Towards a Definition of Business Functions

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Method and Approach used

- Unbundling of the total activity of enterprises into tasks constituting the necessary inputs for final output, including production (core) 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..

INPUT

LABOUR

ENTERPRISE

OUTPUT

GOODS TURNOVER

€ £ $
… 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
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

- Procurement
- Research and Development (Insourcing)
- Production
- Intermediate goods (insourcing)
- Sales
- ICT Support services
- Finished products

External Suppliers
- Materials
- Components
- Production Intermediate goods (outsourcing)

Affiliates
- Research and Development (Insourcing)
- Production Intermediate goods (insourcing)

Market exchange

Internal process
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

<table>
<thead>
<tr>
<th>Function</th>
<th>Denmark</th>
<th>Finland</th>
<th>Netherlands</th>
<th>Norway</th>
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<td>Distribution</td>
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<td>ICT services</td>
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<td>Other functions</td>
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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
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

<table>
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<tr>
<th></th>
<th>Core and Support</th>
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Challenges

- To identify Business Functions for statistical data collection 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

- The list will be used in the new survey on Global value Chains and International Sourcing in Spring 2012

- A first methodological feedback will be presented at an planned workshop on globalization 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:

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