



# **Do Business Associations sufficiently add value in the Steel Industry in Emerging Markets**

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## ABSTRACT

Literature in business associations reveals an efficient confluence of business to provide member firms with benefits obtained from cooperation with other firms in the industry. They assist firms through knowledge building, knowledge deployment, and standard setting. They can particularly play an important role in the areas of market integration, source of information, lobbying for regulation, standard setting and policy. Studies have also shown that lack of political influence helps discourage good governance or the ability to manage public affairs and deliver basic services; when acting alone individual firms may not be capable of taking part effectively in the interchange with government.

This study involved a qualitative study which consisted of case studies and in-depth face to face interviews with association and member companies' executives that are actively involved in business association activities in the South African Steel industry.

The study concluded that business associations arise for different reasons and in different environments, to assist business with meeting certain challenges; they can sometimes play a positive role by making up for failing development institutions but they can also be detrimental to social welfare because of rent-seeking behaviour.

**Keywords:** Business Associations, Steel Industry, Value add

## DECLARATION

I declare that this research project is my own work. It is submitted in partial fulfilment of the requirement for the degree of Master of Business Administration at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination at any other university. I further declare that I have obtained the necessary authorisation and consent to carry out this research.

.....

Johannes Morutoe Mpotu

09 November 2011

## DEDICATION

This work is dedicated to my late father, Petrus Michael Mpotu, who taught me that nothing is impossible.

## ACKNOWLEDGEMENTS

I would like to acknowledge the following people for their significant contributions toward the completion of this research;

Praises be to God the Provider of Strength, Power and Wisdom in all journeys of my life.

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My boys, Reabetsoe and Lethabo: for providing inspiration in my constant pursuit of a better life.

My mother and brothers, whose encouragement earlier in life, kept me going even today.

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## CHAPTER 1: INTRODUCTION TO THE RESEARCH PROBLEM

### 1.1 Introduction to Business Associations

This study was looking at the at the roles played by business association in the South African context, and as a South African story, drawing insights from other emerging markets that have successfully used such associations as a means of filling gaps created by poor functioning institutions economies. The key countries of interest with relevant insight included China and India. These two countries were particular interesting given their economic importance and rapid development over the last century.

One of the most pressing problems facing firms in the era of globalisation is isolation. This is the case since current competitive strategies are intensely interactive, particularly in areas concerning innovation and organisation of productive processes. Consequently, creating a sufficiently broad, diversified and reliable network able to offset the characteristic uncertainty of today's market is urgently required (Luna & Tirado, 2008, p. 251).

The most popular theoretical explanations for the widespread diffusion of business groups in emerging economies are the institutional and transaction cost theories, which are complementary. Institutional theory underlines the view that emerging economies are characterized by ineffective institutions and high imperfections in the markets for capital, labor, and products (North, 1990, 1991). Transaction cost theory suggests that the internalization of transactions inside business groups may resolve problems arising from these market failures (Williamson, 1975, 1985, 1991) (Zattoni et al, 2009, p. 512).

According to institutional and transaction cost theories, business groups act as a substitute for missing external institutions, and they create an efficient business environment for affiliated firms. With some exceptions, mostly related to Japanese groups, the empirical evidence supports the view that business groups are efficient mechanisms for resolving market imperfections (e.g., Chang and Choi, 1988; Keister, 1998; Khanna & Palepu, 1999, 2000; Khanna & Rivkin, 2001) (Zattoni et al, 2009, p. 511).

Business interest groups and/or associations, is the confluence of businesses with intent to form a coercive force to assist business meeting certain challenges within varying industries. Diversified business groups, consisting of legally independent firms that operate across diverse industries, are ubiquitous in emerging market. Such groups around the world share certain attributes but also vary substantially in structure, ownership, and other dimensions. They arise for different reasons and in different environments; hence it is often argued that their impact on social welfare is ambiguous, even though some of the existing literature suggests that they are uniformly welfare-reducing (Khanna and Yafeh, 2007, p. 331 and 334).

For example, relations among its institutions and business interest groups have become a major element in the governance of the European Union (EU), and many scholars consider the access of interest groups to the EU institutions as important because systematic variations in these access patterns can result in biased economics (Eising, 2007, p. 384).

Business groups may sometimes also play a positive role by making up for underdeveloped economic institutions, but they can also be detrimental to social welfare because of rent-seeking behaviour or monopoly of power (Khanna and Yafeh, 2007, p. 334).

There is a long-standing debate that questions whether organisations that speak for corporate interest are part of the problem in bad governance, or part of the solution. This is mainly the

case because some researches showed that lack of political influence helps discourage good governance or the ability to manage public affairs and deliver basic services and when acting alone individual firms may not be capable of taking part effectively in this interchange with government (Goldsmith, 2000, p. 39).

Hence some theorists often argue that association membership is determined foremost by political consideration. The implication of this conclusion is that national business associations continue to perform an important function in mediating business-government relations (Wilts & Meyer, 2005, p. 176). Yet their status as institutions capable of generating growth is compromised because of the rent-seeking behaviour they embody (Athereye & Chatuverdi, 2007, p. 156).

For instance the European Union Institutions, for example, have recourse to several sources of information. International organisations, member state administrations, think-tanks, interest organisations or otherwise called business associations, and scientific experts all give important policy advice (Eising, 2007, p. 386).

Firms and business associations are particularly important sources of information in the areas of market integration and lobbying for regulation, standard setting, and external commercial policy. The incentives of actors to withhold or manipulate information are reduced by this broad variety of sources as well as by the fact that many of them are involved in a series of policy games (Eising, 2007, p. 386).

In China, for instance, thousands of economic regulations and laws have become key determinants of the fate of industry, all types of companies—state-owned and private, Chinese and foreign—have become active in every stage of the policy process, from setting the agenda to identifying policy options and shaping regulatory implementation. Whereas interacting with

officialdom used to be the responsibility of an enterprise's senior leader, it is increasingly common for companies to have a defined position or team in charge of government affairs (Deng & Kennedy, 2010, p. 101).

It is therefore particularly clear from the experiences that, not only has engagement of officialdom risen, but, equally importantly, there are growing sentiments that lobbying pays off and the policies for different sectors and the broader economy have been shaped by corporate influence (Deng & Kennedy, 2010, p.102).

Brautigam quoted Albert O Hirschman (1968) who advanced the argument that the transition from import-substitution industrialisation to a more competitive export orientation is dependent on business influence, and only cohesive, vocal and highly influential national bourgeoisies are likely to carry industrialisation beyond relatively safe import-substitution to the risky export oriented stage (Bräutigam et al, 2002, p. 520).

This perspective assumes that business interests can promote the kinds of growth oriented policies that lead to economic transformation. Although, early literature on the politics of reform dismissed this idea, drawing on the public choice theorist argument that business interest groups are motivated by short-term, rent-seeking concerns and that the collective action problem renders them impossible to act in unison (Bräutigam et al, 2002, p. 520).

The most popular theoretical explanations for the widespread diffusion of business groups in emerging economies are the institutional and transaction cost theories, which are complementary. Institutional theory underlines the view that emerging economies are characterised by ineffective institutions and high imperfections in the markets for capital, labour, and products (North, 1990, 1991). Transaction cost theory suggests that the internalisation of

transactions inside business groups may resolve problems arising from these market failures (Williamson, 1975, 1985, 1991) (Zattoni, 2009, p. 512).

Therefore, it can largely be deduced from various theories and studies, dating from time immemorial, that the presence of Business Groups/Associations lightens the weight of challenges faced by companies from emerging countries on exposure to international trade. There is a level of dynamism and level of complexity, which come with pressures of access to global markets by medium and small size entry.

### 1.1.1 The Steel Industry Overview

The steel industry is the backbone of modern industrialisation. As a key basic industry, steel underpins growth across several downstream industries and some services sectors. The global steel industry has been experiencing ups and downs for the last three years: a low in 2007, a high in early 2008 followed by lows at the end of 2008 and in early 2009. Amidst this turmoil, China and India were the two countries who could withstand the turbulence and yet deliver positive growth figures. In fact, in its latest report, the Asian Development Bank has accepted the growing influence of Asian economies on the world at large (Ernest and Young the Global Steel 2011 Report).

The World Steel Association recorded Chinese crude steel production of 626 million tonnes in 2010; an increase of 9% year on year, with further increases forecasted for 2011. India also registered strong demand in the last five years, registering 68 million tonnes in 2010 with a further forecasted increase in 2011 (Steel Statistical year book, 2011). Beyond China there are few other countries with this steel production growth capacity, except India, which is why they are strategically placed to be the next landmark on the global steel landscape. Sufficient iron ore

reserves, low per capita steel consumption and strong demand for steel due to strong economic growth gives India the competitive edge over other emerging economies (Ernest and Young, the Global Steel 2011 Report).

**Table1: World Crude Steel Statistics**

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
South Africa	8,821	9,095	9,481	9,500	9,494	9,718	9,098	8,246	7,484	7,617
<b>Africa</b>	<b>14,916</b>	<b>15,807</b>	<b>16,289</b>	<b>16,706</b>	<b>17,950</b>	<b>18,695</b>	<b>18,675</b>	<b>16,997</b>	<b>15,326</b>	<b>16,621</b>
China	151,634	182,366	222,336	282,911	353,240	419,149	489,288	500,312	573,567	626,654
India	27291	28814	31779	32626	45780	49450	53468	57791	63527	68321
<b>Asia</b>	<b>354,529</b>	<b>395,046</b>	<b>442,316</b>	<b>512,521</b>	<b>595,533</b>	<b>672,252</b>	<b>756,861</b>	<b>771,013</b>	<b>806,901</b>	<b>903,201</b>
<b>Other</b>	<b>481,628</b>	<b>493,317</b>	<b>511,310</b>	<b>542,131</b>	<b>530,546</b>	<b>556,169</b>	<b>571,041</b>	<b>541,218</b>	<b>410,141</b>	<b>497,442</b>
<b>World Crude Steel production</b>	<b>851,073</b>	<b>904,170</b>	<b>969,915</b>	<b>1,071,358</b>	<b>1,144,029</b>	<b>1,247,116</b>	<b>1,346,577</b>	<b>1,329,228</b>	<b>1,232,368</b>	<b>1,417,264</b>
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Asia as % of the world	42%	44%	46%	48%	52%	54%	56%	58%	65%	64%
China as % of world	18%	20%	23%	26%	31%	34%	36%	38%	47%	44%
China as a percentage of Asia	43%	46%	50%	55%	59%	62%	65%	65%	71%	69%
India as % of world	3%	3%	3%	3%	4%	4%	4%	4%	5%	5%
India as a percentage of Asia	8%	7%	7%	6%	8%	7%	7%	7%	8%	8%
Africa as a percentage of World	2%	2%	2%	2%	2%	1%	1%	1%	1%	1%
South Africa as % of world	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
South Africa as a % of Africa	59%	58%	58%	57%	53%	52%	49%	49%	49%	46%

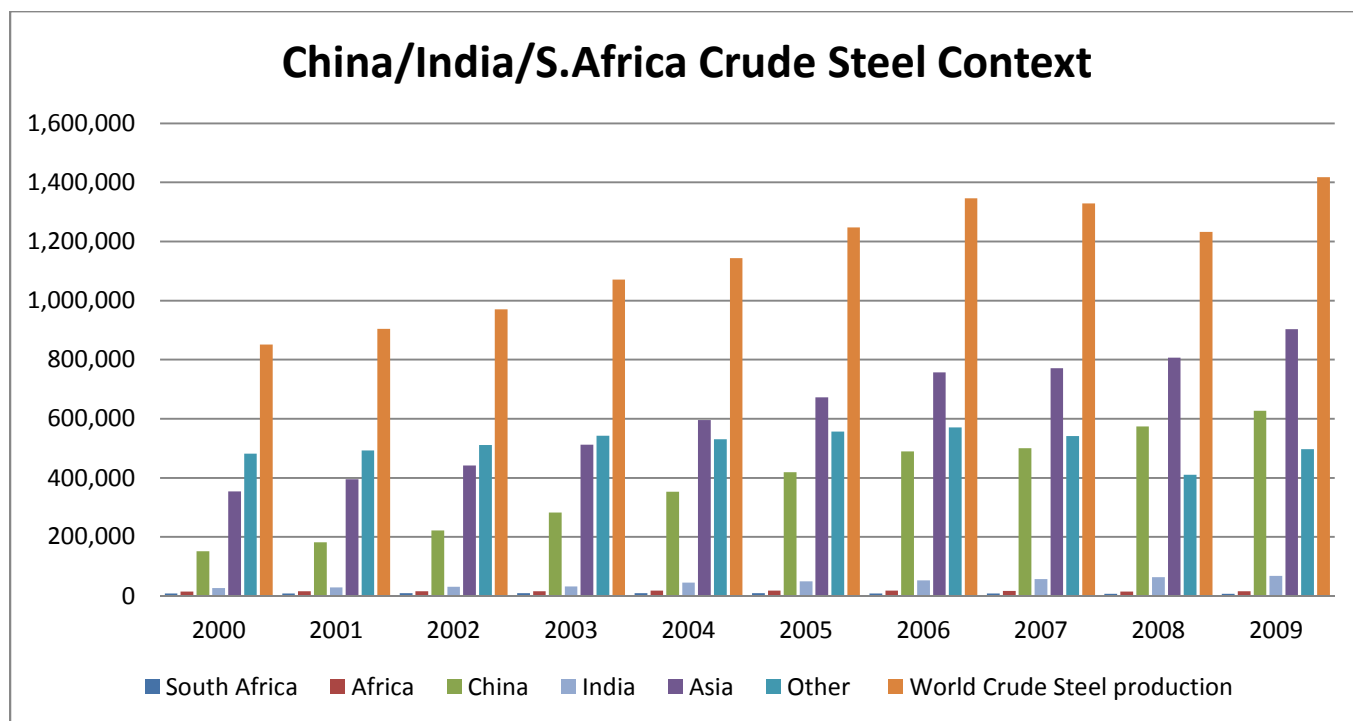
Data Source: World Steel Association, steel statistical year book, 2011

However the same cannot necessarily be said about South Africa and the main questions amongst others are the factors influencing the slow growth in this industry. Although the global steel outlook for 2011 is cautiously optimistic growth in developing economies will remain strong and continue to boost total global steel demand; however, South Africa is forecasted to see a further decline (Source: World Steel Association, 2011).

