

**21<sup>st</sup> Meeting of the Wiesbaden Group on Business Registers - International Roundtable on Business Survey Frames**

***“The Central Place of Business Registers in Response to Globalisation Needs”***

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**Session 3: Costs and Benefits of Profiling**

**Business Profiling – A summary of Current Practice**

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Profiling is a method for analysing the legal, operational and accounting structures of an enterprise group at the national and global level, in order to establish the statistical units within that group, their links, and the most efficient structures for the collection of statistical data. Profiling clearly improves the quality of the business register, its use as a survey frame and source of information. It improves the cooperation with the respondents and the delineation of the statistical units.

The roundtable included contributions in Wiesbaden in 2007 in its session on multinational groups. These confirmed the need to profile multinational enterprise groups. The discussion indicated, however, that there was a need for a common understanding of the purpose of profiling and how it is carried out. There was also concern that the benefits of profiling could be small compared with what can be an expensive operation. With this in mind, this session on profiling tackles the subject in two ways:

- By collecting responses from all participating organisations on the definition of profiling, its costs and benefits
- Through case studies on how profiling has improved the quality of the business register, surveys and statistical outputs

Responses to the questionnaire are attached to this paper. In summary, countries considering that they

- conduct business profiling are: Australia, Canada, Denmark, Estonia, Italy, Luxembourg, Netherlands, South Africa, Sweden, Turkey, UK, USA (Census Bureau).
- do not conduct business profiling are: Croatia, Japan, Malta, Mexico, Norway, Poland, Portugal, Slovenia, Spain.

Before considering the issues affecting profiling, it is worthwhile summarising the responses for those countries conducting profiling.

Summary Table for Business Profiling

Country	Unit Level	Criteria	Methods	Number annually	Cost as % of register budget	Benefits
Australia	TEG, E, KAU	Size, complexity, impact	Q, T, V	1700	55%	Feedback
Canada	GEG	Tax schedules	D, S, T, V	350 (visits)	55%	# updates Coherence
Denmark	TEG	Size	A	65	10%	Coherence
Estonia	GEG, TEG, E	Size	A, D, T, V	450	10%	-
Italy	TEG	Size, impact	A, D, T	40	8%	-
Luxembourg	E	Impact	S, T, V	10	-	-
Netherlands	TEG	Size, complexity, impact	D, T, V	1800	40%	Feedback
South Africa	TEG	Size, complexity	A, T, V	120	17%	# updates
Sweden	TEG, E	Size, complexity	A, T, V	50	5%	Coherence
Turkey	TEG	Size	Q, V	1000	-	-
UK	TEG	Size, complexity	Q, T, V	500	20%	Coherence
US Census	TEG	Size, complexity	Q	50,000	75%	-

Key:

TEG - Truncated (domestic) Enterprise Group

GEG - Global Enterprise Group

E - Enterprise (smallest part of an enterprise group with certain degree of autonomy)

KAU - Kind of Activity Unit

A - Annual accounts or other taxation returns

D - Desk for sources such as the web and newspapers

Q - Mail-out questionnaire

T – Telephone

V – Visit

Most countries consider the truncated (domestic) enterprise group (TEG) as the unit for profiling. Essentially profiling requires a system that supports the enterprise group as a statistical unit. In only two cases is the global enterprise group the basis of profiling.

Size measured in terms of employment or turnover is used to select only the large groups. Further refinement sometimes takes place by introducing complexity criteria. An important consideration can also be the impact that the group has on statistical surveys.

Although expensive, visiting is used by most countries, establishing a rapport between statistical office and the business. Telephone contact is usually seen as an adjunct to visit. Desk research using the web or newspapers or the examination of annual accounts is also widely used. Profiling questionnaires are less expensive and allow a larger number of contact to be made.

There is little uniformity in the number of profiles tackled. While costs vary considerably, those countries conducting large numbers of profiles find that they account for a large part of their business register maintenance budget. It is interesting to note therefore that quantification of the benefits of profiling is not easy. Only two countries have put forward a metric in the form of the number of amendments made. Others rely on feedback from suppliers and users or on the concept of improving coherence.

Eurostat arranged two workshops on profiling, the more recent being in Rome in June 2006. That workshop was supported by a questionnaire on profiling, which also provided information on why countries did not have a profiling programme. The most common reasons were lack of resources and lack of information. This is the corollary of the results this time, where those countries with profiling teams devote a large proportion of their budgets to the work and have enterprise group data to support the profiling work.

