

Business Associations as tools for Promoting Efficient Business Performance: The Historical Perspectives and Evolving Roles.

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Abstract

This paper explores the evolving roles of business associations (BAs) in promoting efficient administrative and business performance in the inter-dependent private and public sectors, regardless of firm size and operational scale. BAs' literature from medieval time to date is used to show the evolving and elevating roles of BAs in development; much done in developed and emerging economies. The BAs' historical contexts' dissemination that could solidify their theoretical and empirical significance in institutions for developmental dimensions, especially in developing world has received little attention to date. The current paper drags back historically from the past so as to appreciate the work of BAs for promoting efficient business performance. It highlights BAs categorization criteria whose management matters for realizing economic efficiency and beneficial social relations. This paper contributes to the scanty body of knowledge in the areas of BAs history and folds their unfading influence to business performance strategies and policies over centuries. The paper finds that though BAs' potential for promoting efficiency is historical, empirical and feasible, but with individuals and/or governments' intentions, BAs can be misused and be abusive to developmental initiatives and outcomes. Thus, it recommends a continuous learning amongst members and thorough management and monitoring of BAs stakeholders' dynamism in terms of intentions, power and interests for enhancing effective members' involvement for realization of the BAs' optimal social and economic benefits.

Keywords: Business Associations, Networks, Performance

INTRODUCTION

Business associations (BAs) are recognized as catalysts for economic and private sector development in both developed and developing economies (Goodluck *et al.*, 2016; Jain, 2011). BAs have existed for centuries and have influenced the policy environment. The literature reveals that the first BA in the world was found in 1599 in Marseille, France (Maening and Oelschlaeger, 2011; Batten, 2017). Doner and Schneider (2000) outlined the objectives of BAs as fourfold namely, protect, support, coordinate and regulate. First, BAs protect the interests of their members through lobbying and advocacy and be their representative in dialogues. Second, they support members to develop, improve and upgrade their production and quality, management, marketing, and business activities to desired and acceptable standards using designed selective benefits. Also supports in resource acquisition and mobilization such as finance and technical expertise from financial institutions, business support institutions and the government (Agalo, 2010). Third, BAs coordinate members to enjoy collective benefits, economies of scale and business operation simplifications. Fourth, they regulate the businesses of their members to eliminate unhealthy conducts and opportunistic behaviour against others and set BA objectives (Doner and Schneider, 2000). McCord (2005) asserts that BAs offer valuable opportunities for the private sector to succeed as they can accomplish what individual companies cannot, regardless of their size. In this paper BAs represent informal and formal business networks and associations, sector chambers and cooperative arrangements with voluntary

or compulsory membership.

BAs have been useful in promotion of Small and Medium Enterprises (SMEs) and business formalization especially in developing world (Bennett, 1998, Pedersen, 2003). According to Bennet and Ramsden (2007), 78% of BAs members in Britain are SMEs. Pedersen (2003) analyzed strategies for SMEs development in unstable developing economies and he outlined four networking strategies, namely producer networks, social networks and patron-client relations, trading networks and entrepreneur associations. These strategies depict the various forms of BAs that can cater for enterprises' efficiency. More work on BAs and networks, including clusters, is documented (TPSF, 2015; McCormick, 1999; McCormick and Pedersen, 1999). Pedersen noted that many BAs have used these strategies for tangible benefits of their members. However, this has led to attempts by well-positioned individuals to create new BAs for tapping donor resources (*ibid.*). On the whole, many BAs have been found to play a limited role in developing countries due to lack of good leadership and governance (Goodluck *et al.*, 2016). Schiff (1998) asserts that BAs can promote the private sector in such a way that they can increase productivity and impact on the enterprises performance and socio-economic aspects of life. They use their extensive services provided, market complementing functions, intensity of membership, proper mediation for internal resolution and advocacy and lobbying to influence enterprises performance (Doner and Schneider, 2000). The absence and inadequacy of such services weaken a BA and the opposite becomes true. Having massive benefits, BAs also have the dark

side uncommonly publicized (Goldsmith, 2002; Sen, 2010; Olson, 1982; Revely and Ville, 2010).

Despite the fact that most of the populations in business have associational or network engagements (Bennet and Ramsden, 2007), the BAs' historical contexts, theoretical and empirical significance in governance and performance have received variably little attention to date. This paper drags back from the past to appreciate the work of BAs for promoting performance in micro (firm level), meso (association or sector level) and macro institutions in economies. This paper contributes to the scanty body of knowledge in the areas of BAs history and their unfading influence to the development of the private sector and business performance strategies and policies over centuries. This paper aims at exploring the historical, theoretical and empirical evolving role of BAs that would guide stakeholders including firms of all sizes and operational scales to: (1) understand BAs' policy and strategic influences on business and administrative performance; (2) assess viability and feasibility of membership; and (3) establish systemized mechanisms for optimal utilization of BAs' selective benefits.

