Setting up a Large Cases Unit (LCU): Why, how and who?

-Sharing experiences from an ongoing project

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STATISTICS DENMARK
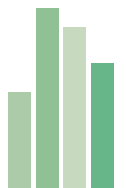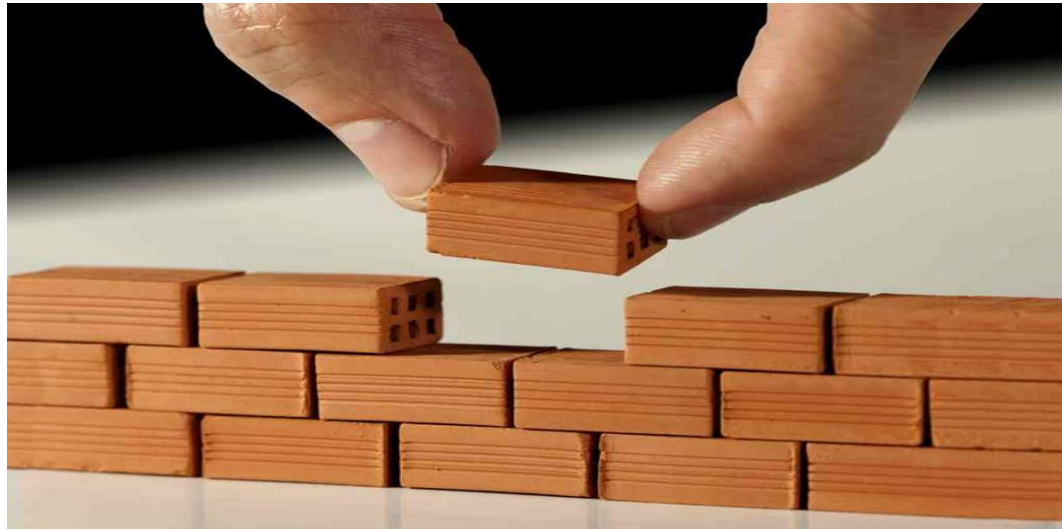
Outline

1. Background
2. Project objectives, plan and organisation
3. Consistency checks and profiling objectives
4. How to organise the LCU unit
5. The primary challenges in the next steps

Background

Background

Two different phenomenons have initiated the setting up of a LCU in Statistics Denmark:

Large inconsistencies identified in data reported by MNEs, particularly related to global production (merchanting and processing)

Letter from Eurostat requesting the implementation of Regulation on SBS No. 295/2008 regarding the Enterprise as the statistical unit
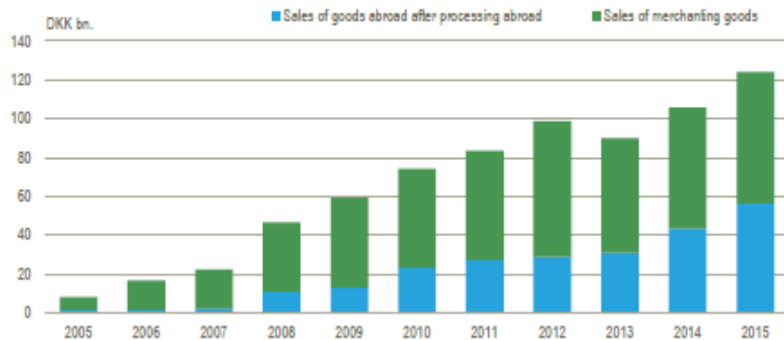
Extraordinary datarevision in BoP and NA in November 2016

STATISTICS DENMARK

Background:
Large inconsistencies ⇒ Burning platform

Figure 1   Sales of goods by manufacturing industries outside of Danish borders

In 2015 alone net-exports saw a positive revision of 26 billion DDK (3.5 billion euros)

Dansk politik   22. jan. 2017 - kl. 15:35

377 kommentarer   327 f Del   Del   Mail

Hans Engell: Regnefejl er monumental skandale

Helle Thornings regering styrede efter forkerte tal, som tegnede et alt for sort billede af landets økonomi

Af: Jonas Sahl

Revisioner i BNP og BNP-vækst

* Foreløbige tal.

