

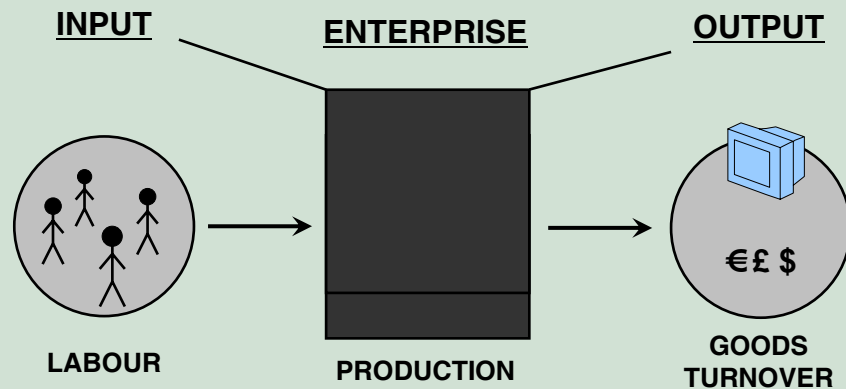
Towards a Definition of Business Functions

Peter Bøegh Nielsen
Statistics Denmark

Method and Approach used

- Unbundling of the total activity of enterprises into tasks constituting the necessary inputs for final output, including production and supporting functions
- Aggregation of the tasks performed within the enterprise to generic business functions measured by classification of the output (CPC)
- The level of detail is less aggregated than the activity code of the enterprise (NACE) but more aggregated than the product level (CPC)

Opening the black box of the enterprise ...



... by introducing Business Functions

Core business function:

Production of final goods or services intended for the market/for third parties carried out by the enterprise and yielding income.

Support business function:

Support business functions (ancillary activities) are carried out in order to permit or facilitate production of goods or services intended for the market/for third parties by the enterprise.

- Distribution and logistics**
- Marketing, sales and after sales services**
- ICT services**
- Administrative and management functions**
- Engineering and related technical services**
- Research & Development**
- Other support functions**

Definition of Business Functions by CPC (1)

Annex 1

Classification of Business Functions and its CPC correspondence

1. Core business function

Production of final goods or services intended for the market or third parties carried out by the enterprise and yielding income. The core business function equals in most cases the primary activity of the enterprise. It may also include other (secondary) activities if the enterprise considers these to comprise part of their core functions.

- 88 Manufacturing services on physical inputs owned by others
- 854 Packaging services
- 87 Maintenance, repair and installation (except construction) services
- 89 Other manufacturing services; publishing, printing and reproduction services; materials recovery services

2. Support business functions

Support business functions (ancillary activities) are carried out in order to permit or facilitate production of goods or services intended for the market or third parties by the enterprise. The outputs of the support business functions are not themselves intended directly for the market or third parties. The support business functions are in the survey divided into:

a. Distribution and logistics

This support function consists of transportation activities, warehousing and order processing functions.

Definition of Business Functions by CPC (2)

- 61 Wholesale trade services
- 62 Retail trade services
- 65 Freight transport services
- 671 Cargo handling services
- 672 Storage and warehousing services
- 6791 Freight transport agency services and other freight transport services
- 68 Postal and courier services

a. Marketing, sales and after sales services including help desks and call centers

This support function consists of market research, advertising, direct marketing services (telemarketing), exhibitions, fairs and other marketing or sales services. Also including call-centre services and after sales services such as help-desks and other customer supports services.

- 83114 Marketing management consulting services
- 836 Advertising services and provision of advertising space or time
- 837 Market research and public opinion polling services
- 83812 Advertising and related photography services
- 85931 Telephone call centre services
- 85962 Trade show assistance and organization services

Definition of Business Functions by CPC (3)

a. ICT services

This support function includes IT-services and telecommunication. IT services consist of hardware and software consultancy, customized software data processing and database services, maintenance and repair, web-hosting, other computer related and information services. Packaged software and hardware are excluded.

- 8313 Information technology (IT) consulting and support services
- 8314 Information technology (IT) design and development services
- 8315 Hosting and information technology (IT) infrastructure provisioning services
- 8316 IT infrastructure and network management services
- 841 Telephony and other telecommunications services
- 842 Internet telecommunications services

b. Administrative and management functions

This support function includes legal services, accounting, book-keeping and auditing, business management and consultancy, HR management (e.g. training and education, staff recruitment, provision of temporary personnel, payroll management, health and medical services), corporate financial and insurance services. Procurement functions are included as well.

Definition of Business Functions by CPC (4)

- 82 Legal and accounting services
- 8311 Management consulting and management services (excl 83114)
- 8312 Business consulting services
- 8319 Other management services, except construction project management services
- 8592 Collection agency services
- 8594 Combined office administrative services
- 8595 Specialized office support services

a. Engineering and related technical services

This support function includes engineering and related technical consultancy, technical testing, analysis and certification. Design services are included as well.

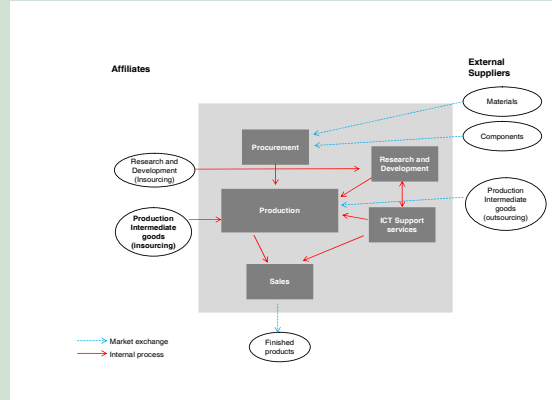
- 833 Engineering services
- 8391 Specialty design services

b. Research & Development

This support function includes intramural research and experimental development.

