

CHAPTER 7

“Conceptual issues of the Global enterprise perspective”

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Context

- THE GLOBAL ENTERPRISE PERSPECTIVE: MOTIVATIONS AND INTERACTION WITH THE OTHER CHAPTERS OF THE HANDBOOK
- THE BASIC IDEAS INTRODUCED IN THE CHAPTER
- THE STRUCTURE OF THE CHAPTER
- PROPOSALS TO IMPROVE THE SCOPE AND READABILITY OF THE CHAPTER

The Global Enterprise perspective: motivations and interaction with the other chapters of the handbook

Why shall we care about Global enterprises?

- They have limited influence in large countries
- They tend to be sector specific
- They are similar to other companies, they are just bigger

.....but when something strange happens about the data.....they are always there

Few companies are responsible for:

- Large asymmetries in international trade
- Poor classification of international flows by country
- Instability in short terms statistics
- Inconsistency across different domains
- Problems about resident non resident economic unit



This is not just because they are big, they behave in a radical different way as compared to domestic companies

.....more knowledge is essential to correctly classify and measure them

The Global Enterprise perspective: motivations and interaction with the other chapters of the handbook

A: What do you want?

B: Knowledge

A: How much can you pay for that?

B: I don't know

....loop.....

**«Hearts in Atlantis»
Stephan King**

Chapter 7 essentially focuses upon the nature and amount of knowledge needed by official statisticians to properly address globalisation related issues. Key basic issues

- ✓ Specialised knowledge versus broader knowledge on Global Enterprise organisation and behaviour
- ✓ Theoretical knowledge only or knowledge that can be also tested against real business cases
- ✓ Knowledge concentrated in few people or knowledge that is spread across different domains inside NSI

The Global Enterprise perspective: motivations and interaction with the other chapters of the handbook

A: What do you want?

B: Knowledge

A: How much can you pay for that? What's about less survey questionnaires?

B: We don't know

A: Do you think there is knowledge there?

B: We dont' know

Study visit at Pfizer Italy

- Global enterprises have the knowledge to explain what they do, why and how. They trust NSI to keep information confidential.
- NSI have problems to interact with them: fragmentation of statistical processes, use of a different language, limited background information about the company.



Legal entity?

Economic activity?



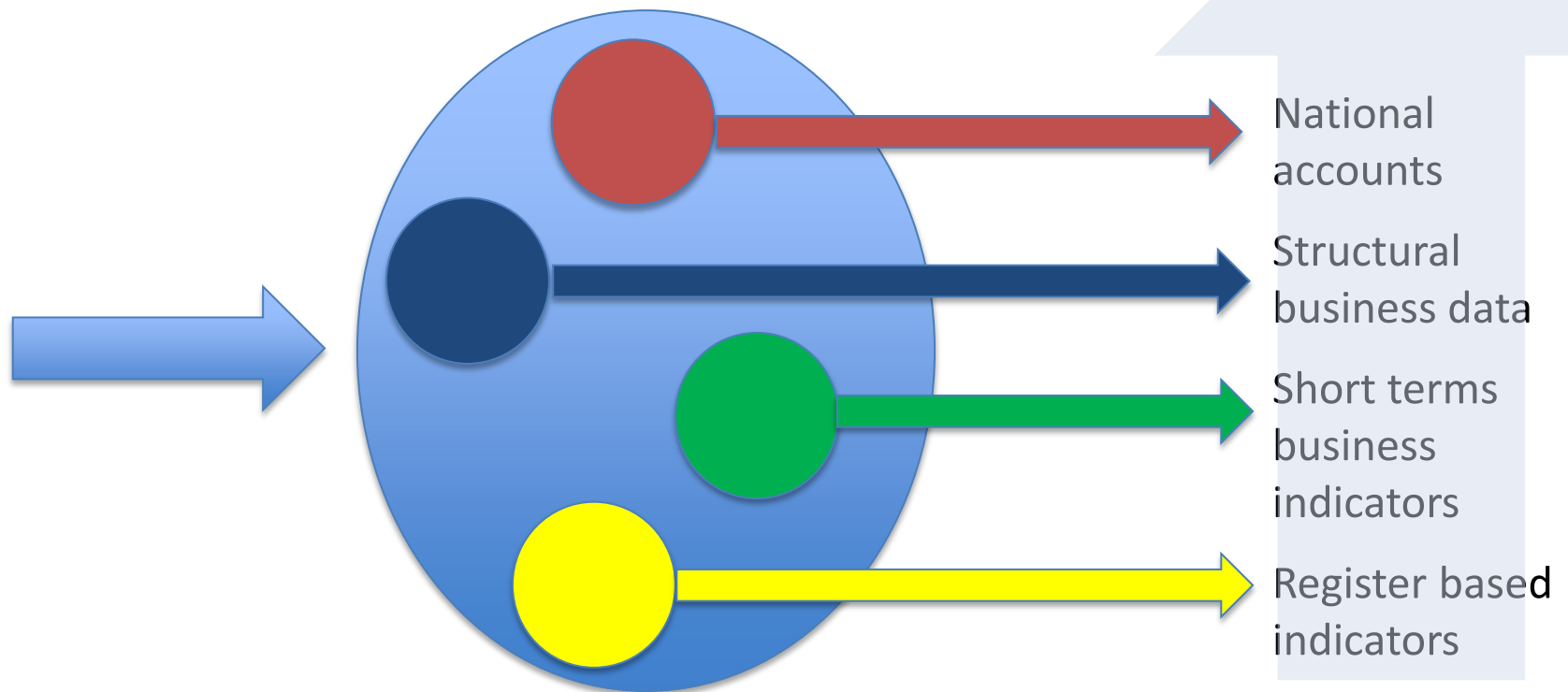
Business lines?

