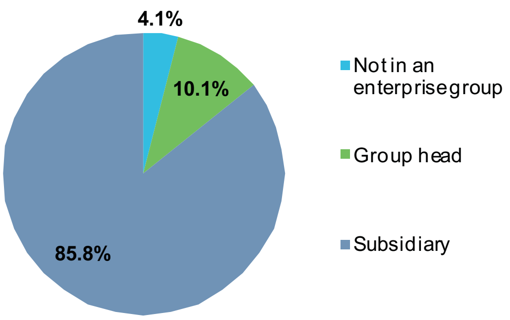
An Phríomh-Oifig Staidrimh
Central Statistics Office

17 April 2013

International Sourcing Survey

2009-2011

International sourcing by enterprise group structure, 2009-2011



International sourcing by type of enterprise group structure, 2009-2011

	Number of enterprises		
	Engaged in international sourcing	All enterprises	Percentage of enterprises engaged in international sourcing
In enterprise group	**143**	**805**	**17.8**
Enterprise group head	15	126	11.9
Subsidiary	**127**	**679**	**18.7**
Subsidiary with global group head in Ireland	*18*	*200*	*9.0*
Subsidiary with global group head within EU27	*52*	*231*	*22.5*
Subsidiary with global group head outside EU27	*57*	*248*	*23.0*
Not in enterprise group	**6**	**454**	**1.3**
Total	**148**	**1,259**	**11.8**

12% of large Irish enterprises source internationally

The purpose of the International Sourcing Survey is to establish data on the movement of Irish business activity abroad during the reference period 2009-2011. It provides information on the level and pattern of international sourcing in the Irish business economy. International sourcing involves the movement of one or more business functions abroad to an enterprise within or outside the enterprise group.

Almost 12% of large Irish enterprises (100 or more employees) engaged in international sourcing during the period 2009-2011. Around three-quarters of these enterprises were part of multinational enterprise groups with the head of the group residing outside of Ireland. The vast majority of international sourcing from Ireland was to other Member States of the EU.

Of those enterprises that engaged in international sourcing between 2009 and 2011, almost 86% were subsidiaries controlled by other enterprises; just over 10% were enterprise group heads; and just over 4% were standalone enterprises. *See graph across and table above.*

Further information on the International Sourcing Survey can be found here: http://cso.ie/shorturl.aspx/151

Statbank tables are available here: http://cso.ie/shorturl.aspx/152

For more information contact Barra Casey on 021 453 5770.

Published by the Central Statistics Office, Ireland.

Ardee Road
Dublin 6
Ireland

Skehard Road
Cork
Ireland

LoCall: 1890 313 414 (ROI)
0870 876 0256 (UK/NI)

Tel: +353 1 498 4000
Fax: +353 1 498 4229

Tel: +353 21 453 5000
Fax: +353 21 453 5555

Both offices may be contacted through any of these telephone numbers.

CSO on the Web: www.cso.ie
and go to
Business Sectors: Multisectoral

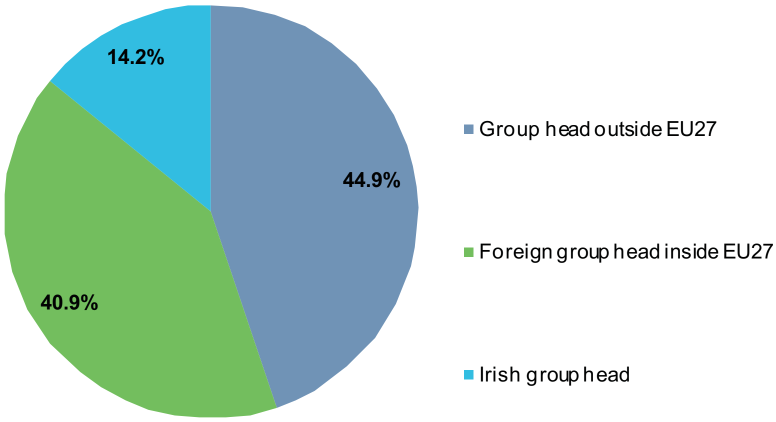
Director General: Pádraig Dalton

Enquiries:

Statistics: Results, Analysis and Publications section
ext 5584
industry_rap@cso.ie