This short review of current practices raises a number of issues that are worthy of further discussion:

- What benefits accrue from profiling the global group that are not gained from profiling the domestic group?
- Is there benefit from profiling where the business register does not support enterprise groups?
- Can general rules based on relative size, complexity and impact be developed?
- How far can desk research and examination of annual accounts be used to complete business profiles?

There is a lack of quantitative measures that can be used to demonstrate the benefits of business profiling. The number of register amendments will tell us something about the worth; if nothing changes, then there is no benefit.

Taking as a premise that the aim of profiling is to arrive at an agreed structure for data collection, there is immediate benefit if the number of structural changes is large but only if there is a relatively small number of changes subsequently. A simple metric would be the ratio of the number of reporting units that are live before and after the profile compared with the

total lost plus the total created. Comparing the post-profiling position with that one year later, once the cycle of survey responses is complete, would provide an indication of stability.

Another view is that completing survey questionnaires becomes easier once profiling is complete. A metric could be response before profiling compared with one year after profiling. This could be response rates or speed of response.

It is also possible to view profiling as reducing the cost of complying with statistical surveys. This could be measured in terms of fewer questionnaires or through a more complex measure of time taken to complete questionnaires.

Softer measures include feedback and coherence.

18 November 2008

## Annex: Responses from countries

### Business Profiling – Australia

Do you consider that you conduct business profiling?	yes
At which level do you profile (enterprise, domestic enterprise group, global enterprise group)?	domestic enterprise group, enterprise, type of activity unit
How do you identify cases for profiling (size and classification criteria)?	combination of employment size, complexity and contribution to industry
What methods do you use (visit, telephone, company accounts etc)?	visit, telephone, mail, other sources
How many profiles do you complete in a year?	approx 1700
What is the total cost of profiling as a percentage of your business register budget?	approx 55%
What methods do you have to measure the benefits of profiling?	feedback from collection areas, ongoing and increased cooperation by providers, ease of provision of data by providers,

Note: A reason that ABS can devote such a large percentage of its BR budget to profiling is that the majority of our business register is created using information provided to us by the Australian Taxation Office (ATO). The ATO maintained part of our business register is effectively automatically populated – although we do work with the ATO to assure quality of the information they provide, particularly in relation to industry coding. A deliberate decision was made that the part of the BR that the ABS creates and maintains would be resourced to support profiling. The country update paper we provided to the last Roundtable describes the intricacies of our business register design in more detail.

## Business Profiling – Canada

Do you consider that you conduct business profiling?	Yes
At which level do you profile (enterprise, domestic enterprise group, global enterprise group)?	Global enterprise group, profiling for us is; delineation of all ownership links (including foreign ownership and foreign holding) and delineation of all operating entities (i.e. production units) under a legal entity.
How do you identify cases for profiling (size and classification criteria)?	For ownership link; we have an Inter- corporate ownership (ICO) survey providing us with all the ownership relationship for large business (above a threshold). In addition, for ownership link and for all operating entity, we used extensively the different taxation schedules that either provide the details that we need or provide an indication that a profile needs to be conducted.
What methods do you use (visit, telephone, company accounts etc)?	Visit for the 350 largest enterprises, telephone, company website, newspaper articles, survey feedback etc for the remaining
How many profiles do you complete in a year?	It is very difficult to estimate. Every time we update an enterprise, we review the complete enterprise.
What is the total cost of profiling as a percentage of your business register budget?	We are currently spending 55% of the budget on making updates but we want to increase it to at least 70%. We also want subject matter frame expert to update enterprise on the BR directly.
What methods do you have to measure the benefits of profiling?	- We perform coherence analysis i.e. comparing survey results at the enterprise level and establishment level with the BR business structure. - When businesses are surveyed, the number of survey feedback updates is a good indication of the quality of the information on the BR.

## Business Profiling – Denmark

Conduct business profiling: At Statistics Denmark we have profiled the very largest Danish (i.e. domestic) enterprise groups manually for quite a number of years.

The purpose is to provide a valid picture of structures and activities of the enterprises which are closely tied and bound up legally/or financially in enterprise groups. Also, the purpose is to enable an assessment of whether the enterprises that are incorporated in enterprise groups are classified to the correct industry in the Statistical Business Register (SBR). The work involved in this process has so far been conducted manually, i.e. a database system for maintaining the information on group structures has not been used.