Project objectives, plan and organisation

Project objectives

By 2020 Statistics Denmark has thorough knowledge about and secured consistency in reported data across statistical domains from the 50 most business critical enterprises (FKV's) in Denmark.
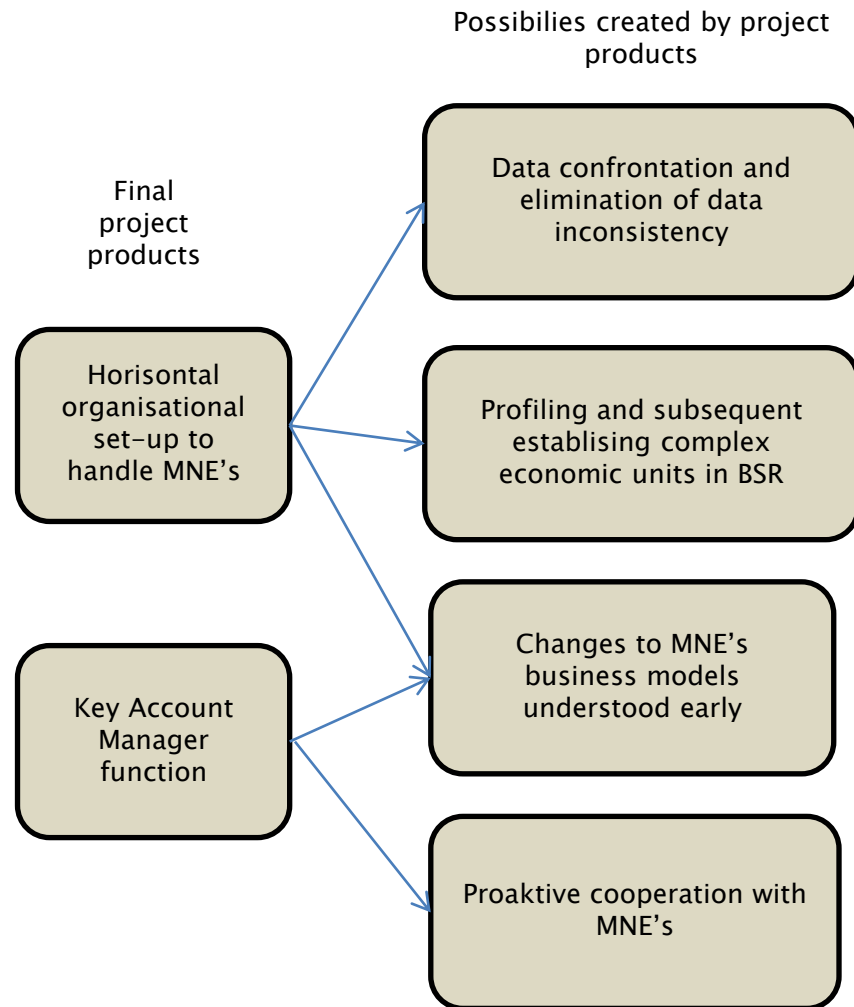
Results:

1) To secure consistency in data in the involved primary statistics at the time of reporting.
- Fewer revisions in National Accounts

To achive this goal thorough <u>data analysis</u> has to be conducted and <u>inconsistencies</u> in data in the involved primary statistics must be eliminated

2) The formation of complex economic units in the business register, being used in connection with the production of statistics, hereby fulfilling the SBS Regulation No. 295/2008 on statistical units.

