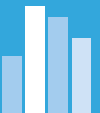


# Measuring International organisation and sourcing of business functions - *Experiences from the European surveys*

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# European Surveys on international organisation and sourcing of business functions

- The European survey the first to introduce business functions. Ad hoc surveys carried out in 2007, 2012, 2017/18 and 2021
- Mandatory surveys to be carried out every three years from 2024 onwards according to new regulation on European Business Statistics
- 22 European countries participated in one or more surveys
- The target population is enterprises with 50+ persons employed in the non-financial market economy in 2018 and 100+ in previous surveys



# The starting point 2006: Anecdotal evidence...

This is the 8.15 to Mumbai... It is carrying Indian commuters, on the way to do **YOUR JOB**



# Policy issues addressed

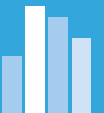
How many jobs are moved across borders? Which type of jobs and in which sectors?

Is there a risk of “hollowing out” skill based activities?

Who are the receiving countries? Who is “benefitting” from the movement of jobs?

What are the overall employment impacts – in terms of job losses or gains?

What is the impact of international sourcing on the competitiveness of European firms?

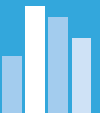


# Measurement challenges

Official statistical production systems mainly designed to measure domestic not transnational activities. This was even more prominent in the beginning of the century when the international sourcing statistics was introduced.

The dynamics of globalisation requires introduction of new concepts in the statistical toolbox, e.g. business functions or international sourcing

The statistical unit "enterprise" is mainly treated as a black box – the concept of business functions is opening up this black box



# Definitions of International Sourcing

The total or partial movement of business functions (core or support business functions) currently performed in-house or currently domestically sourced by the resident enterprise to either non-affiliated (external suppliers) or affiliated enterprises located abroad.



# Which lists of business functions have been used so far?

- **Core business function**

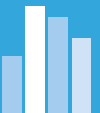
Production of final goods or services intended for the market/for third parties carried out by the enterprise and yielding income.

- Production of goods (for the market)
- Production of services (for the market)

- **Support business functions**

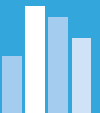
Support business functions (ancillary activities) are carried out in order to permit or facilitate production of goods or services intended for the market/for third parties by the enterprise.

