The Role and Performance of Local Business Associations in Rural Service Centres

A thesis presented for the degree of Doctor of Philosophy at the Centre for Rural Economy, University of Newcastle

Robert Newbery

MSc Rural Social Science, University of Newcastle

MBA, University of Newcastle

October 2010

~ Summary ~

Market towns act as service centres for socio-economic activity in rural areas. They provide a focus for economic activity and deliver essential services for those that lack access to larger regional centres. In the face of concerns over their future, some policy makers have attempted to safeguard and enhance their service role. One such approach has been to stimulate networks of firms operating in the locality in order to deliver business and community benefits. This thesis examines local business associations as an institutional mechanism that may contribute towards the socio-economic role of market towns. As such it aims to identify the costs and benefits to members, measure the determinants of association performance and analyse the contribution to the service role of the market towns they serve.

Members of local business associations in the rural North of England were surveyed as to the costs, benefits, attitudes and determinants of performance. The results show two groups of benefits, promotional and integrational. The more calculative promotional benefits are of greater importance to businesses with a non-local market. Integrational benefits are more important to in-migrant businesses seeking to embed themselves within the local social milieu. Key determinants of association performance were: a larger group size, homogeneity of sectors represented and higher levels of member trust. Effective leadership increased performance and overcame resistance to new ideas. These associations make a socio-economic contribution to market towns through the maintenance and development of local business and place based impacts and offer important benefits to members and the wider community.

~ Acknowledgements ~

~ Contents ~

iii

Chapter 5 – Research questions and methodology

Chapter 6 – The differences between members and non members

Chapter 7- The costs and benefits of membership

Chapter 8 – The determinants of association performance

Chapter 9 – The socio-economic contribution of local business associations

Chapter 10 - Discussion

Chapter 11 - Conclusion

Appendices

~ List of Boxes ~

~ List of Figures ~

~ List of Tables ~

~Chapter 1~

Introduction

1.0 Introduction

Market towns act as important service providers and foci for economic activity in rural areas (Courtney 2000, DoE and MAFF 1995, MAFF and DETR 2000, DETR 2000). They also serve a social function of providing essential services to those with lack of access to regional centres. Many services which were traditionally available at the village level (banks, petrol stations, grocers etc.) are now restricted, in rural areas, to market towns. Many of these services are provided by micro businesses, enterprises which employ less than ten full-time equivalents.

It has been recognised that healthy rural economies depend on sufficient numbers of new business start-ups and a good stock of established firms. One approach to improving the fortunes of small businesses has been to stimulate networks of firms operating in the same locality or sector. Several policy initiatives have emerged that seek to strengthen the inter-relationships between local businesses by creating new or bolstering existing local business associations or networks (Huggins 2000). Such networks may take several forms including business clubs, trade associations, Chambers of Trade and development trusts. These networks have sought to improve the exchange of information, promote local trade, supply business contacts, provide a social function and act as conduit for external business support. Such policies fit with an institutionalist perspective on entrepreneurship that has stressed that successful regions are characterised by 'institutional thickness' (Amin and Thrift 1995) with a plethora of collective agents (trade associations, local chambers of commerce, financial institutions, innovation centres etc.) which can provide a basis for the growth of particular local practices, co-operation and exchange.

1.1 The service role of market towns

Historically market towns have been defined by their markets, serving the surrounding community, villages and hamlets (Powe and Hart 2007). Their role as service centres to rural hinterlands has become an increasingly central focus of rural development policy and planning (DoE and MAFF 1995, MAFF and DETR 2000, DETR 2000). This role as a hub of private and public services has been in decline due to retail competition and the various drivers of modernity (DoE and MAFF 1995, DETR 1998). A 'neo-liberal' approach to planning (Hart and Powe 2007a) has meant the development of out-of-town retail centres that have hollowed out the retail provision in many market towns. Since the service mix of market towns is a delicate balance, a decline in one sector may remove its anchoring effect supporting other sectors, leading to a cumulative decline in services (Hart and Powe 2007b). Drivers such as globalisation, technological development, and personal and social mobility have further weakened the market town, with private and public services moving up the settlement hierarchy, towards larger conurbations (Hart and Powe 2007a, DoE and MAFF 1995). Demographic changes, such as an ageing population and counter-urbanisation may further put pressure on the housing stock and reduce the market towns role as a hub for local community, dis-integrating local ties (Cameron and Shucksmith 2007).

To combat this decline, planning policy has tried to combat the developmental effects of decentralised out-of-town shopping (ODPM 2005) and schemes such as the Market Town Initiative were introduced to reinforce the role of market towns as service centres (CA 2003). These place management schemes had a level of success in building local capacity to work towards collective place based benefits. However, they often struggled to gain the cooperation of private business and as top-down externally funded initiatives they could not be sustained (CA 2004a, Caffyn 2004, CLES and AMT 2009, Phillips and Swaffin-Smith 2004). Alternative mechanisms such as the Business Improvement District have sprung up in some market towns (Hart and Powe 2007a), but many do not have the organisational or human capacity to set-up and run such schemes.

An alternative is the delivery of place based benefits by other agents, such as bottom up business led collective action, to help revive the prospects of the market town. However, questions remain over whether the collective efforts of firms are effective in generating benefits and overcoming free riding behaviour (DTLGR 2000). This thesis

brings into focus local business associations as an institutional mechanism that may contribute towards the economic and social roles of market towns.

1.2 Business networks and their benefits

Local voluntary business associations are constituted as collective bodies of business members with the often explicit aims of seeking private and collective benefits (Bennett 1996a). Businesses may seek benefits through these associations in terms of optimising their own delivery and performance (Gulati *et al.* 2000, Huggins 2010, Williamson 1985). This may be especially true for micro-businesses which may lack the resources that larger or urban businesses can access. A stereotypical view of these associations is that they are 'old boy networks' interested in serving only their own individual business needs. However, since many of these businesses are located within or around these rural service centres, they may also be interested in protecting their service role, insofar as they may be part of the service offer. As many business owners and employees will live in the service centre itself, or within its rural hinterland, this may provide further economic and social motivation for seeking collective place related benefits.

Local associations therefore potentially contribute to the socio-economic service centre role of market towns by promoting both private and public benefits to their members. The optimisation of the provision of these private benefits may increase the financial performance of the business (Besser and Miller 2010a), assisting their sustainability. Likewise, the provision of collective benefits to the town may directly contribute to place management and development (Phillips and Swaffin-Smith 2004).

Previous research on business associations has drawn on two literatures: *collective action* theory and *network* theory. Studies of collective action have drawn on rational choice models, initially developed by Olson (1971) and Becker (1976), and have focused on the choice in becoming a member of an association, the degree to which membership is representative of the overall small business population and the problems of overcoming free riding (Laschewski *et al.* 2002, Phillipson *et al.* 2006). Studies based on network theory have principally considered the degree to which firms within a particular industry or location are interconnected through formal and informal networks (Huggins 2000). These typically involve analyses of trading relationships.

There has been much less attention given to accounting for the actual private and public benefits of local associations, either in general or in the case of rural service centres.

1.3 The aims of the research

The overall goal of this thesis is to explore rural business associations in the context of their local service centre or market town. As such it has the following aims:

A. to identify the socio-economic costs and benefits that local business associations bring to their members;

B. to measure the structural determinants of performance of local business associations, and;

C. to analyse the degree to which local business associations contribute to maintaining and developing the economic and social functions of the market towns they serve.

The research aims to provide a much fuller exploration of local business associations than currently exists, and to assess their contributions to the development of rural firms and service centres.

1.4 The methodology

The research focuses on local business associations in the rural North of England and by interviewing their leaders and surveying their members, builds a large data-set that provides evidence on the costs, benefits and determinants of performance. This is complemented by the use of a secondary data-set built from a survey of rural businesses in the North of England (Atterton and Affleck 2010).

4

These data-sets are analysed by using a mixture of statistical tools, such as principle component analysis, logistic regression, continuous and ordered multi-nominal regression.

1.5 Structure of the thesis

Following this introduction, Chapters 2 to 4 provide a context for the research and explore the existing literature on business associations. Chapter 2 investigates the policy history of market towns and examines their contemporary economic and social roles. It describes the Market Town Initiative and the concept of place management before introducing the potential role of the local business association as a local development mechanism. Chapter 3 examines business networks and the benefits they may bring, whilst Chapter 4 describes the possible determinants of association performance. Chapter 5 bridges the literature and the existing research. It does this by describing key hypotheses, the methodological approach, methods and implementation.

Chapters 6 through 9 describe the analysis of the data. Chapter 6 explores the differences between members and non members of business associations. Chapter 7 examines the costs and benefits of membership. Chapter 8 models the determinants of association performance. Chapter 9 returns the analysis to market towns and assesses to what degree these local business associations contribute to the socio-economic roles of these settlements. Chapter 10 pulls the literature chapters and results chapters together around a discussion of the key research findings and finally Chapter 11 concludes with the contribution of the research to policy, the implications for local business associations and areas for future investigation.

The next chapter examines the contemporary economic and social roles of market towns and explores their policy history. It describes the Market Town Initiative, a place management initiative run by the Countryside Agency and Regional Development Agencies, and introduces the local business association as a private sector approach to the provision of collective place based benefits.

~Chapter 2~

The service role of market towns

2.0 Introduction

This chapter sets out the context for the research by examining the service role of market towns. These have historically been defined by their markets, having received a royal charter to operate and tax a market place within their environs. Serving the surrounding community, including villages and hamlets they traditionally allowed farmers and merchants a local location to trade their goods (Powe and Hart 2007). However, various trends have put pressure on their private and public services challenging their traditional role (Telford 2006, Roberts 2002, MAFF and DETR 2000).

This chapter initially explores the role of the market town by looking at the range of potential functions that these heterogeneous settlements may provide. Next the role of the market town in rural development policy is examined, highlighting its function as a rural service centre and the steps policy-makers have taken to halt its socio-economic decline. Following this, the next section investigates the Market Town Initiative, a top down funded capacity building and town improvement scheme. Finally, the chapter examines policy approaches to business cooperation in market towns, and considers how and whether voluntary private sector approaches, such as local business associations, have been considered within the policy literature.

2.1 The role of market towns

According to the State of the Countryside report, market towns have '*widely different characters* ... [and] *economic* types' (CA 2002:88), indeed, an attempt to develop a prosperity indicator failed due to this heterogeneity (CA 2004b). Table 2.1 illustrates the complexity of the market town concept by showing the various threshold and functional approaches that have been taken to defining them.

Table 2.1 Technical Definitions of Market Towns

Defined by	Min. pop.	Max. pop.	Functional measure
ONS	-	<10,000	-
Rural White Paper (2000)	2,000	20,000	Serves a rural hinterland
DEFRA Smaller Market Towns	2,000	10,000	-
DEFRA Larger Market Towns	10,000	30,000	3+ shops, 1 bank or solicitor, 1 GP, 3.5% commercial addresses, 1.3 shops per 1000 population, Serves a significantly higher population than the urban area
Countryside Agency 'Service Hub'	2,000	30,000	A supermarket, 1 bank, or building society, or solicitor, 1 GP, 10+ retail outlets, 2.4 shops per 1000 population, Serves a rural hinterland

The Rural Development Commission adopted a population of less than 10,000 as defining rural towns and this was used by the Office of National Statistics (ONS) to determine urban statistics from 1981 onwards (RERC 2005a). The Rural White Paper in 2000 defined market towns as those holding a population of between 2,000 and 20,000 and serving a rural hinterland (MAFF and DETR 2000). Although this was to be taken only as an approximation, these limits were criticised as they did not assess the functional characteristics of towns with populations of over 20,000, but which nevertheless served a rural hinterland (RERC 2005b). Since then, policy led definitions have taken a mixed approach, with a combination of threshold and functional measures.

Market towns are most easily understood by their historic role as places that have cattle and produce markets (Powe and Hart 2007). But the role of market towns has been broadened much further in the policy discourse to embrace a wide range of social and economic functions. Explicit claims are often made about their role as service

centres, though research has also put under the spotlight the basis of these claims and the extent to which the service function is reflected in the actual relations between market towns and their hinterlands (see Courtney and Errington 2000, also Powe and Shaw 2004). However, many still use the market town interchangeably with the term 'rural service centre.' This is seen for example in the selection criteria of the Market Town Initiative, which accepted villages and collections of villages into the definition of market towns as settlements with a potential service role. This vernacular use of market town as shorthand for service centre is the approach taken through the rest of this thesis.

Due to the difficulty of defining market towns, various academics have developed descriptive typologies based on various socio-economic and demographic variables (Price and Atherton 2010, Shepherd 2009). Aiming to provide a common framework for the comparison of towns from a rural development perspective, Powe et al. (2007) provided a typology of their functional roles. By examining over 200 larger market towns (which they define as being from 20,000 to 30,000 in population) they identified 5 key functional roles: *Service Centres* are towns that are '*comparatively well serviced for their size*' (Powe and Hart 2007:21). Here service refers to the number of '*banks and building societies, solicitors, ladies' clothing shops, doctors' surgeries and supermarkets*' (2007:14) as a proportion of the population. *Visitor Attractions* are towns that rely on the spending of visitors to support the offered services at a '*higher-than-average level*' (2007:25) and attract both local and non-local visitors. *Employment Centres* are towns with a dominant employer or sector specialism. Towns in the North East of England for example tend to have a higher public administration specialism (providing a service 'anchor'), whilst those in the East Midlands have higher manufacturing (CA 2002). *Housing Commuters* are towns that fail to offer much in the way of local employment but are desirable as residential locations and increasingly house commuters. Finally *Housing the Retired* describes those towns that attract older people and the retired, providing both an attractive location and better access to services than smaller rural settlements (Powe and Hart 2007). However, as the authors state, these '*five functional roles are illustrative… and not mutually exclusive*' (2007:25), with towns performing a mixture of these roles. The typology is helpful in providing a focus for the roles of market towns, where the economic role is defined by the service, employment and visitor attraction function and the social role is defined by housing and an implied community service role.

The characteristics of the service provision, employment and business community of market towns is in part a reflection of the complexion of the rural economy in general, including the preponderance of smaller firms, with micro firms (less than 10 employees) accounting for 90% of rural businesses (Roberts 2002), the high rates of self-employment (Dwelly *et al.* 2005, Lowe and Talbot 2000), and high levels of home working, with 50% of home businesses to be found within rural areas (Mason *et al.* 2010). However, the distribution of employment by sector is broadly similar to that found in the urban and national economy (Patterson and Anderson 2003).

Figure 2.1   Distribution of employment within rural town and fringe
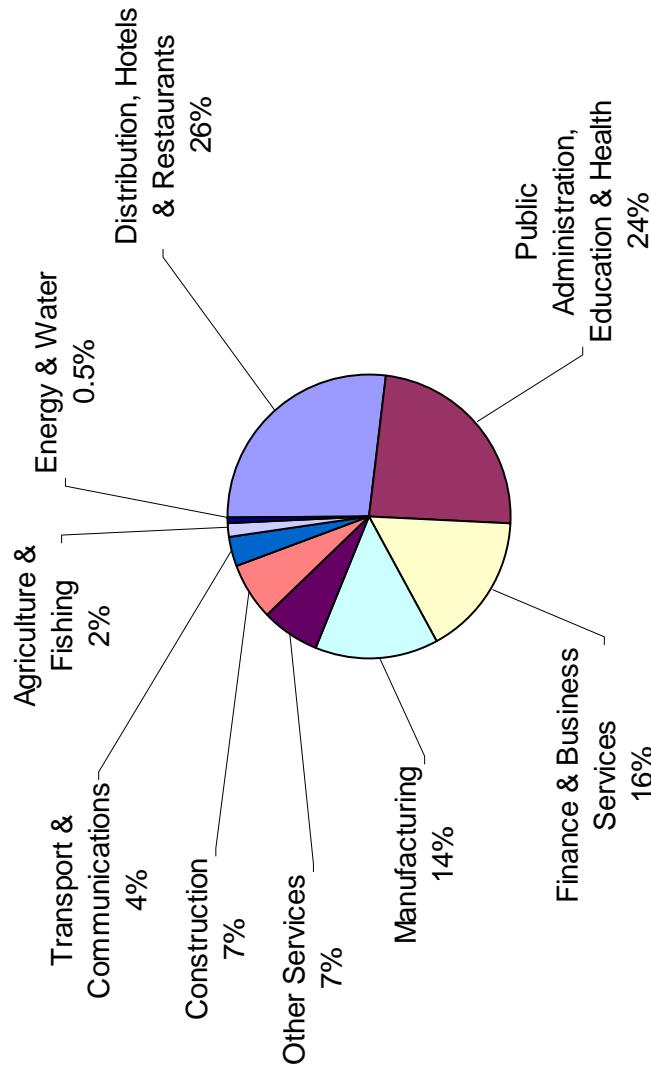
Based on data in Newbery and License (2008)

Given the definitional difficulties with market towns, statistics comparing them to other settlements are difficult to come by. One approach is to use the 2004 Urban-Rural settlement classification (DEFRA 2004). Here the categories are urban, town and fringe, village and isolated dwelling; with the town and fringe category arguably providing a proxy for smaller market towns (less than 10,000 population) and this

allows the comparison of settlements, but ignores any service or functional role. The town and fringe category accounted for 7% of the employment in England in 2008 (Newbery and License 2008), with village and isolated hamlets accounting for 10% of employment.

Figure 2.1 shows the distribution of employment within rural town and fringe, with 'Distribution, hotels and restaurants'[1] accounting for 26% of employment, 'Public administration, education and health' 24%, 'Finance and business services' 16% and 'Manufacturing' 14% (Newbery and License 2008).

By comparing sector employment for each settlement type, Table 2.2 illustrates that the town and fringe had a higher proportion of employment in 'Distribution, Hotels and Restaurants' and in 'Public administration, Education and Health' than other settlements and a lower level of employment in 'Finance and Business Services'.

Table 2.2   Sector composition by employment using the urban-rural classification

Business sector	Urban	Town and Fringe	Village and Isolated dwelling
Distribution, Hotels & Restaurants	23%	27%	26%
Public administration, Education & Health	14%	24%	10%
Finance & Business Services	33%	16%	18%
Manufacturing	13%	14%	14%
Other Services	8%	7%	7%
Construction	5%	7%	8%
Transport & Communications	4%	4%	5%
Agriculture & Fishing	0.4%	2%	10%
Energy & Water	0.2%	0.5%	2%

From data in Newbery and License (2008)

Concentrations or specialisations in employment sectors have been described as a feature of market towns. Figure 2.2 shows the proportion of 'service hubs'[2] in England that have a high level of specialisation, where 'the share of this type of employment in

---

[1] 'Distribution, Hotels and Restaurants' is a broad Standard Industrial Classification sector that includes Retail.
[2] This is based on a definition of market town where they have a population between 2,000 and 30,000 and fulfil certain functional criteria.

the town exceeds 150% of the national average' (SERRL, 2004:22). These figures differ significantly across regions, with the South accounting for 52.9% of specialisation in business services and the North East holding more than twice the public administration specialisation than would be forecast based on its share of market towns (SERRL 2004).

Figure 2.2 Employment specialisation by broad sector

Legend: Manufacturing, Distribution, Business services, Public administration, Not specialised

Values: 30%, 12%, 5%, 15%, 38%
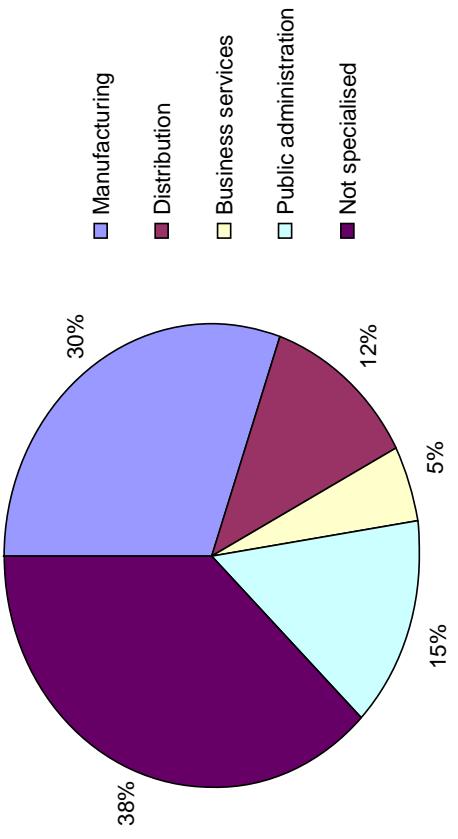
SERRL 2004 using ABI 2000 data

Market towns are also seen as providing social functions. The social role includes the provision of housing, and new housing can be heavily focused on market towns (Taylor 2008). This provision can be put under pressure by processes of counter-urbanisation (Cameron and Shucksmith 2007). Hamnett (1992) identified that wealthier in-migrants had pushed up house prices in some rural areas, compounding a gap between average rural incomes and growing house prices. These same in-migrants, identified as highly educated, socially mobile incomers (Roberts 2002), may also threaten the local sense of community (Bell 1994) by causing the 'gentrification' of neighbourhoods (Stockdale 2007, Savage *et al.* 1992) with preservationist attitudes to maintaining their idea of the rural idyll (Murdoch *et al.* 2003). However, they may also offer opportunity, being a potential catalyst for regeneration and job creation (Stockdale and Findlay 2004) and making a major contribution to the creation of new business (Atterton and

Affleck 2009, Raley and Moxey 2000) and helping to integrate the rural economy within national and international markets (Kalantaradis and Bika 2006a).

Rural areas have been traditionally seen as offering higher levels of social cohesion (Rosenfeld 1996, Kilkenny *et al.* 1999) and market towns may serve a role in providing a focus for community. This sense of community is also subject to change and a declining service role, coupled with the effects of counter-urbanisation, may weaken existing local ties (Kalantaradis and Bika 2006b).

The role of market towns appears multi-faceted, with an economic role defined by provision of private and public employment and the social role by the provision of housing and community cohesion and the next section examines how this role has been approached in policy.

2.2 Market towns in policy

Market towns have been an increasing and central focus of rural development policy with successive rural (DoE and MAFF 1995, MAFF and DETR 2000) and urban (DETR 2000) white papers recognising that they '*provide important services and employment'* (DoE and MAFF 1995:57) and '*perform a vital role for their surrounding rural areas'* (DETR 2000:79). A '*new commitment'* (MAFF and DETR 2000:75) was therefore given to their development, based on the recognition of deepening pressures due to '*changes in agriculture ... remov[ing] the[ir] historic purpose'* (DoE and MAFF 1995:57), the shift of public and private services to larger towns and the emergence of internet based services (MAFF and DETR 2000). Table 2.3 provides a summary of key policy milestones.

A particular focus of policy debates has concerned the issue of out-of-town shopping. A report by the House of Commons Environment Select Committee (HCESC 1994) showed the vulnerability of small town centres to lasting damage from out-of-town retailers, as the large food retailers continued to increase their market share. Out-of-town developments were seen as a particular threat to town centre stores that had an anchoring effect and underpinned '*the role of smaller market towns'* (DETR 1998:4).

Table 2.3   Key policy documents relating to market towns

Date	Document	Department	Main message
1995	Rural England – a Nation Committed to a Living Countryside, White paper	Environment / Ministry of Agriculture, Fisheries and Food	Recognition of the importance of market towns for services, employment and rural hinterland. Led to Action for Market Towns best practice network.
2000	Our Countryside: the Future, Rural White Paper	Environment, Transport and the Regions / Ministry of Agriculture, Fisheries and Food	A 'new commitment' to market towns by New Labour, aiming to strengthen services through capacity building and town improvement schemes. Led to the Market Town Initiative.
2000	Our Towns and Cities: the Future, Urban White Paper	Environment, Transport and the Regions	Highlighted a focus on urban policy to relieve development pressure on rural areas. Market towns were described as having a particular role for the surrounding areas. Promoted town improvement schemes as an aid to development.
2000	Modernising Local Government Finance, Green Paper	Transport, Local Government and the Regions	Suggested mechanisms to support town improvement schemes: -Voluntary business cooperation -Business Improvement Districts -Supplementary Business Rates
2008	Living Working Countryside: the Taylor review of Rural Economy and Affordable Housing	Communities and Local Government	With market towns as a hub for future housing development, the review called for a more inclusive approach to planning to ensure their sustainability.

A 1998 report for the Department of Environment, Transport and the Regions found that out-of-town and edge-of-town retail developments were linked to a 21% to 75% decline in market share for the town centre convenience sector. These impacts led to shop closure, increased vacancies and 'a general decline in the quality of the environment of the centre' (DETR 1998:4). The level of impact was seen as a function of the town, with more declines evident where the town was reliant on convenience retailers and less where there was a greater focus on tourism. Nevertheless, this paper found that the 'vitality and viability of these centres increasingly relies on their convenience and service function' (1998:8). They were therefore particularly vulnerable to out-of-town and edge-of-town development and in need of additional protection. These reports initially led to stronger advice to planning authorities, advocating a 'sequential approach' to site selection (ODPM 2005), concentrating new

provision within the town, with a preferred sequence of development being town centre first, followed by edge-of-town and finally out-of-town.

Given these changes to planning, rural development policy sought to reverse the decline helping to 'revitalise the centres of small market towns across the countryside' (DoE and MAFF 1995:57) by creating a 'more sustainable pattern of development' (DETR 2000:75). Taking a community led approach, the 1995 Rural White paper laid the foundations for the development of Action for Market Towns, an 'information network [to] help market towns to share information and experience, and to develop and disseminate good practice' (DoE and MAFF 1995:57). The 2000 Rural White paper stressed the need for town health checks as an appropriate way to build local capacity and partnership and highlighted the importance of town centre improvement schemes (MAFF and DETR 2000).

Town centre improvement was seen as a matter of partnership between local authorities and local business. The suggestion in the 2000 Rural White paper drew on the recommendations of the report 'Rural Economies' (PIU 1999) which had indicated that the vitality of market towns depended upon the collaboration of local businesses to gain collective benefits, such as improvements in public facilities. This was further developed in the 2000 Urban White paper which stressed that urban areas must have an 'attractive urban environment' (DETR 2000:29) and be 'welcoming, safe and convenient' (2000:70) in order for people to use them. Town centre management and partnership approaches to 'encourage activity and investment' (2000:17) in the centre were therefore encouraged with the provision of a town centre manager to co-ordinate activities.

The new commitment aimed to help market towns in managing the process of change and in strengthening their role in providing services. It called for a focussing of regeneration on the most deprived towns, the explicit recognition of market towns in central, regional and local policy, and the selection of exemplar or 'beacon' towns for observing best practice. This led directly to the development of the Market Town Initiative in May 2001, led by the Countryside Agency and Regional Development Agencies (Caffyn 2004). The initiative sought to provide market towns with the resources for bottom-up development, being 'a different approach to rural regeneration … placing much greater emphasis on evaluation, decision and actions by local communities' (CA 2003:1). The initiative was seen as a success in engaging the local community (CA 2004a), providing a focal point for community development activity

(2004a:558), helping pull in additional funding, and increasing the sales of local retailers by encouraging more visitors (Philips and Swaffin-Smith 2004). However, the initiative suffered from an over reliance on key individuals and was criticised for failing to represent the hinterland. There were differing levels of success and it was suggested that the programme had suffered from an inability to attract and retain experienced staff. With no guaranteed funding stream for identified projects, action plans were criticised as 'un-costed wish lists' (Stevens, 2005:11). As a bottom up approach it was also criticised as being compromised by top down control mechanisms, with a requirement for an unwieldy health check document and a short time scale focused upon quick wins (Caffyn 2004).

The terms of the policy debate have shifted somewhat since the 2000 Rural White paper. This is reflected in the treatment of market towns in the series of State of the Countryside reports. Initially produced by the Countryside Agency to track changes in rural policy since the white paper, these highlight attempts (CA 2002) and difficulties (CA 2004b) in developing a prosperity indicator for market towns. Attempts led to a critique of holding the market town as the focus of rural development policy, given a 'virtually non existent' evidence base (CA 2004c:ii). The 2004 State of the Countryside report reflected these concerns and stated a revised need to 'recognise the individuality of market towns' (CA 2004b:216) and suggested the development of a local evidence base that reflected 'local town distinctiveness' (CA 2004b:226) rather than expend further efforts on a national prosperity indicator. Later reports downplayed the importance of market towns, before dropping mention of them completely (CRC 2008). The focus instead became the new Rural-Urban geography (CRC 2005), allowing consideration and comparison between rural districts and between a morphology of settlement types. This allowed statistical comparison between settlements, whilst eclipsing any explicit service or functional role. Market towns have however remained on the rural development agenda with reports by Matthew Taylor (Taylor 2008) and the Rural Coalition (2010) recommending flexible planning approaches to maintain sustainable towns.

2.3 Town improvement schemes and the Market Town Initiative

Seen as a response to the threat of out-of-town shopping and the shift of public and private services to larger towns, a clear theme within the policy history of market towns was the call for town improvement schemes in order to provide an attractive town centre environment for people to visit (PIU 1999, MAFF and DETR 2000, DETR 2000). Run in parallel with promotion of the town, such schemes would help draw in locals and visitors and help prevent the economic leakage of trade, providing a virtuous cycle that would support services and stem decline. Town centre management has been defined as

the search for competitive advantage through the maintenance and / or strategic development of both public and private areas and interests within town centres, initiated and undertaken by stakeholders drawn from a combination of the public, private and voluntary sectors (Warnaby et al. 1998:17-18).

Having been described as a form of town improvement scheme (Phillips and Swaffin-Smith 2004) the Market Town Initiative was developed by the Countryside Agency and sought to encourage a locally led approach to development, being supported through a mix of Countryside Agency, Regional Development Agency and Local Authority funding. In the Market Town Initiative the maintenance and strategic development of public and private areas of the town was a function of local community priorities, a health check and the subsequent action plan. Each town in the initiative underwent a 'health check' process, which in reflecting the interests of heterogeneous participants in diverse towns, led to action plans for a diversity of regeneration projects (Stevens 2005).

Illustrating this, Table 2.4 highlights the diverse issues identified in a review of 15 towns involved in the initiative in the North East of England. Despite initial weight being given to *'economic, social and environmental regeneration'* (Caffyn 2004:17) it became clear that an economic case was essential for project approval by the regional development agencies, and this is reflected in the way that issues in Table 2.4 have been categorised in a consultation for a Regional Development Agency client: those of direct economic concern, being measurable economic impacts, and those of indirect

economic concern. This list of issues appears rather wider than the definition of town centre management suggests and the Market Town Initiative had *'a broader community view that suggests a wider scope in practice'* (Phillips and Swaffin-Smith 2004:558). This was a reflection of the Market Town Initiative partnership arrangements, as stakeholders were drawn from a *'combination of the public, private and voluntary sectors'* (CA 2004a:10).

Table 2.4   MTI Issues of Concern (descending)

	Direct Economic Concern		Indirect Economic Concern
1	Weak training provision	1	Traffic and parking problems
2	Seasonal employment	2	Demographics, e.g. ageing population
3	Lack of job opportunities for young people	3	Affordable housing
4	Lack of workspace / managed workspace	4	Poor transport links
5	Lack of local business support	5	A weak tourism offer
6	Low wage employment	6	Relative isolation
7	Underemployment	7	Retail overshadowed
8	Overdependence on key employers	8	Weak retail offer
9	Lack of office premises	9	Lack of childcare provision
10	Ineffective marketing	10	Poor environment/derelict sites and buildings

Derived from Stevens (2005)

Despite criticisms of being top heavy, overly bureaucratic and being limited by a short time scale (Caffyn 2004), the initiative was seen as useful for developing partnership working and in many cases led to the establishment of a local fundraising vehicle, such as a development trust. The core funding for the Market Town Initiative came to an end in 2006, but continued to be supported in some cases by the Regional Development Agencies, with others able to continue as self-sustaining entities able to tap into different funding streams.

2.4 Business cooperation in market towns

Set within a context of building local capacity and partnership, the 'Rural Economies' report (PIU 1999) suggested that the vitality of market towns depended on the collaboration of local businesses to gain collective benefits. Town improvement schemes were therefore promoted as one way of achieving local collaboration between businesses (MAFF and DETR 2000, DETR 2000), being a partnership between local authority and local firms.

However, within the Market Town Initiative around two-thirds of participants were public sector representatives, followed by the voluntary and community sector and finally the private sector. It was found to be *'very difficult to achieve the involvement of private sector organisations such as individual local businesses and business clubs'* (CA 2004a:9). This was seen as a contradictory position for local businesses to take, given their key stake in improving the economic situation of the town (Phillips and Swaffin-Smith 2004). Low involvement was put down to the competitive nature of local businesses, which were *'not always willing to work in partnership to develop town centres'* (CLES and AMT 2009:18).

A 2001 Green paper examining the mechanisms for local business collaboration in town centres (DTLGR 2001), described both taxation and voluntary based approaches. One form of taxation based town improvement scheme proposed was the Business Improvement District. These had been used in the US to develop the environment, security and promotion of town and city centres, solving any free riding problem[3] by the imposition of a local levy (DTLGR 2001). Free riding in these circumstances was not possible, as a level of contribution would be mandatory and legally enforceable. Subsequent to 2003, when the legislation was in place to allow a taxation based Business Improvement District to be set-up, only a few Market Town Initiative partnerships took this approach (for example, Powe *et al.* (2007) describe the case of Keswick in the North West). The schemes required a substantial commitment and a level of existing capacity in order to set-up, taking between 18 months and two years to develop (Reilly and Szabo 2005). Previous research had indeed suggested that the resource constraints of smaller towns make such a commitment unlikely (DETR 1998).

---

[3] A free rider is an individual that makes the cost-benefit calculation that it is advantageous to take a share in a collective benefit whilst expending no effort in its procurement (Olson 1971).

A voluntary based approach to local business collaboration suggested that willing businesses in a locality could come together to work towards their mutual goals. This was reported to have happened informally in certain areas and the example of Oxford Street in London was given, where property owners funded improvements to the local environment (DTLGR 2001). However, the Green paper did not promote this approach since it did not attempt to mitigate free riding, thereby '*allowing others to benefit from the improvements without having paid towards them*'(DTLGR 2001:3).

Within rural development policy, a voluntary approach to business cooperation within town improvement had not previously received much encouragement, largely due to these '*fears of free riding*' (PIU 1999:118). In an examination of local network participation in market towns Phillipson *et al*. (2002) found indications of this free riding behaviour, with members of local business associations tending to focus on their own business over collective interests. However, whereas policy papers downplay the potential of local business associations to cooperate towards collective goals, Phillipson et al. (2006) found that motivations to participate were '*interwoven* [with both] *individual and collective incentives*' (2006:12). Businesses cooperated for their direct benefit, but also for broader benefits, with evidence of town improvement benefits being sought, such as an attractive shopping environment and increased car parking (*Ibid* 2006).

2.5 Summary

Market towns have been defined by their service centre role, which is threatened by various trends such as globalisation, technological development, personal and social mobility. Town improvement schemes have been encouraged in an attempt to reverse their decline, and schemes such as the Market Town Initiative have developed local action plans and development approaches. However, approaches to market town development and policy so far appear to have underplayed the potential value of voluntary business cooperation through organisations such as local business associations, mainly due to difficulties in working with the private sector and perceived problems with free riding behaviour. The next chapter picks up on this theme and examines the literature regarding the potential benefits of business networks.

~Chapter 3~

Business associations' and their benefits

3.0 Introduction

The potential contribution of collaboration between private businesses to market town development has been highlighted as a neglected area of rural development policy and research in the previous chapter. Membership based business associations, including Chambers of Commerce, clubs and fora may reinforce the service role of market towns by providing a focus for private business interests and for collective service provision. Indeed, such associations have been described as blueprints for economic development for policy makers, representing an important constituency, a conduit for communication and a medium for skills acquisition (Huggins 2000).

This chapter aims to explore how local business associations may provide benefits to their members. Initially it examines types of network, focusing in on how businesses organise collectively to gain explicit benefits. The private and collective benefits sought are then discussed, leading to an assessment of how their impact may be assessed. Finally the chapter looks at the theoretical explanations for the provision of these benefits, by examining rational choice approaches and social network theory.

3.1 Types of network

Business networks have been described as powerful tools in the economic development process (Huggins 2000, Phillipson *et al*. 2006, Besser and Miller 2010a, 2010b) with competitiveness being *'accelerated through inter-firm collaboration'* (Rosenfeld 1996:247). However, research into networks is fragmented (Wand and Ahmed 2004) with diverse, inconsistent, and contradictory results (Sydow and Windeler 1998). As a result, when referring to networks care needs to be taken in defining terms.

Stripped down to a basic form, a network is a system composed of relationships, or linkages, and their nodes (Wasserman and Faust 1994). The network may be any

size, large or small, with any combination of relationship between nodes, as long as all the nodes are in some way linked. This simplified description belies a complex picture. Nodes may be human or non-human and as a unit may be comprised of distinct individuals or groups and may be defined in terms of individual or business interconnections (OED 2007). Relationships may represent flows of data or information and they may be based on trust, order and power, differing in strength, density and proximity. Combinations of nodes and relationships result in different topological configurations, with these configurations often characterising the network. For instance, a network comprised of individuals who all know each other may be characterised as a club, whilst a linear network of businesses may be seen as a supply chain. Networks may also differ by scale, ranging from the micro to the macro level; where at a micro level this could relate to a network of individuals and at a macro level to a network of institutions.

Relationships may be those that occur as part of the normal operation of a business, such as with a supplier or customer, and here research revolves around explaining efficiencies and competitiveness. A classic example is the research of Piore and Sabel (1984) into Italian industrial districts. Here flexible specialisation, technology sharing and subcontracting arrangements, occurring within a focused geography were highlighted as SME characteristics that optimised operations. Relationships may also be those which are created over and above those encountered in the day-to-day running of a firm and are intentionally held for some common purpose, such as a purposive or 'consciously constituted' (Huggins 1998:147) collection of firms. Here research is typically related to inter-firm and policy implanted networks (Huggins 2000, Bennett 1998, Buchanan 1965).

These relationships share commonalities, and where successful industrial districts have been explained by the implicit relations of the supply chain (Piore and Sabel 1984) intentional networks have been set up with explicit relations to try and emulate their success (Rosenfeld 1996). Purposive collectives may be set up by the local business community to solve a collective action problem, or to provide competitive access to services otherwise unavailable to members. Huggins (2000) suggests that these networks are popular with policy makers as a blueprint for development. One form of 'consciously constituted' network of particular interest here is the business association, where the member 'nodes' are businesses cooperating to achieve private interests and collective goals.

Business associations tend, in the UK, to have voluntary membership and operate under a regime of private law, often being small and under-capitalised (Bennett 1996a). They are however, clearly popular among firms, with micro businesses (with under 10 employees) belonging to an average of 1.3 associations, rising to 5.3 for those SMEs with under 100 employees (Bennett 1996a).

The terms business association and club are often used interchangeably. Bennett defines a business association as an '*intermediary between individual business action and state action*' (1998:244). Buchanan (1965) defines a club by the attribute of excludability, and posits that exclusion is the ultimate sanction and the only way to prevent free riding behaviour. According to Buchanan (1965) many forms of institution exist for clubs, being run for a profit or non-profit motive, privately or publicly owned and controlled by a co-operative membership or by the government. Transaction cost theory, an approach that is examined in more detail further on, would suggest that business associations may be governed by voluntary leadership or third party professional managers, depending upon uncertainty and complexity in operations, as well as policy interventions (Park 1996). Complexity here is linked to the increasing co-ordination costs associated with membership size, and so in a continuum of size, smaller associations may default to co-ordination by voluntary leadership whilst larger associations may rely upon external professional management teams.