BAs' History and Evolving Roles

BAs have controversial history all over the world. This is due to reasons such as varied grounds for their establishment, the key stakeholders, their relations with governments, their ever evolving roles and the level of regional or national economic development divide (Goldsmith, 2002; Zhang, 2007; Moore and Hamalai, 1993). Thus, their history is rather contextual and can be traced regionally or nationally (Park, 2007). The historic and classic forms of BAs have been chambers of commerce and the guilds (Koga *et al.*, 2007; Batten, 2017). The guilds were associations of craftsmen or merchants formed between 11th and 16th century to aid and protect the furtherance of their professional interests. Craft guilds were occupational associations in a particular branch of industry or commerce, whereas merchant guilds were for merchants in a particular geographical area such as town, village or city dealing with trading (Hastings, 1895.p.150; Ogilvie, 2011). The important contribution of the guilds is the emergence of tertiary and technical colleges and universities (Grafe and Gelderblom, 2010). Table 1 presents the ancient BAs, their region and years of establishment.

Table 1: Ancient BAs, their region and years of establishment

Region	Business Associations	Year	Source
France	Marseille Chamber of Commerce	1599	Maening and Oelschlaeger, 2011; Batten, 2017
Belgium	Burges Chamber of Commerce	1664	Braczyk <i>et al.</i> , 1998; Batten, 2017
USA	Jersey British Chamber of Commerce	1768	Morret <i>et al.</i> , 2008; Koga <i>et al.</i> , 2007; Batten, 2017
	New York Chamber of Commerce	1768	

Scotland	Glasgow Chamber of Commerce	1783	Bacaria <i>et al.</i> , 2004; Koga <i>et al.</i> , 2007;
Northern Ireland	Belfast Chamber of Commerce	1783	Batten, 2017; Maennig & Ölschläger, 2011
England	Hull Chamber of Commerce	1837	Cooke <i>et al.</i> , 2000; Ottatti, 2004; Koga <i>et al.</i> , 2007; Batten, 2017; Bennett and Ramsden, 2007
	Leeds Chamber of Commerce	1785	
UK, Germany Italy, France,	Guilds	10–16th Century	Grafe and Gelderblom, 2010; Hastings, 1895; Ogilvie, 2011
Japan	Kabunakama.	1721- 1871	Zhang, 2007; Sen, 2010; Bacaria <i>et al.</i> , 2004
	Dogyokumiai	1884	
	Tokyo, Osaka & Kobe Chambers of Commerce and Industry	1878	www.cci.weebly.com
Korea	Zhao	1898	Sen, 2010; Maennig & Ölschläger, 2011
China/ Hong Kong	Huiguan or Gongsuo	1790	Park, 2007; Sen, 2010; Koga <i>et al.</i> , 2007
	China General Chamber of Commerce (CGCC)		

Source: Author, 2018. Compiled from Various Sources.

The history below has been regionally categorized into (1) Europe and US; (2) Asia; and (3) East Africa.

Europe and the USA

In UK, BAs started in 16th century with the formation of guilds to protect both the interests of groups of merchants and individual artisans. Guilds provided training in specific skills and established rules for wages and hours of work. In the 1800s, mercantilism was the backbone of the UK economy and local governments and the guilds worked in mutual and close cooperation between 10th and 16th century (Hastings, 1895). Later, due to guilds strong exclusion and monopolistic practices were abolished in France in 1791, Spain in 1840, Germany in 1860 and in Italy in 1864 (Ogilvie, 2011; Grafe and Gelderblom, 2010). For chambers, the

oldest association in UK was the Glasgow chamber of commerce in 1783 which was followed closely by the chambers of Hull, Leeds and Belfast of Northern in Ireland (Maennig, and Ölschläger, 2011). In the 1st half of the 20th century the role of BAs were to regulate labour conditions, the purchase of raw materials, output and the product prices of members (Park, 2007). It is noted that during the 20th century UK BAs did not engage much on industrial development (*ibid.*). In the US, the earliest association was the Chamber of Commerce of the State of New York in 1768 during the British colonial period (Koga *et al.*, 2007). Most of the BAs were local and few regional and national associations were formed to capitalize on the country's industrial capabilities, new markets and promoting fair competition. Batten (2017) records that, by 1900, there were more than 100 BAs organized to