General queries: Information Section,
ext 5021
information@cso.ie

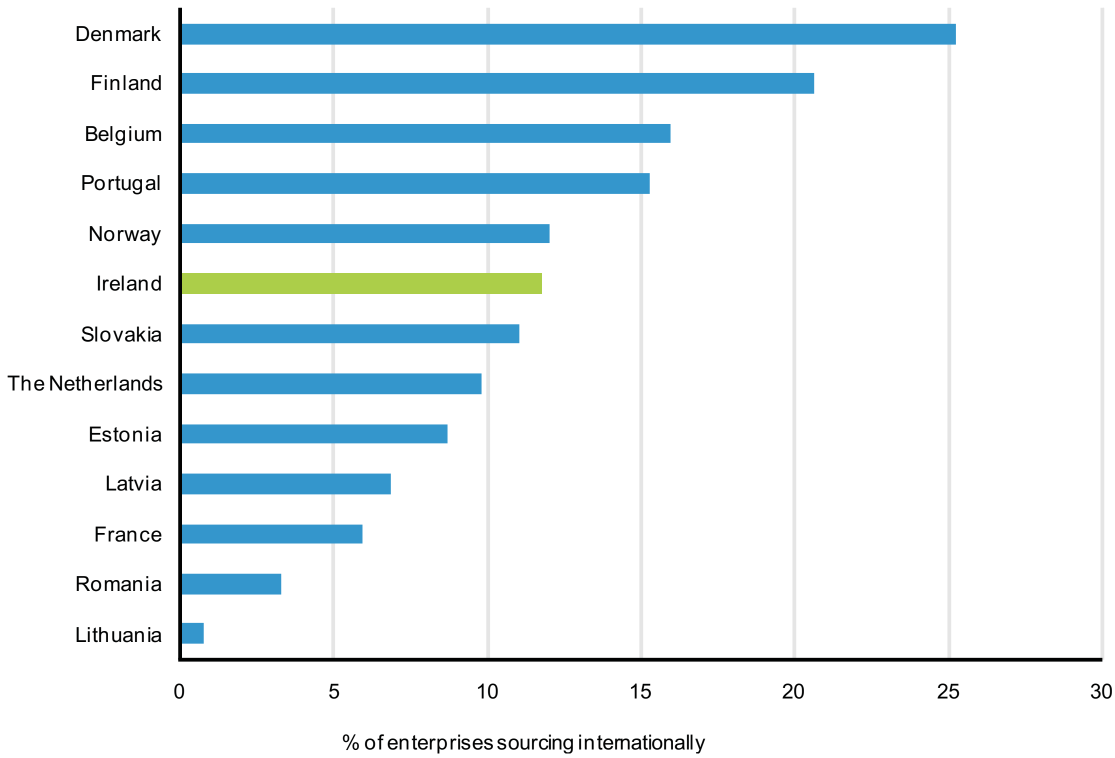
Figure 1: Subsidiaries who sourced internationally by location of group head, 2009-2011



Looking specifically at the subsidiaries who engaged in international sourcing between 2009 and 2011, almost 86% were controlled by group heads outside of Ireland. This consists of almost 45% with a group head outside of the EU27 and almost 41% with a group head inside the EU27.

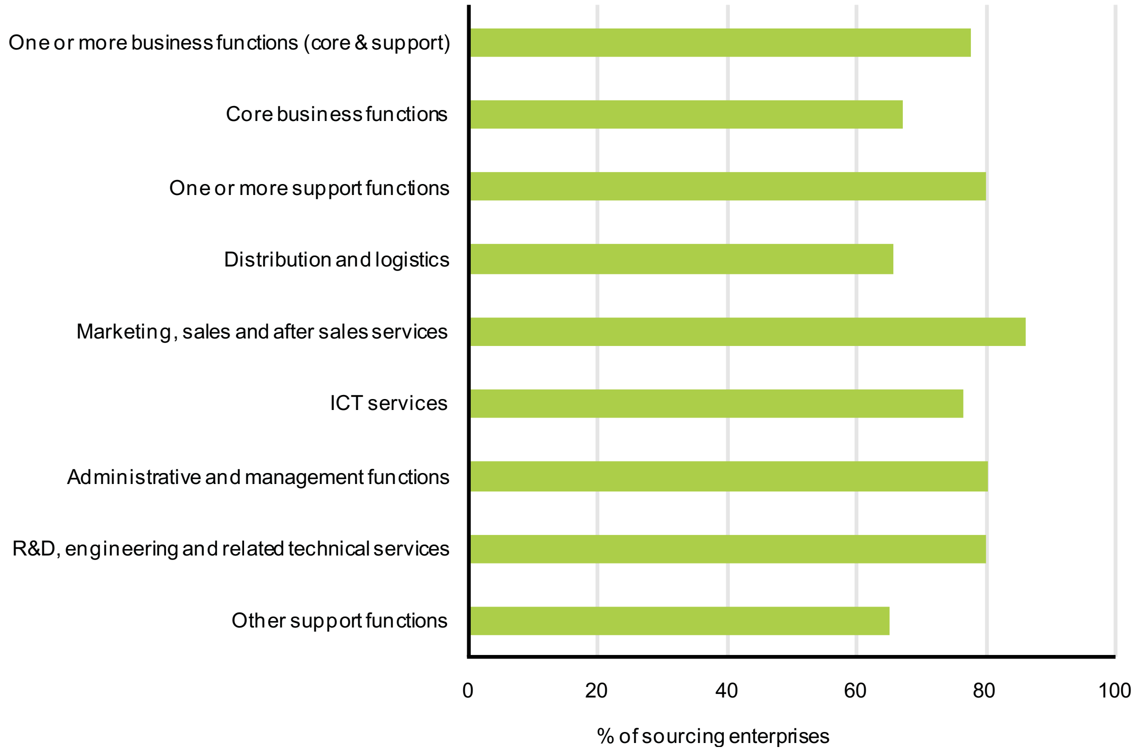
Therefore, of the 148 enterprises that sourced business functions abroad between 2009 and 2011, 109 enterprises were part of multinational enterprise groups with a foreign group head. *See Figure 1 and front page table.*

Figure 2: European comparisons of international sourcing rates, 2009-2011



Similar surveys on international sourcing were carried out by a number of countries across the EU27. EU aggregates are not available as not every EU country participated in the survey. Using these international comparisons, it can be seen the Nordic countries of Denmark and Finland had the highest rates of international sourcing between 2009 and 2011 at over 25% and almost 21% respectively. Romania and Lithuania had the lowest rates of international sourcing at over 3% and almost 1% respectively. At almost 12%, Ireland had a similar international sourcing rate to both Norway and Slovakia. *See Figure 2 and Table 7.*