In a large scale survey, Bennett (1996) found that 76% of all Chambers of Commerce had less than 100 members, with most providing no more than a newsletter, occasional event and lobbying. They tended to be small, highly localised, with low subscription fees and providing next to no specific benefits, and most were high street trade associations. Curran and Blackburn (1994) found that memberships often appeared to be nominal with only 20% of members indicating any active role. Bennett and Ramsden argue that "*for many membership must be a "just in case" decision*' (2007:56). Where benefits were provided they were heterogeneous in nature (Bennett 1998), with local '*services vary[ing] considerably*' (Bennett 1997:505) in response to local member needs.

3.2 Benefits sought from business associations

Bennett's (1997) research into Chambers of Commerce highlights that businesses seek benefits that are both selective, accruing only to the business, and collective, accruing both to the business and to others. These selective benefits vary in response to local membership needs (Bennett 1997). Barney (1991) suggests that access to resources can lend competitive advantage to a firm within a given market or strategic group. He highlights three categories of firm resources: physical capital, human capital and organisational capital, which he equates with social capital. A business has needs for physical capital resources, such as: premises, capital and merchandise; human capital resources, such as: skills and experience; and social capital resources, such as: credibility and reputation. The competitive advantage of the business is affected by the value and rarity of these combined resources, whilst the sustainability of the advantage is affected by their imperfect imitability or substitutability (Barney 1991).

Businesses have a need for different configurations of these resources depending upon various factors. Possible factors include the competitiveness of the business environment, the experience levels of owners and of the business life-stage. Explanatory models of the business life-cycle, for example, show how a firm goes through various life stages, including start-up, survival, growth and maturity (Churchill and Lewis 1983). During start-up there is a particular resource focus on maintaining a regular income, access to market knowledge and capital, organising suppliers and attracting customers (Burns 2007), facilitated by developing relationships (Burns and Whitehouse 1996). Whilst these resources remain prerequisites during growth, the focus changes to the re-alignment of resources such as systems, personnel and organisation, developing leadership and marketing skills and using relationships to access advice (Burns and Whitehouse 1996, Cosh and Hughes, 1998). Across these life stages a common theme is that relationships matter (Burns and Whitehouse, 1996) and that a contact network can facilitate access to resources (Bhide 1992) and promote business credibility (Courtney and Atterton 2001). This access is enhanced by the degree the individual is embedded within the local social milieu (Granovetter 1985).

Whatever the life-stage of the firm Gulati *et al.* (2000) suggest that business associations enhance access and lower the cost of key resources. For members key resources may, for instance, relate to assets of high specificity or specialisation, such as access to highly trained experts or economies of scale created in collaboratively

exhibiting at a conference. An association, by providing access to these resources, means that the business does not have to develop these specialised and therefore costly resources independently. The business will gain access to resources of value thereby fulfilling needs and enhancing competitive advantage.

The business may also gain access to new customers, directly boosting sales. Other members of the association may become new clients, pass on their customers (Phillipson *et al.* 2006) or be more likely to advertise the business by word-of-mouth to their own personal networks (Curran and Blackburn 1994). Membership may also provide access to promotional channels, such as web or print based directories (Reilly and Szabo 2005).

Key to the business owner are the social benefits that they may receive from membership. It has been suggested that social benefits are *'likely to be* [of] *proportionally higher importance in smaller and new firms'* (Huggins 2010:346). Membership may provide an opportunity to socialise between often isolated business owners (Phillipson *et al.* 2006) and they may be important in *'creating a sense of belonging* [in] *a local economic community'* (Curran and Blackburn 1994:169). This in turn may provide peer-support and a sounding board for members to test out a new idea, or air an old complaint.

Businesses may also work collectively to gain benefits, such as representation (Bennett 1996a, Phillipson *et al.* 2006) or town improvement (Reilly and Szabo 2005). Collective benefits may include the maintenance and development of all local businesses, improvements to the local physical environment, or car parking, the preservation of historic and public assets, a reduction in criminal behaviour or the attraction of funding for local initiatives (CA 2004a, Medway *et al.* 2000, Miller 2006, Reilly and Szabo 2005).

3.3 Costs incurred from business associations

Balancing the potential and received benefits there are also various costs incurred as a result of membership. According to Bennett (1996a) members pay a low subscription; in 1993 the average was £130 for businesses with 50 or more employees. Whilst businesses may well be willing to pay more, he argues that the business associations

make their money primarily by the fees charged for additional specific services; such as for training, consultancy or advice.

Other financial costs may include travel and opportunity costs. Parker (2008) argues that since a lower cost of transport increases the ability of members to meet, then associations will be concentrated in urban rather than rural locations. Time spent in attending meetings will also incur an opportunity cost, in terms of the loss of earnings compared to the deployment of time elsewhere. If a member is spending time attending a meeting when they could be at work, then there is a corresponding opportunity cost in lost income, which may of course be out-weighed by potential benefit. Curran and Blackburn (1994) highlight that for the small business, time constraints are the key barrier to the development of relations with other business owners. They tended to work longer hours and many are concentrated within an age group (35 – 45) where family demands are high. Time cost may be especially a problem for those involved in the organisation or administration of the association (Phillipson *et al.* 2006).

Membership of an association may even undermine an owner-manager's sense of '*autonomy and independence*' (Curran and Blackburn 1994:92). There may be social costs, with associations carrying their own set of norms, which members must conform to. Phillipson *et al.* found there were '*unwritten rules for competition and gentlemen's agreements*' (2002:27) that had to be upheld by members.

3.4 Measuring the impact of network benefits

Regardless of the benefits sought by business through network membership, there is no common agreement as to how the impact of these benefits on business performance, or indeed the local economy, should be measured, however:

> *What constitutes success and how to measure it are fundamental in developing policy concerning the stimulation of rural business networks*
> (Ring *et al.* 2009:19).

Comparisons between the performance of member and non member businesses would appear the obvious approach; however attempts to measure business performance

alone have produced *'spotty and sometimes inconsistent findings'* (Cooper 1993:244). Measurement may also be understood in different ways. Hence a rational choice approach may judge that the success that comes from joining a business association is *'judged on the costs and benefits of services delivered'* (Bennett 1998:246) or that it should be judged as the absence of failure (Rosenfeld 1996) or a firms continued survival (Greene *et al.* 2008). A socially constructed view would instead emphasise the businesses own interpretations of performance as being key (Green *et al.* 2008, Gimeno *et al.* 1997, Hamilton 2000), where:

No precise definition of success [can be] adopted because the balance between factors such as financial rewards, independence, creativity, job satisfaction and happiness is dependent on the attitudes of each individual

(Foley and Green 1989:4).

There are also practical difficulties in measuring performance and Greene *et al.* (2008) argue that key measures such as profit, and other *'efficiency measures'* (2008:171), are difficult to access due to issues of reporting reliability and confidentiality, where financial information is fiercely guarded by the entrepreneur (2008:171).

There are also measures that allow an individual to provide their own interpretation of success, but which are measured against a standard scale, allowing comparative analysis. One such measure is membership satisfaction. Satisfaction is a post usage evaluation that contains cognitive and affective elements (Oliver 1997) and this has been used to report the performance of networks. For instance a study of manufacturing networks used satisfaction as a performance measure and found that many factors, including profit, were important to members (Welch *et al.* 1997). Another is willingness-to-pay, a financial measure indicating the maximum level that a member will pay to keep the benefits of membership (Garrod and Willis 1990, Mitchell and Carson 1989). This monetary measure again allows comparative analysis, but the value given is a judgement made by the individual based on their own experience, knowledge of costs and benefits, financial health and social norms.

3.5 Network mechanisms for the provision of benefits

There are two key approaches to describing the mechanism for the provision of benefits to member businesses in the research literature; collective action theory and social network theory. Studies of collective action (Bennett 1997, Harding 1982, Olson 1971, Ostrom 1998, Van Waarden 1992) draw on rational choice models (Becker 1976) and provide an insight into how relations between the different attributes of benefits impact upon their provision. Studies based on social network theory (Atterton 2007, Granovetter 1985, Huggins 2000, Jack and Anderson 2002, Oinas 1997, Uzzi 1996) consider the strength and character of connections between businesses and how the degree of 'social embeddedness' may optimise performance.

3.5.1 Rational choice theory

Essentially an economic approach applied to the study of human behaviour (Becker 1976), rational choice theory suggests that individual decisions are made through the mode of instrumental rationality (Archer 2000), where decisions are weighed between costs and benefits in order to determine an optimum outcome (Becker 1976):

Social interaction is basically an economic transaction that is guided in its course by the actor's rational choices among alternative outcomes. An action is taken only after its benefits and costs have been weighed (Zey 1998:2).

In this objective accounting of success, benefits gained need to outweigh costs accrued. These benefits need to be stable and identifiable to the decision-making unit, which may be an individual or a business. In a rational choice approach the ultimate benefits an individual business might seek could include an increased profit margin, productivity gains or greater satisfaction. Costs the business might seek to avoid would include anything that would lead to a decrease in these benefits such as financial costs incurred for services and lost opportunity costs. In weighing success, the decision-maker – in this case the business owner – would consider if an increase in profit compensated for the opportunity costs incurred along the way.

Rational choice may be thought of as a *'family of theories'* (Hetcher and Kanazama 1997:191) with "thin" and "thick" models of individual action and social context. Thin

models are utilitarian and take no account of an actor's motivations or intentions. This approach is '*highly universalistic and to that extent* [they] *resemble theories in physics and biology concerning the optimal behaviour of atoms and organisms*' (Hetcher and Kanazama 1997:194). Thick models are richer and include wider behavioural concerns, where motivation and intent are included '*ex-ante*' (1997:191). Thick models allow that '*individuals also value non exchangeable goods*' (1997:194) such as music or excitement and as such their behaviour is unpredictable. Despite this unpredictability, a key assumption of rational choice is that the results for individuals can be aggregated to provide probalistic predictions at a group level (Hetcher 1994); where anomalous behaviour is cancelled out during aggregation.

Collective action and transaction cost theories have their roots in this rational choice paradigm. Collective action theory explores how individuals organise to gain individual and collective benefits, whilst transaction cost theory considers how businesses optimise transactions to minimise costs. The seminal research for these theories is to be found within 'thin' models of rational choice, although there are contributions made by researchers using the 'thick' model.

Collective Action Theory

Networks may be viewed as groups of people cooperating to gain individual and collective benefits. The assumption is that rational individuals will work together in a group to magnify their individual efforts and achieve a greater collective benefit.

Olson (1971) argued that groups composed of rational, self-interested individuals, would not necessarily act towards achieving the furtherance of a common group interest. Harding (1982) argued that from a narrow rationality of self-interest, it makes no sense for individuals to fund the costs of collective goods. However, the same individuals will be happy to partake in the benefits of these goods, at no cost to themselves. In other words, it makes no rational sense to participate whilst others pay the costs, and so they take a free ride.

It is this rational choice argument that defines the problem of collective action. Olson (1971) linked this argument to the size of the group, suggesting that the larger the group, the less likely it was to achieve its collective aims. Once a group became large enough for an individual's input to go unobserved, then input could be withdrawn with

28

no fear as to the social costs of non compliance. On this basis he suggested three forms of group, in rising size order: privileged, intermediate and latent.

A privileged group has at least one member that wants to gain provision of a benefit and is willing to do so even if they have to pay the costs themselves, gaining the benefit irrespective of the group. A presumption exists that the goods will be gained without the necessity of co-ordination and the privileged group could be seen as an individual action disguised as a collective action. The intermediate group is composed of individuals that know each other well enough to recognise and discourage free riding behaviour by levying social costs, such as peer-pressure or the threat of ostracism. The latent group would only work where selective benefits were provided to individual members to discourage free riding behaviour. Here, as a result of selective benefit provision, collective benefits may be relegated to a by-product (Olson 1971).

Collective action theory essentially describes how the benefits gained and costs incurred by an individual will vary depending upon how they organise collectively. There is the potential to gain enhanced benefits collectively over individual action, but structural elements such as collective group size can limit these.

Buchanan (1965) suggested that only by having services where benefits can be excluded from members can the free rider problem be avoided. It is this attribute of exclusion that is recognised by Olson (1971), where non excludable services are susceptible to free riders; people happy to sit back and partake in the benefit without paying the cost. Hence the selective services of Olson's logic have the attribute of excludability. Put another way, if a benefit is excludable, then all members must incur a cost to gain it; if it is not exclusive, then some members need do nothing to gain it.

Bennett (1996) took this logic of collective action and applied it to business associations as shown in Figure 3.1. In this model, exclusive, specific services are provided by members as explained by the logic of services and non exclusive, collective services such as representation, are provided to members as explained by the logic of influence. Olson (1971) and Bennett (1996a) separate these logics by group size, where larger associations follow the logic of services; working towards collective goals only as a by-product of the selective benefits that motivate individual membership. Here collective and private benefits are bundled together to mitigate the effects of free riding through co-delivery (Bennett and Ramsden 2007). The joining motive is to access specific services and the benefits that derive from them (Bennett

1996a), where collective goods such as representation may only be small stimuli to the membership.

Figure 3.1 Excludability and the logic of business associations

	Large
Excludable Benefits	**Logic of Services**
Non Excludable Benefits	**Logic of Influence**
	Small

Group Size
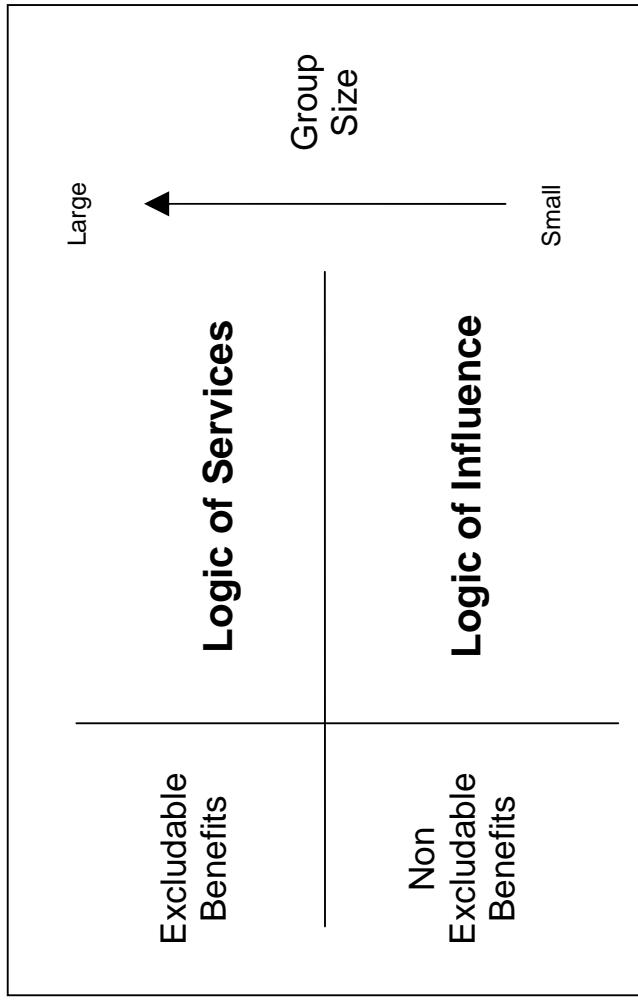
Based on Bennett (1996)

It is the exclusive benefits that hold the association together. Logic of service associations will tend to charge fees and specific service charges in a two part tariff composed of subscription and discrete service fees (Sandler 1980:1504). Due to enhanced capitalisation they may be larger than fragmented fee-only associations but may be threatened by other providers of specific services such as training courses or insurance policies.

Smaller associations follow the logic of influence and since they are held together by strong social bonds of trust and order they may work directly towards collective, non exclusive goals. Smaller groups increase the frequency of interaction, building reputation (Poteete and Ostrom 2004), camaraderie (Sandler 1980) and mutual monitoring systems and reducing monitoring costs for members (Bennett 1996b, Gulati *et al.* 2000). As a result they socially screen out free riding behaviour. Here the forming motive may be simply doing the done thing (Bennett and Ramsden 2007), with

strong social norms driving businesses to conform. These associations tend to be subscription only based, and since they do not generate any other income they are often resource poor. They exist as collective action bodies and may be seen as 'Olsonian local club(s)' (Bennett 1996a), where success is measured in influence (Bennett 1996a).

Returning to the potential benefits described earlier in Section 3.2, these are categorised according to the attribute of excludability in Table 3.1. The potential benefits of a contact network, access to advice and the opportunity to socialise with members can all, for example, be excluded from non members. The potential benefits of efforts to reduce crime in the area, organise events to bring in customers and membership activities that help the business community at large, cannot be excluded from non members. Non members can free ride and benefit without contributing to the cost.

Table 3.1 Excludable and non excludable benefits of network membership

Excludable benefits	Non excludable benefits
A contact network A sounding board for new ideas Access to advice Access to expertise Access to knowledge Access to new suppliers Access to resources Access to specific services An improved reputation An opportunity to socialise Attracting new customers Business promotion Discounted services Group promotion and marketing Learning new skills Payments in kind Peer support Representation of member interests The reduction of isolation	A reduction in criminal behaviour Representation of community interests Events and festivals Improvements to car parking Improvements to the physical environment Maintenance of all local businesses The attraction of funding for local initiatives The preservation of historic and cultural assets

According to this approach, smaller associations are more efficient in providing collective non-excludable benefits. The larger the group, the greater the likelihood that

free riding behaviour will reduce the gain of collective non-excludable benefits and these may only be provided as a by-product.

The attribute of excludability leads to the argument that group size determines the type of benefits delivered, with large groups having to provide specific services and small groups being capable of only a modest level of influence due to their limited resources. This argument is certainly a contested one in the literature and Udehn (1993) for example critiques the notion that there is necessarily a relation between the dimensions of size and the logic of collective action, arguing that small groups may not also require private benefits to avoid free riding behaviour, whilst large groups may not need private benefits to achieve collective benefits. Indeed, others (Chamberlin 1974, Oliver and Marwell 1988) have found that the provision of certain types of collective goods may increase with group size and that for these goods, free riding behaviour may be irrelevant.

The goods in question have the attribute of being non-rival, that is their consumption by one individual does not affect the level of benefit available to another, and '*makes the benefit of contributing for individuals basically independent of group size*' (Cook and Karp 1994:363). Indeed, without the restriction of free riding, an increased group size may lead to economies of scale. However, this ignores the effect of cost, and non members not incurring a cost but enjoying a benefit may still be regarded as free riders. Between members, when costs are evenly distributed, then free riding will be irrelevant, but where costs between members are not evenly distributed then the effects of free riding would appear to remain. So for the majority of members that do not get involved in organising or administrating the association and pay only an annual fee, a larger group size may lead to economies of scale. But to a member active in organising the association and paying a higher cost in terms of their time, regular members may be regarded as free riders.

By making an initial attempt to draw together the potential benefits categorised by the attributes of excludability and rivalry, a picture emerges of the type of benefits available to members and this is developed in Figure 3.2. This groups the benefits available into quadrants according to whether the benefits are excludable and whether there is rivalry for the benefit. The majority of the potential benefits of interest to business associations are in the 'no rivalry' column. For excludable benefits this means that benefits such as having a contact network or access to advice will be enhanced by economies of scale.

Figure 3.2 Excludable and rivalrous benefits of network membership

	For Rival Benefits	No Rivalry
Excludable Benefits	Attracting new customers Access to new suppliers Access to resources Access to specific services An improved reputation Business promotion Payments in kind	A contact network Access to advice Access to expertise Access to knowledge Discounted services Learning new skills A sounding board for new ideas An opportunity to socialise Group promotion and marketing Peer support (Group) Representation Reduction of isolation
Not Excludable Benefits	Attraction of funding for local initiatives (Community) representation Improvements to car parking	A reduction in criminal behaviour Events and festivals Improvements to the physical environment Maintenance of all local business Preservation of historic and cultural assets

Transaction Cost Theory

In his seminal works, Coase (1937, 1960) argued that micro-economics has little to do with the real world, with its devotion to economic co-ordination by the price mechanism. Society depends upon the flow of goods and services, which depends upon productivity, and this in turn depends upon specialisation. Specialisation is made possible by exchange and the lower the costs of the transactions of exchange, the greater the specialisation will be. According to Dietrich (1994), transaction cost theory posits that economic institutions, such as networks, develop to economize transaction costs between members. These costs can be seen as analogous to friction in physics, with efficient institutions lubricating the relationships between members to optimize transaction costs. This implies that businesses may organize in networks to minimise transaction costs and maximise efficiency in a given situation.

Dyer (1997) suggests that there are four types of transaction cost: search, contract, monitoring and enforcement costs. Search costs are incurred in the resources spent, mainly being time and money, in searching for information, finance and customers. Contract costs occur formally, when an agreement is drafted, and informally where they may be economic expressions of human interaction over time (North 1986), being closely related to notions of social capital and relational embeddedness (Granovetter 1985), where contract costs may relate to the establishment and maintenance of trust. Monitoring and enforcement costs are both aspects of co-ordination, where the behaviour of others requires a degree of monitoring and where deviant behaviour, such as free riding, requires enforcement. This may be a practical sanction such as a fine, or a social snub, such as ostracism.

Business associations may optimize access to resources by acting as a governance mechanism that reduces these search, contract, monitoring and enforcement costs. Transaction costs can be valued comparatively, where the cost of coordination for a business in one institution could be compared to another. The important aspects of a transaction to measure are frequency, duration and specificity where specificity is whether the transaction is a one-off or part of a complex arrangement (Bennett 1996b).

In his study of Chambers of Commerce, Bennett (1996b) suggests that the human specificity aspect of coordination costs is particularly important. This indicates that it is more efficient to access specialists through association membership, than to spend time and money in training a member of staff and then having to monitor them carefully to prevent their defection to a competitor firm. It is important to note that whilst a certain network may optimise by minimising transaction costs, these may be relative, with some costs increasing whilst others decrease.

To summarise, this approach highlights that association membership may optimise access to resources. Time and money are the key costs, being incurred due to search, contract, monitoring and enforcement costs.

Thick models

Collective action and transaction costs have been discussed as thin models of rational choice. This approach has been criticized as being '*essentialist*' (Archer and Tritter 2000, Zey 1998), with its aspects of instrumental rationality, methodological individualism and an assumption of stability in preferences (Becker 1976).

In order for a rational choice to be made, the approach centres on the cost-benefit decision point. This decision point must be instrumental in moving towards '*some indefinitely deferred point at which we become "better off"*' (Archer and Tritter 2000:6). This has however been criticized as ignoring '*ultimate concerns*' (Archer and Tritter 2000:6), such as being a '*good person*' (*Ibid* 2000:5), where values sought pay scant attention to the cost-benefit decision point.

Ostrom (1998) and Harding (1982) argue that the problem of collective action as posited by Olson (1965), with its basis on the axiom of instrumental rationality, is flawed:

> [t]*hin models of rational choice have been unsuccessful in exploring or predicting behaviour in one-shot or finitely repeated social dilemmas in which the theoretical prediction is that no-one will cooperate* (Ostrom 1998:2).

Their evidence shows how cooperation levels in real examples of collective action exceed those predicted by theoretical approaches (Ostrom 1998). Ostrom argues that bounded rationality and learnt norms of behaviour, or '*rules of thumb*' (1998:2), contribute towards successful collective actions. She goes on to suggest that behaviourally thick models allow for the core norms of trust and reciprocity (Ostrom 1998).

A key criticism of thin models of rational choice is that they suffer from an '*autonomy of the present tense*' (Archer and Tritter 2000:10), in that the past does not affect the present and the present does not affect the future. Actors' preferences are treated as stable and unchanging and so a decision based on preferences made at one point in time will also be made at another point in time (Archer and Tritter 2000:11). However, preferences are modified by interaction with social structures and these are dynamic structures, fluctuating over time with fuzzy boundaries (Johannison et al. 2002). Actors reflect upon their actions after decision points have been reached and after the results

have been experienced. As such the relative balance of costs and benefits can be seen as dynamic and subject to change over time. Despite attempts to integrate concerns within rational choice, Archer and Tritter (2000) also argue that altruistic actions, such as helping friends, and emotional motivations driven by love or hate, are not reducible to cost-benefit analysis and that instrumental rationality does not account for these subjective concerns.

These criticisms of the thin models of rational choice hold resonance with Polanyi's (2001[1944]) argument that the economic field is a component of the social, where rational choice approaches examine arms length transactions that cannot predict the outcomes of socially embedded exchanges (Uzzi 1996).

3.5.2 Social network theory

Social network approaches consider the social context of relations as critical in determining the extent, distribution and value of benefits to members. There are two important aspects of relevance to business associations: relational embeddedness and social capital. As part of his theory of embeddedness, Granovetter (1985) argues that actors should not be under or over socialised. By understanding that the economic behaviour of an agent is embedded in ongoing networks of social relations, both the economic and social fields are given relevance. Dynamic social relations can create bonds of trust and order between individuals and these ties bind individuals into relationships and social structures such as groups and associations. Granovetter suggests that the strength of social ties is a function of reciprocity, intimacy, intensity of emotion and time (1973).

Coleman (1988) suggested that close social networks, where actors are densely connected to one another, allow for the continuous reinforcement of trust and of group norms, resulting in strengthening ties and group solidarity. Connections built up through trust and reciprocity may provide benefits such as improved reputation and 'thicker information' (Uzzi 1996:667) and indirectly these may lead to economic benefits.

Embeddedness may contribute to the success or failure of a business as a result of the social ties built up within a community. The strong and weak ties thesis (Granovetter 1973) argues that whilst strong ties within a community may lead to solidarity and

strong community spirit, they may also insulate the community from external influences, leading to atrophy. These 'lock-in' effects are detrimental to innovation and learning (Uzzi 1996) and may isolate businesses from regional, national and global opportunities (Oinas 1997). Moral obligations and peer pressure may override beneficial economic considerations, with preference given to embedded local ties over arms length links (Atterton 2007) and a limited receptivity to new ideas. Indeed, failure to conform to the community norm can damage reputations and result in isolation from a network (Jack and Anderson 2002). This relates to Olson's privileged and intermediary groups (1971), where to risk free riding behaviour in a group with strong bonds would be to risk weakening these ties and becoming socially censured or excluded from the group.

The concept of embeddedness is particularly relevant to a discussion of business associations as the structure of an association can be conceived as being located 'on top' of the larger community social structure, with its complex web of social relations and various orders of embeddedness (Johannisson et al. 2002). New relationships may become embedded by existing members vouching for new members, thereby 'ced[ing] the expectations and opportunities of an existing embedded social structure,' (Johannisson et al. 2002:679) and enabling new members to become part of the local business network (Jack and Anderson 2002).

Whilst embeddedness considers how actors are tied into a web of social connections, social capital suggests that connections have value and can enhance productivity. Huggins defines it as

the value derived from networks based on socialisation and sociability, and the social obligations and trust upon which these networks are built (Huggins 2010:335-336).

Thus in parallel with the strong and weak tie thesis (Granovetter 1973), inward looking – or bonding – social capital may lead to solidarity or insularity, whilst outward looking – or bridging – social capital may promote civic engagement (Coleman 1988, Putnam 2000).

Social capital has taken on broad meanings (Huggins 2010). On the assumption that social capital is a public good, for instance, Putnam (1993) argued that high levels, through civic engagement, will lead to economic success. For example, in a study of

37

voluntary organisations in rural Switzerland, there was a positive relationship between their existence and the number of business start-ups (Baumgartner and Schultz 2010). Arguing that social capital is a club good, having the attribute of excludability, Huggins and Johnston (2010) suggest that there are actually two types of social capital; network capital, a more calculative capital that is purposively built between businesses; and social capital, the more disordered residual of social relations between individuals. Thus members of local business associations may explicitly seek network capital and experience social capital as a by-product of their social relations. Huggins (2010) suggests that network capital may facilitate the effective transfer of knowledge between businesses and can purposively be developed to 'enhance economic returns' (2010:330). Social capital may facilitate access to 'embedded resources' (2010:330) through the development of individual social relations, but is difficult to strategically manage (Huggins 2010).

A key contribution of social network theory is also to highlight the importance of social context. This context is social, but it is also located spatially. Local business associations centre on and around their settlements and from a social network perspective may be seen as a concentration of business community connections and as a repository of social capital.

3.6 Summary

This chapter has explored how business networks provide potential benefits to their members, focusing on those 'consciously constituted' (Huggins 1998:112) collections of firms which organise collectively to gain explicit private and collective benefits. Membership for many is seen as a nominal, 'just in case' decision (Bennett and Ramsden 2007:56).

The private and collective benefits that may be gained from membership were then examined, illustrating that networks have been conceived as providing optimised access to resources otherwise unavailable or too costly. Theoretical explanations for the provision of these benefits were discussed, drawing on rational choice, collective action, transaction cost, and social network theories. Collective action theory was used to explore how associations provide access to services. This suggested that businesses organise in networks to gain benefits through more efficient access to

economic, social and political resources. These benefits may accrue to an individual business (selective benefits) or to the association or business community (collective benefits) and may be determined by the way the association is organised. The theory suggests that larger groups can only work towards collective goals as a by-product of the selective benefits that motivate individual membership. Conversely, smaller associations are seen as following a different logic, being held together by social bonds of trust and order, but finding it difficult to provide many selective benefits. Whilst the services provided to members of larger Chambers of Commerce have been explored in the literature (Bennett 1996a, 1996b, 1997, 1998, Bennett and Ramsden 2007), research into the benefits provided by smaller associations seems to have been somewhat ignored. As a result, the impacts they have on their members' performance and trade or wider economy remain largely unknown.

Transaction cost theory was also used to explore the role of associations in lowering member transaction costs (Coase 1994, Williamson 1975, North 1986, Park 1996). The theory suggests, for example, that search and contract costs may be reduced by associations due to greater access to information and depending upon how embedded a member is (with trust and reciprocity speeding the 'logic of exchange'). Social network theory then in turn highlighted that these transactions are embedded in the social field. The social and relational context of the networks may have an impact on the level of benefits available and the costs that must be accrued in order to gain them.

Given the interest in reinforcing the service role of market towns and the discussion of how business associations may provide private and collective benefits supporting this, the next chapter examines the determinants of association performance.

~Chapter 4~

Determinants of performance

4.0 Introduction

This chapter looks in more detail at the factors that may contribute towards the performance of a business association by their effect upon the costs to be paid and the benefits to be gained by individual members.

A first glance at the literature quickly reveals that there are potentially multiple factors which serve to underpin association performance. Bennett (1998) suggests that the success of business associations is judged upon the costs and benefits of the services delivered and suggests that these are determined by; levels of business concentration and competition, similarities in size, sector value, and responsiveness to government interventions (1998). Referring to policy-implanted business associations, Huggins (2000) judges success by sustainability of the association and refers to the geographical spread of the network, spatial proximity of members, the commonality of interest and the level of social capital present. Discussing collectively shared resources, Poteete and Ostrom (2004) point to the importance of the factors of trust, organisational experience, autonomy, resource dependency, homogeneity and group-size.

Performance will depend upon the purpose of the association and there are many reported in the literature. The focus of an association may be on trying to increase business success (Gulati and Gargiulo 1999) and notions of individual '*instrumental gain*' (Besser and Miller 2010a:228). It may be to provide specific services (Bennett 1996) or respond to the needs of local members (Bennett 1997). Associations may have formed with a collective purpose, looking to capitalise on their combined market strength, economies of scale (Rosenfeld 1996), to market the town (Phillipson *et al.* 2006) or represent the interest of the town with public bodies and Government (Bennett 2007). The purpose may be philanthropic, or civic, aiming to provide a range of community and social activities, or it may be motivated as a defence against threats to local amenities (Phillipson *et al.* 2006).

The motivations for business owners to become involved in local business associations also vary significantly (Curran *et al.* 1993) and various authors suggest that the association's purpose is contingent on the task in hand, (Burt *et al.* 1998, Baker and Obstfeld 1999, Crowe 2007, Uzzi 1996). Bennett suggests that the activities of the association will differ according to member business size, where predominately small firms will require more representation than large firms (1998).

Phillipson *et al.* (2006) highlight that purpose is likely to change over time as associations operate as sporadic platforms for collective action. For instance, a small group may get together on an informal basis with the purpose of appealing against a local bridge closure that will adversely affect their business. Over time, this group may develop into a large association, with formal procedures and a purpose to support its members through the provision of specific services.

The business association may therefore have a variety of purposes, reflecting the varying and changing motivation of its members. If there is a strong focus upon a specific purpose by members then it may be possible to measure performance against this dominant purpose. However, it seems likely, particularly in larger associations, that they will have multi-faceted goals, rather than any one dominant aim.

Looking across the literature, it is possible to draw out 8 key determinants of the performance of associations in terms of the costs and benefits that they or their members receive. These include:

i. Organisational structure;
ii. Size of the group;
iii. Homogeneity of the group;
iv. Trust;
v. Age of the association;
vi. Level and type of policy intervention;
vii. Leadership;
viii. Organisational ties and openness to ideas.

4.1 Organisational structure

Business associations vary in complexity of structure and transaction cost theories attempt to explain the influence of organisational structure on performance (Williamson 1985, North 1986). Associations may be seen as institutions that are an optimising mechanism to reduce transaction costs in a specific context (Park 1996). Associations, corresponding with the network form of organisation, can be seen as a hybrid organisational form. They stand somewhere between the market, with its individual and autonomous actors, and hierarchy, with its well defined roles and control, and theoretically may provide reciprocity and flexibility for members (Park, 1996:804). The '*network is an effective means for managing environmental turbulence and interdependence*' (Park,1996:795) and co-operation may lower the access cost of assets, provide easier access to information, reduce the cost of responding to environmental uncertainty and provide other '*untraded interdependencies*' (Park, 1996:798). Of course the benefits to working with others are weighed by increasing control and co-ordination costs (Dyer 1997, North 1986, Park 1996, Williamson 1975), evidenced by increasing bureaucracy or a corresponding loss of autonomy.

Park (1996) theorises two categories of network governance that are relevant here, classified according to notions of interdependence: these are horizontal bilateral and horizontal trilateral mechanisms of control. Horizontal interdependence relates to peer group co-operation (with vertical interdependence relating to supply-chains). Bilateral arrangements involve situations where the management of the network is the responsibility of the membership and may range from cooperation by mutual agreement to a dedicated team elected from within the network community. Trilateral arrangements involve a '*separate, external, management entity*' (Park, 1996:812). The suggestion is that as the complexity, asset specificity and uncertainty of transactions increase, the stability of the network is threatened and the need to safeguard against the costs of opportunism correspondingly grows. This may lead to a response in the form of more formalised governance, where a degree of autonomy is sacrificed for a reduction of uncertainty (Park, 1996).

Inkpen and Tsang (2005) take a broader approach to describing the governance of networks and suggest that networks can be characterised by their level of formality, with a continuum that ranges from structured to unstructured. Here a structured

42

network will have more clearly defined relationships and roles than an unstructured network.

The impact of formalisation appears to be complex. Farrell and Knight (2003) go on to suggest that the existence of a formal structure is an important precondition for the development of trust based relations between members. While Huggins (2000) argues that an informal network based upon mutual accommodation and adjustment between members may be more suitable for building these relationships, but that a formal, professionally controlled network may be necessary for managing an especially complex process.

Business associations tend, in the UK, to have voluntary membership and operate under a regime of private law, such as a membership constitution. They may be governed by a voluntary leadership or third party professional managers, depending upon uncertainty, complexity and policy interventions (Bennett 1996). Phillipson *et al.* (2006) describe a local business association that was initiated informally by volunteers and gradually became '*more formal, regular and public*' (2006:49). Following local business advice and involvement by a local public body, the association implemented internal procedures and appointed a chair, treasurer and committee. The increasing formalisation of the association was seen to unsettle parts of the membership who had different expectations of the association's purpose and structure. However, Laschewski *et al.* suggest that to become a '*recognisable, acceptable and accountable*' actor (2002:23) and gain funds or influence, a group will need formal structures. Thus the move to more formal arrangements may also be task contingent (Bennett 1996) as a network grows and professionalises.

The organisational structure of the association may relate to performance as it may minimise transaction costs. However, factors unrelated to performance may also modify the structure: the degree of formality within the organisation may reflect levels of trust that exist within the community, or more formal structures may be adopted to achieve legitimacy.

4.2 Group size

The literature has highlighted how a larger group size may run into the problem of collective action. Sandler and Tschirhart illustrate this and state that with increasing group size *'camaraderie is eventually over powered by crowding, and at that point the benefit per person begins to decline'* (1980:1485). It is this phenomenon of crowding that is the basis of Olson's (1971) argument where specific benefits are required to overcome the free rider problem. Prior to crowding becoming a problem, a smaller group overcomes free riding behaviour by social mechanisms and after crowding, larger groups look to the provision of specific, excludable, services. Given lower business densities in rural areas, this is potentially less of a problem as associations may be smaller.

Another implication of group size is that in smaller associations there may be a limited resource pool of individuals with the ability to animate the organisation, and this can make associations vulnerable. For example, at its inception an association may only be maintained whilst it is in the leader's interest. Critical mass occurs when an association gains enough momentum to be sustainable on its own, and able to withstand the loss of a leader or originator. The qualities required for an adequate critical mass are according to Udehn *'money, time and, above all, organizational skills'* (1993:245) and gaining sufficient individuals with these qualities and with *'sufficient time, motivation and drive'* (Phillipson *et al.* 2006:53) may be difficult. This may be especially so where several community groups are competing for the same limited resource (Phillipson *et al.* 2006) and with sparser populations, rural communities would appear particularly vulnerable.

4.3 Homogeneity

The theme of group size is often closely related to the theme of homogeneity. Baland and Platteau (1996) argue that

there is some sense in saying that large groups are made more like small groups when their members share common norms possibly enforced by a

44

The collective action literature on homogeneity primarily relates to common pool resource management problems which have the attributes of rivalry and non excludability. The literature suggests that commonalities in characteristics lead to commonalities in interests and the promotion of trust, which in turn may help mobilise cooperation and collective action (Poteete and Ostrom, 2004:441).

In the context of business associations Huggins states that *'their success is closely connected to pre-existing commonality between members'*, (2000:111) and these factors include business size and sector. Larger businesses are structured differently to smaller businesses and they will have different concerns, however similarities in size and value have been highlighted as homogenising factors (Bennett 1998). Business sectors have different characteristics, such as operating forms, financial footprint, occupational and employment structure. Sectors differ in their levels of competitiveness and willingness to collaborate; some supply and sell goods globally, others only into the local economy. Co-operation is more likely as characteristics converge and this may be more so within a sector (Bennett 1996). However where similar characteristics lead to direct competition, co-operation can also be reduced or occur only on certain terms. Where there is rivalry for a good, then owners may be reluctant to cooperate with potential competitors (Huggins 1998, Hanna and Walsh 2002).

Owners from different sectors may find it *'difficult to establish common goals and shared interests'* (Besser and Miller 2010a:227) and this is potentially a challenge to cross-sector business associations (Phillipson *et al.* 2006), especially where a limited local business pool means that group size may be limited, making the prospect of a mixed sector membership more likely. Business associations themselves may have mechanisms to reduce or minimise the effects of heterogeneity (Poteete and Ostrom 2004, Gibson and Koontz 1998, Varughese and Ostrom 2001). They may do this by imposing entry and exit restrictions upon the membership in such a way as to ensure homogeneity of attitudes. Baland and Platteau (1996) highlight the example of two potentially competing groups with interest in a specific resource, split between the financially wealthy and the poor. Here an association could either allow entry to only one group or insist upon a higher membership fee or specific commitment of time. As such organisational structure may serve to homogenise interests.

