

Analysis and Application of Data Model of the Influencing Factors on the Governance Capacity of Business Associations in China

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Abstract

It is an inevitable trend for business associations to participate in social governance and provide social services. But at present, the ability of business associations to provide services is not strong, and their social credibility is not high. Thus it is urgent to improve the governance capacity of them. On the basis of literature review and expert interview, this paper builds up a concept model and puts forward hypotheses. Research result from the analysis of 172 valid questionnaires shows that resources access ability and six other factors would influence the governance capacity of business associations in China. The research result attempts to provide reference for the Chinese government and business associations to take corresponding measures to improve the effectiveness of governance.

Keywords: *business associations; governance capacity; influencing factors; data analysis*

1. Proposing the Issue

The issues such as innovation of social management, support of social organizations to participate in social affairs, social governance and public services and how to let business associations play out governance roles have always been the focus in national policy making and academic fields. Governance of business associations is considered to be an important way to improve the level of social management. Business associations are regulated by a set of contract systems to standardize, restrain and coordinate the rights and interests of the participants, seeking to maximize the interests of all ^[1]. But at present, most business associations have a weak capacity of governance. Most business associations rely heavily on the funding from the government or their sponsors, lacking autonomy and independence. Their ability to resolve public affairs and deliver public services is not ideal [2]. In face of the problems in their industries, many business associations demonstrate a “collective aphasia”. They lack social credibility and a voice in their industries [3]. Based on the above reasons and through the establishment of data model, this paper tries to find out the key factors affecting the governance capacity of business associations, and to provide a theoretical support and policy guidance to correctly understand and actively improve the level of the governance capacity of business associations.

2. Literature Review and Hypothesis Research

The existing literatures in China unanimously divide the governance of business associations into organizational governance and industrial governance (very few scholars divide it into interior governance and exterior governance) [4]. The governance performance of business associations is closely related to their governance structure, social capital, institutional environment and other factors [5].

In organizational governance, the supply capacity of business associations is

influenced by their governance structure, which is mainly reflected in their level of autonomy [6]. Whether a business association can be free from the interference of the individuals from the association or other organizations and whether it can independently execute work plans and set up work goals determine who the association is responsible to. It is also the key to determine whether the association will focus on maximizing the interests of all the participants, which will affect the level of credibility and recognition of the association among the participating units. It is an important characteristic of the governance capacity of business associations. From the practical experience point of view, the development of government-led and supported business associations is better than that of independent business associations. However, from the experience of the development and establishment of a civil society, business associations will gradually enhance their independence and eventually become independent social organizations. Thus the below hypothesis is proposed:

H1 a high level of autonomy for business associations will affect their governance capacity

The governance capacity of business associations depends on their own code of conduct, which is their function of self regulatory, that is, their own constraints, limitations and adjustment ability and effect. Scholars generally believe that self regulatory function of business associations is to develop self-discipline rules and regulations to constrain behavior of members and the market structure, to restrict the implementation of self-discipline rules and regulations for the members and to briefly summarize the institutional environment of business associations. Business associations generally utilize the industrial moral appeal, public opinion pressure and reward punishment mechanism to supervise and urge their members so that they are in line with the industrial collective interests [7]. As the self regulatory rules and regulations are common agreement reached by all participating members, they should reflect the association's main will and the interests of the majority of the members. They should thus have a strong executive power.

