

# **BUILDING PARTNERSHIPS FOR BETTER STATISTICS**

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## **1. Introduction**

Over the past two decades the world has witnessed the advent and growth of globalisation and increased multinational economic activity. This has had various far reaching implications for all the stakeholders from economic agents to policy makers and has brought with it a plethora of interesting but also challenging changes in economic data measured by central banks and statistical agencies.

The former president of the European Monetary Institute and director general of the Bank for International Settlements (BIS), Alexandre Lamfalussy, noted in 1996 that “Nothing is more important for monetary policy than good statistics”. This is in fact true for policy actions on a much wider scale. But, given the vast increase in complexity and range of global economic events, and if we accept the accurate and correct measurement of economic developments as a prerequisite for producing good quality statistics that is used to inform policy makers on the state of various economic identities, it would suffice to say that the measurement thereof has also increased in difficulty due to the growth in globalisation. Given the latter, we have to accept that the era of “ivory tower” data measuring is something of the past. New partnerships need to be forged to ensure that high quality data is measured in order to understand the economic landscape and also build our capacity to understand the economic future and utilise the wealth of knowledge in the market to assist our analysis of the economy that we are measuring. To achieve this we need to enhance the depth of both our statistical and analytical ability through the correct use of partnerships.

In this regard the South African Reserve Bank (SARB) has acknowledged this structural shift and finds itself in a similar position regarding the statistics it compiles, where increasing demands from various users for more timely, accurate and high frequency data are placing increased strain on its available resources. Because the SARB has always prided itself on producing high quality and relevant statistics and has a stated objective to continue doing this, the SARB started looking beyond conventional measurement systems and adopted a broader view on the statistics value chain and the stakeholders involved therein. One of the key stakeholders is the respondents from which data are sourced and the relationship that the SARB has with them. This paper concentrates on the dynamics and management of the relationship with respondents and how this process can assist with not only the compilation of timely, accurate and high frequency statistics, but also broaden the understanding of the different sectors of the economy and how they contribute to the various economic identities that are measured by the SARB.

## **2. The different views to respondent management**

Essentially the relationship with respondents can be seen from a narrow or a broad viewpoint. The narrow viewpoint identifies the respondent simply as an economic agent from which certain data has to be extracted in order to compile a number of data sets that acts as the input into the compilation of useful statistics. In the narrow viewpoint the respondent is simply seen as a provider of basic, sample survey generated data and that is where the relationship ends. Although this viewpoint forms the basis of the logic behind the collection of data and the production of statistics it is not at all enough given the structural changes witnessed in the modern economic environment referred to above.

Overarching this narrow viewpoint is the broader, more encompassing approach to the relationship that exists between entities that compile statistics and make policy on the one

hand and the economic agents or respondents that participate in various economic activities that generate measurable data on the other hand. The broader view not only sees the economic agent as the provider of survey generated data but rather as a partner that provides invaluable and relevant data that assist in understanding the economic reality.

However, the provision of accurate and relevant data is only one component. Viewing the relationship between the SARB and the respondent in this broader context puts extra responsibility on both parties to properly manage their relationship in the interest of the country's policy formulation and growth prospects. In order to strengthen the relationship and further enhance mutual understanding with its economic and social stakeholders, the SARB conceptualised and launched the "Outreach programme" in 2009. The aim of this programme is to create a platform that will allow mutual discussions on the country's economic and social developments as well as the domestic outlook, with various stakeholders in the economy. This includes, among others, business, trade union movements, political parties and greater civil society.

The SARB has thus committed itself to engaging on various levels with various stakeholders in the economic and social arena to actively manage the relationships in which the Bank finds itself. One of those being the relationship to produce high quality statistics. Managing this relationship with the broader view in mind forces the SARB to actively think about its relationship with the various stakeholders in the economy. In this regard, the SARB has a responsibility to pro actively engage with the stakeholders and understand the environment in which they operate. This partly entails understanding the sector specific climate and its nuances and the impact certain events will exert on the respondents and ultimately extending this to the impact it will have on SARB policy, and vice versa. Furthermore it also assumes that the SARB will endeavour to understand the impact of response burden on the respondent and work with the respondent to minimise this burden.

