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 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

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

- Components
- Materials
- Procurement
- Production
- Sales
- ICT Support services
- Finished products
- Research and Development (Insourcing)
- Production Intermediate goods (insourcing)
- Market exchange
- Internal process
- External suppliers
- Affiliates

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. Percent

<table>
<thead>
<tr>
<th>Core business function</th>
<th>Denmark</th>
<th>Finland</th>
<th>Netherlands</th>
<th>Norway</th>
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<td>71</td>
<td>73</td>
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<td>Distribution</td>
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<td>Marketing &amp; sales</td>
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<td>15</td>
<td>13</td>
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<td>Administration</td>
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<td>19</td>
<td>11</td>
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<td>22</td>
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<td>17</td>
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<td>R&amp;D</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

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

<table>
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<th>Year</th>
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<th>Support functions</th>
<th>Support functions</th>
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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 a 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:

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