There is also evidence that progress towards achieving a common goal or objective can lead to greater group homogeneity. Here performance has been found to have a strong causal relationship to task cohesion, where *'task cohesion refers to the shared commitment among members to achieving a goal that requires the collective efforts of the group'*(MacCoun et al. 2006:647).

There can also be some negative side effects to a homogenous membership. Where there is pressure on businesses to conform to a set of common business routines, there may be the likelihood of reputational damage if businesses step out of line (Jack and Anderson 2002). Overly prescribed or constraining norms can also act as a barrier to innovation and change, creating a stagnant and inflexible association (Atterton 2007).

4.4 Trust

Simmel (1971) defines trust as the most important condition in facilitating cooperation and social exchange, suggesting that

without the general trust that people have in each other, society itself would disintegrate, for very few relationships are based entirely upon what is known with certainty about another person, and very few relationships would endure if trust were not as strong as, or stronger than, rational proof and personal observation (Simmel, 1978:178-9).

Elster (1989) identifies two notions of trust: generalised and co-operative. Generalised trust is *'characterized by the predictability of social life and ... maintained by the existence of habitual rules and social norms'* (Misztal, 1996:63). It has been suggested that trust is comprised of the social norms of reliability, predictability and fairness (Bromley and Cummings 1995). These social expectations for what constitute legitimate behaviour (Abercrombie et al. 2000) originate in ethnic, racial, class and other cultural differences (Baland and Platteau 1996). Social norms may differ between cultures and this can happen within a regional context. Atterton (2007) found in a study of small towns within the same rural region that differences in the social networks of small business could in part be explained by the different cultural characteristics of local people and by the number of in-migrants in the area (see also

Young 2010). Lorenzen (2007) found that the levels of trust in the environment differed between communities and higher levels may facilitate forms of exchange (Iyer *et al.* 2005). Cultural and demographic factors lead to differences in norms which in turn can impact on levels of trust.

Co-operative trust on the other hand is specific to relationships and indicates the trust which '*coordinates expectations*' between actors (Elster 1989:97). This is key to notions of embeddedness where co-operative trust provides the mechanism for a social logic of exchange that is more efficient than impersonal economic transactions. Close ties within social networks allow for reinforcement of both co-operative and generalised trust (Coleman 1988). Greater solidarity between actors, shared norms and higher levels of trust may be related to higher degrees of homogeneity.

Granovetter suggests that the strength of a relationship is '[a] *combination of the amount of time, the emotional intensity, the intimacy (mutual confiding), and the reciprocal services which characterize the tie*' (Granovetter 1973:1361). In both embedded and transaction cost approaches it is clear that the frequency and duration of meetings between association members are linked to establishing and maintaining trust, whilst complexity and intensity of relationship are important markers of the level of trust held within a relationship.

From a transaction cost approach, an association will optimise access to resources by reducing search, contract and co-ordination costs. The effect of trust in this case is that the coordination costs, including monitoring the behaviour of others, will decrease as trust between actors' increases. Correspondingly, informal contract costs, those relating to the establishment and maintenance of trust, will increase.

Huggins points out that trust can only be developed over time:

[t]he nurturing of [co-operative] trust … should not be rushed or forced but fostered gradually over a significant period of time, with a slow but perceptible increase in the intensity and frequency of contact (Huggins 1998:148).

From this discussion it may follow that in business associations, higher levels of trust will facilitate the gain of benefits that share the attribute of rivalry, that is where there is competition for a benefit but collaboration is necessary to achieve it. Rivalry for the

benefit means that where a collective benefit is sought there may be a tension between competition and co-operation. A degree of trust between association members may be necessary (Elster 1989). Non rival goods with no competition for resource consumption will require only a degree of trust for member co-ordination. A business owner does not, for instance, need to trust a fellow association member in order to gain the benefit from group insurance, only the knowledge that if she pays her premium then the service will be provided[4]. Where there is rivalry or competition for a good then some level of cooperation is necessary to achieve gains and limit free riding behaviour. It is here that conceptions of trust become particularly important.

Trust appears critical to ideas of cooperation and it would seem that the level of generalised trust that exists between local businesses and the cooperative trust that exists between association members may both have an impact upon association performance.

4.5 Age

The earliest local chambers of commerce were set up in Europe during the late 18th Century (Bennett 2007) and many rural business associations have a long history. Business groups have been working together for collective purposes since the earliest days of commerce, with the social norms and by-laws of guilds predating nationally enforced trading laws (North 2005). Indeed, the logic of social exchange pre-dates the arms-length transaction based approach to exchange that characterises modern commerce (Granovetter 2005).

Bennett (2007) found that local Chambers of Commerce have become increasingly destabilised in recent decades, with stable membership patterns prevailing prior to the Second World War, the post war period has been a more volatile picture, characterised by membership churn. The scale of membership losses '*was historically 4-8%, but recently the loss of members can be as high as 30 to 40% per year*' (*ibid* 2007:2). Increasing volatility is explained by the sale, closure or merger of member businesses

---

[4] This is the situation that has been described as 'co-opetition.' Here competitors can cooperate when seeking non rival benefits (Brandenburger and Nalebuff 1996).

after WWII as well as *'widespread restructuring and de-nationalisation of industry from the 1980s' (ibid 2007:2).*

The continued existence of an association has been been seen as *de-facto* proof that it is making some sort of ongoing contribution to its membership (Greene *et al.* 2008, Rosenfeld 1996). As such the age of the association may be an outcome of performance. However, it has also been suggested that long established business associations can be *'perceived as venerable but stuffy and traditional organisations'* (Bennett and Ramsden 2007:224). They may be subject to the problems of 'lock-in' and stagnation, where norms of membership and conformity to the rules of the game (North 2005) result in *'strong path dependency'* (Bennett and Ramsden 2007:55) and a slow response to new problems. Seen from this perspective, the path dependency effect of age may reduce the performance of the association.

4.6 Policy intervention

Associations range from being autonomous and independent of public funding and control, to being initiated and run by public bodies, and some may well evolve between these states over time according to circumstances. Although Bennett (1998) cites their ability to respond to government interventions as a key determinant of success, associations can also resist government assistance, preferring to protect their autonomy. Based on the experience of Italian industrial districts (Putnam 1993, Rosenfeld 1996), public bodies in European countries have often implemented network stimulation programmes (Besser and Miller 2010a, Rosenfeld 1996, 2001). This has resulted in an increase of business networks within rural communities in the past 20 years (Ring *et al.* 2009).

Business networks are of interest to policy makers as potentially *''blueprints'' for economic success'* (Huggins 2000:112). The role of public interventions can be to aid start-up, facilitate knowledge transfer and limit the opportunistic behaviour of free riders, thus balancing co-operative and competitive behaviours (Huggins 2000). Collective action theories (Harding 1983, Olson 1971, Ostrom 1998) would suggest these 'stimulated networks' are created to solve a problem that may not clearly be in the individual interest, but which is a collective concern, such as addressing market failure or the provision of public goals.

The type of intervention is also relevant and Arnstein's classic ladder of participation (1969) is illustrative of the levels of participation inherent within policy intervention. Highlighting that *'participation without redistribution of power is an empty and frustrating process for the powerless'* (1969:216) Arnstein describes stages of participation involving non-participation, tokenism and stages where the actors have actual power. The non-participatory stages are there solely to enable power holders *'to "educate" or "cure" the participants'* (1969:216). The token stages are there to allow actors to have a voice and be heard, but they do not have the power to ensure that their views are heeded. The final stages describe levels of power where actors may have some real power over the outcomes. Thus partnering may relate to actual citizen power, ranging from having a voice and being heard; to token participation, with prescriptions of advice designed to educate or cure the actor; to non participation, resulting in frustration for participants.

Public bodies may subsidise business associations through funding or other support (for instance giving administrative assistance), or they may themselves initiate associations. Rural associations have often been subsidised in an attempt to overcome market failure and encourage economic development, however such subsidies have had an unknown impact according to some (Besser and Miller 2010a). Associations have suffered from the short lived character of funding schemes. Laschewski *et al.* (2002) also suggest that efforts by public bodies to encourage or develop local cooperation may not be simple:

> *The attempt to establish institutions that reflect local businesses is confronted by a disparate community and the challenge of fostering a common identity or coalitions among dominant groups … Crucial issues [are] the identification of existing dominant groups and actors, the positioning of the newly formed network alongside or within such groups, the management and inclusion of diverse business interests and the balancing of developmental objectives with local concerns*
> (Laschewski *et al.* 2001:30)

External intervention can also affect the internal control structure of networks due to the increased complexity of holding a link with an external public body with its own complex organisational structures and aims. Challenges are likely to be magnified where a public body seeks to exercise its own statutory duties for transparency and value for

money, with associated protocols and reporting processes. Indeed, Laschewski *et al.* (2001) suggest that to gain funds or political influence, an association will be required to introduce formal organisational structures or extend membership so that it becomes more representative. They go on to suggest that this may be a '*double-edged sword*' (2001:24) resulting in the dilution of the specific objectives of the original initiators and members of the network. From this perspective, formalisation to become a '*public club*' (2001:24) will often change the objectives of an association. Interestingly, Parker makes the observation that '*attempts by "outside" agencies to foster and grow networks should avoid interference which can destabilise and inadvertently destroy these potentially valuable organisations*' (2008:628).

Public bodies may seek to develop new business associations from scratch. This may be due to market failure or it may be due to an inability to engage with existing business groups (CA 2004a, ONE 2009). However, in applying a resource view to networks, Gulati et al. (2000:207) suggest that networks are themselves of '*inimitable and non-substitutable value*' (2000:207). When a competing network is set up the availability of a substitute will correspondingly diminish the value of the other, potentially threatening the existence of a private sector organisation that has been self-sustaining for several decades. Indeed in a historic analysis of urban local Chambers of Commerce, Bennett (2007) suggests that when the UK Government set up the Training and Enterprise Councils (TECs) and Business Link in the 1990s this caused '*considerable instability*,' with many Chambers experiencing high levels of membership loss. Intervention by public bodies appears a difficult balance that may help boost the association performance or destabilise it.

4.7 Leadership

Leadership is identified in the literature as a key driver of performance in collective behaviour (Linares 2004). A leader may be either formally designated as a full-time, part-time or voluntary Chair, or an informal '*natural leader*' (Colomer 1995). In either case, the leader will be '*dedicated to the … Association*' (Linares 2004:464). According to Huggins:

Within inter-firm networks there is a crucial need to engage the right individuals, who are vested with a significant degree of personal autonomy

and authority, and have the capacity to develop trustworthy relationships

(Huggins 1998:148).

The literature draws attention to the typical characteristics of association leaders. They are described as persons holding high reserves of social capital (Lin 2001). Traditionally, leaders from within the business community have tended to be those with higher educational levels, and from certain professions, such as accountants or lawyers, or persons holding local positions in the community, such as local councillors.

In the context of business associations, Olson refers to the role of the 'political entrepreneur (1971:175). A political entrepreneur is a leader that helps a group gain a collective good. Groups may not obtain an optimal collective good due to the cost of internal bargaining and conflict, but an entrepreneur who is either trusted or feared can help bypass these costs by imposing order or providing a focal point for the group (Schelling 1960). Rosenfeld, for example, found that leaders in the shape of network brokers were key to success, with '*clear goals*' sustaining ongoing projects (Rosenfeld 1996:251). By improving the success of collective good provision, the leader also gains by ensuring that a benefit is delivered and by taking a share (Olson 1971).

Burt introduces the notion of the network entrepreneur, as '*a person who adds value by brokering connections between others*' (2005:18). The entrepreneur is the broker who controls the linkages between social networks, negotiates the best terms by forging ties, and acts as a generator of relations. Huggins (1998) found that the most effective brokers are those that can develop bonds of trust informally with others, a basis for effective formal interaction. Association leaders also play a pivotal role in advocating the status and trustworthiness of other members and in the creation and maintenance of clear association goals. Having input more energy and resources than the general membership, they are likely to have a higher intensity of interest in the benefits sought and the success of the association, with potentially greater costs to recoup. Effective leadership may improve the performance of the association by clarifying goals and by brokering connections between members and between other organisations.

4.8 Organisational ties and openness to ideas

Network and association performance is also related to the extent to which they are linked to extra local resources and networks, and are receptive to new ideas. Strong ties may well generate social capital and trust (Coleman 1988) and hold groups together (Granovetter 1973). However, in the absence of 'extra-local' connections (Ray 2001) and deprived of new stimulus, these closed networks may also suffer from atrophy (Uzzi 1996, Oinas 1997). Burt (2005) argues that where actors can cross 'structural holes' between networks otherwise not connected, this can result in benefits to the actor and to the co-joined networks. Without these weak ties to other networks (Granovetter 1973), then a network may remain marginalised and suffer from 'in-betweeness' (Herrschel 2010) where they remain peripheral to the local and regional institutional infrastructure. Thus, the range of other networks and organisations that a business association is connected to may be an important factor in its relative performance.

The degree to which associations are open to new ideas and processes is also important. A network can be very dense and exist where there is a substantial level of 'institutional thickness' (Amin and Thrift 1995). However, it may also be closed off to new ideas, or suffer from member apathy or inertia. A lack of connections, Atterton suggests may lead to lock-in and '*a lack of openness to different information*' (2007:240, see also Ring *et al.* 2009). Alternatively, members of associations may be inexperienced or have insufficient knowledge to recognise an opportunity. Some associations have benefited from having in-migrants among the membership. In-migrants have been reported as being a 'pre-requisite' for rural development (Stockdale 2006), bringing vital skills, experience and networks, and can have the effect of encouraging associations to be more receptive to ideas and opportunities (Kalantaridis and Bika 2006a, Kirzner 1979, Shane 2003). Whether receptivity to new ideas is heightened by in-migrant members or lowered by an apathetic membership, it would appear an important factor in association performance.

4.9 Summary

Initially the purpose of the local business association was explored, and according to the literature this may be multi-faceted, reflecting the varying and changing motivations of members. However, in terms of the costs and benefits members receive, some key determinants of performance were drawn from the literature.

The structure of the organisation may affect the performance. According to transaction cost theories, the way the association is organised may reduce the costs of members by providing a more efficient access to resources (Dyer 1997, North 1986, Park 1996, Williamson 1975). Where relationships between members need to be built, a less formal association may contribute more to performance, whilst within a more complex environment, a more formal association may provide a more stable basis for performance (Farrell and Knight 2003, Huggins 2000, Inkpen and Tsang 2005).

The literature suggests that a larger group size may run into a problem with free riders, limiting the collective benefits that can be gained. This is surmountable by the provision of selective services, or by keeping group size small enough for social pressure to prevent free riding behaviour (Olson 1971, Sandler and Tschirhart 1980). This may be less of a problem in rural areas with their lower business densities, as they may be smaller and avoid the collective action problem. However, given the sparser populations, they may not have access to enough businesses to achieve a critical mass (Phillipson et al. 2006, Udehn 1993).

Homogeneity between members may have the effect of increasing commonalities and making larger associations behave like smaller associations (Baland and Platteau 1996). This may be especially so within business sectors, sharing characteristics, motivations and needs (Bennett 1996, 1998, Besser and Miller 2010a, Hanna and Walsh 2002, Huggins 1998, Phillipson et al. 2006). However, constraining norms can lead to inflexibility (Atterton 2007) and pressure to conform to uncompetitive routines (Jack and Anderson 2002).

Trust appears critical to ideas of cooperation and in facilitating exchange (Iyer et al. 2005). Generalised trust between local businesses may define legitimate behaviour (Abercrombie et al. 2000, Baland and Platteau 1996, Mistzal 1996) and this may vary between communities (Atterton 2007, Lorenzen 2007, Young 2010). Cooperative trust

between members may provide an efficient mechanism for exchange (Coleman 1988), leading to a decrease in coordination and behaviour monitoring costs (Dyer 1997).

Many local business associations have been around for a long time and their longevity may well be a mark of their success. However, they have become destabilised in recent decades as a result of industrial restructuring and socio-economic changes (Bennett 2007). Whilst this has been seen as *de facto* proof of an ongoing contribution (Green *et al.* 2008, Rosenfeld 1996) the age of these associations may lock them into a path dependency, where the structures that led to efficiencies in the past, become barriers to their continued performance (Bennett and Ramsden 2007, Phillipson *et al.* 2002).

Public bodies are interested in rural business networks as they believe that they have positive economic development outcomes through addressing market failures and providing public goods (Besser and Miller 2010a, Harding 1983, Olson 1971, Ostrom 1998, Rosenfeld 1996, 2001). They may therefore intervene to aid start-up, facilitate knowledge transfer or limit the opportunistic behaviour of free riders, balancing cooperative and competitive behaviours (Huggins 2000). Such interventions may have a negative impact on performance due to an increase in competition between associations, the increased complexity added to an associations' organisational structure, changing objectives and a challenge to the autonomy of members (Bennett 2007, Gulati *et al.* 2000, Laschewski *et al.* 2001, Parker 2008).

Effective leadership is identified in the literature as a key driver of performance in collective behaviour (Linares 2004). They may have high reserves of social capital (Lin 2001) and have traditionally been sourced from certain professions, such as accountants, lawyers, or positions in the community, such as councillors. They may contribute to performance by clarifying the goals of the associations (Olson 1971, Rosenfeld 1996, Schelling 1960) and by brokering connections between members and other organisations (Huggins 1998, Burt 2005).

The extent of linkages to extra-local resources and networks, and the level of receptivity to new ideas may also drive performance. Without extra-local ties connecting the association to exogenous resources, then deprived of a new stimulus they may become stagnant (Coleman 1988, Granovetter 1973, Oinas 1997, Ray 2001, Uzzi 1996). However, even with these links, a lack of openness to ideas, due to member apathy or inertia, may also lead to lock-in (Atterton 2007, Ring *et al.* 2009),

although the presence of in-migrants amongst the membership may mitigate this somewhat (Kalantaridis and Bika 2006, Kirzner 1979, Shane 2003).

The above factors may determine the level of performance experienced by members in gaining the benefits they seek. However, the relative importance of each factor is not currently known. Having reviewed the relevant existing research the next chapter draws together the conceptual framework for the research. The key hypotheses are identified and research design introduced.

~Chapter 5~

Research questions and methodology

5.0 Introduction

The literature review in Chapter 2 examined the service role of market towns. Chapter 3 examined the potential socio-economic contribution of local business associations and in Chapter 4 the factors that may impact upon the performance of member businesses were explored. This chapter forms a bridge between the research aims, literature review, and approach to the methodology and fieldwork.

The research aims were identified in Chapter 1 as being:

A. to identify the socio-economic costs and benefits that local business associations bring to their members;

B. to measure the structural determinants of performance of local business associations, and;

C. to analyse the degree to which local business associations contribute to maintaining and developing the economic and social functions of the market towns they serve.

There appears to be only a limited understanding to date of the actual impact of business associations on individual members and upon the market towns upon which they are focused. This chapter therefore sets out some emerging key hypotheses from the literature review to be further tested in the research. This is followed by a presentation of the research methodology, key research methods and the sampling frame. Next an implementation section describes how the fieldwork was conducted, including how associations were accessed and the administration of a large scale survey. Finally, the analysis methods used in subsequent chapters are briefly introduced.

5.1 Aim: To identify the socio-economic costs and benefits that local business associations bring to their members

Business networks are promoted as a useful focus for rural development (Besser and Miller 2010a, Murdoch 2000, Phillipson *et al.* 2006, Ring *et al. 2009*). The resource based view of the firm theorises how networks may allow businesses access to resources and information (Barney 1991, Gulati *et al.* 2000, Park 1996, Stigler 1961) and reduce costs (Coase 1960, Parker 2008, Williamson 1975). The rural development literature parallels this research, seeing networks as a mechanism that may overcome the additional costs posed by a rural location, offering access to resources, information, innovation and learning (Murdoch 2000, Parker 2008, Ring *et al.* 2009). Since these networks are expected to benefit members, then members should be quantifiably different to non-members in terms of their performance, access to resources, costs or characteristics. Hence:

Hypothesis 1: Association members are different to non members

Of course, this does not simply refer only to identifiable economic differences, since businesses have different needs then factors such as size, sector and mobility are expected to be relevant also. The literature shows that the costs and benefits that networks may provide are a complex mix of the economic (Olson 1971, Park 1996, Williamson 1975) and social (Atterton 2007, Granovetter 1973, 1985, Jack and Anderson 2003, Polanyi 2001 [1944]) and this research explicitly aims to discover which costs and benefits are most relevant to members. A resource based view would suggest that these costs and benefits sought by members are also determined by their personal and business characteristics. Hence:

Hypothesis 2: The benefits sought by a member are determined by their personal and business characteristics.

Because of the complex differences between members, some asymmetry of benefits is expected between individuals. The literature suggests that this will be particularly significant between certain internal groups. For instance, long term members or those that help with association organisation are likely to share higher levels of benefit (Coleman 1998, Huggins 2000). It may also be the case that due to their experience,

education and networks, in-migrants may be better placed to gain more from membership than locals. Hence:

Hypothesis 3: The distribution of benefits and costs is not evenly spread between association members.

5.2 Aim: To measure the structural determinants of performance of local business associations

The ability of associations to generate benefits for members will be affected by local and extra-local factors relating to the business community and the association itself. Extra-local factors such as ties to external networks (Atterton 2007, Granovetter 1973) and the interventions of public bodies (Bennett 1998, Huggins 2000, Lashchewski *et al.* 2001, Ostrom 1998) may affect success. Within the community, factors such as norms of trust and co-operation (Baland and Platteau 1996, Elster 1989, Misztal 1996) may also affect the accumulation of benefits. These same factors may modify the group dynamic within the association. Internal factors highlighted by collective action theories as determining the performance of business associations include: group size (Bennett 1996, 1997, Oliver and Marwell 1988, Olson 1971), homogeneity (Baland and Platteau 1996, Poteete and Ostrom, 2004) and leadership (Burt *et al.* 1998, Colomer 1995, Huggins 1998, Linnares 2004, Olson 1971). The complex interplay between these factors will mean that some are more significant that others in leading to the improved performance of member businesses. Hence:

Hypothesis 4: Structural factors are significant determinants of association performance

5.3 Aim: To analyse the degree to which local business associations contribute to maintaining and developing the economic and social functions of the market towns they serve

59

Business associations have mainly been examined thus far, principally in their role in potentially benefiting individual firms. However, it has been argued that networks may have benefits that spill-over into the community, resulting in economic and social development (Huggins 2000, Phillipson *et al.* 2006, Ring *et al.* 2009). This may be both due to the aggregation of individuals' benefits and as a separate effect. Parallel literatures report these spill-over effects from business networks. The industrial districts literature report untraded interdependencies (Piore and Sabel 1984, Storper 1995), whilst the place management (Warnaby *et al.* 1998) and policy literature has recognised the contribution of formal place management initiatives, such as business improvement districts, to the towns they are located in (PIU 1999, DETR 2000). It has been suggested that informal place management approaches may also have an effect, and this research examines the proposition that local business associations may benefit the market town and district both economically and socially. This leads to two hypotheses:

Hypothesis 5: Business associations contribute to the economic function of market towns, and

Hypothesis 6: Business associations contribute to the social function of market towns.

5.4 The North East region of England

Prior to a discussion of the methodology, this section briefly outlines the regional context of the research. The North East has an economy that performs poorer than the other regions of England, with the lowest levels of gross household income, Gross Value Added (a measure of productivity) and businesses per head of population (NERIP 2010). In 2008 the population of the region was 2.6 million, being the lowest and most slowly growing regional population.

The North East had the second highest rate of economic inactivity with 24% of the working age population not in work. Approximately 80% of the region is rural (ONE 2009) according to the Rural-Urban settlement classification (DEFRA 2004) and 20% of the population live in rural areas. Rural businesses generate 25% of the regions Gross Value Added (ONE 2009) and whilst similar in sector mix to urban areas, 88% are sole traders or micro-businesses (Atterton and Affleck 2010).

Figure 5.1   Rural typology of the North East of England
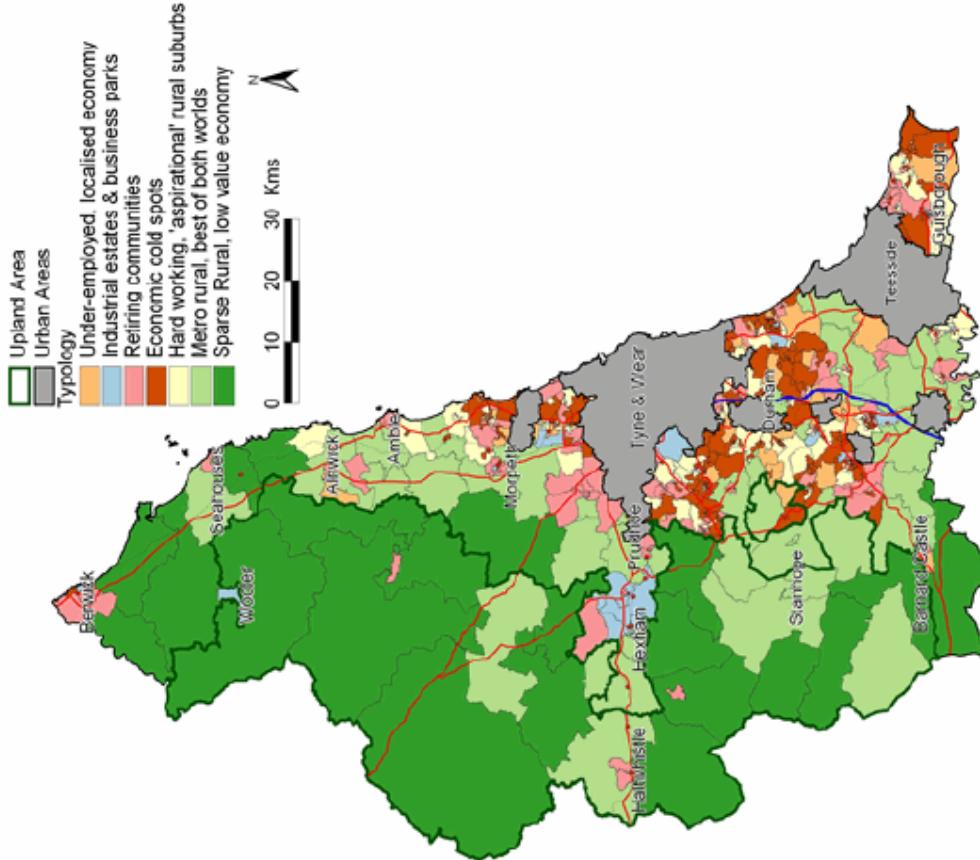
ONE (2009:9)

The rural areas of the region are not all of the same character and Figure 5.1 illustrates this using a rural typology developed for the region (ONE 2009). This was developed using factor analysis to identify relationships between indicators sourced from nationally available datasets (such as the 2001 Census, Annual Business Inquiry 2008, Index of Multiple Deprivation). Whilst the analysis goes into considerable detail regarding the typologies listed in the figure, its usage here is to illustrate that different parts of the region differ in character.

The rural north of the region has low population density and reflects an agrarian legacy. Remoteness means that access to services is lower than more connected areas and low wages and patterns of commuting from the conurbation means that the affordability of housing is low (ONE 2009).

The rural west is better connected and Figure 5.1 clearly shows a corridor that is located around major road networks running between Newcastle in the east and this continues across to Carlisle in the North West. This is primarily characterised in the figure as 'Metro rural' having high levels of relatively long distance commuting and high rates of high level skills (ONE 2009:31). Proximity and accessibility to the conurbation means that access to services is good.

The rural east is proximate to the conurbation and is more densely populated. Much of it is characterised by post-industrial and former coalfield settlements. These are amongst the most economically deprived areas of the rural region (ONE 2009:30). The picture here is of low skill levels and limited local employment opportunities.

Table 5.1   Research aims and hypotheses

Aim A	To identify the socio-economic costs and benefits that local business associations bring to their members
Hyp. 1	Association members are different to non members.
Hyp. 2	The benefits sought by a member are determined by their personal and business characteristics.
Hyp. 3	The distribution of benefits and costs is not evenly spread between association members.
Aim B	To measure the structural determinants of performance of local business associations.
Hyp. 4	Structural factors are significant determinants of association performance
Aim C	To analyse the degree to which local business associations contribute to maintaining and developing the economic and social functions of the market towns they serve.
Hyp. 5	Business associations contribute to the economic function of market towns
Hyp. 6	Business associations contribute to the social function of market towns.

5.5 Methodology

Given a gap in research relating to local business associations an exploratory approach is the obvious starting point in considering the research strategy. Qualitative methods offer many advantages in exploratory approaches, where methods such as participant observation and ethnography have an ability to generate and capture large amounts of detailed and in depth data. However, a detailed exploratory approach would not be appropriate here. There exists much literature which appears relevant, particularly collective action and social network theory, but this has not been applied in this context. Detailed exploratory research would run the risk of generating particular cases which would not provide a connection to this existing literature and would limit the ability to make general claims about local business associations. The research aims are better answered by testing the relevance of this 'parallel' literature. Quantitative methods, such as surveys, are typically used in research with a theory testing orientation. This thesis is exploratory but acknowledges the contribution of the existing literature and attempts to contextualise local business associations whilst testing their fit with existing theoretical frameworks. As such a quantitative approach is appropriate, with its ability to gather a broad range of data, evidenced by existing research, test hypotheses and make general claims regarding the results.

To explore the hypotheses (see Table 5.1) and underlying research questions the research methodology was based upon the design and implementation of a large scale survey of members of business associations. This was supplemented by interviews with associations leaders to gather association level data and broaden the analysis as well as engagement in a secondary analysis of a third party rural business survey.

5.5.1 The business association survey

Whilst the third party rural business survey provided a useful source of demographic data and business characteristics on members and non members, a new primary survey was necessary to examine aspects and benefits of membership. As such a new survey was designed for the members of rural business associations.

The survey aimed to elicit data for subsequent analysis and asked a mixture of closed and open questions. Closed questions were phrased to elicit reliable and consistent responses and allow comparison between respondents (Fowler 2002). Every effort

was made to produce questions with single meanings. Open questions were presented as an opportunity for respondents to express their own thoughts and ideas and were used to explore areas further (Fowler 1995).

To reduce the burden on the respondent, a Likert scale was used where possible, using a numerical scale between 1 and 5 (or -2 and +2) to indicate agreement or disagreement with certain statements. The flow of the questionnaire was designed to follow a logical sequence that stimulated recall where relevant (Fowler 1995). For example, the costs and benefits of membership were asked prior to the respondent being asked to estimate the association value.

To reduce respondent burden, questions were cross referenced for relevance with the hypotheses and where not directly relevant, they were removed. The final questionnaire was 8 pages long (an optimum length for business respondents according to Tarnai and Paxson 2004) and the flow, readability and exclusivity of meaning were all tested with peers and through academic focus groups, going through 15 iterations before being piloted with 56 members of two associations. This led to the modification of two questions which were difficult for respondents to answer. An A4 booklet format was chosen to further enhance the professional appearance of the questionnaire and the final version took approximately 15 to 20 minutes to complete. The final questionnaire is given in Appendix C.

The questionnaire comprised of the following sections:

1) The association;
2) Local issues;
3) Links to public bodies;
4) Costs of membership;
5) Membership benefits;
6) Personal information;
7) The business; and,
8) Business finances.

1. The association

The first section of the survey aimed to draw in the respondent and encourage them to complete the full questionnaire and it was therefore important to start off with questions that were explicitly about the association. This section sought information on the year they joined, what they believed the most important purpose of the association to be, and elicited responses to various factors by the questions shown in Box 5.1.

Here a 5-point Likert scale was used to indicate agreement or disagreement with the statements. The statements related to structural factors discussed in Chapter 4 and, in combination with data on group size, homogeneity and age they could be used to assess performance. To this end, the last question in the group elicited a response for overall satisfaction with the association.

Box 5.1   Statements regarding association structural factors

1.4   Can you indicate the extent you agree or disagree with the following statements

1=Strongly disagree   5=Strongly agree

		1	2	3	4	5
a.	The association has effective leadership	1	2	3	4	5
b.	The association represents the interests of all local businesses	1	2	3	4	5
c.	The benefits of membership are fairly spread across the membership	1	2	3	4	5
d.	The association has poor links to other organisations	1	2	3	4	5
e.	The association is very formal	1	2	3	4	5
f.	The association is closed to new ideas and approaches	1	2	3	4	5
g.	Other members of the association are key competitors	1	2	3	4	5
h.	The local business environment is extremely competitive	1	2	3	4	5
i.	My business is threatened by local developments	1	2	3	4	5
j.	Relationships between local businesses are very close and trusting	1	2	3	4	5
k.	Relationships between members of the association are very close and trusting	1	2	3	4	5
l.	I am very satisfied with membership of the association	1	2	3	4	5

2. Local issues

This section sought to gather data on the perceived contribution made by the association towards the collective benefits identified with place improvement schemes (see Chapter 2 and 3) and Box 5.2 describes these factors. Here a 5-point Likert scale was used to indicate the level of perceived contribution, ranging from none through to a major contribution. It was also important to specify a time-frame for contributions within the questionnaire and a 12 month band was chosen as one that allowed a reasonable recall of events.

Box 5.2   Association contribution towards local issues

2.1 **To what extent do you believe the association has contributed towards the following during the past 12 months?**

1=No contribution   5=Major contribution

		1	2	3	4	5
a.	The improvement of public parking	1	2	3	4	5
b.	The preservation of historic and cultural assets	1	2	3	4	5
c.	The maintenance and development of local businesses	1	2	3	4	5
d.	The improvement of the local physical environment	1	2	3	4	5
e.	Attracting funding for local initiatives	1	2	3	4	5
f.	A reduction in crime	1	2	3	4	5

3. Links to public bodies

The intervention by public bodies was described in Chapter 4 as having the potential to influence association performance. As well as subsidising or partnering with the association, other forms of intervention were discussed and the questions shown in Box 5.3 aimed to elicit opinions as to how successful interventions were. A 5-point Likert scale was used to measure the level of success.

<u>Box 5.3   Success of interventions by public bodies</u>

3.1   To what extent are public bodies successful in:

		1=Not successful				5=Very successful
a.	Using the association to provide information on new legislation or policies (e.g. *Health & Safety, etc.*)	1	2	3	4	5
b.	Listening and responding to the needs of business through the association	1	2	3	4	5
c.	Signposting access to business support or advice through the association	1	2	3	4	5
d.	Working as a partner of the association to achieve local objectives	1	2	3	4	5
e.	Supporting the running of the association	1	2	3	4	5

The questions in Box 5.4 attempted to measure whether various levels of public body had perceived positive or negative impacts on the association. A 5-Point Likert scale measured any positive, neutral or negative impact made.

<u>Box 5.4   Impact by level of public body intervening</u>

3.2   What impact do you believe the following public bodies have on the association?

		-2=Negative impact			+2=Positive impact	
a.	The town or parish council	-2	-1	0	+1	+2
b.	The district or county council	-2	-1	0	+1	+2
c.	The Regional Development Agency (e.g. *ONE North East*)	-2	-1	0	+1	+2
d.	Central Government	-2	-1	0	+1	+2
e.	Business Link	-2	-1	0	+1	+2
f.	Other relevant public / semi-public bodies (Please specify):	-2	-1	0	+1	+2

4. Costs of membership

This section aimed to record the various costs of membership, be they financial, temporal or 'other' costs and Box 5.5 describes the questions asked.

<u>Box 5.5   Costs incurred from membership</u>

4.1   Please estimate any financial costs incurred by your business over the past 12 months for the following:

a.   Annual subscription to the association   £_____ / Don't know

b.   Costs of any training provided by the association   £_____ / Don't know

b.   Costs of travel to and from association events and meetings   £_____ / Don't know

c.   Other financial costs arising through membership (please specify):   £_____ / Don't know
(E.g. Donations, advertising, web-site, etc.)

_____

4.2   Indicate the total number of association meetings attended by you, or representatives of your business, in the past 12 months.   _____ Meetings

4.3   Including you, how many representatives of your business generally attend association meetings?   _____ People

4.4   Excluding meetings, please estimate the total amount of time given by you, or representatives of your business, to other association activities in the past 12 months. *This could include travel, volunteering and training time etc.*   _____ Hours

Annual subscription was known from leadership interviews, but it was included to ensure that respondents considered all of their costs and benefits prior to a subsequent valuation question. Assessing the time costs of meetings was potentially problematic in that attempts to record meetings attended and the number of meetings *per person* could be subject to recall problems. To bypass this and avoid a potentially complex and confusing question, question 4.3 asked the respondent how may business representatives *generally* attended meetings. This was believed to be a less onerous question to answer, albeit with the potential to introduce some inaccuracy.

5. Membership benefits

As described in Chapter 3, members are expected to gain various benefits as a result of membership, some of which can be measured directly and others which are more subjective. This section attempted to capture these benefits and the overall value of membership. Box 5.6 describes the questions that attempt to capture directly measurable benefits, such as customers and suppliers gained, contacts met and financial gains accrued. In order to reduce the response burden and in contrast with other questions, 5.1, 5.2 and 5.3 explicitly asked about benefits accrued *since* joining. This also allows for an analysis of lifetime benefits gained through membership.

Box 5.6   Directly measurable benefits

5.0   Membership benefits

Since *joining*, can you estimate:

5.1   The number of new customers you have met through the association?   _____ / Don't know
(Either directly or indirectly through referral)

5.2   The number of new suppliers you have met through the association   _____ / Don't know

5.3   The number of other useful contacts you have met through the association?   _____ / Don't know

5.5   **Please estimate any financial gains to your business over the past 12 months that have occurred as a result of membership. Indicate the cause of the gain, followed by the amount:**

_____   £ _____ / Don't know

Businesses may find certain benefits very relevant and seek them out through business associations; however they may not necessarily be satisfied with their provision. The question in Box 5.7 is composed of two parts, attempting to measure, a. the relevance of, and b. the satisfaction with, provision of various key benefits identified in Chapter 3. Relevance was measured on a 5-point Likert scale from not relevant through to very relevant and satisfaction was measured on a scale from very dissatisfied through to very satisfied.

Box 5.7   Relevance of and satisfaction with a bundle of benefits

5.4	Below is a list of benefits that business associations provide to their members.	How relevant is each to your business needs? (1=Not relevant to business, 5=Very relevant to business)					How satisfied were you with their provision in the last 12 months? (1=Very dissatisfied 5=Very satisfied)				
a.	A collective voice	1	2	3	4	5	1	2	3	4	5
b.	A contact network	1	2	3	4	5	1	2	3	4	5
c.	New customer contacts	1	2	3	4	5	1	2	3	4	5
d.	Access to local knowledge	1	2	3	4	5	1	2	3	4	5
e.	Peer support	1	2	3	4	5	1	2	3	4	5
f.	Reduction of isolation	1	2	3	4	5	1	2	3	4	5
g.	Exchange of general information	1	2	3	4	5	1	2	3	4	5
h.	An opportunity to socialise	1	2	3	4	5	1	2	3	4	5
i.	A sounding board for ideas, issues and problems	1	2	3	4	5	1	2	3	4	5
j.	An improved reputation	1	2	3	4	5	1	2	3	4	5
h.	Greater visibility to customers	1	2	3	4	5	1	2	3	4	5

The questions in Box 5.8 attempted to measure perceived impact of membership on business performance, personal development and economically and socially on the market town and hinterland. Past and future contributions are measured. These use a 5-point Likert scale to indicate whether the respondent agrees or disagrees with the statement.