Possibilies created by project products

Final project products

Horisontal organisational set-up to handle MNE's

Key Account Manager function

Data confrontation and elimination of data inconsistency

Profiling and subsequent establising complex economic units in BSR

Changes to MNE's business models understood early

Proaktive cooperation with MNE's

Project plan

August 2015 – December ~~2016~~ 2017

Fase 1: Preparatory fase
- Study visits to The Nederlands and Finland
- Organisational model to be tested during the project period designed
- Exact scope for the project specified

- Fase 2: Metodological fase
  - Methods in profiling and data consistency work determined
  - Functional requirement specifications for it-system prepared
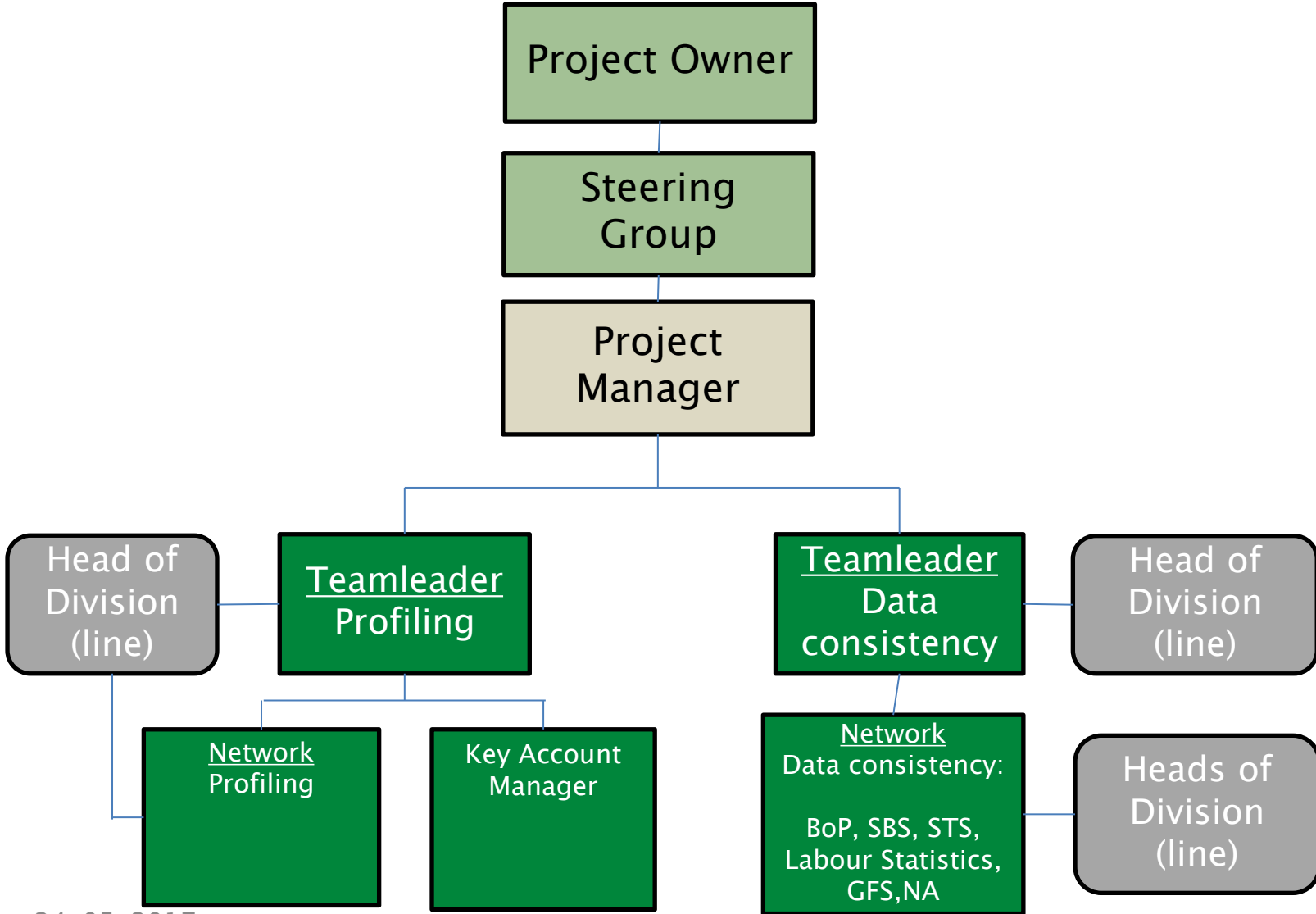
- Fase 3: Testing fase
  - It-system developed and tested
  - Organisational model tested and 20 MNEs profiled and data consistency established for these