Business functions?

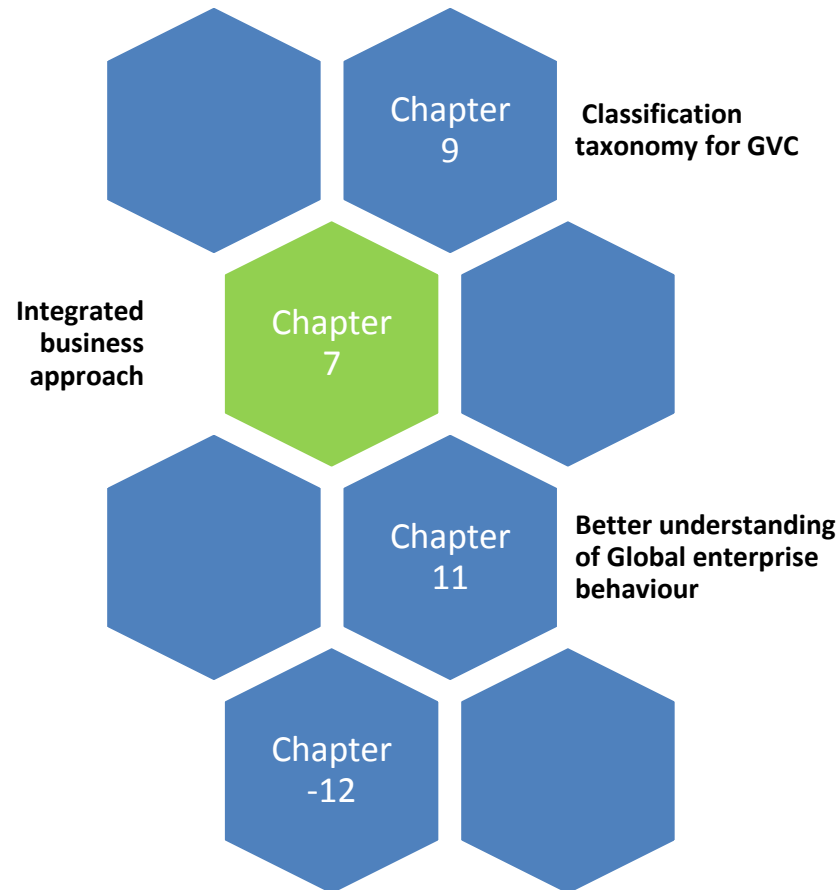


Hard lessons from the data

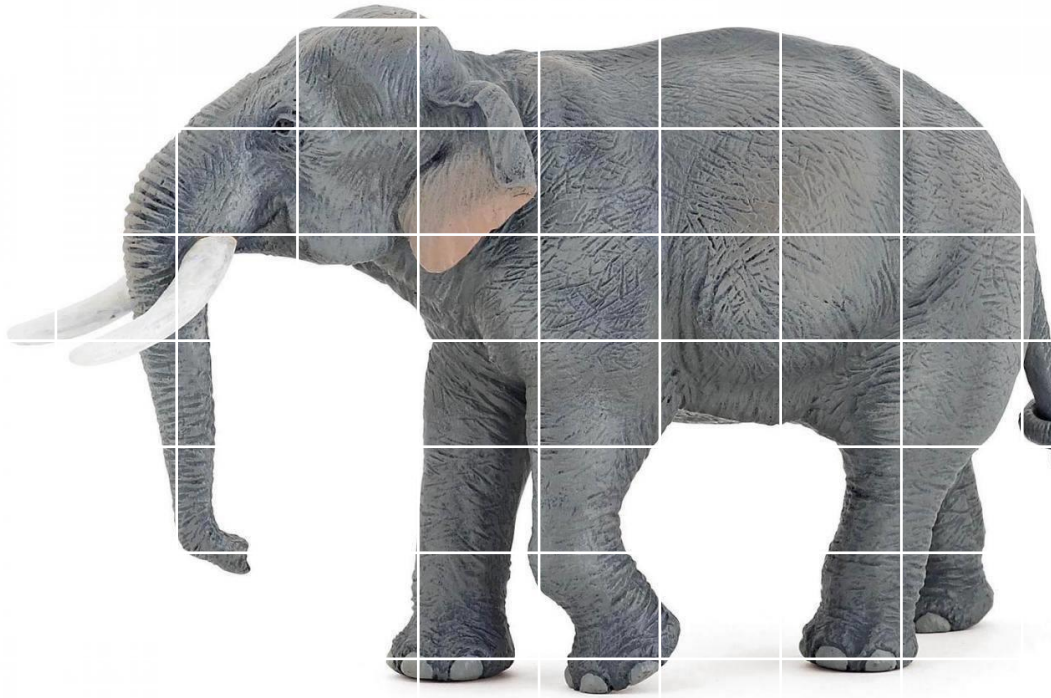
.....as a result, individual signal from outside can be interpreted and processed in a different way inside NSI....



The Global Enterprise perspective: motivations and interaction with the other chapters of the handbook



Toward an integrated approach: the Global Enterprise Centered perspective



Check list:

- To identify the UBO and the global perimeter of control
- To understand MNE decision processes
- 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 Basic ideas introduced in the chapter

- ✓ Global enterprises are not just multinational enterprises: the role of independent suppliers in line with GCV theory
- ✓ The GE behaviour is based on a complex decision process with different motivations and time for implementation: industrial strategy (slow) and tax-financial strategies (fast). They often interact
- ✓ The legal structure is not the essential framework to understand GE organisation: business lines and business process are more important (business process)
- ✓ A deeper understanding of International accounting/internal reporting is essential to properly address GE measurement problems
- ✓ A conceptual framework can be used to classify all possible GE operations and restructuring processes

The Basic ideas introduced in the chapter

Global enterprises are not just multinational enterprises: the role of independent suppliers in line with GCV theory

1. A Global Enterprise (GE hereafter) can be defined as a company that designs and operates its business activities by establishing abroad a foreign affiliate and/or by interacting with independent companies that are resident abroad. Business relevant activities include a large portfolio of elements that are indicated in bullets in table 1.

Table 1: Business activities carried out abroad by a Global Enterprise

- ▶ **Production lines or tasks of the core business activity**
- ▶ **Business functions supporting core business activity**
- ▶ **Exchange of technology and use of international platform**
- ▶ **Access to global finance and global tax planning**

The Basic ideas introduced in the chapter

The GE behaviour is based on a complex decision process with different motivations and time for implementation: industrial strategy (slow) and tax-financial strategies (fast). They often interact