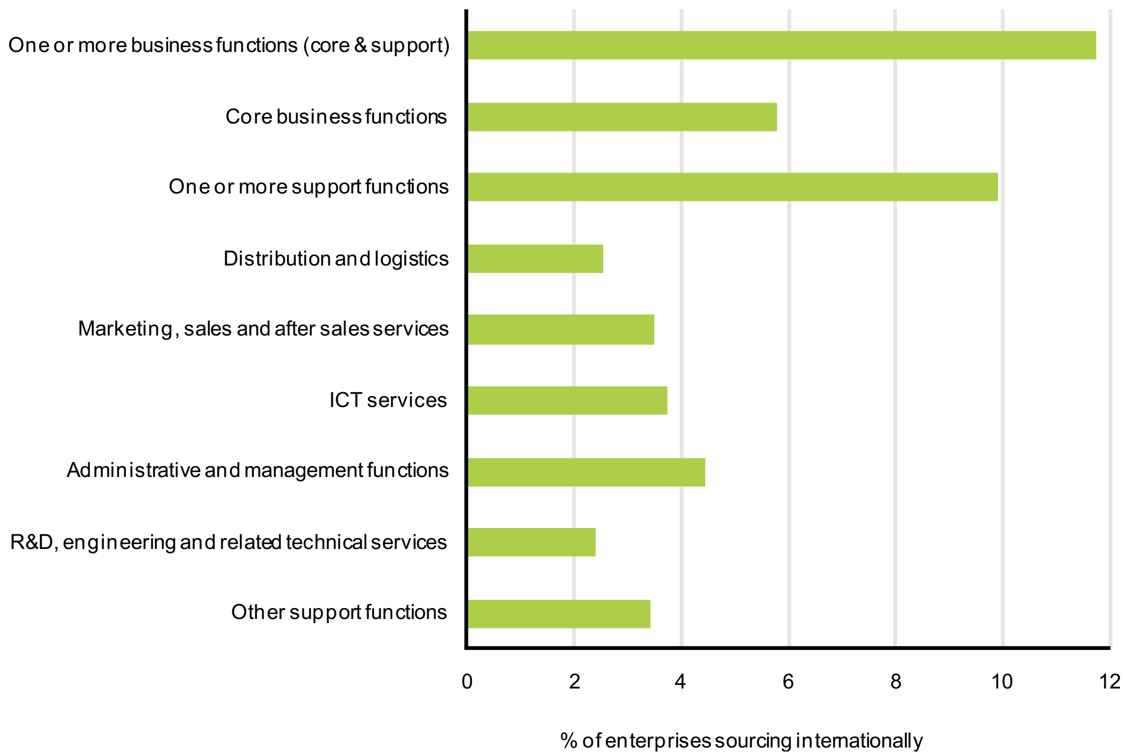
Figure 3: International sourcing within the enterprise group, 2009-2011



Almost 78% of enterprises who engaged in international sourcing in Ireland tended to source business functions to enterprises within their enterprise group. This highlights that the nature of international sourcing in Ireland between 2009 and 2011 was largely based around foreign multinationals moving business functions abroad to other enterprises within their own enterprise group.

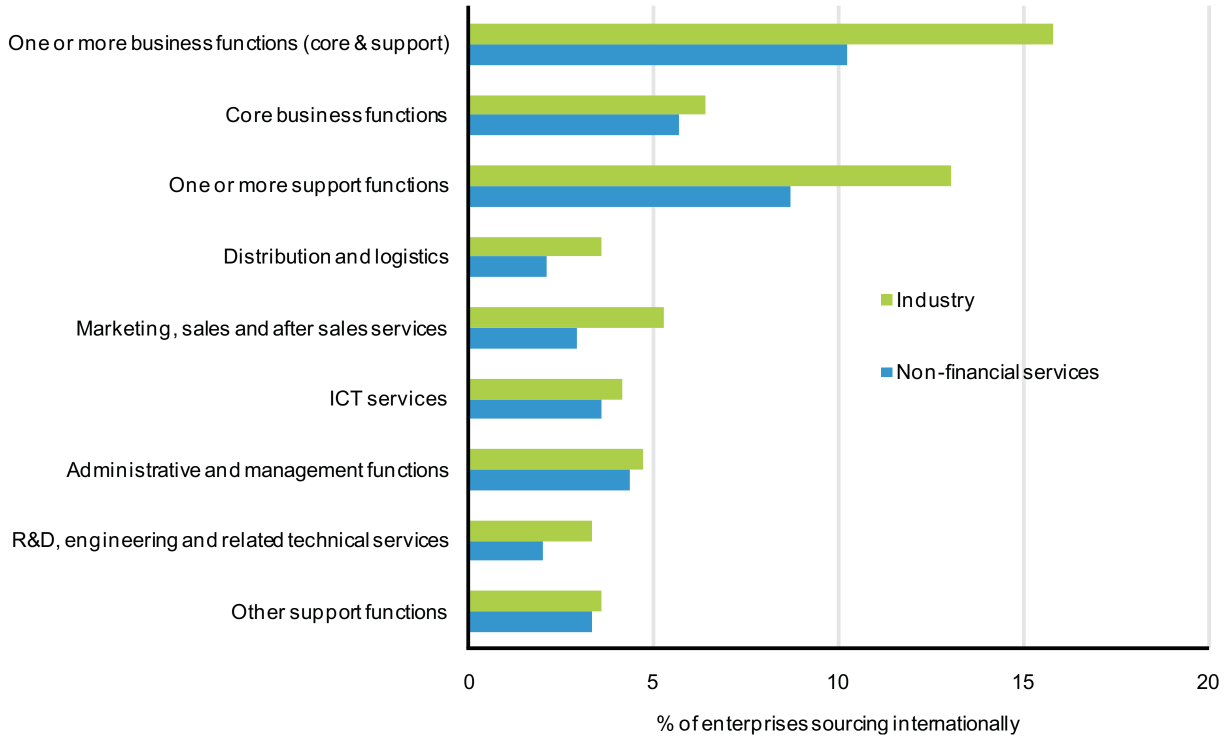
When the enterprises that sourced within their own enterprise group across the different business functions was examined, there were high proportions in evidence across both core and support business functions. The business function with the highest proportion of enterprises sourcing within the enterprise group was "Marketing, sales and after sales services" at over 86%. *See Figure 3 and Table 1.*