influence state and federal legislation and obtain industry information. The US had few BAs with few members, in 1900, US biggest BAs namely National Association of Manufacturers (NAM) had only 1,000 members, whereas, there were 80,000 manufacturing firms. The establishment of the National Council of Commerce in 1907 and the US Chamber of Commerce in 1912 triggered the increased of BAs in US in the 20th century and they amounted to 1,200 in 1926. The first BA globally was a chamber found in 1599 in Marseille in France giving a firm base for French leadership and accounting on organized BAs from 1925 when the National Economic Council (NEC) was formed aiming at giving economic advice and coordinating policy making among government institutions. The council had 20 branches representing group of trades and each had an association. However, the performance of these BAs was insignificant due to poor government leadership attributed to the French tradition of liberalism (Koga *et al.*, 2007). In the US and UK, BAs mainly made agreements to fix prices, or curtail output, and lobbied the government to decrease competition among countries, regulate labour conditions, purchase raw materials and promote internationalization through property rights.

Asia

The Asian history of BAs is explored in Japan, Korea, Taiwan and China. Japan had strong associations and they were known as Kabunakama. Japan legalized the operation of BAs in 1721 to enable them handle duties of stabilising prices and controlling product quality. In 1871, the Kabunakama were banned by the government for unfair

treatment and exclusion of non-members in economic system. Thereafter, there was a reconstruction of new BAs known as Dogyokumiai in 1884. The government realized the economic importance of these BAs and promoted their formation to replace Kabunakama. As by 1900 and 1906, there were 133 and 407 BAs respectively. Japan associational arrangement had influenced Taiwan and Korea, whereas, Korea allowed the operation of BAs (known as Zhao) in 1898 after being colonized by Japan. Important association of sugar refinery and rice polishing had been started by 1911 just after the annexation of Japan and Korea in 1910 and by 1927 there were about 234 associations in Korea (Zhang, 2007; Sen, 2010). The BAs dealt with production increase and quality improvement through inspecting offices and product quality, investigating market situations, and advertising, strengthening of the industry, and developing infrastructures. The Japanese regime prohibited BAs to engage in cartel and brokerage undertakings and agreements. Later they engaged with improving output, quality, cutting costs of production and exports, promoting international joint business and regulating non-members's behaviour (*ibid.*). Due to Chinese-Japanese war resulting into power and policy change, in 1944, Korea alone had 164 BAs in different trades and Japan had 8,250 BAs. The BAs were introduced in Taiwan in 1944 intending to regulate firms of all sizes to increase product quality and quantity in 12 priority sectors.

In China, BAs existed in pre-modern China named as Huiguan or Gongsuo (Park, 2007). Due to the weak government in nineteenth century, they were aimed at establishing self- support

itself, compliment the weak government and promote the economy. Between 1904 and 1913, there were 52 peak BAs and 1,204 local BAs were in place. In 1912, the Chinese government through the ministry of Industry and commerce entrusted several administrative tasks to merchant associations such as licensing and registration of incorporation. They also mediated disputes and researched commercial situations. Later, BAs' role changed to developing national business-related policies in collaboration with the government. Until 1930, BAs were geographical with provincial focus and interests rather than national interests pursuing self-regulation rather than government rules. The Northeast Asian economy grew faster than the Western European and US economies in the first half of the twentieth century due to the role played by BAs' creation of social capital. (Park, 2007). According to Zhang (2007), BAs played various roles on the demand driven manner and changed their roles depending on the economic and governance contextual dictations. The level of national development and international development influences was also one of the factors which affected the role played by BAs and created varied relations.

East Africa

In East Africa as the representative of developing world, BAs have a long history in line with economic reform demands from early 1960s (Goodluck *et al.*, 2016; Goldsmith, 2002). According to Braeutigam (2000), in Uganda, the Uganda Manufacturing Association, for example, was found in the 1960s but lapsed during the unrest of the 1970s before

being revived in 1988. In the early 1990s, USAID worked with the manufacturing associations to create a Uganda National Forum as the private sector's voice for economic policy recommendations. The Uganda National Forum was abandoned after four years in 1994, but the World Bank stepped in and supported another umbrella group of business promotion organizations, which is the Private Sector Foundation Uganda (PSFU) (*ibid.*). The Private Sector Foundation of Uganda has 114 BAs, corporate bodies and associate members who are major public sector agencies that promote private sector growth (ITC, 2009; GTZ-EAC BAs Report, 2009). In Kenya, as of today, Kenya Private Sector Alliance (KEPSA) formed in 2003 is the official national representative of the private sector. Its membership includes 80 BAs and 209 corporate members. The difference between KEPSA and other East African Private sector apex organisations is that its membership is for the private sector enterprises only, whereas in other Kenya apex bodies, Rwanda and Tanzania, government institutions are recruited as associate or golden members. The associate members are government institutions involved in supporting, facilitating and regulating the growth of the private sector such as regulatory authorities. Golden members are key players in the Rwanda economy who can discuss and negotiate with the Private Sector Federation about crucial economic issues and trends in order to support the private sector.