The primary steel industry is a significant contributor to the South African economy and earns considerable amounts of valuable foreign exchange. South Africa ranks in the region of 20th in terms of crude steel producing countries in the world producing in the region of 1% of the world's crude steel. South Africa is also the largest steel producer in Africa, producing on average more than half of the total crude steel production of the continent, in the order of 10 million tons per year. (Source SAISI website, [www.saisi.co.za](http://www.saisi.co.za) accessed 2011.04.23).



## Graph 1: World Crude Steel Market

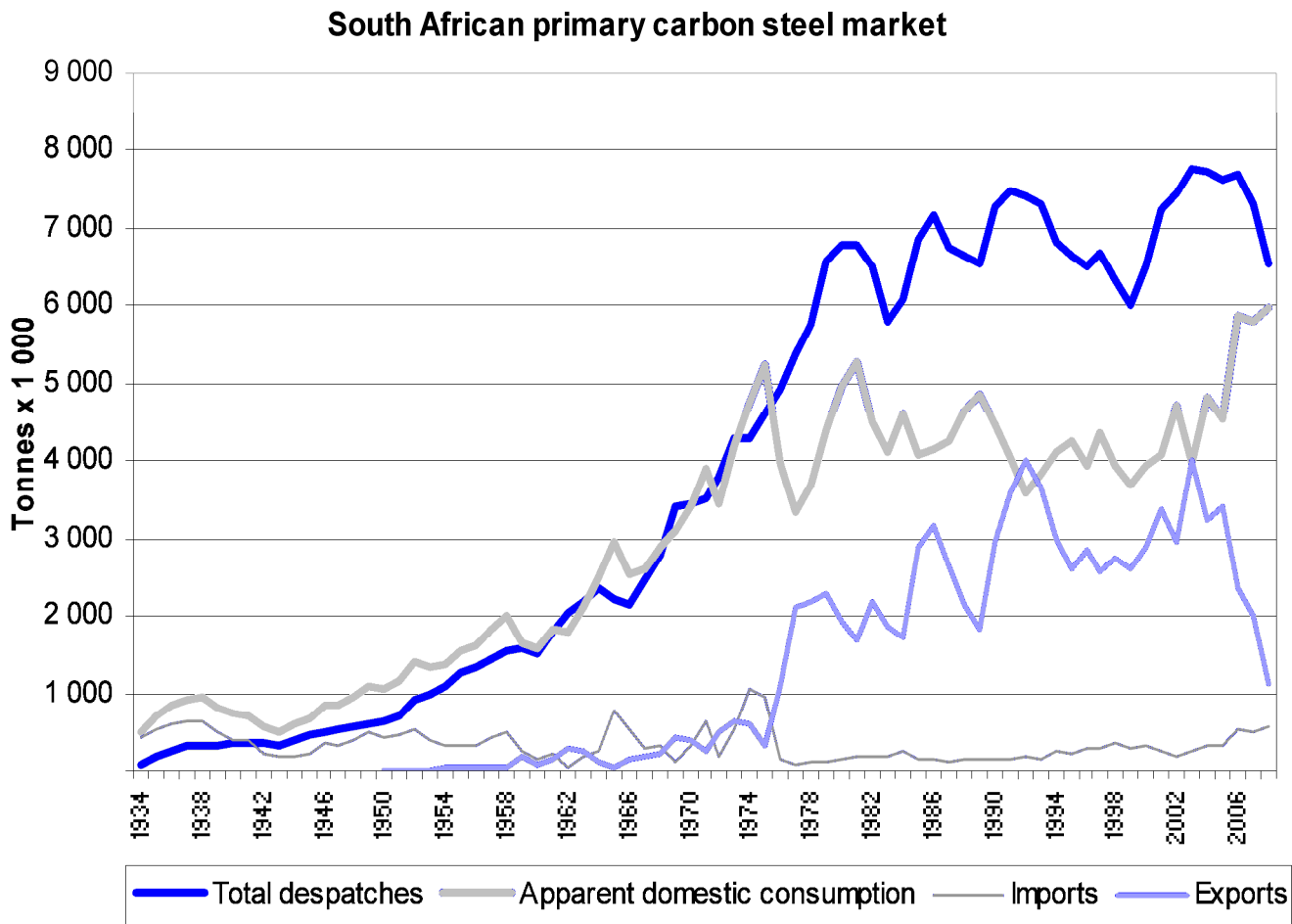


Data Source: World Steel Association, steel statistical year book, 2011

The Minerals Handbook distinguishes between three types of steel namely, stainless steel, carbon steels (non-alloy) and alloy steels. Stainless steels are generally more expensive and are used for design purposes, decorating, in watch-making, pots pans and other kitchen utensils etc. Carbon steels are the most common forms of steel and are used in manufacturing, construction and other large industries in the South African economy. Alloy steels are steels that are combined with other metals and minerals in order to change the different characteristics of steel such as strength, flexibility, weight etc. (Minerals Handbook, 2007)

As depicted in the graph two below, South African steel industries produce in excess of 8 million tonnes of finished steel products per year of which about 5,5 million tonnes are consumed domestically and the balance is targeted for the export market. Imports account for about 9% of locally consumed primary steel (Source SAISI website, [www.saisi.co.za](http://www.saisi.co.za) accessed 2011.04.23)

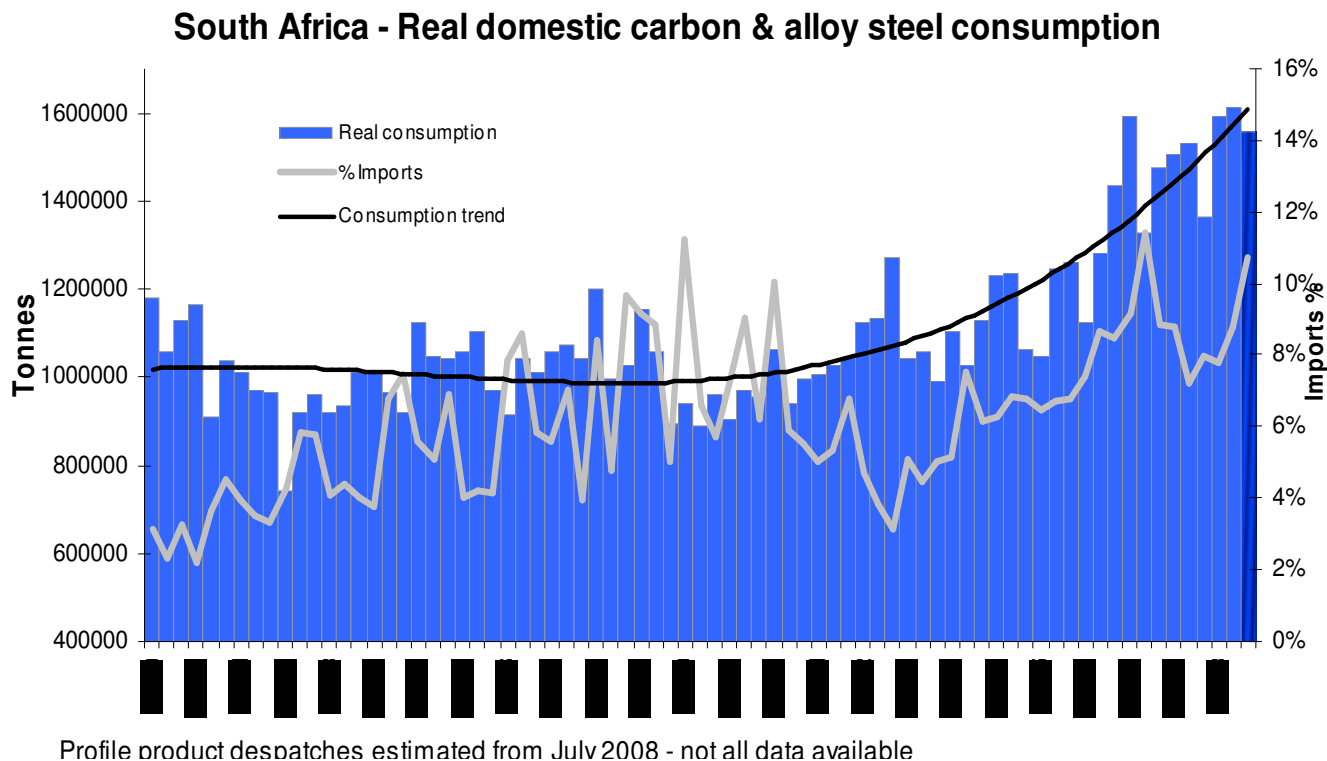
## Graph 2: South African Carbon Steel Market



Data and graph Source: South African Institute of Steel Industry (SAISI), 2008

In this study an emphasis will be placed on the South African steel industry; the make-up of this industry involves the three main primary carbon steel manufacturers and one primary stainless steel producer in the country. There are downstream steel manufacturers in the country with +/- 67% in the construction sector and the balance spread between automotive, mining and general manufacturing, which are classified as downstream and represented somehow by an Association or Affiliation body (Source SAISI website, accessed 2011.04.23).

**Graph 3: Typical South African Carbon Steel Market consumption**



Data and graph Source: South African Institute of Steel Industry (SAISI), 2008

The South African Iron and Steel Institute (SAISI) is the primary steel industry body or interest group with the collective interest of South African primary steel industry since 1962. In its mandate SAISI does not claim to represent the total interest of all primary steel producers and downstream players in the country, but do engage with the representatives of downstream and government in an on-going effort to promote local beneficiation of South African produced primary steel products (Source SAISI website, [www.saisi.co.za](http://www.saisi.co.za) accessed 2011.04.23).

## 1.2 Research Motivation

Given the importance of the manufacturing industries in any economy, in this case the steel manufacturing sector in South Africa, it is equally important to understand how business associations offer solutions to the promotion of the kinds of growth oriented policies that lead to economic growth, understanding how they manage or conceal any void created by poor performing institution.

According to Farashahi and Molz (2005) in the context of developing countries the governing institutions may house unstable environments where weak and ambiguous regulatory regimes are often politically and economically unstable. The institutional and infrastructural weaknesses may diminish the overall performance of the institutions (Jaspersen, 2008, p. 4).

As a result, governments may aspire to take actions that bring firms from the informal sector back to institutional control. Depending on the nature and structure of the action, firms may wish to return to the formal sector, or consequently take steps to remain outside the purview of the institutional setting (Jaspersen, 2008, p. 7).

Brautigam et al identified three important characteristics of business interest associations that seem to be important; firstly, the capacity of groups to credibly engage the state in technical policy discussions; secondly, the size, composition and resources of the group; and lastly, their access to selective, non-public benefits that are linked to performance (Brautigam, D, Rakner, L, Taylor, S, 2002, p. 522).

Despite the order of importance, very little research has been conducted on the role of industry associations in the steel industry in the emerging markets, and particularly in South Africa. The literature on business associations suggests that organisation of business is an important

phenomenon in building economic growth prospects in a country. Therefore, the motivation for this research is to contribute some knowledge in this area and test the available theory on the contribution by the associations in the economy.

The retreat of planning and the adoption of market-friendly policies have been associated with a new form of government-industry interaction (Athareye & Chatuverdi, 2007, p.156). Research on the role of such institutions in economic growth has begun to highlight the activities of business associations (Doner & Schneider, 2000, p. 262).

Empirical studies of rapid growth in East Asia, as a case in point, have gone 'beyond the developmental state' by illustrating the important role of extensive collective action by the private sector; and an expanding literature on economic governance in industrialised countries and it has demonstrated the ways in which various kinds of networks, including business associations, have helped to enlarge the 'repertoire of policy alternatives ...' and to develop 'comparative institutional advantages' in particular kinds of product market and innovation strategies (Doner & Schneider, 2000, p. 262).

The study of industry association occupies an uneasy ground in developing economies and the distrust of business association in economics literature has been documented (Athareye & Chatuverdi, 2007, p. 157). It is therefore incumbent in this study to establish if theories and stories of success from other countries apply to South Africa and particularly in the steel industry. Business associations play a significant role in private-public interactions by aggregating company interests and relating these to political decision makers. Some theorists have advanced arguments believing that associations are particularly important for smaller firms, which generally do not have the resources to pursue political strategies independently (Wilts and Meyer 2005, p. 176).

In his seminal work, *In the Wealth of Nations*, Adam Smith notes with admiration the propensity of individuals to 'truck and barter' but also expresses his distrust of business associations (Athareye & Chatuverdi, 2007, p. 157). This is so because Adam Smith in his work he actually suggested such corporation between business will hinder trade. However, institutional economics conceptualise business groups as organisational responses to environments characterised by poorly functioning markets and institutions. Early research emphasised the way in which business groups develop internal capital markets for efficiently allocating resources (Leff, 1976) (Ghosh, 2010, p. 183).

### 1.3 Research Objectives

The objective of this study is to understand the economic value offered by the group affiliations to its members, successes of these interest groups, and the measurable offering by the associations in the industry, particularly in South Africa. It should be stated here that the focus of this study is on formal business organisations' ability to form collective action in the business environment.

Khanna and Yafeh (2007) concluded that the effect of group affiliation on corporate performance is both country-specific and time-dependent. At the heart of the discussion is the question whether group affiliation increases value, as some studies find that group affiliates perform better than stand-alone firms (Chang & Choi, 1988; Perotti & Gelfer, 2001); others find opposite results (Choi & Cowing, 1999; Mursitama, 2006) (Yu et al, 2009, p.1615).

The empirical literature offers numerous, isolated examples of productive activities by business associations, but there are no analytic frameworks for comparing associations across countries and regions (Doner & Schneider, 2000, p. 262). Doner & Schneider further states that their

framework categorises these contributions in terms of positive responses to state failures and market failures.

The ‘market-supporting’ activities of associations, for example, are instances where associations push underperforming states to provide the public goods that only states can provide: property rights, incorrupt administration, and infrastructure (Doner & Schneider, 2000, p. 262).

The ‘market-complementing’ activities on the other hand are functions that overcome market failures of various sorts including imperfect and costly information, low investment in training, and the lack of coordination in investments and upgrading (Doner & Schneider, 2000, p. 263).

This study will amongst other things, seek to understand as Khanna and Yafeh (2007) conclusion about group affiliation performance being both country specific and time dependent. This implies that there is some time series evidence on business groups indicating that the relative advantage of groups declines as market institutions develop, so depending where the country is in terms of economic development influences how this association performs. Therefore this study will be answering the question on how businesses associations perform in the industry given the stage of growth as an emerging market. Secondly, we sought to establish whether they sufficiently coordinate their value by procuring public goods and by influencing the broader economic policy.

