

Enterprises Purchase of Services
The French Experience

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Introduction

Since beginning of the eighty's, businesses have increasingly resorted to the outsourcing of in-house operations, e.g. cleaning services, accounting... As a result of their long term strategic decisions, businesses now tend to focus on their core activities, leaving others to specialized entities. Thus, outsourcing decisions have led to the increase in the total purchase of services from the demand side as well as total sales of services by supply side. So, outsourcing is expected to contribute significantly to the growth of the service sector.

In this context it has been argued that most of growth in the service sector actually reflects transfers of activities rather than basic sector expansion. But a solution of this debate has been hampered by the absence of data. The purpose of this paper is to describe the French approach of the demand side, i.e. the use of services by businesses. As previously suggested, the reason for this quest is to understand the roots of growth in service industries. But as usual, implementation is the main question. In other words : « how could we manage to obtain enterprises describe at best their use of services ? ».

I. The European Experience : The Pilot Survey on Business Purchase of Services

To my knowledge no independent survey on the business demand for services has yet been carried out in EU countries. At Eurostat level, the only available data related to our interest is the « total purchase of goods and services ». The structural regulation on business statistics has no requirement on a further desegregation of this variable so as to isolate purchases of services from those of goods. Nor does it stipulate to breakdown business purchase of services by type. In France optimists may say the situation is slightly better as regards the availability in appropriate data to assess business demand for services. The Annual Business Survey on manufacturing industries collects data related to four service items i.e. marketing and advertising expenditure, software procurement, computer service purchases and cost of temporary worker services.

Following discussions during the last Voorburg Group meetings about demand for services, Eurostat decided to carry out a pilot survey on business purchases of services. One of its aims was to test the feasibility of breaking down in detail the variable « total purchases of goods and services ». The main challenge of this exercise is to identify and describe service product categories that are both acceptable to respondents and useful to statisticians.

Setting Up A Specific Service Classification

The questionnaire provided by Eurostat and the co-ordinating countries focussed on services for which businesses have actual choice between outsourcing and in-house production. The first step was to identify the corresponding services in reference to EU Classification of Products by Activities (hereafter called CPA). In order to translate the language of statisticians into business language, basic CPA items have been gathered into specific categories in line with main internal business activities (box 1).

Box 1 - Specific Service Categories

Production related services
Transport and distribution
ICT-services
Human resources related services
Financial related services
Administration

Marketing services
Auxiliary services

The Eurostat pilot survey has been carried out in 4 Member countries : Denmark, Spain, Sweden and United Kingdom. According to country size, the requirement was to obtain 200/500 questionnaires duly completed by businesses. In addition, the scope of the survey was limited to only three industries (as defined by NACE) : manufacture of machinery and equipment n.e.c (NACE 29), retail sale in non-specialized stores (NACE 52.1), other retail sale of new goods in specialized stores (NACE 52.4).

Testing The Eurostat Questionnaire in France

The Insee tested the European draft questionnaire on a sample of 30 enterprises (*Annex 1 : French version of the questionnaire*). Twenty enterprises answered the questionnaire. The test was conducted using the best means to test such a questionnaire, that is to say a face to face interview. The response rate was particularly high compared to Sweden rate¹. The most interesting feature of the test carried out in France was that all industries (as defined by NACE) were concerned.

The questionnaires, for most of them, were filled in during the face to face interview. This experience clearly showed that the most appropriate person to answer the questionnaire was the accountant or the financial director.

The reactions of the respondents were mainly concentrated on the facts that :

A - The questionnaire doesn't adjust to the French accounting system (hereafter called PCG) used by companies. The PCG has not been conceived to permit the extraction of information as such requested by the questionnaire. The basic items in reference to the CPA or the specific categories as defined above do not correspond to the internal organization of the firms. Respondents would have clearly preferred to be provided with direct references to the PCG. Therefore, it was not surprising that the majority of the respondents had referred to the account numbering used in the PCG. It should be noted that, unlike in other countries, especially in Anglo-Saxon countries, the PCG and the accounting principles applying in France are very standardized. Even if we put aside the issue of the PCG, French experience also demonstrated that businesses had difficulties in filling in the questionnaire. For example, account number 622 called "Remuneration of intermediaries and fees " of the PCG relates the total amount paid by the business for the services rendered within the year without indicating which specific amount was paid for a specific category of services.