Figure 4: International sourcing by business function, 2009-2011



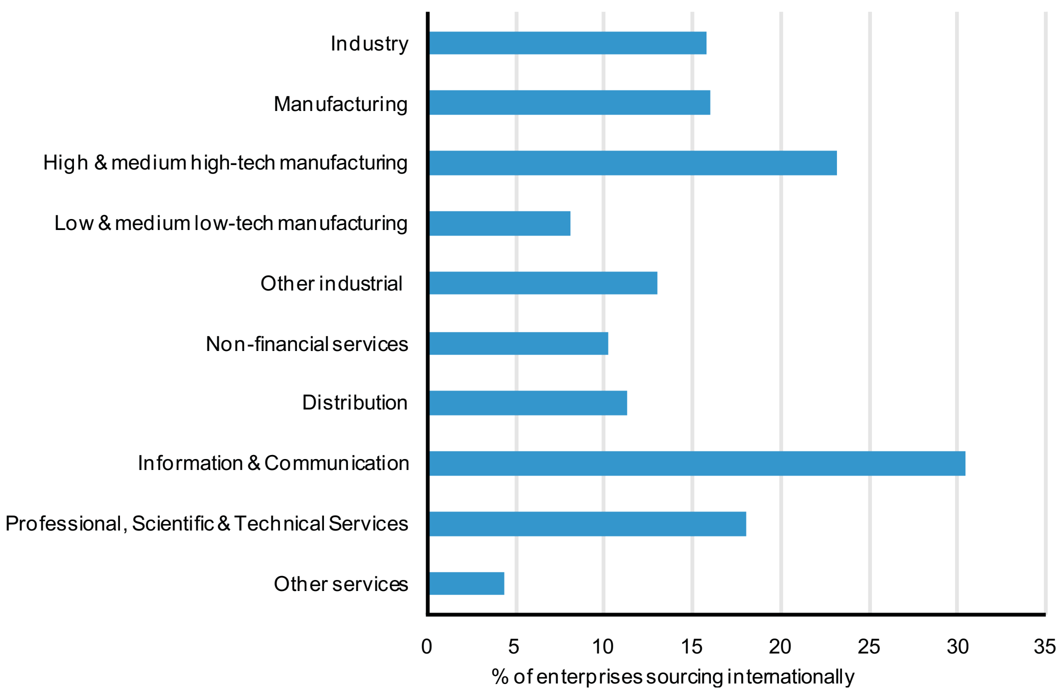
As already shown, almost 12% of large Irish enterprises sourced one or more business functions abroad during the period 2009 to 2011. Almost 6% of enterprises sourced their core business function and almost 10% sourced one or more support functions. Of the individual support business functions, the rate of international sourcing ranged from over 2% for “Research & development, engineering and related technical services” to over 4% for “Administrative and management functions”. *See Figure 4 and Table 2.*

Figure 5: International sourcing by business function and sector, 2009-2011



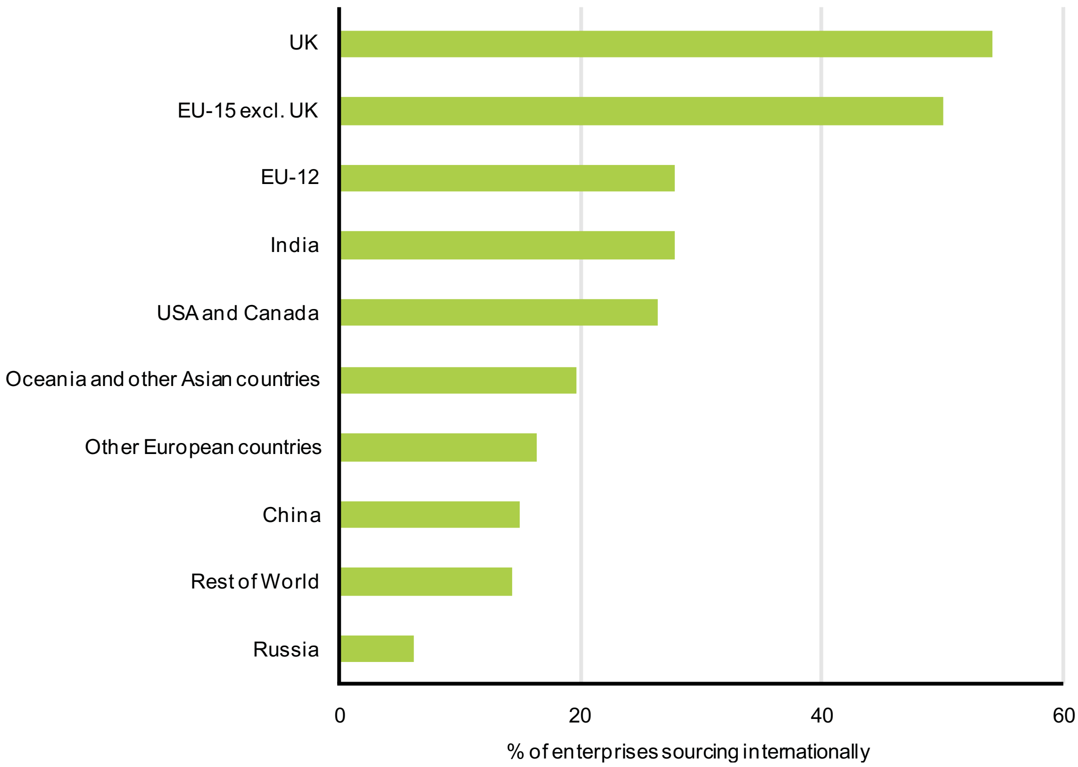
When comparing the rate of international sourcing within the sectors of “Industry” and “Non-Financial Services”, it can be seen that within every category of business function “Industry” displayed a higher rate of international sourcing. At the overall level, almost 16% of large industrial enterprises engaged in international sourcing during 2009 to 2011 while the equivalent rate for large services enterprises was just over 10%. *See Figure 5 and Table 2.*