Box 5.8   Relevance of and satisfaction with a bundle of benefits

5.7	Since joining, membership of the association has …	-2=Strongly disagree +2=Strongly agree				
a.	Improved the business performance	-2	-1	0	+1	+2
b.	Helped my personal development	-2	-1	0	+1	+2
c.	Contributed to the economic viability of Barnard Castle and the surrounding area	-2	-1	0	+1	+2
d.	Contributed to the social and community vitality of Barnard Castle and the surrounding area	-2	-1	0	+1	+2

5.8	In the next 12 months, I expect that membership of the association will …	-2=Strongly disagree +2=Strongly agree				
a.	Improve the business performance	-2	-1	0	+1	+2
b.	Help my personal development	-2	-1	0	+1	+2
c.	Contribute to the economic viability of Barnard Castle and the surrounding area	-2	-1	0	+1	+2
d.	Contribute to the social and community vitality of Barnard Castle and the surrounding area	-2	-1	0	+1	+2

In order to place an overall financial value on the association, the subscription cost alone was potentially an undervaluation; a contribution towards costs rather than a reflection of market value. The question in Box 5.9 attempted to reflect market value by using contingent valuation. At this point in the questionnaire, all of the costs and benefits of membership have been consciously thought about and evaluated. With these costs and benefits in mind a fictitious, but possible, scenario was presented, making a rational judgement of payment more likely.

Box 5.9   Willingness-to-pay to keep the costs and benefits

5.9   **We would like to estimate how much the association is worth to your business and local community.**

Imagine a hypothetical situation in which the association must close. If the association could be saved by increasing the membership subscription, what is the maximum that you would be willing to pay to keep the business and community benefits that you have identified?

This is a fictitious scenario which will not be used to alter annual subscription.   £ _____

However, the values expressed by members may be limited for various reasons relating for example to their ability to pay or the substitutability of benefits elsewhere, and the question in Box 5.10 attempted to provide some validation data for willingness-to-pay.

Box 5.10   Validating willingness-to-pay

5.10   **If you were *not* willing to pay to save the association, please tick your main reason and second reason for this response.**

	Main reason	Second reason
a. I cannot afford to pay more	☐	☐
b. I contribute in other ways	☐	☐
c. I can get the same benefits elsewhere	☐	☐
d. The benefits I receive are not worth the extra cost	☐	☐
e. I expect others will pay to save it	☐	☐
f. I do not expect to be a member next year	☐	☐

6. Personal information

This section attempts to capture various demographic data and to allow a comparison of results with the third party rural business survey. Questions relate to gender, age, education and previous employment. Box 5.11 describes questions relating to connectivity and mobility.

<u>Box 5.11   Connectivity and mobility questions</u>

6.6   **How many *other* associations, clubs or forums are you a member of in your capacity as a business person?**
These may be local, regional or national.   _____ associations

6.7   **How many miles away is the business from your home?**
(0 will indicate a home based business)   _____ miles

6.8   **If you answered less than 30 miles above, when did you start living in this local area?**

1. Lived here since a child   ☐
2. Grew up here and returned later in life   ☐
3. Moved here as an adult   ☐

7. The business

This section attempts to capture respondent position, business activity, employees, age of business, current stage of the business life-cycle, strategic direction and the proportion of purchases that took place within the local area.

8. Business finances

Sensitive information, such as the finances of the business can reduce questionnaire completion rates. In order to mitigate this, business finance questions were placed at the end of the questionnaire with a statement of confidentiality. This provided a natural stopping point if the respondent was uncomfortable providing the data, without interrupting the flow or completion. Box 5.12 sets out the financial questions. These were kept intentionally similar to the financial questions from the third party rural business survey to enable comparison.

Box 5.12   Sensitive financial questions

8.0   The following, final questions relate to the business finances. Please only complete these if you are in a position to know these figures. Answers will be used in determining the type of businesses that find association membership useful and *will only be used for the purpose of this research.* At no time will individual firms be identifiable.

8.2   Over the last five years have your profits: *Please tick one box only*

1.   Increased   ☐   2.   Decreased   ☐   3.   Stayed the same   ☐

8.3   What is the average annual turnover of the business? *Please tick one box only*

1.   Below £9,999   5.   £100,000 to £249,999
2.   £10,000 to £39,999   6.   £250,000 to £499,999
3.   £40,000 to £66,999   7.   £500,000 to £999,999
4.   £67,000 to £99,999   8.   £1m or more

☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐

8.4   Please indicate the average annual profits of the business by ticking one of the ranges below:

1.   Less than or equal to 0% of turnover (i.e. a loss or break even)
2.   Above 0% and up to 1% of turnover
3.   Above 1% and up to 5% of turnover
4.   Above 5% and up to 10% of turnover
5.   Above 10% of turnover

☐ ☐ ☐ ☐ ☐

   If over 10% please specify the percentage: _____ %

9.   Further comments

Finally, the opportunity was given for respondents to add any further comments regarding the business association that they felt were important, but which they had not been able to address within the confines of the questionnaire. This was followed by a message of thanks and a reminder to return the questionnaire using the stamped addressed envelope provided. The researcher contact details were also provided in case respondents had any further queries.

5.5.2 Constructing a sample frame

Business associations were selected according to two key structural factors that are highlighted in the literature as affecting success: group size and homogeneity. A separation between small and large groups was identified empirically and this fell into group sizes ranging from 14 to 51 (small associations) and 65 to 159 (large associations). Given an expected relative homogeneity of business size by employment, with some 88% of rural businesses micro-businesses (Atterton and Affleck 2010), the homogeneity criterion was focused upon differences in business sector. Groups were either naturally homogenous to tourism or retail, or a heterogeneous mixture of sectors. As Figure 5.2 illustrates associations were selected as either: homogenous small, homogenous large, heterogeneous small or heterogeneous large.

Figure 5.2   Sample frame

	Small	Large
Many	Small size with heterogeneous sectors	Large size with heterogeneous sectors
Few	Small size with homogenous sectors	Large size with homogenous sectors

Number of sectors represented

Size of membership

In order to achieve a balance within this frame and given low numbers within small associations, it was decided to perform a census of all association members rather than a sample. As a result, all the members of the selected associations were offered the opportunity to return the questionnaire. In addition, only associations oriented around rural service centres and / or districts were considered. Geographically these were loosely based within the boundaries of the collaborative partner, the Regional

Development Agency, although lower representation by homogenous small and heterogeneous large associations meant that some were recruited from just outside these boundaries.

5.5.3 *The third party rural business survey*

In 2009 the Centre for Rural Economy at Newcastle University conducted a rural business survey within the North East of England. This sought to explore current business issues and changes since a similar survey 10 years earlier. Questionnaires were posted to 10,000 businesses located in rural areas[5] and market towns and this resulted in 957 usable responses (Atterton and Affleck 2010).

The survey administrators kindly agreed to insert the question: 'Are you a member of a local business association or network?' within the survey. Where respondents answered yes, they were also asked the name of the association. Out of 830 respondents that gave usable answers to the membership question, 46.5% were members of business associations (such as the Federation of Small Business or the Road Haulage Association) and 10% (83 respondents) were members of *local* business associations (such as the Alnwick Tourism Association or Rothbury Business Club).

5.6 Research implementation

Having described the methods used to gather the necessary data, the process of undertaking the interviews and the business association survey is explained in the following section.

5.6.1 *Identifying associations*

Associations were identified by a variety of methods. Initially a focus group was held with regional market town coordinators that had been involved in the Market Town Initiative and they passed on the details of some associations. The collaborative

---

[5] According to the DEFRA (2004) Rural-Urban classification

partner One North East was also helpful in identifying local contacts, typically in development trusts and local councils, who in turn signposted associations. Finally both searches of the press and the internet were used to identify associations.

Figure 5.3   The location of the business associations studied
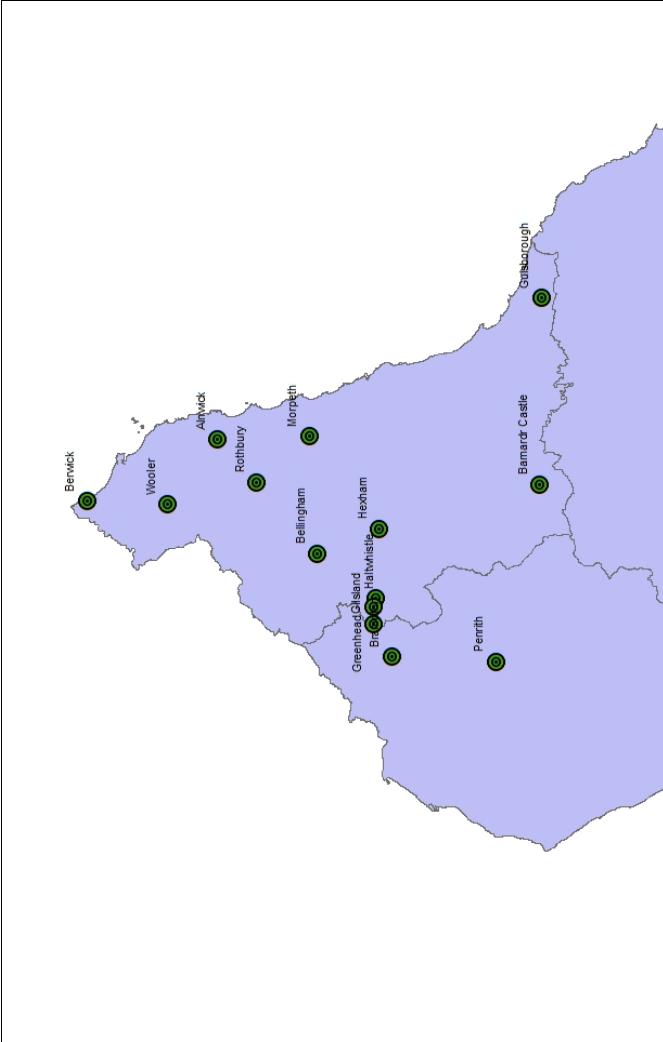
Figure 5.3 illustrates the settlements where the business associations that took part in the research were based. Note that these may encompass a membership concentrated within the settlement or spread across the wider district.

Table 5.2 shows the 15 local business associations which were selected to participate in the survey. Following the sample frame, these varied in size and in sectors represented. They range in size 14 to 159 members and in homogeneity from 1 to 9 broad sectors.

Table 5.2 Local business associations chosen to participate in the survey

Local business association name	Group size	Sectors	Settlement description	Population density
Alnwick Tourism Association	106	2	Focused on the district surrounding the market town of Alnwick	Sparse
Barney Guild	46	7	Focused on the market town of Barnard Castle	Less sparse
Bellingham Tourism and Trade	51	9	Focused on the village of Bellingham	Sparse
Berwick Chamber	159	4	Focused on the market town of Berwick upon Tweed	Sparse
Brampton Chamber	19	3	Focused on the market town of Brampton	Sparse
Gilsland and Greenhead Tourism	33	4	Focused on the district surrounding the neighbouring villages of Gilsland and Greenhead	Sparse
Guisborough Business Association	14	2	Focused on the market town of Guisborough	Less sparse
Haltwhistle Chamber	41	1	Focused on the market town of Haltwhistle	Sparse
Haltwhistle Tourism Association	21	8	Focused on the district surrounding the market town of Haltwhistle	Sparse
Hexham Forum	78	6	Focused on the market town of Hexham	Less sparse
Morpeth Chamber	65	8	Focused on the market town of Morpeth	Less sparse
Penrith Chamber	98	8	Focused on the market town of Penrith	Less sparse
Rothbury Business Club	28	6	Focused on the district surrounding the market town of Rothbury	Sparse
Rothbury Tourism Association	79	3	Focused on the district surrounding the market town of Rothbury	Sparse
Wooler Business Association	24	4	Focused on the market town of Wooler	Sparse

5.6.2 Accessing associations

In order to optimise response rates, the decision was taken early on in the process to only survey members where the permission of the leader had been received and they agreed to help in the promotion of the survey. This approach led to refusal to participate on two occasions, both times on the grounds that associations' were currently inactive. It was vital to gain the confidence of association leaders and they were contacted and interviewed by telephone initially. Interviews have been presented as an ideal way to gather accounts of the organisational background and in-depth data regarding individuals' perspectives (Barbout and Kitzinger 1999) and these followed an unstructured, guided conversational style, as suggested by Yin (2003), allowing a 'natural conversation' to take place (2003:90-91). However, to ensure key structural questions were asked, the prompts shown in Box 5.13 were used.

Box 5.13   Factor prompt for leadership interviews

Introduction
- Introduction and my affiliation to Newcastle University
- Interest in local business associations
- Agreement to talk or arrangement to ring again
- Assurances of anonymity

Key factors to capture
- Purpose of the association
- Current size of the group
- The sector composition
- When the association was formed and why?
- Annual subscription level
- The number of active members
- How the association is organised
- The secretary name and contact details if relevant
- Frequency of meetings

Close
- If they qualify, mention survey and the potential benefits
- When is the next meeting and can I attend?
- Can I present the research?

Upon contact the research was introduced and basic structural questions asked, such as purpose, group size and sector composition. Since group size was an important variable of associations for the study, it was one of the first questions asked upon contact. In most cases a membership number was given, however this number sometimes shrank between interview and receipt of the final contact database. In one case, this shrank even further as those contacted in the survey responded that they were not, and had never been, members. This may be illustrative of the ebbs and flows of membership levels. Incumbent leaders may also like to believe that the current membership is similar to a past membership or they may wish to give an impression of a healthy and representative membership.

In four cases telephone interviews led to a subsequent face-to-face meeting and whilst these were a source of useful background information, they were essentially an opportunity to established a support and comfort zone around the research. The potential benefits to the associations' were highlighted during interviews, with benefits including a raised profile, the prospect of benchmarking associations against one another, as well as gaining feedback of the results.

Where associations met the size and homogeneity criteria, permission was sought to survey their membership. In some cases, the membership lists were private and as such permission was required for access. In some instances the leader was unable to make the decision to allow the survey and they sought the approval of a committee. In order to help this process, a two page guide to the research was provided for the committee (see Appendix A).

After gaining permission, the database of members was assembled. Where publicly available this required a painstaking data capture exercise, sourcing data from various member web-sites. Where private this required either further negotiation for access with an association secretary or asking if they were happy to take receipt of a quantity of stamped addressed questionnaire packages, ready to be labelled and sent out. Having no control over the membership list had the unfortunate side-effect that some surveys could not be linked with respondents' postcode data and they could not be targeted for a reminder mail-out, reducing the response rate. Nevertheless, this activity resulted in access to 863 members across 15 local business associations.

5.6.3 Promoting the research

In order to promote the research to members, at least one membership meeting was attended per association. An invitation to a meeting was sought from the leader from each association. The meetings were a good opportunity to promote the potential benefits of the survey to members. A presence on the agenda may also have placed the research on the radar for non attendees, who generally had access to the meeting agenda. In general, the associations saw the survey as being a positive process due to the potential for raising the awareness of the association within the community and with relevant public bodies. The press attend some association meetings and as a result they also picked up the story, leading to two articles in local papers (see Appendix H).

Twenty meetings were attended in total, including initial presentations and in some cases a return to report the research results. A number of aspects of the meetings appeared common between associations. Meetings were, for example, held after work between six and eight 'o' clock in a convenient local venue. This was typically a local pub, hotel or restaurant owned by a member. Figure 5.4 shows the venue used by the Morpeth Chamber of Commerce. Upon arrival, members would gather in small groups,

chat and perhaps buy a drink. In most cases a member would introduce themselves to the researcher and after finding out about the research, they would go into some detail into what they believed the purpose of the association was and how such a group was necessary to fight for the interests of local business.

Figure 5.4   A meeting venue

The building to the right of the photograph is the Blackdoor restaurant. Meetings of the Morpeth Chamber of Trade take place here between 18:00 and 20:00 on the 1st Tuesday of every month and are held in a large room on the 2nd floor.

At just after 6 'o' clock members would gather at the designated meeting area, being a room set aside especially for the purpose; such as a back room in a pub or conference hall in a hotel. The secretary would then take a note of who was attending the meeting, possibly by passing a membership book around. With between 15 to 30 members present, the meeting was then called to order by the leader of the association. The secretary would take minutes of the meeting, which followed an agenda.

The illustration in Box 5.14 shows a generic version of a meeting agenda. The leader would open the meeting by introducing any guests and presenters attending the meeting. They would then discuss any key issues that were affecting members, such

as a planning application by a supermarket. Certain members of the association may have been delegated to investigate specific issues and at this time they will update the association.

Box 5.14   An association meeting agenda

Local Business Association

Notice of an Ordinary Meeting to be held on Monday May 18th at 6.00 pm
in the usual venue

AGENDA

1. Apologies for Absence
2. Adoption of Minutes of April 20th 2009
3. Correspondence
4. Introduction to University research
5. Supermarket development update
6. Presentation by local development trust
7. Event planning
8. Elections
9. Any other business
10. Next meeting

Next a presentation may be given. For instance a delegate from the local council may have been asked to provide an update on an issue. Or they may have asked to speak. Presentations observed included a vicar talking about transition towns, a representative of the Regional Development Agency talking about the Welcome Programme for Market Towns and a private developer attempting to gain support for a proposed development. Time was often given to planning the details of a local event and members were usually asked to volunteer their time to help with stewarding and organising.

Once a year the meeting is an Annual General Meeting. This is similar to a general meeting but signals that elections will be held for new officers. At these meetings a Chair and secretary are nominated and seconded, and then the attending members vote. Typically the incumbent does not want to be Chair again, due to the workload and other time commitments; however pressure appears to be placed on them to continue in post by other members who do not harbour a wish for the role themselves.

After a call for any other business, meetings typically end around 8 'o' clock and members either leave or fragment into smaller groups and chat.

5.6.4   The postal survey

Data from around 300 respondents was required for analysis. According to Czaja and Blair (2005) face-to-face and telephone based surveys offer the best response rate. However, the face-to-face mode is typically not seen as appropriate for business surveys and the telephone mode only when the time commitment can be kept below 10 minutes (Tarnai and Paxson 2004, Lester and Wilson 1995). Given the complexity of certain questions, a postal mode of survey was chosen.

To mitigate falling response rates to questionnaires in general, and bearing in mind the effect of the difficult economic context at the time of the research, a modified version of the 'tailored design method' promoted by Dillman (2000) was used. This method is based on a theory of social exchange and advocates maximising contacts with potential respondents. As such an advance letter, questionnaire pack, reminder postcard and non-respondent follow-up pack were sent out (these can be examined in Appendix B and C). The purpose of advance letters was to generate awareness and the postcard served as a thank you to respondents and as a reminder to those intending to complete the survey. Finally the follow-up pack included a cover letter that attempted to address any concerns that may have led to non response.   The questionnaire was not folded but posted in an A4 envelope, the reply envelope was addressed with a first-class stamp and all letters and the postcard were addressed to a respondent's first name and signed in blue ink.

The pilot survey went out to two associations of 34 and 22 members during April 2009. This received a response rate of 50% and compared much better than other parallel surveys, where difficult economic circumstances and 'survey fatigue' have resulted in fewer returns (Affleck and Atterton 2009). The responses led to the modification of two questions that were difficult for respondents to answer, however in general the questionnaire and process appeared validated and the main survey was soon ready to send out.

The main survey took place between May and August of 2009. Due to the process of recruiting associations and the different circumstances of each, this was not completed in one sequential mail-out and Table 5.3 shows the time-line and mailing sequence.

Table 5.3   Time-line and sequence for the postal survey

Local business association	Advance	First Survey	Postcard	Follow-up Survey
Gilsland and Greenhead Tourism Partnership	17/04/2009	20/04/2009	22/04/2009	06/05/2009
Haltwhistle and District Tourism Association	18/04/2009	20/04/2009	22/04/2009	06/05/2009
Alnwick Tourism Association	08/05/2009	12/05/2009	14/05/2009	01/06/2009
Hexham Business Forum	-	13/05/2009	-	01/06/2009
Barney Guild	14/05/2009	18/05/2009	20/05/2009	08/06/2009
Morpeth and District Chamber of Trade and Commerce	-	26/05/2009	-	26/06/2009
Rothbury and Coquetdale Tourist Association	29/05/2009	01/06/2009	03/06/2009	17/06/2009
Haltwhistle and District Chamber of Trade	29/05/2009	01/06/2009	03/06/2009	17/06/2009
Bellingham (BDTTA)	12/06/2009	15/06/2009	18/06/2009	06/07/2009
Berwick upon Tweed	-	12/06/2009	-	-
Penrith Chamber of Trade	-	19/06/2009	-	-
Rothbury & Coquetdale Business Club	03/07/2009	06/07/2009	08/07/2009	27/07/2009
Guisborough Business Association	10/07/2009	13/07/2009	16/07/2008	01/08/2009
Wooler Retailers and Traders Association	27/07/2009	30/07/2009	03/08/2009	17/08/2009
Brampton Chamber of Trade	31/07/2009	03/08/2009	06/08/2009	19/08/2009

Tourism associations tended to meet during the winter and autumn and take the spring and summer off. As a result, the initial focus for the data collection, which began in April 2009, was on tourism associations. This pushed some retail and mixed association surveys close to the busy summer season, a time where surveys were less likely to be prioritised.

The Hexham business forum had a policy of only communicating with members by email and as such would not post out the questionnaire. An email questionnaire was attempted, using a specially adapted version of the paper questionnaire; however this received a low (8%) response rate. As such questionnaire packs were subsequently handed out at an association meeting in an attempt to improve the response rate, resulting in an eventual response of 23%.

Due to data protection concerns, questionnaire packs were supplied to Berwick, Penrith and Morpeth business associations, along with labels and 1st class stamps, in order for the secretary to address and post them out. This meant that no advance letter or reminder postcard were possible, although in the case of Morpeth, the secretary agreed to send out a second round of follow-up questionnaires to all members of the association.

One problem occurred with the mail-out to the Rothbury Business Club, where despite three days between mailings, the questionnaire and postcard reminder arrived on the same day, to the aggravation of some respondents. This may explain their slightly lower response rate (36%).

Another problem related to the attachment of a tracking number to questionnaires. The purpose of the number had been to help administer the survey and ensure a respondent was not asked to complete the survey twice, as well as to connect postcode data to the questionnaire for analysis. Upon receipt of the questionnaire, the Chair of one association immediately emailed all the members telling them to remove these labels as he believed these were 'motivated by ONE [One North East, the Regional Development Agency]', (Member response) with the implicit suggestion that this information could be misused. As a result a second mail-out was sent to all members explicitly addressing the label issue and pointing out that the new questionnaire had no such label. Perhaps surprisingly, this association finished with one of the highest response rates at 55%. The tagging issues had a potential follow on effect for another association that was geographically proximate and shared some members. As it was likely that word had spread about the label issue, the first and second questionnaires were sent to members of this association without numbered labels.

Table 5.4 shows the response from each participating association and response rates varied from 9% to 57%. A sequential approach to recruitment and mail-out meant that skews towards particular quadrants of the sample frame could be adjusted for by targeting other associations in different quadrants, however the final distribution of members was skewed slightly towards larger groups and particularly homogenous large. Nevertheless, as a result of building up contact and visibility incrementally within the associations and by taking a 'social exchange' approach to all communications, the final response rate was 37%, with 313 respondents.

Table 5.4   Survey response by group size and homogeneity of sector

Homogenous Small	Members Responding	Total Membership	Heterogeneous Small	Members Responding	Total Membership
Gilsland and Greenhead Tourism Partnership	17	34	Haltwhistle and District Chamber of Trade	18	41
Haltwhistle and District Tourism Association	10	22	Bellingham (BDTTA)	25	51
Barney Guild	21	46	Rothbury & Coquetdale Business Club	10	28
Guisborough Business Association	8	14	Brampton Chamber	9	19
Wooler Traders	9	29			
Total	*65*	*138*	*Total*	*62*	*139*

Homogenous Large	Members Responding	Total Membership	Heterogeneous Large	Members Responding	Total Membership
Alnwick Tourism Association	58	106	Hexham Business Forum	18	78
Rothbury and Coquetdale Tourist Association	39	79	Berwick upon Tweed	14	159
			Morpeth and District Chamber of Trade and Commerce	27	65
			Penrith Chamber of Trade	29	98
Total	*97*	*185*	*Total*	*88*	*400*

5.7   Analysis

Having reviewed the research aims and hypotheses and examined the methodology, this section briefly describes and justifies the statistical and analytical methods that are used to analyse the data. The primary statistical techniques used were, principal component, multiple regression and logistic regression analysis, whilst the use of contingent valuation to analyse economic value is given a more detailed explanation.

5.7.1 Statistical methods

Principal component analysis is used where there is a high degree of correlation between data, and can be used to uncover any underlying structures or dimensions in the data (Hair *et al.* 2006). It also helps to reduce complexity by reducing the number of variables. This technique was used in the analysis of the bundles of member benefits, as it was expected that, due to indivisibility, this data would be highly correlated. The weakness of this approach is that, beyond the choice of variables, it is data driven and does not take into account theoretical understanding. Variables may also be reliant on specific underlying variables, in which case they are regarded as unreliable, however tests such as Cronbachs Alpha can be used to verify levels of reliability.

In order to analyse the relationship between 2 continuous variables, statistical methods such as correlation analysis are useful, where a correlation is the measure of linear relationship between 2 variables (Field 2005). This does not account for the effects of hidden variables not included in the analysis. These may influence the relationship between the variables being explicitly examined in correlation analysis, giving a misleading result. Within a correlation analysis these may be controlled for, however where the relationship between a continuous variable and multiple independent variables are examined, this process becomes unmanageable. Regression analysis is an alternative in this situation. According to Hair *et al.* (2006:176) '*multiple regression analysis is a statistical technique that can be used to analyse the relationship between a single dependent (criterion) variable and several independent (predictor) variables*'. The predictor variables are weighted to give their contribution to the prediction of the dependent variable, a single continuous factor, indicating their relative influence (*ibid*). It is thus a useful technique for highlighting significant relationships whilst controlling for the effect of others. As such this is an appropriate technique to test which factors affect membership performance and socio-economic contribution. It is however still subject to the effect of hidden variables omitted from the model.

When analysing the relationship between a dichotomous variable and continuous variables, multiple regression is not a viable approach, since a respondent is either a member or a non-member and cannot be measured as to degrees of membership. The alternative in this case is to use logistic regression. Logistic regression is a bi-variate regression technique, where continuous and categorical dependent variables

are 'fitted' to a model that aims to predict a binary categorical response variable. As such this is an appropriate technique for identifying the difference between members and non members, controlling as it does for the presence of the other modeled variables. The predictor variables may be economic, social and organisational continuous variables that are potential indicators of difference between members and non members. Logistic regression is a robust method of analysis and can accommodate categorical variables via dummy coding. It is not just useful for prediction and is helpful in exploring which characteristics best separate the binary groups of the dependant (Hair et al. 2006). The results of logistic regression are more difficult to interpret and it requires a larger sample to identify statistically significant effects than in standard multiple regressions.

Whilst the described statistical tools are useful in the ability they provide to simplify and generalise results, they also eliminate functional differences and in the process individual uniqueness will be lost. The focus of the research on benefits means that particular insights into the services and processes used to gain them will be necessarily overlooked.

5.7.2 *Contingent valuation*

Contingent valuation is a method favoured by environmental economists. It uses survey questions to place a value on public goods in the absence of a true market situation (Mitchell and Carson 1989). It has been used to place an economic value on: air pollution, the aesthetic impact of building works, recreational areas and national parks (Garrod and Willis 1990, Mitchell and Carson 1989). Its strength is providing a market value where none currently exists, however the extent to which it succeeds is contingent upon the hypothetical market scenario and there is some debate about its ability to provide this. Specifically, when respondents have no reference benchmark for comparison then measurement error may occur, with some suggesting that the phenomenon is 'inherently unobservable' (Mitchell and Carson 1989:121).

Contingent valuation is used in this thesis as one approach to valuing the performance of the association. Given the existence of a market for the goods provided by local business associations this is an unorthodox use of the method, however this responds to its weakness. In most cases, members of the associations pay an annual subscription, thus there is an actual market for the goods which respondents can use

as a basis for determining their willingness-to-pay more. The assumption here is that since the annual subscription is levied to cover the association's costs, it is unlikely to be an accurate measure of actual value. Thus a contingent valuation of the association is based on an actual market, reducing the uncertainty usually associated with a purely hypothetical market. There is no issue with creating a realistic scenario as it already exists and is contingent upon a scenario used to maximize the level of existing payment behaviour. Despite this unusual usage, this approach should have a lower error margin than in its more common applications.

5.8 Summary

This chapter has brought together the research explored in the literature and the hypotheses that relate to the aims of the thesis. The methods used to obtain the data for analysis, being primarily based on a large scale survey, were then discussed. Finally the tools used to analyse the data were briefly described.

The next chapters explore and analyse the results of the fieldwork. Chapter 6 examines the differences between members and non members of business associations, Chapter 7 the costs and benefits of membership and Chapter 9 assesses the socio-economic contribution of associations to market towns. These chapters focus on specific hypotheses and subsequently a separate discussion Chapter 10 provides a synthesis that considers the overall meaning of the results.

~Chapter 6~

The differences between members and non members

6.0 Introduction

Business associations are promoted as a useful focus for rural development (Besser and Miller 2010a, Murdoch 2000, Phillipson *et al.* 2006, Ring *et al.* 2009) and this is primarily because they are expected to bring benefits to their members through access to resources, information, innovation and learning, and to reduced costs through greater efficiencies (Barney 1991, Coase 1960, Gulati *et al.* 2000, Murdoch 2000, Park 1996, Parker 2008, Ring *et al.* 2009, Williamson 1975). If these associations are bringing benefits to members, then these members should be quantifiably different to non-members in terms of characteristics and performance. This chapter examines the differences between members and non members, testing the hypothesis that association members are different to non members.

In order to evidence the existence of any difference, various indicator variables were selected for comparison. The next section of the chapter will describe what these are and why they were selected. Next, logistic regression models are used to explore the differences between members of business associations and non members, separate analyses are also carried out for local and non local business associations. Having presented the models, the results are then discussed in the final section of the chapter.

6.1 Selection of indicator variables

Indicators were selected as predictors for the membership of business associations. These indicators were chosen for relevance according to existing research and for availability within both the primary business association and third party rural business survey. Financial variables were selected because of their clear relevance to business, whilst variables such as social mobility, business location and local purchasing were selected due to their saliency to rural development. Business sector, respondent age and gender were selected as controls. For each model indicator variables were assessed for multicolinearity using a correlation matrix and by assessing their variance

inflation factor. Table 6.1 indicates the expected relationship key variables will have with membership.

Table 6.1   The expected associations of predictor variables with membership

Predictor	Expected relationship with membership
Direction of profit	Access to benefits leads to an increase in profit
Turnover & Employees	Smaller firms, being less able to self supply services or represent themselves, are more likely to be members
Year established	A new business is more likely to seek resources through membership
Social mobility	In-migrants are expected to seek integration within the local business community – no effect is expected for membership of non local associations
Propensity to seek advice	Those showing a willingness to seek external resources are more likely to be members
Educational attainment	Those with higher levels of education are more likely to recognise the benefits of membership
Local purchases	Local purchases are an expression of local integration, and more locally integrated businesses are more likely to value the benefits of local associations
Home based business	Home based businesses are portrayed as having a greater need for local business and social networks and are therefore more likely to be members
Population density	Businesses in sparsely populated areas have lower access to resources and may have a greater need for network related benefits

Within the third party rural business survey, 53.5% of respondents were not members of any kind of business association. Of the 46.5% that were members of business associations, 68.1% were members of non local associations but not local associations, 31.9% were members of local associations.

The following sections use logistic regression on the indicator variables to first predict the differences between members and non members of *all* business associations, both local and non local. This is followed by membership models of non local business associations and finally by membership models of local business associations.

6.2   Modelling business association membership

Logistic regression models were applied to the third party rural business survey to test the likelihood of membership of business associations as a function of various independent predictor variables believed to be relevant. To analyse whether these variables can predict differences between members and non members after controlling

90

Table 6.2 Logistic regression predicting membership of a business association

	Version 1		Version 2		Version 3	
	Log odds	Standard error	Log odds	Standard error	Log odds	Standard error
Business level						
Profit stayed the same over last 5 years						
Profits increased over last 5 years	.958	.203	.945	.204	.955	.205
Profits decreased over last 5 years	.943	.215	.908	.217	.933	.218
Turnover (continuous)	1.156***	.058	1.142**	.059	1.144**	.060
Year established (continuous)	1.055	.069	1.068	.071	1.059	.071
Log Full-time equivalent employees (continuous)	1.236*	.120	1.254*	.121	1.270**	.122
Not home based business						
Home based business	.970	.181	1.005	.186	.980	.187
No local purchases made						
Local purchases made	1.339	.192	1.326	.200	1.376	.202
Respondent level						
Local or returnee to the area						
In-migrant to the area	.948	.176	.934	.181	.895	.183
Male						
Female	1.457**	.194	1.392*	.200	1.370	.201
Age (continuous)			1.049	.075	1.047	.076
Have not sought business advice						
Have sought business advice	2.067****	.199	2.088****	.202	2.040****	.203
Other education level						
Post graduate qualifications	2.291**	.358	2.291**	.363	2.227**	.364
Degree qualifications	1.707	.347	1.661	.349	1.617	.350
A Level qualifications	1.627	.387	1.513	.391	1.486	.392
O Level qualifications	1.121	.363	1.028	.368	1.013	.368
No qualifications	1.840	.418	1.736	.421	1.724	.421
Sector controls						
Agriculture, Manufacturing, Construction						
Retail and Transport	-	-	1.404	.253	1.398	.253
Accommodation	-	-	1.551	.337	1.484	.339
Information, Finance and Real estate	-	-	.903	.329	.943	.331
Professional	-	-	1.010	.283	1.080	.287
Administration, Public, Education, health, Sports and Arts	-	-	1.020	.267	1.080	.270
Geographical						
Densely populated rural area						
Sparsely populated rural area	-	-	-	-	1.340	.114
Constant	.056****	.627	.055*****	.653	.052****	.656
Nagelkerke R²	R²=.126		R²=.133		R²=.137	
-2 Log-likelihood	870.384		866.237		863.731	
Sample size N = 684						

- *Italics highlight the reference category for ordinal data*
- *p < .1, **p < .05, *** p < .01, **** p < .001

for the effects of cross correlation, 3 versions of logistic regression model were used to predict the log odds of being a member of a business association. Table 6.2 provides the results of these, including the log odds and standard errors.

Missing data within cases posed an overall concern for modelling. Given an available sample of 830, missing data (primarily at the respondent and business level) resulted in 151 missing cases, a 18% reduction in sample size. However, this provided sufficient power to perform the analysis.

Version 1 of the model introduces the business and respondent level variables, which according to Nagelkerke's R^2, a measure of variance adjusted for sample size explained by the model, explains only 12.6% of variance. Version 2 introduces the sector control variables, explaining 13.3% of variance and finally version 3 introduces rural population density, explaining 13.7% of variance.

Clearly other predictor variables exist which have not been captured in these models. Neither are these models particularly good predictors of membership, with 72.1% of non members and 55.1% of members being correctly classified within the sample. Nevertheless, the Hosmer and Lemeshow test of significance indicates (at .522) that the factors presented below can be accepted as valid for the purposes of this analysis which was to identify the relationship of key variables whilst controlling for their effect upon each other. As a result of this analysis the characteristics which are particularly important in discriminating between the groups have been highlighted.

At the business level, direction of profits over the last 5 years showed no statistical significance across the models. Both turnover and employment were significant, with stable effects across the 3 versions which suggests a relationship between business size and membership. Members had 1.14 higher odds of having a higher turnover and 1.27 higher odds of having higher employment compared to non members. None of the other business level variables (business age, being a home based business and making a local purchase) held any statistical significance for membership.

At the respondent level, statistically significant predictors of membership were whether the respondent had sought business advice (2.040 higher odds) and having a postgraduate level qualification (2.227 higher odds).

None of the sector controls themselves were significant in predicting membership, although they modified the practical significance of other statistically significant variables in a minor way. The introduction of population density slightly increased the effect of size of turnover and employment, with the effect for business advice and postgraduate qualifications being reduced somewhat.

In summary, members of non local business associations do not show any significant difference in the direction of profit experienced over the past 5 years, but they do have a greater likelihood of being bigger in terms of turnover or employment. Year established, being home based and making a local purchase had no effect on membership. At a respondent level, members were more likely to have sought business advice and more likely to hold a postgraduate qualification. However, the other factors: gender, age and social mobility, had no effect on membership. Finally, there was no discernable difference between members and non members in relation to population density. The next section applies the same variables to the membership of *non local* business associations.

6.3 Modelling non local business association membership

Logistic regressions were applied to the third party rural business survey to test the likelihood of membership of non local business associations as a function of various independent predictor variables believed to have a relationship with membership. To analyse whether these variables can predict differences between members and non members after controlling for the effects of cross correlation, 3 logistic regressions were again used to predict the log odds of being a member of a non local business association. Table 6.3 provides the results of these, including the log odds and standard errors.

Missing data within cases posed an overall concern for modelling. Given an available sample of 830, missing data (primarily at the respondent and business level) resulted in 208 missing cases, a 25% reduction in sample size. However, this was still sufficient to perform the analysis.

Version 1 of the model introduces the business and respondent level variables, which according to Nagelkerke's R^2 explains only 14% of variance. Version 2 introduces the sector control variables, explaining 14.3% of variance and finally version 3 introduces

93

Table 6.3 Logistic regression predicting membership of a non local business association

	Version 1		Version 2		Version 3	
	Log odds	Standard error	Log odds	Standard error	Log odds	Standard error
Business level						
Profit stayed the same over last 5 years						
Profits increased over last 5 years	.956	.217	.944	.218	.954	.219
Profits decreased over last 5 years	.895	.230	.871	.232	.894	.234
Turnover (continuous)	1.208***	.062	1.197***	.063	1.199***	.064
Year established (continuous)	1.054	.074	1.059	.075	1.052	.075
Log Full-time equivalent employees (continuous)	1.285***	.128	1.293**	.128	1.301**	.129
Not home based business						
Home based business	1.148	.194	1.177	.199	1.151	.201
No local purchases made						
Local purchases made	1.429*	.209	1.415	.216	1.450*	.218
Respondent level						
Local or returnee to the area						
In-migrant to the area	.857	.190	.851	.194	.832	.196
Male						
Female	1.447*	.209	1.416	.216	1.396	.217
Age (continuous)	1.079	.079	1.075	.079	1.072	.080
Have not sought business advice						
Have sought business advice	1.808***	.211	1.812***	.213	1.783***	.214
Other education level						
Post graduate qualifications	1.772	.372	1.780	.377	1.746	.378
Degree qualifications	1.310	.360	1.298	.362	1.276	.362
A Level qualifications	1.391	.401	1.349	.404	1.339	.405
O Level qualifications	.905	.376	.866	.380	.859	.381
No qualifications	1.507	.431	1.450	.434	1.447	.434
Sector controls						
Agriculture, Manufacturing, Construction						
Retail and Transport	-	-	1.203	.265	1.206	.266
Accommodation	-	-	1.279	.362	1.228	.364
Information, Finance and Real estate	-	-	.841	.354	.865	.355
Professional	-	-	.999	.302	1.041	.305
Administration, Public, Education, health, Sports and Arts	-	-	.983	.286	1.025	.289
Geographical						
Densely populated rural area						
Sparsely populated rural area	-	-	-	-	1.231	.199
Constant	.040****	.663	.041****	.689	.040****	.691
Nagelkerke R²	R²=.140		R²=.143		R²=.145	
-2 Log-likelihood	786.486		766.943		765.855	
Sample size N = 622						

- *Italics highlight the reference category for ordinal data*
- *p < .1, **p < .05, *** p < .01, **** p < .001

94

rural population density, explaining 14.5% of variance. Clearly other predictor variables exist which have not been captured in these models. Neither are these models particularly good predictors of membership, with 82.2% of non members but only 40.3% of members being correctly classified within the sample. Nevertheless, the Hosmer and Lemeshow test of significance indicates (at .243) that the factors presented in Table 6.3 can be accepted as valid for the purposes of this analysis which was to identify the relationship of key variables whilst controlling for their effect upon each other. As a result of this analysis the characteristics which are particularly important in discriminating between the groups have been highlighted.

