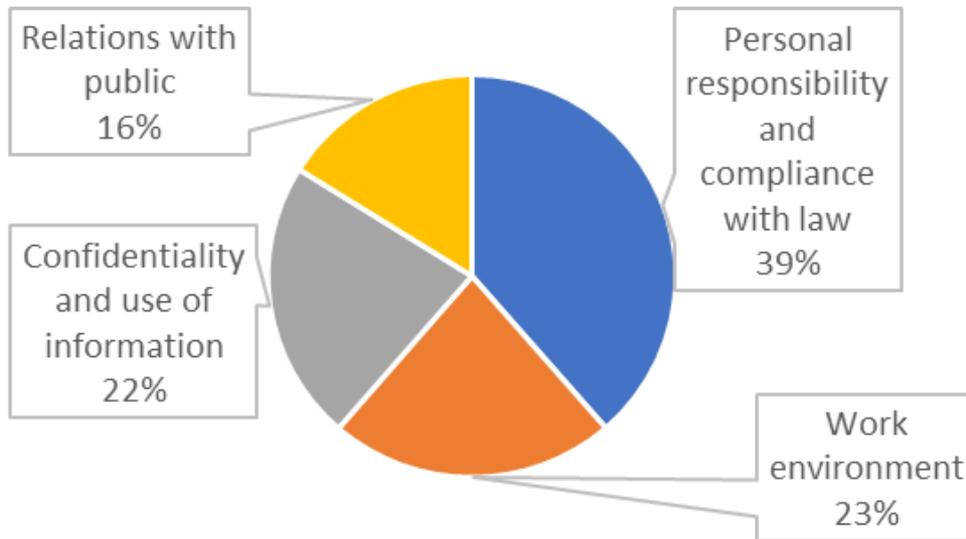
	HR	
1	Recruitment	28%
2	Sanctions and Integrity	27%
3	Staff Compensation	24%
4	Training	21%

- The differences among sub-factors are not much, the highest is “Recruitment” 28%, greater than “Sanctions and Integrity” (27%), “Staff Compensation” (24%) and “Training” (21%).
- The deviation between the highest and the lowest is 1.3 times.

Analysis

Customs Service → Code of conduct

Code of conduct



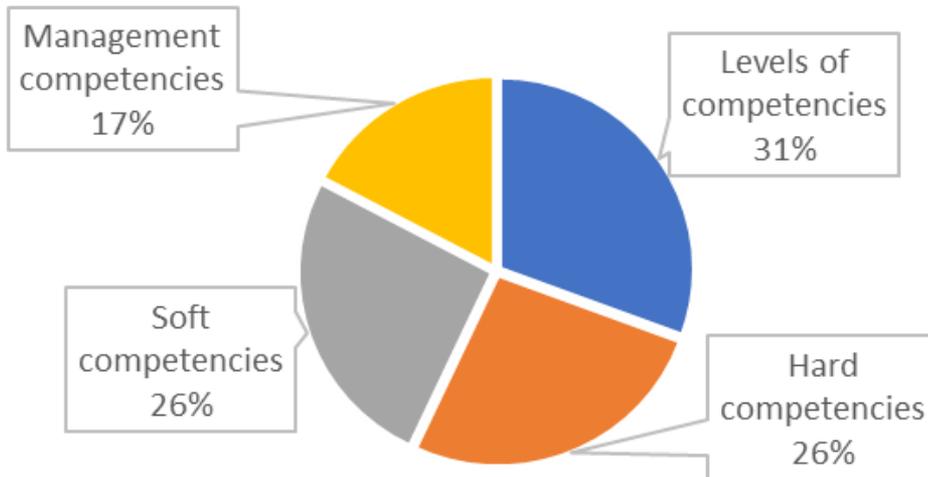
	Code of conduct	
1	Personal responsibility and compliance with law	39%
2	Work environment	23%
3	Confidentiality and use of information	23%
4	Relations with public	16%

- In Code of conduct factor, there are big differences among sub-factors, the highest is “Personal responsibility and compliance with law” 39%, much greater than “Work environment” (23%), “Confidentiality and use of information” (23%), the lowest is “Relations with public” (16%).
- The deviation from the highest to the lowest is 2.4 times.