B - Answering the question relating to labor costs for each category of services raised numerous difficulties although the French selected businesses could supplement the question by either breaking down their total labor cost for each category of service or by breaking down the number of employees. This difficulty was due to the fact that detailed information concerning labor costs is not easily available within the enterprise.

II. French Survey on "Services to Industry" ("Les services à l'industrie")

The trend of outsourcing observed since the beginning of the eighty's gives a new dimension to the industrial policy. The French Ministry of Manufacturing Industry needs more information

¹ See "Purchases of services by enterprises", Gunnel Bengtsson and Peter Boegh Nielsen, Voorburg group on Service Statistics, 14th meeting, Christchurch, 11-15 October 1999. Statistics Sweden and Statistics Denmark have tested the draft questionnaire (respectively on a sample of 30 and 10 enterprises). The questionnaire was not sent for testing in Spain and in the United Kingdom.

such as statistical measurement on industrial needs for services and on the performance of industrial businesses linked to outsourcing.

In France, priorities are as follows.

- (1) Provide quantitative and qualitative information on the use of services by businesses broken down by different activities. A qualitative part of the model is intended to go more into depth for analyzing the business behavior and structural/organizational changes or strategy due to the use of purchased services.
- (2) Provide more accurate data relating to input-output tables in the area of services for national accounts so that the intermediate consumption on service activities carried out by a branch could be estimated with a simple survey on purchase of services by the businesses belonging to such branch.

In order to measure the resort to external services, we need to know exactly which category of services is either produced in-house by manufacturing industries or purchased from a provider. For that purpose, a specific questionnaire has been drafted by the Statistical Department of the French Ministry of Manufacturing Industry in co-operation with the Insee, other departments of that Ministry and the employers.

Aim of The Survey

The main objective of the survey is:

❶ To Measure The In-house Production of Services in 1999 (by recourse to the number of employees as well as gross wages and social security contributions paid by the employer),

❷ To Measure The Resort to External Services

For that purpose, qualitative and quantitative questions were prepared.

(i) Qualitative questions are as follows:

✎ "Do you resort to a service provider in a stable and durable way ?"

or

✎ " Do you occasionally resort to a service provider ?" This means that the businesses used purchase of services only from time to time.

and

✎ "Do you resort to service providers that belong to your group of companies ?"

It should be noted that the answer to these questions is yes or no.

(ii) A quantitative question that reads as follows:

What is the breakdown of the amount of the purchase of services by specific categories in 1999 ?

The original characteristic of the questionnaire is that specific categories of services were defined in line with main internal business functions as well as in reference to the PCG (the account numbering is indicated). Functions are defined as follows :

- *Computer and related services*²

² As this information is already collected in France in the Annual Business Survey, enterprises do not have to fill in this item.

- *Telecommunications services*

- *Buying department* : this category relates to the supply of goods (purchase of raw materials...), i.e. the recourse to specialized services such as those needed to find suppliers, to organize check in of merchandises or to take care of the storage of merchandises.

- *Technology* :

- * Research and development
- * Architectural, engineering and related technical consultancy services
- * Technical testing and analysis services
- * Technology watch ("veille technologique")

- *Logistics* :

- * Warehousing and handling
- * Transportation
- * Packaging services

- *Administration and consultancy services* :

- * Training
- * Human resources management
- * Business and management consultancy services
- * Legal services
- * Accounting and auditing
- * Labor requirement (temporary work excluded)
- * Temporary work ²

- *Trade services* :

- * Advertising, marketing, communication ²
- * After-sale services
- * Customers relation (call center included)

- *Maintenance* :

- * Industrial equipment maintenance
- * Buildings maintenance

- *General services* :

- * Reception
- * Industrial cleaning services
- * Security
- * Collective catering (canteen)
- * Collecting of waste
- * Renting services of equipment without operator (automobile renting included)

- *Insurance and financial services* :

- * Portfolio management
- * Services auxiliary to financial intermediation
- * Factoring
- * Leasing services

Finally, we want to know **if the enterprises expect to increase or decrease their purchase of services by 2003.**

③ To Collect Information on The Outsourcing Strategy of The Businesses

There is a qualitative question which reads as follows:

📌 "Tick in the list the items stating the reason why you have decided to resort to a service provider" (for each function described above) :

- * *Not concerned*
- * To resort to external specific skills
- * To focus on your core activities
- * To have control over the costs
- * To simplify the management of human resources

④ To Know On Which Criteria Enterprises Base Their Choice of a Specific Service Provider

