



Addressing the challenges of Globalisation: ESBRs Business Architecture, European Profiling and other related developments

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Presentation

1. Globalisation challenges and EU efforts
2. The European System of interoperable Business Registers (ESBRs)
 - **The AS-IS situation in 2013**
 - **The TO-BE situation in 2020**
3. Profiling and Globalisation
 - **National profiling and enterprise delineation**
 - **European profiling: collaborative cross-country approach**
4. Other related developments

1. Globalisation challenges

- Multinational enterprise groups (MNEs) have global complex organisations, while statistical measurement is based on national concepts
- Increasing gap between legal and economic view
 - **Recent EU cases show the impacts on business and economic statistics of reallocation of intangible assets between legal units in same MNE**
- Need for more cooperation (at ESS and global level) to share cross borders information about MNEs
- This paper: ESS efforts to build up solutions to better understand and monitor MNEs cross border activities

2. The European System of interoperable Business Registers

The ESBRs aims to solve 3 shortcomings in ESS:

- **Inconsistencies in business statistics due to different roles of national business registers**
- **Lack of harmonised approach in describing cross-border phenomena**
- **Inefficiencies in data exchanges due to a lack of harmonised processes, standards, IT tools, and remote access facilities**

The ESBRs focuses on improving business registers because they have an **infrastructural role** to improve the quality of business statistics

The ESRs is built up according to a business architecture approach

The ESRs BA:

- guides the modernisation in a structured way
- describes the situation in 2013 (AS-IS)
- analyses the user needs and the shortcomings
- designs the target situation in 2020 (TO-BE)
- includes a Road Map showing incremental changes every year to reach the target
- is complemented by an Interoperability Framework (IF) providing the details for the implementation

The AS-IS state in 2013

1. In 2008 EuroGroups Register (EGR v.1.0)

To exchange confidential data between Member States and Eurostat (EU Regulation 177/2008) to ensure the quality of the MNEs information in the EU

Shortcoming: lack of harmonised process, use of standards and IT tools, secure remote access to data

2. In 2013 proposed methodology for profiling

To profile MNEs with a strong Top-down approach by the country of the Global Decision Centre (GDC) of the MNE

Shortcoming: lack of tests on the field, final agreement, IT tool, harmonised process/governance with EGR

Many of the quality and inconsistency issues on MNEs and globalisation were still unresolved

The TO-BE state in 2020 - EGR

ESBRs improved existing EGR achievements:

1. Enhanced process and coverage:

EGR (version 2.0) released in 2015

2. Unique identification of legal units:

EGR Identification Service released in 2015 issuing a single identifier for legal units (LEID)

3. Remote access to data:

EGR Interactive Module released in 2016

4. Governance:

Improved organisational model across countries
Agreement with users on the EGR frame

The TO-BE state in 2020 - profiling

ESBRs updated (after tests of the field) existing profiling methodology:

1. Updated European profiling methodology:

Top-down approach and collaboration across countries are confirmed to ensure consistency in EU

New: Connected with national profiling, so Partnering countries responsible to delineate their ENTERPRISEs

New: Interactive Profiling Tool for secure remote data access

2. Integration with EGR:

Results of European profiling integrated in EGR frame to increase quality

3. Programme of EU profiling:

Member States regularly profile some most significant MNEs

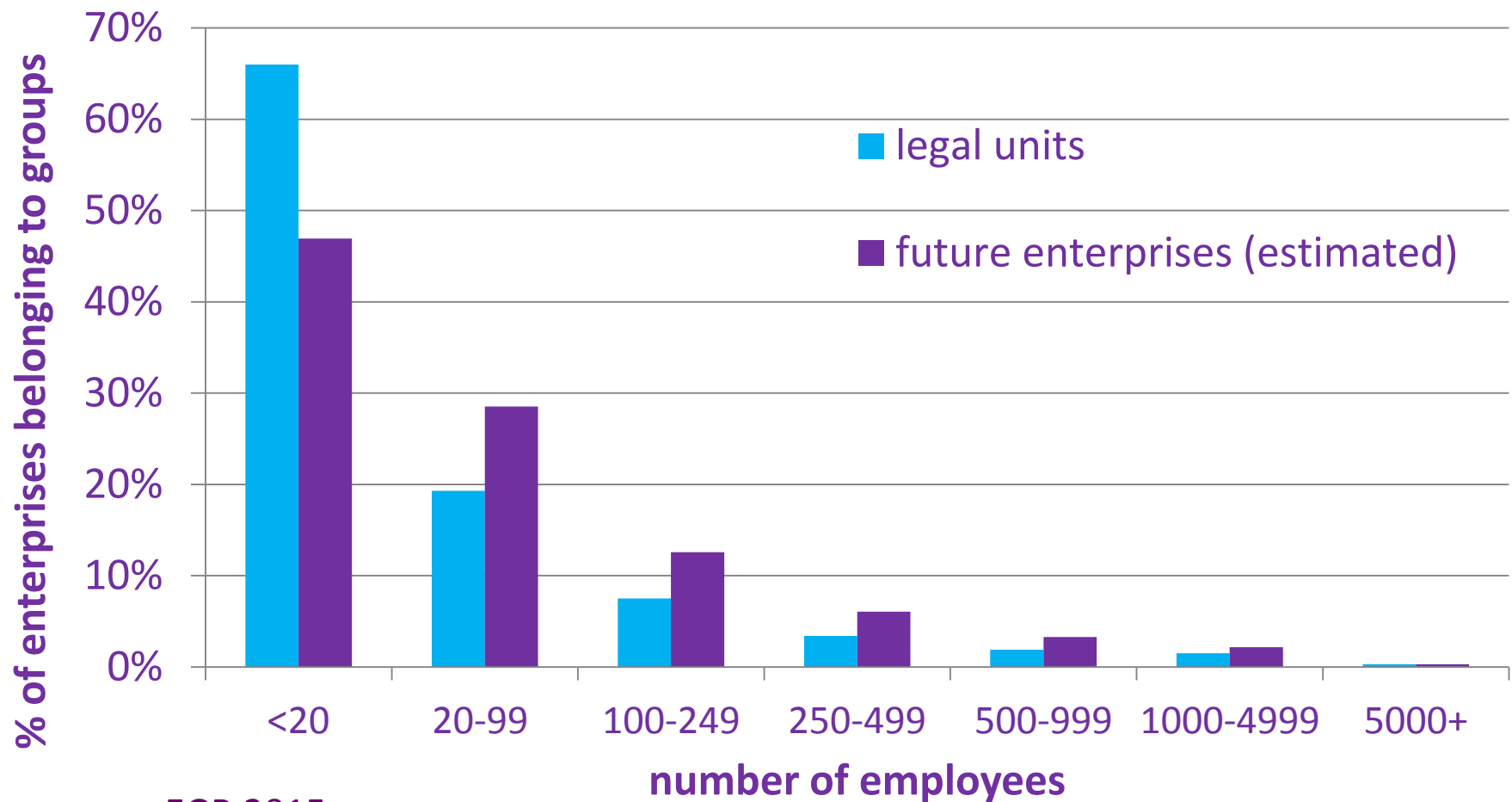
3. Profiling : the implementation of enterprise as a statistical unit