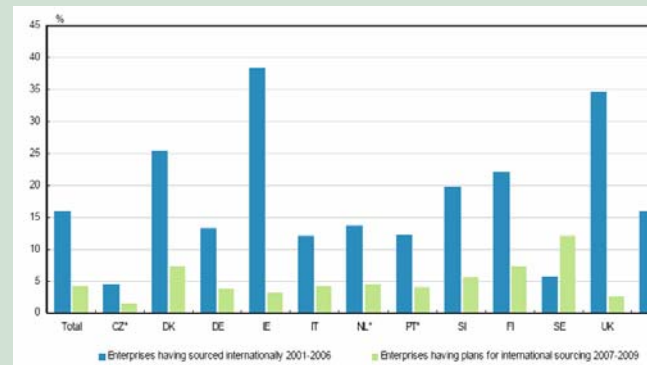
- 81 Research and development services

Value Chain by Business Functions and type of supplier



European Survey on International Sourcing

Figure 1 International sourcing. Share of enterprises with 100 or more employees with international sourcing 2001–2006 or plans 2007–2009.



What functions are enterprises sourcing?

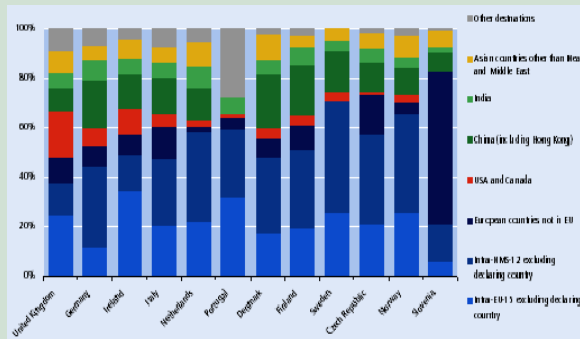
Table 1 Business functions sourced internationally by manufacturing enterprises in Northern European countries, 2001-2006. Share of enterprises carrying out international sourcing. Per cent

	Denmark	Finland	Netherlands	Norway
Core business function	70	71	73	60
Distribution	20	21	17	13
Marketing & sales	12	23	15	13
ICT services	17	21	25	12
Administration	9	14	19	11
Engineering	22	11	7	17
R&D	14	10	15	7
Other functions	5	2	2	20

Note: Enterprises with 50 or more employees – except for the Netherlands covering 100 or more employees

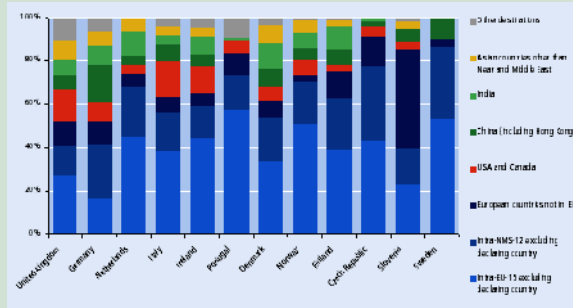
To which destinations do European enterprises source? (1)

Figure 2 Destinations for international sourcing. Core functions



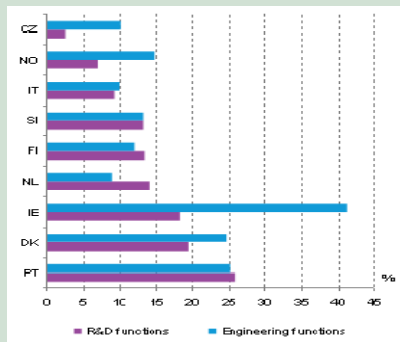
To which destinations do European enterprises source? (2)

Figure 3 Destinations for international sourcing. Support functions



The use of Business Functions can detect sourcing of R&D

Figure 4.2 Enterprises sourcing R&D functions and engineering functions, share of enterprises sourcing internationally (%)



Impact on employment by type of Business Function

Table 4.3 Development in total employment. Broken down by type of function sourced. Denmark 2000-2007

	2000 = 100				2000 = 100				2000 = 100			
	Core functions	Core and Support functions	Support functions	No IS	Core functions	Core and Support functions	Support functions	No IS	Core functions	Core and Support functions	Support functions	No IS
	All enterprises				Manufacturing				Services			
2000	100	100	100	100	100	100	100	100	100	100	100	100
2001	94	112	98	103	95	105	100	103	124	158	94	103
2002	85	101	108	105	85	106	108	102	152	122	112	100
2003	92	97	104	103	89	101	106	102	179	119	111	105
2004	91	100	106	105	87	109	108	103	184	138	106	114
2005	91	101	108	111	88	107	115	109	180	124	109	128
2006	96	101	118	119	92	106	119	119	196	107	112	129
2007	93	102	108	125	86	98	106	122	216	102	116	140

Challenges

- To identify concepts for statistical data collection (e.g. Business Functions) which can be understood and recognized by the respondents
- To establish an exhaustive list of business functions covering all market activities
- To define an international harmonised classification

Proposed new list of Business Functions

- **Procurement**
- **Distribution and logistics**
- **Marketing and sales**
- **After sales services**
- **ICT services**
- **Finance and accounting**
- **Other Administrative and management functions**
- **Engineering and related technical services**
- **Research & Development**
- **Facility management**

The Road ahead

- A revised list of business functions will be finalised End
- The list will be used in the new survey on Global value Chains and International Sourcing carried Spring 2012
- A first methodological feedback will be presented at an planned workshop on globalisation in Copenhagen, Denmark Autumn 2012
- A final methodological report will be available Early 2013

Thank you for your attention!

If any questions, you are most welcome to
contact:

Peter Bøegh Nielsen, Statistics Denmark pbn@dst.dk