Analysis

Customs Service → Competency framework

Competency framework



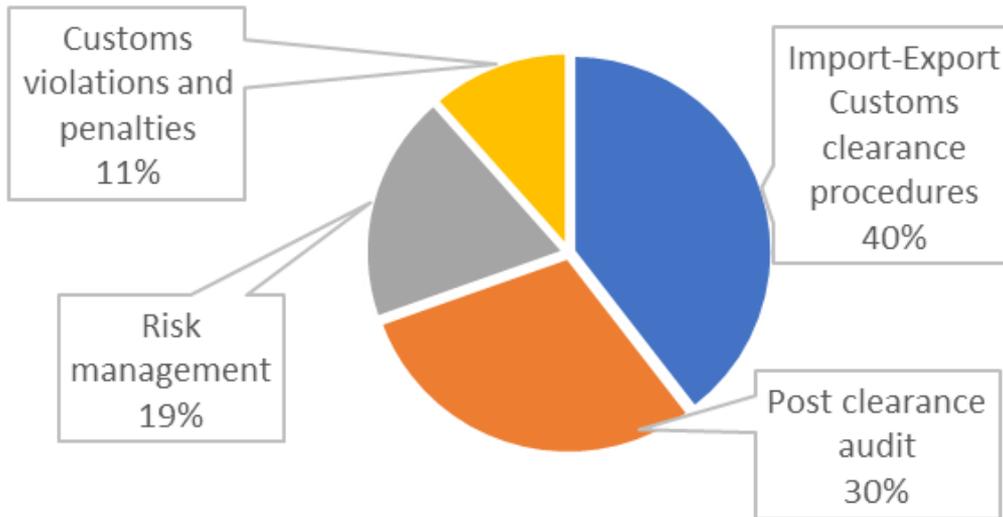
	Competency framework	
1	Levels of competencies	31%
2	Hard competencies	26%
3	Soft competencies	26%
4	Management competencies	17%

- In Competency framework factor, there are also big differences among sub-factors, the highest is “Levels of competencies” 31%, greater than “Hard competencies” (26%), “Soft competencies” (26%), the lowest is “Management competencies” (17%).
- The deviation from the highest to the lowest is 1.8 times.