At the business level, direction of profits over the last 5 years showed no statistical significance across the models. Both turnover and employment were significant and with stable effects across the 3 versions which suggests a relationship between business size and membership.

Members had 1.99 higher odds of having a higher turnover and 1.301 higher odds of having higher employment compared to non members. Neither business age nor being home based had a statistical significance.

Members were more likely to have made a purchase locally within the past 12 months than non members. This was however less robust, losing statistical significance when sector controls were introduced and then reappearing with the introduction of population density at the 10% level of significance. Nevertheless, members had 1.450 higher odds of having made a local purchase in the past year.

At the respondent level, the only statistically significant predictor was whether the respondent had sought business advice. This was significant at the 99% level and reduced slightly with the introduction of sector controls and population density, with 1.785 higher odds of having sought business advice compared to not having sought advice.

None of the sector controls themselves were significant in predicting membership, although they modified the practical significance of other statistically significant variables in a minor way. The introduction of population density slightly increased the effect of size of turnover, employment and the likelihood of making a local purchase, with the effect for business advice reducing somewhat.

In summary, members of non local business associations do not show any significant difference in the direction of profit reported over the past 5 years, but they do have a greater likelihood of being bigger in terms of turnover or employment. They also appear more likely to have made a local purchase in the last 12 months. At a respondent level, members were more likely to have sought business advice in the past. However, the other factors: gender, age, educational level and social mobility, had no effect on membership. Finally, population density had no discernable difference between members and non members. The next section applies the same variables to membership of local business associations.

6.4 Modelling local business association membership

Given a low proportion of local business members in the third party rural business survey, it suffered from low power in identifying effects. As such a combined data-set was constructed from the rural business survey and the local business association survey[6] and this is fully explored and validated in Appendix D. The use of the combined database had an overall effect on all the logistic regression models since it limited the selection of variables for analysis to those available in both the primary dataset and the 3rd party rural business survey. Missing data remained an issue within an available sample of 1219, missing data resulted in 380 missing cases, a 31% reduction. However this provided sufficient power to perform the analysis.

Logistic regressions were then applied to the combined data-set to test the likelihood of membership of a local business association as a function of the same independent indicator variables modelled in the previous section. To analyse whether these variables can predict differences between members and non members after controlling for the effects of cross correlation, 3 logistic regressions were again used to predict the log odds of being a member of a local business association. Table 6.4 provides the results of these models, including the log odds and standard errors.

Version 1 of the model introduces the respondent and respondent level variables, which according to Nagelkerke's R^2, explains only 15.4% of variability.

---

[6] Using just the third party rural business survey 5 predictors were identified and these were included in those identified within this combined survey, validating the approach. These factors were: Advice sought, postgraduate and degree level education, not home based, retail and transport sector.

Table 6.4 Logistic regression predicting membership of a local business association

	Version 1		Version 2		Version 3	
	Log odds	Standard error	Log odds	Standard error	Log odds	Standard error
Business level						
Profit stayed the same over last 5 years						
Profits increased over last 5 years	1.599***	.209	1.545**	.220	1.574**	.226
Profits decreased over last 5 years	.932	.240	.865	.255	.994	.262
Turnover (continuous)	.889*	.063	.861**	.067	.866**	.070
Year established (continuous)	.995	.071	1.064	.076	1.071	.079
Log Full-time equivalent employees (cont.)	1.064	.121	1.128	.126	1.151	.132
Not home based business						
Home based business	.539***	.192	.523***	.209	.485****	.217
No local purchases made						
Local purchases made	2.592****	.237	2.267****	.251	2.587****	.259
Respondent level						
Local or returnee to the area						
In-migrant to the area	1.821****	.182	1.565**	.194	1.410*	.200
Male						
Female	1.959****	.187	1.601**	.203	1.478*	.209
Age (continuous)	1.043	.594	.991	.082	.972	.085
Have not sought business advice						
Have sought business advice	2.063***	.236	2.020***	.247	1.877***	.252
Other education level						
Post graduate qualifications	2.076*	.435	2.082	.451	2.125	.467
Degree qualifications	2.266**	.424	2.133*	.439	2.199*	.455
A Level qualifications	2.462**	.454	1.683	.475	1.734	.492
O Level qualifications	1.915	.442	1.354	.460	1.447	.477
No qualifications	1.861	.508	1.753	.528	1.782	.548
Sector controls						
Agriculture, Manufacturing, Construction						
Retail and Transport	-	-	4.876****	.291	4.808****	.299
Accommodation	-	-	7.572****	.325	6.040****	.331
Information, Finance and Real estate	-	-	1.786	.399	2.014*	.412
Professional	-	-	1.745	.349	2.235**	.362
Administration, Public, Education, health, Sports and Arts	-	-	1.323	.340	1.626	.350
Geographical						
Densely populated rural area						
Sparsely populated rural area	-	-	-	-	3.208****	.193
Constant	.036****	.709	.024****	.775	.014****	.814
Nagelkerke R²	R²=.154		R²=.262		R²=.315	
-2 Log-likelihood	856.300		785.278		748.044	
Sample size N = 832						

- *Italics highlight the reference category for ordinal data*
- *p <.1, **p <.05, *** p <.01, **** p <.001

97

Model 2 introduces sector control variables, explaining 26.2% variance and model 3 introduces the population density variable, explaining 31.5% of variance.

Although an improvement over the non local membership model (at 31.5% *cf.* 14.5%), there are clearly other predictor variables which have not been specified in these models. Neither are these models particularly good predictors of membership, with 93.0% of non members but only 41.1% of members being correctly classified within the sample by the last model. Nevertheless, with the Hosmer and Lemeshow test indicating significance (at .865) the factors presented below can be accepted as valid for the purposes of this analysis which was to identify the relationship of key variables whilst controlling for their effect upon each other. As a result of this analysis the characteristics which are particularly important in discriminating between the groups have been highlighted.

At the business level, direction of profits over the last 5 years shows statistical significance across all 3 versions. Members of local business associations had a higher likelihood of having increased profits over the last 5 years compared to the reference category of profits staying the same. The introduction of sector marginally impacted on statistical significance, moving from 99% to 95%.

Turnover was also significant across the 3 versions, although in this case turnover was likely to be lower for members with odds of .866 compared to non members, which taken with increased profit may indicate higher levels of operational efficiency. Neither employment nor year established had significance across the models. Members were less likely to be home based businesses with odds of .485, although the potential significance of this was reduced marginally by the introduction of sector controls and by population density. There were however higher odds that members purchased locally, with odds of 2.587 compared to making no local purchases, indicating that members were significantly more integrated with local supply chains.

Respondents were more likely to be in-migrants to the area, although both the practical and statistical significance of these odds were reduced by both the introduction of sector controls and population density. In version 3 there are 1.410 higher odds of being an in-migrant compared to being a local or returnee (at 10% significance), suggesting that in-migrants members are especially concentrated in less populated areas. Gender is similarly affected by sector and density, though in model 3 there remain 1.478 higher odds of a member being female. Members are more likely to have

at some time sought business advice, with 1.877 higher odds. However this appears less so with the introduction of population density, suggesting that businesses in sparsely populated areas are less likely to seek advice. In terms of education, members appear more likely to have higher educational qualifications from 'A' levels upwards. However the addition of sector controls changes the situation somewhat and the only consistent predictor within education is the higher odds of having a degree at 2.199.

Sector controls reflect concentrations within local business associations that are particularly significant for retail and transport at 4.808 and accommodation at 6.040. The addition of population density provides statistical significance for information, finance and real estate at 2.014 and professional at 2.235. Finally, the addition of the population density measure shows that members of local business associations are more likely to be based in more sparsely than less sparsely populated rural areas.

In summary, members of local business associations are more likely to have had a higher profit over the last 5 years and a lower annual turnover. They were more likely to have purchased locally and less likely to be based at home. Respondent characteristics appear more important for local business associations, with members more likely to be in-migrants to the area, more likely to be female, more likely to seek advice and more likely to have a degree. Members were concentrated in accommodation, retail, professional and information, finance and real estate sectors and more likely to be based in sparsely populated rural areas.

6.5 Discussion

53.5% of respondents were not members of any business association and as Curran and Blackburn (1994) indicate, whilst membership may be important for some business types, it may be a low priority for others. Table 6.5 summarises the final models for membership of local, non-local and all associations. Turnover and employment for members of non local business associations are likely to be higher, indicating that larger firms are more likely to be members than smaller firms in these non local organisations. Larger firms may have more resources and greater reach to be able to participate in these associations. There is no relationship with the reported direction of profit.

In contrast, membership of a local business association gives higher odds of having made an increase in profits over the past 5 years and of having a lower annual turnover. With sector controlled for, this suggests that membership may be having optimising effects, as highlighted by the resource based view (Barney 1991, Gulati *et al.* 2000, Parker 2008), transaction costs theory (North 1986, Park 1996, Williamson 1985) and the logic of exchange (Granovetter 1985). This supports the view that networked businesses are more successful than their less networked equivalents (Besser and Miller, 2010a).

Table 6.5   Summary of membership models

	Local Association	Non local Association
Business level		
Profits increased over last 5 years	↑	—
Turnover	↓	↑
Log Full-time equivalent employees	—	↑
Home based business	↓	—
Local purchases made	↑	↑
Respondent level		
In-migrant to the area	↑	—
Female	↑	—
Have sought business advice	↑	↑
Degree qualifications	↑	—
Sector controls		
Retail and Transport	↑	—
Accommodation	↑	—
Information, Finance and Real estate	↑	—
Professional	↑	—
Geographic		
Sparsely populated rural area	↑	—

↑ = Higher odds   ↓ = Lower odds   — = No significant difference

This data does not explain whether it was the membership of a local business association that caused an increase in profits, or whether local associations simply attract more profitable and outward looking firms. They may be firms with a tendency to recognise and exploit external opportunities in general, resulting in higher profits. It follows that this same orientation would make it more likely that they would also be a

member of a business association. Using propensity to seek advice as a proxy for this outward orientation would appear to show evidence of this argument. Members of business associations were more likely to have previously sought advice and it follows that they are more willing to look for other opportunities.

Local level effects also appear significant. Members of both non local and local business associations were more likely to have some involvement with the local supply chain. Members of non local associations had odds of 1.450 (at the 90% significance level), whereas members of local associations had higher odds of 2.587 (at 99.9% significance level). This integration with the local supply chain may be helping to optimise operations (Piore and Sabel 1984) and providing enhanced sales opportunities where other members are also customers.

Local members are also more likely to have higher levels of education than non members and according to Lin (2001) level of education has a strong relationship with the creation of social capital, which may in turn enhance the ability to access network benefits (Huggins and Johnston 2010, Putnam 1993). Membership of local business associations is more likely in sparsely populated rural areas compared to more densely populated rural areas. It is likely that businesses in sparsely populated rural areas need to be more self and community reliant, as they are less likely to be within the 'service-shadow' of higher order conurbations (CA 2002:92).

At the local level these is a higher likelihood that a member comes originally from outside the area. For these in-migrants local business associations provide a way for them to integrate within the local business community. For the in-migrant, the local association also provides a high visibility site to help promote their firms and hopefully gain access to local networks. It is likely that this is a two way process, with in-migrants bringing extra-local linkages to the local association and locals providing strong ties and a pathway to community belonging for the in-migrant.

Finally, home based businesses are less likely to be members of local business associations. Previous research has indicated that home based businesses are particularly widespread in rural areas (Mason *et al.* 2010) and that due to the nature of running a business from the home they are likely to be more isolated from peer and social support, and have more need for local associations and networks (Dwelly *et al.* 2005, Mason *et al.* 2010, Taylor 2008). However, the results indicate quite the

opposite effect and this suggests that associations' should be actively seeking to recruit home based businesses as members.

6.6 Summary

This chapter examined the differences between members and non members. After identifying indicator variables believed to hold a relationship with membership, the logistic regression technique was applied to the rural business survey and a combined dataset. Significant effects were found and the implications of the results were then discussed.

Prior research indicates that networks should be useful to businesses in terms of optimisation and access to resources, setting business expectations within the dominant "network discourse" and those that are willing to look for advice would seem to share these expectations. However, within a rural area there are conflicting results and it is only for the membership of local business associations that a link with direction of profits exists.

The non local membership model explained only 14.5% and the local model 31.5% of variance. It seems probable that other predictor variables of membership exist for both of the dependent membership variables. Social variables such as local levels of social cohesion and relative deprivation and economic variables such as local levels of business "churn" and productivity would possibly improve the fit of these models. This chapter demonstrated that there are identifiable differences between members and non members at both local and non local spatial scales and hypothesis 1 can be accepted as true.

Having tested the hypothesis and identified business and personal relationships with membership, the analysis can now move on. The following chapter looks inside the local business association, beginning with the identification of the socio-economic costs and benefits experienced by members.

~Chapter 7~

The costs and benefits of membership

7.0 Introduction

This chapter explores the costs incurred and benefits sought by members of local business associations. Initially the relevance of a bundle of benefits is assessed and, given high levels of correlation, principal component analysis is used to derive underlying patterns within the data. The relationships between the identified key benefits and the personal and business characteristics of respondents are considered using multiple regression techniques.

The costs of membership are then identified, with an analysis of how costs and benefits are distributed across the membership. Finally, a cost-benefit analysis uses stated and contingent financial data to understand whether membership of a local business association can be explained using a rational choice approach.

7.1 Relevance of benefits

Members were presented with a bundle of benefits potentially provided by business associations and asked how relevant they were to their business needs. Table 7.1 shows the mean relevance of these benefits based on a 5-point Likert scale where 1 represents 'not relevant' and 5 represents 'very relevant', and the mean satisfaction with provision, where 1 represents 'not satisfied' and 5 represents 'very satisfied.'

With averages ranging from 3.01 to 3.82, all benefits in the bundle were seen as relevant and members were satisfied with the provision, with averages ranging from 3.08 to 3.54. An 'exchange of general information' had the highest overall mean for relevance (3.85), followed by 'access to local knowledge' (3.82). Clearly access to information, be it general or locally specific is important to respondents, and the associations provide a forum to access this. 'Exchange of general information' also had the highest mean for satisfaction (3.54), and one respondent illustrates this,

explaining: *'All members that I have contacted for advice have been very forthcoming with their expertise'* (Member, Gilsland and Greenhead Tourism Association).

Table 7.1   Relevance and satisfaction with a bundle of member benefits

Benefit	Relevance	Satisfaction
Exchange of general information	3.85	3.54
Access to local knowledge	3.82	3.44
A contact network	3.77	3.52
A collective voice	3.75	3.50
Greater visibility to customers	3.66	3.31
A sounding board for ideas	3.57	3.37
An improved reputation	3.55	3.34
New customer contacts	3.32	3.08
Reduction of isolation	3.31	3.21
Peer support	3.30	3.19
An opportunity to socialise	3.01	3.16

Local associations were also seen to be relevant in providing 'a contact network' (3.77). This included developing new contacts and networking with existing contacts. Members were satisfied with access to a contact network (3.52), testifying to the importance of the association as *'a fantastic opportunity for people to network in a safe environment without any pressure'* (Member, Hexham Business Forum), whilst providing an introduction *'to a number of local businesses previously unknown'* (Member, Barney Guild).

Others highlighted the relevance of the association in providing 'a collective voice' (3.75) through lobbying or within local partnerships. Members were satisfied with the provision (3.5) of voice, with a member of the Morpeth Chamber explaining *'…as a lobby group it has had … a significant voice in some local issues.'*

Whilst some of these benefits may well serve both the individual member and the wider community, the importance of 'greater visibility to customers' is a more exclusive member benefit, with the association having the potential to increase a member's exposure to other members of the business community. Some members explicitly state this as their purpose for membership: *'I am only a member to let visitors know about the practice'* (Member, Bellingham and District Tourism and Trade Association). This related to the relevance of associations in providing 'an improved reputation' (3.55) and 'new customer contacts' (3.32), and whilst members were satisfied with the

effect on reputation (3..34) the lowest satisfaction in the bundle was with new customers contacts (3.08).

Observations at association meetings highlighted them as being important local forums for discussion, argument and negotiation, and members found having access to a platform or 'sounding board for ideas, issues and problems' as relevant (3.57) and were satisfied with provision (3.37). This is the process that feeds into forming the consensus necessary for a collective voice. It also allows businesses to determine who holds what knowledge and resources, where allegiances may lie, and enables the creation of commonality and connection between members.

'Reduction of isolation' (3.31), 'peer support' (3.30) and, 'an opportunity to socialise' (3.01), are all recognised as relevant benefits to be accessed through the membership of local business associations, though they are generally ranked lower in importance. Overall, members were satisfied with reduction in isolation (3.16), peer support (3.19) and an opportunity to socialise (3.16), although for some these may be at rather a low level, with one respondent stating: 'I thought the [association] might provide an entrée to [town] society but really nodding acquaintainship is all that has resulted.' (Member, Morpeth Chamber).

Table 7.2   Indivisibility – benefits in the bundle are highly correlated

Relevance of benefit	1	2	3	4	5	6	7	8	9	10	11
1 A collective voice	1										
2 A contact network	.567	1									
3 New customer contacts	.304	.576	1								
4 Access to local knowledge	.526	.561	.408	1							
5 Peer support	.546	.585	.471	.566	1						
6 Reduction of isolation	.463	.495	.391	.501	.756	1					
7 Exchange of general information	.513	.584	.416	.664	.610	.663	1				
8 An opportunity to socialise	.293	.407	.256	.333	.416	.492	.412	1			
9 A sounding board for ideas	.520	.547	.440	.565	.581	.574	.626	.450	1		
10 An improved reputation	.425	.541	.580	.463	.562	.530	.528	.307	.599	1	
11 Greater visibility to customers	.413	.554	.667	.415	.551	.420	.474	.222	.598	.706	1

For all correlations, pearsons r > 0.01
Bartlett's test of sphericity indicates all components are significantly correlated at 99% level
KMO measure of sampling adequacy .900

Research shows that some goods are indivisible from others and it has been argued that the benefits relevant to members are similarly indivisible and difficult to assess

independently (Bennett and Ramsden 2007). No benefit was entirely seperate from another. For example, one respondent stated: '*I go to meetings for* [the] *social aspect and just* [to] *keep up with what is happening locally*' (Member, Haltwhistle Tourism Association), highlighting that social contact and access to information are intertwined. Table 7.2 confirms that these benefits are highly indivisible. They are correlated at the 99% level of significance.

The high degree of correlation suggested these benefits were a candidate for exploratory factor analysis to identify the existence of structures or dimensions within the data. Factor analysis is a statistical technique '*whose primary purpose is to define the underlying structure among the variables in the analysis*' (Hair *et al.* 2006:104). A common approach to this is principal component analysis where, in addition to identifying data structure, a key aim is a reduction of the number of variables (Bartholomew *et al.* 2008). Using principle component analysis two groups were identified within the bundle of benefits. Table 7.3 shows the result of this analysis, with a total variance explained of 66% and a data reduction rate of 80%.[7]

Table 7.3   Factor analysis for the bundle of benefits

Relevance of benefit	Factor number		Communality
	1	2	h²
A collective voice	**.639**	.106	.487
New customer contacts	-.007	**.847**	.711
Access to local knowledge	**.682**	.135	.577
Peer support	**.694**	.232	.699
Reduction of isolation	**.822**	.034	.705
Exchange of general information	**.767**	.121	.696
An opportunity to socialise	**.804**	.256	.505
A sounding board for ideas	**.602**	.319	.658
An improved reputation	.224	**.719**	.729
Greater visibility to customers	.041	**.892**	.834
Eigenvalue	5.510	1.091	
% of variance explained	55.100	10.913	
Cumulative % of variance explained	55.100	66.013	

Principle Component Analysis using Oblimin with Kaiser Normalisation

[7] The benefit 'Contact Network Relevance' was equally loaded across both factors and its removal achieved exclusivity of loadings with no decrease in significance measured by Cronbach's alpha.

Factor loading is the correlation between the variable and the factor and according to Hair *et al.* (2006) a minimum magnitude of factor loading for a sample size of between 250 and 350 is around .350. Based on this sample of 313 firms the factors were interpreted as shown in Table 7.4, with only variables with a loading of more than .350, shown in bold, associated with the new factor. The benefits with high loadings for factor 1 appear to relate to social networking, support and access to knowledge; thus naming this factor *integrational benefits* seems appropriate. Factor 2 relates to notions of networking for competitive advantage, such as visibility to the customer, new customer contacts and improved reputation and in this case a label of *promotional benefits* is used.

Table 7.4 Bundle of benefits factors, loading and interpretation

Factor and item	Loading	Interpretation
Factor 1		
Reduction of isolation	**.822**	Integrational benefits
Social opportunity	**.804**	
General Information Exchange	**.767**	
Peer support	**.694**	
Access to Local Knowledge	**.682**	
Collective voice	**.639**	
Sounding board for ideas	**.602**	
Cronbach's alpha = .887		
Factor 2		
Greater visibility to customers	**.892**	Promotional benefits
New customer contacts	**.847**	
Improved reputation	**.719**	
Cronbach's alpha = .849		

These 2 factors have high values for Cronbach's alpha (.887 and .849 respectively) and this indicates that they are reliable measures of the underlying structure. Integrational and promotional benefits are also strongly negatively correlated to one another[8] (-.504). As such one would expect an increase in one to suggest a decrease in the other, although it is worth noting that having a contact network is a relevant pre-requisite for both groups.

In this section the relevance of a bundle of benefits to members has been explored and finding indivisibility, factor analysis has been used to identify two underlying structural groups. These have been interpreted as integrational and promotional benefits and

---

[8] Note that within Principle Component Analysis, oblique rotation was used to preserve real world correlations between factors.

they are strongly negatively correlated. The next section explains how these key benefits are related to personal and business characteristics.

7.2 Relationship of benefits with personal and business characteristics

Businesses differ and it is reasonable to expect differences to be reflected in the relevance of the benefits that they seek. Businesses seeking to expand or those large in size may find certain benefits particularly significant. In the same way, a female in-migrant may seek different benefits to a local male.

Using integrational and promotional benefits as dependent variables, two statistical models were created to assess the relationship between benefits sought and personal and business characteristics and these are discussed below.

7.2.1 Modelling the impact of personal and business characteristics

Multiple regression models were applied to the rural business association survey (n=313) to test the relationship between the relevance of benefits and key personal and business characteristics. Most of the independent variables used are those derived in Chapter 6 (see Table 6.1) and these were screened for multicolinearity. Differences here are as a result of changes due to multicolinearity and a parsimonious approach to modeling.

Multi-colinearity is when independent variables are highly correlated, such as the earlier bundle of benefits. Whilst a prerequisite for factor analysis, independent variables are ideally not correlated with each other and often this requires a compromise to select only the most appropriate independent variable for the particular model. An intention to expand the scale of activities and grow the business is important to the relevance of benefits and due to multi-colinearity, this was chosen over the co-linear direction of profit for this model.

In producing predictive models a balance should be struck between explanatory power, complexity and parsimony. The principle of parsimony suggests that many variables should be substituted by a few where this can be done without damaging the overall

explanatory power. For example, whether the customer market was local or extra-local was seen as more important to the relevance of benefits than broad business sectors. As such the location of market replaces business sector in these models. Following the same principle, educational level was substituted by a dichotomous variable indicating post 18 qualifications.

Finally an interaction term was introduced. In addition to the effects of 2 (or more) independent variables on the dependent variable, the independent variables may interact to have a separate effect (Hair et al. 2006). Where controlling for the effects of being a home based business or having an extra-local market, there may be a separate effect for a home based business with an extra-local market and so a new interaction variable is specified. No other theoretically relevant interaction effects were found. Table 7.5 provides the results of these models, including unstandardised and standardised regression coefficients and standard errors.

As before, missing data creates a trade off in variable selection and here the most pragmatic model had a sample size of 158, a 48% reduction in sample size. This provided enough power to identify medium to large effects, the most important predictors, but small significant effects may not have been captured.

The variance explained by these models can be described by R^2. This explains how well the independent variables together predict the dependent variable. The integrational benefit model has an R^2 that explains 15.5% of variance and promotional benefit, 22.1% and as such neither model can be used for accurate prediction of the relevance of benefits. However, these models are undertaken not for predictive purposes but in order to highlight significant relationships. Both models have been tested to ensure they do not violate the assumptions of parametric data and are not sensitive to influential cases or outliers (Appendix E).

Table 7.5   The impact of personal and business characteristics on relevance of benefits

	Integrational benefits			Promotional benefits		
	B	S/E	Beta	B	S/E	Beta
Business level						
Maintain or reduce position over next 10 Years						
Expand the scale of activities over 10 years	-.328	.197	-.139*	-.029	.208	-.011
Turnover (continuous)	-.124	.055	-.232**	-.138	.058	-.235**
Local market						
Extra-local market	-.246	.335	-.099	.691	.355	.253**
Not a home based business						
A home based business	-.633	.300	-.264**	-.145	.317	-.055
No local purchases made						
Local purchases made	.066	.354	.014	.751	.384	.147**
Densely populated rural area						
Sparsely populated rural area	-.668	.226	-.244***	.041	.239	.014
Respondent level						
Local or returnee to the area						
In-migrant to the area	.386	.200	.161**	-.031	.211	-.012
Male						
Female	-.060	.201	-.025	.313	.212	.119
Age (continuous)	-.068	.083	-.068	-.122	.088	-.111
Pre 18 or no qualifications						
Post 18 qualifications	-.287	.184	-.121	-.121	.195	-.046
Interactions						
Not a home based business with extra-local Market						
A home based business with extra-local Market	.950	.447	.350**	-.145	.317	-.055
Constant	6.026	.766	-	3.935	.810	-
R²	.155			.221		
Adjusted R²	.092			.162		
Durbin-Watson (independence of residuals)	2.117			1.983		
Sample size N = 158						

Italics highlight the reference category for ordinal data
** p < .1, ** p < .05, *** p < .01, **** p < .001*

7.2.2   *Analysis of the impact of characteristics on benefits*

Integrational benefits had a small but significant negative relationship with expanding the scale of activities over 10 years, indicating that it is less relevant to businesses that intend to grow over the next 10 years (at -.139). Surprisingly there is no corresponding relationship for promotional benefits.

Business size had a negative relationship with both benefits and the larger the turnover the lower their relevance. Bennett (1997) suggests that larger firms are more able to self-supply resources. It may also be that these benefits are more relevant to individuals that identify themselves with the business and an increased business size may diminish this identity.

Having a non-local customer market has no impact on the relevance of integrational benefits, however promotional benefits are positively related (at .253). It seems likely that this relates to the factor components: customer visibility and reputation, where association activity increases both. Having local suppliers also has a small positive relationship with the relevance of promotional benefits.

There is no significant relationship with promotional benefits between home based and non home based business. However, integrational benefits have a medium negative relationship with being a home based business (at -.264). This situation reverses if the member is a home based business with an extra-local market, where a medium positive relationship with the relevance of integrational benefits exists.

Where the rural area is sparsely populated, then integrational benefits appear less relevant (-.244) than if the area is densely populated. Given that these benefits relate to integration with, and knowledge about, the local business community, then when this community is characterised by a low population, there may be correspondingly less integration that can occur, or that a business owner-manager finds relevant.

At the personal level, sex, age and education have no significant association with either set of benefits. However, when the member is an in-migrant to the area they find integrational benefits more relevant than locals (at .161).

In summary, integrational benefits are less important to growing businesses and larger firms find both benefits less important. The relevance of promotional benefits are positively related to having a non-local market and buying supplies locally. Integrational benefits are negatively related to being home based, although this situation reverses when a business has an extra-local market. Businesses in sparsely populated locations find integrational benefits less relevant. At a personal level, with the exception of in-migrants who hold a positive relationship with integrational benefits, no characteristics show any special significance.

Having identified the benefits of relevance to members and their relationship with personal and business characteristics, the next section examines the costs incurred by respondents as a result of association membership.

7.3 Costs incurred by members

7.3.1 Financial costs

The primary financial cost to members was in the form of the annual subscription. Table 7.6 shows the expected and mean reported subscription paid by the members of the various associations. There is relative agreement between expected and reported subscriptions, with Brampton and Morpeth Chambers having the highest subscriptions at £50 per annum. The median is £25 per annum. Standard deviations illustrate extra contributions required where a member represents more than one business or variations in subscription by business size. A degree of uncertainty by respondents as to the current level may be due to small annual increments in subscription.

Table 7.6 Membership subscriptions expected and received

Business association	Expected subscription £	Average reported subscription** £	Standard deviation £
Alnwick Tourism Association	35	34.17	2.98
Barney Guild	0	-	-
Bellingham Association	25	25.42	3.34
Berwick Chamber	10	10	0
Brampton Chamber	50	46.43	3.78
*Gilsland and Greenhead Tourism Partnership	25	25	-
Guisborough Business Association	40	40	0
*Haltwhistle and District Tourism Association	25	25	-
Haltwhistle Chamber	20	22.27	3.44
Hexham Business Forum	35	34.62	2.33
Morpeth Chamber	50	49.25	9.9
Penrith Chamber of Commerce	25	35.42	12.04
Rothbury Business Club	30	33.83	2.99
Rothbury Tourism Association	25	27.89	7.51
Wooler Association	0	-	-

*These associations were part of the pilot where the subscription question was not asked of respondents, the column indicates only expected subscriptions
** Where subscription > 0

112

Interestingly, 8% of the members of subscription based associations indicated that they actually paid nothing, with one respondent observing: '*[I was] never sent a renewal, so [my] subscription is zero*' (Member, Rothbury Business Club). From observed meetings collecting payment is often difficult and the leadership may typically make repeated requests and threats to exclude non-payers. Administrative tasks are sometimes poorly organised meaning requests for payment can be overlooked. Two of the associations had no subscription costs at all, with the Barney Guild supported financially by local public bodies and no financial support for the Wooler business association.

Out of 313 respondents, only one had incurred a training cost through their membership, 37.7% did not know whether they had incurred a training cost and 61.9% specified no cost had been incurred for training over the past year. Only 17.6% of respondents indicated a travel cost was incurred, 27.6% did not know. Where travel cost was given the mean was £20.29, the standard deviation £19.21 and the mode £10. In general the travel costs were assessed by members as small, with one respondent indicating that '*travel costs are minimal as all meetings are very local*' (Member, Haltwhistle Tourism Association).

16% of respondents indicated other financial costs had been incurred over the last 12 months, while 27.6% did not know if this was the case. Where other financial costs were given the mean was £106.45, the standard deviation £120.29 and the mode £200. The identity of these other costs was in general not given. In the case of one tourism association, membership required annual inspections of facilities and this meant costs to reach the required standards and payment of the inspection charge. Some businesses may have accepted these costs as naturally incurred by their business and others as a membership cost. It is also possible that charitable donations, solicited through membership channels, are included by businesses in this category.

7.3.2 Time costs

The most visible time cost and regular commitment for members related to their attendance of association meetings. These vary in frequency between associations. Table 7.7 shows the mean number of meetings attended per business by association. Most held around 12 member meetings a year, although on average members did not

attend all of these. The highest number of meetings attended was by members of the Morpeth Chamber, an average of 7.35 meetings. While the Guisborough Business Association showed an average of 1 meeting attended in the past year. Here a reduced membership and frustration with local initiatives had led to regular scheduled meetings being replaced by more reactive ad-hoc meetings. Members of the Wooler Business Association also only get together on an ad-hoc basis, shown by a mean of 0.44 meetings attended in the past year.

The variations in standard deviation illustrate the variance of meeting frequency for some members which will include additional sub-group and administration meetings. Small tourism associations, such as Gilsland and Greenhead Tourism Association, varied their meeting schedule depending upon the season, with no meetings held during the summer months. Alnwick and Rothbury Tourism Associations limited their meetings to 2 a year.

Table 7.7 Average time commitment over the past 12 months for associations

	Meetings Attended		Attendees	Other hours spent		Total time Commitment (hours)		
	mean	st.dev	Mean	mean	st.dev	Mean	st.dev	mode
Alnwick Tourism Association	1.35	1.17	1.34	5.75	21.18	9.28	22.46	0
Barney Guild	5.14	4.02	1.37	8.12	13.82	52.12	22.62	17
Bellingham Association	2.40	4.27	1.07	10.92	40.27	16.04	47.84	0
Berwick Chamber	2.15	4.00	1.00	18.46	41.20	22.46	46.21	0
Brampton Chamber	6.11	3.48	1.22	22.39	44.82	39.28	58.71	0
Gilsland and Greenhead Tourism	2.53	2.24	1.00	8.88	11.87	13.94	15.33	0
Guisborough Association	1.00	1.85	1.00	0.50	1.41	2.50	4.75	0
Haltwhistle Chamber of Trade	2.35	2.52	1.18	15.82	36.20	21.47	39.80	0
Haltwhistle Tourism Association	3.20	2.39	1.00	1.30	3.77	7.70	7.24	0
Hexham Business Forum	6.50	5.81	1.40	26.25	41.71	45.38	52.12	20
Morpeth Chamber of Trade	7.35	8.54	1.05	70.88	125.74	85.73	129.19	35
Penrith Chamber of Commerce	4.79	4.98	1.18	23.14	37.71	34.10	43.04	6
Rothbury Business Club	3.73	4.36	1.38	4.91	9.18	18.91	36.74	0
Rothbury Tourism Association	1.15	1.53	1.25	4.51	16.27	7.06	16.91	0
Wooler Association	0.44	0.53	1.00	0.89	1.17	1.78	2.17	0

The number of attendees per business at meetings was typically 1 individual (the mode). Table 7.7 shows that the mean number of attendees was slightly higher, with some businesses sending 2 representatives. Only in one case did the business send any more than 2 representatives (4 for a member of the Rothbury Business Club).

The table also shows other hours spent, with the Morpeth Chamber again having the highest cost. These other hours are partially explained by the voluntary activities of associations, such as organising and stewarding local events. They also related to the 2.9% of respondents who reported unexpected costs in the past 12 months. Unexpected demands on time were often quoted by members that helped with the administration of associations. One member, for example, described *'huge demands on [their] time because membership in general is not proactive'* (Member, Morpeth Chamber). Another complained about *'unexpected demands on time … spent appeasing people or answering queries'* (Member, Rothbury Tourism Association).

Conflict can also have an unexpected cost and this may be internal or external to the association. Internally, there may be conflict between the organisers and individuals in the general membership. Externally there may be conflict within the business community, with one member stating, for example, that *'conflict between organisations has had a negative impact on business in the town which has required time to rectify and cost sales!'*

During fieldwork, 20 meetings were observed and these lasted approximately 2 hours. The leaders of the associations indicated that this was the standard length of meetings; if shorter, then members would stay and chat, if longer then they would leave. Given this, for convenience meeting time is taken as a constant of 2 hours[9] and so the approximate total time commitment was calculated as:

Meetings X meeting time X Attendees + Other hours given

Table 7.7 shows that the overall time commitment of members varies tremendously by association, with Morpeth Chamber members having the highest mean at 85.73 hours per annum. Although as comparison between the mean and mode illustrate, the mean may be skewed by the commitment of certain individuals. Morpeth Chamber, the

---

[9] Asking members to remember the meetings attended over the last year was perceived as too onerous a question. As a result only number of meetings and number of attendees were queried in the survey.

Barney Guild, the Hexham Business Forum and the Penrith Chamber are the only associations that have a modal time commitment greater than zero; illustrating that for most members of other associations, the time cost of association membership is negligible. This may cause problems. As one respondent put it: *'Issue[s] of time commitments and people unwilling and unable to help has produced some apathy and a little resentment'.*

In summary, overall subscription charges appear low and may not reflect the value of the association. Time costs appear to vary significantly, although with a modal time commitment of zero illustrating that for most members, time cost is nominal. Given the large discrepancies between mean and mode time cost, it might be expected that those that help organise the association have a different distribution of costs and benefits to those that do not. The next section examines the distribution of these costs and benefits.

7.4 Distribution of costs and benefits

Having derived financial and time costs and two key structural benefits – integrational and promotional benefits - an assessment can be made as to whether they are evenly distributed between members.

Table 7.8 Correlation of costs and benefits by key variables

Factors	Costs		Benefits	
	Total annual £ Commitment	Total annual Time Commitment	Satisfaction with integrational benefits	Satisfaction with promotional benefits
Total annual Time Commitment	.155*	1	.157**	-.042
Turnover of business	.163**	.131**	-.142**	-.224***
Length of membership	.098	.131**	-.059	-.110
Age of Respondent	-.042	-.009	-.034	-.072

Both relevance and satisfaction with benefits were captured by the questionnaire and to ensure that the results and not the aspirations of membership are being measured, satisfaction is used here instead of relevance. Measures of satisfaction for

116

integrational and promotional benefits were derived using the coefficients from the factor analysis created earlier (see Table 7.3). These were then used to assess distribution of benefits and Table 7.8 gives the correlations of continuous variables and Table 7.9 an analysis of variance of key personal and business factors.

An increasing time commitment had a positive correlation with an increasing financial commitment and more significantly it had a positive correlation with satisfaction with integrational benefits. The more time committed, the higher the satisfaction with integration. Time commitment had no correlation with satisfaction with promotional benefits.

The turnover of the business had a small positive correlation with both financial and time costs; however it had a negative correlation with satisfaction with both integrational and promotional benefits. The larger the businesses turnover, the higher the financial and time costs, but the lower the satisfaction with both groups of benefits. Conversely, the smaller the business turnover, the lower the financial and time costs and the higher the satisfaction with both groups of benefits.

Figure 7.1   Length of membership histogram
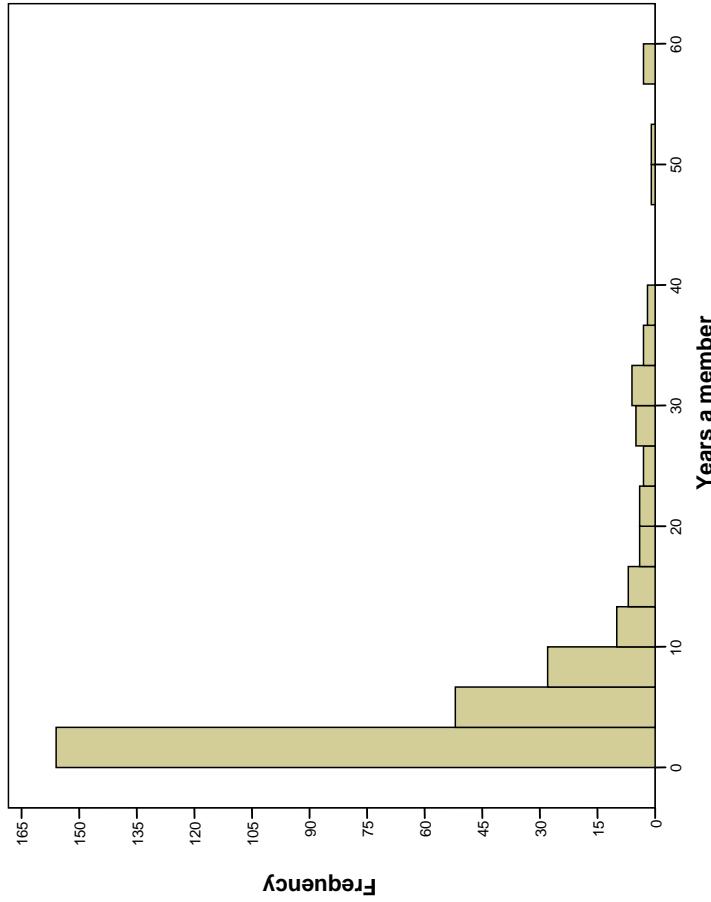
Length of membership had no significant relationship with satisfaction of either benefit. But as Figure 7.1 shows, the majority of members have only been members for a few years; with a median of 3 years and a mean of 6.8 years. On the whole membership appears to be a short term commitment for members.