In Tanzania, though the Tanzania Private Sector Foundation (TPSF) established in 1998 is the apex private sector organisation, there are many umbrella organisations, for the example, the

Tanzania Chamber of Commerce Industries and Agriculture (TCCIA) established in 1988, Confederation of Tanzania Industries (CTI) found in 1991, Tanzania Chamber of Mineral and Energy (TCME) found in 1994, Tanzania Chamber of Commerce (TCC), and Tanzania Women Chamber of Mines (TAWCM). Generally, there is a high level of multiple memberships in the level of BAs and member enterprises in Tanzania. This has preoccupied members with promotional events and has limited their time for enterprise strategic and operational planning and decision making. This situation has also resulted into lack of focus and failure to comply and attend to different constitutional requirements from different BAs. Lack of focus has, in turn, resulted into an unprofessional support from business support institutions due to conflicting roles of support organisations including the government. In Rwanda, the development of BAs in Rwanda has taken a different path compared to other East African countries. Rwanda has only one apex organisation known as the Private Sector Federation (PSF) established in 1999. It has 10 sectoral professional chambers and 66 professional BAs (PSF, 2014). There are multiple memberships in other countries but in Rwanda an enterprise should be a member of only one professional association.

BAs played various roles on the demand driven manner and changed their roles depending on the economic and governance contextual dictations. Sen (2010) noted that, the level of national development and international development influences were among the factors which affected the role played by BAs and created varied relations.

Business Performance

Bates and Holton (1995) define performance as “the outcome of work”. On the other hand, Brumbach (1998) defines performance as “both outcome and behaviour”. According to Brumbach the outcome depends on the performer’s behaviour and the behaviour is the outcome or product of mental and physical efforts applied to tasks and can be judged apart from results. Therefore, performance is both how things are done and what is done. Some authors have commented that measuring performance should be comprehensive and must cover all of the key functional areas as opposed to results (Kaplan and Norton, 1992; Wilkham, 1998). Therefore, when studying the performance of any establishment, the financial, customer, internal business and innovation and learning perspectives should be considered (Kaplan and Norton, 1992).

In the enterprise context, performance enabled by BAs therefore, is aligned to those perspectives. The financial perspective covers sales and collection of debts; the customer perspective considers the responsiveness to customers, quality and timely services; the internal business perspective covers processes and procedures for operations and service delivery; and the innovation and learning perspective considers relations built and experiences that can uncover skill and service gaps and, ultimately, foster new thinking and innovations.

BAs’ Categorizations, Characteristics and Functions for Business Performance

Miruka (2007) defines an association as “a social structure of cooperation”. Based on

Miruka's definition, a BA can be construed as a social structure of co-operation promoting business relations. In this regard, Ahrne and Brunsson (2008), assert that a BA is a meta-organization, a third-party member-based organization with a brokerage role, membership of which is voluntary, and whose members retain their distinctive organizational identity. Their primary purpose is inter-organizational bridging, connecting diverse members and bridging members in general, industry and sector in particular. According to Moore and Hamalai (1993), a BA is a "voluntary and formal social infrastructure based on acquired status instead of ethnic and birth-based (ascriptive) relationships". Ghauli *et al.* (2001) noted that BAs connect and links between socially and spatially differentiated actors, harmonize their different values, and engage with powerful external agencies and stakeholders such as governments. BAs can take vertical and/or horizontal relationship and are used by members as advocacy platforms. BAs play a role of improving enterprise efficiency by minimising costs (Daud and Wan, 2010; Ghauli *et al.* 2001).

BAs can be categorised based on the three sub-dividing criteria namely, (i) size and density properties; (ii) the diversity of members which reveal a link between member's social position and the type of resources they possess; and (iii) relational properties such as frequency, intensity and spatial proximity (Germain, 2003). Thus, they are categorized into market promoting or redistributive, formal or informal, sector-specific or mixed and location specific organisation (Sullivan *et al.* 2006; ILO, 2007), thusly: (i) Market promoting or redistributive: Market Promoting BAs are those seeking to improve the