It has been said that such representation is widely accepted by governments and multilateral organisations alike, who feel that the services offered by business associations in the form of knowledge, contacts, legal adjudication, certification, and product quality, *et al.* lead to greater gains within the private sector. In the same vein, it is largely acknowledged that the presence of such associations may also smooth the growing pains faced by businesses within developing countries as they open to international trade (Jaspersen, 2008, p. 5).

## CHAPTER 2: LITERATURE REVIEW

### 2.1 Introduction

The theory reviewed provided a basis for the understanding of the functioning of business association, and it also formed a foundation for evaluation of roles and responsibilities of business association in sufficiently coordinate activities in the markets to the benefit of its members and the economy. The also review focused on characteristics of business associations both in developed and emerging markets, drawing further insight from stories of other countries but with more emphasis to other in emerging markets namely, China and India who have shown a level of success in their economic reform programs.

### 2.2 Definition and Characteristics of Business associations

Business groups are far from uniform across countries and vary along many dimensions, such as the types of ties among affiliated firms, and in terms of the intensity of coordination inside the group. Due to these differences, the definitions and characteristics of business groups are highly contingent on the institutional contexts in which they operate. It is therefore somewhat difficult to compare research work on business groups in various settings because the phenomena under investigation may be substantially different (Khanna & Yafeh, 2007; Yu et al., 2007) (Zattoni, 2009, p. 511-512)

Formally, Aldrich and Staber (1988:111) defined industry associations as “Organizations created to represent business interests within specific domains, mobilizing firms within their domain so that collective action can be taken on common problems.” Institutional theorists have noted that industry associations provide arenas through which organisational members interact and collectively represent themselves to themselves (Nordqvist et al, 2010, p.53).



Industry associations provide member firms with benefits obtained from cooperation with other firms in the industry. They assist firms through knowledge building, knowledge deployment, and standard setting (Damsgaard and Lyytinen, 2001), in developing and participating in self-regulation and codes of practice (Gunningham and Rees, 1997; Clark, 1999; Haufler, 2001), and promoting favourable trade policies (Procassini, 1995; Sell, 1995).

Following central tenets of institutional theory industry associations can be seen as institutional actors that help shape perceptions of industry executives and their responses to industry developments. They influence industry norms and practices, provide benchmarks and stipulate best practices, and suggest strategic responses to industry threats and opportunities (Nordqvist et al, 2010, p.52).

Expanding further on the theory for example, it is illustrated in the work of Wilts and Meyer (in 2005) that the internationalisation of public affairs within the European Union produced a greater political awareness of private companies and in many ways stimulated them to engage in forms of corporate political action. Such action is traditionally channelled through trade associations—or business interest associations (Wilts & Meyer, 2005, p. 176).

They are specifically designed to represent business interest towards third parties such as government agencies and trade unions, because they mediate the interest of firms and companies, and speak on behalf of the business community; they are important actors in various systems of interest politics (Wilts & Quittkat, 2004, p. 384). This therefore suggests that the role played by association is critical in the advancement of industrial policies and development of industries.

It has been widely recognised that business associations are some of the most common collective forms for coordinating economic activity by Hollingsworth and Boyer (1997), by

defining and procuring public goods through organising and enforcing cooperative behavior among their members (Coleman (1997) (Luna & Tirado, 2008, p. 251).

Despite the new developmental consensus that ‘institutions matter’ there is some controversy over whether industry associations should be considered a part of the institutional structure or if they merely reflect institutional arrangements within a political structure which may well constitute impediments to change (Athareye & Chatuverdi, 2007, p. 158).

Several empirical studies have highlighted the beneficial effects of such associations on industrial development in developing economies (Athareye & Chatuverdi, 2007, p. 159). Examples included; firstly, the work of Lucas (1994), who showed the role played by Nigerian industry associations in defending their members from predatory and corrupt government practices. In another instance Nadvi and Schmitz (1994) who described the important role played by the industry associations in Brazil’s Sino’s valley in providing technological information and training to its members that helped them compete effectively in the footwear industry, and McMillan and Woodruff (1999) on the role played by industry associations in China and Vietnam in matching trading partners and also facilitating dispute resolutions.

One common factor emphasised in all these studies is the new nature of competition faced by members of these associations and their desires to overcome common problems through collective actions and support from the state (Athareye & Chatuverdi, 2007, p. 159).

According to Nadvi (1999:6) there are enabling activities that business associations in developing countries provide to help their members meet new competitive challenges (Athareye & Chaturvedi, 2007, p. 159); firstly, they include provision of services such as technical and managerial advice, Second, Information service that help link local producers with distant markets including data on markets, prices, competitors, trade policies and trade information.

Thirdly, technology support in product and process technologies that help members to upgrade and move up the value chain. Fourthly Linking of local producers to global trade fairs Benchmarking services to help local producers compare their performance to global best practices. And lastly Technical assistance to meet global quality standard and the development of local quality labelling

It is worth noting at this point that all of these activities are aimed at plugging gaps in the economic environment facing producers, and some of these may have spill over benefits for other sectors (Athareye & Chatuverdi, 2007, p. 159).

At this point it can further be said that, there is empirical work that shows that industry associations fulfil important developmental roles in developing countries, often compensating for inadequacies in the business environment. Yet their status as institutions capable of generating growth is compromised because of the rent-seeking behavior they embody (Athareye & Chatuverdi, 2007, p. 157).

Business associations are also controversial; as indicated in the earlier debate, it remains relevant as to whether organisations that speak for corporate interests are part of the problem or part of the solution. Sometimes business groups collude with the state to divert public resources to themselves at the expense of more efficient and socially optimal uses. It is also further acknowledged that in other settings, collaborative interaction between business and government can enhance national economic performance and contribute to social betterment (Goldsmith, 2002, p.39).

Bräutigam quotes Leys (1968) who, in the same vein but put in another perspective, submitted that in the literature of development of capitalism in Africa the transformation of economies would be stalled until the capitalist class were able to establish a “class project” centered on

establishing the general conditions needed for the possibility of further accumulation. Both perspectives however assume that Capitalists/Business interest can promote the kinds of growth oriented policies that lead to economic transformation (Bräutigam et al, 2002, p. 520).

Growth coalitions or business interest associations arise when these relations take the form of active cooperation towards the goal of policies that all parties involved believe will raise investment and increase productivity levels. This literature therefore suggests that business associations are likely to push for macroeconomic stabilisation and export friendly trade regimes when the business class has matured in number and experience and broadened to the point that it represents a sizeable portion of the productive economy (Bräutigam et al, 2002, p. 521).

Developed associations take on a life of their own and are able to rise above the short-term, particularistic interests of their members. They have proved resourceful in drawing upon research and development policies, training and education programs and international marketing strategies (Luna & Tirado, 2008, p. 251).

Despite differing views on the legitimacy of existence, business associations are organisations that relate private business interest to the public decision-making process; one part of their mission is negotiating collective agreements and another is lobbying nationally. Wilts & Quittkat further deliberated on the suggestion that business associations are designed to operate in the interface between the economic and political systems (Wilts & Quittkat, 2003, p. 385).

Institutional economics conceptualise business groups as organisational responses to environments characterised by poorly functioning markets and institutions. In addition, absent well-functioning capital markets, or firm diversification, was viewed as a way for investors to diversify their investment and contain risks (Ghosh, 2010, p. 184).

## 2.2.1 Opposing views on business associations

### 2.2.1.1 The view against business associations

It is important to note foremost that there are two known views on the existence of business association: the first being Olsen's (Mancur Olsen) negative view based on Adam Smith's distrust of business associations, and the positive view brought into the fore by the likes of Doner & Schneider who argued for the good of the existence of these associations based on empirical evidence of their success in developing economies.

Olsen's view draws on Adam Smith's admonition to reach for your wallet whenever two businessmen get together. In the wealth of nations, Adam Smith expresses his distrust of business associations by saying; people of the same trade seldom meet together, even for merriment and diversion, but the conversation ends in a conspiracy against the public, or in some contrivance to raise prices (1776, 1986, p.232) (Athereye & Chatuverdi, 2007, p.157).

This is also most systematically developed in Olson's later work on collective action and economic growth. In his book "*The Rise and Decline of Nations (1982)*" Olson emphasized that interest groups, like business associations, always pursued distributive objectives, seeking unproductive rents rather than the common or public interest (Doner & Schneider, 2000, p. 262).

Olsen, in his first contribution in 1965, pointed out that smaller groups organise better for collective action because each individual member is likely to gain more from the benefits than in a large group, and also because in a smaller group coordination and monitoring are more easily achieved (Athereye & Chatuverdi, 2007, p.158).

In his later work (1982, 2000) he identified two possible outcomes of such coalitions for wider growth. Firstly, the economic growth could be strangulated through institutional sclerosis and

secondly, through narrow rent-seeking by parochial small interest groups (Athareye & Chatuverdi, 2007, p.158).

In his publication titled “the Rise and Decline of Nations (1982)”, Olsen outlined one of the most comprehensive of the relationships between such institutions and economic growth; he argued that the effect of increased activity by organised business was highly detrimental, referencing three reasons as to why organisations for collective actions in the business community undermined a country’s ability to locate resources effectively (Pyle, 2006, p. 493); : *First* , Business organisations facilitate the rent-seeking behaviour foreseen by Smith; They invest in redistributive activities (e.g. Lobbying and Cartelization) and thus, with *all being equal*, divert resources from investments that generate new wealth.

He motivated his reasoning using the following two aspects of rent-seeking, the first aspect is that the group as a whole gains relative to other groups in society and this is reflected in the higher share of economic profits or better access to policy privilege for group members. The second aspect of rent-seeking is that it accrues to the social entrepreneurs that organise the special interest group, namely increased access to political privileges, and increased individual profits as a consequence. Well-functioning groups are likely to show small amounts of the second type of rent but large amounts of the first type of rent (Athareye & Chatuverdi, 2007, p.158).

The second was that associations retard the introduction of new technologies by potentially producing unequal changes in the production cost of members in a cartel-like collective, innovation may require costly bargaining over new pricing and out policies, thus rendering the collective more averse to change than an individual firm. Organised business interests,

moreover, often lobby for bailouts for failing firms and thereby stem the flow of resources to the most dynamic enterprises.

Lastly, his reasoning was that business organisations often try to protect rents by opposing trade liberalisation, which can result in losses to social welfare for reasons related to Ricardian comparative advantage and the weakening of competitive pressures (Athareye & Chatuverdi, 2007, p.158).

This reflects the ambiguous influence of business associations on industrial growth which Olsen's works hints, namely where they are more likely be part of the rent-seeking coterie that pushes for distorted industrial policies or part of the political solution when institutions need to change in order for new well springs of growth to be tapped. In a recent review Doner & Schneider (1999) attacked this position as being quite inconsistent with the tenets of New Institutional Economics as, by filling institutional gaps, business associations, even those with narrow interests, may serve society as a whole (Athareye & Chatuverdi, 2007, p.159).

Institutional theory emphasizes the influence of socio-cultural norms and values, as well as the effect of law and the judicial system, on organizational structure and behavior (North, 1990). Institutions are the formal (e.g., political rules, economic rules, and contracts) and informal (e.g., codes of conduct, norms of behavior, and convention) constraints that regulate economic activities and human behavior (Zattoni, 2009, p. 512).

Institutions and the effectiveness of enforcement determine the cost of a transaction. Effective institutions increase the benefits derived from cooperative solutions, while ineffective institutions increase the benefits derived from defection (North, 1991) (Zattoni, 2009, p. 512).

### 2.2.1.2 The view for business associations

While it has long been recognised that business associations can and do pursue objectives that benefit members to the detriment of society, research has highlighted how, particularly in countries with weak states, business associations also provide members with services that create net social benefits (Doner & Schneider, 2000, ).

Across many contexts, business associations have been recognised for handling complex collective action problems and disseminating information related to technologies and the reliability of its members. Doner & Schneider (1999) identified four features of business organisations that make them capable of playing a role in plugging institutional gaps in development (Athareye & Chatuverdi, 2007, p.160).

The first feature is the selective incentives for membership of such a business association, namely differential reward for members compared to non-members. The existence of such a reward also allows business association to charge a fee and marshal enough collective resource for undertaking their activities (Athareye & Chatuverdi, 2007, p. 160).

A second characteristic of a successful association is high member density, so that the association has monopoly of representation. Overlapping institutions can become competitive and also lack legitimacy. The third feature is successful intermediation among members through transparency, systems of proportional voting and repeated interaction. In addition, small groups and homogeneous interest, as identified by Olsen, 1965, also play a role in the cohesiveness and success of intermediation through business associations (Athareye & Chatuverdi, 2007, p. 160).



And lastly, an association capacity for intermediation is affected not only by the relations between its members but also by the relation between its members and the permanent association staff. Principal agent issues emerge in large well-staffed associations with professional management structures. In large associations professional management has the incentive to use its collective resource for own benefit while small groups can also capture collective interest (Athareye & Chatuverdi, 2007, p.160).

The internationalisation of economic and political affairs brings along a global market ordering that changes the structures in which economic interaction is embedded, as new economic and political relations develop, new conditions emerge for bringing corporate interest to bear on public decision making (Wilts & Quittkat, 2003, p. 384).

To achieve high productivity, firms must have access to an improving pool of advanced and specialised human resources, scientific knowledge, economic information, infrastructure, and other factors of production; all these factors must also encourage firms to upgrade their competitive advantages over time. Government policy has a role in each of these areas (Porter, 1990, p. 626).

Deng & Kennedy in their study of China put forward a notion that lobbying affects both domestic and foreign economic policies, and companies lobby successfully for greater protection from imports and for increased liberalisation (Deng & Kennedy, 2010, p.102).

The possible gains from group affiliation may arise from several sources. Gains to group affiliation may, for instance, be due to a reduction of transaction cost as proposed initially by Leff (1978). Chang and Choi (1988) found that on transaction cost theory Korean firms affiliated with a diversified group were more profitable than Korean stand-alone firms (Yu et al, 2009, p. 1617).

In transaction cost theory, markets and organizations are seen as alternative mechanisms for managing the exchange of goods, services, and financial resources (Coase, 1937; Williamson, 1975, 1985). Markets and hierarchies are polar modes. Markets provide higher incentives, and favor rapid, independent adaptation to external changes. Hierarchies have stronger administrative controls, and they manage adaptation properly if bilateral dependency is present (Yu et al, 2009, p. 1617).