Since satisfaction does not decrease, this short term membership may be explained by returning to the relevance of the benefit. The relevance of promotional benefits are negatively correlated with years a member (-.230**) and when the influence of promotional benefits are controlled for, the relevance of integrational benefits are positively correlated with years a member (.100*). This is consistent with Huggins (1998) suggestion that trust takes time to develop. Thus, whilst overall satisfaction remains constant, the relevance of promotional benefits appears to decrease over time, whereas the relevance of integrational benefits increases.

Curran and Blackburn (1994) suggest that the age of the owner-manager has an impact on the contribution they can make to associations, with for example, family commitments decreasing their available time. However, here the age of respondents has no significant correlation with financial or time costs. Neither is there a correlation between age and satisfaction with either group of benefits. Age does not appear to impact the distribution of costs or benefits in this research.

Table 7.9 shows the analysis of variance for key factors. This reveals a significant difference between members that are involved with the administration or organisation of associations and the general membership, with organisers paying more financially and committing more time. They do appear however to be more satisfied with integrational benefits they receive. But they are no different to the general members in their satisfaction with promotional benefits.

In general, home based businesses incur a lower financial cost than non home based business and have a higher satisfaction with both integrational and promotional benefits. In particular, home based accommodation businesses have a lower time commitment and higher satisfaction with benefits than home based non accommodation businesses.

Businesses located in a less sparse rural population have considerably higher time costs than those located in sparse rural populations, but lower satisfaction with promotional benefits.

Table 7.9   Analysis of variance of costs and benefits by key factors

Factors	Costs		Benefits	
	Total annual £ Commitment	Total annual Time Commitment	Satisfaction with integrational benefits	Satisfaction with promotional benefits
Gender				
Male	46.9	30.1	4.1	3.2
Female	41.4	19.3	4.3	3.6
F-Test	.541	2.604	1.808	7.786***
Education				
No post-18 qualifications	39.8	27.0	4.3	3.3
Post-18 qualifications	49.4	23.0	4.2	3.4
F-Test	1.667	.391	.233	.092
Membership Involvement				
General membership	38.9	11.3	4.2	3.4
Helps with administration and organisation	67.6	71.2	4.5	3.4
F-Test	11.026***	71.873***	3.128*	.009
Location of business				
Not home based business	51.0	25.1	4.1	3.2
Home based business	36.0	22.3	4.4	3.6
F-Test	3.976**	.192	4.968**	10.304***
Growth				
Expand the scale of activities	39.0	20.8	4.3	3.4
Reduce or unsure of plans	52.8	27.8	4.1	3.3
F-Test	3.368*	1.179	2.113	.899
Local purchase				
Some local purchases made	46.3	35.4	4.2	3.0
No local purchases made	45.9	25.4	4.2	3.4
F-Test	.000	.518	.001	1.272
Density of population				
Located in a less sparse population	58.3	48.2	4.3	3.0
Located in a sparse population	39.8	15.9	4.2	3.5
F-Test	5.154**	21.948***	.533	8.579***
Business sector				
Agriculture, Manufacturing and Construction	69.2	19.9	4.0	3.3
Retail and Transport	44.4	30.1	3.8	2.8
Accommodation	39.9	15.3	4.5	3.8
Information, Financial and Real Estate	49.4	62.3	4.3	3.2
Professional	53.9	36.9	4.5	3.4
Administration, Public, Education, Health, Sports and arts	48.5	17.6	4.2	3.0
F-Test	.764	2.897***	3.748***	8.453****

*p < .1, **p < .05, *** p < .01, **** p < .001
The F-Test indicates whether or not significant variation exists between the relevant sub-population.

Financial costs have no significant variation across business sectors, but time costs do. Here 'Information, Financial and Real Estate' businesses contribute the most time and 'Accommodation' the least. There is also a difference in the satisfaction with benefits, where 'Retail and Transport' has the lowest satisfaction compared to 'Accommodation' with the highest.

From this analysis, size of business, the length and level of involvement with, membership and the location and sector of the business all have a significant effect on the distribution of the cost incurred and the satisfaction with benefits.

Having assessed the costs and benefits of membership and their distribution between members, the following section details a cost-benefit analysis using stated and contingent financial data to assess in what terms membership of these associations can be understood using a rational choice approach.

7.5 A cost-benefit analysis

Whilst members identify a range of benefits provided by their association some, but by no means all, were able to connect membership to a specific financial benefit. One respondent for example described '[£]40,000 income…from bookings received through [the] *association*,' (Member, Alnwick Tourism Association) and another said that '*50% of business comes through the association*' (Member, Alnwick Tourism Association). Others are unable to make an estimate, having only a sense that some sort of benefit is being received, with one respondent stating: '*Benefits outweigh costs…although* [I have] *no specific numbers I have met some valuable contacts*' (Member, Alnwick Tourism Association).

To gain an insight into the outcomes of membership, respondents were asked to indicate what financial gains they had made in the last 12 months, and how many customers, suppliers or useful contacts they had made since they joined, Table 7.10 illustrates this. 53.7% indicate that they do not know if they had made a financial gain or not as a result of membership, with 35.8% indicating no gain. Some respondents found it very difficult to judge, due to the small scale and informal nature of their businesses: '*we are not a formal business.*' Another explained they '*just pay off* [the] *mortgage if there is money in the bank.*'

Table 7.10 Outcomes of membership

Outcome of membership	No gain	A gain	Don't know
Financial gains in the last 12 months	35.8%	10.5%	53.7%
Customer gains since joining	36.0%	20.7%	43.3%
Supplier gains since joining	60.4%	18.5%	21.1%
'Useful contacts' since joining	27.8%	44.8%	27.4%

The lowest uncertainty in outcomes was in the gain of suppliers, where only 21.1% did not know if they had gained since joining, and most had not (60.4%). 44.8% of members reported making useful contacts since joining.

A multinomial logistic regression was used to isolate any significant personal and business factors in the ability of respondents to identify financial benefits. This approach is essentially an extension of the logistic regression used in Chapter 6, this time using a ternary dependent variable rather than a binary one. The 3 part dependent variable (don't know / gain / no gain) was modelled using the same personal and business independent factors used in earlier models (see Table 7.6). Variables were assessed for multicolinearity using a correlation matrix and by assessing their variance inflation factor.

Missing data accounted for a 43% reduction in sample size, with the model providing an improvement in prediction over the median, intercept only model, explaining 16.7% of variability. Multinomial logistic regression models are particularly sensitive to incomplete information about predictors and in order to pass the goodness-of-fit test, only significant variables were included in the final model shown in Table 7.11.

Similar to logistic regression, the log odds can be interpreted as a positive effect where the value is over 1 and as a negative where under 1. Respondents that identified a financial gain were less likely to have post 18 qualifications and more likely to have a local market. Respondents that described no financial gain were more likely to be locals to the area (at the 10% level) and more likely to have an extra-local market.

The difficulty in identifying financial benefits means that only 46.3% of respondents are eligible for a cost-benefit analysis (accounting for missing data, n=101). Using this

stated financial gain as the basis for a cost-benefit analysis showed that only 36.6% of eligible respondents had benefits outweighing, or equal to costs. Given the earlier identification of the importance of integrational benefits, it may be that a cost-benefit analysis operating solely at the business level is an inappropriate way to value business associations.

Table 7.11   How personal and business factors relate to the identification of financial benefits

	Financial Gain†		No financial gain	
	Log odds	S/E	Log odds	S/E
In-migrant to the area	.521	.634	.561*	.352
Post 18 qualifications	.271*	.687	.969	.343
Extra-local market	.328*	.595	3.615****	.395
Intercept only model classifies	52.6%			
Full model classifies correctly	59.4%			
Nagelkerkes R²	.167			
Sample size	175			

† 'Gain' and 'No gain' are here referenced against 'Don't know'

Note that log odds less than 1 should be interpreted as a negative effect
*p < .1, **p < .05, *** p < .01, **** p < .001

Contingent financial data can be used as an alternative to the stated financial benefit in a cost-benefit analysis. Willingness-to-pay was derived in the survey by asking the respondent to provide a financial value for their membership that was contingent on its worth to the business *and local* community and as such it takes account of the social dimension. Asking respondents to estimate their willingness-to-pay[10], based on the benefits and impacts that they had evaluated up to this point of the questionnaire, theoretically allows for a more accurate measure of market value than annual subscription alone.

59.5% of respondents were willing-to-pay more than the current subscription to save the business association from closure. 5.9% were not willing-to-pay more than the current subscription. 34.6% of respondents were interpreted as protest values with missing data (24.5%) or with values of less than the current subscription. Table 7.12 shows the reasons given for these protest values, indicating that 60% are due to low value or substitutable benefits. 18.2% cannot afford to pay more and 16.4% stated that

---

[10] The use of willingness-to-pay as a dependent variable is validated in Appendix F.

they contribute in other ways. Only 3.6% indicated they expected others to pay to save the association, providing an identifiable but small proportion of members exhibiting explicit free riding behaviour. Protesting respondents may also be uncertain as to current subscription levels, or may already be non-payers. These protest values were registered as valuing the association at the level of the current paid subscription (e.g. revealed financial value), or where no subscription was paid at zero value.

Table 7.12 Reasons given for unwillingness-to-pay

Reason given	% of protest values
The benefits I receive are not worth the extra costs	40.0%
I can get the same benefits elsewhere	20.0%
I cannot afford to pay more	18.2%
I contribute in other ways	16.4%
I expect others will pay to save it	3.6%
I do not expect to be a member next year	1.8%

Taking total willingness-to-pay and subtracting financial costs gives a cost-benefit per respondent. This indicates that 77.5% of respondents had benefits outweighing or equal to costs, suggesting that membership appears a financially rational choice for the majority of members when business and local community values are taken into account. As one respondent explained:

Anyone joining with a view to personal business gain (in the short-term) will either leave or become a non-active member. All...activities are directed towards the overall improvement of trade through the promotion and improvement of [the town] as a trading environment. It is towards this wider goal that active members direct their efforts, frequently at their own expense and to the detriment of the amount of attention paid to their own business (Member, Morpeth Chamber).

Using willingness-to-pay as a contingent valuation of business and community financial value appears therefore to provide a better explanation for membership from a rational choice perspective than using only the stated financial gain to the business. In summary, over 50% of members did not know if they had made any financial gains since joining as a result of membership. Of those that did know they had made a gain or no gain, the majority had been found to have costs that outweighed benefits. Membership is not a financially rational choice for the majority of members at a solely

business level and only becomes so when business and community values are accounted for.

7.6 Discussion

Overall, a range of benefits were found to be relevant to members and they were satisfied with their provision. Within these, two key bundles of benefits were identified as being of relevance to the members of business associations. These were interpreted as: integrational benefits, involving social networking and the exchange of local and general information; and promotional benefits, an explicitly business focused measure of visibility and reputation to customers that includes making new customer contacts.

It is interesting to find that these benefits are strongly negatively correlated. This means that whilst they may both be present in an association, for an individual member one is likely to be more relevant than the other. Modelling these benefits against personal and business characteristics found that, with the exception of business turnover, significance of a factor was exclusive to one benefit or the other. Thus promotional benefits were significantly more relevant to businesses with an extra-local market or making local purchases. Integrational benefits were more relevant to in-migrants to the area and less relevant to businesses looking to expand, home based businesses or businesses located in more sparsely populated areas.

Membership appears to be a short term commitment for the majority of members, with a median of 3 years membership duration. The longer the membership, the higher the time commitment. Whilst levels of satisfaction with the 2 benefit groups did not change over time, the relevance of promotional benefits declined, whilst the relevance of integrational benefits increased. It seems likely that relevance changes as a result of members accruing the benefit over a period of time. Thus as new contacts and access to new customers are gained by the business, their provision by the association becomes less relevant with time. The absorption of specific, private benefits leaves only collective, group benefits as relevant and since these may be enjoyed without contribution, members may leave and become free riders.

Those members that help administer or organise the association have significantly higher financial and time costs. Here the pay-off appears to be a higher satisfaction

with integrational benefits. There is no difference between organisers and members in their satisfaction with promotional benefits. Clearly those involved with the organisation also set the agenda, being better informed by a wider access to other networks. Increased involvement may improve satisfaction with integrational benefits. However, moves co-ordinated by organising members that may increase satisfaction with promotional benefits may be non-exclusive, providing similar benefit levels to all members.

In the previous chapter it was found that home based businesses were less likely to be members of local business associations. However where they are members, they appear to pay less and experience higher satisfaction with both benefit groups than their non home based contemporaries. Home based businesses are more likely to be limited in size and this may explain the lower financial costs paid.

Business sector had no impact on the financial costs paid but had an effect on time costs and levels of satisfaction with both benefit groups. Here retail and transport had the lowest satisfaction level with both benefit groups and particularly promotional benefits, whereas accommodation had the highest levels for both. This may relate to the heterogeneous nature of the retail and transport sector and the difficulty therefore in meeting their interests and needs. Retailers can serve local and non local markets, with a vastly different array of goods, leading to less commonality between them. Accommodation providers on the other hand mostly service non-local visitors and are more similar. For this sector it may be easier for the association to produce economies of scale, with reduced transaction costs involved in the negotiation, bargaining and consolidation of interests.

Smaller businesses have higher levels of satisfaction and experience lower costs than larger businesses. This ties in with Bennett's hypothesis that there may be more benefit in having an association in an SME-oriented economy where the association is the supplier of benefits, than to a large firm oriented one where they may self supply (1998).

7.7 Summary

The chapter has identified the relevance and satisfaction with provision of a range of benefits. It has uncovered underlying benefits sought by association members and shown how these are related to certain personal and business characteristics. Two key structural benefits were identified: integrational and promotional. Following this, the financial and time costs of membership were analysed, showing how costs and benefits are not evenly distributed across the membership. The distribution of the relevance of these benefits changed with the length of membership and this may explain why membership of local business associations is a short term commitment for the majority of members. Promotional benefits decreased over time, whilst integrational benefits increased. Indeed, a heavier time commitment was related to greater levels of satisfaction with integrational benefits and this appears to be the pay-off experienced by some members for the hours spent organising the association.

Smaller businesses were more satisfied with both groups of benefits than larger businesses, and paid less towards the costs, having a more favourable cost-benefit ratio. However, within a rational choice paradigm, a cost-benefit analysis only showed a gain when both business and community benefits were accounted for.

The next chapter examines which factors are significant in describing the performance of local business associations.

~Chapter 8~

The determinants of association performance

8.0 Introduction

The literature reviewed in Chapter 4 suggested that there are various determinants of association performance. For instance, collective action may be limited by the constraints of group size (Olson 1971) and homogeneity of business sector may raise performance (Poteete and Ostrom 2004). However, it is not clear from previous research how significant these and other factors are in determining the performance of local business associations.

This chapter explores and models determinants of association performance from a member's perspective. It begins by examining the purpose of local associations as reported by their members. It then assesses the measures of association performance using satisfaction and willingness-to-pay as the dependent variables. The determinants of variation in performance are next discussed individually and then modelled using ordinal and continuous regression techniques.

8.1 Purpose of the association

In an open question members were asked what, in their opinion, the single most important purpose of their association was. Responses were coded into 5 primary purposes and Figure 8.1 shows the percentage of members citing these purposes.

Promoting local businesses was the most popular primary purpose, being cited by 30.4% of respondents. Promotion here referred to both the direct sales of members and to the general wellbeing of businesses in the town. Promotion was by the provision of advertising through print and online media, by staging local events and advocacy that aimed 'to encourage and advance the interests of companies' (Member, Morpeth).

Figure 8.1   Primary purpose assigned to association membership
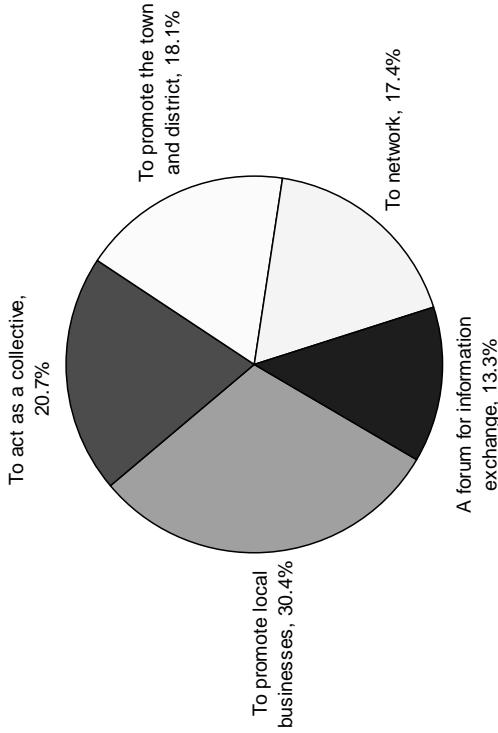
Acting as a collective was cited as the next most common primary purpose, at 20.7%. Acting collectively was seen as a way of overcoming the shortcomings of individual action to '*achieve things we couldn't individually*' (Member, Bellingham). The local association was seen as providing a collective '*voice for like minded people*' (Member, Morpeth), representing the interests of members as a '*single body to local government and councils*' (Member, Penrith). They were also platforms for collective action, where the associations' role was to react and '*fight for local businesses*' (Member, Berwick) or for keeping '*an eye on local developments and policy*' (Member, Penrith).

Next, at 18.1% was the role of associations in promoting the town and district. Promotion here focused on protecting the interests of the town and advertising its existence. Protecting the towns' interests was seen as vital to maintaining them as centres '*of trade and commerce*' (Member, Morpeth) and in '*preserving* [their] *unique character*' (Member, Morpeth). Some saw their town as peripheral to the agendas of others. They needed to advertise the attractions and amenities as no-one else would do this for them (Member, Gilsland and Greenhead). It was important '*to inform other regions we exist*' (Member, Rothbury).

Networking was cited by 17.4% of respondents as the primary purpose. Networking in the local business associations presented the '*opportunity to network at local level*' (Member, Penrith) and '*get to know local people*' (In-migrant member, Morpeth). This

128

was for practical purposes where members could *'work as a team and share trade'* (Member, Gilsland and Greenhead). It also served a role in overcoming the potential isolation of running a business in a rural community, so that *'you never feel alone'* (Member, Alnwick).

Finally, 13.3% of respondents identified their associations as offering a forum for information exchange. This related to access to local and extra-local information with members wanting *'information regarding what is going on in our area'* (Member, Haltwhistle) and *'access to wider knowledge'* (Member, Hexham). The associations offered a place to talk and think through the relevance of new information and knowledge to the town, where it was important *'to consider and promote all lawful ideas'* (Member, Morpeth).

Table 8.1   Percentage of primary purpose by association

Local Business Association	To promote local businesses	To act as a collective	To promote the town and district	To network	To provide a forum for information exchange
Alnwick Tourism Association	42.9%	10.2%	6.1%	24.5%	16.3%
Barney Guild	11.8%	23.5%	35.3%	5.9%	23.5%
Bellingham DTTA	61.9%	9.5%	19.0%	4.8%	4.8%
Berwick Chamber	20.0%	80.0%	0%	0%	0%
Brampton Chamber	11.1%	0%	55.6%	33.3%	0%
Gilsland and Greenhead Tourism Partnership	7.1%	28.6%	21.4%	21.4%	21.4%
Guisborough Business Association	0%	60.0%	20.0%	0%	20.0
Haltwhistle Chamber of Trade	38.5%	7.7%	23.1%	7.7%	23.1%
Haltwhistle Tourism Association	33.3%	11.1%	11.1%	33.3%	11.1%
Hexham Business Forum	18.8%	18.8%	12.5%	37.5%	12.5%
Morpeth Chamber	28.0%	28.0%	20.0%	12.0%	12.0%
Penrith Chamber	19.2%	53.8%	0%	15.4%	11.5%
Rothbury Business Club	20.0%	10.0%	10.0%	40.0%	20.0%
Rothbury Tourism Association	37.8%	8.1%	32.4%	13.5%	8.1%
Wooler Business Association	33.3%	0%	33.3%	11.1%	22.2%

Table 8.1 shows that no association can be entirely identified by any one purpose, with members prioritising in different ways. The most cohesive local business association in terms of primary purpose was the Berwick Chamber where members cited only 2 out of the 5 purposes; promoting local business and acting as a collective. Members of the Penrith Chamber and Wooler Business Association cited 4 of the 5 purposes, while for and the remaining 10 associations the full 5 purposes were highlighted

It seems apparent that these purposes are indivisible at an association level and that they should be regarded as dimensions of an overall purpose. At an organisational level the purpose of these associations could be stated as: 'to *act collectively in the promotion of local businesses, the market town and district, through networking and by providing a forum for information exchange.'*

8.2 Measures of performance

The definition of success is variable and multidimensional. Its specification depends on the value position of those doing the measuring (Brown *et al.* 2002:15).

As discussed in Chapter 3, there are various approaches to measuring success and performance of associations. Overall satisfaction and willingness-to-pay have been chosen in this research as they allow the individual members themselves to be the ones 'doing the measuring.' Satisfaction has been described as a post usage evaluation that contains cognitive and affective elements (Oliver 1997) and was measured using a 5-point Likert scale in the questionnaire. Willingness-to-pay is a financial measure of the maximum level member's state they will pay in order to save the association from closure. This is a contingent valuation of the value to the member of the business and community benefits received by the member. In the questionnaire, following questions on costs and benefits, the respondent was presented with the scenario where their association would close unless they helped to save it. The aim was to maximise the financial value they were willing-to-pay and this was measured by an open question.

Where a member reported a willingness-to-pay that was zero or less than the current subscription, this was interpreted as a protest vote. The respondent may have been

unwilling to provide an estimated value as they may have believed this would lead to an increase in their subscription. Where protest votes were received, the current subscription was taken as the maximum value (willingness-to-pay is validated in Appendix F and discussed in Chapter 7).

Figure 8.2 Overall satisfaction with membership of the association
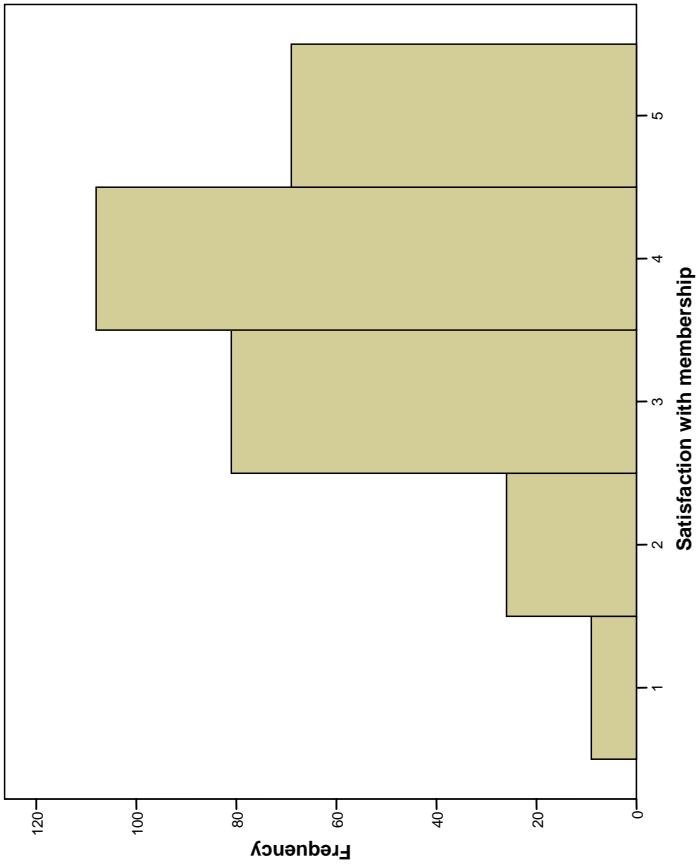
Members were asked to indicate their agreement with the statement 'I am very satisfied with membership of the association'. Figure 8.2 shows their response, based on a 5-point Likert scale where 1 represents 'strongly disagree' and 5 'strongly agree'. On the whole, members agree that they are satisfied with membership, with 60.4% agreeing they are very satisfied with membership and 27.6% indicating they neither agree nor disagree. The mean willingness-to-pay for continued membership across the members surveyed is £67.87, with a median of £50 per annum, compared to a mean subscription of £31.48 and a median of £25.

An analysis of variance (ANOVA) indicates that the differences in satisfaction and willingness-to-pay between the 15 associations are significant at the 99% level (with F-tests of 3.123 and 10.363 respectively) and these variations are illustrated in Table 8.2.

Table 8.2   Mean performance measures by association

Local business association	Mean satisfaction	Mean willingness-to-pay
Rothbury Tourism Association	4.18	£66.75
Alnwick Tourism Association	4.07	£116.56
Hexham Business Forum	3.94	£70.77
Brampton Chamber	3.89	£69.29
Haltwhistle Chamber of Trade	3.87	£36.36
Haltwhistle and District Tourism	3.78	£39.50
Bellingham and District Tourism	3.63	£35.83
Morpeth Chamber of Trade	3.54	£83.57
Barney Guild	3.45	£31.07
Gilsland and Greenhead Tourism	3.33	£37.06
Penrith Chamber of Commerce	3.32	£66.23
Guisborough Business	3.25	£60.00
Rothbury Business Club	3.18	£42.86
Berwick Chamber	3.00	£12.14
Wooler Business Association	2.88	£70.00
F-Test	3.123****	10.363****

*p < .1, **p < .05, *** p < .01, **** p < .001

The highest levels of satisfaction were with two tourism associations, Rothbury (4.18) and Alnwick (4.07).   The lowest scores were reported for the Berwick Chamber of Trade (3.00) and Wooler Business Association (2.88).

The highest willingness-to-pay was for the Alnwick Tourism Association (£117), followed by the Morpeth Chamber (£84) and the lowest for the Barney Guild (£31) followed by the Berwick Chamber of Trade (£12). In general there was no constant relationship between satisfaction and willingness-to-pay (this is also seen in previous research, see for example Homburg *et al.* 2005).

Association performance therefore appears to be quite variable.   In the next sections the analysis explores the role of various factors that might explain this variation before modelling their effect on measures of performance.

8.3 Determinants of performance

Chapter 4 highlighted structural factors that are potential determinants of association performance. This section explores the importance of these factors in explaining performance variation across the surveyed associations. Table 8.3 provides a summary of the structural factors.

Table 8.3 Association level structural results for local business associations

Local business association	Group Size	Number of sectors represented	Age of association (Years)	Public body subsidy	*Average member turnover
Alnwick Tourism	106	2	6	No	£21,339.62
Barney Guild	46	7	1	Yes	£83,235.51
Bellingham and District	51	9	1	No	£83,235.51
Berwick Chamber	159	4	54	No	£83,235.51
Brampton Chamber	19	3	4	No	£224,117.00
Gilsland and Greenhead	33	4	8	Yes	£40,000.00
Guisborough Business	14	2	19	No	£321,499.71
Haltwhistle and District	21	1	13	Yes	£174,500.00
Haltwhistle Chamber of	41	8	54	Yes	£32,499.25
Hexham Business Forum	78	6	3	Yes	£217,114.00
Morpeth Chamber of	65	8	54	No	£220,690.00
Penrith Chamber of	98	8	106	No	£205,492.00
Rothbury Business Club	28	6	10	No	£83,235.51
Rothbury Tourism	79	3	8	No	£24,549.52
Wooler Business	24	4	5	No	£83,235.51

*The average turnover of an association member was calculated using multiple regression techniques based on data from the survey, Appendix G explains the derivation process.

Group size is highlighted as an important predictor of performance in the literature, with critical mass promoting survival and economies of scale increasing efficiency (Bennett 1998, Oliver and Marwell 1988, Olson 1971). Interestingly the Berwick Chamber, lowest for its mean willingness-to-pay, and the Alnwick Tourism Association, highest for its mean willingness-to-pay, had the largest group sizes at 159 and 106 members respectively, illustrating that whilst group size may be important, other factors clearly have an effect. The median group size across the associations was 65 members.

Conversely, a large group size is also seen as having a limiting effect on achieving collective benefits (Olson 1971). While homogeneity of membership is thought to

increase member commonality, which in turn has the effect of making a large group seem smaller (Baland and Platteau 1996). The most homogeneous association in terms of sectors represented was the Haltwhistle Tourism Association, which comprised only accommodation and restaurant businesses (interpreted as 1 sector). This was followed by the Alnwick Tourism Association, with accommodation and restaurant firms and wholesale retail businesses (2 sectors). The most heterogeneous by sector was the Bellingham and District Tourism and Trade Association, representing businesses from several sectors: agriculture, manufacturing, construction, wholesale retail, transport, accommodation and restaurants, professional, health, and arts, entertainment and recreation (9 sectors). The median sector spread across the associations was 4 sectors.

Older associations may suffer from the effects of path dependency (Bennett and Ramsden 2007). Norms of membership and conformity to the rules of the game (North 2005) may lead to stagnation and decrease performance. It was observed during fieldwork that members were often proud of belonging to a local institution. In one instance the leader of an association said that their father had been a member representing the family business in the town before him, suggesting tradition had a role to play. The oldest association was the Penrith Chamber with 106 years in continuous operation. The leaders of Berwick, Haltwhistle and Morpeth Chambers all believed the associations were older institutions than reported, but their records only went back as far as the Second World War. Interestingly, the age of the associations were strongly correlated to the number of sectors they represented, a positive effect of 0.479 (significant at the 99% level), with older associations tending to be more heterogeneous. This suggests that an increase in sector heterogeneity may be related to association sustainability over time.

The presence of public body subsidy is also included in Table 8.3. This indicates where financial support or in-kind 'back-office' support is provided to an association by a public body. Here the Barney Guild was subsidised by the local development partnership and enterprise agency, whilst the Gilsland and Greenhead Tourism Partnership and both the Haltwhistle business associations were provided with organisational 'back-office' support by the Haltwhistle Partnership, a local development trust.

The size of the economic block represented by the association may also be a significant predictor of performance, given higher availability of resources to members

(Bennett 1998). The highest average turnover[11] was held by members of the Guisborough Business Association at £321K (a small retail association) followed by members of the Brampton Chamber at £224K (a small mixed sector association). The lowest average turnovers were held by the Alnwick Tourism Association and the Rothbury Tourism Association at £21K and £24K respectively (both large tourism associations).

Table 8.4   Attitudes to the association

Local business association	The association is very formal	Benefits are fairly spread	Poor links to other organisations	The association is closed to new ideas	Trust among local businesses	Trust among member businesses	Effective leadership
Alnwick Tourism Association	2.20	3.82	2.42	2.38	3.00	3.28	4.24
Barney Guild	1.67	3.62	2.62	1.67	3.29	3.10	3.52
Bellingham and District Tourism and Trade Association	2.00	3.63	2.52	1.91	3.17	3.17	3.67
Berwick Chamber	1.91	3.00	2.91	2.91	3.45	2.91	3.18
Brampton Chamber	2.33	3.89	2.33	2.33	3.56	3.44	4.44
Gilsland and Greenhead Tourism Partnership	2.33	3.43	3.15	2.00	3.27	3.20	3.21
Guisborough Business Association	2.63	3.13	3.13	2.63	3.00	3.00	3.50
Haltwhistle and District Tourism Association	1.89	3.56	2.67	1.67	3.44	3.33	3.78
Haltwhistle Chamber of Trade	2.13	3.73	2.67	2.20	3.73	3.73	3.40
Hexham Business Forum	2.19	3.56	2.31	1.53	3.25	3.44	4.31
Morpeth Chamber of Trade	2.69	3.56	2.42	2.65	3.19	3.31	3.50
Penrith Chamber of Commerce	2.66	3.31	2.90	2.21	2.86	3.17	3.48
Rothbury Business Club	2.00	3.36	3.55	2.27	3.09	3.18	3.18
Rothbury Tourism Association	2.21	4.08	2.71	2.18	3.38	3.36	3.95
Wooler Business Association	2.75	3.25	3.38	2.56	3.00	2.75	3.11

---

[11] Turnover was found to be strongly positively correlated with full-time employment at .770 (at the 99% level of significance).

In the questionnaire, members were asked to indicate whether they agreed or disagreed with various statements, measured on a 5-point Likert scale. These statements were designed to derive members' attitudes regarding various other factors potentially affecting association performance. The mean results by association are described in Table 8.4.

All the business associations had very similar organisational structures, with volunteer committee members comprising of at least a leader, secretary and a small committee. In most cases they held, or intended to develop, a constitution which required the annual election of officers. Despite this similarity, some associations appeared more formal than others, with minutes being taken and initiatives being proposed and seconded prior to a membership vote. Members were asked whether they agreed (5) or disagreed (1) with the statement that 'The association is very formal.' Members of the Barney Guild disagreed with this statement the most (1.67), however none of the associations actually agreed with the statement, with the highest mean (Wooler Business Association at 2.75) lower than a neutral mean of 3. Despite constitutional arrangements, these associations were regarded as informal membership organisations.

Members were asked whether they agreed or disagreed with the statement that 'the benefits of membership are fairly spread across the membership,' given the possibility that an unequal distribution would relate to reduced performance. The members of the Rothbury Tourism Association reported the highest agreement with a fair spread (at 4.08), followed by the Brampton Chamber (3.89). The members of Berwick Chamber were overall neutral on their mean agreement and disagreement (3.00), and members of Guisborough Business Association (3.13) were next lowest. However, 30% of Berwick Chamber members and 12.5% of Guisborough Business Association members disagreed with the statement, illustrating a skewed distribution of benefits.

If an association has poor links to other organisations, then it is suggested that they will find it more difficult to adapt to changing circumstances (Atterton 2007, Uzzi 1996) or be exposed to innovation and the processes of learning. Members were asked whether they agreed (1) or disagreed (5) with the statement that 'the association has poor links to other organisations.' Again the picture was variable. The associations with the best links were the Hexham Business Forum (2.31) and the Brampton Chamber (2.33). From observing meetings the Hexham Business Forum had strong links to the local development trust, business link, county council and other local

groups and the Brampton Chamber was in communication with various local development agencies. At the other end of the scale, the Wooler Business Association had weaker links (3.38).

Regardless of whether an association has good or bad links to other organisations, if members are not open to new ideas and approaches, then it will be difficult for improvements and learning to take place. Members were asked whether they felt 'the association is closed to new ideas and approaches.' The highest scoring association was again the Hexham Business Association (1.53), followed by the Barney Guild and Haltwhistle Tourism Association (both at 1.67). From observation at meetings, the Hexham Business Association and Barney Guild, both relatively new organisations (3 and 1 years of age at the time of the survey), were actively looking for new approaches to improve their performance. The association perceived to be least open to new ideas was the Berwick Chamber (at 2.91). No association had a mean value that described it as closed to new ideas. However, as would be expected, linkages to other organisations and openness to new ideas are related and there is a medium positive correlation (.341 at the 99% level).

The levels of trust between local businesses and between members of the association are also seen as important predictors of performance (Huggins 2001, Iyer et al. 2005, Misztal 1996), having a similar effect as homogeneity in making larger groups feel smaller. In response to the statement 'Relationships between local businesses are very close and trusting,' the highest mean was for the Brampton Chamber (3.56), followed by Berwick Chamber (3.4). Only members of Penrith Chamber disagreed overall that relationships between local businesses were close and trusting (2.86).

Members were also asked whether 'Relationships between members of the association are very close and trusting.' On comparing means between local business trust and member trust it appears that in some cases the trust between members is lower. However, the overall mean for member trust is 3.26 compared to a mean for local business trust of 3.20. Hexham Business Forum and Brampton Chamber both held the highest means at 3.44. The lowest means were for the Berwick Chamber (2.91) and Wooler Business Association (2.75), and in both cases trust between local businesses was considered higher than that between members.

Finally, effective leadership should have a clear link with association performance. Effective leaders may align the membership focus towards specific goals and help

resolve conflicts (Burt *et al.* 1998, Olson 1971). Indeed, there is a strong positive correlation here with a fair spread of benefits (.560 at the 1% level). Members were asked whether 'The association has effective leadership.' Members of Brampton Chamber (4.44) followed by the Hexham Business Forum (4.31) indicated the highest mean agreement. As one member explained '*much has been achieved by the chamber ... over the last couple of years [and] this is down to the efforts of one individual*' (Member, Brampton Chamber).

This section has revealed that association performance appears to vary significantly within the various factors examined. The next sections model the effect of these factors on measures of performance.

8.4 Modelling the determinants of satisfaction

An ordinal multivariate regression was applied to the business association dataset to test the relationship between overall satisfaction and key structural factors. Since satisfaction was measured on a 5-point Likert scale, ordinal regression was used as a robust modelling choice. Standard regression assumes the dependent variable is a continuous numerical unit, having a standard scale. However, whilst Likert scales are often assumed to operate with a standard scale – where the difference between strongly agree and agree is of the same order as the difference between strongly disagree and disagree[12] – there may be differences in size between the intervals of the scale. By using ordinal regression this potential scale difference is essentially isolated, allowing the derivation of independent variables to be used as the predictors of a dependent variable in much the same way as in standard regression.

Table 8.5 provides the results of this model, including the effect co-efficient and standard error. Variables were assessed for multicolinearity using a correlation matrix and by assessing their variance inflation factor. In order to demark the effect of various groups of variables from each other, the models were broken up into 3 versions: version 1 uses only the structural measures available at the organisational level; version 2 introduces structural variables taken at the respondent level (e.g. attitudinal measures); and finally, version 3 introduces a key measure of agency, the effectiveness of leadership.

---

[12] Indeed this assumption is made for independent variables using the Likert scale in this thesis

Table 8.5   Ordinal regression model for determinants of overall satisfaction

	Version 1		Version 2		Version 3	
	Coefficient	Standard error	Coefficient	Standard error	Coefficient	Standard error
Group size	.011***	.004	.012***	.005	.008	.005
Number of sectors rep.	-.103**	.048	-.154***	.055	-.095*	.057
Public body subsidy	.126	.270	-.115	.312	-.036	.318
Average member turnover	-1.26e^{-6}	.000	-6.09e^{-7}	.000	-1.97e^{-6}	.000
Fair benefits spread	-	-	1.319****	.174	1.130****	.183
Poor links with other orgs.	-	-	-.387***	.130	-.287**	.135
Closed to new ideas	-	-	-.303**	.139	-.062	.147
Trust local businesses	-	-	.240	.199	.332	.203
Trust member businesses	-	-	1.205****	.228	1.034****	.230
Effectiveness of leadership	-	-	-	-	1.008****	.186
Pseudo R^2						
Cox & Snell	.070		.599		.638	
Nagelkerke`	.075		.639		.681	
McFadden	.026		.332		.369	
Sample size	282		267		267	

*p < .1, **p < .05, ***p < .01, ****p < .001

Due to a high correlation between homogeneity of sector and the age of sector and resulting multi-colinearity effects, only homogeneity of sector was used in the model as the more critical independent variable. Formality was not found to be a significant predictor of performance in either the satisfaction or willingness-to-pay models of performance, and following the principle of parsimony, it has not been included in the final models.