There is a qualitative question which reads as follows:

📌 "Tick in the list the items stating the reason why specific service providers have been chosen by your enterprise" (for each function described above) :

- * *Not concerned*
- * Service providers have been selected by your group
- * Closeness
- * Fame, recommendation in a roundabout way
- * Label, certification
- * Specific skills
- * To offer personalized services
- * Cost
- * To respect delivery time

⑤ To Know If The Enterprises Have Encountered Difficulties To Carry Out Their Outsourcing Policy

📌 "Tick in the list the items that correspond to the obstacle that you have faced to outsource" (for each function described above) :

- * *Not concerned*
- * To describe your needs in detail
- * To detect the quality of the services
- * To negotiate and to follow up the contract
- * The cost of the services
- * To lose control or abilities
- * Social and/or cultural reluctances within the enterprise
- * Confidentiality

For each item, the businesses should specify if the issue seems to be: 1) not relevant, 2) less important, 3) important, 4) very important, 5) up most.

This questionnaire was tested on a sample of 15 manufacturing businesses with a face to face interview. In general, the enterprises did not encounter any difficulties either to fill in the questionnaire or to understand its interest. Some of them stressed that services to industry constitute a topic issue which needs to be addressed within their company. No rejection of the questionnaire was noted.

Findings of The Test

A - As for the European test, the most suitable interlocutor appears to be the financial director because he is able to answer the quantitative as well as the qualitative questions.

B - The respondents would prefer to have the qualitative questions be separated from the quantitative questions.

C - For qualitative questions number 3, 4 and 5 the scale of importance has to be simplified. The respondents should only specify if the issue seems "low" or "high".

D - All the enterprises are able to estimate the breakdown of the number of employees for each kind of functions. They often could estimate the labor costs.

E - To stay close to the internal organization of the firm, some functions have to be gathered (the enterprises cannot separate them) :

- * Telecommunications with computer and related services,
- * Administration and consultancy with insurance and financial services,
- * Maintenance with general services in "general administration".

F - The list of the functions did not raise any particular difficulty and appears to be well-drafted to describe the internal organization of the firm. Only the wording "technology" was often considered as being not enough explicit. Therefore, it should be modified as follows : "Research and technology services". The notion of "technology watch" was not understood by the businesses. The meaning of this term must be detailed in the glossary that will be provided with the questionnaire.

G - For the businesses having an accounting cost (large-size enterprises), the questionnaire does not present any difficulty. The cost accounting makes it possible to answer the questionnaire by function, on a level even much more detailed than requires in the questionnaire. On the other hand, for the majority of the businesses tested, which do not have a cost accounting, it is necessary to refer to the PCG in order to answer the quantitative question relating to the purchase of services. This is a good argument to simplify the questionnaire and to introduce a breakdown of purchase of services by major functions (not detailed functions). This will make it possible without any doubt to improve the reliability of the results.

H - The concept of "outsourcing" asks for some complementary details, because each respondent has his/her own acceptance.

The final version of the questionnaire was sent on a sample of 3000 enterprises (see *Annex 2: The French survey on "Services to Industry"*). After only one reminder, 40 % of the enterprises have answered the questionnaire.

Annex 1 – Enterprises Purchase of Services
French version of the Eurostat questionnaire :

Questions who are difficult to answer :

2.3 Breakdown of purchase by categories of services in 1998

Type of services	Purchases (In national currency)	Per cent (estimated)
Production related services (CPA references) :		100 %
- Research and experimental development on natural sciences and engineering (<i>group 73.1</i>)		
- Architectural services (<i>part of class 74.20</i>)		
- Engineering and related technical consultancy (<i>part of class 74.20</i>)		
- Technical testing and analysis (<i>class 74.30</i>)		
Transport and distribution:		100 %
- Storage and warehousing (<i>group 63.1</i>)		
- Transport services (<i>part of section I</i>)		
- Other transport supporting services (<i>group 63.2 and 63.4</i>)		
- Packaging services (<i>class 74.82</i>)		
ICT-services:		100 %
- Software expenditures (<i>group 72.2</i>)		
- Other computer related services (<i>part of division 72</i>)		
- Telecommunication services (<i>class 6420</i>)		
Human resources related services:		100 %
- Training and educational services (<i>group 80.4</i>)		
- Labor recruitment and provision of personnel (<i>class 74.50</i>)		
Financial related services:		100 %
- Services auxiliary to financial intermediation (<i>division 67</i>)		
- Leasing services (<i>class 65.21</i>)		
- Renting services of machinery and equipment without operator (<i>part of division 71</i>)		
Administration:		100 %
- Legal services (<i>class 74.11</i>)		
- Accounting and auditing (<i>class 74.12</i>)		
- Business management and consultancy services (<i>class 74.14</i>)		
- Secretarial and translation services (<i>class 74.83</i>)		