Analysis

Customs Service → Clearance operations

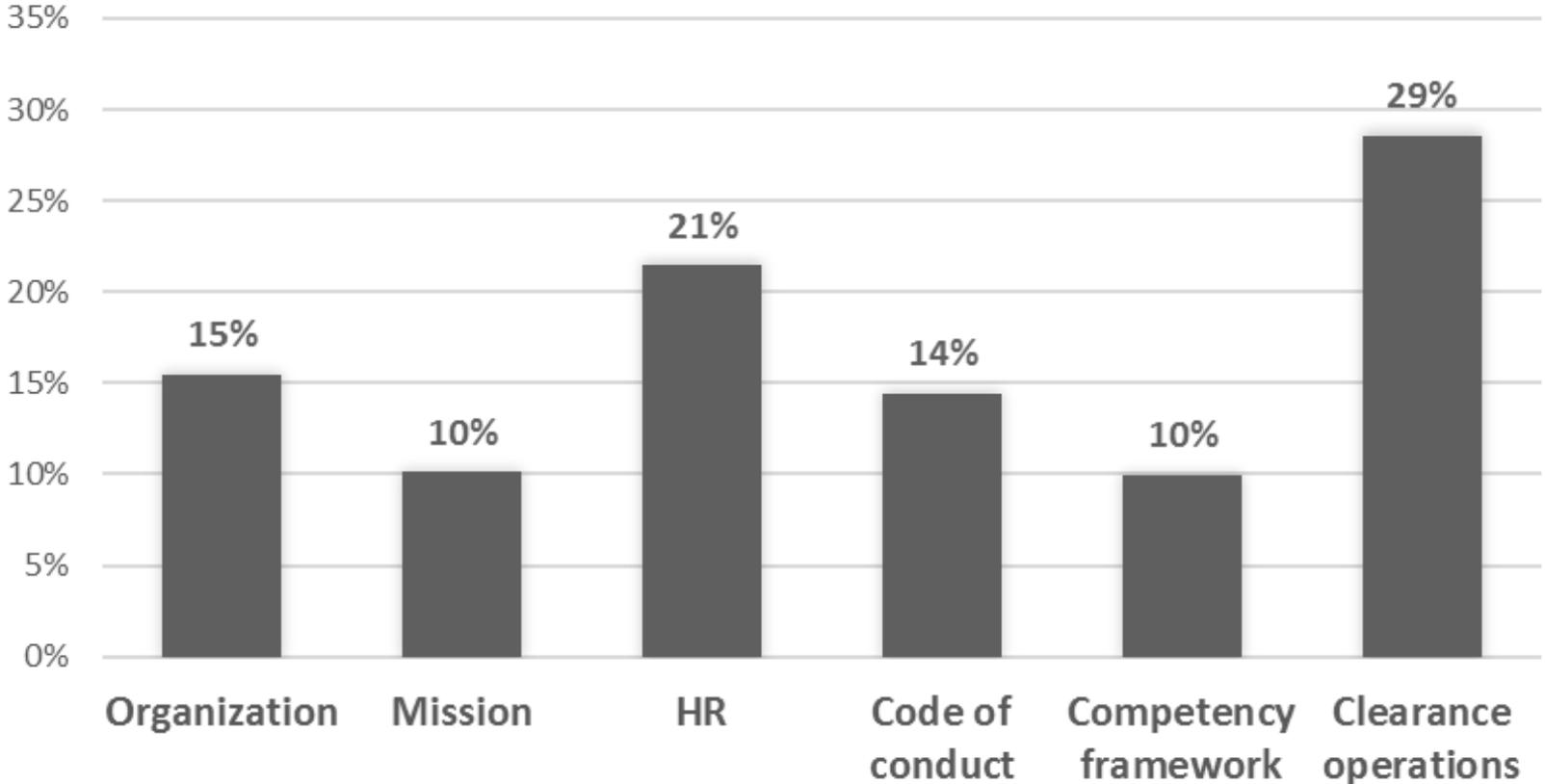
Competency framework



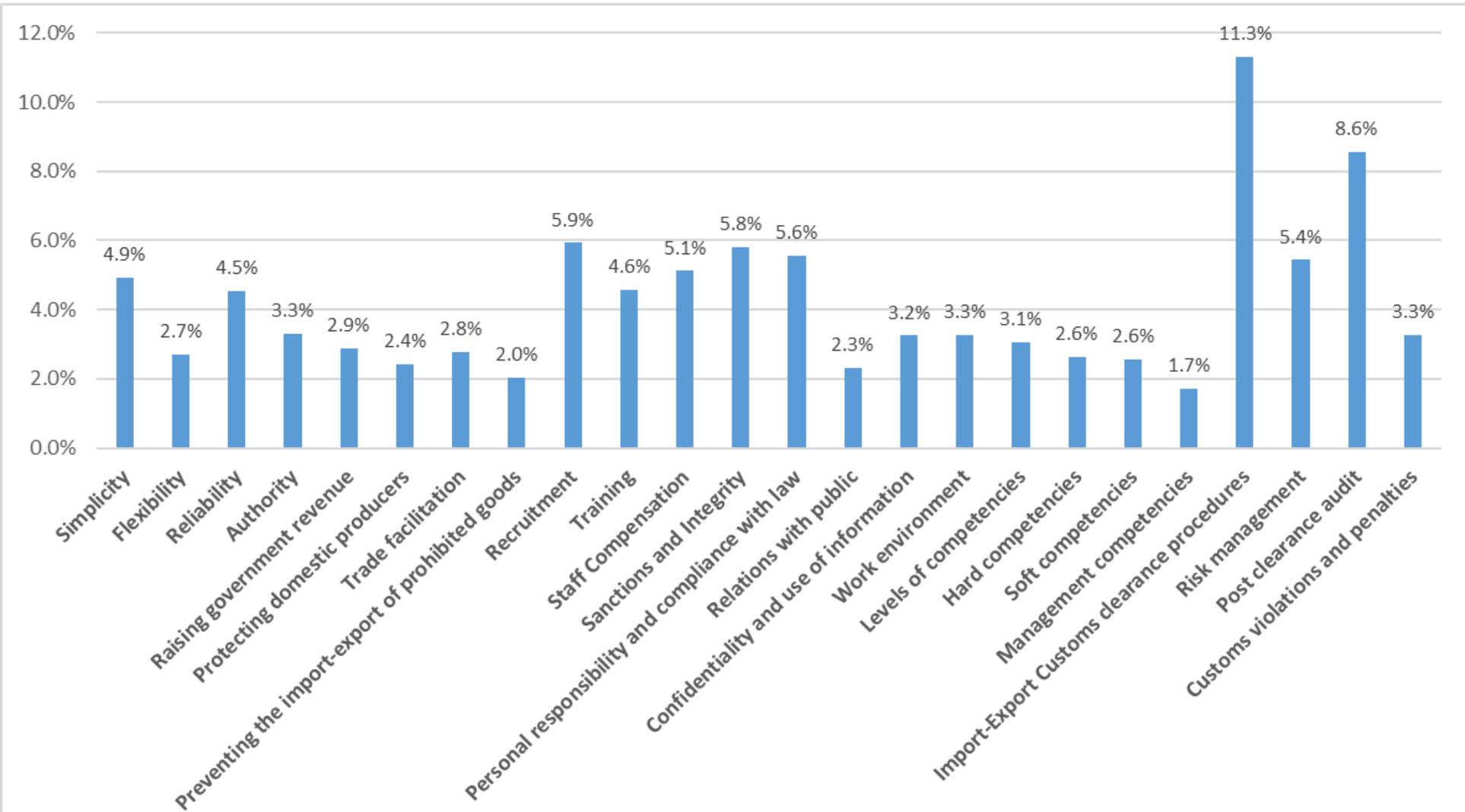
	Clearance operations	
1	Import-Export Customs clearance procedures	40%
2	Post clearance audit	30%
3	Risk management	19%
4	Customs violations and penalties	11%