Gains to group affiliation may also arise from the ability of the group to substitute for imperfect markets. Khanna & Rivkin (2001) state that group affiliates have better access to capital, labour and products, as they can exchange goods and services internally without the hazards of arm's-length- exchange (Yu et al, 2009, p. 1617).

By using data from 14 emerging economies, Khanna & Rivkin (2001) found that the profits of business group affiliations were higher than otherwise comparable unaffiliated firms in six different countries (Yu et al, 2009, p. 1617).

Institutional differences may perhaps explain why business groups are paragons in one country, whereas they are parasites in others (Khanna & Rivkin, 2001; Khanna and Yafeh, 2007 p 334). This may, in part, depend on the nature of state-business relations; in a sub-Saharan Africa context, Sen and Te Velde (2009) argue that better state-business relations contribute to growth (Yu et al, 2009, p. 1617).

### 2.2.2 Business Association: Contribution to performance

The effect of group affiliation on firm value has been widely discussed, both in theoretical and empirical literature (Khanna and Yafeh, 2007). In his study on Indonesian business groups, Mursitama (2006), using data of 2000 firms from nine East-Asian economies for the period

between 1994-1996, indicated that business groups have effect on firm performance. Claessens et al. (2006) found that mature and slowly growing firms benefit from group affiliation, while young high-growth firms are more likely to lose (Yu et al, 2009, p.1616).

Equally, small groups can capture power and extract rents at the expense of the rest of the group and society at large giving rise to justifiable fears that lobbying 'distorts' industrial policy. There is also a long tradition of studies on analysing collective action as a public good by Olsen (1965, 1982), which recognise that small special interest groups are more likely to provide collective goods of value to their membership (Athereye & Chatuverdi, 2007, p.157).

In a European context, a developed economy, for example, business-government relations are generally well established and institutionally organised. Despite their differences, however, in each of these various systems of interest politics, contacts between the business community and the policy-making process occur in a context of established practices and routine (Wilts & Quittkat, 2003, p. 384).

As the development of the European Union (EU) progresses, corporate political action has become more important for competitive success in Europe (Wilts & Meyer, 2005). The build-up of the single European Market is creating new opportunities for companies to gain economic benefits through influencing political decision-making (Wilts & Meyer, 2005, p.176).

Moreover, the institutional setting in China differs considerably from the business context of most other studies on business groups. Research on business groups has generally concentrated on comparison of the performance of private stand-alone firms with private firms affiliated to a business group, assuming that group formation is an efficient private response to missing markets (lack of finance, for instance) or market imperfections (Yu et al, 2009, p. 1616).

## 2.3 Comparative Studies

### 2.3.1 The business associations in China

The Chinese business environment as a comparison to this study is key to its population size (1.3 billion inhabitants in 2010; World Bank, 2011), its economic importance (second in the world after United states in terms of GDP in 2010; World Bank, 2011), and its rapid economic development (an average growth rate of 9.82% between the 2001–2010 period, World Bank, 2011) and lastly its leadership in liquid steel production (World Steel Association, 2011).

In the past quarter of a century, scholars in the China field have paid attention to business associations, expecting to find signs of new state-society relations resulting from market reform, and often questions revolved around where the initiative for formation comes from; how much autonomy and to what extent they can represent the interest of their constituents (Zhang, 2007, p. 209).

Often answers to these questions have been mainly falling into two basic views; according to *Zhang*, firstly the statist view highlighted the state initiative and sees associations as instruments of the state and secondly a societal view that put society at the centre as a new social driven establishments bringing forth societal initiative with the potential to entrenching democracy (Zhang, 2007, p. 210).

The statist view found that the dominant role that the state played in establishing and running business associations in China represented a new instrument of control in the environment of market economies. The statist view argued further, that as the economy decentralises the more corporatist associations get established as substitute control mechanisms. This view sees either

no or very limited autonomy, for these associations in representing the interests of their constituents and considering that they are embedded in state agencies (Zhang, 2007, p. 210).

In contrast, the societal view captures business initiative in organising associations and predicts more positive roles for them in changing state-society relations that are favourable for future democracy. As Whyte (1992: 79-80) observes, "To the extent that a civil society develops within a Leninist system, it will produce pressure on elites for democratic reforms." Business associations are frequently identified as candidates to fulfil the function of civil society, because their constituents represent "new social forces" created by market reform. Business associations and their constituents are also seen to have resources that the state needs, and thus have special leverage in promoting political change (Zhang, 2007, p. 210).

The number of trade associations representing domestic and foreign companies has grown rapidly in China, with the greatest expansion recently seen in the proliferation of branches of municipal chambers of commerce outside their home localities (Deng & Kennedy, 2010, p. 101)

Deng & Kennedy conducted surveys of very large companies and national industry associations in China about their lobbying strategies vis-à-vis national government economic policies. The findings indicated surprising commonalities in lobbying behavior across a wide variety of companies, yet identified equally unexpected differences between companies and business associations (Deng & Kennedy, 2010, p. 103).

As these business groups in China are encouraged by state policy, they may be a beneficial element of reformed state-business relations, and a study of China is informative on policy for promoting better state-business relations As Marukawa (2002) points out, Chinese business groups are created under strong government encouragement and enforcement and the

formation of Chinese business groups is not only a spontaneous private response to market imperfections (Yu et al, 2009, p.1616).

The promotion of business groups was considered an important element of China's economic reforms. The Chinese government promoted the formation of business groups of state-owned firms as a first step in the process of reforming these enterprises into modern corporations. As such, this incremental transformation policy stands in contrast to the reforms that have been adopted elsewhere in transition economies, which relied more upon massive privatisation of large state-owned enterprises (Yu et al, 2009, p.1616).

Zhang's research compares strikingly different practices of business associations in two localities in China, and examines the internal linkage between associational practices and patterns of economic development. In one locale (Wuxi), business associations are organised and run by government in a top-down manner, and have shied away from allowing entrepreneurs a major role. In the other locale - Wenzhou - many grass-roots business associations initiated and governed by entrepreneurs emerged. The associations in Wenzhou are playing active roles in both the economic and political arenas. Put simply, business associations exemplify the statist scenario in Wuxi but the societal scenario in Wenzhou. The reason why the practices of business associations are so different in the two localities is linked with their patterns of development: government-led development in Wuxi versus entrepreneur-initiated development in Wenzhou (Zhang, 2007, p. 210).

In spite of China's continued authoritarian political system, there is a growing recognition that business lobbying is an integral part of the country's policy process at both local and national levels, as thousands of economic regulations and laws have become key determinants of the fate of industry, all types of companies—state-owned and private, Chinese and foreign—have

become active in every stage of the policy process, from setting the agenda to identifying policy options and shaping regulatory implementation. (Deng & Kennedy, 2010, p. 101)

Therefore, analysing the relative performance of the business groups in China provides relevant information about the success of the programme compared to alternative policy choices in the process of China's economic reform (Yu et al, 2009, p. 1616).

Zhang identified a number of problems with existing studies, given the heterogeneity of China; hence his decision to compare different localities and examine the internal linkage between associational practices and patterns of economic development in his studies. His understanding was that the local economic developments denote and also shape state-society relations, and the strength and nature of entrepreneurial class, and thus constitute an important context within which associations emerge and operate (Zhang, 2007, p. 210).

Decentralisation in China created an opportunity for localities to take different paths based on resource endowments, government capacity and the like. Hence the reason China followed a twofold approach to associations; the government-led approach and entrepreneur-initiated approach. In the first approach governments have taken on many characteristics of a business corporation, with officials acting as the equivalent of a board of directors, adding that this merger of state and economy characterised a new institutional development" that labeled local state corporatism (Zhang, 2007, p.212)

### 2.3.2 The business associations story in India

*"Performance of the global economy in coming years, however, will depend upon performance of three economic groupings — big emerging markets, America and the Euro Zone. These three*

*groups reflect different growth prospects and divergent policy responses. Emerging markets, such as China and India, are by far the biggest contributors to global growth” (Agrawal, 2011)*

Similar to the use of China as a comparative study among the emerging markets, India is an equally key country for comparison given the structure of the Indian economy, the Indian business environment, its size (1.17 billion inhabitants in 2010; World Bank, 2011), its economic importance (ninth (9th) in the world after United States in terms of GDP in 2010; World Bank, 2011), and its rapid economic development (an average growth rate of 7.78% between the 2001–2010 period, World Bank, 2011).

Emerging markets like India have poorly functioning institutions, leading to severe agency and information problems. Business groups in these markets have the potential both to offer benefits to member firms, and to destroy value (Khanna & Palepu, 2000, p. 867). There are several reasons to posit that group affiliation in emerging market context is potentially beneficial, unlike in advanced countries such as the US where the institutional context is characterised by well-functioning capital, labor and product markets, in emerging markets there are a variety of market failures caused by information and agency problems (Khanna & Palepu, 2000, p. 868).

Business groups account for a significant share of the private sector in several emerging economies including India (Khanna & Rivkin, 2001). The presence of such diversified groups makes the effect of group affiliation on firm valuation a relevant issue. Using data on a sample of Indian firms from 1996 to 2006, the examination showed the effect of group affiliation on firm performance. After controlling the differences in firm size, growth opportunities and leverage, the findings indicate that group affiliation exerts a salutary impact on firm performance, measured in terms of adjusted Q or return on assets (Ghosh, 2010, p. 183).



First, in emerging economies such as India, business groups invest in and produce in several industries or product markets rather than a single product line. This provides a role for policy in the corporate diversification debate. A second reason is that India is one of the few emerging economies for which a comprehensive and reliable corporate database is available over an extended time span, permitting rigorous statistical analysis (Ghosh, 2010, p. 183).

An important advantage of group affiliation is that it provides access to the groups' internal resources. From a transactions cost perspective, Williamson (1985) has argued that using internal markets may yield substantial economic benefits. Diversified business groups are well suited to the institutional context in most developing countries. This view of business groups, labeled the intermediation view, suggests that such groups may play an important role in generating and allocating funds (Ghosh, 2010, p. 184).

A number of studies have dealt with the effects of business groups in the Indian context. Khanna & Palepu (1997) compare the performance of group affiliates and stand-alone companies, using accounting and stock market data on Indian corporations. They conclude that diversified business groups outperform their stand-alone peers (Ghosh, 2010, p. 185).

## 2.4 Conclusion

This Chapter established the theoretical framework to which business associations can be referenced. It has provided a comprehensive literature review on the definition, characteristics and the functioning of business association in an economy by providing elaborate distinction between theories for and against their purpose of existence. This section drew insights and contrasts from other countries, namely China and India that have encouraged business associations as part of the economic reform process.

## CHAPTER 3: RESEARCH QUESTIONS

The primary objective of this study is to evaluate whether business associations benefit organisational members by compensating for inadequacies in the business environment, inspiring innovation and encouraging an interactive environment for collective representation in managing or overcoming any void created by the lack of institutional support. For this purpose an investigation and analysis to the questions below, in a form of a South African steel industry case study and interviews, was conducted to provide insight into the study.

### **RESEARCH QUESTION 1:**

***Do Business associations offer any economic value to its membership?***

It is often argued that association membership is determined foremost by political consideration, and the implication of this conclusion is that national business associations continue to perform an important function in mediating business-government relations (Wilts & Meyer, 2005). This question seeks to establish the value for members in their membership to business association.

### **RESEARCH QUESTION 2:**

***Do business associations sufficiently coordinate economic activity by defining and procuring public goods, and influencing the broader economic policy of the country?***

Research shows that industry associations fulfil important information and coordination roles in developing countries, often compensating for inadequacies in the business environment, when faced with the need to compete on external markets (Atheye & Chatuverdi, 2007, p. 156). The question sought to evaluate whether associations coordinates activities in a way that allows them to overcome void created by underperforming economic institutions.

### RESEARCH QUESTION 3:

#### ***Are the roles and responsibilities of business associations international?***

However, much empirical work shows that industry associations fulfil important information and coordination roles in developing countries, often compensating for inadequacies in the business environment, when faced with the need to compete on external markets (Athareye & Chatuverdi, 2007, p. 158). The question seeks to understand by contrasting whether roles and responsibilities of business association are similar in advanced or developed economies and developing or emerging markets.

### RESEARCH QUESTION 4:

#### ***What factors hinder or inhibit the successful implementation of business association defined objectives.***

Yafeh (2007) concluded that the effect of group affiliation on corporate performance is both country-specific and time-dependent. The research question sought to understand factors that hinder associations in the South African steel industry from out-performing.

## Conclusion

The research questions above presented an organised approach with the context of identifying efficiencies in business associations within the steel industry and in addressing the primary question of this study. The following chapter then layout how the questions raised in this chapter will be answered. It will on a step by step outline the methodology, population and sampling used. It will also describe the research instrument and data collection method used.

## CHAPTER 4: RESEARCH METHODOLOGY AND DESIGN

### 4.1 Introduction

The two preceding chapters covered a detailed literature review and the research questions identified for the purpose of this study. This Chapter provides a detailed description of the research methodology, population, sample and process underpinning the study design and scope.

### 4.2 Research Method

A comparative case study method of a qualitative exploratory nature was used to understand and evaluate how business associations perform and add value to the steel industry in South Africa drawing from general lessons from other emerging countries such as China and India.

The purpose of exploratory research is intertwined with the need for a clear and precise statement of the recognised problem. There are three interrelated purposes for exploratory research; first diagnosing the situation, secondly screening alternatives and discovering new ideas (Zikmund, 2003).

Yin, defines a case study as an empirical inquiry that investigates a contemporary phenomenon within its real life context when the boundaries between phenomenon and context, in which multiple sources of evidence are used, are not clearly evident (Blumberg et al, 2008). Case study is to obtain information from one or a few situations that are similar to the researchers' problem (Zikmund, 2003).

In other words, the use of the case study method is used to deliberately cover contextual conditions, believing that they might be highly pertinent to the phenomenon of our study (Yin, 2003). Case studies offered a useful approach for use in theory development as they are especially appropriate in answering “Why?” and “How?” questions (Blumberg et al, 2008).

The primary advantage of the case study is that an entire organisation or individuals can be investigated in depth and with meticulous attention (Zikmund, 2003).

Case studies have a distinctive place in evaluation research; there are at least five different applications: The first and most important is to explain the presumed causal links in real-life interventions that are too complex; Secondly to describe the intervention and the real life context in which it occurred; Thirdly to illustrate certain topics within an evaluation , again in a descriptive mode; Fourthly perhaps be used to explore those situations in which the intervention being evaluated have no clear, single set of outcomes; and Lastly maybe a meta-valuation-a study of an evaluation study (Yin, 2003).