- 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



# Main Indicators and dimensions

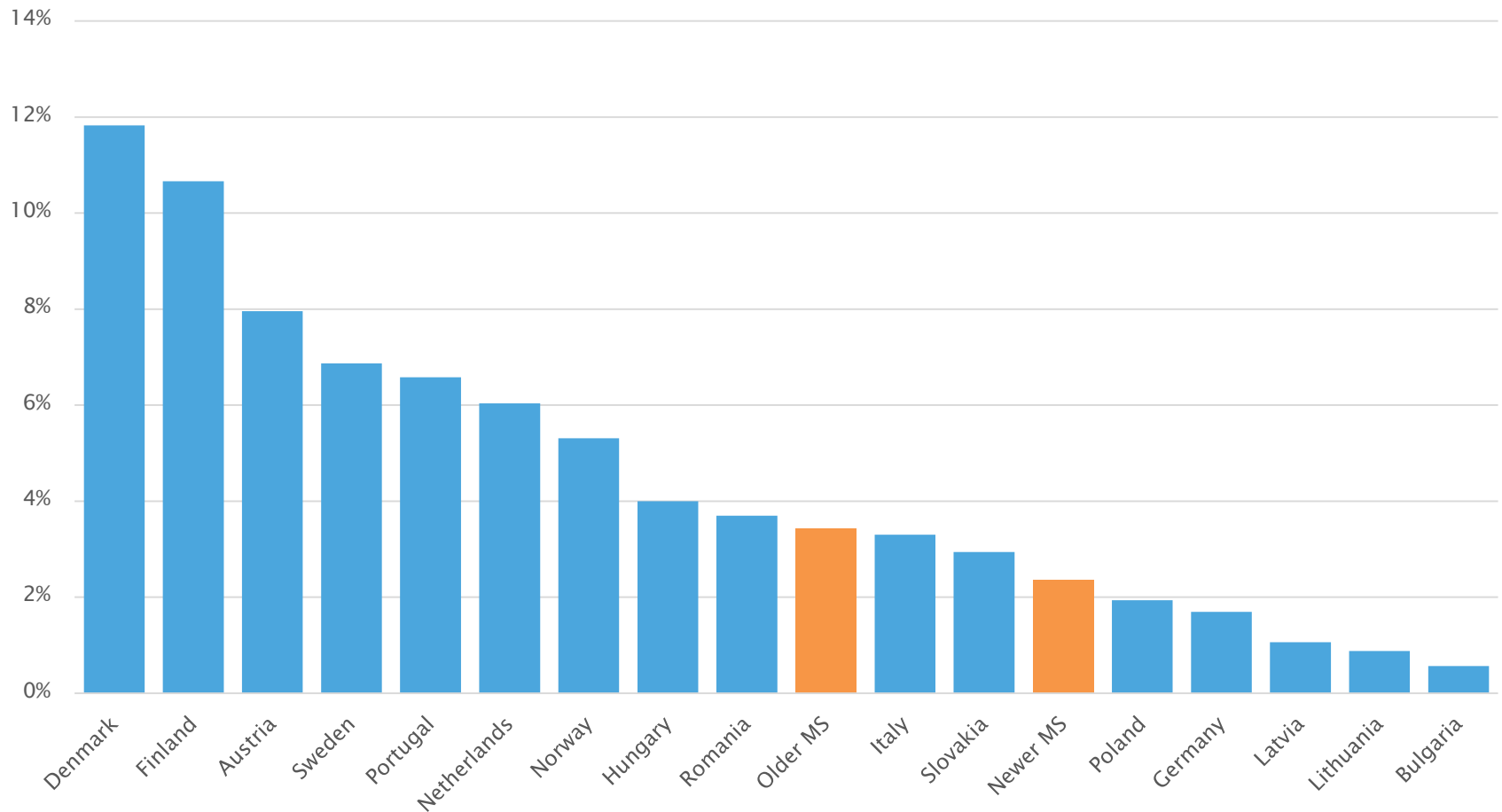
- Enterprises
- Business functions
- Jobs
- Persons employed
  
- Economic activity
- Sourcing status
- Type of business function
- Type of business partners (in/outsourcing)
- Country destination of international sourcing
- Jobs relocated abroad/created due to international sourcing
- Movement of business functions from abroad (backsourcing)
- Barriers for international sourcing





