

# International sourcing and global value chain survey 2014 – 2016:

## 1. Objectives and scope

The overall objective of the survey is to monitor the economic globalisation of businesses by developing new statistical documentation. Political makers nationally and in the EU, and other stakeholders, need information about the increasingly globalised organisation of businesses and the impact of this. A key challenge for Europe imposed by globalisation is how to secure existing jobs and create new ones on a sustainable basis.

The survey maps various aspects of globalisation, such as business relocation of business functions abroad, motives for and barriers against international sourcing. The two main dimensions of the questionnaire are questions related to business functions and geographical area. The reference period in this questionnaire is from 1 January 2014 to 31 December 2016.

The questionnaire contains the following six modules and themes:

**Module 1: General information** focuses on the concerned enterprise and its organisational structure. It requires information about the entity belonging to an enterprise group, whether the entity is controlled by another entity and the localisation of the global group head.

**Module 2: Domestic activities in your enterprise** focus on the company's main activity in Norway. This module does not include the business's foreign affiliates, other related enterprises or subcontractors. The question tries to capture the entity's own perception of its main activity and not register based information. Main activity can be explained as which characteristic products/services the enterprise produces. It may also be the products/services that generate the greatest income. The question is divided into two parts, the first part being a choice among five groups:

- 1) manufacturing
- 2) construction
- 3) trade
- 4) services
- 5) other

The second sub-question asks more specifically within the chosen industry. Further in Module 2, companies are asked to allocate/break down their employees (number of employees) to different business functions. It distinguishes between core functions and support functions. Core function is divided into two categories:

- 1) production of goods for the market
- 2) production of services for the market

Support functions are divided into seven groups, see under definitions. These categories are consistent throughout the questionnaire.

**Module 3: Domestic sourcing of business functions** contains a filter question, and asks whether the enterprise has been active in domestic sourcing. If yes, the enterprise is further asked to precise which functions (see Module 2) has been moved in Norway. The questions in this module are based on responses from module 1, if the entity belongs to a group or not.

**Module 4: International sourcing of business functions** is the main module in the form and asks about relocation of business functions out of Norway (international sourcing), which functions were sourced and its geographical area. The questions distinguish between sourcing business functions from the enterprise itself and/or from subcontractors in Norway. An important dimension in the questionnaire are the number of job losses and job creations within the enterprise due to international sourcing (questions 4.4 and 4.5). Further in this module, questions are asked to the “outsourcing” enterprises about what motives and barriers the companies have had in engaging in international sourcing. The enterprises that have not sourced business functions abroad are asked if international sourcing has been considered and if yes, if any of the mentioned barriers contributed to the decision of not relocate business functions abroad.

**Module 5: Moving business functions from abroad to Norway.** This module distinguishes between moving back to the company itself and/or to other enterprises in Norway. If yes, companies are asked to point out the business function, geographical area, and how the relocation affected the activity in the relevant area abroad. This module also seeks, like module 4, to quantify the number of newly created positions in the enterprise because of the relocation. The last question addresses various reasons for relocating.

**Module 6: International trade in services** is the last module and concerns whether the enterprise has imported or exported services in 2017. Note that the period has changed from 2014-2016 to the year 2017. It is asked whether the enterprise has purchased (final) goods from subcontractor abroad and resold (final) goods to customers abroad, so-called intermediate trade. The reason for this question is that it is difficult to capture such trade, as neither raw materials/inputs nor the final product crosses the Norwegian border. The last question in the questionnaire deals with whether the enterprise has relocated the production of physical goods to subcontractors abroad (including enterprises within the same group).

## 2. Definitions

### Enterprise Group

An enterprise group is a group of companies controlled by the group head. It is a group of enterprises bound together by legal and/or economic links. A group can have more than one decision-making centre, especially for policy on production, sales and profits. It may centralize certain aspects of financial management and taxation. It constitutes an economic entity that has the power to make decisions, especially concerning if the units the group consists of. In the most extensive version of an enterprise group includes affiliates, sister enterprises, the parent enterprise and even joint ventures.

### Control

Control means the ability to determine a company's overall policy by choosing appropriate directors, if necessary. In this context, enterprise A is considered to be controlled by an entity B when B controls, directly or indirectly, more than half of the shareholders' voting power or more than half of the shares.

Indirect control means that an enterprise can control through another enterprise that controls the entity A. Control can be exercised through effective minority control without owning more than half of the shareholders' voting rights or more than half of the shares.

### Group head

Group head is a parent legal unit, which is not controlled directly or indirectly by another legal unit, which controls one or more enterprises. In the case of a multinational group, global and domestic group heads can be identified. The **global group head** is the group head of the multinational group, the domestic group head is on the top of the truncated national part of the multinational enterprise group.

### Foreign affiliate

In this survey, foreign affiliate means an affiliate resident outside Norway, and the respondent is in control of. See the definition of control above.

### Domestic sourcing

The total or partial movement of business functions (core or support business functions) within Norway during the period 1 January 2014 to 31 December 2016. These functions were prior to the move carried out internally within the enterprise. Domestic sourcing of business functions includes both relocation to enterprises in the same group and other enterprises in Norway.

### Domestic sourcing does not include:

Domestic expansion, for example a set-up of a new production line for domestically without a movement of business functions domestically (core or support business functions) nor reduction of activity and/or jobs in the concerned enterprise.

### **International sourcing**

The total or partial movement of business functions (core or support business functions) by your enterprise. These business functions were, prior to international sourcing in the period, performed in-house or they were domestically sourced to another undertaking (subcontractors) in Norway. International sourcing of business functions include both relocation to enterprises in the same group and to other companies abroad.

