Issues in the implementation of business functions in Europe

Meeting of the TSG-CBF
Virtual meeting
4-5 November 2020

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Background

- Used in international sourcing surveys
- Data collected on: employment, sourcing and motivation/barriers
- Several rounds of discussions on issues
1. Finding the right contact person

- **Accounting vs. management**
- Depends on the statistical unit chosen as well
- Majority of responses in the International sourcing survey came from accounting
- Several departments can be involved: management, HR, accounting, strategic planning and others
- **Counting** measurements vs. **motivational** measurements
1. Finding the right contact person (snapshot - sourcing)

Motivational factors important for enterprises sourcing internationally (2014-2017)
(percentage of all surveyed enterprises sourcing internationally)

- Reduction of labour costs
- Reduction of other costs than labour costs
- Strategic decisions taken by the group head
- Focus on core business
- Reduced delivery times
- Access to new markets
- Lack of qualified labour
- Less regulation affecting the enterprise, e.g. less environmental...
- Access to specialized knowledge/technologies
- Improved quality or introduction of new products

Note: Multiple answers allowed.
Source: Eurostat (iss_18mso)
1. Finding the right contact person (snapshot – back-sourcing)

Motivational factors important for enterprises to move functions from abroad (2014-2017)
(percentage of all surveyed enterprises sourcing internationally)

- Strategic decisions taken by the group head
- Insufficient quality of product/service at the foreign location
- Lack of qualified personnel at the foreign location
- Low labour productivity at the foreign location
- Difficult to manage due to physical distance, language and...
- Higher than expected costs involved in sourcing activities
- Production process needed to be closer to R&D and/or product
- More frequent changes to the product made it harder to manage
- Automation of production process domestically (increased)
- Problems with supplier flexibility and ability to supply

Note: Multiple answers allowed.
Source: Eurostat (iss_18bfmot)
2. Choosing the right statistical unit

- In the IS survey, **SU is ‘enterprise’**
- It is an organizational unit producing goods or services which has a certain degree of **autonomy in decision-making**.
- It can carry out more than one economic activity and it can be situated at more than one location.
- One or more legal units.
- Observed units are still legal units.
- Why is it better to report on the enterprise level?
2. Choosing the right statistical unit (2)

- Issues to be resolved:
  - How to aggregate data – by the respondent or the statistical office
  - Additive vs. non-additive variables
  - LeU obligation to report on other LeUs part of the same enterprise
  - Lack of respondent knowledge of other LeUs
  - Period surveys – how to deal with enterprise legal unit (LeU) changes
3. Understanding the concepts

- Business functions concept needs to be explained to the respondents
- If the survey is on sourcing, a clear definition of this concept is required
- Translation issues
4. Core and support functions

- Respondents have difficulty understanding the distinction.
- The enterprise has one core function or more?
4. Core and support functions (2)

• The latest draft *dispenses* with the *core/support* function *distinction* on the *respondents* side, to create a neutral classification. However, core/support function distinction is still a very important aspect of the business functions classification.

• This distinction can be done at a later stage, e.g. using statistical analysis (similar to the ISIC or NACE main industry code/activity designation).
4. Core and support functions (3)

• For smaller enterprises, the core/support business function concept might be not intuitive. Many of them had problems with the provided classification of business functions in the previous voluntary surveys.

• When asked, many respondents to the survey, which are service providers, have difficulty differentiating between their core and support business functions.
4. Core and support functions (4)
4. Core and support functions (5)

- What if the data on turnover or share of employment is unavailable?
- What if the same business function is both core and support?
- How to define if a function generates turnover?
5. Other business functions questions

• Long disaggregation are difficult to understand and lead to less cases per BF
• When assessing jobs per BF, how to deal with job sharing?
Summary

- Finding the right contact person
- Choosing the right statistical unit
- Understanding the concepts
- Core and support business functions distinction
- Other issues
  - Long disaggregation
  - business functions / job sharing
Questions for the discussion

• What do you think about the proposed list of functions?
• What are your thoughts on resolving some of the mentioned issues?
• Are there other relevant issues?