### 4.3 Population

The population of relevance was limited to the South African Steel industry represented by the South African Institute Steel (SAISI) which is representing primary steel manufacturers in South Africa and all its affiliates or associates, which are classified as steel users or parties that beneficiates steel in South Africa. All this groups of companies in either SAISI or affiliated bodies are then according to the literature review classified as business associations.

A population is defined as a group of entities sharing some common set of characteristics (Zikmund, 2003).

## 4.4 Sample size and selection

The basic idea of sampling is that by selecting some of the elements in a population, we may draw conclusions about the entire population (Blumberg, 2008).

The non-probability sampling technique was used based on the fact that some expected respondents, leaders or non-leaders in the identified population might not be accessible. The used method of non-probability sampling involved convenience sampling or also known as haphazard sampling, which refers to obtaining people who are most conveniently available. The selection of sampling units in non-probability sampling is quite arbitrary, as researchers rely heavily on personal judgement (Zikmund, 2003).

The population for the scope of this study was then limited to the South African Iron and Steel Institute (SAISI) members and all its affiliates, which are classified as the South African Steel Industry. SAISI members include the following primary carbon steel producers and the only South African primary stainless steel producer;

- ArcelorMittal South Africa in Vanderbijlpark, Gauteng.
- Cape Gate (Pty) Ltd in Vanderbijlpark, Gauteng
- Scaw Metals Group, Germiston (Gauteng)
- Columbus Stainless Steel (Pty) Ltd in Middleburg, Mpumalanga (only primary stainless steel company in South Africa)

Associated bodies include;

- Southern African Institute of Steel Construction (SAISC)
- South African Light Steel Frame Building Association (SASFA)

- The South African Institute of Welding (SAIW)
- South Africa Wire Associations (SAWA)
- South African Fastener Manufacturer Association (SAFMA)
- Association of Steel Tube and Pipe Manufactures of South Africa (ASTPM)

## 4.5 Data Collection and Analysis

The study focused on the critical success factors that make business associations succeed in meeting their objective to reaching a point of delivering value to its members and the economy at large.

The targeted associated sample interviewed was 9 representatives from various associations. The none-probability sampling was arbitrary and subjective. No member had a known non-zero chance of being included (Blumberg, 2008).

Once the research design, including the sampling plan was completed the process of gathering information from identified respondents began, this was then done in the form of compiling an interview schedule (**refer Appendix 1 for interview scheduling**).

### 4.5.1 Data Collection

The process of data collection, put simply involved the process of gathering relevant data from the identified sources. The researcher recorded the in-depth interviews and painstakingly transcribed it thoroughly afterwards. The interview process started with the researcher reiterating the purpose of the interview, the approximate length of the session, the intended use of the interview material and confidentiality re-assured. (Refer Appendix 2 for interview guide)

The interview guide was compiled using the key themes from the literature review with an objective of obtaining more insight into the learning and suggested guidelines.

All the interviews were set up by both email and telephone, respondents were contacted and sessions were arranged at the respondent's convenience. The face to face, in-depth interviews were found to be the most practical and efficient process of collecting data in this study, as it gave the opportunity to follow up on responses by probing if the respondent was very brief or unclear.

#### 4.5.2 Data Analysis

Data analysis is also the application of reasoning to understand and interpret the data that has been collected (Zikmund, 2003). Data analysis consisted of examining, categorising, tabulating, testing, or otherwise recombining the qualitative evidence to address the initial proposition of the study (Yin, 2000).

The purpose of the study was to analyse whether the associations add value to industry, according to evaluated literature on the subject whether value can be derived on association by an industry. This case study relied mainly on the theoretical proposition. Research was structured as a South African study with insights drawn from other countries, therefore the analysis method included a combination of comparatives and content analysis of the results.

In interviews, content analysis is a technique based on the manual or automated coding of transcripts, and is based on the assumption that words or phrases that occur more frequently reflect a text concern (Blumberg, 2008). For example where four respondents are asked a question about a certain concept any phrase used in affirmative will be taken as common agreement on the matter although articulated differently.



## 4.6 Research Limitation

The study only focused on the business associations in the steel industry and therefore this study will make very cautious inferences about general member behaviours in associations in general in South Africa.

The study sample limited the number of respondents to incumbent executives who have been in these organisations for a very long time; their ability to think completely outside the parameters formed during their reign in the expected functioning of this organisation might be a limitation.

The targeted respondents were limited to 10 people and only 8 were successfully interviewed from five associations out of potentially over 10 existing industry associations, and two member executive respondents out of potentially a much bigger number. Although generally active members were contacted, the respondents might not necessarily hold a view for the whole industry.

Due to recent anti-trust law enforcement cases in this industry, and my employment by one of the leading steel manufacturers in the country, my interview respondents or information shared by various institutions might be limited

Archived information other than published academic literature for foreign countries such as China might be difficult to obtain or exist in foreign languages where the researcher is not well conversant, and might have to rely on translations and further references.

## 4.7 Conclusion

Principles of qualitative research methods were applied in this study using both exploratory and comparative methods to achieve the objective. Purposely a non-probability sampling involving convenience sampling or also known as haphazard sampling was used to eliminate biases in selection. Data collection involved face to face semi-structured interviews, comparatively with learning's and insights from other countries to create triangulation to validate data.

In line with the methodology used on this chapter the next chapter presents the findings on research questions. Refer appendix three named data analysis matrix to understand the results presented on Chapter five here following.

## CHAPTER 5: RESULTS

### 5.1 Introduction

The purpose of this chapter is to present the research results from the qualitative semi structured, face to face interviews underpinned by the theoretical framework of the study. In the data analysis, Appendix 3, similar responses from interviews were grouped and cross tabulated to the corresponding research question after which results are herewith presented. This method was used by the researcher to identify mainly significant statements by respondents that were talking directly to the research questions.

### 5.2 Results of Qualitative Interviews

Following substantial secondary research and the review of literature qualitative interviews were conducted, and the recorded and transcribed interviews were reviewed for common themes by different respondents, refer Appendix 3. Ten potential respondents were contacted following a random selection and only eight were successfully interviewed, and of all interviewed respondents, six were full-time executives in leadership roles in these associations, which mean employed, seconded or volunteering work to associations on a full time basis.

Two were member company's executives, this are representatives of steel manufacturing companies that are affiliated or hold membership in one or more associations and are delegated to liaise, serve and even lead in some committees or boards within the associations on a part-time basis.

During data analysis the application of reasoning to understand and interpret the data that has been used; content analyses were conducted on data obtained from the discussions (Zikmund, 2003).

The data collection was from in-depth interviews conducted using semi-structured interviews and was analysed for common themes and phrases cited by respondents (Appendix 3: Data analysis matrix).

The analysis involved hours of transcribing and content analysis. Transcribing involved actual typing of the interviews, on average interviews ranged between 30 minutes to one hour. Content analysis involved evaluation in responses, positively or negatively, to interview questions.

Refer Appendix 3, following transcription, key responses to questions were tabulated and analysed for common themes as cited by respondents, for example, the respondents were asked whether there are examples of activities which the associations have been involved recently which can be defined as value adding given the literature review definitions. A resounding yes to the question and the demonstration of value was treated as a key response followed by validation of whether such activity satisfied the literature definition of value adding activity. If the activity satisfied the definition, the response was then treated as affirmative or positive to the question, and the opposite holding true as well.

The themes of similarity responses to questions were also grouped to emphasise common answers and interest or believes in the course, for example the first question asked was why business association? Responses varied from corporation, joint action, common problems which in terms of this study and literature review emphasised the confluence of members of an industry to dealing with common problems.

## 5.3 Demographics

A list of all respondents and their titles can be viewed on Appendix 4: (*List of Interview Respondents*)

The non-probability sampling technique was used based on the fact that some expected respondents, leaders or non-leaders in the identified population might not have been accessible. The non-probability sampling was arbitrary (non-random) and subjective. No member had a known non-zero chance of being included (Blumberg, 2008).

The breakdown of respondents into age, qualification, and years of experience helps with understanding the following points about respondents; Age, brings about the approximate extent the respondent has been around and economically active to understand how industries functions. Qualification increases a level of confidence in the respondents ability to link academic theory and practice and ability to engage on the theoretical part of the investigation, lastly on the number of years involved in a leadership role, the respondents has been in the decision making role for some time therefore can be presumed to have developed competencies to be able to provide insight, share the learning's and be able to contrast and compare performance with literature..

**Table 4: Respondent Age**

Age (Years)	30 – 44	45 – 54	>55
Representation	0	2	6

Table 4, above indicates the age of the respondents which is not widely spread, most of the respondents fall in the greater than 55-years category, except for two of the respondents.

**Table 5: Respondent Highest Qualification**

Qualification	High School	Diploma	Degree	Post Graduate
Representation	0	1	2	5

Table 5, above indicates that the respondents have a tertiary qualification with the majority of respondents between a degrees (2) and post graduate (5) and one (1) with a diploma.

**Table 6: Respondent no of years as an Executive**

Years as Executive	3 - 5	5 -10	>15
Frequency		2	6

Table six indicates a concentrated level of experience as executive, with the majority of respondents six having been in the executive roles at least for 15 years and only two are between five and ten.

## 5.4 Analysis of Qualitative Discussions Outcomes

The results present the common themes that emerged from the interviews, in support of the literature review in Chapter two and research questions in Chapter three. The review illustrated the following themes about business associations;

First, business groups are far from uniform across countries; vary along many dimensions, such as the types of ties among affiliated firms, and in terms of the intensity of coordination inside the group. Due to these differences, the definitions and characteristics of business groups are highly contingent on the institutional contexts in which they operate (Zattoni, 2009, p. 511-512).

Secondly, organisations are created to represent business interests within specific domains, mobilising firms within their domain so that collective action can be taken on common problems. Institutional theorists have noted that industry associations provide arenas through which organisational members interact and collectively represent themselves to themselves (Nordqvist et al, 2010, p.53)

And lastly, one common factor emphasised in all these studies is the new nature of competition faced by members of these associations and their desires to overcome common problems through collective actions and support from the state (Athareye & Chatuverdi, 2007, p. 159)

#### 5.4.1 Results for research questions

##### *Research Question 1: Do business associations offer any economic value to its membership?*

In order to answer the first research question, related to the need for associations, respondents were asked the following sub questions.

##### 5.4.1.1 Why business associations?

The respondents used various phrases in answering the question showing that association are necessary platform for engagement between companies in the industry, public and government. The following is citing in verbatim some of the phrases used by respondents to the question above; on why business association. The context of this question; often after a pre-interview discussion on the theory business associations, the question asked was why? Why don't we let individual companies deal with respective problems facing them, the responses are not necessarily in any particular order of respondents listing as per the schedule of respondents attached in appendix 4. In response to the question respondents used the following phrases;

**Table 5: Why there is a need for business associations in the industry**

Respondents	Why there is a need for business associations in the industry
Respondent 1	“Association has to be understood as a collective force of companies in the industry”
Respondent 2	“Companies involved in an industry creating a platform to tackle problems jointly”
Respondent 3	“Is a vehicle necessary to lobby government for, amongst other things, industry development plan and protection”
Respondent 4	“The Government does not want to engage individual companies but they would like to speak to a group of industry players hence a need for associations”.
Respondent 5	“Associations are expected to perform like a cluster where common objectives of its members are to be portrait and tackle for the economic benefits of all its members”
Respondent 6	“From a personal experience and in reading and travelling internationally that’s how associations should function, lobbying government for the good of the industry and the country”.
Respondent 7	“To form links with the government as an industry as government prefers to deal with business groups
Respondent 8	“To form teams with various government departments to drive for promotion of industries and products manufactured in various sectors of the economy”

Literature confirmed most of the respondent’s assertions about business associations and the reason for their existence. The emphasis for this question was not about business associations in South Africa only but also as a business or economic imperative in a world context.

In the story of China business associations are driven by both statist view and societal view. The statist view is where the state plays the dominant role in establishment and running of associations which are representing a new instrument of control, the societal view captures



businesses initiative in organising associations and predict more positive role in promoting a favourable state society relations.

In the heart of this finding, business association are deemed necessary in an economy by both states and businesses to coordinate activity and a collective response to common problems in the industry. It can clearly be deduced from the verbatim responses above that there is a common position on why business associations are necessary and that they should specifically be encouraged in the industry.

#### 5.4.1.2 Is there a role for business associations in South Africa?

Theory confirms what most of the respondents asserts in a sense that business associations serves a purpose which cannot be served by an individual company. Respondent no eight above clearly reiterate that with resources individual companies can attempt to lobby for a course but chances of success are very slim. It is only when companies organise in some sort of a pressure group that the government will listen.

In a European context, a developed economy, for example, business-government relations are generally well established and institutionally organised. Despite their differences, however, in each of these various systems of interest politics, contacts between the business community and the policy-making process occur in a context of established practices and routine (Wilts & Quittkat, 2003, p. 384).