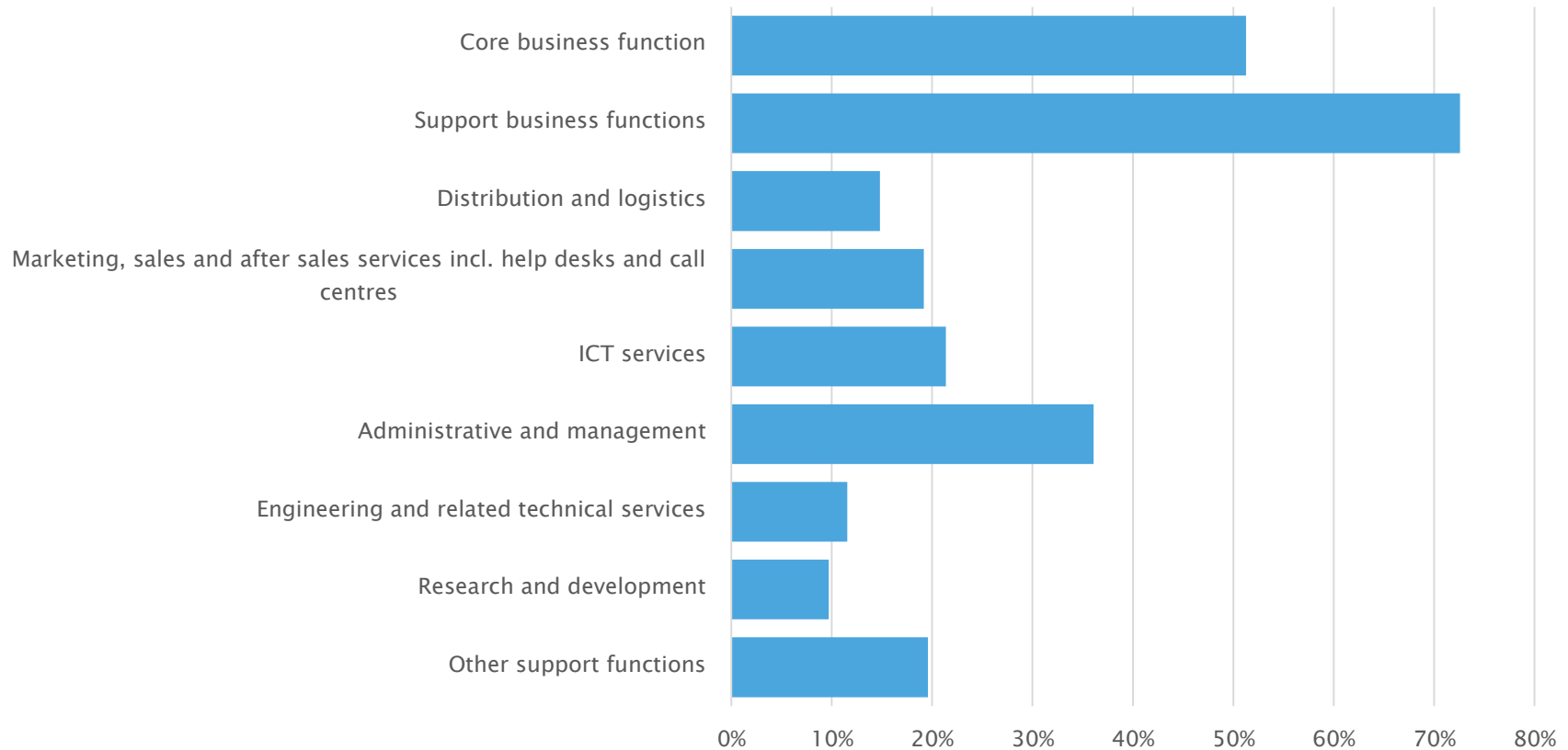
# Enterprises sourcing internationally, by country. 2018 survey

(percentage of all enterprises)



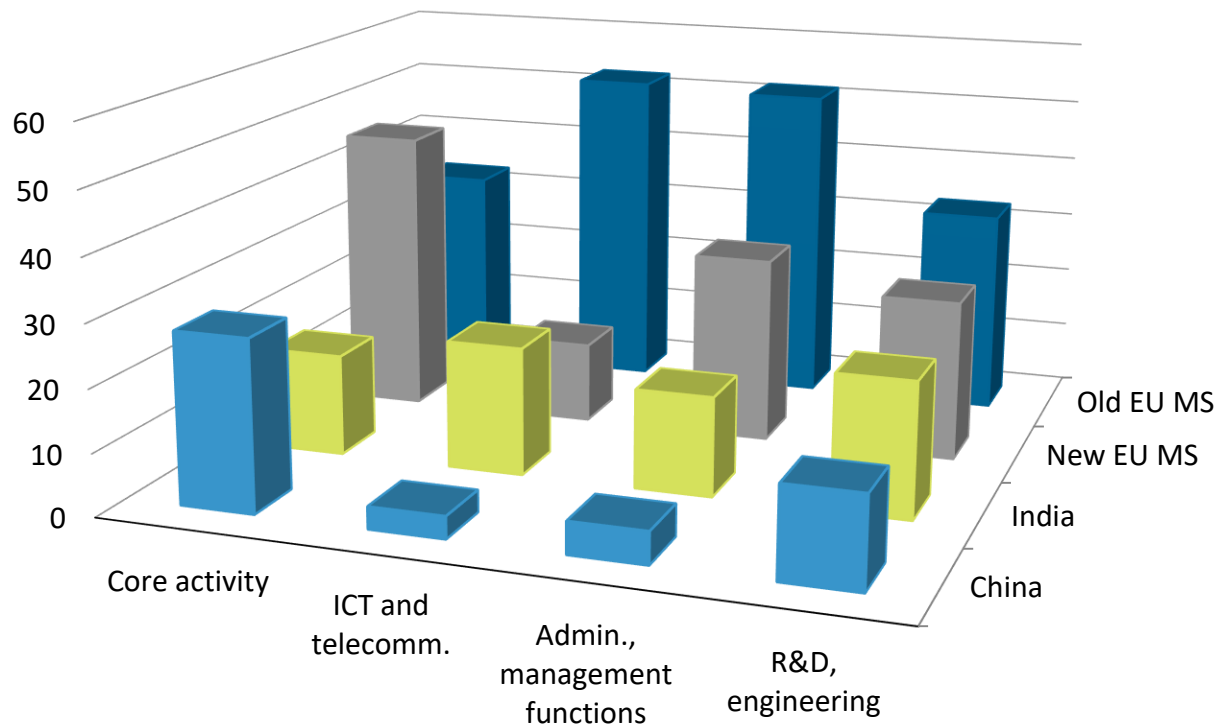
# Enterprises sourcing core and support function internationally. 2018 survey