Table 2: The basic choices of GE behavior

▶ **Industrial strategy**

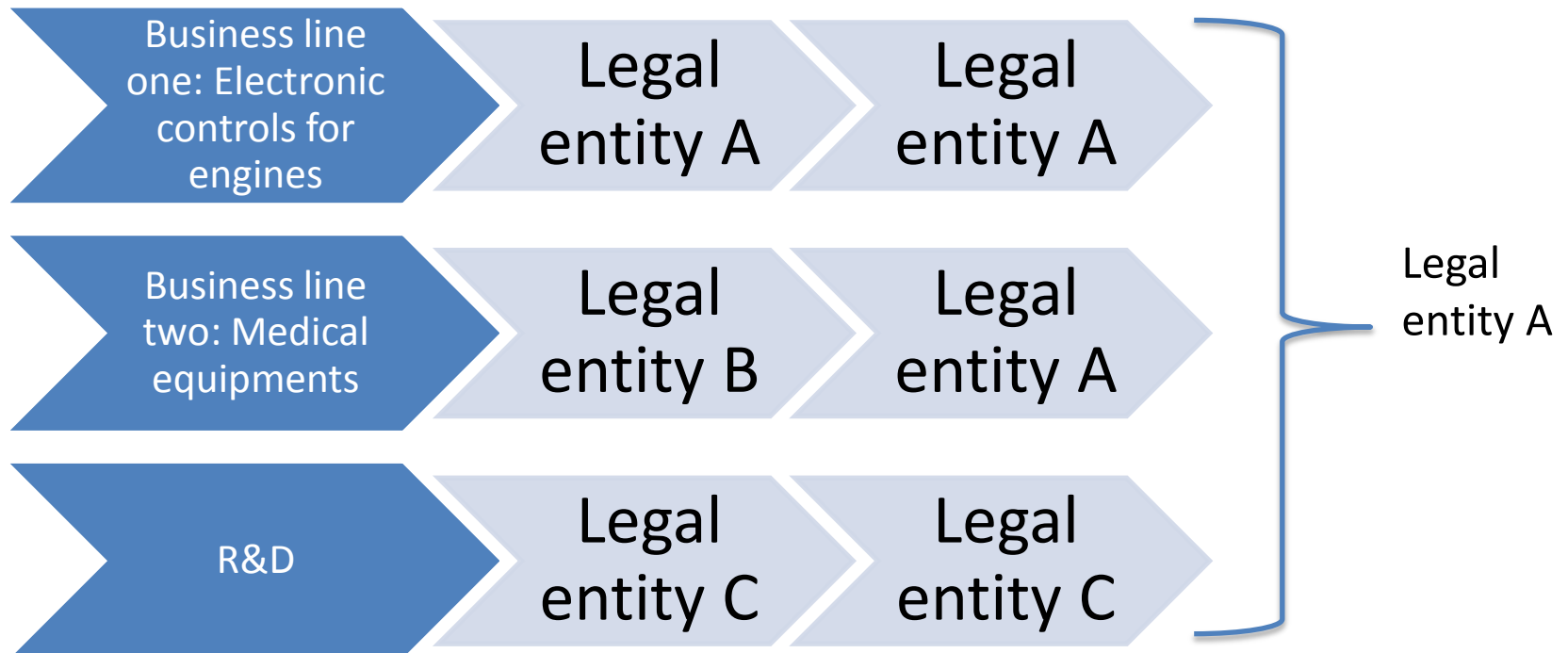
- ✓ Where to locate core business activities and how to make them interact
- ✓ Where to locate related business functions and how to make them interact
- ✓ How to manage technology and other immaterial assets

▶ **Financial and tax planning**

- ✓ Where to locate financial activities and how to coordinate them internationally
- ✓ Where to locate tax revenues and how to coordinate them internationally