Figure 6: International sourcing by detailed sector, 2009-2011



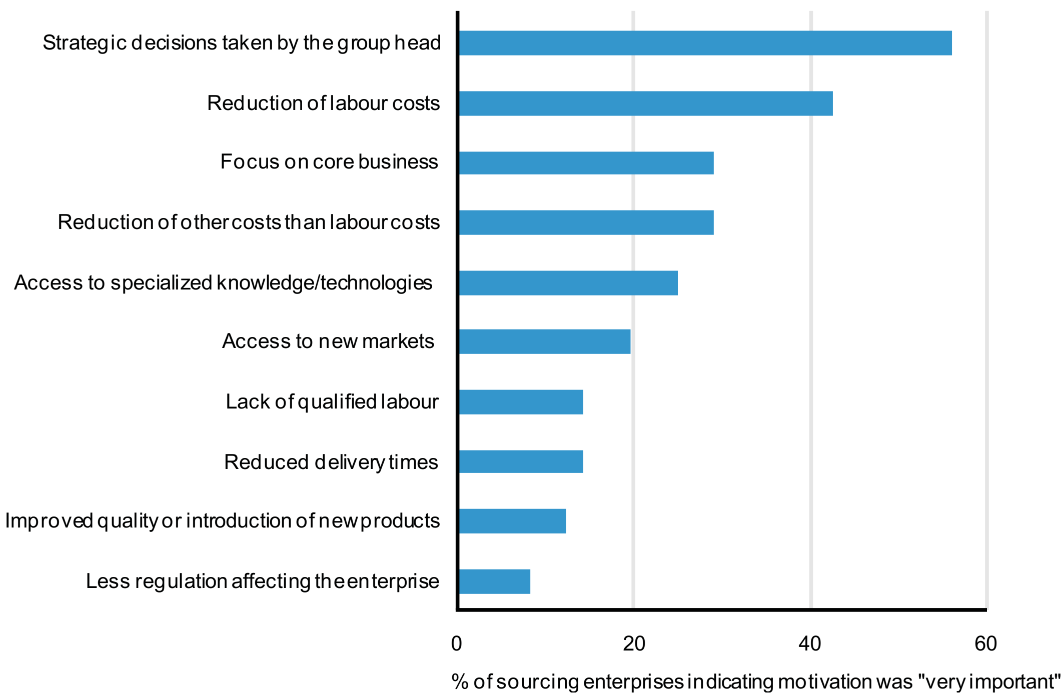
There was some variability in the rates of international sourcing among large Irish enterprises when the detailed sectoral breakdown was examined. Two sectors with particularly high rates of international sourcing were "High & Medium High-Tech Manufacturing" at over 23% and "Information & Communication" at over 30%. *See Figure 6 and Table 3.*

Figure 7: International sourcing by destination, 2009-2011



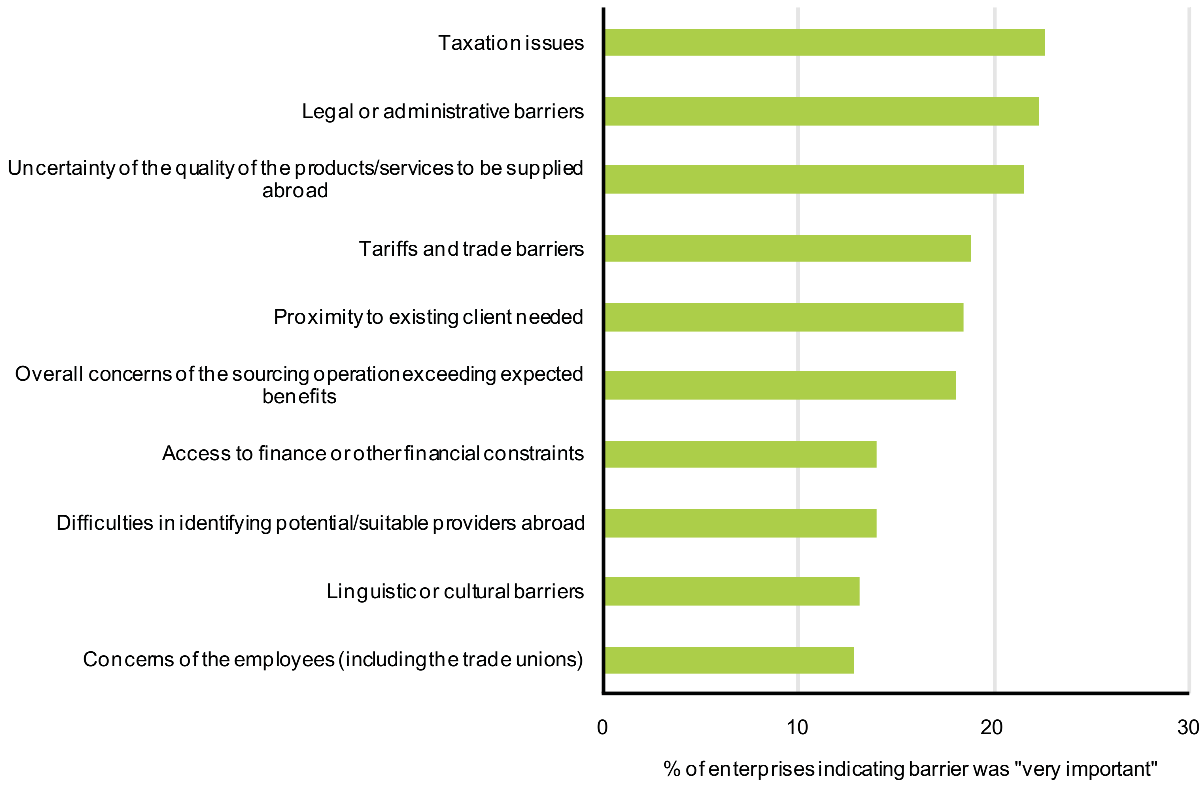
Of the 148 large Irish enterprises that engaged in international sourcing, 80 enterprises or over 54% sourced at least one business function to the UK and 74 enterprises or 50% sourced at least one business function to one of the other EU15 countries. Other popular destinations for international sourcing were the EU12, India, USA and Canada. Note that an enterprise may have sourced business functions to more than one destination during the period 2009 to 2011. Therefore, the total number of enterprises who sourced internationally is not equal to the sum of the geographical breakdown. *See Figure 7 and Table 4.*