### **International sourcing does not include:**

Expansion abroad; for example a set-up of a new production line abroad without a movement of business functions abroad (core or support business functions) nor reduction of activity and/or jobs in the concerned enterprise.

### **Core business functions**

This function is the primary activity of the enterprise and will in most cases equate with the main activity of the enterprise. In order of clarification a splitting of the core business function into production of goods OR services has been introduced. These produced goods or services are final ones, they are intended for the market/for third parties and they yield revenue. Due to the increased servicification of many manufacturing enterprises this question can be interpreted differently by the enterprises, but the rule is to allocate the core business function which equals the main activity as classified in the Business Register. Consequently, the enterprises should choose only one core business function i.e. manufacturing or services.

### **Support business functions**

Support business functions are intended to facilitate the production of goods or services. Support functions are not themselves intended directly for the market / for third parties. Support activities are divided into seven groups:

- 1) Distribution and logistics** consist of transport activities, storage and order processing functions.
- 2) Marketing, sales and customer support**, including help desk and call center operations. This consists of market research, advertising, direct marketing services (telemarketing), exhibitions, fairs and other marketing or sales services.
- 3) ICT services** include IT services and telecommunications. This includes hardware and software consultancy, customized software, data processing and database services, maintenance and repair, web hosting, other data-related and information services. Packaged software and hardware are not included.
- 4) Administrative and management functions** include legal services, accounting, book-keeping and auditing, business management and consulting, HR management (eg education and training, recruitment of employees, temporary staff, payroll, health and medical services), financing and insurance services. Also include procurement activities.
- 5) Engineering and other technical functions** Engineering and other technical services, technical consultancy, testing and certification as well as design services.
- 6) Research and development (R&D)** Internal research and experimental development, including software development (as a support function).
- 7) Other support functions** are all other functions not previously mentioned, including manufacturing as secondary activity for service enterprises.

## **Number of employees**

Module 2 and 4 contain questions about the number of persons employed in the concerned enterprise, but not in affiliated companies (for example, in subsidiaries in Norway or abroad).

The number of employees is defined as the total number of persons working in the concerned enterprise by the end of 2016:

- including working proprietors, collaborators who regularly work in the unit and unpaid family workers who regularly work in the unit, as well as
- persons working outside and in another unit but paid by the respondent's enterprise (e.g. sales representatives, delivery staff, repair and maintenance team)
- employees also include persons who are absent for a short period of time (e.g. sick leave, paid leave, etc.) and those who are in strike
- it also includes part-time workers according to the law in the country in question, which is on the payroll, as well as seasonal workers, teachers and homeworkers on the payroll list.

Employees do not include those who are absent for an indefinite period.

## **Jobs**

A job is an activity, occupation or task. Often it is a so-called employment job, which is regular and is performed in exchange for payment (contract). It can also be non-regular, part-time and it can be a so-called self-employment job, for which the remuneration is directly dependent upon the profits (or the potential for profits) of the enterprise. Jobs are performed in the observation/statistical unit i.e. in the enterprise.

## **Jobs lost**

Information about jobs lost due to international sourcing is requested under Module 4. It should be noted that we request an estimate of the total number of (gross) domestic jobs lost in the responding enterprise as a result of international sourcing of activities.

Please do not include the number of job losses of domestic jobs in the enterprise that have occurred for other reasons (such as domestic lay-offs, poor business cycle, etc.) than international sourcing.

It may also be that even if jobs/business activities have been moved abroad, those who previously performed these activities may still be employed by the company and perform other tasks (there may also be new tasks related to positions created due to international sourcing). In these cases, the jobs should still be considered as jobs lost.

## **Jobs created**

Information about jobs created due to International sourcing is requested under Module 4, and in Module 5 on moving business functions from abroad to Norway. It should be noted that we request an estimate of the total number of (gross) domestic jobs created in the enterprises as a result of international sourcing of business functions.

Please do not include domestic jobs created in the responding enterprise for other reasons, such as:

- expansion abroad by creating a new production line without moving core business functions or support business functions nor
- expansion abroad by reducing activity and/or jobs in the concerned enterprise.

### **High skilled jobs**

High-skill jobs comprise expert occupations such as professionals, associate professionals, managers, senior officials, researchers, informaticians or other technical occupations, generally employing persons with tertiary education. The question is formulated in this way as it is not the intention to have the exact educational level of the jobs sourced as the main policy interest is to understand to which extent more knowledge intensive jobs have been sourced internationally.

### **Geographical section:**

**EU-15:** Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden, and the United Kingdom.

**EU-13:** Bulgaria, Estonia, Croatia, Cyprus, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovak Republic, Slovenia and the Czech Republic.

**Other European countries (excluding Norway):** Albania, Belarus, Bosnia and Herzegovina, Iceland, Macedonia, Montenegro, Russia, Serbia, Switzerland, Turkey, and Ukraine.

**USA and Canada.**

**Central and South America,** including Brazil and Mexico.

**China**

**India**

**Other Asian countries** (Japan, Korea, Vietnam etc.), and Oceania (including Australia and New Zealand).

**Rest of the world:** Countries not included elsewhere, such as the Middle East and Africa.

### **Intermediate trade**

Intermediary trade means the purchase and resale of final goods abroad. An example is if a Norwegian contractor buys a final product from a subcontractor abroad and resells the goods to a new customer abroad, without the raw material or the final goods crossing the Norwegian border. The subcontractor charges expenses for raw materials and revenues from the sale of the finished product, while the Norwegian principal earns his income by reselling the goods.