Project organisation

Consistency checks and profiling objectives

Consistency check: Domains and variables included in the consistency check

International trade in goods statistics (ITGS)

- Flows of goods to/from processing
- Total imports and exports of goods (with change of ownership)

International trade in services statistics (ITSS) + BoP

- Manufacturing services
- Materials bought abroad intended for processing abroad
- Goods sold abroad after processing abroad
- Merchanting, gross flows
- Total imports and exports

Business accounts/structural business statistiscs (SBS)

- Total turnover
- (Turnover own goods)
- (Turnover commercial goods (resale))
- (Cost of goods for resale)

Manufacturers' sales of goods (prodcom)

- Sales of own goods
- Commercial goods (resale) turnover
- Contract work for other enterprises
- (Other turnover)

Industrial turnover & production/short term statistics (STS)

- Export turnover (own goods)
- Domestic turnover (own goods)

Supplementary information

- VAT
- European Sales List (triangular trade)
- OFATS (number of affiliates)
- Enterprise groups
- Manufacturers' purchases
- enterprises financial reports

Profiling objectives

- Describing the legal, **operational** and accounting structure of the **enterprise** group at **national** and **world level** - enabled by analysing statistical data

- Define the statistical units within the enterprise group, their links, and the most efficient structures for the collection of statistical data - in cooperation with the MNE. **Enterprise as the statistical unit**

How to organise the LCU unit

Experiences with the project organisation

- Responsibility and decision-making power has formally been placed within the Steering Group of the project whilst it has been the responsibility of the project manager and the teamleaders to secure progress in the project. This governance structure has sometimes in practice been set aside, where decisions and initiatives have been taken outside the formal decision-making bodies.

- The network organization means that the statistical divisions have been involved in the work on detecting and eliminating data inconsistancies without loosing the ownership of validating and editing data for the MNE's. However, the responsibility for having data inconsistencies removed across statistics has not been determined – data editing is done on a voluntary basis in the individual statistics