(percentage of all surveyed enterprises sourcing internationally)



# Type of Business Function influences choice of destination

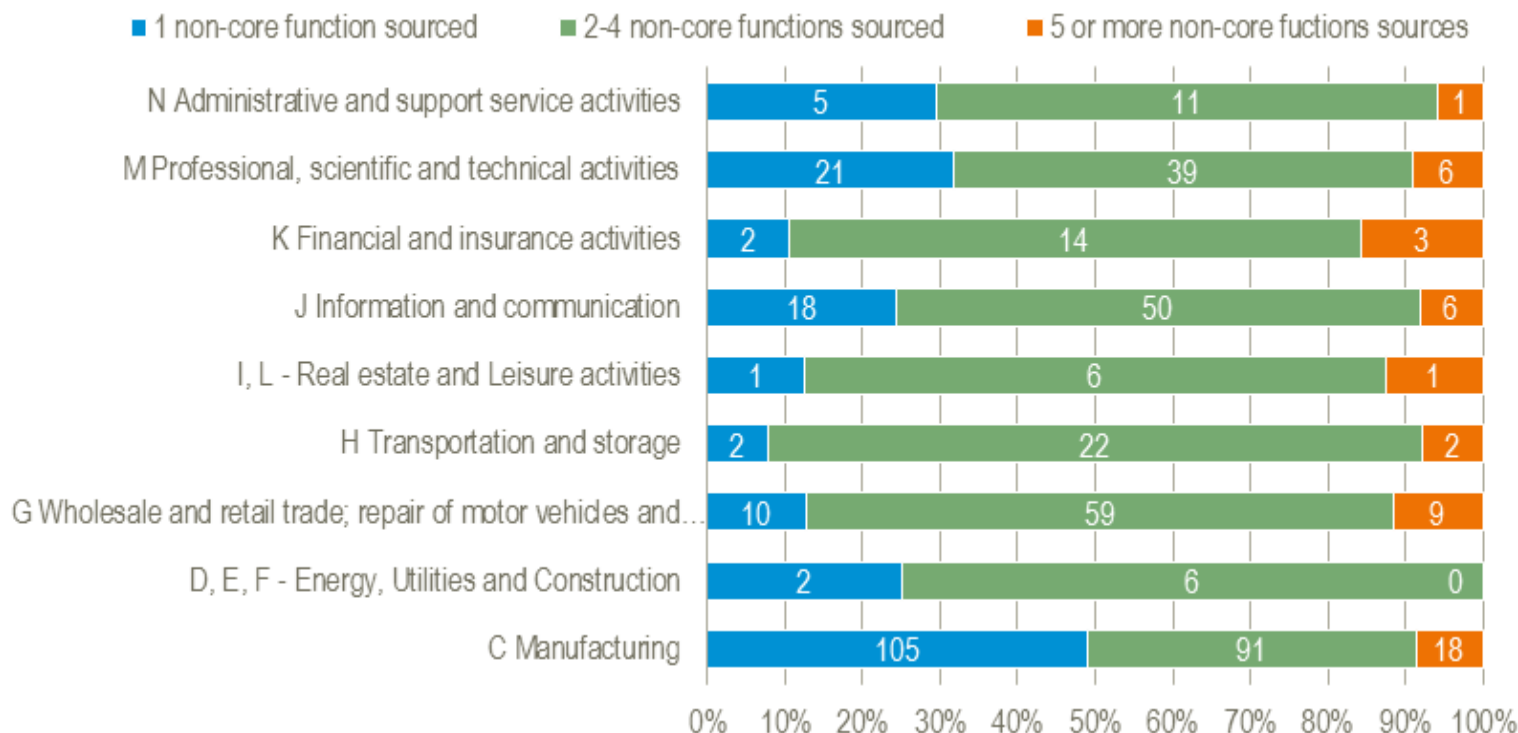
Destination shares of Danish enterprises sourcing internationally\*, 2009-2011.  
Selected functions