Sample size varied from 267 to 282 due to missing data. Respectively they account for a data reduction of 15% and 10% from the full dataset of 313 respondents. Ordinal regression has no direct measure of variance explained, however pseudo measures of R^2 are shown; these are primarily of use in comparing the variance explained between versions, and not as absolute values. Hence using Nagelkerke's R^2 shows the 1st version explaining a variance of 7.5%, the 2nd version of 63.9% and the 3rd version 68.1%. As such the second and third versions are both good predictors of overall satisfaction. The model was tested to ensure that it did not violate the assumptions of parametric data and is not sensitive to influential cases or outliers (Appendix E).

Group size is statistically significant in versions 1 and 2 of the model and this is a cumulative effect, such that for every 1 unit increase in group size there is a corresponding .011 or .012 increase in satisfaction. The number of broad sectors represented was significant in all versions of the model and there is a clear negative relationship between heterogeneity of sectors and satisfaction.

Of the attitudinal measures of structure, a fair spread of benefits appears a key measure of satisfaction, as is trust between member businesses, significant in both versions 2 and 3. Poor links to other organisations were negatively related to satisfaction, as was being closed to new ideas; although this was overridden by the effectiveness of leadership in version 3.

Effectiveness of leadership appears as a key measure of satisfaction and appears to overcome the negative effect of being closed to new ideas on performance. It also reduced the significance of member trust, indicating that effective leadership can substitute for low levels of trust between members. The presence of public subsidy, the value of average member turnover and the trust between local businesses were not significant predictors of satisfaction.

In summary, group size had a positive effect on satisfaction, while a higher number of sectors leads to lower satisfaction. A fair spread of benefits and greater trust between members had a positive effect on satisfaction, whereas poor links to other organisations and being closed to new ideas were negatively related to satisfaction. Finally the effectiveness of leadership had a positive relationship with satisfaction and can reduce the performance impact of an association closed to new ideas, and the relevance of group size and trust among members.

The next section models the same factors against a different dependant variable, willingness-to-pay.

8.5 Modelling the determinants of willingness to pay

The ordinal regression used in the previous section was appropriate for a Likert scaled variable, but not for a continuous variable. Changing only the dependent variable to

the natural log of willingness-to-pay[13] , meant that a multivariate regression was more appropriate. Table 8.6 provides the results of this model, including unstandardised and standardised coefficients and standard errors.

Sample size varied from 207 to 222, with respective data reduction due to missing error of 34% and 29%. Explained variance for version 1 was 24.0%, for version 2 28.1%, and for version 3 28.3%. As such there are clearly other variables that could be specified in the model to better predict willingness-to-pay. For example, substitutability of benefits by other organisations exogenous to the association is a factor that may have a bearing but is outside the scope of this research. The model was tested to ensure it did not violate the assumptions of parametric data and was not sensitive to influential cases or outliers (see Appendix E).

Table 8.6   Regression model for determinants of willingness-to-pay

	Version 1		Version 2		Version 3	
	Beta	S/E	Beta	S/E	Beta	S/E
Group size	.209***	.002	.180***	.003	.172**	.003
Number of sectors rep.	-.379****	.030	-.363****	.031	-.346****	.003
Public body subsidy	-.222***	.030	-.218***	.165	-.216***	.166
Average member turnover	.321****	.000	.293****	.000	.283****	.000
Fair benefits spread	-	-	.076	.077	.057	.082
Poor links with other orgs.	-	-	-.008	.062	.001	.063
Closed to new ideas	-	-	.020	.070	.035	.073
Trust local businesses	-	-	-.155*	.094	-.152*	.094
Trust member businesses	-	-	.235***	.102	.229***	.103
Effectiveness of leadership	-	-	-	-	.058	.085
R^2	.240		.281		.283	
Adjusted R^2	.226		.248		.247	
Durbin-Watson	2.051		2.135		2.141	
Sample size	222		207		207	

*p < .1, **p < .05, *** p < .01, **** p < .001

For simplicity, only the standardised coefficient is shown

---

[13] In order to satisfy the requirements of parametric data, the dependent variable was transformed to create a normal distribution. This was a simple transform of $X = Log_e(WTP+1)$.

Group size was a statistically significant predictor of willingness-to-pay, with a small positive effect described in all versions. In contrast to the satisfaction model, effectiveness of leadership did not overshadow its significance in predicting willingness-to-pay, although it did slightly reduce its effect. The number of broad sectors represented also had a negative effect.

Public body subsidy has a small negative effect on willingness-to-pay for all versions. This is not surprising as members may believe they have already made a contribution to the public subsidy through their taxes and rate payments. As such, this should perhaps be approached as an adjustment or control variable. The average member turnover had a medium positive effect on willingness-to-pay. The higher the member turnover, the higher their willingness-to-pay more and this is likely because of their greater ability to fund discretionary activities.

Of the attitudinal measures of structure, trust between members was positively related and trust between local businesses negatively related to willingness-to-pay. Despite its significance in predicting satisfaction, a fair spread of benefits was not significant in predicting willingness-to-pay. Poor links with other organisations, being closed to new ideas and the effectiveness of leadership were of no significance in the prediction.

In summary, group size had a positive effect on performance and the more sectors represented, the lower the willingness-to-pay. Public subsidy would appear to have a displacement effect and should be regarded as a control variable. The average member business size had a positive relationship with willingness-to-pay, which may relate to ability to pay. Trust between members was positively related, whilst between local businesses it was negatively related to willingness-to-pay.

8.6 Discussion

Overall satisfaction and willingness-to-pay were chosen as two member level measures of association performance. Although correlated, there is a documented non-linear relationship between these measures and not unexpectedly, when modelled against various predictors, they produced somewhat different results. Satisfaction is a cognitive measure and is subjective to an individual's experience. As such it is unsurprising that attitudinal measures are of greater practical importance in these

models. Being a monetary measure of value to the business and community, willingness-to-pay may be less sensitive to attitudinal measures than satisfaction.

The associations all had similar organisational structures, with a leader, secretary and some form of organising committee. Whilst some associations appeared to follow more formal procedures than others, on average the members reported that their associations were not very formal. There was no variance in the level of formality that would suggest a relationship with performance in either model.

Focusing on the similarities between both models of performance; group size, broad sectors represented and the level of trust between member businesses were present for both satisfaction and willingness-to-pay models. Within the survey range of 14 to 159 members, group size was important for both measures of performance. Member businesses appear to value bigger organisations as better performing associations.

The number of broad sectors represented had a small negative effect on satisfaction and a medium negative effect on willingness-to-pay. Heterogeneity of sector represented therefore had a clear negative impact on association performance and associations with fewer sectors were considered to perform better.

Member to member trust had a strong positive effect on satisfaction and a medium effect on willingness-to-pay. Membership trust therefore has a positive impact on association performance. Interestingly, levels of trust within the local business community have a small negative relationship with willingness-to-pay. This suggests that members are less willing-to-pay when high levels of trust already exist within the wider business community.

Looking at the differences between performance measures, attitudinal factors appear more likely to have significant relationships with satisfaction, and these are all cognitive measures. This is particularly evident on the strong positive relationship of having a fair benefit spread. If members feel benefits are fairly distributed, then they are more likely to be satisfied. This has no significance for willingness-to-pay. Likewise good links with other associations and being open to new ideas are both positively related with satisfaction, but bear no relation with willingness-to-pay.

The existence of public intervention, such as funding or back-office support, had a negative effect on willingness-to-pay and this variable appears to be acting as an

adjustment for willingness-to-pay. Where the public purse is providing a benefit, then the business may ask why they should also support it, having already contributed via taxes. Public subsidy had no positive or negative impact on satisfaction. This may indicate that it is ineffective, or it may relate to the level of subsidy, where too low a subsidy has no impact.

The effectiveness of leadership was only significant for satisfaction and not for willingness-to-pay. It appears to diminish the negative effect of being closed to new ideas and of having poor links to other organisations.

8.7 Summary

It has been demonstrated in this chapter that various factors are significant determinants of performance, whether this is defined as overall satisfaction or willingness-to-pay. As such the hypothesis 4 - structural factors are significant determinants of association performance, is accepted.

There is agreement and disagreement between what members perceive, using satisfaction as a measure, and what they value financially, using willingness-to-pay as a measure. Group size, homogeneity of sector and trust between members are important to both measures of performance. However, whilst members point to the importance of a fair distribution of benefits, good links with other associations and effective leadership, they ascribe no additional monetary value to them. The agreement and disagreement between these measures has no impact on their validity and both appear to successfully capture dimensions of performance.

Having explained the key factors that describe and contribute to association performance from a member's point of view, the next chapter examines whether local business associations contribute to the economic and social function of the market towns in which they are based.

144

~Chapter 9~

The socio-economic contribution of local business associations

9.0 Introduction

Chapter 2 highlighted how local business associations may hold potential for providing both private and collective place related benefits. This chapter examines whether these associations do indeed make a socio-economic contribution to market towns. It does this by initially assessing the value of businesses supported by associations, in terms of total turnover and employment. The effect of the associations' structures on perceived economic and social contributions is then examined using multiple regression models, to see if structural variables are significant predictors of past and expected contribution. The perceived socio-economic performance of associations is then examined, using these structural predictors to highlight high and low levels of contribution. The impacts that associations have had on local issues are next assessed. Finally, given the potential role of these associations from a policy perspective, the most appropriate forms of interaction with public organisations and the preferred forms of intervention are examined.

9.1 Value of businesses supported by local business associations

This section explores the value of the businesses supported by each association. Table 9.1 shows the average turnover and employment of members' businesses, group size, total value of business and total employment supported. Overall the 15 associations in the survey support a total of 863 businesses accounting for £99.1 million in turnover and 3,469 full-time employees.

Tourism associations tend to support businesses with lower levels of turnover and employment. So the Alnwick Tourism association, Haltwhistle Tourism association and Rothbury Tourism association are all in the band £10,000 - £39,999 and Gilsland and Greenhead Tourism association £40,000 - £66,999, supporting an average of 2.1 full-time employees.

Table 9.1 Aggregate size of businesses supported by associations – turnover and employment

Local Business Association	Average turnover	Average employ.	Group size	Supports business worth approx.	Supports full-time equiv. employ of approx.
Alnwick Tourism Association	£21,340	2.1	106	£2,262,000	222
Barney Guild	£83,236	2.1	46	£3,828,833	96
Bellingham Tourism and Trade	£83,236	2.1	51	£4,245,011	107
Berwick Chamber	£83,236	2.1	159	£13,234,446	333
Brampton Chamber	£224,117	2.1	19	£4,258,223	40
Gilsland and Greenhead Tourism	£40,000	2.1	34	£1,320,000	69
Guisborough Business Association	£321,500	4.6	14	£4,500,996	65
Haltwhistle Chamber	£174,500	9.3	41	£7,154,500	380
Haltwhistle Tourism Association	£32,499	2.1	22	£682,484	44
Hexham Forum	£217,114	6.6	78	£16,934,892	516
Morpeth Chamber	£220,690	5.7	65	£14,344,850	368
Penrith Chamber	£205,492	7.6	98	£20,138,216	746
Rothbury Business Club	£83,236	5.7	28	£2,330,594	161
Rothbury Tourism Association	£24,550	2.1	79	£1,939,412	166
Wooler Business Association	£83,236	6.5	29	£1,997,652	156
Total			**863**	**£99,172,109**	**3,469**

Clearly a large group size, as in the case of Alnwick and Rothbury tourism associations means a larger total value of businesses supported. However, smaller associations such as Wooler also support higher turnover businesses. For instance, Rothbury Tourism Association supports 79 businesses with a total turnover of £1,939,412 whilst Wooler Business Association supports 24 businesses with a total turnover of £1,997,652.

The large heterogeneous associations, such as Hexham Forum, Morpeth Chamber and Penrith Chamber, support businesses with a higher average level of turnover and employment. With their correspondingly large group-size, they support a large total business value, the largest being Penrith Chamber with 98 members supporting businesses with a total value of £20,138,216 and 746 full-time employees.

This analysis shows that the local business associations support businesses that turnover in total between £682,484 and £20,138,216, and employ 40 to 746 people full-time, per association. They are significant economic entities. The following section

estimates the extent of socio-economic contribution made by associations from their members' perspectives.

9.2   Structural predictors of socio-economic contribution

Respondents to the business association survey were asked whether they agreed that membership of the association had contributed to the economic and social vitality of the market town and surrounding area since joining. This was measured using a 5-point Likert scale, where -2 indicated strong disagreement and +2 strong agreement with the statement. 71.4% of members agreed there had been an economic and 63.7% a social contribution. Expectations of association performance were also assessed and members were asked whether they agreed that membership of the association would contribute to the economic viability and social vitality of the town and surrounding area in the next 12 months. 74.2% of members expected an economic and 67.8% a social contribution.

These measures of perceived economic and social contribution were highly correlated, with a correlation of .756 (at the 99% level of significance) between past economic and social contribution, and with an even higher correlation of .839 (99%) between expected economic and social contribution.

Using past and future economic and social contributions as dependent variables, the structural model used in the previous chapter for satisfaction and willingness-to-pay was used as the basis to explore the variation between local business associations. Since contribution is a 5-point Likert scale, ordered regression is again the robust modelling choice. Table 9.2 provides the results of these models, including the effect co-efficient and standard error.

Sample size varied from 260 to 258 due to missing data, accounting for data reduction of 17% to 18%. Nagelkerke's R^2 shows the models explain between 19% and 29% of variance and as such there are clearly other variables that could be specified to better predict contribution. It is likely that community level factors, exogenous to the association will account for much of this variance. The model was tested to ensure that it did not violate the assumptions of parametric data and is not sensitive to influential cases or outliers.

Table 9.2   Structural predictors of economic and social contribution

	Has had economic contribution		Will make economic contribution		Has had social contribution		Will make social contribution	
	Estimate	S/E	Estimate	S/E	Estimate	S/E	Estimate	S/E
Group size	.019****	.005	.010***	.005	.007	.005	.005	.004
Number of sectors Present	-.093*	.053	.064	.053	.010	.052	.076	.052
Public subsidy	-.134	.299	-.277	.303	-.260	.298	-.230	.297
Average turnover of members	$7.91e^{-7}$	.000	$-1.74e^{-6}$	.000	$3.54e^{-6}$***	.000	$6.04e^{-7}$	.000
Fair benefits spread	.465***	.150	.224	.149	.520****	.149	.240*	.146
Poor links to other organisations	-.171	.122	-.376***	.124	-.210*	.122	-.235***	.120
Closed to new ideas	-.189	.133	-.391***	.135	-.203	.132	-.298***	.131
Trust local businesses	.286	.200	.120	.198	.535***	.198	.226	.194
Trust member Businesses	.378*	.214	.241	.213	.188	.210	.271	.208
Pseudo R-Square								
Cox and Snell	.266		.220		.253		.180	
Nagelkerke	.289		.241		.273		.194	
McFadden	.122		.102		.112		.076	
Sample size	260		259		258		258	

*p < .1, **p < .05, *** p < .01, **** p < .001

Group size is shown to have a significant positive effect on past and expected economic contribution; interestingly group size is not significant in relation to social contribution. The fewer sectors represented by the association the greater the past economic contribution (with a negative effect at the 10% level) but this is not significant in future economic contribution.

Public subsidy of the association is not a significant predictor of any past or expected contribution. This was the case also in earlier performance models discussed in Chapter 8, where it had no relationship with satisfaction and a negative relationship with willingness-to-pay. As such there is no evidence that public subsidy results in either an individual benefit or wider socio-economic contribution. As such subsidy may be ineffective, or it may be that the level of subsidy is too low to have an impact.

The average turnover of members of the business association is only significant for past social contribution. The higher the average turnover, the higher the social contribution the association has had during the past 12 months. This may in part account for the lack of significance of group size for social contribution; where it is size of the 'economic block' that matters rather than the size of the association.

Perceptions of the even distribution of benefits across the membership are important, with a fair spread of benefits positively related to past economic and social contribution. Poor links to other organisations was not related to past economic contribution, but negatively related to past social contribution. It was however negatively related to both expected economic and social explanations. Good links between the association and other organisations appear to be important to the future economic and social development of the town and surrounding area. Also important to future expectations is being open to new ideas and processes although this had no clear impact on past economic or social contribution.

Member trust was important only for past economic contribution (at the 10% level), whilst trust between local businesses was important only for past social contribution.

For economic contribution, these models reinforce the findings of the performance models described in Chapter 8. Group size, sector homogeneity, membership trust and a fair spread of benefits all influence the economic contribution that the associations make to the market towns. For social contribution, the important factors are a fair spread of benefits, higher member turnover, being networked and a higher level of trust among members.

By using the structural predictors of socio-economic contribution identified in this section, the next section discusses the contribution made by individual associations.

9.3 Socio-economic contribution of associations

Analysis of variance indicated significant variation between associations (at the 95% level of significance for the 4 measures of contribution). Figure 9.1 illustrates the variation between associations by plotting the association means for economic and social contribution. Here the high correlation between perceived economic and social

149

contribution can clearly be seen by following a diagonal from bottom left through to the top right. Whilst the scale for both economic and social contribution ranges from -2 to +2, the mean for each association here is in all cases greater than zero.

Figure 9.1   Associations' mean socio-economic contribution to the town since joining
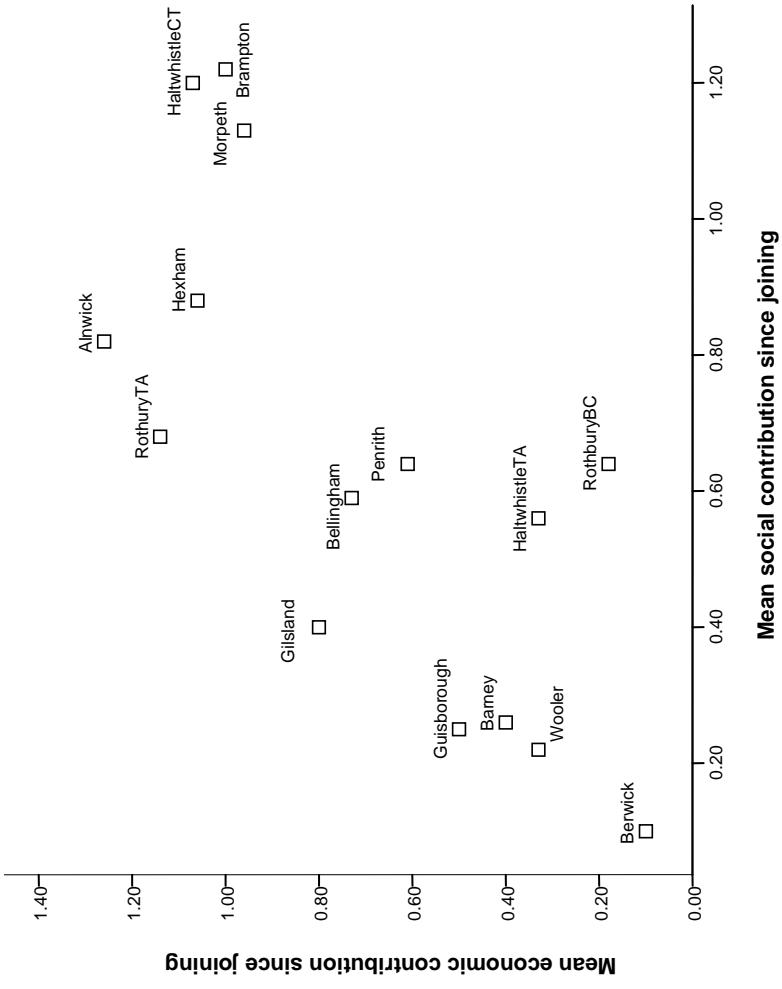
Associations with the highest perceived economic and social contributions are shown at the top right. Alnwick Tourism Association had the highest economic contribution (with a mean of 1.26), followed by Rothbury Tourism Association. Following the structural predictors identified for economic contribution, both these associations have large group sizes (106 and 79 members respectively), highly homogenous sector representation (2 and 3 sectors) and a high perceived fair spread of benefits (3.82 and 4.08).

Brampton Chamber had the highest social contribution (1.22), followed by the Haltwhistle Chamber (1.20) and Morpeth Chamber (1.13). Following the structural predictors for social contribution, these associations have members with a large average turnover (£224K, £174K and £220K), a high perceived fair spread of benefits

150

(3.89, 3.73 and 3.56), good links with other associations (2.33, 2.67 and 2.42 – the lower the better) and high levels of trust amongst local businesses (3.56, 3.73 and 3.19).

Associations with the lowest perceived economic and social contributions are shown on the bottom left of Figure 9.1. Berwick Chamber had the lowest perceived economic and social contributions (0.10 and 0.10) and with the largest group size (154 members) it is an exception to the size predictor of economic contribution. It has moderate heterogeneity of sector (4 sectors) but it also has the lowest mean value for a fair spread of benefits (3.00) and is the most closed association to new ideas (2.91). This illustrates that no sole factor is a perfect or exclusive predictor of socio-economic contribution.

Second and third lowest for economic contribution are the Wooler Business Association (0.33) and the Barney Guild (0.40) having small to moderate group size (24 and 46 members), moderate to high heterogeneity (4 and 7 sectors) and a low to medium fair spread of benefits (3.25 and 3.62).

After Berwick Chamber, the next lowest economic contribution is made by the Rothbury Business Club, with moderate average business turnover (£83K), moderate spread of benefits (3.36), but the worst mean value for links to other associations (3.55 – a high mean here indicates poor links). Indeed, its members suggest that they have had some organisational problems: '*The* [association] *has had a rocky few years … it needs to develop a clear strategy of purpose and <u>deliver value to businesses in the area.</u>'

In the middle for both economic and social contributions are the Bellingham and District Trade and Tourism Association and the Penrith Chamber. These associations are balanced with a mix of positive and negative predictors of economic and social contributions. For positive economic predictors they have medium to large group sizes (51 and 98 members), but negatively they have high heterogeneity (9 and 8 sectors). For positive social predictors they have medium to high average turnovers (£83K and £205K) but negatively they have lower levels of trust between local businesses (3.17 and 2.86).

Figure 9.2 illustrates the change in mean from past socio-economic contributions to future, expected contribution of the associations, plotting the change in mean (expected contribution – past contribution). Here the 'cross-hair' indicates the

151

intersection with zero, with means less than zero indicating an expected reduction in future economic or social contribution.

At the top right of the figure, the younger associations, the Barney Guild, Bellingham and District Trade and Tourism Association and the Brampton Chamber expect significant socio-economic contributions. Members feel their associations have yet to reach their potential.

Figure 9.2   Change in mean socio-economic past and expected contributions
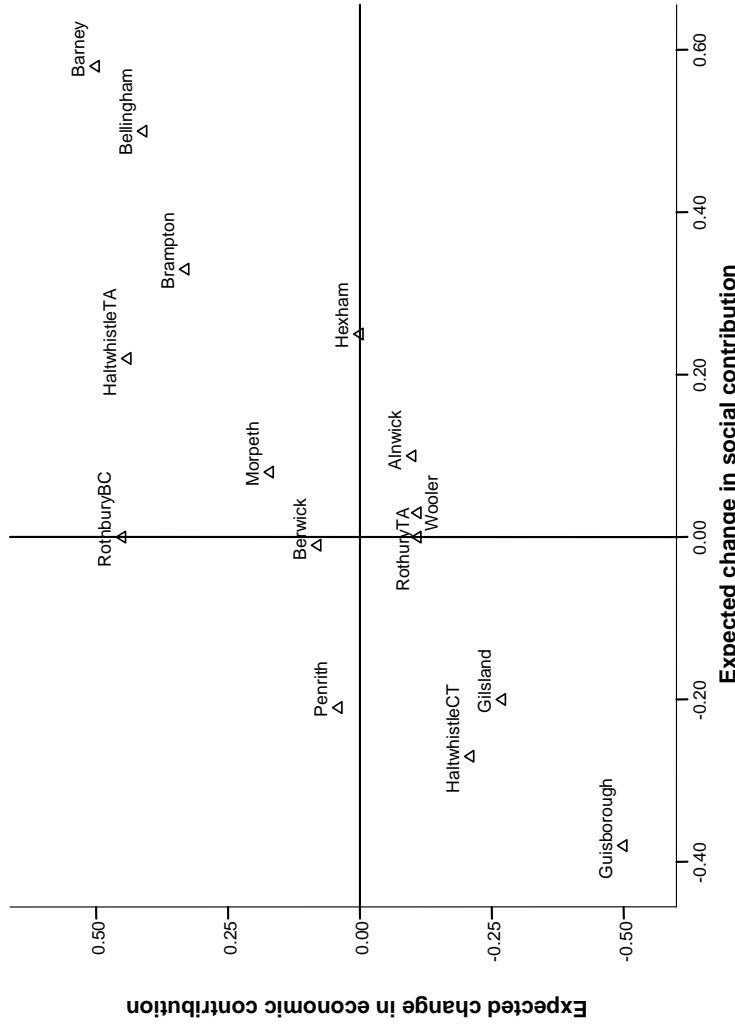
In the bottom left of Figure 9.2, the Guisborough Business Association shows a drop in expectations of both future economic and social contributions. The leader of the association revealed a high level of apathy currently among the membership, which had come about after a long period of consultation and development with the local council that had yielded no results. '*We are trying to be proactive, but we need results.*' (Leader, Guisborough Business Association). This was reflected by a membership that had fallen from 60 a few years earlier to 14 at the time of the study. If a membership has been invigorated by a local issue then membership is likely to increase, however if

152

the issue is dealt with, or progress proves slow, then membership may be more likely to decrease.

In summary, local business associations identify economic and social contributions to their market towns and surrounding areas. Whilst these contributions vary significantly between associations their contribution is supported by the structural predictors identified in Section 9.2. What the analysis in this section makes clear is that no one predictor is a perfect or exclusive predictor of socio-economic contribution; they are however indicative.

Having identified the associations' overall economic and social contribution, the next section examines how this contribution manifests for the market towns and surrounding districts, and examines the impact the associations have had on local issues.

9.4 Local impact of associations

The literature review identified key local impacts that are typically associated with networks and local development. Members were asked the extent they believed their association had contributed towards these impacts during the previous 12 month period. These were measured on a 5-point Likert scale ranging from 1 – no contribution – to 5 – a major contribution.

Table 9.3 shows the correlation between the socio-economic contribution of the associations and their impact on local issues. The maintenance and development of local businesses has a strong positive correlation with both economic contribution (.531) and social contribution (.466). This is not surprising and it clearly highlights the primary role of the local business association. It has been illustrated how promotional and integrational benefits, one group more directly economic and the other more directly social, are key to members. Members see the maintenance and development of local businesses as a key contribution the associations make. Indeed some members may only join for this purpose, with one stating that '*I am a member of the* [association] *in order to support local businesses … its activities have little direct relevance to my business*' (Member, Haltwhistle Chamber).

Table 9.3 Correlation of socio-economic contributions to local issues

Local issue	Has had an economic contribution	Has had a social contribution
Maintenance and development of local business	.531***	.466***
Attracting funding for local initiatives	.298***	.314***
Improvement of local physical environment	.259***	.324***
Preservation of historic and cultural assets	.244***	.252***
Improvement of public parking	.242***	.234***
Reduction of crime	.174***	.227***

*p < .1, **p < .05, *** p < .01, **** p < .001

Previous chapters have also shown that membership only makes sense, within a rational choice perspective, when business *and community* benefits are accounted for. Table 9.4 illustrates that local business associations make other local impacts which may be regarded as indirect to the businesses of members. These impacts would be described in the economics literature as externalities or spill-over effects, but members' indicated that they contributed to the market town and surrounding district..

However, analysis of variance, indicated in Table 9.4 by the F-test, showed a significant variation in the associations' contribution to these local issues, with the exception of the maintenance and development of local businesses which had a consistent contribution across associations. Despite a small to medium positive correlation with socio-economic contribution, these local impacts vary by association.

Attracting funding for local initiatives had a medium sized positive correlation with economic contribution (.298) and social contribution (.314). The ability to attract funding may relate to attracting funds for specific initiatives, from an extra-local source, such as the Rural Development Programme for England. It may also relate to sponsorship or charitable donation. Rothbury Business Club had the highest mean contribution (at 4.1) followed by the Haltwhistle Tourism Association (3.8). An autonomous and member funded association, the Rothbury Business Club had attracted donations towards new Christmas lights by making its presence felt after disruptions to the gas and power supply of the local community. As the club website explains, *'the business club is delighted to have secured a large donation £5000 from*

Northern Gas Networks by way of generous compensation to the Rothbury Community for the disruption after the Gas Supply failed. We also received a £200 donation from CE Electric after disruption to the power supply to the village' (RBC 2010).

Table 9.4   Associations' contribution to local issues

	Development of local business	Attracted funding	Improved local physical environment	Preserved historic and cultural assets	Improved parking	Reduced crime
Alnwick Tourism Association	3.4	2.6	2.3	2.4	2.1	1.9
Barney Guild	3.0	3.5	2.7	2.7	2.1	2.1
Bellingham and District Tourism and Trade Association	3.1	3.4	3.0	2.8	1.5	1.8
Berwick Chamber	2.5	2.3	2.5	2.5	2.7	2.4
Brampton Chamber	3.1	3.6	3.0	2.1	1.9	1.9
Gilsland and Greenhead Tourism Partnership	3.1	3.1	2.1	2.1	2.1	1.5
Guisborough	2.6	2.8	2.7	2.0	1.9	2.7
Haltwhistle and District Tourism Association	3.3	3.8	3.4	2.9	2.5	2.4
Haltwhistle Chamber of Trade	3.2	2.8	2.8	2.8	1.9	2.6
Hexham Business Forum	3.6	3.3	2.5	2.5	2.5	2.5
Morpeth Chamber of Trade	3.4	3.2	3.3	3.2	3.5	2.5
Penrith Chamber of Commerce	2.9	2.7	2.6	2.4	3.2	2.2
Rothbury Business Club	3.4	4.1	2.6	2.6	2.0	2.4
Rothbury Tourism Association	3.4	3.1	2.4	2.4	2.1	1.9
Wooler	2.9	3.0	2.8	2.6	1.9	2.4
Total	3.1	3.1	2.6	2.5	2.3	2.1
Analysis of variance						
F-test	1.4	2.6****	2.1***	1.7***	5.5****	2.0**

$*p < .1, **p < .05, ***p < .01, ****p < .001$

Observations of meetings highlighted that associations react to local causes as they become relevant and either seek funding directly or respond to offers of sponsorship or donations. Examples include local business sponsorship for festivals and events that may in turn result in revenues that can fund other activities or be donated to local charities. Bellingham and District Tourism and Trade Association for example had been active in developing and running local festivals to encourage visitors. Penrith Chamber had considered how to increase its funding in order to better support its

future initiatives and, after considering the adoption of Business Improvement District status, had recently opted for a 'Pride of Penrith' lottery.

Improvement of the local physical environment had a medium positive correlation with economic contribution (.259) and social contribution (.324). Haltwhistle Tourism Association had the highest mean here (at 3.4) followed by Morpeth Chamber (3.3). In Haltwhistle the Tourism Association works closely with the local development partnership. The partnership had recently been instrumental in organising a weekly farmers market in the centre of the town and during an association meeting they were clearly gathering members' views for potential changes to this central space. Morpeth Chamber had taken a high profile position in their support for town centre development, and in objecting to edge-of-town development. The Chamber had voted to support town centre development due to a perceived 'anchoring' effect to visitors and local shoppers. It ran a public campaign against the building of an edge-of-town supermarket.

From observing meetings, other examples include associations supporting the provision of floral displays and Christmas lighting. Both of these examples typically merit sub-committees or working groups. Floral displays and hanging baskets may be partially the responsibility of a local council, but the impetus and drive to provide a particularly good display – and perhaps win a place in regional or national 'In Bloom' competitions – seems a traditional role of the local business association. Christmas lights have historically been the remit of local business associations; however changing health and safety laws have led to ongoing negotiations between associations and local councils about who should be responsible.

The preservation of historic and cultural assets had a medium positive correlation with economic contribution (.244) and social contribution (.252). Morpeth Chamber had the highest mean here (3.2), followed by the Haltwhistle Tourism Association (2.9). Morpeth the Chamber has supported the redevelopment of the traditional Sanderson arcade. During meetings there was active discussion about the future regeneration plans for the old town hall building. The Morpeth Chamber has a long established and traditional role in town affairs. The town Mayor was the honorary president of the Chamber, and an active agenda item was the re-creation of the lost chain of office for the Chair of the Chamber. Here a historic and cultural asset was a symbol of the association itself.

However, whilst all associations had a positive mean contribution, support for the preservation of historic and cultural assets was often contested. During meetings it was clear that some members felt that organisations linked to preservation often presented barriers to positive future development. For example, the organisation Hadrian's Wall Heritage was seen as presenting barriers to the ability of members of the Gilsland and Greenhead Tourism Association's to 'get things done.'

The improvement of public parking has a medium positive correlation with economic contribution (.242) and social contribution (.234). Morpeth Chamber had the highest mean contribution here (3.5), followed by the Penrith Chamber (3.2). The Morpeth Chamber have had success in negotiating off-peak free parking for residents of the town and in partnering with other local organisations to find alternative parking for local businesses that are otherwise taking up valuable space. With limited town centre parking, members of the Penrith Chamber had focused on lobbying for parking in new developments, requiring more free parking spaces. In general, observations of association meetings showed that parking is often a key issue for town centres: 'One of our big problems is a lack of parking. Especially as most shoppers come by car.' (Member, Brampton Chamber). There are divisions on the one side between councils and their need to gain revenue whilst being seen to be even-handed across their geography, and local businesses – typically retailers – who see the cost and availability of parking as vital to their survival.

A reduction in crime had a small positive correlation with economic contribution (.174) and a medium positive correlation with social contribution (.227). Guisborough Business Association had the highest mean impact (at 2.7) and this may be in reaction to impacts made a few years ago. Their then association leader focused almost exclusively on crime prevention initiatives, such as a radio link between retailers and CCTV to deter shoplifting.

Having assessed how socio-economic contributions manifest at a local level the next section examines the impact of various public bodies on local business associations and assesses which forms of intervention, if any, are helpful to the association in making a wider contribution.

9.5 Potential impact of public bodies

The previous chapter showed no significant relationship between satisfaction and public subsidy and a negative relationship with willingness-to-pay. This relationship may be explained as a free riding effect, where the subsidy from the public purse could be working to discourage willingness-to-pay more.

Whilst only five of the associations received a public subsidy (see Table 8.3), all of the associations had, at some time, interacted with public bodies. This section provides an analysis of which methods of intervention by public bodies have the most potential for success, based upon their relationship to the economic and social contribution of business associations. Their impact upon member satisfaction is also assessed.

Using past economic and social contributions as the dependent variables and methods of intervention as independent variables, an ordered regression model was used as the basis to explore the most appropriate methods. Variables were assessed for multicolinearity using a correlation matrix and by assessing their variance inflation factor. Table 9.5 provides the results of these models, including the effect co-efficient and standard error.

Table 9.5 Methods of public intervention as predictors of economic and social contribution

	Has had economic contribution				Has had social contribution			
	Estimate	S/E	Estimate	S/E	Estimate	S/E	Estimate	S/E
Public mouthpiece	.514****	.141	.441***	.145	.193	.137	.260*	.140
Public Ear	.514***	.188	.517***	.190	.520***	.187	.553***	.188
Signpost support	-.121	.158	-.104	.161	-.138	.158	-.082	.161
Public working as partner	.014	.178	.065	.189	.221	.176	.085	.185
Support running of the association	-.103	.143	-.054	.148	.028	.140	.061	.144
Controls								
Morpeth Chamber			.884***	.449			1.465***	.452
Alnwick Tourism			1.243***	.355			1.406***	.557
Haltwhistle Chamber			.942*	.559			1.197*	.659
Pseudo R-Square								
Cox and Snell	.179		.236		.153		.211	
Nagelkerke	.194		.256		.164		.227	
McFadden	.077		.106		.063		.090	
Sample size	253		253		252		252	

*p < .1, **p < .05, ***p < .01, ****p < .001

Sample size varied from 252 to 253 due to missing data, accounting for data reduction of 19%. Nagelkerke's R^2 shows the models explain between 16% and 26% of variance and as such there are clearly other important determinants that are omitted from the models. It is likely that community level factors, exogenous to the association will account for much of this variance in addition to the earlier models of structure and local impact. As before, the data is modelled to highlight specific effects, not to build predictive models *per se*. The model was tested to ensure that it did not violate the assumptions of parametric data and is not sensitive to influential cases or outliers.

Again, local business associations were used to control for variance across the associations. In this case 12 associations had no significance and were incorporated within the reference category[14]. Table 9.5 shows that using the association to provide information on new legislation or policies (public mouthpiece) and listening and responding to the needs of business through the association (public ear) are both positively related to economic and social contribution. Signposting access to business support or advice through the association (signpost support), working as a partner of the association to achieve local objectives (public working as partner), and supporting the running of the association are not significantly related to either contribution. A caveat is that these interventions are being measured by the level of contribution as perceived by members. So if the association is supported by funding then ordinary members may not be aware of how important this is to the groups work or continued survival. The importance of partnering may be undervalued for the same reasons.

Using member satisfaction as the dependent variable and different types of public bodies as independent variables, an ordered regression model was used as the basis to explore the impact of various levels of public bodies. Variables were assessed for multicolinearity using a correlation matrix and by assessing their variance inflation factor. Table 9.6 provides the results of these models, including the effect co-efficient and standard error.

Sample size was 145 due to missing data, accounting for a data reduction of 54%. This is a large reduction and it could have resulted in less power to identify the significance of effects, however, after controlling for local business associations, all independent variables have a significant effect. Nagelkerke's R^2 shows the models explain between 11% and 23% of variance. There are clearly other variables that

[14] Alnwick, Rothbury and Wooler associations can be considered as outliers in terms of higher and lower variations in satisfaction and their inclusion as controls has the effect of normalising the results.

could be specified to better predict satisfaction, including the structural predictors used in the previous chapter. Again, this model highlights the relationships and is not designed to predict satisfaction *per se*. The model was tested to ensure that it did not violate the assumptions of parametric data and is not sensitive to influential cases or outliers.

Table 9.6   Impact of various public bodies on satisfaction

Type of public body	Impact on member satisfaction			
	Estimate	S/E	Estimate	S/E
District or County Council	.243	.200	.342*	.203
Regional Development Agency	.355*	.202	.656***	.214
Central Government	-.198	.250	-.440*	.261
Business Link	-.448***	.220	-.600***	.226
Other relevant public	.637	.246	.649***	.252
Controls				
Alnwick Tourism Association			1.295***	.404
Rothbury Tourism Association			1.597***	.547
Wooler Association			-2.134***	1.080
Pseudo R-Square				
Cox and Snell	.102		.220	
Nagelkerke	.108		.232	
McFadden	.037		.085	
Sample size	145		145	

*p < .1, **p < .05, *** p < .01, **** p < .001

The district or county council was collinear with town or parish council and in these results district or county council represents both levels. Controlling for variation amongst local business associations, the District or County Council, Regional Development Agency and Other relevant public or semi-public body had positive relationships with satisfaction and members perceive them as having a positive impact on associations. The Central Government and Business Link had a negative relationship with satisfaction and members perceive them as having a negative impact.