But in practice, these rules and regulations are difficult to enforce. There are three main reasons. First, the Chinese business associations are short of capital, leading to a lack of self regulatory function or a very poor functioning performance^[8]. In the initial stage of government purchasing social organizations' services, source of income for most Chinese business associations relies mainly on membership fee from members especially the sponsor or leading enterprise members. Successful examples of making profits are rare. Business associations are dependent on their members financially. As a result, business associations are generally reluctant to cancel the membership of their units or individuals when they violate rules or regulations. They will simply receive an internal criticism as a punishment. Second, China lacks clear definitive laws and regulations that would lay a boundary between administrative mandates and industrial self regulatory regulations, which affects the fairness and enthusiasm of business associations' self regulatory actions. For example, product quality standards promulgated by business associations are often not recognized by government departments. They thus lack social credibility. Competitions organized by business associations have less recognition and influence than those organized by the government. Third, business associations, in essence, are social groups made up of industrial organizations or individuals of their own will. The more members they have, the more extensive they cover and the more representative they will be. As a result, it will be easier to make their voice heard. Therefore, business associations mostly use incentives, rarely use the right to punish and seldom take strong sanctions on members. Based on the above research, the paper puts forward these hypotheses:

H2 the capital situation of business associations will affect their governance capacity

H3 the institutional environment will affect the governance capacity of business

associations

H4 the nature of business associations will affect their governance capacity

In industrial governance, the industry leaders or celebrities can use their own personality charm, prestige and connections to mobilize organizations and individuals in the industry to participate in the construction of the association. The participation of dedicated and strong industry elites into the association's leadership will bring managerial expertise and technical support to the governance of the association. The performance of business associations is closely related with the initiative and creativity of the staff members, while the lack of necessary resource input will make it difficult for them to maintain the energy and enthusiasm for a long time. Therefore, the leadership's ability to obtain capital, human resources and technical resources is related with the governance capacity of the association. Business associations are often referred to as the "second government". To run them collectively with the government is an important means to improve the governance capacity of the association. Government usually utilizes business associations by authorization and commissioning projects. It exerts influence on associations by government-led associations or by appointing leaders [8]. Through gaining government approval, administrative authority *etc.*, business associations improve their credibility and influence. In addition, business associations represent the interests of all members, especially representing the interests of the industry leaders and celebrities. Their pursuit of profits is made obvious by their participation in the industrial governance. Due to the pursuit of self-interest, business associations could only provide limited public service to external enterprises [6]. As a result, the paper proposes the following hypotheses:

H5 the leadership's ability to obtain resources will affect the business association's governance capacity

H6 the government's support for business associations will affect their governance capacity

H7 the pursuit of self-interest of business associations will affect their governance capacity

In summary, the data conceptual model of this paper is as follows:

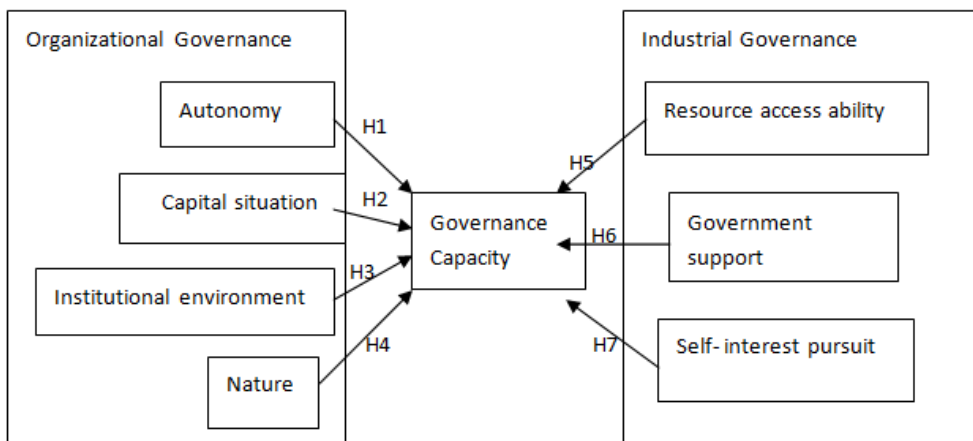


Table 1. Concept Model of the Influencing Factors on the Governance Capacity of Business Association in China

3. Research Methods and Statistical Analysis

3.1. Survey Objects and Data Sources

With the strong support from Zhejiang Business and Commerce Association and Zhejiang Business Economics Committee, the research took place during June to September of 2014. An electronic questionnaire survey was conducted among over 20 business associations in Beijing, Shanghai, Zhejiang *etc.* 200 copies of paper and electronic version of the questionnaire were distributed. 181 copies of questionnaires were returned, including 172 valid questionnaires. The effective rate reached 86%. Prior to the formal research, related literature review and interviews were carried out. And the questionnaire had been tested. Therefore, the questionnaire recovery rate and efficiency indicators were ideal, in line with the investigation and statistical analysis.