This question sought to establish how respondents see the role of these associations to be in the steel industry and in South Africa; the following were their responses;

**Table 6: Is there a role for business associations in South Africa?**

Respondents	Is there a role for business associations in South Africa?
Respondent 1	“Yes, associations are very relevant for South Africa; they have been and still are very relevant although certain associations are not utilised to the fullest.”
Respondent 2	They help with collection of international information which is necessary and pertinent to the industry’s competitiveness.
Respondent 3	The government is only an enabler not a player; the industry’s role is to play
Respondent 4	With South Africa becoming an international player and an emerging market, constant support is required.
Respondent 5	There are a lot of alternative products used for construction, cement and mortar, amongst others, which creates competition for steel, and therefore the steel industry requires a body that promotes steel as a substitute.
Respondent 5	The need to avoid conventional tactics in a different game; some developed countries like UK and US have successfully used such bodies to lobby for the use of their products in the country development, South Africa is no different.
Respondent 6	Training engineers, architects and quantity surveyors on the use of steel on how to design and achieve desired effects using steel.
Respondent 7	If you lobby as a company it will not get you too far, you cannot speak to the government as a company as they only want to speak to an industry. So who is going to represent the industry? It will have to be an association, by implication.
Respondent 8	It can happen that a company organises a pressure group to change something, but chances of that are very slim. The pressure group would do much better than an individual would. It is like a union. How unions operate is the way associations should be operating, there is no difference

#### 5.4.1.3 Is the economic contribution measurable?

This sub question probed respondents to give quantification or describe how value or benefits derived from activities of these associations can be evaluated; again the following typical responses were recorded from respondents;

**Table 7: Is the economic contribution measurable?**

Respondents	Is the economic contribution measurable?
Respondent 1	"Some of the associations in the industry have successfully lobbied for dumping protection against some developed countries"
Respondent 2	"Direct contribution to industrial policy-making"
Respondent 3	"Export promotion incentives by the primary steel manufacturers' associations to name a few"
Respondent 4	"Successful lobbying against substitute products in the government infrastructural development plan"
Respondent 5	"Success in promoting the value added export out of South Africa"
Respondent 5	"Information on import threats, capacity utilisation, upcoming projects and demand"
Respondent 6	"Training and development roles"
Respondent 7	"Joint contribution to development of standard manuals which are published by the bureau of standards."
Respondent 8	"Published handbooks used in the design of building steel structures."
Repeated comments	"Published and recognition award, best steel construction projects (Steel Awards)"
Repeated comments	"Our models used by other developing African countries, including Australia"
Repeated comments	"Out of all the primary steel producers that are actively in South Africa, only two of them are still members"
Repeated comments	"They have regular set-up meetings between the Americans, the Asians, the Australians and the Europeans. They even invite one another from time to time to deliver specific talks on specific topics concerning new developments, green buildings, solar energy etc".
Repeated comments	"Look at the subsidiary of the institute of the steel construction, it is ISF (International Steel Fabricators), all over the show trying to find out about projects, where and when"
Repeated comments	"The next project is starting and who is taking part in it. Once the information is known it" gets channelled back to its members and tells them to participate.
Repeated comments	We had an opportunity, for instance, to attend many foreign missions. We were able to go to the biggest wire and tube fair in the world in Dusseldorf; if it were not for the assistance of associations and the government; many companies would not be able to attend the fair in such a way nice way that it has been set up for us.

Doner & Scheider (2000) went on to assert with empirical studies of rapid growth in East Asia, naming China as a comparative reference for this study, have gone 'beyond the developmental state' by illustrating the important role of extensive collective action by the private sector. And

expanding on literature of economic governance industrialized countries have demonstrated the ways in which various kinds of networks, including business associations, have helped to enlarge the ‘repertoire of policy alternatives ...’ and to develop ‘comparative institutional advantages’ in particular kinds of product market and innovation strategies.

The respondents for this part of the question illustrated the value attached to activities that association provides to its members. They were specific about activities that either improved local expertise or created an environment which enhances product offering, quality standards or innovative capabilities enabling the industry to compete with the world.

Literature has provided empirical evidence in earlier chapters that studies from a variety of disciplinary and theoretical perspectives have shown ways in which associations in a wide variety of contexts have improved economic performance in developing countries. This however does not completely disprove the argument advanced by sceptics of business associations that business associations are naturally tempted to seek rents, but, at a minimum, do demonstrate that existing theoretical perspectives cannot account for the conditions under which associations might make more positive contributions (Doner & Schneider, 2000).

## Research Question 2

***Do business associations sufficiently coordinate economic activity by defining and procuring public goods, and influencing the broader economic policy of the country?***

In order to answer the second research question, related to the performance of associations, respondents were asked the following questions to illustrate the roles played by individual associations for the respective industries;

#### 5.4.1.4 How do associations sufficiently coordinate?

**Table 8: How do associations sufficiently coordinate?**

Respondents	How do associations sufficiently coordinate?
Respondent 1	Establishing close ties with similar bodies in America, the United Kingdom, Canada Australia, New Zealand and Germany.
Respondent 2	Best known for the technical work in the field of construction.
Respondent 3	Success with lobbying for import levy on certain types of steel construction
Respondent 4	SAISC takes credit for 250 000ton of steel works manufactured in South Africa for Eskom power stations which were earmarked to go abroad.
Respondent 5	Export promotion programs
Respondent 5	Introduction of the light steel frame building in Southern Africa is a demonstration of the fact that associations can be effective in introducing new technology
Respondent 6	Draughtsman training school of which we do the funding that should be done by SETA is a disaster for the country at the moment
Respondent 7	Unfortunately we do not have a good feedback loop to track what happens to some of our members after we have provided business leads or cooperation interests from various countries
Respondent 8	Most local construction companies are now importing their skill and businesses to neighbouring countries, which makes it easier with our backing

Although some of the respondents indicated that their specific association was providing economically measurable activities, members were very specific to what is expected and that was in line with what theory suggest being the role of associations.

As one respondent clearly stated and supported by literature, the activities of associations are functions that overcome market failures and this could include inefficient institutions, costly information, low investment in training due to poor performing SITA's in the industry and the lack of coordination in investments and upgrading.

#### 5.4.1.5 Has your association successfully lobbied for a public good?

**Table 9: Has your association successfully lobbied for a public good?**

Respondents	Has your association successfully lobbied for a public good?
Respondent 1	No, an example will be that of another association and not mine, Pipe and Tube which is promoting secondary export.
Respondent 2	The greatest success for the fastener manufacturing association will be successful lobbying for tariff heading adjustments and dumping duty applications
Respondent 3	Secondary export has been successful for a number of industries, mainly because there is a concerted effort at the primary association other than individual specialised associations such as ours.
Respondent 4	No, at this point I can say our association hasn't used the opportunities created by the association sufficiently.
Respondent 5	Exposing various local businesses to international markets through trade fairs, for example, the biggest Wire and Tube fair is the one in Dusseldorf (Germany).

#### 5.4.1.6 Do you think all members receive as much value in the association?

Our understanding of whether, how, and under what conditions these business associations affect growth in the developing world remains unsystematic at best and distorted at worst. This is in part the result of relative scholarly neglect of such institutions, at least within the context of

developing countries (Doner & Schneider, 2000). This is more so because the neglect itself reflects a negative presumption against business groups, as sceptics asserted that some of the associations are purely pursuing rent and therefore do not necessarily benefiting the public.

In a quest to see if each and every member of association, individuals or companies members reap equal benefit to membership of this organisation the following question was asked to members. The question required a further probing than a yes or no response to establish whether a response is consummate with the identified benefits in the literature.

**Table 10: Do you think all members receive as much value in the association?**

Respondents	Do you think all members receive as much value in the association?
Respondent 1	Other members merely pay member fees and we never see them again until next term.
Respondent 2	Politics of leadership are one of the reasons not all members enjoy equal benefit
Respondent 3	At SAISC I believe that no company can get any advantage over any other company and that is the only way in which you can operate
Respondent 4	Companies get different amounts of value, depending on how active they are. Normally, the more active they are the more value they get because they get to know people and get to learn more; they challenge our brains and reap benefits.
Respondent 5	Out of all the primary steel producers that are active in South Africa, only two of them are still members.

One common factor emphasised in all these responses and studies is the new nature of competition faced by members of these associations and their desires to overcome common problems through collective actions and support from the state.

## Research Question 3

### ***Are the roles and responsibilities of business associations International?***

In order to answer the third research question, about the roles and responsibility of association respondents were asked to indicate whether associations roles and responsibilities are similar in different countries; the following are some of the answers given by respondents to the question;

#### 5.4.1.7 Are the challenges faced by business associations the same elsewhere?

**Table 11: Are the challenges faced by business associations the same elsewhere?**

Respondents	Are the challenges faced by business associations the same elsewhere?
Respondent 1	Exactly the same issues seem to be raised in most areas that I have travelled to. I was in China recently and met the head of steel association, referred to councils there rather than associations due to politics. In his attempts to advice on activities and tactics you could directly link that to what's happening back home.
Respondent 2	The only difference between South Africa and some of the associations in other countries, that I had an opportunity to meet in my role, is the extent of development; some associations are far ahead while some are battling with issues we tackled two or three years back
Respondent 3	Yes, the study or models of association is actually an imported concept in South Africa, copied from some of the developed economies. It is a simple way in which the government can interact with industry without speaking to individual companies on various topics.
Respondent 4	It is a universal type of framework. Why should associations exist? Associations exist purely out of the need to have a common voice because "two heads are better than one".



### 5.4.1.8 Is there a need for international collaborations?

**Table 12: Is there a need for international collaborations?**

Respondents	Is there a need for international collaborations?
Respondent 1	A delegation has just returned from Australia where they attended a conference aimed at developing mining in South Africa, called Africa Down Under. It was an annual conference. People who wanted to work in Africa were spoken to, so export promotions were a very important part.
Respondent 2	We actually have close links with these other bodies. In March this year, for example, we met in New Zealand as the steel institute of the English speaking countries (the Americans, the Canadians, the British, Australians, the New Zealanders and us (South Africans)).
Respondent 3	In general yes, it serves us tremendously because we learn a lot from that as well.
Respondent 4	Some do and some don't, those who are successful do and those who are not successful do not.

## Research Question 4

### ***What factors hinder or inhibit the successful implementation of a business association?***

In order to answer the fourth research question, related to factors inhibiting successful implementation of objectives, respondents were asked to indicate key areas or factors that affected association performance.

**Table 13: What factors hinder or inhibit the successful implementation of a business association?**

Respondents	What factors hinder or inhibit the successful implementation of a business association?
Respondent 1	Lack of clear vision and purpose in the life of some of the associations.
Respondent 2	“The associations have a massive role, but for them to be successful it depends on how they are led. If you have a strong leader he will ensure that he has the right vision and is pursuing the right activity. If you haven’t got a strong leader, he will do the job that he is comfortable with; gathering stats, putting out monthly reports, organising a meeting; organising snacks and drinks etc. because that’s important to him”
Respondent 3	Why would one do an excellent job and yet others fall apart?
Respondent 4	Mistrust amongst members to share information
Respondent 5	Living out the old agenda to becoming a developmentally-thinking industry for the new country.
Respondent 6	Most associations are run by the very same people who started and lead the organisation in the 60s and 70s; there is a need for new direction and new blood.
Respondent 7	The first one is leadership; if you have the right leadership then I think you can address the mistrust in the industry, lastly, for me, is using the competition law as an excuse not to participate or be active.
Respondent 8	Associations should be for an industry and not for the selected few or dominated by very few large organisations that tend to drive own agendas, rather than that of the industry.
Respondent 9	So when the chief executive for an association is appointed, she/he must be a very knowledgeable, independent and strong person with a definite vision and mission for an association to expand production .

## 5.5 Conclusion

This chapter was a representation and collation of the relevant findings of the semi-structured, qualitative and in-depth interviews. The results were presented in direct response to research questions, quoting in verbatim some of the key responses by the respondents, grouped and tabulated. In the following chapter the responses will be analysed in the context of literature review provided in Chapter one and two

## CHAPTER 6: DISCUSSION OF THE RESULTS

### 6.1 Introduction

The purpose of this chapter is to discuss the results from the collected data as reported in Chapter five, underpinned by the literature review and the afore-mentioned research questions. The crux of the study remains assessing whether business associations are adding any value to the steel industry in emerging markets, using the South African Steel Industry as a case study, drawing further insight from stories of other countries but with more emphasis to other in emerging markets namely, China and India who have shown a level of success in their economic reform programs.

#### **Discussion of the results for first research Question**

The results showed that all respondents are of the same understanding with regard to business associations, although respondents used different phrases in describing associations and why they should exist. There is a common understanding that the associations are a vehicle used by companies in an industry to deal with common challenges. Respondents see business associations as a confluence of businesses as well in the industry and in pursuit of a common economic objective; this might be but not limited to lobbying government on policy and other public goods only government can provide, lobbying customers in the use of a specific product i.e. the use of steel in construction other than substitute products, and the promotion of quality products and standards within its members.

Doner & Schneider (2000), assert that In China, for example, in spite of continued authoritarian political system, there is growing recognition that business lobbying is an integral part of the

country's policy process at both the local and national levels. As thousands of economic regulations and laws have become key determinants of the fate of industry, all types of companies—state-owned and private, Chinese and foreign—have become active in every stage of the policy process, from setting the agenda to identifying policy options and shaping regulatory implementation.

The number of trade associations representing domestic and foreign companies has grown rapidly, with the greatest expansion recently seen in the proliferation of branches of municipal chambers of commerce outside their home localities. Chinese Mainland scholars and journalists previously only used the term “lobbying” to refer to the behaviour of companies in capitalist countries or multinational companies (MNC) in China, but it is now associated with domestic companies' behaviour at home (Doner & Schneider, 2000, p. 101).

The Indian context adds an interesting political twist of its own. Sinha (2005) argues that in a bid to find support for liberalisation of the economy Rajeev Gandhi in 1985, the 6<sup>th</sup> Prime Minister of India (1984-1989), invited policy inputs from the Association of Indian Engineering Industry (AIEI), a special interest group and predecessor of the Confederation of Indian Industry (CII). He did this because the existing trade body, the Federation of Indian Chambers of Commerce and Industry (FICCI), was ‘protectionist, weak, and fractionalised and had acquired vested interests in the continuation of the regulatory system rather than its withdrawal AIEI's international activities were more in tune with Rajeev Gandhi's reform programme, an important part of which was outward orientation and integration with the West (Athareye & Chatuverdi, 2007, p. 160).

Aldrich and Staber (1988:111) defined industry associations as “Organizations created to represent business interests within specific domains, mobilizing firms within their domain so that collective action can be taken on common problems.” Institutional theorists have noted that

industry associations provide arenas through which organisational members interact and collectively represent themselves to themselves (Nordqvist et al, 2010 p.53).

There is a general consensus amongst the respondents in my study and literature about associations and their role. The conclusion can be drawn that association activities are mainly there to plug gaps in the economic environment for industries. Empirically, some scholars have found evidence that associations exhibit some societal initiative, enjoy certain autonomy, voice the interest of their members, and try to influence state policy (Zhang, 2007, p.209)

Again drawing from an interesting learning, in China for example, scholars in the China field have paid much attention to business associations, expecting to find signs of new state-society relations resulting from market reform but the practice in other cities is that the initiation and formation of association comes from the state.

Respondents' further agreed with each other that there is the selective incentive for membership of such a business association, namely a different reward for members compared to non-members. The existence of such a reward also allows business associations to charge a fee and marshal enough collective resource for undertaking their activities. The theoretical support of this thinking is found in Mursitama (2006) in his study on Indonesian business groups, using data of 2000 firms from nine East-Asian economies from 1994 to 1996; it indicated that business groups have an effect on firm performance (Yu et al, 2009, p. 1616).

Therefore, it can largely be deduced from this theories and studies that the presence of Business Groups/Associations lightens the weight of challenges faced by companies from emerging countries on exposure to international trade. There is a level of dynamism and level of complexity encountered which comes with pressures of access to global markets by medium and small size entry.