However, for the moment we are busy with specifying the necessary extensions to our SBR application to also comprise the maintenance of enterprise groups on a current basis according to the new EU Business Register Regulation. The new system must also be able to handle the exchange of data on individual enterprises between Statistics Denmark and Eurostat's Euro Groups Register (EGR).

Domestic Enterprise Groups: Starting from the domestic or truncated enterprise groups, we have profiled all connecting enterprises, regardless of whether the enterprises have been part of a Multinational Enterprise Group (MNE).

Identifying cases for profiling: In the current system/approach, we have so far selected the 65 most important enterprise groups in terms of turnover and number of employees in Denmark. We have conducted an in-depth analysis of these enterprise groups, which implies that we have gained comprehensive knowledge of the structure and activities of the entire enterprise group. This has led to more accurate data in the SBR and more coherent statistics comprising these units.

Methods: For this purpose, we have used the Annual Reports of the enterprises, the Internet and information from the Danish tax authorities, Private Providers of Enterprise Information and our SBR.

Total costs: Previously, 2-3 man-years were spent by Statistics Denmark on profiling activities, corresponding to approximately 10 pct. of the SBR staff. In the future, when the maintenance of the Enterprise Groups will be integrated in the SBR application, it is expected that only about 1 man-year will be needed for additional manual profiling.

### Methods to measure the benefits of profiling

We have no direct method to measure the benefits of profiling enterprise groups, but we consider that it has been very valuable in terms of reducing inconsistencies and incoherence in the statistics. Also, we consider it will be important in relation to future statistics at enterprise group level, including statistics related to globalisation.

## Business Profiling – Estonia

Do you consider that you conduct business profiling?	Yes, we conduct business profiling
At which level do you profile (enterprise, domestic enterprise group, global enterprise group)?	<ul style="list-style-type: none"> <li>• Enterprise (some cases),</li> <li>• domestic enterprise group,</li> <li>• global enterprise group (truncated enterprise group with foreign heads)</li> </ul>
How do you identify cases for profiling (size and classification criteria)?	Size criteria is used — enterprises with 50 and more persons employed and enterprise groups with 100 and more persons employed
What methods do you use (visit, telephone, company accounts etc)?	Telephone, company bookkeeping and statistical accounts, face to face meetings, internet, media
How many profiles do you complete in a year?	In a year some cases of enterprises are profiled. About 400-500 enterprise groups are profiled in a year
What is the total cost of profiling as a percentage of your business register budget?	The costs have not been evaluated, but estimated cost would be ca 10% of register's working time budget
What methods do you have to measure the benefits of profiling?	There are no special quantitative methods to measure the benefits of profiling in Estonian statistical register. Following qualitative measures can be used for the measurement of the benefits of profiling: <ul style="list-style-type: none"> <li>• Compliance with regulations</li> <li>• Quality of the register's data</li> <li>• Quality of statistics produced on the base of register</li> </ul>

## Business Profiling – Italy

Do you consider that you conduct business profiling?	Yes, but with some discontinuity
At which level do you profile (enterprise, domestic enterprise group, global enterprise group)?	Domestic enterprise groups
How do you identify cases for profiling (size and classification criteria)?	<ul style="list-style-type: none"> <li>- top down criterion: employment of group</li> <li>- bottom – up criterion: contribution to value added by NACE of enterprises, then profile of the whole group</li> </ul>
What methods do you use (visit, telephone, company accounts etc)?	Company accounts, Web, telephone.
How many profiles do you complete in a year?	From 30 to 50
What is the total cost of profiling as a percentage of your business register budget?	About 7-10%
What methods do you have to measure the benefits of profiling?	None

## Business Profiling – Luxembourg

<p>Do you consider that you conduct business profiling?</p>	<p>Profiling is done only occasionally and not on a regular basis mainly by SBS and FDI statistics. Some years ago, a working group on Enterprises has been implemented in our offices comprising persons from SBS, FDI and BR to analyze complex enterprises, but the group was inactive in the last two years. A new working group has been implemented recently to analyze further complex enterprises and enterprise groups.</p>
<p>At which level do you profile (enterprise, domestic enterprise group, global enterprise group)?</p>	<p>Enterprises and soon domestic and global enterprise groups.</p>
<p>How do you identify cases for profiling (size and classification criteria)?</p>	<p>Enterprises and groups that have a large impact on the statistics to produce on the national level.</p>
<p>What methods do you use (visit, telephone, company accounts etc)?</p>	<p>Mainly data already available in our office, but occasionally telephone contact and visits.</p>
<p>How many profiles do you complete in a year?</p>	<p>Actually less than 10.</p>
<p>What is the total cost of profiling as a percentage of your business register budget?</p>	<p>Profiling is done actually outside of the business register.</p>
<p>What methods do you have to measure the benefits of profiling?</p>	<p>None.</p>