- Ressources have been allocated to LCU-work only part-time and relatively little time has devoted to this work for the individual employee. This means that LCU-work is something put on top of other tasks with the risk of it been done only if time allows it. The result is that the LCU-work has had a tendency of becoming to slow and ineffeicient
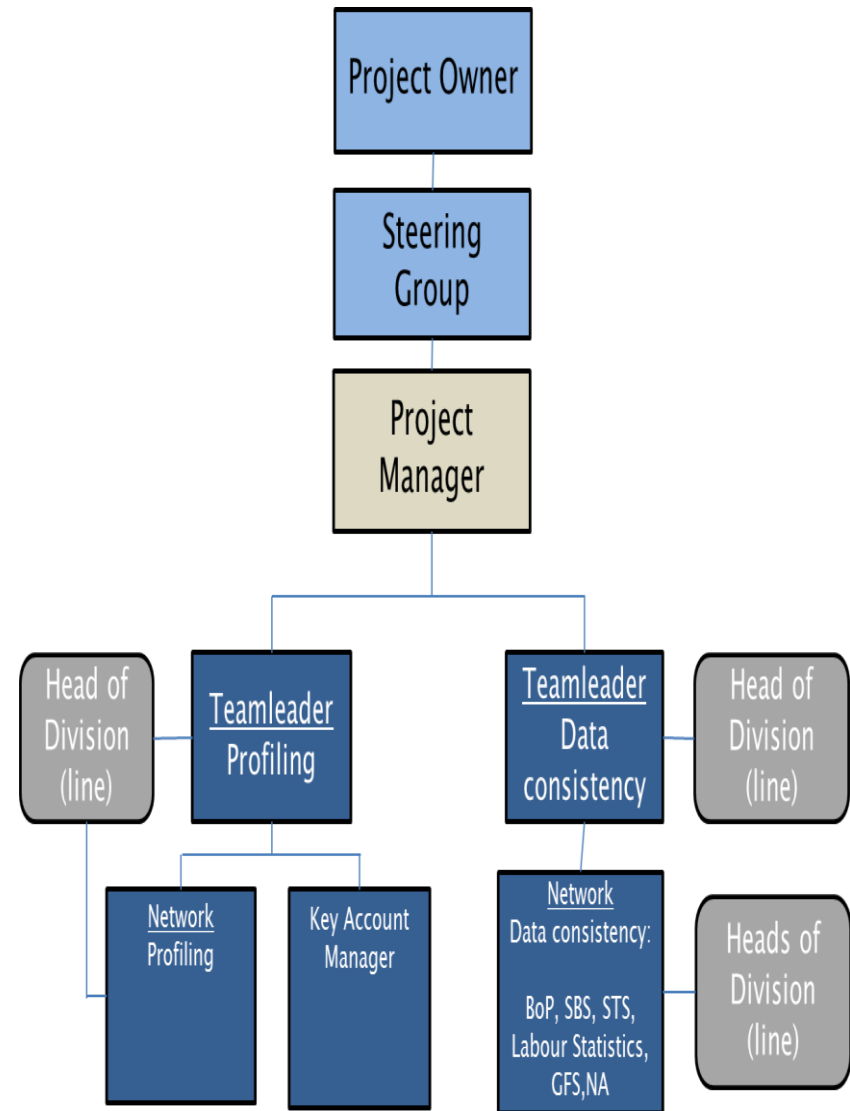
Focus points

In determining the LCU model we have the following considerations in mind:

- Clear responsibilities for establising consistency
- Securing drive in the consistency and profiling work
- Securing the project goal of a KAM-function
- Securing the relevant skills in both the LCU and in the divisions of the primary statistics
- Minimizing costs
- How to move from "as-is" to "want to be"?

Potential organisational models for LCU

At this moment **in time two models are being discussed:**

Model I Network organisation with validation and editing agreed and governed in a centralised body

Model II Hierarchical organisation with centralised validation and editing for the relevant primary statistics

	Decentralised validation and editing	Centralised validation and editing (light)	Centralised validering og editering (all in)
Network based organization		Model I	
Hierarchical organization			Model IV