### 6.1.1 The role of business associations in South African Steel Industry

Diversified business groups consist of legally independent firms operating across diverse industries that are ubiquitous in emerging markets. Such groups around the world share certain attributes but also vary substantially in structure, ownership, and other dimensions (Khanna and Yafeh, 2007, p. 331).

In this study there is a resounding affirmation from all respondents that there is definitely a need for business association in South Africa today, the only concern was that there is a varying level of value delivery due to a number of reasons mentioned by respondents. It was actually indicated even by members of different associations in the industry that some groups deliver value while others don't. This is often confirmed in most studies and has been supported by empirical evidence that industry associations fulfil important developmental roles in developing countries, often compensating for inadequacies in the business environment (Athareye & Chatuverdi, 2007, p. 157).

It further became apparent that in South Africa the government encourages industry to form associations for engagement; similarly, in some cities of China the government actually forms and even takes the lead in some of these associations, but in South Africa government encourages formation and provides funding and it often involves business association in international foreign business missions. As some of my respondents confirmed, the government refuses to deal with individual companies; it communicates to groups and associations on this engagement.

The empirical literature offers numerous, isolated examples of productive activities by business associations, but there are no analytic frameworks for comparing associations across countries

and regions (Doner & Schneider, 2000, p. 262). Doner & Schneider used a framework that actually categorises Business Association into two main activities, namely market-supporting and market-complementing activities.

According to Nadvi (1999:6) there are enabling activities that business associations in developing countries provide to help their members meet new competitive challenges, (Athareye & Chatuverdi, 2007, p. 159): The provision of services such as technical and managerial advice by benchmarking services to help local producers compare their performance to best practices globally. This is achieved by providing technical assistance to meet global quality standards and the development of local quality labels. Provide information service that help link local producers with distant markets, through global trade fairs, data on markets, prices, competitors, trade policies and trade information. Lastly, by providing technology support in product and process technologies that help members to upgrade and move up the value chain.

### 6.1.2 Is the economic contribution measurable?

The value contribution by each association can be evaluated by the economic value offered to its members. In response to this question respondents were very specific as to what is considered valuable, and interestingly enough only two Associations in the entire Steel Industry were reported to be active and visibly adding value to its members. Doner & Schneider identified four features of business organisations that make them capable of playing a role in plugging institutional gaps (Athareye & Chatuverdi, 2007, p. 160) namely:

Firstly, selective incentive for membership of such business association, differential reward for members compared to non-members. The particular associations were on record on achievements, and respondents from other associations reported noticeable achievements by



the specific association applauding their achievements. Executives from member companies were also confirming record achievements of some of the associations. Primary mills are invited to take membership on all various associations within the downstream; hence they are in a better position to see which associations are paragons and which ones are not. Successes included lobbying for import protection, training and development of members namely engineers, architects and providing services supposed to be offered by SITAs. Publication of handbooks used in the design of steel structures, development of standards that are now published by the South African Bureau of Standards etc.

The Second feature is high member density. so that the association has monopoly of representation. Membership follows service delivery; respondents were unanimously convinced that the number of membership (companies affiliated) is a reflection on associations' performance in delivering what is regarded as value. What is a particularly interesting observation of the few successful associations is that membership is not only restricted to manufacturers of steel products. For example, the institute of construction has membership ranging from architectural firms, service centres, contractors etc. Other associations performed badly when compared because of being one dimensional, for example, Fastener manufactures is regarded as an association for such manufacture and that becomes the only ticket for entry so membership is restricted.

Thirdly, another feature is the success in intermediation among members through transparency, systems of proportional voting and repeated interaction.

## 6.2 Discussion of the results for research Question 2:

***Do business associations sufficiently coordinate economic activity by defining and procuring public goods, and influencing the broader economic policy of the country?***

As defined, business associations are the coming together of businesses with intent to forming a coercive force to assist businesses meeting challenges within the industry, the activities could involve mediating business-government relations. Business associations are particularly important sources of information in the areas of market integration, lobbying for regulation, standard setting and policy.

### 6.2.1 Do we have any success stories?

This question needed to establish whether we have examples of successful stories that the respondents can share in illustration of whether associations in South deliver value or are simply established with rent seeking intentions in mind.

Institutional differences may perhaps explain why business groups are paragons in one country, whereas they are parasites in others (Khanna and Yafeh, 2007 p 334). This may, in part, depend on the nature of state-business relations; in a sub-Saharan Africa context. Sen et al (2009) put it forward that better state-business relations contributed to growth (Yu et al, 2009, p. 1617).

Some respondents have indicated that an institute of construction, for instance, has actually started a design school which is a self-funded project, which is a function of a SETA (Sector Education and Training Authority) in South Africa but because they are poorly facilitated the association decided to offer the service. Institutional theory underlines the view that emerging economies are characterised by ineffective institutions and high imperfections, hence

associations are expected to fill the void. It can therefore be deduced from this theory that the presence of business associations lightens the weight of challenges faced by companies in emerging markets. The other association was instrumental in introducing a new technology in the construction/building industry, developed standards and lobbied for adoption of such standards into the national building standard in South Africa; this is a clear example of successful lobbying and how associations should be operating.

It is evidently clear from the respondents that not all associations are paragons for a number of reasons, to be covered under the fourth research question on factors inhibiting performance. For the purpose of this point respondents were particularly clear and congratulatory to business groups that are delivering significant value to their respective membership. The institute of construction, for instance, as indicated under the results established ties with similar institutions in America, UK, Australia and New Zealand which is a passage for immense knowledge exchange.

As Luna & Tirado (2008) coined it one of the most pressing problems facing firms in the era of globalisation is isolation since current competitive strategies are intensely interactive, particularly in areas concerning innovation and organisation of productive processes. Consequently, creating a sufficiently broad, diversified and reliable network able to offset the characteristic uncertainty of today's market is urgently required.

Such groups around the world share certain attributes but also vary substantially in structure, ownership, and other dimensions. They arise for different reasons and in different environments; hence it is often argued that their impact on social welfare is ambiguous, even though some of the existing literature suggests that they are uniformly welfare-reducing (Khanna & Yafeh, 2007).

## 6.3 Discussion of the results for research Question 3:

### ***Are the roles and responsibilities of business associations International?***

Not much collaboration with international steel associations is happening in the country except for one particular institute which is intensely involved with similar bodies from other countries. The respondent from the set association confirmed what Khanna and Yafeh (2007) said that the effect of group affiliation on corporate performance is both country-specific and time dependent.

The life of associations are different in different countries, depending on the countries' stage of development, their experience was that in comparison with other countries with which they have established ties, South Africa is literally couple of years behind; this is showing in issues that associations in South Africa are grappling with. Ties with these associations help fast track the development of associations in the country as we are given an opportunity to copy solutions rather than re-invent the wheel. The problem with that though is that we do not grow organically as the association quickly loses touch with the country's growth process.

This is particularly confirmed that whilst associations are important in an economy to engage government, depending on where the economy is in terms of development, influences the roles of associations. Khanna & Palepu, (2000) put it that there are several reasons to posit that group affiliation in emerging market context is potentially beneficial, unlike in advanced countries such as the US where the institutional context is characterised by well-functioning capital, labour and product markets, one find there are a variety of market failures caused by information and agency problems in emerging markets. Then this is confirmed by respondents who indicated that some of the associations are at advanced stage dealing with a different set of needs. National institutions are functioning well in developed economies so there is no need for associations to

establish schools but rather use their lobbying to influence curriculum, for example, in some instances than running schools.

So depending on how far the country is in its economic development the roles and responsibilities of associations could differ, but using the emerging markets associations are involved in similar activities and they find that they actually learn a more from each other than focusing on associations from developed nations. It was deemed very important by a respondent to clarify that although associations in developed economies are advanced in terms of experience they assist associations in emerging markets to deal with challenges in the ways learned when they were once a developing nation.

A classic example of the above is where an association imported a building technology from Australia into South Africa. Two years later when giving update back to the Australians on progress in South Africa, they were advised that the South African association achieved in two years what had actually taken 10 years to perfect in Australia. It was for no other reason than because the South African association copied and implemented, so what had been done in 10 years in Australia, they could do in only two years.

## 6.4 Discussion of the results for research Question 4:

### ***What factors hinder or inhibit the successful implementation of business associations?***

And lastly, an association's capacity for intermediation is affected not only by the relations between its members but also by the relation between its members and the permanent association staff (Athereye & Chatuverdi, 2007, p.159.). Respondents were also very specific

about caution on people you put in management and leadership of associations, as they can influence the failure or success of associations.

Olsen (1965) in his first contribution talks about smaller groups organising better for collective action because each individual member is likely to gain more from the benefits than in a large group, and also because in coordination and monitoring are more easily achieved in a smaller group (Athareye & Chatuverdi, 2007, p.157). So this organisation is managed to grow not so much because it benefits certain visionless leaders to achieve their rent-seeking interest than advancing associations for the member, industry and the country. He then identified two possible outcomes namely institutional sclerosis and narrow rent-seeking by parochial small interest groups.

The question asked and answered by at least three of the respondents was why some similar organisations succeed while others fail. As one of the respondents put it “associations should be for the industry and not for the selected few or be dominated by very few large organisations that tend to drive own agendas than for the industry”. Olsen spoke of business organisations facilitating the rent-seeking behaviour foreseen by Adam Smith; they invest in redistributive activities (e.g. lobbying and cartelisation) and thus, *ceteris paribus*, divert resources from investments that generate new wealth.

According to Farashahi and Molz (2005) in the context of developing countries the governing institutions may house unstable environments where weak and ambiguous regulatory regimes are often politically and economically unstable. The institutional and infrastructural weaknesses may diminish the overall performance of the institutions (Jaspersen, 2008, p.6). In countries that exhibit a strong public sector, business associations recognise that their survival is best guaranteed through their efforts to conform and submit to the structures established by the state

or the political force and one could expect that institutional conditions could remain stagnant and disfavour firms to the extent that they act counter-beneficially to the state (Jaspersen, 2008, p. 6)

As a result, governments may aspire to take actions that bring firms from the informal sector back to institutional control. Depending on the nature and structure of the action, firms may wish to return to the formal sector, or consequently take steps to remain outside the purview of the institutional setting (Jaspersen, 2008). In this context, however, the nature, the strength and the capacity of a BAs operating within such an environment will be highly limited. From the aforementioned statement, one could argue that a disjointed business environment may emerge where firms and the BAs that represent them would develop insular tactics, idiosyncratic to their organisation or market specialisation (Jaspersen, 2008, p. 7)

## 6.5 Conclusion

The importance and relevance of business associations in emerging markets were clearly highlighted in this investigation. Industry and members can fully extract value out of associations if they have full understanding of how associations function and what value they can deliver. Broadly, it is understood from these results that some associations are paragons because of following clear objectives and structuring associations in a way that they would serve their members. It is undoubtedly clear from the above discussions that business associations serve a particular purpose in an economy and will similarly provide value in the South African Steel Industry.

It is clearly observed from the respondents' remarks and also analysis results that associations are about industry convergence and having members benefit from cooperation with other firms in the same industry. The emphasis being about assisting each other with information sharing,

knowledge building and deployment, standard setting and policy, market integration and lastly lobbying for regulation.

Respondents have indicated situations where an industry association has started and funded a design school for construction design which is an activity to be fulfilled by the State. Theory tells that such institutions can coordinate roles in developing countries and often compensate for inadequacies in the business environment, when faced with the need to compete on external markets. Further they can compensate for institutional and infrastructural weaknesses by the states which are likely to diminish the overall performance of the institutions.

Lastly the results analysis highlighted a point of leadership and management of associations as equally pertinent. Some researchers believe that an association capacity for intermediation is affected not only by the relations between its members but also by the relation between its members and the permanent association staff or leaders. The emphasis here was if associations were to be successful they needed to be led by visionary leaders who were in it for the better of the association and the industry and not rent-seeking by self-seeking groups.

The researcher elicited information from this study that support the literature review and the new knowledge and insight from other countries, namely China and India, that have successfully used business association as part of their economic reform. The findings were mainly around the confluence of industry to form a coercive in order to jointly address common needs and problems to enable the industry to function effectively and efficiently..

The study further concludes although business associations are far from uniform from country to country as they would vary along many dimensions, such as types and among affiliated firms and in terms of the extend of coordination inside the group, the finding however confirms though that they are uniform about their pursuit for filling the void left by none performing institutions.



## CHAPTER 7: CONCLUSION

### 7.1 Introduction

This chapter provides a conclusion to the research conducted, it covers possible and practical implications of the outcomes or its findings and makes recommendations for further studies. Its findings may be used as benchmark or guideline for the establishment and development of business associations, for policy making to secure economic prosperity in the developing markets.

### 7.2 Main Findings

The main purpose of the study was to determine whether business associations do add value to the steel industry in the emerging market. To achieve this objective a case study of South Africa was conducted drawing from the learning and insights from other developing economies namely China and India, in-depth face to face interview, qualitative method, was followed; the methodology sought to answer the following broad questions;

#### Do associations offer any value economic value to its members?

Respondents were particularly clear and in agreement to theory firstly on what is value and whether existing associations in the industry offer this value; Value proposition suggested by both theory and respondents included;

Firstly, both theory and responses from in-depth interviews asserted that associations are a collective force for companies in the industry and members benefiting from cooperation with other firms in the same industry. Institutional theorists have noted that industry associations

provide arenas through which organisational members interact and collectively represent themselves to themselves. Secondly, Organise with clear and precise common economic objective which includes amongst others, market integration, Information sharing, Knowledge building and deployment, standard setting and policy making, lobbying with all stakeholders and innovation interventions.

Respondents in the industries agree with the theory that there are associations that are successfully operating as models, operating exactly as associations should and have proven very successful. There are few associations which have lost track of the time and are still operating in times when they were established. Recommendations for such associations include visionary leadership, critical mass and diversification of its membership to ensure growth not only in business but the scope.

**Do associations sufficiently coordinate economic activity by defining and procuring public goods, and influencing the broader economic policy of the country?**

There is reason to believe that in the industry some associations are successful and some are not illustrated by respondents. The measurement of success is based on the value defined by the market and theory on what associations should be doing and what they should not be doing. Therefore it is safe at this point to confirm that there is a general consensus between theory and the respondents on value and that some associations sufficiently coordinate the economic activity and some don't. Some of the examples named by the respondents for sufficient economic activities included but not limited to namely; first, successfully lobbying for dumping duties against certain countries, Secondly, Industry driven export promotion activities, Thirdly, Industry establishment of design schools, lastly, Import replacement on infrastructure spending program and successfully lobbying for tariff adjustment on fastener products

## Are the roles and responsibilities of business associations International?

Business Associations models are universal frameworks, the empirical literature offers numerous, isolated examples of productive activities by business associations, but there are no analytic frameworks for comparing associations across countries and regions. In other emerging economies like China the government actually takes leadership in development of these associations which is not the case in developed economies.