The Basic ideas introduced in the chapter

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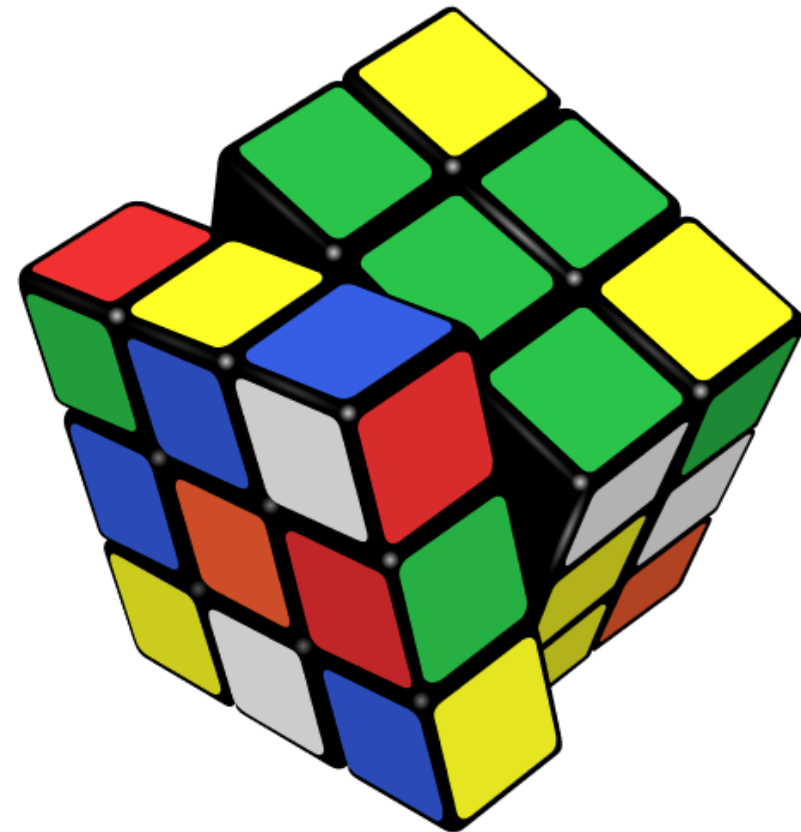
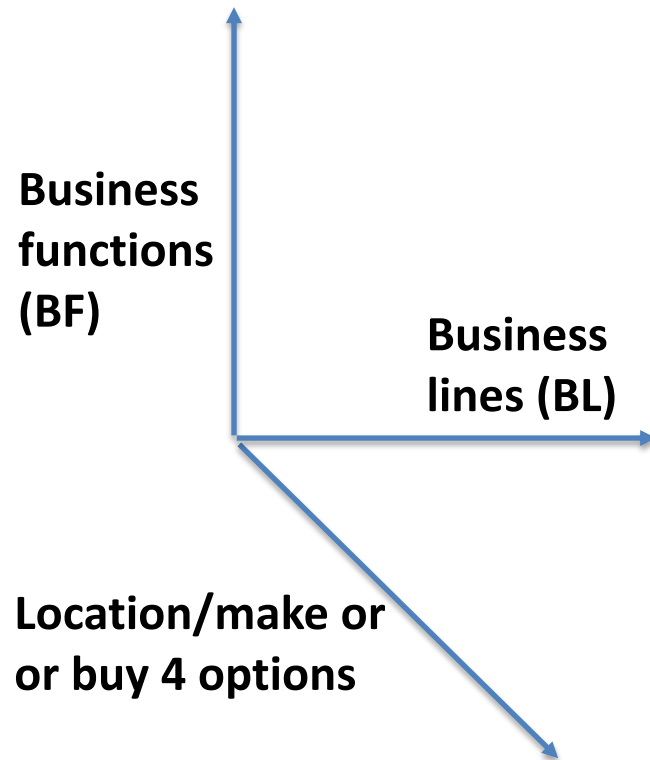
The divisional model

The functional model

The matrix complex model

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

The basic structure of a Global Enterprise



The Basic ideas introduced in the chapter

- ✓ The legal structure is not the essential framework to understand GE organisation: business lines and business process are more important (business process)

The **business line** consists in the production of a specific group of goods or services that the GE considers a relevant area for its business. According to the principles of IAS/IFRS, a business line is also characterized by a well defined information systems of costs and revenues, and usually its manager reports directly to the board.

A set of business supporting functions is attached to each business line. They whole together define a **business process**. Different business line can exploit business supporting functions in a different way, but for classification purposes a business process is described by potentially including all supporting business functions.

The possibility that each component of a business process can be carried out internally or externally by the GE, indeed by an affiliate or by an independent supplier, introduces a new dimension in our classification scheme.

The possibility that each component of a business process can be carried out in the country of residence of the GE parent company (ultimate controlling institutional unit/ headquarter) or abroad, either internally and/or externally with respect to GE perimeter of control, adds a further dimension in our classification scheme.

Table 3: The proposed classification and analytical framework

Breakdown of GE activities as a step by step decomposition process

➔ **Business line**

BL
X

➔ **The business line and its business supporting activities defines a business process**

BL	BF1	BF2	BF3	BF4	F	BF6	BF7	BF8	BF9
X		X		X			X	X	

➔ **Each business process can be carried out internally (I) or externally (E) the GE**

M	BL	BF1	BF2	BF3	BF4	BF5	BF6	BF7	BF8	BF9
I	X		X					X	X	
E			X		X				X	

➔ **Each business process can be located in the resident country (R) or abroad (F)**

L	M	BL	BF1	BF2	BF3	BF4	BF5	BF6	BF7	BF8	BF9
R	I	X		X					X	X	
R	E			X		X				X	
F	I	X		X						X	
F	E			X		X					

➔ **This process can be reiterated for each business process (BP) independently from each other**

BL	L	M	BL	BF1	BF2	BF3	BF4	BF5	BF6	BF7	BF8	BF9
BP1	R	I	X		X					X	X	
BP1	R	E			X		X				X	
BP1	F	I	X		X						X	
BP1	F	E			X		X					
BP2	R	I	X	X	X	X		X	X			X
BP2	R	E		X				X			X	
BP2	F	I		X		X		X	X			
BP2	F	E	X		X				X		X	