Figure 8: Motivations for international sourcing, 2009-2011



Over 56% of enterprises indicated that a strategic decision taken by the group head was a very important motivation for international sourcing during the period 2009 to 2011. The majority of Irish enterprises that sourced business functions abroad were subsidiaries within enterprise groups. The second most cited motivation for international sourcing, at almost 43%, was a reduction of labour costs. *See Figure 8 and Table 5.*

Figure 9: Barriers to international sourcing, 2009-2011



The survey enquired of all responding enterprises about the barriers to international sourcing. Almost 23% of enterprises indicated that taxation issues were a very important barrier to international sourcing during the period 2009 to 2011. The next two strongest barriers to international sourcing were legal or administrative barriers and uncertainty over the quality of the products/services to be supplied abroad. *See Figure 9 and Table 6.*

Table 1: International sourcing by type of business partner, 2009-2011

	Number of enterprises				
	To enterprises within own enterprise group abroad	To enterprises outside own enterprise group abroad	No answer	Total [1]	Percentage to enterprises within own enterprise group abroad
One or more business functions (core & support) [2]	**115**	**42**	**6**	**148**	**77.7**
Core business functions	49	19	6	73	67.1
One or more support functions	100	28	6	125	80.0
- Distribution and logistics	21	6	4	32	65.6
- Marketing, sales and after sales services	38	2	4	44	86.4
- ICT services	36	9	2	47	76.6
- Administrative and management functions	45	7	4	56	80.4
- Research & Development, engineering and related technical services	24	2	4	30	80.0
- Other support functions	28	7	8	43	65.1

[1] Enterprises can source to other enterprises both inside and outside the enterprise group for the categories "one or more business functions" and "one or more support functions". Hence the sum of the columns does not equal the total for these categories.

[2] Enterprises can source more than one business function. Hence the sum of the individual business functions do not equal the totals.

Table 2: International sourcing by business function and broad sector, 2009-2011

	Industry	Non-financial services	Total
All enterprises	**361**	**898**	**1259**
Number of enterprises engaged in international sourcing			
One or more business functions (core & support) [1]	57	92	148
Core business function	23	51	73
One or more support functions	47	78	125
- Distribution and logistics	13	19	32
- Marketing, sales and after sales services	19	26	44
- ICT services	15	32	47
- Administrative and management functions	17	39	56
- Research & Development, engineering and related technical services	12	18	30
- Other support functions	13	30	43
Percentage of enterprises engaged in international sourcing			
One or more business functions (core & support) [1]	15.8	10.2	11.8
Core business function	6.4	5.7	5.8
One or more support functions	13.0	8.7	9.9
- Distribution and logistics	3.6	2.1	2.5
- Marketing, sales and after sales services	5.3	2.9	3.5
- ICT services	4.2	3.6	3.7
- Administrative and management functions	4.7	4.3	4.4
- Research & Development, engineering and related technical services	3.3	2.0	2.4
- Other support functions	3.6	3.3	3.4

[1] Enterprises can source more than one business function. Hence the sum of the individual business functions do not equal the totals.

Table 3: International sourcing by detailed sector, 2009-2011

Sector [1]	Number of enterprises: Enterprises engaged in international sourcing	Number of enterprises: All enterprises	Percentage of enterprises engaged in international sourcing
Industry (B-E)	**57**	**361**	**15.8**
Manufacturing (C)	54	338	16.0
- High & medium high-tech manufacturing	41	177	23.2
- Low & medium low-tech manufacturing	13	161	8.1
Other industrial (B,D,E)	3	23	13.0
Non-financial services (F-N excl K)	**92**	**898**	**10.2**
Distribution (G)	32	283	11.3
Information & Communication (J)	24	79	30.4
Professional, Scientific & Technical Services (M)	15	83	18.1
Other services (F, H, I, L, N)	20	453	4.4
Total	**148**	**1259**	**11.8**