In the developed economy for example, business-government relations are generally well established and institutionally organised.

Theory tells us that business associations are more active in emerging markets unlike in developed economies such as the US where the economic institutions are well established and organised. However, respondents provided information that there is a lot to learn from some of the associations as they were in similar situations at some point.

## What factors hinder or inhibit the successful implementation of business associations?

Successful business associations have specific characteristics according to theory that make them capable of playing a role in plugging institutional gaps in developing economies. Four such features were classified as follows;

- i. The selective incentives for membership of such a business association, namely differential reward for members compared to non-members.*

It must be particularly clear, in accordance with what members classify as economic value adds, what they gain from associations. If members are not able to clearly distinguish between what the association can do differently for them as members, as opposed to non-members, they will not join such associations and the success and strength of association is in numbers, which leads to the second feature of “critical mass” as one respondent illustrated. The existence of such a reward also allows the business association to charge a fee and marshal enough collective resource for undertaking their activities

*ii. Second characteristic of a successful association is high member density, so that the association has monopoly of representation. Overlapping institutions can become competitive and also lack legitimacy.*

In South Africa business associations use two type funding, namely membership fees from its members and secondly the government contributions, proportionate to the amount raised. For example the government will contribute between a Rand to two, depending on association performance in relation to set criteria and performance standards, for every rand raised. From this it is particularly clear that the bigger the membership the stronger financially strong an association will be and therefore the greater the ability to fund and coordinate various activities.

*iii. The third feature is successful intermediation among members through transparency, systems of proportional voting and repeated interaction.*

The third feature implies that members need to see association as democratic and transparent in terms of voting and the use of power and available resources. Members need to be assured that the process and activities are surely for the benefit of member, association and industry rather than accruing rents to few. Leading to the last feature, members need to appoint visionary

leaders and managers who will take the association forward and ensure that the association serves the intended objectives.

- iv. Lastly, an association's capacity for intermediation is affected not only by the relations between its members but also by the relation between its members and the permanent association staff*

The quality of people at the helm of associations influences the direction and success of the association to sufficiently coordinate activities and play a role in plugging institutional gaps in developing economies.

## 7.3 Recommendations

Given the context of this study it is proper at this point to say business associations do add value to the steel industry in emerging markets, and there is room for even further improvement in how these organisations coordinate and in their pursuit to enhance industry while plugging institutional gaps or voids created by non-performing institutions of the economy.

### 7.3.1 Recommendation to Associations and Member Executives

The study can assist Associations and Member Executives in line with main findings as follows:

Firstly, Business Associations in the South African Steel Industry have been in existence for a very long time, some of the respondents' bodies were active in even the Apartheid years. In my view, while business and the world progressed, these bodies haven't really moved as much. This is in terms of how business was conducted during the time when South Africa was isolated from the world through sanctions; business had to be conducted in a certain way to ensure

survival and growth. Now that the business world has changed and South Africa has progressed some of these associations need to redefine their objectives and reinvent themselves. There is definitely no need for isolation and limitation to special grouping, as critical mass is one of the factors restricting performance and growth.

One of the typical issues identified was that, previously such bodies were formed based on the finished product they manufactured, for example manufacturers of steel cups will form a steel cup association and if there are only three manufacturers of these cups in the country only three of them will then form an association and call it the Steel Cup Manufacture Association. During the formation there may have been very good reason as an isolated economy, but we have become part of the bigger world. My recommendation here will be to consider forming at a much broader level like steel manufacture associations which will encompass most and allow for a broader or critical mass and maybe create sub-units that are looking at specific sub industries' or products' interests. This will also eliminate a problem identified by some respondents where very few big manufacturers, dominating an association, use them for their own rent-seeking objective or to advance their own objective instead of the whole industry.

Secondly, some small associations as indicated above due to less mass and subsequently less funding only focused on domestic issues as a result as Sinha (2005) puts it become weak like the Federation of Indian Chambers of Commerce and Industry (FICCI) in 1984 to 1989, by being 'protectionist, weak, and fractionalised and had acquired vested interests in the continuation of the regulatory system rather than its withdrawal' drive for self-protection instead of engaging on broader economic issues that affect the whole industry and country. For example when lobbying for industry policy, some of the associations are only becoming absorbed in trivial competitiveness issues for one or three companies in the association and their inability to compete with imports, rather than looking at total economic competitiveness, therefore becoming

an irritation on government engagement platforms. Associations should broaden the scope and have international view, forming ties with similar bodies internationally to learn and impart knowledge on various developmental issues and not be isolated; address pertinent coordinating issues as a business association.

Lastly, similar but not exactly to China, one of the countries used to draw learning and insight, the South African government through department of trade and industry is heavily engaged through funding and management of some projects but not necessarily assuming control of associations like in China. This is also confirmed by theory that Associations are to manage relation with officialdom, that the government is not necessarily removed, although there is a need for improvement. Therefore association should not wait for government to engage but should seek to get closer to government in order to lobby successfully.

### 7.3.2 Recommendation for further research

For future studies on the subject the following points are recommended;

A case study might be able to identify underlying factors that cause the emergence and evolution of particular business associations, but it is difficult for a case study to prove causal linkages. Therefore a further study can be explored to understand the causal links.

Due to time constraint the focus was only on limited number of Associations and Member executives. The focus on industry could be a complete study on its own and focus on what the industry needs and whether, amongst others, the association is the required vehicle.

A case study only on successful industry association in the country can be done to provide new and existing associations with formulae for success, not only in the steel industry but the economy as a whole.

## 7.4 Conclusion

This study has provided a comprehensive review of business association literature together with the data-collected about other countries that have given us some learning such as China and India, and in the in-depth-interviews. It confirmed that business associations are vital in emerging markets to coordinate an economic activity in the industry and form coalitions with state institutions.

The outcomes of this research project are that for the associations to be successful a proper understanding of key issues is critical, namely the critical mass or high member density behind the association is very important. Clear objective and organisational purpose to sufficiently coordinate economic activity. Lastly, the leadership at the helm of the institutions must have vision and purpose to run functioning and effective associations.

If all is done well business association will therefore function and influence industry norms and practices, provide benchmarks, stipulate best practices, suggest strategic responses to industry threats and opportunities encourage investment and innovation which will lead to successful businesses, industry and the economy.



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## Appendix 1: Interview Schedule

### Interview Schedule - **Consent Section**

I am conducting a study on the role of Business Associations in the Steel Industry in emerging markets. This is for the fulfilment of a requirement for the completion of my studies towards a Master in Business Administration (MBA). You will be asked to participate in an interview to share your views about the effectiveness of Business Associations in the industry. Our interview is expected to last about 60 minutes. Your participation is voluntary and you can withdraw at any time without any penalty. Of course, all data will be kept confidential. If you have any concerns, please contact me or my supervisor. Our details are provided below.

Researcher details

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Signature of Participants: \_\_\_\_\_

Date: \_\_\_/\_\_\_/2011

Signature of Researcher: \_\_\_\_\_

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## Appendix 2: Interview guide;

Unlike the interviews carried out with respondents to a survey, case study interviews are often unstructured, or even in the form of quite informal discussions with a key informant for the case (Blumberg et al, 2008). The purpose of the guide is just to ensure that there is a framework within which discussion will occur but respondents were not confined to the interview guide

### **Research question 1:**

*Do business associations offer any economic value to its membership in an economy?*

- Why business associations?
- What is your view on business associations?
- What comes to mind when speaking about your associations?
- Is there a role for business associations in South Africa?
- Is the economic contribution measurable?

### **Research Question 2:**

*Do business associations sufficiently coordinate economic activity by defining and procuring public goods, and influencing the broader economic policy of the country?*

- Do you have successes in your particular Association that you can tell about that sufficiently emphasises the effectiveness thereof in your organisation's existence?
- Have you successfully lobbied for any public good in the past?
- What is your association's involvement with the country's current industrial development plan?

### **Research Question 3:**

*Are the roles and responsibilities of business associations International?*

- Are the challenges faced by business associations in the country similar to elsewhere?
- Can industry associations be seen as institutional actors that help shape perceptions of industry executives and their responses to industry developments?
- Is there a need for international collaborations on business associations?
- Do you need to know what other countries are doing or did about the same problems facing today?
- Is there any learning in ways other developing countries are dealing with their development issues?

### **Research Question 4:**

What factors hinder or inhibit the successful implementation of business association?

- Are there any factors known to you that are rendering business associations ineffective?
- Do you think the same factors influence performance anywhere else in the world or are they just local factors?
- Do you think solutions to factors inhibiting performance can be replicated elsewhere or are they country specific?



## Appendix 3: Data analysis matrix

Research Questions	Respondent 1	Respondent 2	Respondent 3	Respondent 4	Respondent 5	Respondent 6	Respondent 7	Respondent 8
<i>Do Business associations offer any economic value to its membership in an economy?</i>	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Why business associations	Collective force of companies	Creating a platform to tackle problems jointly	Necessary to lobby government	Government does not want to engage individual	Tackle for the economic benefits of all its members	Lobbying government for the better good	Links with the government	Companies can share some commonalities to
Is there a role for Business associations in the geopolitics of South Africa	Help with collection of international information	Government is only an enabler not a player	South Africa becoming an international player	Emerging markets constant support is required	Industry requires a body that promotes	Developed economies used such bodies successfully	Training	Information and promotion
Can we measure their economic contribution	Successfully lobbied for dumping protection	Contribution to industrial policy making	Export promotion incentives by the primary steel	Lobbying against substitute products in the	Success in promoting the value added export	Published handbooks used in the design of	Published and recognition award	attend many foreign missions
<i>Do business associations sufficiently coordinate economic activity by defining and procuring public goods, and influencing the broader economic policy of the country;</i>	Yes	Some do and some don't	No	Yes	Far in between	Irregularly	Yes	Long time ago
Do we have any success stories	close ties with similar bodies in America, in the United Kingdom, Canada Australia, New Zealand and Germany.	Best known for the technical work	Unfortunately we do not have a good feedback loop to track	lobbying for import levy on certain types of steel construction	Export promotion programs	Export promotion programs	introduction of new technology	import protection
Have you successfully lobbied for any public good in the past	Exposing various local businesses to international markets	an example will be that of another association and not mine	There are very few success of late, but other organisations have lately	successful lobbying for tariff heading adjustments	Export promotion programs	Export promotion programs	models used by other developing African countries	import protection
<i>Are the roles and responsibilities of business associations universal</i>	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Are the challenges faced by Business Associations in the country similar to elsewhere	Business association is an international model	Exactly the same	Only difference is stage of development	The same	theory tells us so	engagement with other countries is with similar bodies	for sure it is	indeed the model we have now was copied
Can Industry associations be seen as institutional actors that help shape perceptions of industry executives and their responses to industry developments	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Is there a need for internationally collaborations on business associations	A delegation has just returned from Australia where they attended a conference aimed at developing mining in South Africa	absolutely no doubt	Yes	Yes	Yes	it depends on the issue at hand if similar yes for certain	it serves us tremendously	other countries are just not interested
Do you need to know what other countries are doing or did about the same problems facing today	Yes	We cannot exist in isolation	We do actually through various platforms	yes	Already have close links with such other bodies	Not happening yet but working towards it	Some countries show no interest at all	Yes
Is there any learning in ways other developing countries are dealing with their development issues	knowledge transfer	Localise successfully used	No need reinvent the wheel	Trial and tested theories	Yes	Yes	Yes	Yes
What factors hinders or inhibits the successful implementation of business association	Leadership	dominated by few large organisation	Mistrust	differing agenda	lack of vision	competition law	Critical mass	lack of innovation
Are there any factors know to you that are rendering Business Associations ineffective	If you do not have right people in charge the organisation is doomed to fail	lack of cohesion	no information sharing	rent seeking behaviour	lack of direction as an organisation	Clarity on what organisation can or cannot do	People follow winners but you need numbers to succeed	Lack of transformation
Do you think are the same factors influence performance anywhere else in the world or are just local factors.	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Do you think solutions to factors inhibiting performance can be replicated elsewhere	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

## Appendix 4: List of Interview Respondents

No	Name	Position	Organisation
1	Johann Nel	General Secretary	South African Iron and Steel Institute (SAISI)
2	Mr Rob Pietersma	Chairman and MD CBC Fasteners	South African Fasteners Manufacturers (SAFMA)
3	Dr. Hennie de Clerq	Executive Director	South African Institute of Steel Construction (SAISC)
4	Mr John Barnard	Chairman	Southern African Light Steel Frame building Association (SASFA)
5	Mr Bushy Botha	Ex-Charmain and MD of CWI	South African Wire Association (SAWA)
6	Mr Charles Dednam	ex-Group Marketing Manager	ArcelorMittal South Africa (AMSA)
7	Mr Chris Correia	PMR Manager	South African Wire Association (SAWA)
8	Mr Jim Guild	Executive Director	South African Institute of Welding

## Appendix 5: Consistency Matrix

<b>Title: Do Business Associations add value to the Steel Industry in Emerging Markets</b>			
<b>Research Questions</b>	<b>Literature review</b>	<b>Data Collection Tool</b>	<b>Analysis</b>
<b>Research Question1:</b> Do Business associations offer any economic value to its membership?	Wilts & Meyer, 2005	Case study analysis and interview refer interview Guide. Q1 Q2	Frequency analysis on close ended question
<b>Research Question2:</b> Do business associations sufficiently coordinate economic activity by defining and procuring public goods, and influencing the broader economic policy of the country?	Athereye & Chatuverdi, 2007.	Case study analysis and interview refer interview Guide. Q1 and Q2	Content analysis of on semi-structured interview and other evidence analysis
<b>Research Question3:</b> Are the roles and responsibilities of business associations universal?	Athereye & Chatuverdi, 2007. Luna & Tirado, 2008	Case study analysis and interview refer interview Guide. Q3 and Q4	Constant comparative analysis; compare each interview with the results of all
<b>Research Question4:</b> What factors hinder or inhibit the successful implementation of business association	Doner & Schneider, 2000 Athereye & Chatuverdi, 2007.	Case study analysis and interview refer interview Guide. Q3 and Q4	Content analysis of on semi-structured interview and other evidence analysis