The broader view also implies that the respondent has a responsibility that extends beyond that of just supplying accurate survey data. The respondent should understand the importance of the data and the eventual role this data play in the economic policy formulation as well as proactively work with the SARB to determine the correct reporting procedure. The challenge of keeping up the momentum in the relationship will however in most instances rest with the SARB through the creation of an appropriate framework for a broader respondent management and interaction culture. In order to be able to manage and preserve this relationship with the broader view in mind the SARB is forced to ensure that it remains neutral in its engagement at different bilateral meetings and admit to not having a solution to all the challenges.

If utilised correctly the broader view to respondent management can present the following advantages:

- Greater understanding of the legitimate response burden imposed on economic agents;
- Greater understanding of the industry specific environment in which the different economic agents operate and a better ability to anticipate future economic developments.
- Broadening of the economist's/statistician's scope - the mere fact that an economist has to engage the respondent on the respondent's area of expertise forces the economist to expand his or her horizons which leads to growth because the economist has to involve his/her thinking regarding the differences in the environments of the different respondents;
- Increased accuracy of reported data due to a more thorough understanding of the reporting requirement by the respondent; and
- Increased effectiveness of the reporting process:
  - Streamlining existing processes
  - Eliminating redundant data
  - Regular and thought-through cross checks on data provided by respondents

The broader view to respondent management forms part of the statistics value chain model which is summarised in figure 1. This model entails six steps with the first three relating directly to the respondent management process.

Step one: This step entails building a comprehensive database of each sector of the economy and identifying the major groups (or economic agents) in that sector. In this step the specific sector is analysed for underlying structure, trends and characteristics. Here the respondent management process will focus on liaisons with industry or sector organisations, information databases etc. The main purpose of this step is to create a broad comprehension of the sector from which the sample population will be surveyed.

Step two: This step entails detailed sample survey administration and maintenance. Here the focus moves from the broader industry organisation and holistic view to the individual groups in the sector and the reporting entities in the sample population. In this step the respondent management process will entail liaison with entity specific contacts and focus on detailed technical data required in the sample surveys.

Step three: This step entails high level liaison with senior executives of the specific groups in each sector with the view of gaining a thorough understanding of the positioning of every group in the sector as well as its strategic intent and future growth areas and the likely impact these strategies will have on future survey data.

### **3. The SARB Research Department initiatives on respondent management**

The SARB recognised the unfolding challenges with regards to measuring economic data sets and realised that outdated and isolationist methods posed various problems for the future of accurate and quality statistics. In line with this the SARB and more specifically the Research Department of the SARB started to reach out to respondents in various formats in order to:

- Gain a better understanding of the industry specific environments wherein the respondents were finding themselves as well as the economic data reported by the respondents;
- Assist respondents in developing a deeper understanding of the technical reporting requirements;
- Collectively make the process of data collection more efficient and rewarding; and
- Improve the resultant analysis and base of economic understanding.

One of the divisions within the Research Department that is heavily reliant on sample survey data is the Balance of Payments division (BoP). One of the main structural shifts in the BoP model for supplying high quality statistics has been the implementation and refinement of a respondent management programme. This programme entails regular meetings with respondents in various sectors throughout South Africa. This approach together with the “Outreach Programme” has improved the quality, response rate, and accurateness of the data significantly.