## Business Profiling – Netherlands

<p>Do you consider that you conduct business profiling?</p>	<p>Yes, but we do more than just profiling. Our work can be seen as proactive actions. We try to anticipate the changes in the legal and statistical structures and the influence of those changes for the different statistics.</p>
<p>At which level do you profile (enterprise, domestic enterprise group, global enterprise group)?</p>	<p>All the levels, we also analyse (all kinds of) the relationships between the legal entities, we also group them in the statistical entities (sub-groups of domestic enterprise group or enterprise)</p>
<p>How do you identify cases for profiling (size and classification criteria)?</p>	<p>The Dutch register has a specific use case to identify the most important enterprise groups in the Dutch economy. It's based on the calculation of a specific entity (the so-called CSI-factor). Input for the calculation is the size of the enterprise group (balance sheet, number of employees), the business structure (number of enterprises within the enterprise group, the levels within the structure) and the importance of the enterprise group for statistics. The 1800 enterprise groups with the highest rating are selected for profiling.</p> <p>CBS has a group of 350 largest Dutch companies (groups of enterprises) that is continuously monitored (6 concern coordinators assisted by 5 concern profilers).</p>
<p>What methods do you use (visit, telephone, company accounts etc)?</p>	<p>Desk research, telephone interviews and in some cases by visiting the company.</p>
<p>How many profiles do you complete in a year?</p>	<p>1800 in total - We are continuously busy with 350 groups of enterprises (more than 10,000 legal entities). For some statistics we are obligated to adjust/update the structures (legal and statistical) quarterly and for some annually.</p>
<p>What is the total cost of profiling as a percentage of your business register budget?</p>	<p>13 FTE working on the business register are involved in profiling activities. This represents 40 % of the employees working on the business register</p>

<p>What methods do you have to measure the benefits of profiling?</p>	<p>We don't have specific methods to measure the benefits of our work. The profiling as we understand it is a custom-made action so it's quite difficult to measure the benefits. What we can see is that the quality/quantity of the statistical output is getting/being improved (more data, better quality data, minimal non-response etc).</p> <p>We do have feedback from statistical departments on the quality of profiled enterprise groups</p>
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### Business Profiling – Norway

In Norway we do not carry out any profiling activities as I see it. We try to create ownership links between legal units from the shareholder register and try to identify ancillary units inside the enterprise groups. But this is mainly a desktop operation, using company accounts and answers from sample surveys on regular statistics, and we do not have a systematic follow up for the largest enterprises/enterprise groups. In Statistics Norway we only had some tiny attempts on "adapted data collection" but nothing serious. Our statistical system based on data collection from administrative sources makes data collection on other units than the legal ones very costly.

### Business Profiling – Spain

My Organization doesn't conduct profiling activities, at least in a systematic way. Subject Matters Units prefer to use the legal unit as proxy of "reporting unit" for business surveys. The reason is because, at legal level, there are not requirements to consolidate accounts in intermediate levels (between the legal unit and the enterprise group). Nevertheless, and just for BR purposes, some legal units not oriented to the market are classified as ancillary units. This information is obtained from the SBS questionnaires.

## Business Profiling – South Africa

Do you consider that you conduct business profiling?	Yes
At which level do you profile (enterprise, domestic enterprise group, global enterprise group)?	Domestic Enterprise Group. Enterprises that are based overseas are excluded.
How do you identify cases for profiling? (size and classification criteria)	<p>Businesses with an organisational structure (holding, subsidiaries and associated companies). The financial year end. The enterprise group must have a turnover of at least R10 million. The following is used to identify the cases for profiling:</p> <ul style="list-style-type: none"> <li>• <b>Survey Areas Requests</b> – Enterprise Groups identified by the sections that conduct the actual economic surveys.</li> <li>• <b>New or re-structured businesses</b> – Enterprise Groups identified by Large Business Unit, based on administrative sources, media reports (news papers, magazines, television etc)</li> <li>• <b>Re-profiling</b> - The Large Business Unit currently aims to revisit the profile of each EG for which it is responsible within a period of two years. Thus every year we should include profiles that are older than two years in the schedule for the new financial year or as mentioned above</li> </ul>
What method do use (visit, telephone, company accounts etc)	We apply all the methods mentioned (telephone, visits and company accounts etc). Visits are mostly used.
How many profiles do you complete in a year?	This is a function of a staff complement. Currently, there are 15 profilers and each profiler is allocated with 8 Enterprise Groups (+/- 2000 Enterprises).
What is the total cost of profiling as a percentage of your business register budget?	27%