\* Enterprises may source more than one function and to more than one destination.

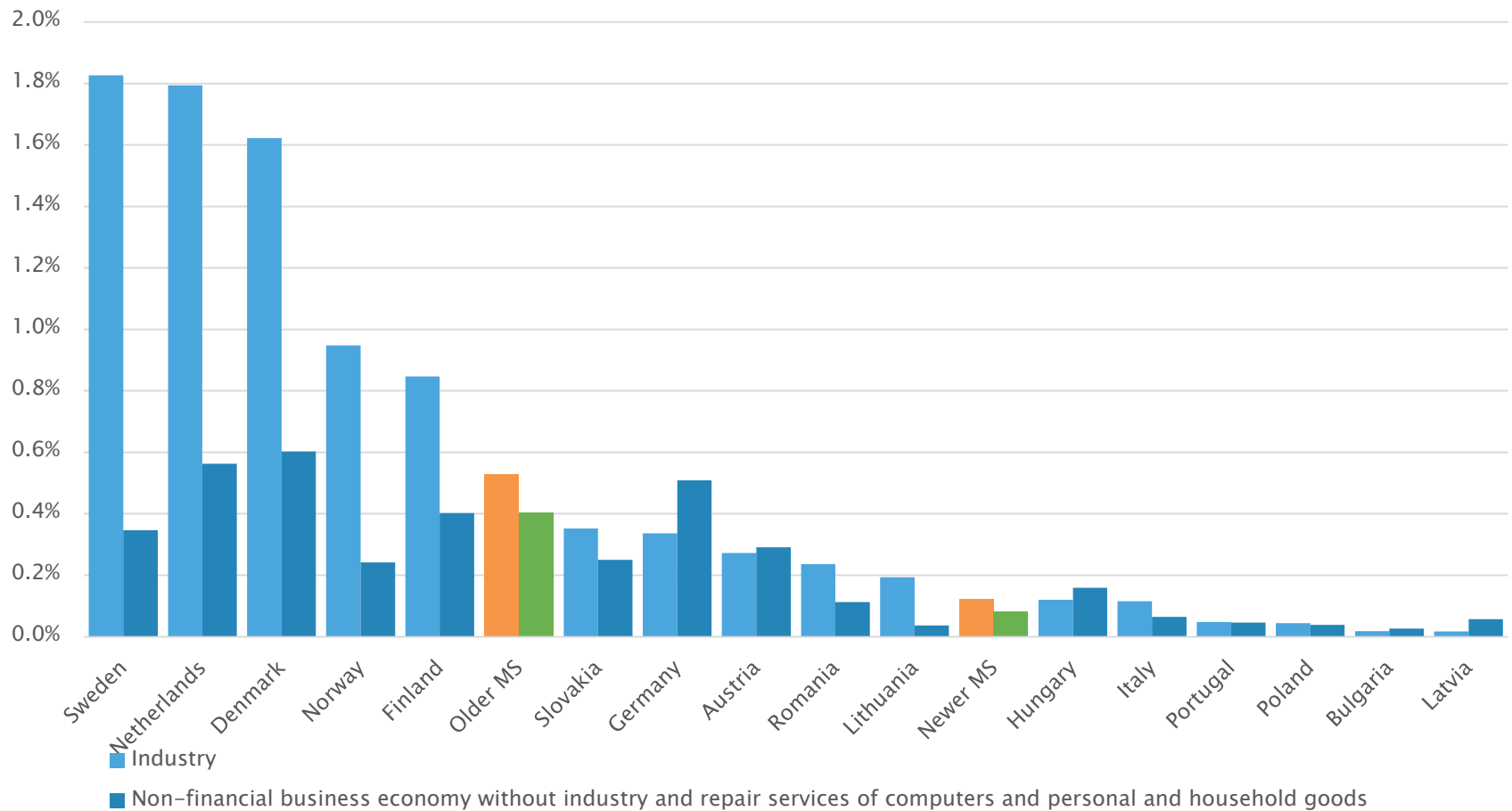
# Larger share of KIBS enterprises source several support functions compared to manufacturing