**Figure 1: Respondent management as part of the statistics value chain**

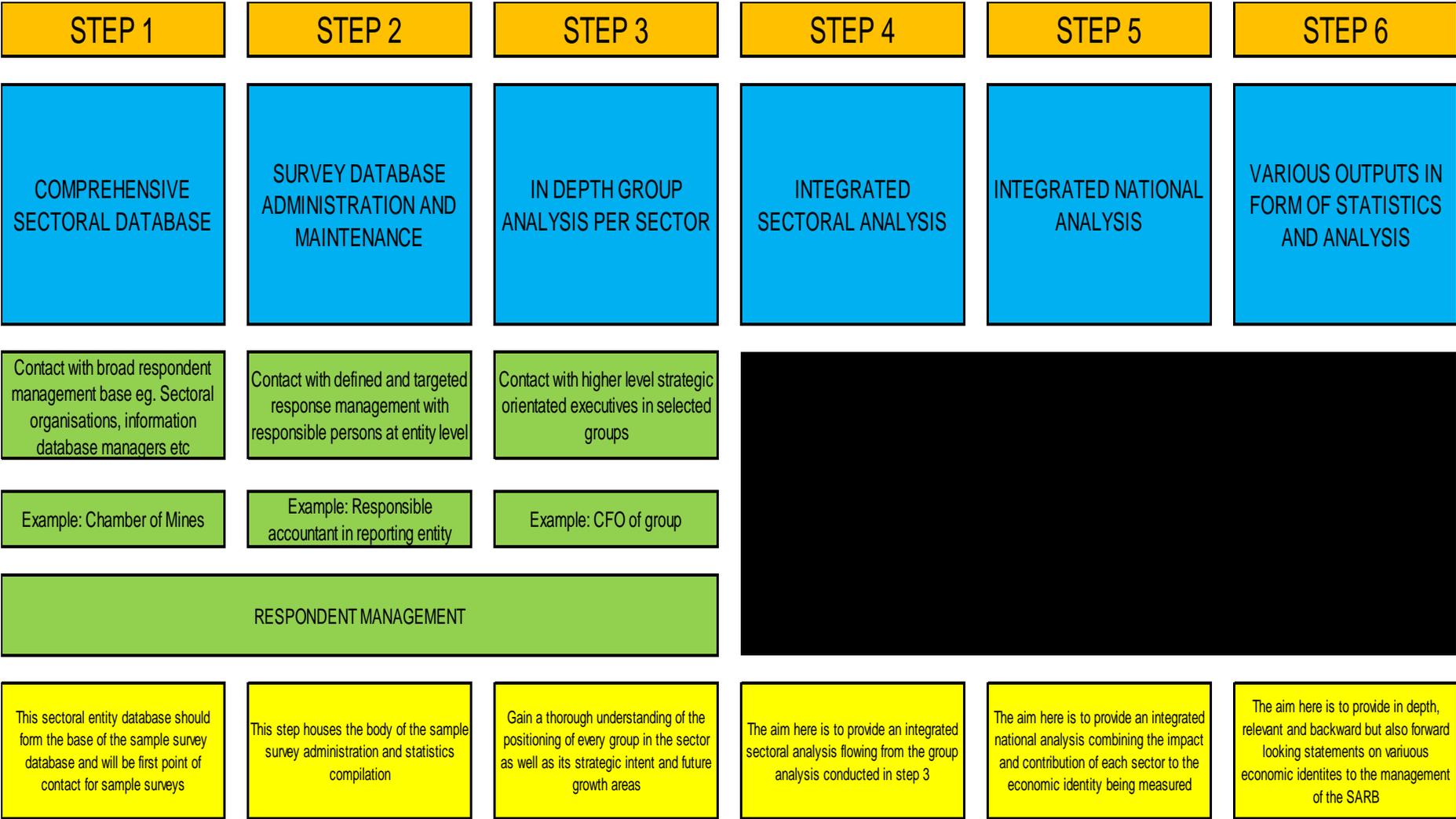
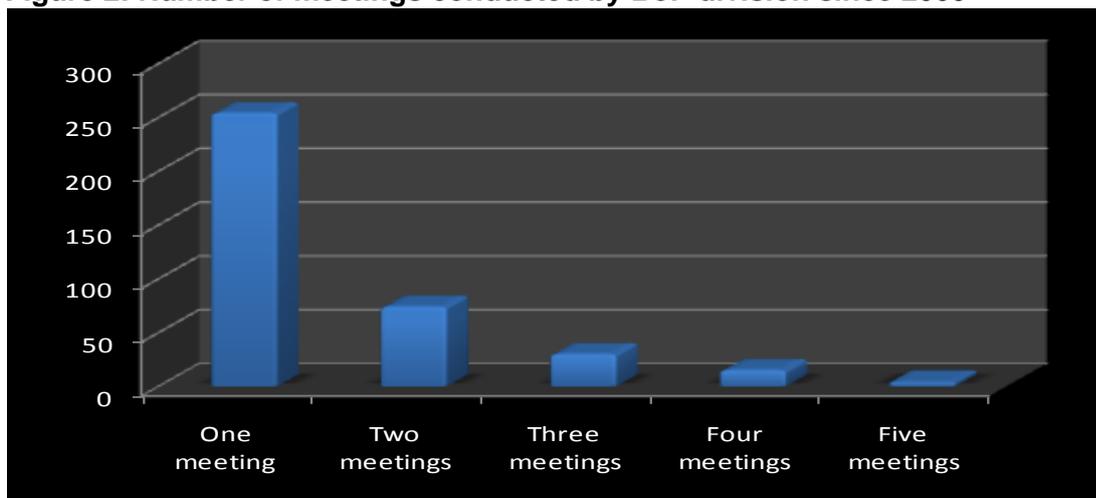