market function by supporting measures such as contract enforcement, reduction of transactional costs, joint marketing, and market information sharing. Redistributive BAs strive to shield their members from competition by erecting barriers that limit market functioning. (ii) Formal or informal: formal BAs are legally registered and have formal system of management, which may include members, whose membership is mostly voluntary (Moore and Hamalai, 1993). Informal BAs are ethnic and tribal networks lacking legal status and whose membership is sometimes compulsory. Good examples of ethnic group are those of Indian business communities (Goldsmith,2002; Narayan and Pritchett, 1996). (iii) Sector specific or mixed: sector specific BAs are formed to cater for specific sectors or sub-sectors such as livestock, farming and fishing (Pedersen, 2003; Bennet, 1999). These BAs can also specialise horticulture, banana growing and food processing. Mixed BAs tend to accept members from all walks of life with the purpose of improving their general welfare (Sullivan *et al.* 2006). Most apex organisations tend to have mixed characteristics of BAs. These apex organisations recruit small and big enterprises and BAs. An example of apex organisation is the Tanzania Chamber of Commerce Industry and Agriculture (TCCIA). (iv) Location-specific BAs: these BAs usually cover a specified geographical location. Such BAs can cover an administrative ward, county, district or region. They can also be of any category, depending on the purpose but the overall determining factor is geographical coverage. Table 1 presents a summary of characteristics and functions of BAs from both developed and developing countries.

Table 2: Summary of Characteristics and Functions of BAs

Area	Source	Characteristics of BAs	Functions of BAs
USA	Mc Commick <i>et al.</i> , 2008; Morret <i>et al.</i> , 2008	<ul style="list-style-type: none"> • Self –funded: direct membership subscription, taxes, local government, foundation grants • Defined by membership 	<ul style="list-style-type: none"> • Leadership, Policy research and Political relationship, Lobbying and media relations • Organizational capabilities and strategies to target investors • Information, Marketing and Fund raising
Canada	Gertler and Wolfe, 2004	<ul style="list-style-type: none"> • Sector spanning • Poor funding of regional/local BAs 	<ul style="list-style-type: none"> • Limited Scope • Networking
UK	Bennet, 1998a; Bennet, 1998b;	<ul style="list-style-type: none"> • Voluntary, Influenced by geographic areas • Affiliated to BCC more influential 	<ul style="list-style-type: none"> • Selective or collective services • Special cells for migrant businesses • BCC= British Chamber of Commerce
E U	Bacaria <i>et al.</i> , 2004	<ul style="list-style-type: none"> • Can be taxpayer funded or independent 	<ul style="list-style-type: none"> • Initiation, planning, and execution of programs for business
Italy	Braczyk <i>et al.</i> , 1998; Ottatti, 2004	<ul style="list-style-type: none"> • Usually for SMEs 	<ul style="list-style-type: none"> • Forum for expression of needs of local business • Knowledge distribution • Marketing centres and Resource centres
Germany	Braczyk <i>et al.</i> , 1998; Maening & Oelschlaeger, 2011	<ul style="list-style-type: none"> • Usually for large enterprises 	<ul style="list-style-type: none"> • Forum for expression of needs of local business • Knowledge distribution • Marketing and Resource centres
Singapore	Yun, 2004; Sing. Business Federation. 2010	<ul style="list-style-type: none"> • Government funded 	<ul style="list-style-type: none"> • Bridge and facilitate coordination between government and business • Help government with business policy issues
China	Zhang, 2007; Park, 2007	<ul style="list-style-type: none"> • Government funded • Developed as government led • Grassroots initiated in entrepreneur driven 	<ul style="list-style-type: none"> • Democratization of China • Reduction of authoritarian regime • Obtaining permission for entrepreneur driven capitalistic activities
Developing economies	Moore and Halamai, 1993;	<ul style="list-style-type: none"> • Various 	<ul style="list-style-type: none"> • Lobbying and promote private sector • Promote political pluralism and solidarity • Facilitate horizontal and vertical coordination in business development and strengthen property rights • Reduce information costs, provision of support services and upgrade workforce

Source: Jain, 2011 pp.124, Author, 2018

Merits and Demerits of BAs

The evolution of BAs based on their objectives and essences of creation have developed mixed outcomes and understanding of being constructive or destructive. Park (2007) noted that many of the BAs established in the late nineteenth century were believed to have colluded in an effort to counter a period of economic downturn and low profits. Despite the importance of BAs globally, there are positive and negative views about them. Larrain and Prufer (2014) argue that BAs are one important private ordering institution providing value to members even on top of informal social networks. The positive views propose that: First, BAs are needed to bargain and compromise over improvements in public policy and lobby for better public institutions (Larrain and Prufer, 2014). Second, BAs can collaborate with the state to enhance economic performance (Sen, 2010; Miruka, 2007). Third, the society-centred configurations of BAs serve the members' interests (Park, 2007; Sen, 2013). Fourth, BAs reduce risk of market breakdown through increasing total amount of business transactions, managing information exchanges and handling arbitrations in business tribunals. Fifth, BAs may be instrumental in getting the commercial revolution and consumerism in place and in facilitating transactions of any scale in developing countries today (Fafchamps, 2004).

