STREAMLINING GLOBALISATION INTO OFFICIAL STATISTICS

“Good statisticians go to heaven but multinationals go everywhere”

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Toward an integrated approach: the Global Enterprise Centered perspective

Debate on new statistical units, registers, SBS Action plan, large enterprise groups profiling

Consistency across NA, SBS and STS domains

Expanding specific domains: MNE statistics, international sourcing survey

GVC approach: Rethinking about global production organisation
Context

- **HARD LESSONS FROM THE DATA: FROM RIGA MEMORANDUM TO DUBLIN GDP REVISION IN LINE WITH INTERNATIONAL GUIDELINES**

- **THE SCOPE OF A GLOBAL ENTERPRISE-CENTRED (GEC) PERSPECTIVE**

- **THE KEY ASSETS OF GEC PERSPECTIVE: SHARING THE KNOWLEDGE, BUILT AN APPROPRIATE DATA INFRASTRUCTURE AND REDESIGN THE PROCESS**

- **A PROPOSAL TO INTRODUCE A DEDICATED CHAPTER (NEW CHAPTER 7) IN THE HANDBOOK**
Hard lessons from the data

- Although the pipeline approach in official statistics production has been progressively discarded by NSI the way globalization is managed within NSI is still very “local” and “incidental”.

- Only few statistical domains have built over the last few years a sound knowledge on how to effectively manage globalization related issues, such as MNE statistics, foreign trade data by limited to specific movements, profiling of large economic units (business register and/or Large cases unit).

- Most of this knowledge has not yet been incorporated in statistical production process thought appropriate procedures/check points and remains based on occasional business cases

- Compilation manuals and recommendations only marginally address the globalization related issues with an operational approach

- Minor differences in definition between domains are ampered by globalization related issues reducing the consistency across domains and the business relevance of data
Hard lessons from the data

............as a result, individual signal from outside can be interpreted and processed in a different way inside NSI....
Hard lessons from the data: some examples

• **Top exporting companies** (top 100 exporting companies in Italy) used to be manufacturers or wholesales with at least 100 person employed. Recently legal units with few person employed (fiscal entities, SPE) rank very high in the top list. This introduces inconsistency with both BR and SBS data and make TEC data not business relevant if not properly treated.

• **Minor differences in definition between domains in short terms statistics** - such as the inclusion of goods and services without manufacturing processing in the index of industrial turnover and the exclusion for the index of industrial production - are very much ampered in some industries by globalization as long as large MNE operations directly impact on them.

• The international organization of core activities and business functions makes the data collection of key variables, such as Intra-muros R&D more complex and the production of final figures more complicated.

• **Structural changes such as international sourcing occur at a very quick pace** often combined with global fiscal planning making some basic assumptions on short terms indicators not anymore realistic.
Toward an integrated approach: the Global Enterprise Centered perspective

✓ Given differences across statistical domains in terms of overage, definitions and procedures, there is an increasing evidence on the use of micro-level integrated data and consideration of business case related to MNE operations.

✓ Since globally interconnected large enterprises (MNEs and large international suppliers) are the leading actors of globalisation, the focus should be on those companies based on individual integrated data.

✓ This approach acknowledges that MNE operations have a relevant impact on national figures and they effect on potential biased within or across domains is even larger (for instance MNE can contribute up to 60-70% of national exports but they are also responsible for almost 100% of suspected transactions).

✓ This is also a cost efficient approach since monitoring top MNEs across different domains can be managed by small unit of very skilled persons.

✓ A common conceptual framework is needed to understand, analyze and process the data directly or indirectly affected by globalisation.
Toward an integrated approach: the Global Enterprise Centered perspective

The standard approach of statisticians to measure the impact of MNEs on official statistics

The big elephant
Toward an integrated approach: the Global Enterprise Centered perspective

Chek list:

- To identify the UBO and the global perimeter of control
- To understand MNE decision process
- To develop relevant classifications to understand the organisation of business
- To develop routines to manage high frequency business cases (monitoring top companies across domains)
The scope of a Global Enterprise-centred (GEC) perspective

So from where to start?
The decision process of a Global Enterprise

- **Core business**
  - Where to locate core business activities to reduce costs and maximise profits and how to interact with other activities resident in another country (transfer price, property of intangible assets)

- **Business functions**
  - Where to locate related business functions and how to interact with other activities resident in another country (transfer price, property of intangible assets)

- **Financial and fiscal issues**
  - Where to locate financial tax related activities and how to interact with other activities resident in another country (transfer price, property of intangible assets)

The economic behaviour of a MNE is quite often the synthesis of multiple strategies
The business structure of a **Global Enterprise**

- **Business lines (BL or operational segment)** are the basic components of a GE. They are also consistent with their accounting system (consolidated data).