Figure 2 provides a breakdown of the number of meetings held by the BoP division per respondent in their sample population since 2000. They conducted on average 37 respondent meetings per annum over the past decade. Most of the meetings were once-off meetings where the technical detail relating to the different surveys were discussed. In general, larger groups, with a greater impact on the economy and more complex structures and economic transactions, were met with more than once. Another important aspect to highlight in sample surveying is the response rate. In general, the response rates for entities that are in the respondent management programme and with which a direct relationship have been formed are significantly higher than for those entities not yet included in the programme. This higher average response rate however does not in itself mean anything if the initial sample database is not constructed correctly.

**Figure 2: Number of meetings conducted by BoP division since 2000**



Source: SARB

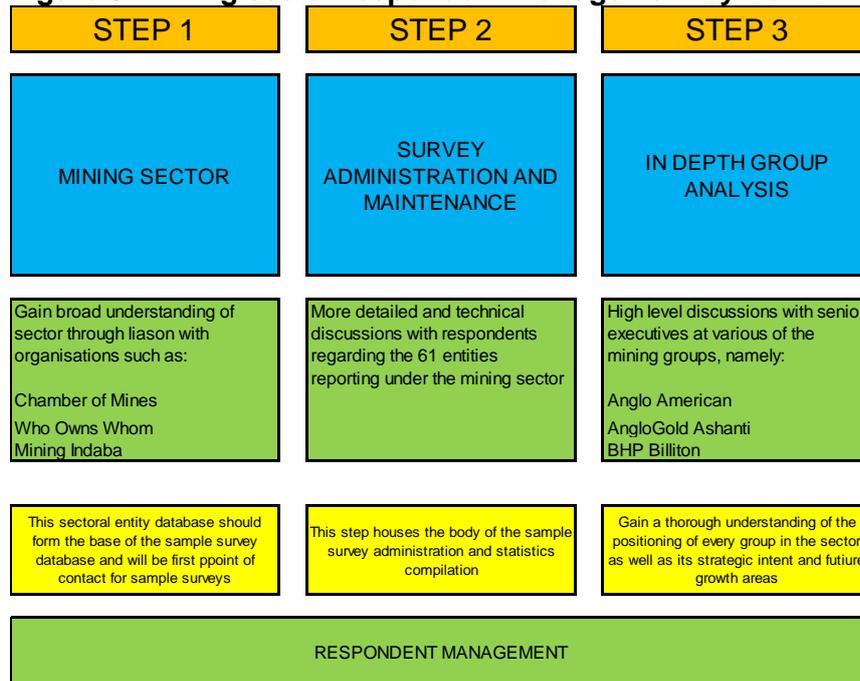
The construction of an accurate sample database is addressed in Step 1 of the broader respondent management model where the targeted universe is thoroughly analysed to reveal the most applicable sample population. If we utilise the basic model that was presented in Figure 1 and adapt it for the mining sector in South Africa we derive the model in Figure 3. Analysing the mining sector, as an example, according to the broad respondent view discussed in section two provides the following information:

Step 1: For the mining sector this step includes liaisons with entities such as the South African chamber of mines, research agencies such as Who-owns-Whom as well as participation at sector events like Mining Indaba where a thorough analysis of the state of the South African mining sector is done. Figure 4 depicts the composition of the different sub-sectors of the South African mining sector after this analysis was done. This result is critical in the construction of the population sample and also advises on the highest priority with regards to the focus of the respondent management programme for the mining sector.