A conceptual Framework that can be used to classify all possible GE operations and restructuring processes

**A conceptual
Framework that
can be used
to classify
all possible
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and restructuring
processes**

Why the conceptual model is important:

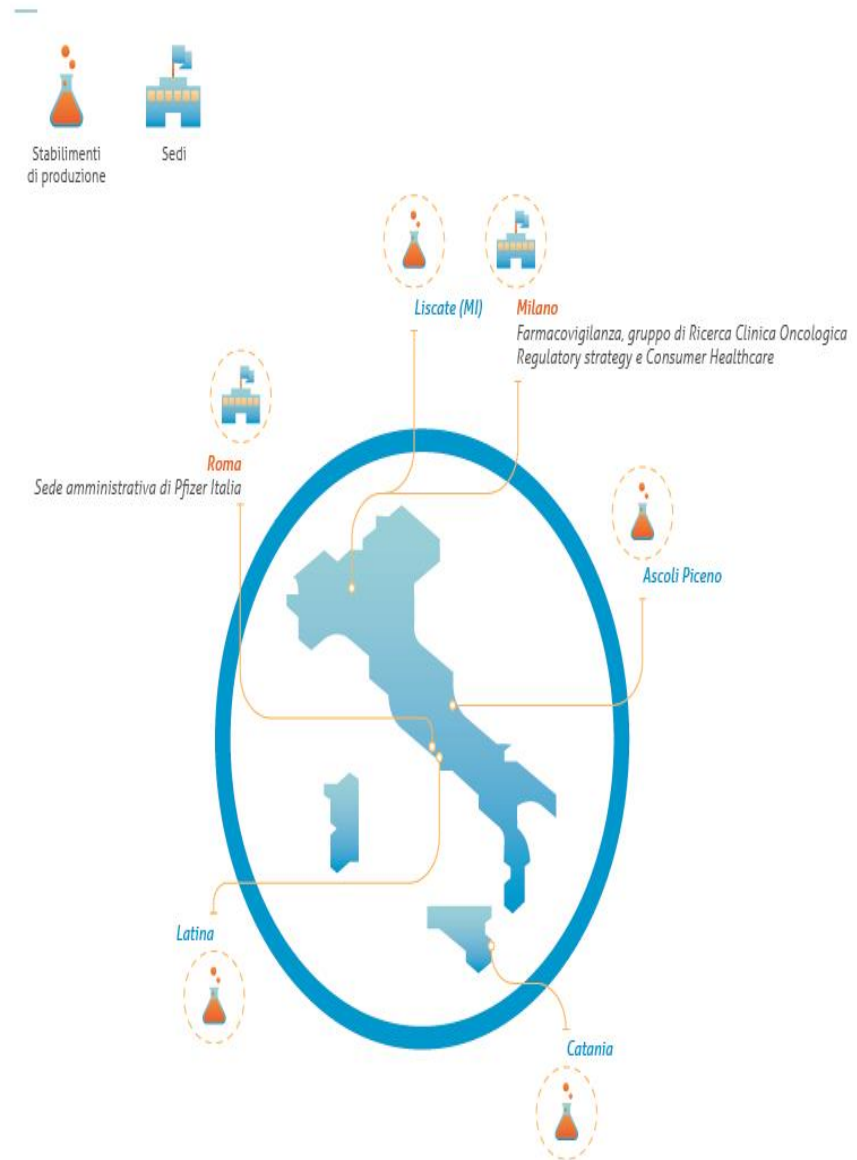
- It is rooted into the GE «industrial strategy» this means is linked to motivations
- It is backed up by international accounting data: the GE usually have good data to describe it
- It covers all possibilities (most surveys and other classification schemes only cover some)
- It can be considered by in a static and dynamic way: re-offshoring etc....
- It uses the same language that GE adopt

A little example

From the Website of Pfizer Italy

Some interesting information from the website:

Pfizer operates in Italy since **1955**, with a **turnover of approximately 1 billion 2015** and **3000 employees**. Its **headquarters are in Rome**, where, in addition to government offices, a **business unit at European level**. **International offices are in Milan of pharmacovigilance and regulatory strategy, a research group in Oncology clinical development at the global level**; Besides the Consumer Healthcare Divisor In these structures, we have four production facilities in **Liscate (Milan)**, **Ascoli Piceno**, **Aprilia (Latina)** and **Catania**, with significant export volumes worldwide.



The structure of the chapter

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