<p>What methods do you have to measure the benefits of profiling?</p>	<p>The impact on the number of observational units created by survey areas; Updating of the Business Sampling Frame ; Number of the survey areas queries resolved; and number of queries received from survey area</p>
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## Business Profiling – Sweden

Do you consider that you conduct business profiling?	Yes
At which level do you profile (enterprise, domestic enterprise group, global enterprise group)?	Enterprise and domestic enterprise group level.
How do you identify cases for profiling (size and classification criteria)?	There is a size criteria in combination with activity code. In general, there must be at least 500 employees. Of course the complexity has an impact.
What methods do you use (visit, telephone, company accounts etc)?	There is a combination of visits and telephone contacts. Company accounts are often used before we contact domestic enterprise groups.
How many profiles do you complete in a year?	In average about 50 large and complex enterprises are profiled every year.
What is the total cost of profiling as a percentage of your business register budget?	About 5 %.
What methods do you have to measure the benefits of profiling?	The benefits of profiling are not directly measured but better comparability and more conformity concerning the deliveries to National Accounts are recognised effects.

## Business Profiling – Turkey

Do you consider that you conduct business profiling?	Turkstat just realised a pilot for 900 so-expected EGs in July 2008
At which level do you profile (enterprise, domestic enterprise group, global enterprise group)?	The questionnaire applied to all resident EGs and truncated EGs
How do you identify cases for profiling (size and classification criteria)?	The target group was selected by size class(gathering from administrative sources) and then because it was planned to realise the pilot at the biggest cities in Turkey, the geographical area is also taken into consideration
What methods do you use (visit, telephone, company accounts etc)?	Visits realised and the questionnaire explained then the respondents fill out the questionnaire via web application.
How many profiles do you complete in a year?	It is planned to realise profiling annually around 1000 EGs.
What is the total cost of profiling as a percentage of your business register budget?	-
What methods do you have to measure the benefits of profiling?	Since it is the first profiling and a pilot application, studies are on process

Business Profiling – ONS, UK

Do you consider that you conduct business profiling?	Yes
At which level do you profile (enterprise, domestic enterprise group, global enterprise group)?	Domestic enterprise group.
How do you identify cases for profiling (size and classification criteria)?	Profiling criteria is 250+ employment with more than 150+ secondary activity. All profiles with 2000+ employment.
What methods do you use (visit, telephone, company accounts etc)?	Visit, telephone, correspondence.
How many profiles do you complete in a year?	504 (an average of 42 per month)
What is the total cost of profiling as a percentage of your business register budget?	20%
What methods do you have to measure the benefits of profiling?	Survey response; compliance. Congruence against H.M. Revenue and Customs (VAT data); Companies House registrations; Dun and Bradstreet company structure information.

Business Profiling – USA (Census Bureau)

Do you consider that you conduct business profiling?	Yes – Via a mail-out / mail-back survey and electronic reporting.
At which level do you profile (enterprise, domestic enterprise group, global enterprise group)?	Domestic Enterprise group. We conduct an annual Company Organization Survey (COS). The COS collects information on each location of a company and the associated payroll tax-reporting unit (Employer Identification Number).
How do you identify cases for profiling (size and classification criteria)?	All companies with 250 or more employees are included. Smaller multiple location companies are targeted based on changes in administrative payroll. Single location companies are targeted based on administrative information that they may actually have multiple locations and size.
What methods do you use (visit, telephone, company accounts etc)?	All via mail-out / mail-back survey or electronic reports.
How many profiles do you complete in a year?	Approximately 50,000
What is the total cost of profiling as a percentage of your business register budget?	75 %
What methods do you have to measure the benefits of profiling?	We consider profiling necessary to provide the industry and geographic information and links to administrative data required for our annual publication (County Business Patterns) and sampling frames. For example, the 2006 Company Organization Survey identified 115,000 new local units, 96,000 out of business local units, 54,000 sold units, and 12,000 updated industry classifications.