3.2. Variable Design and Measurement

In the early stage of the research, relevant literatures in the field of governance, governance performance and collaborative management were reviewed. Variables such as literature and influencing factors with higher frequency of occurrence were chosen, which form the basic frame of the questionnaire. After full consultation with the persons in charge of the provincial business associations and on the basis of repeated discussions, the questionnaire was finalized after many times of amendments. The questionnaire was measured with 5 levels of Likert. The minimum score of 1 means complete disagreement. And the maximum score of 5 means complete agreement.

3.3 Statistical Analysis Results

(1) Reliability and Validity Test

The reliability of the scale was tested by Cronbach consistency coefficient (Alpha coefficient). In general, if the reliability coefficient of any test or scale is above 0.70, it means that the internal consistency of the test or the scale is good. Table 1 is the reliability test results using SPSS16.0 software, which shows that the data of this paper have high internal consistency.

Table 1. Cronbach's Alpha Coefficient of the Scale

Factor	Cronbach's Alpha coefficient	Project Number	Cronbach's Alpha coefficient of the Scale
Autonomy	0.762	6	0.773
Capital Situation	0.741	4	
Institutional Environment	0.713	3	
Nature of Association	0.709	3	
resources access ability	0.720	5	
Support from the Government	0.725	3	
Pursuit of Self-Interest	0.785	6	

For validity analysis, KMO test and Bartley sphere test were conducted. As is shown in table2, $KMO=0.857 > 0.70$, which means the questionnaire is suitable for factor analysis. Bartley sphere test shows approximate chi square value is 766.935. The value is relatively large. Significant probability was 0 ($P < 0.01$). So the null hypothesis of the Bartlett sphere test is rejected, which indicates that the selected factors are valid.

Table 2. KMO test and Bartley Sphere Test of Sample Data

KMO Sample measure (Kaiser-Meyer-Olkin Measure of Sampling Adequacy.)		.857
Bartley sphere test Bartlett's Test of Sphericity	Approx. Chi-Square	766.935
	Degree of Freedom	120
	Significant probability	.000

(2) Correlation Analysis

The correlation analysis was conducted from the aspects of organizational governance and industrial governance respectively in the research, as is shown in table 3 and 4.

Table 3. Correlation Analysis of Organizational Governance and Governance Capacity (Correlations)

		governance capacity	Autonomy	Capital Situation	Institutional Environment	Nature
governance capacity	Pearson Correlation	1	.883**	.797**	.695**	.737**
	Sig. (2-tailed)		.000	.000	.000	.000
	N	151	151	151	151	151
Autonomy	Pearson Correlation	.883**	1	.634**	.593**	.570**
	Sig. (2-tailed)	.000		.000	.000	.000
	N	151	151	151	151	151
Capital Situation	Pearson Correlation	.797**	.634**	1	.570**	.549**
	Sig. (2-tailed)	.000	.000		.000	.000
	N	151	151	151	151	151
Institutional Environmer	Pearson Correlation	.695**	.593**	.570**	1	.510**
	Sig. (2-tailed)	.000	.000	.000		.000
	N	151	151	151	151	151
Nature	Pearson Correlation	.737**	.570**	.549**	.510**	1
	Sig. (2-tailed)	.000	.000	.000	.000	
	N	151	151	151	151	151

● * means P is smaller than 0.05; ** means P is smaller than 0.01.