[1] Please see background notes for NACE Rev. 2 classifications

Table 4: International sourcing by destination and business function, 2009-2011

	Number of enterprises			Percentage of enterprises		
	Sourcing core business functions	Sourcing support business functions	Sourcing any business function	Sourcing core business functions	Sourcing support business functions	Sourcing any business function
UK	30	68	80	41.1	54.4	54.1
EU-15 excl. UK	32	55	74	43.8	44.0	50.0
EU-12	19	28	41	26.0	22.4	27.7
India	11	30	41	15.1	24.0	27.7
USA and Canada	15	28	39	20.5	22.4	26.4
Oceania and other Asian countries	17	17	29	23.3	13.6	19.6
Other European countries	18	8	24	24.7	6.4	16.2
China	15	11	22	20.5	8.8	14.9
Rest of World	14	12	21	19.2	9.6	14.2
Russia	5	4	9	6.8	3.2	6.1
All destinations [1]	**73**	**125**	**148**			

[1] Enterprises can source a business function to more than one destination. Hence the sum of the regions does not equal the total.

Table 5: Motivating factors for international sourcing, 2009-2011

	Number of enterprises					Percentage very important
	No answer	Not important	Important	Very important	Total	
Strategic decisions taken by the group head	4	23	39	83	148	56.1
Reduction of labour costs	4	40	42	63	148	42.6
Focus on core business	14	54	37	43	148	29.1
Reduction of costs other than labour costs	6	42	57	43	148	29.1
Access to specialized knowledge/technologies	11	75	25	37	148	25.0
Access to new markets	13	79	27	29	148	19.6
Lack of qualified labour	11	96	20	21	148	14.2
Reduced delivery times	17	88	22	21	148	14.2
Improved quality or introduction of new products	14	92	24	18	148	12.2
Less regulation affecting the enterprise	16	102	18	12	148	8.1

Table 6: Barriers to international sourcing, 2009-2011

	Number of enterprises					Percentage very important
	No answer	Not important	Important	Very important	Total	
Taxation issues	157	402	415	285	1259	22.6
Legal or administrative barriers	174	402	402	281	1259	22.3
Uncertainty of the quality of the products/services to be supplied abroad	177	416	394	272	1259	21.6
Tariffs and trade barriers	165	473	385	237	1259	18.8
Proximity to existing client needed	167	459	400	233	1259	18.5
Overall concerns of the sourcing operation exceeding expected benefits	179	371	482	228	1259	18.1
Access to finance or other financial constraints	173	577	332	177	1259	14.1
Difficulties in identifying potential/suitable providers abroad	168	463	451	177	1259	14.1
Linguistic or cultural barriers	165	498	430	166	1259	13.2
Concerns of the employees (including the trade unions)	186	476	436	162	1259	12.9

Table 7: European comparisons of international sourcing by broad sector[1], 2009-2011

	Number of enterprises engaged in international sourcing			Total number of enterprises			Percentage of enterprises engaged in international sourcing		
	Industry	Non-financial services	All sectors	Industry	Non-financial services	All sectors	Industry	Non-financial services	All sectors
Denmark	152	162	314	452	792	1,244	33.6	20.5	25.2
Finland	144	102	247	502	696	1,198	28.7	14.7	20.6
Belgium	81	50	131	362	460	822	22.4	10.9	15.9
Portugal	190	191	381	1,045	1,451	2,496	18.2	13.2	15.3
Norway	80	92	172	445	986	1,431	18.0	9.3	12.0
Ireland	**57**	**92**	**148**	**361**	**898**	**1,259**	**15.8**	**10.2**	**11.8**
Slovakia	73	68	141	723	554	1,277	10.1	12.3	11.0
The Netherlands	203	244	447	1,282	3,278	4,560	15.8	7.5	9.8
Estonia	36	8	45	247	267	514	14.7	3.1	8.7
Latvia	17	24	41	208	392	600	8.2	6.1	6.8
France	473	327	800	4,507	9,024	13,531	10.5	3.6	5.9
Romania	78	68	146	2,283	2,163	4,445	3.4	3.1	3.3
Lithuania	0	7	7	383	562	945	0.0	1.2	0.7

[1] Please see background notes for NACE Rev. 2 classifications

Background Notes

Survey Design

The International Sourcing Survey was carried out between July and December 2012. It used the CSO eForms which allows respondents to complete the questionnaire via an internet portal. It was a census of all enterprises in Ireland with 100 or more employees in the Irish business economy (NACE Rev. 2 sectors B to N excluding K). Enterprises were identified using the CSO Central Business Register. The survey was issued to 1259 enterprises and the overall response rate was 44.3 per cent. Full details of the response rates for the main sectors are outlined in the table below.

International Sourcing Survey 2009-2011 – target population and response rates by sector.

Sector (NACE Rev. 2)	Total number of enterprises with 100+ persons employed	Number of responding enterprises	Response rates
Mining and quarrying (B)	5	2	40.0%
Manufacturing (C)	338	161	47.6%
Electricity, gas, steam and air conditioning supply (D)	6	3	50.0%
Water supply; sewerage, waste management and remediation activities (E)	12	4	33.3%
Construction (F)	51	16	31.4%
Wholesale and retail trade; repair of motor vehicles and motorcycles (G)	283	132	46.6%
Transportation and storage (H)	65	36	55.4%
Accommodation and food service activities (I)	191	65	34.0%
Information and communication (J)	79	34	43.0%
Real estate activities (L)	10	4	40.0%
Professional, scientific and technical activities (M)	83	49	59.0%
Administrative and support service activities (N)	136	52	38.2%
All sectors	1,259	558	44.3%

Definitions

International Sourcing

Sourcing refers to the movement of business functions from an enterprise to another enterprise within or outside the enterprise group. The movement of business functions within Ireland is referred to as domestic sourcing and the movement of business functions outside Ireland (including previously domestically sourced functions) is referred to as international sourcing.