Marketing services:

- Market research and public opinion polling services (class 74.13)
- Advertising (purchase of supports, consultancy) (class 74.40)
- Other marketing or sales services (exhibition and fairs etc.) (part of 74.81, of 78.83, 74.84)

Auxiliary services:

- Canteen and catering (group 55.5)
- Management services of real estate on a fee or contract basis (group 70.3)
- Investigation and security services (class 74.6)
- Industrial cleaning services (class 74.7)

Other services: (Please specify)

		100 %
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2.5 Estimate the size of services who are in-house provided : wages and salary or persons employed (full time equivalent ³)

2.5.1.1 Total wages and salaries in 1998 : _____

2.5.1.2 Total persons employed in 1998 : _____

2.5.2. of which:

Type of services**Wages and salary**

or

**Persons employed
(full time equivalent)**

Production related services		
Transport and distribution		
ICT – services		
Human resources related services		
Administration		
Marketing services		
Auxiliary services		
Other services		

³ Full time equivalent seems that an employee working full time is equivalent to an employee. On the other hand, an employee working part time is equivalent to 1/2.

Annex 2 - Services to Industry
The French survey

QUESTIONNAIRE

IDENTIFICATION DE L'ENTREPRISE

Nom du correspondant :

Fonction :

Téléphone :

Télécopie :

Mèl :

Pavé sur la confidentialité

A . LA PRODUCTION DE SERVICES EN INTERNE DANS VOTRE ENTREPRISE EN 1999

A l'intérieur de votre entreprise, combien de personnes sont affectées à ces fonctions (effectifs en équivalent temps plein) et à combien estimez-vous leur coût (**coût salarial brut + charges sociales patronales**) ?

Principales fonctions	Effectifs en équivalent temps plein	Coût salarial annuel estimé ‰milliers de francs ‰milliers d'euros
Services informatiques et télécommunications		
Services achats		
Services de recherche et de technologie (Recherche-Développement, ingénierie, contrôle technique, veille technologique...)		
Logistique (entreposage et manutention, transport, conditionnement...)		
Administration générale (formation, ressources humaines, consultants, services juridiques et comptables, sélection de personnel, gestion de portefeuille, assurances et autres auxiliaires financiers, affacturage...)		
Services commerciaux (publicité, services après-vente, relation client, centres d'appel...)		
Maintenance et services généraux (équipements industriels et bâtiments, nettoyage, sécurité, restauration, déchets...)		

Veillez cocher les cases correspondant à votre situation.

Les items ne sont pas exclusifs. Pour une même fonction, vous pouvez recourir, à la fois, à un prestataire de façon durable et à un autre prestataire de façon occasionnelle, de même qu'à une entreprise du groupe et à un prestataire extérieur.

Services auxquels vous avez recours	Faites-vous appel à un prestataire de services					Perspectives d'ici 2003 (*)		
	Non (*)	oui				→	↗	↘
		de façon durable (2 ans minimum)	de façon occasionnelle	Du même groupe	D'une Société extérieure			
Services informatiques et télécommunications (hors facture télécoms)								
Services achats								
Services de recherche et technologie								
Recherche et Développement								
Ingénierie et études techniques								
Contrôles et analyses techniques								
Veille technologique								
Logistique								
Entreposage et manutention								
Transport								
Conditionnement								
Administration générale								
Formation								
Gestion des ressources humaines								
Consultants en organisation et en gestion								
Services juridiques								
Services comptables								
Sélection de personnel (hors intérim)								
Intérim								
Gestion de portefeuille et de trésorerie								
Assurances et autres auxiliaires financiers								
Crédit-bail								
Affacturation								
Services commerciaux								
Publicité, marketing, communication								
Services après-vente								
Relation clientèle (y compris centres d'appel)								
Maintenance et services généraux								
Maintenance d'équipements et de machines								
Maintenance des bâtiments								
Maintenance des véhicules								
Accueil								
Nettoyage								
Sécurité								
Restauration								
Collecte des déchets								
Location de matériel (y. c. automobiles)								