Most likely we will end up somewhere in between ☺

Model I – Network organisation with validation and editing centrally agreed – shared responsibility
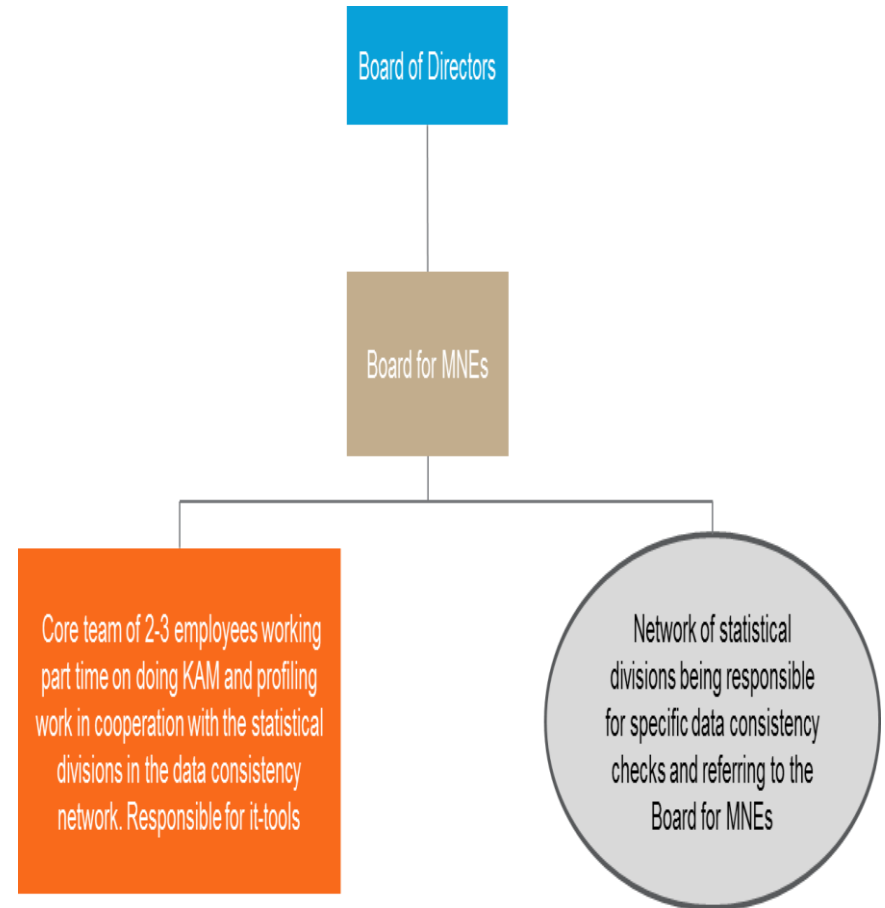
Pros / Possibilities
- A network organisation secures the needed specialist knowledge on both data consistency work on MNEs and on data for other enterprises
- Ownership of validation and editing remains in the statistical division
- Only minor organisational changes needed
- Costs are easier to foresee

Ulemper/risici
- Shared responsibility for securing data consistency for MNEs – involved a risk of no one being responsible in practice
- When employees are working for both the Board for MNEs and the line management there is a risk that line management tasks are put first. Risk that the MNE data consistency work is slowed down.
- "Fast track" is made difficult by employees not working full time on MNE's and not working side-by-side
- No single point of contact for MNEs
- Profiling and data consistency is done seperately

Board of Directors

Board for MNEs

Core team of 2-3 employees working part time on doing KAM and profiling work in cooperation with the statistical divisions in the data consistency network. Responsible for it-tools

Network of statistical divisions being responsible for specific data consistency checks and referring to the Board for MNEs
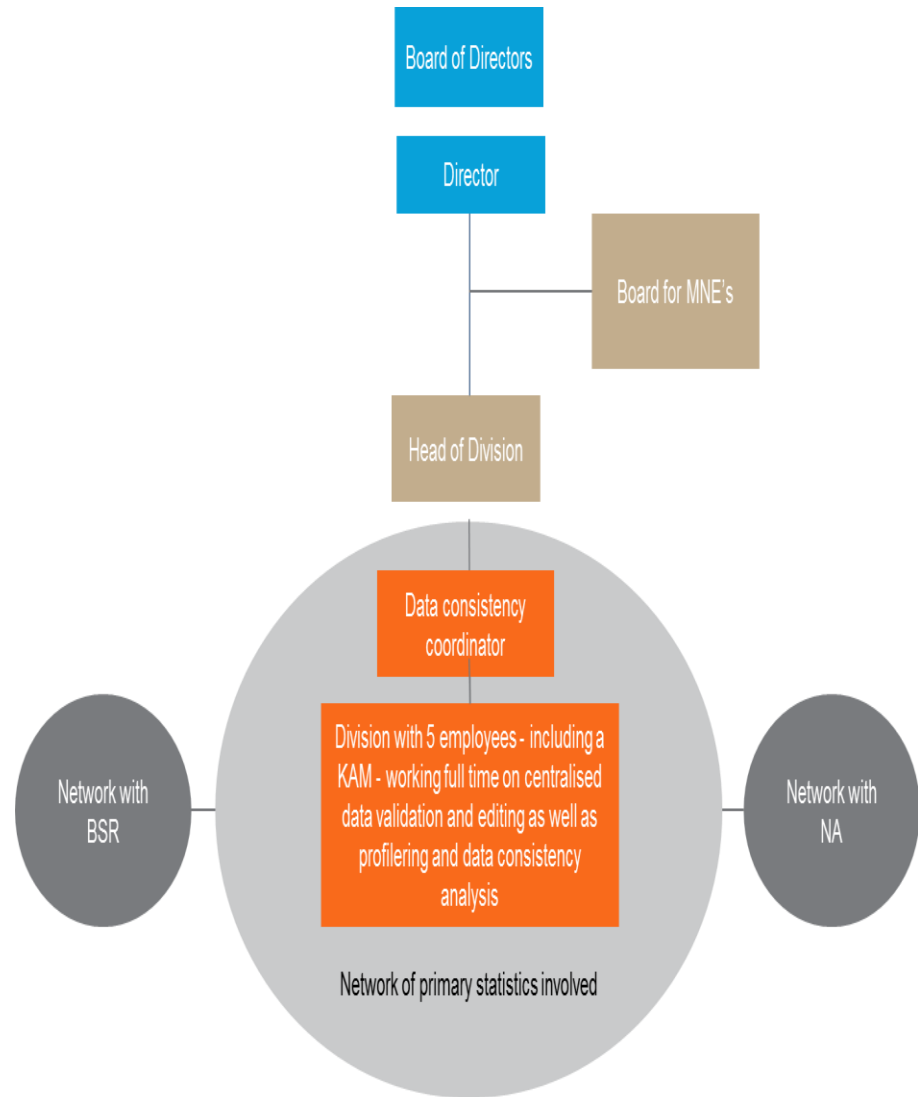
Model II – Line organisation with centralised data validation and editing