Table 3 is the correlation analysis of organizational governance and governance capacity. The result shows that the correlation coefficient of autonomy, capital situation, institutional environment and nature in relation to governance capacity is 0.883, 0.797, 0.695, and 0.737 respectively. The corresponding P is smaller than 0.01. It means the above mentioned factors and governance capacity are positively correlated. Therefore, if the level of autonomy, capital situation, institutional environment and nature is high, so will the governance capacity.

Table 4. Correlation Analysis of Industrial Governance and Governance Capacity (Correlations)

		governance capacity	Resource access ability	Government support	Self interest pursuit
governance capacity	Pearson Correlation	1	.855**	.735**	.864**
	Sig. (2-tailed)		.000	.000	.000
	N	151	151	151	151
Resource access ability	Pearson Correlation	.855**	1	.556**	.713**
	Sig. (2-tailed)	.000		.000	.000
	N	151	151	151	151
Government support	Pearson Correlation	.735**	.556**	1	.615**
	Sig. (2-tailed)	.000	.000		.000
	N	151	151	151	151
Self interest pursuit	Pearson Correlation	.864**	.713**	.615**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	151	151	151	151

● * means P is smaller than 0.05; ** means P is smaller than 0.01.

Table 4 is the correlation analysis of industrial governance and governance capacity. The result shows that the correlation coefficient of resource access ability, government support, and self- interest pursuit in relation to governance capacity is 0.855, 0.735 and 0.864 respectively. The corresponding P is smaller than 0.01. It means the above mentioned factors and governance capacity are positively correlated. Therefore, if the level of resource access ability, government support, self interest pursuit is high, so will the governance capacity.

(3) Regression Analysis

Table 5. Regression Analysis Result (Coefficients)

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics		
	B	Std. Error	Beta			Tolerance	VIF	
Orga nizati onal	(Constant)	.359	.087		4.117	.000		
	Autonomy	.385	.026	.499	15.055	.000	.481	2.078
	Capital Situation	.240	.027	.284	8.827	.000	.511	1.958
Gover ance	Institutional	.096	.025	.116	3.788	.000	.566	1.768
	Nature	.192	.024	.237	7.949	.000	.595	1.680
Indus trial	(Constant)	.381	.096		3.973	.000		
	Resource access	.355	.032	.427	11.119	.000	.469	2.131
Gover	Government support	.190	.026	.247	7.230	.000	.594	1.684

ance	Self interest pursuit	.346	.034	.408	10.099	.000	.423	2.366
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a. Dependent Variable: governance capacity

Regression result shows that the 7 hypotheses passed tests, which confirms the previous literature and theoretical analysis. First of all, attention should be paid to the influencing factors in the level of organizational governance. The regression analysis result shows that the regression coefficient of autonomy, capital situation, institutional environment and nature is 0.385, 0.240, 0.096 and 0.192 respectively. The value of T is 15.055, 8.827, 3.788 and 7.949 respectively. The corresponding P is smaller than 0.05. All has passed the 0.01 level of significance test and has great statistical significance. It shows the level of autonomy and capital situation of business associations is significantly related with the governance capacity. Under the supervision of the government and social media, business associations should exercise their functions independently. This is helpful to improve their social service ability and also in line with the logic of development of business associations. It also verifies the current experience of the effective development of business associations of China. Under the government's "weaning", business associations have to face the market demand independently to seek greater development. It is of great significance for self-supporting business associations whether they can attract members to actively participate in and provide plenty of capital support. It will affect their governance performance. Institutional environment and the nature of association are significantly related with the governance capacity. The self regulatory function of business associations depends largely on the endowment from laws and regulations. Whether the regulations put forward by a business association will be binding for its unit members or not will be determined by the credibility and social influence of the business associations. The premise of gaining credibility for business associations is for the law to recognize the self regulatory behavior of them and for the government to give them some authority. Whether the Chinese business associations will have influence also lies on the scale and industrial coverage. Whether the business association is built from top down or from bottom up will determine the nature of it. The nature is closely related with the association's function, social status and discourse right.

