



# Introduction to the Classification of Business Functions

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# Contents

1. Business functions classification background

2. State of play

3. Key points

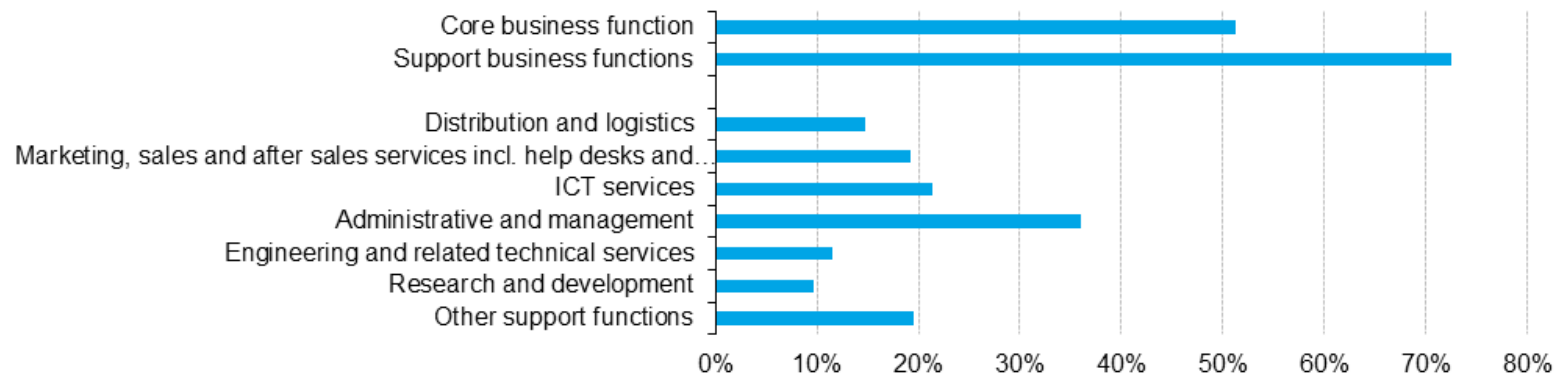
# Business functions classification background

- Motivation: to help **measure outsourcing** and **offshoring**.
- Primary used in the production of business statistics – a tool for statistical analysis.
- International sourcing surveys and MDL exercises

# International sourcing survey snapshot

## Enterprises sourcing core and support function internationally (2014-2017)

(percentage of all surveyed enterprises sourcing internationally)



Source: Eurostat (iss\_18sodest)

# State of play

- Eurostat has developed a draft **business functions manual**, which aims to **analyze** the available business functions **literature** and create a **draft classification** to be used by the statisticians.
- This work has intensified since 2018
- The business functions manual has been discussed in several task forces and working groups.

## State of play (2)

- The information from the business functions classification should be an important **input for the European GVC survey**.
- Main difference from the business functions used in the International sourcing survey 2017/2018 is that the distinction core/support functions is not part of the business functions classification itself.

# Key points – Contents of the classification

- Presentation of **business functions concept** and why are they important
- **Overview** of the history and motivation
- **Core and support** business functions
- Proposal of a **list of business functions**
- **Core business function identification** methods
- **Correlation** with existing classifications

## Key points – Purpose and goals

- **Purpose:** develop business function classification to be used in the production of domestic and international business statistics
- **The goal** is to deploy a concise list of generic business functions that seek to cover the full range of possible business activities



# Proposed list of functions

## 1. Production of goods and materials

- 1.1 Agriculture and fishing
- 1.2 Manufacturing and assembly
- 1.3 Energy and extraction of raw materials
- 1.4 Construction

## 2. Provision of services

### 2.1. Management and administration

- 2.1.1 Management (e.g. human resource management, financial management, or strategy formulation)
- 2.1.2 Administration (e.g. legal, bookkeeping, purchasing, or other back office functions)

### 2.2. Engineering and research and development (R&D)

- 2.2.1 Engineering and related technical services
- 2.2.2 Research and development

### 2.3. Information technology

- 2.3.1 Information technology services (e.g. computer system and web design and consulting)
- 2.3.2 Software programming
- 2.3.3 IT system installation, maintenance, and help desk services

### 2.4. Marketing, sales, and after-sales service

- 2.4.1 Marketing
- 2.4.2 Sales (including wholesale and retail)
- 2.4.3 After sales services

### 2.5. Transportation, logistics, and storage

- 2.5.1 Transportation and logistics (road, water, or air)
- 2.5.2 Warehousing and storage

### 2.6. Other services n.e.s.

- 2.6.1 Facility management (e.g. catering, security)
- 2.6.2 Maintenance and repair services
- 2.6.3 Other (e.g. leasing)

# Key points – Core vs. Support functions

## CORE BUSINESS FUNCTIONS

Outputs are **directly linked with turnover** (revenue-producing)

Goods and services produced are **intended for the market**

**Consistent with the main activity** of the enterprise

## SUPPORT BUSINESS FUNCTIONS

Outputs do **not directly** generate turnover, only costs

Goods and services produced are **intended for internal use** (not for the market)

**Related to the concept of ancillary activities**

**VS.**