Please note that this survey enquired specifically about international sourcing of business functions during the period 2009-2011. Therefore, an enterprise was not counted as having engaged in international sourcing if the movement of the activity occurred previous to 2009.

Enterprise Group

An enterprise group is a set of enterprises controlled by the group head. It is an association of enterprises bound together by legal and/or financial links. A group of enterprises can have more than one decision-making centre, especially for policy on production, sales and profits. It may centralise certain aspects of financial management and taxation. It constitutes an economic entity which is empowered to make choices, particularly concerning the units which it comprises. 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 the general policy of an enterprise by choosing appropriate directors, if necessary. In this context, enterprise A is deemed to be controlled by enterprise B, when B controls, whether directly or indirectly, more than half of the shareholders voting power or more than half of the shares in enterprise A.

Indirect control means than an enterprise may have control through another affiliate which has control over enterprise A.

Control can be exerted via effective minority control without owning more than half of the shareholders voting power or more than half of the shares.

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

Subsidiary
A subsidiary is a legal unit which is controlled either directly or indirectly by another legal unit in an enterprise group.

Business Functions

Core business function:
This function is the primary activity of the enterprise and will in most cases equate with the main activity of the enterprise. It includes production of final goods or services intended for the market/for third parties carried out by the enterprise and yielding income. The core business function equals in most cases the primary activity of the enterprise. It may also include other (secondary) activities if the enterprise considers these to comprise part of their core functions.

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. The outputs of the support business functions are not themselves intended directly for the market/for third parties.

The support business functions are divided into:

- Distribution and logistics consists of transportation activities, warehousing and order processing functions.
- Marketing, sales and after sales services including help desks and call centres. This consists of market research, advertising, direct marketing services (telemarketing), exhibitions, fairs and other marketing or sales services. Also including call-centre services and after sales services such as help-desks and other customer supports services.
- ICT services include IT-services and telecommunication. IT services consist of hardware and software consultancy, customized software data processing and database services, maintenance and repair, web-hosting, other computer related and information services. Packaged software and hardware are excluded.
- Administrative and management functions includes legal services, accounting, book-keeping and auditing, business management and consultancy, HR management (e.g. training and education, staff recruitment, provision of temporary personnel, payroll management, health and medical services), corporate financial and insurance services. Also including procurement functions.
- Research & Development, engineering and related technical services include R&D, intramural research and experimental development, engineering and related technical consultancy, technical testing, analysis and certification. Design services are included as well.
- Other support functions are all other functions not previously mentioned, including manufacturing as a secondary activity for services enterprises.

Classifications

Geographical Areas
The geographical areas used in this survey are as follows:

- United Kingdom
- EU15: (excluding UK and Ireland): Belgium, Denmark, Germany, Greece, Spain, France, Italy, Luxembourg, Netherlands, Austria, Portugal, Finland and Sweden
- EU12: the Czech Republic, Estonia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Slovenia, Slovak Republic, Bulgaria, and Romania
- Russia
- Other European countries: Switzerland, Norway, Turkey, Belarus, Ukraine and the Balkan states

- China
- India
- Oceania and other Asian countries: Includes Japan, Korea, Near-, Middle- and Far-East, and Oceania (including Australia and New Zealand)
- USA and Canada
- Brazil
- Rest of the world: Includes Mexico, South and Central America (except Brazil) and Africa

NACE Rev. 2 is the statistical classification of economic activities. NACE is an acronym for 'Nomenclature Généraile des Activités Économiques dans les Communautés Européenes' (General Industrial Classification of Economic Activities within the European Communities).

Industry (Sections B to E):

Manufacturing (Section C):

High-technology manufacturing:

Division 21	Pharmaceuticals
Division 26	Computers, electronic & optical products
Group 30.3	Air spacecraft

Medium-high-technology manufacturing:

Division 20	Chemicals
Group 25.4	Weapons & ammunition
Division 27	Electrical equipment
Division 28	Machinery
Division 29	Motor vehicles
Division 30_X_30.1_30.3	Transport equipment excluding ships, boats, excluding air & spacecraft
Group 32.5	Medical & dental instruments

Medium-low-technology manufacturing:

Group 18.2	Reproduction recorded media
Division 19	Coke and petroleum products
Division 22	Rubber and plastic products
Division 23	Other non-metallic mineral products
Division 24	Basic metals
Division 25_X_25.4	Fabricated metal products excluding machinery
Group 30.1	Ships and boats
Division 33	Repair & installation machinery

Low-technology manufacturing:

Division 10	Food
Division 11	Beverages
Division 12	Tobacco
Division 13	Textiles
Division 14	Clothing
Division 15	Leather products
Division 16	Wood products
Division 17	Paper products
Division 18.1	Printing
Division 31	Furniture
Division 32_X_32.5	Other manufacturing excluding medical and dental instruments

Other industrial:

Section B	Mining and quarrying
Section D	Electricity, gas, steam and air conditioning supply
Section E	Water supply; sewerage, waste management and remediation activities

Non-financial services (Sections F to N excluding K):

Distribution:

Section G	Wholesale and retail trade; repair of motor vehicles and motorcycles

Information & Communication:

Section J	Information and communication

Professional, Scientific & Technical Services:

Section M	Professional, scientific and technical activities

Other services:

Section F	Construction
Section H	Transportation and storage
Section I	Accommodation and food service activities
Section L	Real estate activities
Section N	Administrative and support service activities