Secondly, attention should be paid to the influencing factors in the level of industrial governance. The regression analysis result shows that the regression coefficient of resource access ability, government support, and self- interest pursuit is 0.355, 0.190 and 0.346 respectively. The value of T is 11.119, 7.230 and 10.099 respectively. The corresponding P is smaller than 0.05. All has passed the 0.01 level of significance test and has great statistical significance. It shows the level of resource access ability, government support, and self- interest pursuit of business associations is significantly related with the governance capacity. At present, China's business associations are mostly governed by elites. The prestige of the leadership, capital situation and networking determine the effectiveness of business associations. Of course, whether the association leaders are willing to invest more energy to operate it will inevitably affect the level of governance of the association. It also verifies the fact that although the president position of some business associations is held by retired officials or industrial leaders, they have low social credibility, far less than the level of grassroots organizations. Some even receive yellow card warning from civil affair departments. The regression analysis result also shows a significant correlation of self interest pursuit and governance capacity. The higher the degree of self interest pursuit, the stronger the governance capacity. As a result, the governance of business associations must strive toward the goal of maximizing the interests of the members, which will be the basis to win trust and bring feeding back.

4. Conclusion and Revelation

Using the survey data from 172 questionnaires conducted among business associations from Beijing, Shanghai, Zhejiang etc. in China, this paper made an empirical analysis on the influencing factors in the level of organizational governance and industrial governance on the governance capacity of business associations. The result shows that influencing factors such as autonomy, capital situation, institutional environment and nature in the level of organizational governance and influencing factors such as resource access ability, government support, and self- interest pursuit in the level of industrial governance have positive effect on the governance capacity of business associations. As a result, the following revelation is given.

4.1 To Strengthen the Resources and Capacity of Business Associations is the Premise and Foundation of Improving the Governance Capacity of Them.

If the business associations in China want to make a difference in social governance, corresponding investment in human, financial and material resources must be made. Business associations need to be composed of influential industry leaders and social elites to form a decision-making layer with a high quality full-time staff and greater energy input. They should have a stable source of funding. A dynamic mechanism where the core members and relevant parties of interest will continue to support the business associations needs to be formed. They should actively absorb members to join and to improve industry coverage in order to achieve their industrial representation and influence. This is the foundation and premise for business associations to achieve a higher level of governance.

4.2. To Strengthen the Professional Service of Business Associations is the Key and Core of Improving the Governance Capability of Them

Adhering to the purpose of serving their members, business associations in China must improve the level of their professional services. Representing the interests of their members, business associations should take the initiative to participate in government and political affairs, negotiate with other interest groups with the interests of their members in mind. Business associations should establish an internal protection mechanism, formulate practical and useful rules for the industry, promote consistency in membership behavior, protect the core interests of their members and promote paid sharing of intellectual property rights and technological innovations. They should take the initiative to integrate quality resources, to build a service platform for the industry, to carry out policy interpretation, to forecast industry development visions, to track the development of cutting edge technology in the industry and to provide a one-stop, customized service in terms of talent training, business consulting, litigation, *etc.*

4.3 To Strengthen the Support and Supervision of Business Associations is an Important Guarantee to Improve the Governance Capacity of Them

On the one hand, the Chinese government should fully consider the social governance function of business associations and their development orientation in formulating laws, regulations and policies so that credibility of business associations can be improved and their legitimate rights and interests can be effectively protected. Social media should actively create a good environment for the development of business associations and regularly publish typical successful examples of the management of them. On the other hand, the Chinese government departments, social media should pay attention and try to influence the social governance of business associations. They should take the initiative to intervene in the governance misconduct of business associations so as to exercise effective supervision and promote the steady and healthy development of them.

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