Number and share of activity by number of non-core functions sourced



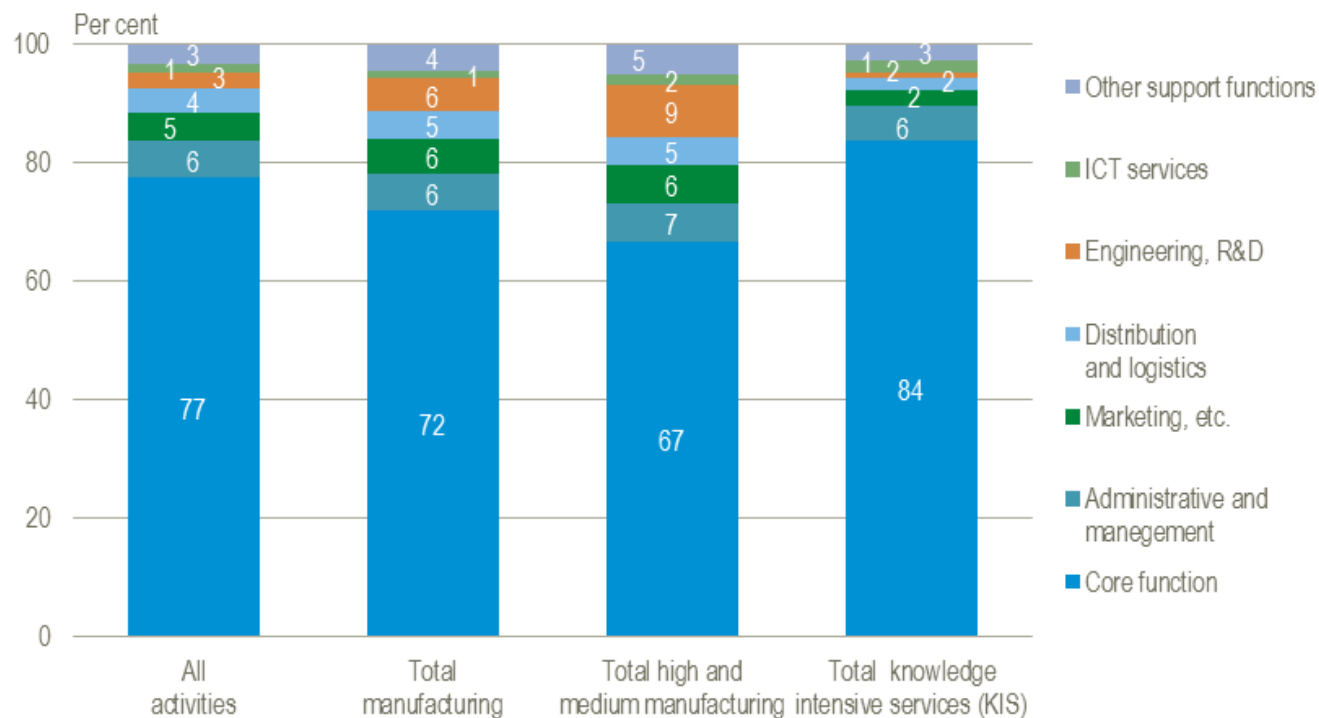
# Jobs lost due to international sourcing, by country. 2018 survey

(percentage of number of persons employed in all enterprises by )