- In Competency framework factor, there are very big differences among sub-factors, the highest is “Import-Export Customs clearance procedures” (40%), much greater than “Post clearance audit” (30%), “Risk management” (19%), the lowest is “Customs violations and penalties” (11%).
- The deviation from the highest to the lowest is 3.5 times.

The result



The result



IV. Implication

- “Clearance operations” is the most interesting factor, chosen by officials and clients.
- Role of “Clearance operations” in respondents’ opinions
 - Directly affects to the goods flow and profitability in supply chain.
 - Directly affects to implementing Customs Mission.
- How to have a good “Clearance operations”?
 - Good in “Import-Export Customs clearance procedures”
 - Good in “Post clearance audit”
 - Good in “Risk management”
 - Good in “Customs violations and penalties”

IV. Implication

- What is “Import-Export Customs clearance procedures”?
 - The activities of customs service to approve goods to import to or export from a country.
- How good in “Import-Export Customs clearance procedures”?
 - Fast
 - Simple
- How to get fast and simple?
 - Apply IT to customs service procedures.
 - Reduce the step-to-do in clearance process.
 - Adjust, improve customs policies.
 - Recruit and train appropriate officials.

IV. Implication

- What is “Post clearance audit”?
 - The audits after clearance to satisfy accuracy and authenticity of declarations through the examination of the relevant books, records, business systems and commercial data held by persons concerned.
- How good in “Post clearance audit”?
 - Accurate
 - Transparent
- How to get accurate and transparent?
 - Collect correct data of firms.
 - Improve customs law and policies.
 - Have the wide knowledge and experience.

IV. Implication

- What is “Risk management”?
 - The software that provides customs officials with necessary information to address companies that present a risk.
- How good in “Risk management”?
 - Accurate
 - Effective
- How to get accurate and effective?
 - Collect correct information.
 - Have a good algorithm.
 - Have the wide knowledge and experience.

IV. Implication

- What is “Customs violations and penalties”?
 - The process performed when a client violate customs law.
- How good in “Customs violations and penalties”?
 - Apparent
 - Deterrable
 - On time
- How to get accurate, deterrable and on time?
 - Inspect the firm’s activities frequently.
 - Update the data in risk management usually.
 - Propose appropriate policies.

IV. Implication

- Expectation from clients for customs authority
 - Reduce inspection at terminal.
 - Reduce step-to-do in customs procedures.
 - Apply the appropriate tax code.
 - Propose more supporting policies.
- Expectation from officials for clients
 - Understand and execute correctly customs service procedures.
 - Prepare fully customs documents and declare clearly.
 - Pay taxes fully and on time.
 - Comprehend and comply with customs law.

The end
Thank you for listening

Q&A