On the other hand, the negative views are: First, BAs are regarded as destructive rent-seekers (Olson, 1982). Second, they can create unhealthy collusion with the state to divert resources at the expense of more efficient and optimal uses (ibid). Their configured collusions have been

bringing results that lead to rejections and acceptance of BAs operations in the political and economic environment. According to Revely and Ville (2010), many of the BAs established in the late nineteenth century were believed to have colluded in an effort to counter a period of economic downturn and low profits. Third, BAs tend to plead for members' interests while excluding the interests of non-members (Olson, 1982). BAs also lobby politicians for selective favours (Pyle, 2011). Fourth, BAs coordinate their members' behavior by publishing prices, allocating quota, or reducing industry output to the detriment of consumers (Larrain and Prufer, 2014). Fifth, the state-centred configuration of BA relations tends to protect the state's interests rather than those of members (Sen, 2013). Sixth, Goldsmith (2002) asserts that leadership and the use of procedures in BAs' operations have not been closely controlled by members, and the role they play in supporting members is questioned by various stakeholders. Pedersen (2003) argues that leaders can use BAs for their personal interests and work against members' interests. Sixth, given information asymmetries, members cannot monitor everything BA leaders do (Goldsmith, 2002).

THEORETICAL REVIEW

Pluralist, Public Choice and Principal-Agent theories are among the theories informing about BAs. First, pluralist theorists (PT) are acting in favour of BAs (Olson, 1982). They contend that BAs' processes of negotiating and bargaining with other stakeholders, especially the state, contribute to social stability and encourage incremental changes, thus reducing information asymmetries

among firms and government agencies which favour business expansion (Moore and Hamalai, 1993). Moreover, BAs' influence encourages the emergence of good governance and the ability to deliver basic services (Olson, 1982). From a pluralist perspective, development is enabled where firms are co-ordinated and are able to speak out collectively on public affairs. The pluralists also explain that in a pluralistic society, business power is adequately checked by democratic values, the constitution, laws, markets, government, labour unions, advocacy groups, and public opinion. For example, firms cannot effectively interchange with government due to lack of expertise and staff time to engage in policy analysis and political action. In this regard, pluralists see development as involving the breakdown of ascriptive relationships, and adopting relationships based on 'acquired' status and installation of social and moral values (ibid.). The theory criticisms are based on the reciprocity and equality norms assumptions that all actors will maintain good intentions and will not take advantages of weakly positioned individuals. Pedersen (2003) shows that people who gain more information, influence, control and power can abuse pluralistic expectations and undermine rights of reciprocity and equality in associations.

Second, Public Choice Theory (PCT) is a branch of economics from taxation and public spending. It emerged in the 1950s and received widespread attention in 1986 (Moore and Hamalai, 1993; Goldsmith, 2002). Public choice displays a matter of 'rent-seeking' behaviour by obstructive interest groups (Olson, 1982). Economic rents are policy-induced gains

that would be absent in a competitive market. In accordance with the logic of utility maximization, it makes sense for individual interest groups to extract government-produced rent, despite the net results being sub-optimal from a society's point of view. Such 'market distortions' make strategically placed groups better off even as they harm the general public (ibid.). Public choice camp shows that BAs play a negative role. BAs' pleadings perpetuate inefficiencies that benefit only a few firms at the expense of the larger society. Consequently, lawful lobbying for rents often leads to illegal pay-offs and other corrupt forms of political influence (Goldsmith, 2002). The theory is criticized that it lacks empirical support and the negative implications are circumstantially revised and have no support rather than seeing emerging establishments from associational arrangements. Moreover, it does not have much exploratory power in stable economies (Southwood, 2017).

Third, the Principal-Agent Theory (PAT) suggests that BA staff can work against members' interests and for their personal aggrandizement (Goldsmith, 2002). In the BA context, an agency relationship, the agent (BA leaders) and the principal (BA members). Given information asymmetries, the principal cannot monitor everything the agent does, and the agent has incentives to conceal certain activities. The theory has six assumptions. The first is the agent impact. The agent actions determine a payoff to the principal. The second is the information asymmetry. The principal can observe the outcome but not the agent's action. Monitoring of agent actions may be practically possible, but gathering complete information is also prohibitively expensive. The third is the

asymmetry in preferences. The agent's preferences are assumed to differ from the principal's. For example, the actions that benefit the principal's well-being may be costly to the agent. The fourth assumption is that the agent is more risk-averse than the principal. The principal acts rationally based on a coherent set of preferences, and can move by first offering a contract. The fifth is the backward induction based on common knowledge, here the principal and agent share knowledge about the structure of the game, effort, costs, probability distribution of outcomes, and other parameters. They also share common knowledge of the agent's rationality as both are aware that the agent will prefer any incentive package with an expected utility slightly more than the agent's opportunity cost. The principal can infer the agent's best response function from known parameters and use backward induction to identify the best possible outcome, subject to that function. The sixth is ultimatum bargaining, the principal is presumed to be capable of imposing the best possible solution from the agent's correctly inferred best response function. In this regard, Sappington (1991:47) explains that:

"the principal is endowed with all of the bargaining power in this simple setting, and thus can make a 'take-it-or leave-it' offer to the agent".