Pros / Possibilies
- Clear responsibility for securing consistent data from MNE's
- Central data validation and editing makes it possible to work on data inconsistencies at an early point in time lowering the risk of revisions in NA
- Full focus for employees on the MNE work:
  - inconsistencies can be adressed quicker,
  - staff can develop deeper competences within this kind of work
  - possible to run a dedicated 'Fast Track' for STS and QNA
- Establishing a single point of contact with MNE's

Cons / Challenges
- There is a need for specialist knowledge on the individual primary statistics which can be difficult to establish and maintain out side the division responsible for the primary statistic
- New organisational set-up including internal mobility
- Challenge to maintain a good connection to the division responsible for the primary statistics

Board of Directors

Director

Board for MNE's

Head of Division

Data consistency coordinator

Division with 5 employees - including a KAM - working full time on centralised data validation and editing as well as profilering and data consistency analysis

Network with BSR

Network with NA

Network of primary statistics involved

Centralised validation and editing

Validation and editing of MNE's is lifted out of the individual statistical divisions into a centralised LCU

Proces

- Data is collected and stored as in the exsisting organisation and is included in the production systems of the primary statistics

- Data for MNE's are regularily and automatically transferred to the MNE data analysis system, where it is edited regarding inconsistencies as well as other editing operations

- KAM is responsible for MNEs being contacted coordinated

- Data is potentially re-reported by MNE's into the production system of the primary statistic

- Dissimination is done in the individual primary statistical divisions

Needs for supporting the LCU

To support the setting up of a LCU we need:

- Harmonised revision rhythm in the involved primary statistics
- Common it-system for consistency work
- A decision-making body to determine disagreements

The primary challenges in the next steps

The primary challenge in the project

Challenge to meet both project goals at the same time:

- Different views in the project on the importance of the two goals

- Few synergies between the two goals

⇩

We have to figure out how to secure data at the level of LKAU (NA purpose) and at the same time have the enterprise as the statistical unit for the production of SBS and data consistency work

We have to focus equally on national profiling and global operational business models

We have to make data consistency equally important for everybody in the project

We have to address all concerns put forward

THANK YOU FOR LISTENING

..and please ask if you have questions

…and comment if you have good advice ☺