- **A production process is associated to each business line** and it encompasses both core activities (production of goods and services) and business functions (BF).

- Business decisions on core activities can be taken independently from each other, as well as business functions can serve specific core activities or all core activities.

- Corporate functions (financial or legal services) usually follow an independent approach.

- The **basic structure that fully describes the organization of a GE** is composed by four matrixes (Make-home, buy-home, Buy abroad, Make abroad).

- **Strategic decisions usually concern where BL, BF and CF are located and how they interact given national and global institutional settings.**

- The legal structure of the GE is generally less stable and for sure less meaningful than the basic business structure of a GE.
The basic structure of a Global Enterprise

Business functions (BF)

Business lines (BL)

Location/make or or buy 4 options
THE SCOPE OF A GLOBAL ENTERPRISE-CENTRED (GEC) PERSPECTIVE

What you see if quite often not what it really is relevant for the GE and therefore for the quality of official statistics.

The basic structure of a GE:
BL*BF matrix

Decisions on core business

Decisions on business functions

Decisions on global tax planning and financial issues

A possible configuration of the GE legal/hierarchical structure

Dipartimento

Alcuni servizi centralizzati

Produzione 1 e servizi interni

Produzione 2 e servizi interni

Produzione 3 e servizi interni
THE KEY ASSETS OF GEC PERSPECTIVE

SHARING THE KNOWLEDGE: A sound knowledge of globalization is usually available for a limited number of persons within NSI mostly by accident (no explicit training, knowledge sourcing from international Task Forces. In Europe (EU) capacity building in this area was built for FATS, EGR, profiling, specific movements in foreign trade). This knowledge should be further expanded and shared with an explicit training strategy.

BUILT AN APPROPRIATE DATA INFRASTRUCTURE: Different actors within NSI should work and share knowledge starting from a common data framework a the firm level integrating statistical and administrative data sources. In Italy we have built the SBS-Frame that provides a common firm level integrated data source to compile SBS statistics and National Accounts figures. We plan to expand it to Short Terms Statistics given differences in variables definitions and survey methodology.

REDESIGN THE PROCESS: Statistical processes within and between key statistical domains (STS,SBS,NA) should be redesigned: introduction of a Large cases Unit, assessment and continuous monitoring of major inconsistencies across domains.
as a result, individual signal from outside will be interpreted and possibly processed in the same way inside NSI...
A proposal to introduce a specific chapter

During a conference call in early November it was proposed to reshape a bit the contents and the division of labour between chapters 7, 11 and 12 in order to more clearly spell out the conceptual framework behind those chapter/the manual as well as to provide operational guidance to countries that are facing complex globalisation related issues.

A new chapter was proposed as follows

Chapter 7 – Conceptual issues of Global enterprise

Introduction
The concept of the global enterprise
Cross-cutting perspective of National Accounts on global enterprise
Cross-cutting perspective of Structural Business Statistics on global enterprise
Cross-cutting perspective of Short-term statistics on global enterprise
Conceptual view on the new types of international organization of production
International Sourcing (Definition of Business Functions)
Factoryless Goods Producers
Chapter 7 – Conceptual issues of Global enterprise will design a conceptual framework to support a better understanding of specific topics included in other chapters as well as it will provide some operational guidance to countries on how to face globalisation challenges in official statistics

Specific goals

- provide some guidance on how business statistics can “bridge” GVC and satellite national accounts
- provide a conceptual framework to bring together different statistical and analytical issues such as business functions, ownership linkages, etc...
- Highlight the pervasive impact of globalization if «external signals» are not consistently addressed within NSI production pipeline
- provide some useful guidelines on how to best address problems related to globalization
- Provide indications on how to best exploit data for GVC analysis