The Pluralist and Public Choice Theories inform the two sides of BAs by displaying the necessary conditions for effective performance of BAs. The theories inform on the existence of two camps at policy level; those who support BAs and those who oppose. They also inform about ascriptive or acquired status of BAs for management of diversity. Moreover,

they guide by explaining the potential and selective benefits provided by BAs and the obstacles they face. Further, PAT informs that the understanding the BA's officials' moral and behavioural patterns for governance is crucial for success of BAs and members. It further informs on the importance of formulating, assessing and abiding by good procedures of getting and monitoring BA office staff. This theory also informs the study on the importance of monitoring and evaluating (M&E) of BA operations.

EMPIRICAL REVIEW

BAs and Macro-Economic Performance

The empirical evidences from both developed and developing countries widely reveal BAs contributions to promoting economic performance at macro level (Goodluck, 2016; Sen, 2013). Zhang (2007) found that one of the reasons for the faster growth of Northeast Asian economy in the twentieth century was the role played by BAs in the creation SMEs. World Bank (1998) and Park (2007) underscore the role of BAs in the Northeast Asian economy, the study also identified common threads behind the growth record, especially the centrality of encouragement of strong government-private sector co-operation through the use of BAs. East Asian leaders established the principle of shared growth which allowed all groups to benefit from an expanding economy. This political intent was backed up by special programmes, such as land reform and public housing programme. The governments then created an enabling business environment,

with a legal and regulatory structure that supported private investment. According to Park (2007), the role of BAs changed over time and shifted to building macroeconomic capabilities and national economic governance structures.

Esman and Uphoff (1984) sampled 150 rural member based organizations from Third World countries, found that participation in those organizations plays a significant role in development from the grassroots. They used simple correlation and multiple regression analysis indicated that there is a positive relationship associated with BAs play a crucial role in the development of agrarian societies globally. They established that conceding a degree of self-determination to rural organizations is necessary for them to act in the interest of their members. Similarly, Bennet (2007) identify collective action in BAs as an indicator that can foster economic performance. Stiglitz's (1996) study focused on the impact of the private sector partnership, BAs, and state-business co-operation. He aimed at determining whether other developing countries can

replicate these policies to obtain similar high growth rates. Stiglitz identified the strong government-private sector partnership by using, directing, and supplementing markets rather than replacing them. A study by Evans (1995) established that the extensive web of dense networks between officials in organizations and managers from the private sector helped to generate joint projects now called public-private partnerships (PPPs).

BAs and Sector (Meso) Performance

Empirical evidences show that BAs have been successful at meso or sector level performance in various aspects such as sector stabilization and reform, horizontal and vertical coordination, lowering the cost of information and setting standards and quality upgrading (Sen, 2010 and Doner and Schneider, 2000). Exceptionally, the Columbian Coffee Producers Association (Federacafe) built transport and port infrastructures after being entrusted by the government to collect and use custom taxes (ibid.).

Table 3: Empirical Meso Level or Sector Functions Performed by BAs in Countries

Functions Performed	BAs in Sectors and Countries
1. Macroeconomic stabilization/Reform	Business Co-ordinating Council (CCE, Mexico); Federation of Thai Industries (FTI, Thailand); Kuwait Chamber of Commerce and Industries The Association of Gem Producers in Thailand (TAGP)
2. Horizontal coordination, Joint buying and Marketing	Turkish Clothing Manufacturers' Association (TGSD); Taiwan Footwear Manufacturer Association (TFMA); Thai Garments Manufacturer Association (TGMA); Thai Rice Exporters Association (TREA); Taiwan Cotton Spinners Association (TCSA); Korea Federation of Textile Industries
3. Vertical coordination Export-promotion, Sub-contracting, Financing	(TFMA); Taiwan plastic Shoe Exporters Association (TPSEA); Nigeria Groundnuts Association; Commercial Farmers Union (Zimbabwe); COECE, Mexico; Taiwan Cotton Spinners Association (TCSA); TEAMA, (Taiwan);