Step2: Several of the 44 major mining sector groups have been engaged with for a technical discussion regarding the specific entities surveyed within their group and the required data of these entities. This is an ongoing process aiming to cover the technical detail in the 61 surveyed entities over a three year period

Step 3: Various high level discussions have been held with the major mining sector groups over the past decade. This has focused the attention on the strategic direction of these groups based on their view of the South African economic and social landscape which have proved valuable in understanding the resultant changes in data measured in the sample surveys at entity level.

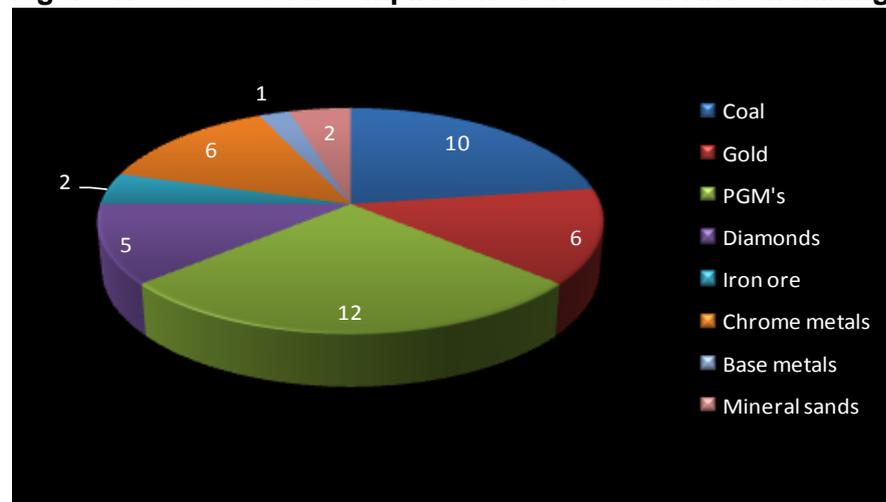
**Figure 3: Mining sector respondent management by BoP Division**



Source: SARB

The active respondent management programme that the BoP division have been developing over the last decade has resulted in strengthened bilateral relationships far in excess of the narrow view on respondent management requires. The information and mutual understanding that have been shared through this programme has benefited the Research Department in several of its analysis and also improved the overall understanding of this sector and its impact on the economy.

**Figure 4: Sub-sectoral compilation of the South African mining sector**



Source: SARB

#### 4. Key factors to ensure a successful respondent management programme

As with any management programme, the SARB's respondent management programme has certain key factors that need to be in place in order to ensure its success, these include:

- Top level management buy-in;
- Strategic alignment with Research Department and SARB mission and vision;

- Sound, methodologically thought-through, process;
- Active (mid level) management;
- Holistic capacity planning – enough capacity and thorough training;
- Technology application;
- User buy-in and commitment – from respondents, economists and administrative personnel;
- Human resource availability; and
- Continual internal regeneration and innovation.

## **5. Conclusion**

The process of understanding the economy by measuring relevant data, compiling useful statistics and analysing these statistics cannot be viewed in isolation. This process is our responsibility to nurture and grow as needed and manage diligently to protect the reputation of the SARB as a provider of quality statistics and accurate analysis. In addition, our thought process regarding the value chain of statistics thus need to be pro active to enable us to address the ever increasing need for clarification on economic developments – the era of A to B is gone - the era of why the economy moves from A to B is upon us. We need to gear ourselves to address this with confidence.

Partnerships in the globalised world that we endeavour to measure are a key factor for success and therefore we need to entrench this attitude in the relationships with our respondents as well. It will serve us well to remember the advice given by the CEO of Anglo American, Cynthia Carrol, in her speech at the 2011 Mining Indaba in Cape Town, South Africa when she said “As on any journey, there will be setbacks to overcome and unexpected new challenges that arise. But through strong partnerships we will prevail as long as we demonstrate the humility to recognise that alone we do not have all the answers and the wisdom to listen to others and to welcome their contribution...”