- Profiling : analyse the legal and operational structure of a group in order to implement the enterprise definition (696/93 Regulation)
- Enterprise : "The smallest combination of legal units (LeUs) that is an organizational unit producing goods or services, which benefits for a certain degree of autonomy in decision-making, especially for the allocation of its current resources"

The enterprise is far more relevant than the legal unit for business statistics

- 1) A better view of the concentration of the economic structure
- 2) A better breakdown by industry sector (manufacturing firms will be consolidated with their services sector affiliates)
- 3) Non additive variables (turnover, sales, purchases...) will be consolidated and reflect real market flows
- 4) A better vision of enterprise performance:
(e.g: in France fixed assets per employee in manufacturing triple compared with LeUs)

A better view of the concentration (estimate from EGR)



source: EGR 2015

European Profiling: a cross-country collaborative process

Different roles and responsibilities among countries:

1. GDC Profiling team (when the Global decision centre of the group is located):

Delineates the enterprise(s) within the group, identifies the countries where they operates, try collect the attributes (perimeter in LeUs, NACE, turnover, employment)

2. Partnering profiling teams (from NSIs of countries with affiliates)

Confirms / updates the delineation and attributes in dialogue with the GDC profiling team

3. Exchanges through a secure platform

=> by mid 2017, around 250 MNEs profiled in this way

The benefits from European Profiling: 1- improvements of the quality

Through discussions between profilers, NAs and other users, and groups accountants:

- 1) Consistency between countries on the attributes of multinational groups across national borders: perimeter in LeUs, LeUs owned/ controlled, GDC, nationality, global group head (GGH)
- 2) To avoid missing links of control across countries
- 3) To deal with special purpose entities (SPEs)
- 4) Could reduce statistical burden both for groups and NSIs

The benefits from European Profiling: 2- first results which could interest NA

- 1) Sharing common views on organization of multinational groups: 11 phone groups, 14 oil & gas groups profiled or analysed together
- 2) Distinguishing own restaurants and franchises of a multinational restaurant chain
- 3) Defining the "national territory" of a multinational group, such as an airline company
- 4) Data collected by profilers and shared between NSIs would be far more relevant than data from LeUs: (turnover, purchases, foreign trade...)

4. Other related developments

4.1 The Large Case Units (LCUs)

- A dedicated team in NSIs
- Ensuring consistency of data collected across different statistical domains
- Direct dialogue between LCUs staff and MNEs
- Several countries showed their experiences of LCUs at recent meetings at Eurostat and UNECE
- More cooperation across countries is needed

4. Other related developments

4.2 The Early-warning System (EWS)

- Mechanism based on a network of NSIs correspondents
- Information based on publicly available sources
- Correspondents warn Eurostat as soon as MNEs events having significant impact on statistics happen
- Concerned NSIs and Eurostat agree on how to reflect the events in statistics consistently across countries and domains
- Repository of recommendations for typology of events made available for the correspondents

The benefits of collaborative process to monitor MNEs

- Dialogue between statisticians (profiling teams, LCUs) with groups' representatives
- Dialogue between statisticians of different domains: Business Directorates, National Accounts, FATS, Balances of payments...
- Cross-country dialogue

=> Improved quality and cross domain, cross country consistency of statistics we disseminate

Thank you for your attention!

For later METHODOLOGICAL questions or comments:
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