4. Lowering the cost of information, Exhibitions	Chinese Chamber of Commerce (Penang); Korean Trade promotion Association; Federacafe (Columbia); Thai Garments Manufacturer Association (TGMA); Brazi Footwear, Mexican Footwear; TEAMA,(Taiwan); Korea Federation of Textile Industries (KOFOTI); Peruvian Footwear
5. Setting standards and Quality upgrading	Federacafe (Columbia); Thai Garments Manufacturer Association (TGMA); Brazil Footwear, Mexican Footwear; TEAMA, (Electronics, Taiwan); Korea Federation of Textile Industries (KOFOTI); Peruvian Footwear Association, Korean Trade Promotion Association; Taiwanese Transportation Vehicle Manufacturers' Association; Peruvian Footwear Association; Japan Cotton Spinners Association (Japan)

Source: Doner and Schneider (2000), Sen (2010)

BA's and Enterprise (Micro) Performance

BA's services promote the private sector in such a way that they can increase productivity and impact on the enterprises and other socio-economic aspects of life (Schiff, 1998). BA's extensive services provided to members increase members' capability of doing business and influence enterprise performance. Such services are leadership and governance, advocacy, marketing, research and development, finance and other member-specific services. The presence and adequacy of such services strengthen a BA and its member enterprises. In a study by Besley *et al.*, (1993) on the economic role of Rotating Savings and Credit Associations (ROSCAs), it was established that enterprises use social relationships as an alternative source of collateral and as a substitute for lack of physical and financial capital. Alvarez and Busenitz (2001) found that though the principal resources needed for enterprise initiation and development are financial, networking in associations is critical for enterprise growth, market and performance. Mwangi and Ouma (2012) and Mbura (2007) hold that associating enable people to attach greater value to

their collectivity because in groups people interact directly, frequently and in multi-faceted ways (Cohen and Kaimenakis, 2007). Moreover, groups lower uncertainty and reduce transactional costs and foster performance at the micro level, while simultaneously providing a new analytical tool for explaining some meso and macro phenomena. Bennet and Ramsden (2007) contend that BAs enable access to information unavailable to markets, monitor members' behaviour and punish members who go against established social norms. Sharing information among members promotes solidarity and reciprocity, reduces transactional costs, enhances the sense of belonging and facilitates collective decision-making (Mwangi and Ouma, 2012). Additionally, studies by Wong and Aspinwall (2004), for example, show that BAs facilitate SMEs proximity to their customers and enable them to acquire knowledge through a more direct and faster route than in large organizations.

The destructiveness of BAs lie in the exclusive bonding social relations amongst relatively homogenous groups such as family, clan members and friends in the form of

ethnic BAs, fraternal organisations and religious business groups; though the number and density of informal and horizontal associations bring about positive community welfare (Putman, 1993). Furthermore, when such groups/BAs isolate themselves, they can misconduct, monopolise resources or be disconnected from resources, hence causing negative social welfare and low level of socio-economic benefits. A good example was in Kenya, about 200,000 community economic groups active in rural areas were unconnected to resources. In Rwanda, 33,000 registered associations failed to prevent civil-wars (Narayan and Pritchett, 1996). This relationship between individuals of the same social group based on strong norms and trust causes social exclusion. Their members become defensive and cause social exclusion in two ways: first, it ceases to be useful as the ambitions of members escalate; and, second, it is not meant for people outside the bond. Examples of BAs with exclusive bonding characteristics include Indian ethnic networks and clan clubs in African countries.

CONCLUSION AND RECOMMENDATIONS

As asserted by Olson (1982) and later by Goldsmith (2002), and Sen (2010), that “despite some theoretical and empirical findings that BAs are destructive”, empirical evidence widely reveal their contributions to promoting efficiency (Sen, 2013). BAs are useful for socio-cultural and economic performance that can enable cross-cutting efficiency in all sectors. BAs’ meta-organizational characteristics escalate collaborations and cooperation

between actors, and those BAs embracing best practices perform better. The paper had amplified the behavioural pattern of well positioned individuals for intentional misuse of BAs for personal benefits over societal one; which can be abusive to development; though BAs’ potential for promoting efficiency is unquestionable. Thus, one can recommend a thorough BA’s monitoring and effective members’ involvement for realization of the BAs’ optimal social and economic benefits.

It is recommended that BA members’ motivation and expectations should be clear and enforceable by the leadership. Their expectations such as centres for sharing information on financial issues, land and business location and strategy, need to be key agenda in various dialogues and platforms within and outside BAs’ boundaries. Such a BA’s dialogue and information framework would help members to assess the reasons and viability of their membership and BAs’ performance. On the other hand, members must be well informed of their duties, responsibilities, and rights in the BA. Members should abide by the constitution and hold office bearers accountable to foster good governance and operational efficiency. Likewise, attend meeting, pay membership dues, vote, express their ideas freely, question anomalies, be represented and monitor the performance trend of BAs. Learning from members of other BAs within the region and outside is highly recommended for broadening exposure to some viable and beneficial practices, acquire experience and replicate success stories that can help their associations.

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