(*) Même si vous avez répondu par **non** à toutes les questions, vous pouvez quand même remplir la partie perspective d'ici 2003

légende : ↘ correspond à une baisse des prestations









→ correspond à une même quantité de prestation

↗ correspond à une augmentation des prestations



L'externalisation doit être envisagée comme une approche à long terme, qui requiert la mise en place de relations de partenariat contractualisées stables et durables (minimum de deux ans) avec les partenaires de l'entreprise. Elle peut être totale si l'entreprise externalise la totalité d'une fonction avec le personnel afférant. Elle peut être partielle si la firme cesse de recruter, alors que cette fonction prend de l'importance, et préfère appuyer sa croissance sur des achats en externe.

















1. Pour quels motifs avez-vous recours de manière stable et durable, à des prestataires extérieurs ?

Cochez la case correspondante pour chaque item:  correspond à des **motifs faibles**,  correspond à des **motifs forts**



	Non Concerné	Le recours à des compétences spécifiques extérieures  	Le recentrage sur le cœur de métier  	La maîtrise des coûts  	La simplification de la gestion des ressources humaines  
Services informatiques et télécommunications					
Services achats					
Services de recherche et de technologie					
Logistique					
Administration générale					
Services commerciaux					
Maintenance et services généraux					















2. Quels critères ont présidé au choix de vos prestataires actuels ?

Cochez la case correspondante pour chaque item:  correspond à des **critères faibles**,  correspond à des **critères forts**

	Non Concerné	Prestataire choisi par le groupe  	Proximité  	Notoriété, recommandation indirecte  	Label, certification  	Compétences spécifiques  	Offre de services personnalisés  	Coût  	Respect des délais  
Services informatiques et télécommunications									
Services achats									
Services de recherche et de technologie									
Logistique									
Administration générale									
Services commerciaux									
Maintenance et services généraux									

3. Quelles sont les difficultés liées à l'externalisation de services dans votre entreprise ?

Cochez la case correspondante pour chaque item:  correspond à des **obstacles faibles**,  correspond à des **obstacles forts**

	Non Concerné	La difficulté de définir de façon détaillée ses besoins  	La difficulté de percevoir la qualité de l'offre  	La négociation et le suivi du contrat  	Coût du service  	Perte de maîtrise ou de compétence  	Réticences sociales et/ou culturelles dans l'entreprise  	Confidentialité  
Services informatiques et télécommunications								
Services achats								
Services de recherche et de technologie								
Logistique								
Administration générale								
Services commerciaux								

D. Les achats de services en 1999

Veuillez indiquer le montant (en milliers de francs ou milliers d'euros) des postes comptables mentionnés et leur décomposition (en %) par grande fonction ; ceci nous permettra par regroupement d'évaluer par fonction les montants des achats de services effectués en 1999 par votre entreprise.

Exemple : Si la fonction « Maintenance et services généraux » représente x% des achats enregistrés dans le compte 611, y% de ceux du compte 6226 et z% du compte 628, en calculant la valeur en milliers de francs que ces pourcentages représentent et en y adjoignant les comptes 6152, 6155 et 6156, nous obtiendrons le montant total des achats en « maintenance et services généraux » en 1999.

%milliers de francs

%milliers d'euros

Postes du plan comptable général	Intitulé du compte	Montants	Fonctions	En % estimé du compte
Compte 611	Sous-traitance générale		Services achats	
			Services recherche et technologie	
			Maintenance et Services généraux	
			Services commerciaux	
			Logistique	
			Autres	
Compte 6132	Locations immobilières			
Compte 6135	Locations mobilières			
Compte 6152	Entretien sur biens immobiliers			
Compte 6155	Entretien sur biens mobiliers			
Compte 6156	Maintenance			
Compte 616	Primes d'assurances			
Compte 617	Etudes et recherches			
Compte 6183	Documentation technique			
Compte 6225	Rémunérations d'affacturage			
Compte 6226	Rémunérations d'intermédiaires et honoraires		Services achats	
			Services recherche et technologie	
			Administration générale	
			Maintenance et Services généraux	
			Autres	
Compte 624	Transports			
Compte 6262	Frais de télécommunications			
Compte 6271	Frais sur titres (achats, ventes, garde)			
Compte 628	Divers		Administration générale	

			généraux	
Compte 6284	Frais de recrutement de personnel			