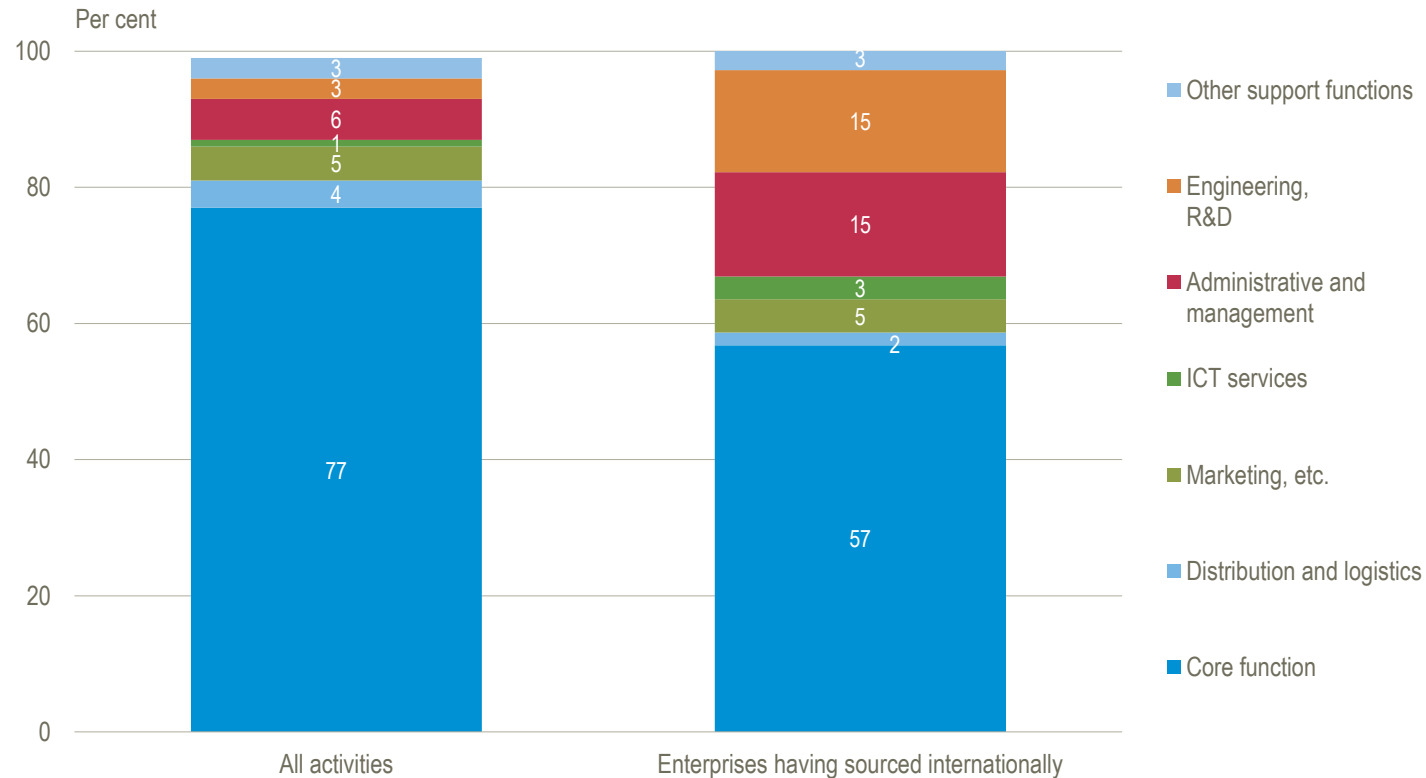


# Business functions can also reflect the organisation of work/tasks within different industries.

## Enterprises with 100+ employees 2011



# Share of employment by business functions in total employment and internationally sourced functions



# Reasons for omitting breakdown into core and support functions

- Overall conclusion from three European surveys: The design and concepts function well and the results are highly appreciated by policy makers and researchers and even the business community. BUT
- Proven difficult for respondents in services sector to understand the difference between core and support function when identical in content, e.g. IT enterprise
- Enterprises with several activities might have difficulties in identifying one core activity; perhaps especially if the perceived core function is already outsourced
- Concept not well understood by respondents in all Member States





# Thank you!

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