In summary, working as a partner to achieve local objectives, signposting access to business support, and support for the running of the association are not significant to the economic or social contribution of the association. However public bodies' use of associations to provide information on new legislation or policies and listening and

responding to the needs of business through the association were found to be linked to their contribution. The Council, Regional Development Agency and other public bodies (such as Hadrian's Wall Heritage) had a positive relationship with satisfaction and appear more appropriate levels of public infrastructure to work with the associations. Central Government and Business-Link had negative relationships and appear to reduce member satisfaction with association performance.

9.6 Discussion

This chapter set out to examine whether local business associations contribute towards the economic and social functions of market towns and their surrounding areas. It did this by first identifying the business turnover and employment of businesses supported by the associations and then by making the link between the associations and their socio-economic contribution to the market town and surrounding districts.

The total value of business supported by each association was calculated, showing that the local business associations support businesses with turnovers totalling between £682,484 and £20,138,216. They are therefore significant economic entities in their own right.

71.4% of members agreed there had been an economic and 63.7% a social contribution by the association to the market town and surrounding district. These perceived economic and social contributions were found to be highly correlated. Following Granovetter's theory of embeddedness (1985), where economic transactions are influenced by a socially anchored logic of exchange, respondents found it difficult to identify a 'socially neutral' economic contribution or an 'economically neutral' social contribution. Hence an indication of one is influenced by the other.

Perceived economic and social contributions vary considerably across the associations, which appears to support Bennett's assessment that business associations depend upon 'unique local factors' (1997:513). However, this variation can also be partially explained by various structural factors. Bennett (1998, following Olson 1971), for example, argued that group size is an important predictor in how business associations work towards collective goals. The results here confirm that size

has a positive relationship with past and expected economic contribution of the association.

The results also show that higher homogeneity of sectors is a predictor of economic contribution. This supports evidence which suggests that commonality between members will have a positive effect on achieving collective goals (Huggins 2000, Varughese and Ostrom 2001). A fair spread of benefits between members is also important in positively predicting an associations past economic and social contribution. Higher levels of member to member trust also appear to have a positive relation with economic contribution. A higher average business turnover per association is a positive predictor for social contribution, and so associations representing larger businesses appear to have a larger social role than those representing smaller firms. Finally, poor links and being closed to new ideas and approaches are negatively related to expected economic and social contributions, supporting the argument that networks can stagnate without new ideas, or the conduits for new ideas (Atterton 2007, Burt 2005, Jack and Anderson 2002, Stockdale 2006).

Given the turnover, employment, and number of firms represented by their membership, and given their perceived socio-economic contribution and impact on local issues, local business associations appear to be important targets for public bodies in their development efforts. However, discounting the negative relationship with willingness-to-pay, public intervention as a form of subsidy had no significant relationship with satisfaction. Where public bodies wish to intervene the results find that the Government and Business-Link are both negatively related with member satisfaction and this may reflect a lack of involvement. Central Government may be seen as too remote, whilst access to Business Link may be more focused on individual level benefits, rather than wider socio-economic impacts. The district council, Regional Development Agency and Other public or semi-public bodies had a positive relationship with satisfaction and might therefore be a more appropriate level of public body to work with local business associations.

Working as a partner to achieve local objectives and signposting access to business support or advice were not significantly related to economic or social contribution. It appears however that public bodies play a valuable role for associations in providing information on new legislation and in listening and responding to the needs of business through the association.

9.7 Summary

It has been shown in this chapter that local business associations make a contribution towards the economic and social functions of market towns and have an impact on local issues. Perceived economic and social contributions are highly correlated and difficult to disentangle. They have been found to impact upon their local areas in various ways that reflect local needs and circumstances.

Group size, homogeneity of sector, a fair spread of benefits and trust between member businesses are important for the associations' economic contribution, whereas a higher average turnover of members, a fair spread of benefits, good links to other organisations, being open to new ideas and trust between local businesses are important for their social contribution. Associations make socio-economic contributions which are strongly correlated to the maintenance and development of local businesses.

The associations in the research support a large economic block, totalling an estimated £99.2 million in firms' turnover and representing 3,469 employees. Members indicate that local and regional levels of government can have a positive impact on their satisfaction with the association, but so far only certain approaches to intervention, providing updates and listening and responding to businesses, appear to significantly impact on their economic and social contribution.

163

~Chapter 10~

Discussion

10.0 Introduction

Having gathered and analysed the results in the previous chapters, this chapter takes a step back to discuss the findings in relation to the overall aims of the research. The research has explored local business associations in the context of the rural service centre. Local business associations have been characterised as key tools for economic development (Besser and Miller 2010a, Huggins 2000, Phillipson *et al.* 2006), optimising access to resources and delivering productivity gains (Huggins 2010, Gulati *et al.* 2000, Williamson 1985). They may also contribute to the viability and vitality of market towns (PIU 1999, MAFF and DETR 2000, DETR 2000), not just by supporting business performance, but as providers of town improvements (Phillips and Swaffin-Smith 2004, Coca-Stefaniak *et al.* 2009). There is a gap in research on local business associations. Existing research highlights the potential of business networks in promoting economic development but tends to focus on clusters of supply chains (Piore and Sabel 1984) or trade based associations (Curran and Blackburn 1994). Where local business associations have been explored there has been a tendency to focus upon sector based associations made up of larger businesses, see for example Besser and Miller's recent research (2010a, 2010b). Despite claims that the majority of local business associations have fewer than 100 members (Bennett 1996a), previous research has also focused mainly on larger associations (Bennett 1996a, 1997, 1998, Bennett and Ramsden 2007). Finally, in an argument that conflicts with the rhetoric on business networks as key agents of development, collectives of local businesses have tended to be given only limited attention to date in policy promoting town improvement schemes, in part due to concerns over free riding (PIU 1999, MAFF and DETR 2000, DETR 2000) and the capacities of firms to cooperate (CA 2004A, CLES and AMT 2009, Phillips and Swaffin-Smith 2004).

This research has therefore explored these broad themes through the following aims which have defined a broad scope for the study:

A. to identify the socio-economic costs and benefits that local business associations bring to their members;

B. to measure the structural determinants of performance of local business associations, and;

C. to analyse the degree to which local business associations contribute to maintaining and developing the economic and social functions of the market towns they serve.

## 10.1 Member benefits and costs

The literature relating to collective action (Bennett 1996a, Olson 1971, Poteete and Ostrom 2004), transaction cost (Coase 1960, Park 1996, Williamson 1985, 2000) and social network theories (Atterton 2007, Granovetter 1985, Huggins 2010, Putnam 1993, Uzzi 1996) describes how cooperative behaviour may translate into private and public benefits. The collective action literature suggests that whilst individuals may work together to gain collective, cooperative benefits, they can only gain these as a by-product of specific, individual gains. The transaction cost literature suggests that associations may provide a more efficient mechanism to access resources than attempts to self-supply. Where cooperation is possible then various costs can be reduced or eliminated, making membership an efficient route to access resources. The social network literature suggests that the economic field is just a small part of a larger social field. Economic exchange may separate the social from the economic fields (Polanyi 2001 [1944]), resulting in 'arms length' transactions. However, where a social element is maintained, as with face-to-face transactions, there are efficiency gains to be made from cooperation.

Benefits

Table 7.1 (in Chapter 7) indicated how various benefits were considered relevant to the members of local business associations. Most relevant were those relating to information exchange and access to knowledge and the associations role in providing a forum for this access. A collective voice was also seen as relevant in deploying knowledge and human resources to serve the best interests of members through lobbying and exerting a local influence. The more explicitly business oriented benefits of a greater visibility to the customer, an improved reputation and new customer

165

contacts, underscore the potential role of the association in promoting members within the business community. The less calculative social benefits such as the reduction of isolation, an opportunity to socialise, peer support and having a sounding board for ideas, were also are recognised as important. Table 7.1 also indicated that, on average, the members were satisfied with the provision of these benefits. Here the highest satisfaction was with the exchange of general information and the lowest with the number of new customer contacts made. These benefits were strongly correlated to each other. Factor analysis found that underlying them were two distinct groups, which have been characterised as promotional and integrational benefits (Figure 10.1).

Figure 10.1   Two groups of benefits provided by local business associations

Promotional benefits
Greater visibility to customers
New customer contacts
Improved reputation

Negative relationship

Integrational benefits
Reduction of isolation
Social opportunity
General information exchange
Peer support
Access to local knowledge
Collective voice
Sounding board for ideas
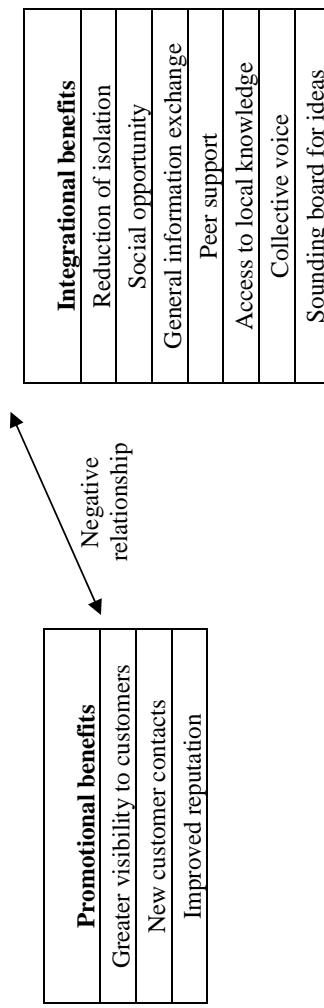
Promotional benefits relate to notions of networking for purposes of promotion, such as increasing visibility to the customer, gaining new customer contacts and improving the reputation of the business. Integrational benefits relate to notions of community belonging and integration, such as socialising, reducing isolation, peer support, collective voice and access to knowledge. These groupings echo Huggins (2010) conceptualisation of social capital into informal socially accessed benefits and the more calculative network capital that is explicitly sought for economic gain. One group of firms therefore appear to emphasize the importance of integrational benefits, including social and information exchange, whilst another group place greater importance on promotional benefits, including exposure and promotion of their firms to customers. However whilst Huggins (2010) social and network capitals existed in parallel, data reveals that these groups are in fact strongly negatively correlated (-.504) and an increase in one is likely to mean a decrease in the relevance of the other. It appears unlikely that they are relevant to the same members at the same time. Whilst one member may join chiefly for the promotional benefits afforded by networking, another may join for the integrational benefits.

The relevance of these dimensions do however also appear to change over the term of membership, with the relevance of promotional benefits decreasing and the relevance of integrational benefits increasing. For promotional benefits this decrease in relevance may relate to exhausting available contacts through the association. Members who stay on are more likely to place importance in the integrational benefits.

The relevance of these benefit groups also varies depending upon personal and business characteristics. Promotional benefits are more relevant to those members with a non-local market and to those purchasing supplies locally. Businesses that rely upon customer visibility and reputation but have a non local market will clearly benefit from a collective promotional effort. Businesses purchasing locally may also stand to gain from promotional benefits and it may be that an improved profile in the local business community leads to more favourable terms of supply. The relevance of promotional benefits also decreases with an increase in business turnover, supporting the argument that larger businesses are more able to supply their own resources (Bennett 1997).

Integrational benefits were found to be less relevant to home based businesses and those explicitly seeking growth. Growth seeking businesses may be looking outside the local business community and so be less focused on integrational benefits. The finding on home based businesses is rather unexpected. Mason *et al.* argue that home based businesses are '*more isolated both socially and from access to information ... Hence, they have greater need to forge local social and business networks to access information, advice, support, and infra-structure*' (2010:11). This greater need is however not apparent in this research in the relevance that the home based business firms place on this. Moreover, home based businesses were found to be much less likely to be members of local business associations. Despite a growing importance placed on home based businesses in the rural economy (Dwelly *et al.* 2006, Mason *et al.* 2010, Newbery and Bosworth 2010) this suggests that the practical issues of running a business from home may affect their networking outlook or capacities. Interestingly, where home based businesses were members, they tended to be more satisfied with both promotional and integrational groups of benefits than non home based businesses.

Integrational benefits are more relevant to in-migrant businesses. Indeed a higher odds of members being an in-migrant within local business associations reflects the importance of these organisations for addressing the '*liability of newness*'

(Stinchcombe 1965) existing *before trust, legitimacy, reciprocity and social capital have developed in relation to their economic activity* (Atterton *et al.* forthcoming). Phillipson *et al.* (2002) suggest that in-migrants may actively seek to become embedded in the community through business associations, aiming to gain access to local knowledge, resources and support.

The findings show that members of local business associations are more likely to have seen an increase in profits over the last 5 years than non members. Members of business networks have been described as 'more successful than non-networked businesses' (Besser and Miller 2010a:225), especially when they are smaller in size (Curran *et al.* 1993, Hanna and Walsh 2002, Witt 2004) and less able to supply their own resource needs (Bennett 1997). In contrast, members of other (sector and national) associations show no significant difference to non members in terms of the direction of profit. Within this research, it is only the local business association that evidence suggests a contribution towards the success of firms, at least in terms of their direction of profits. However the analysis cannot indicate causality. Membership may not be the cause of this increase in profit and it may be co-incidental that association members are more likely to have made a profit in the last 5 years. Associations may well simply attract more profitable firms they may be a good target for local development and business support.

Costs

Of course, whilst members are satisfied that they receive benefits from membership, it is at a cost. Bennett (1996) suggested that fees and an extra tariff for specific services may be charged. He found in a study of businesses with 50+ employees that the average annual subscription was £130 (at 1993 prices). None of the associations in this research charged an extra tariff for specific services, indeed no specific service was identifiable that was divisible from other benefits. In most cases, a small annual subscription was levied, with an average of £25 per annum. This is significantly smaller than the subscription level in Bennett's (1996) study, with a key difference being that 97.1% of members in the current research have less than 50 full time equivalent employees (indeed 88.6% have less than 10).

Transport costs incurred by members were negligible, suggesting spatial concentrations of membership. This confirms the argument of Parker (2008) who suggested that transport costs will decrease the ability of members to meet, concentrating associations within urban areas. Meetings were the regular time

168

commitment made by members and these varied between associations, with the highest average meetings attended by members of Morpeth chamber (7.35 meetings) and the lowest number attended by members of Wooler business association (0.44 meetings). Other time costs related to organisational and voluntary activities, such as project planning and volunteering to steward events. However overall, the modal time commitment made by members was 0 hours, showing that for the majority, participation was nominal.

Phillipson *et al.* (2006) suggest that associations may compete for the involvement of key individuals and substantial time costs incurred by the administrators and organisers of associations in this research are likely to exacerbate the situation. Nevertheless, they appear to be compensated for these increased costs by generally higher levels of satisfaction with integrational benefits compared to other members.

Cost-Benefit Analysis

Having identified costs and benefits, a cost-benefit analysis should indicate whether membership is worthwhile. Bennett (1996) found that members of chambers of commerce *'received a very favourable cost/benefit ratio from chamber membership'* (1996:263). Most members in the current research found gains difficult to financially quantify, but where financial gains were identified and weighed against costs, then for most members, costs exceeded benefits and most members appeared to be taking losses from membership. However, when business *and community* benefits were valued by members, then for most members, benefits exceeded costs. This shows that financial costs benefit analysis is a rather blunt and ineffective measure in getting at the value members place on their involvement in the association. Membership is not rational from a purely business perspective, only from a business *and community* perspective.

10.2 Structural determinants of performance

There is debate as to which method should be used to measure the performance of business associations, with the associations' survival (Greene *et al.* 2008), absence of failure (Rosenfeld 1996), a favourable cost-benefit ratio (Bennett 1998), or level of influence (Bennett 1996, Mekic 2005) all suggested as suitable approaches. In

practice, however, *'the balance between factors such as financial rewards, independence, creativity, job satisfaction and happiness is dependent on the attitudes of each individual'* (Foley and Green 1989:4) and performance is essentially a measure that is endogenous to each business. Given this, overall satisfaction and willingness-to-pay were used in the current research to measure performance, since they allow members to identify their own benchmark of performance. Satisfaction is a post usage evaluation containing cognitive and affective elements (Oliver 1997) and willingness-to-pay is a monetary measure of the maximum levels that members' state they will pay in order to save their association from closure.

The research showed that over 60% of members were satisfied with their membership. The median willingness-to-pay for continued membership across the associations' was £50, compared to a median current subscription of £25. A low current subscription may well have had an anchoring effect and this will influence expectations. The financial resource constraints of smaller businesses is also likely to lower the estimated willingness-to-pay. Nevertheless, this shows that membership is valued at a higher level than is currently paid.

The collective action literature suggests that performance is limited by group size (Olson 1971); where larger groups suffer from the problem of free riders – individuals happy to take the benefit without contributing to the cost. Smaller groups can overcome this problem by means of a 'social mechanism'. In effect a fair contribution may be policed by the peer-pressure exerted, or trust granted, by other members. Free riders may go unnoticed in a larger group, leading to a poor provision of collective benefits. This suggests that a fair spread of benefits and trust between members are also important, where trust may be a generalised trust that exists in the community, or a cooperative trust that exists solely between members (Mistzal 1996). A smaller group is thought to help drive performance due to member commonality and a factor that may influence this is homogeneity. Where members share similar characteristics, such as belonging to the same business sector or being similar in size, then this may also have an effect on performance (Poteete and Ostrom 2004).

Whilst high levels of trust may increase performance, the social network literature suggests that it may also have a limiting effect. Where group solidarity is too strong, members may be resistant to external influences (Uzzi 1996). Poor links to other organisations or an inability to listen to or accept new ideas may in this case lead to group stagnation and a decrease in group performance (Atterton 2007).

These factors impact upon the group dynamics; however it has also been suggested that an effective leadership has the ability to overcome barriers to performance by focusing goals and motivating members (Burt *et al.* 1998, Olson 1971). As well as leadership, an intervention by a public body may increase or decrease performance (Phillipson *et al.* 2006, Laschewski *et al.* 2002).

Figure 10.2   Potential determinants of performance
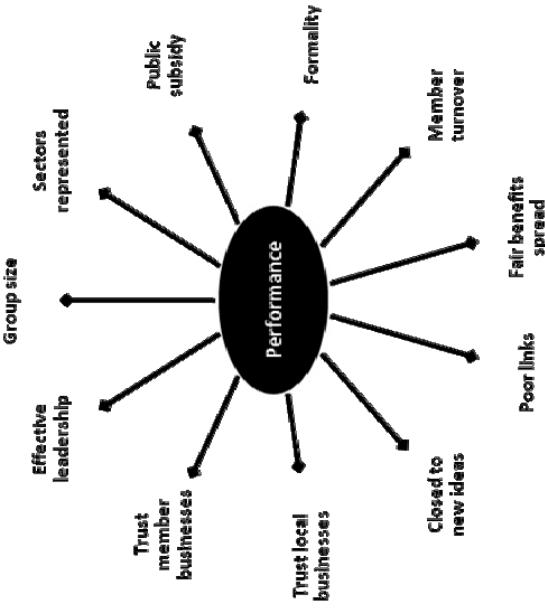
Statistical models were built for each measure of performance with predictor variables identified from the literature. Figure 10.2 details these potential determinants of performance. Two performance models were built using satisfaction and willingness-to-pay as the dependent variables. Here the predictor variables explained 64% and 28% of variance respectively. This means that, particularly for willingness-to-pay, there are other factors affecting performance not captured in the models. These are thought to be mainly exogenous to the association, such as levels of local social cohesion. Figure 10.3 shows the results of the two models. Note that some determinants are significant in both models, whilst some are significant only to individual models. This highlights that whilst these two measures of performance are related, they address somewhat different aspects of performance.

Figure 10.3   Determinants of willingness-to-pay and satisfaction
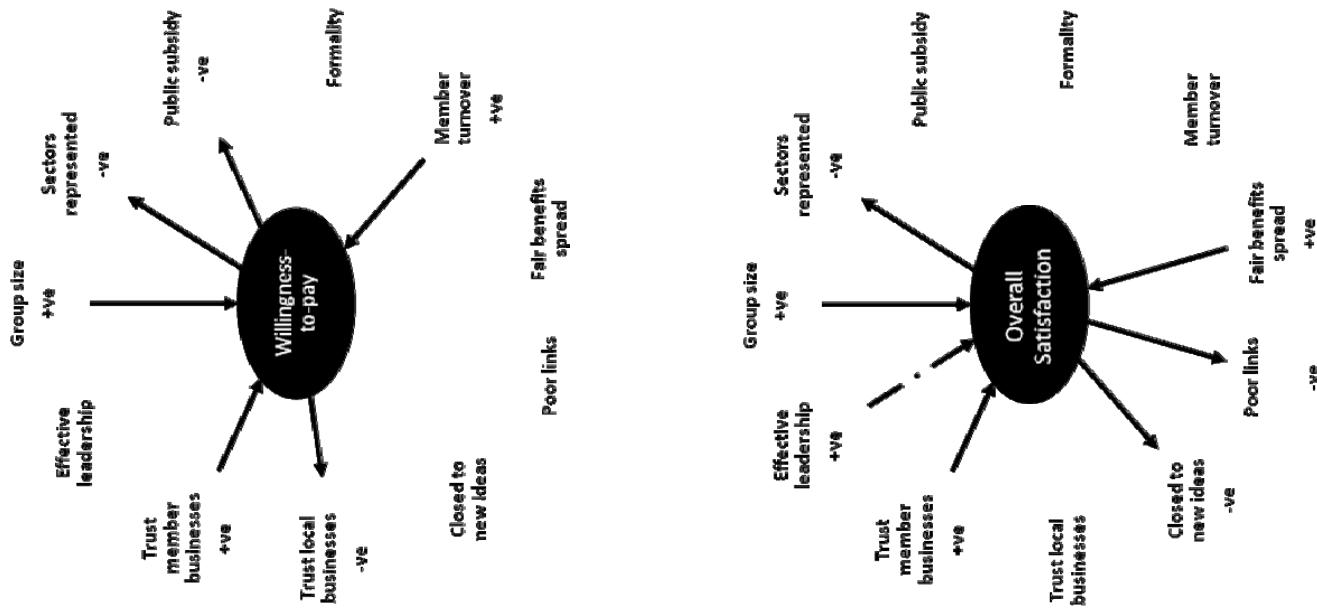
Significant to both models were group size, broad sectors represented (homogeneity) and the level of trust between member businesses (cooperative trust). Group size was important for performance, with members identifying bigger organisations as performing better. Within the relatively small membership of these local business associations, ranging from 15 to 159 members, performance does not appear to be limited by an increasing association size.

In fact, smaller associations were considered to perform less well. This is not the relationship that the collective action literature would suggest, where, given the free rider problem, larger groups operating without specific benefits should see a decline in performance (Bennett 1996a, Olson 1971). In the current research there is however some evidence of free riding; an increasing group size was positively correlated with an increasing percentage of members that had not attended any meetings in the last 12 months (.187 at 1%).

In the presence of free riders 'thin' models of rational choice would suggest that performance should decline, or where under some theoretical threshold at least stay stable (Olson 1971). The nature of the benefit may offer some explanation. In Chapter 3, the attribute of rivalry was introduced, where consumption of a benefit by one member does not affect the level of benefit available to other members and '*makes the benefit of contributing for individuals basically independent of group size*' (Cook and Karp 1994:363).

Figure 10.4 attempts to categorise the benefits relevant to members according to whether they are excludable or rival. However determining whether a benefit has the attribute of rivalry is not straight forward. There are fuzzy rather than distinct boundaries and as such benefits are located approximately in the framework. Nevertheless, the figure suggests that the majority of the benefits that are relevant to members of local business associations can be regarded as non-rival. This being the case the advantages of economies of scale on these non-rival benefits may well outweigh the disadvantages of rival benefits, with the result that increasing group size has a positive effect on performance despite an increase in free riders.

The effect of homogeneity of sector is given little attention within the existing business association literature (Bennett 1996a, 1997, 1998, 2000, Bennett and Ramsden 2007, Besser and Miller 2010a, Huggins 1998, 2000) although it is suggested by Phillipson *et al.* (2006) that conflicts can arise between different sectors within membership.

Figure 10.4 Excludable and rivalrous benefits of association membership

	For Rival Benefits	No Rivalry
Excludable Benefits	Promotional benefits • New customer contacts	Promotional benefits • Greater visibility to the customer • An improved reputation Integrational benefits • Reduction of isolation • Social opportunity • General information exchange • Peer support • Access to local knowledge • Collective voice • Sounding board for ideas
Not Excludable Benefits	Town improvement benefits • Attraction of funding for local initiatives • Improvements to car parking	Town improvement benefits • Development of local business • Attracted funding • Improved local physical environment • Preserved historic and cultural assets • Reduced crime

However, the broader, or 'thick' rational choice approaches to collective action suggest that homogeneity in characteristics will increase performance since it has the effect of making a large group smaller (Sandler and Tschirhart 1980). The results are in keeping with this broader literature: the fewer sectors represented, the better the performance of the association. This suggests that greater homogeneity may well be increasing the clarity of purpose or improving the efficiency of the social mechanism through increased commonality. An association representing just accommodation businesses is likely to perform better than one that represents accommodation, retail and professional services. There is an important caveat here; older associations appeared to represent more heterogeneous sectors. As such diversification of sectors may be necessary for long term survival and evolution of an association. Nevertheless, a new association may stand more chance of success if focused, at least initially, on a base of fewer sectors.

The literature suggests that trust within relationships helps to coordinate expectations (Mistzal 1996), with higher levels facilitating the exchange of knowledge (Iyer *et al.* 2005) and hence performance. This research shows that whilst the general level of trust between businesses in the wider community has no significant effect on association performance, the level of cooperative trust between members has a positive relationship. Besser and Miller (2010b) suggest that associations with smaller memberships will have correspondingly higher levels of trust than larger associations', but this research shows no such correlation between group size and member trust (within the sample range of 14 to 159 members). Huggins (2010) suggests that cooperative trust grows over time and whilst this research shows that there is no relationship between total time commitment or years as a member, with the level of trust, there is a small positive correlation with the number of meetings attended (.134 at 5%).

Looking at the differences between performance measures, attitudinal factors appear more likely to have significant relationships with satisfaction. This is particularly evident for the strong positive relationship in relation to a fair benefit spread. If members feel benefits are fairly distributed, then they are more likely to be satisfied. This has no significance for willingness-to-pay. Likewise good links with other associations and being open to new ideas are both positively related with satisfaction, but bear no relation with willingness-to-pay.

The existence of public intervention, such as providing funding or back-office support, had a negative effect on willingness-to-pay. This variable appears to be acting as an adjustment, representing displacement of private incentives to meet association costs. Where the public purse is providing a benefit, then the business may ask why they should also support it, having already contributed via taxes. However, public support had no effect on satisfaction and neither positive nor negative judgments regarding the impact of subsidy on performance can be made; only that where interventions had occurred, members were less willing to pay more. The impact of public bodies may relate to their level and type of intervention. Across all the associations, including those not supported by the public purse, members perceived local and regional public bodies as having a positive impact on their satisfaction and with Central Government and the nationally branded (though locally operated) Business-Link as having negative impacts. These views are important in any future interventions.

175

The effectiveness of leadership was only significant in the satisfaction model and not for willingness-to-pay. It would therefore appear that effective leadership can improve a member's satisfaction with the association but that it has no direct influence over the financial value they place on it. Effective leadership can open the association up to new ideas and compensate where other key drivers are lacking. Given this, it is essential to ensure that association leaders are motivated and energised.

During observation at meetings it was apparent that the associations shared many similarities and faced common issues. Whilst all the associations were interested in gaining customers and developing their communities, they were not generally in any direct competition with one another. When new approaches and ideas are sought it is likely that another association will have faced a similar scenario before. There was no evidence however that the associations were sharing good practice or combining their efforts.

10.3 Socio-economic contribution to market towns

Market towns have been described as service centres for socio-economic activity in rural areas, providing a focus for economic activity and providing essential services for those that lack access to regional centres (Powe et al. 2007). In the face of decline, approaches have been made to reinforce this role (CA 2002a , DETR 2000, MAFF and DETR 2000, PIU 1999). This thesis suggests that local business associations are an institutional mechanism that contributes towards the role of market towns.

In the current research, 71% of members agreed that their association made an economic and 64% a social contribution to the market town and surrounding district. This contribution was primarily due to the role the association plays in the maintenance and development of local business (with a correlation with economic contribution of .531 at 1%), through the provision of promotional and integrational benefits.

The town centre and retail provision are particularly vital to service residents of the market towns and their hinterlands (DETR 2000, MAFF and DETR 2000, PIU 1999), whilst provision of shops, restaurants and accommodation is important for visitors from nearby and further a field (Powe et al. 2007). This research shows that local business associations support concentrations of these critical sectors. Figure 10.5 illustrates

this, showing the percentage of retail and accommodation businesses according to the third party rural business survey (Atterton and Affleck 2010) compared to the local business association survey.

Figure 10.5 Business concentrations in Local Business Associations
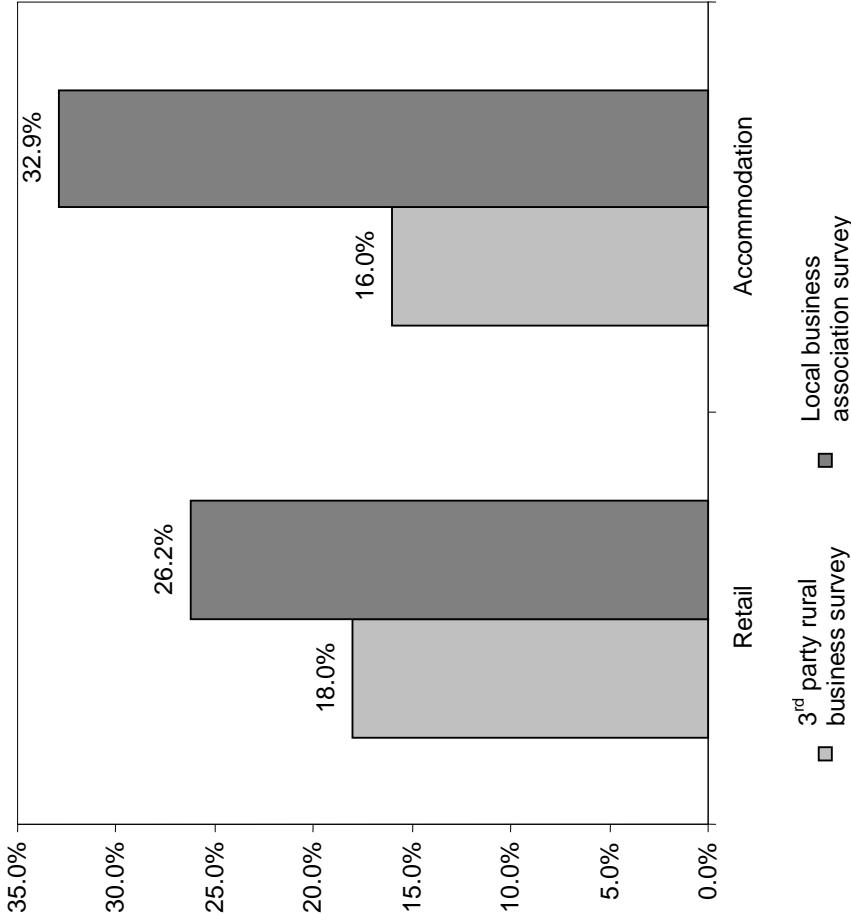
In addition to contributing to the maintenance and development of local businesses these associations make varied contributions to the towns themselves. Figure 10.6 shows their mean contribution to various place based impacts, based on a 5-point Likert scale (where 1 is no contribution and 5 is a major contribution). This illustrates the variance in local impacts based on member perception and gives an indication that some associations make more of a contribution than others.

Figure 10.6   Variance in the local impacts of associations
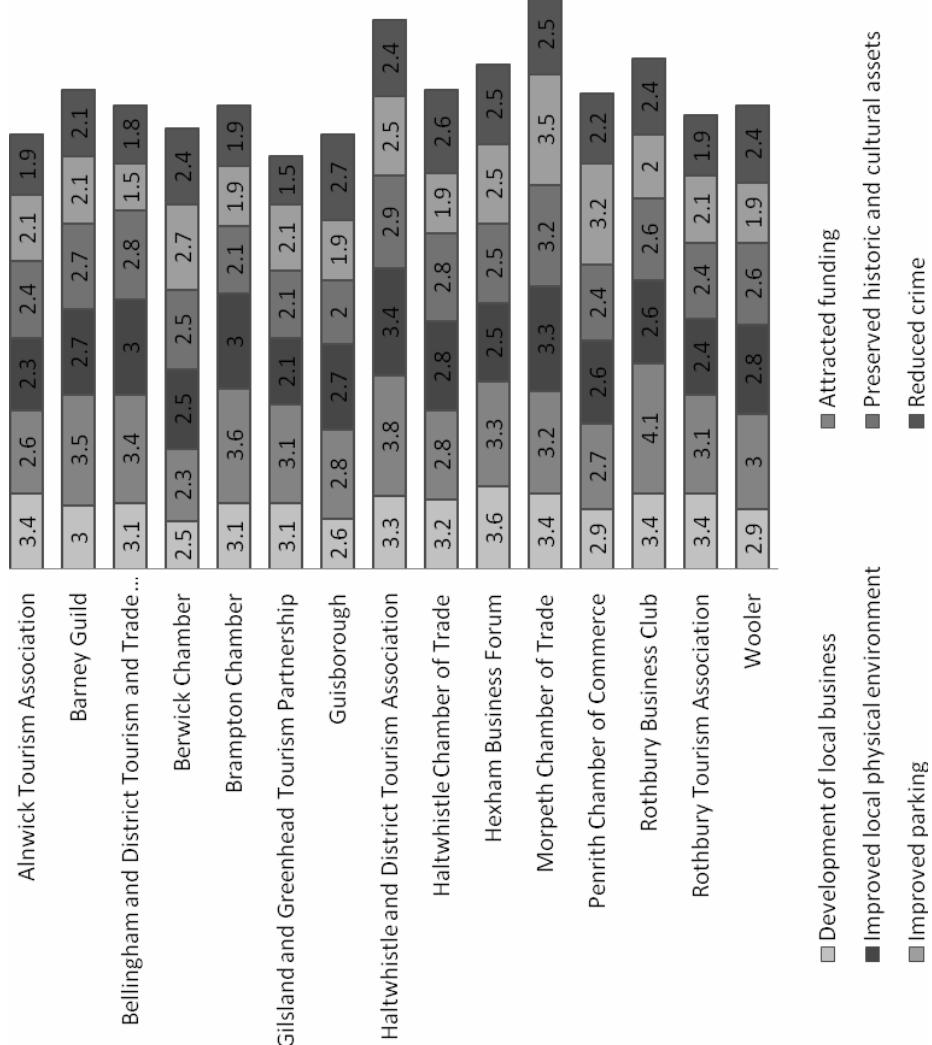
Rothbury business club, for instance, had the highest contribution for attracting funding for local initiatives (4.1) and Morpeth chamber had the highest contribution towards the preservation of historic and cultural assets (3.2).   There is also a positive correlation between the total local impact and the time committed by members (.188 at 1%).

Economic and social contributions were influenced by various factors and the research built two models using economic and social contribution as the dependent variables. Here the predictor variables explained 29% and 27% of variance respectively and Figure 10.7 shows the results of the models.

Figure 10.7   Determinants of economic and social contribution
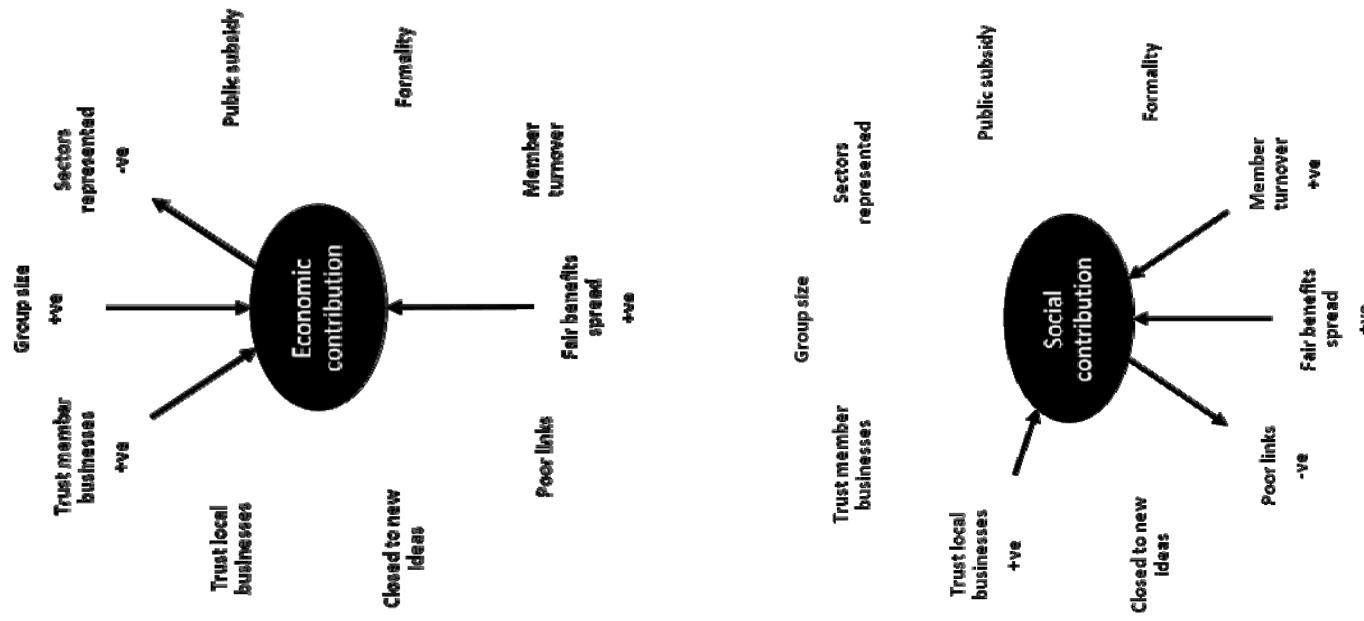
Reinforcing the findings of the performance models, group size, sector homogeneity, membership trust and a fair benefit spread influenced the contribution of the association to economic performance. Factors influencing the social contribution of the association related to a fair spread of benefits, higher member turnover, good links and levels of trust among local businesses.

10.4 Summary

This chapter has discussed the findings of the thesis in the context of previous research. Members of local business associations are, overall, satisfied with the benefits they receive and seek two groups of benefits, promotional and integrational. These groups are negatively related, changing in importance over time and with personal and business characteristics. The costs of membership are primarily a low annual subscription and a time commitment that affects some more than others.

Performance of the association was not limited by group size, and this may be due to a concentration of benefits which do not have the attribute of rivalry. As such group size may not have the effect highlighted in the business network literature (Bennett 1996). Performance was higher where sectors were homogenous, an effect which has been demonstrated in the broad collective action literature

Local business associations provide important benefits to local business and the community, having higher concentrations in sectors key to the service role of market towns. They also provide, to varying degrees, place based impacts and the higher the time commitment of members, the higher the degree of local impact. Models of economic contribution show similar results to the performance models, whilst social contribution is greater where the average member turnover is higher; there are good links with other organisations and a higher level of trust within the wider business community.

~Chapter 11~

Conclusions

11.0 Introduction

This thesis has examined local business associations as an institutional mechanism that may contribute towards the service role of market towns. This service role has been described as under threat due to retail competition, increased mobility and demographic trends (DoE and MAFF 1995, DETR 1998). Policy attempts have been made to reinforce it, with town centre improvement schemes promoted in white papers (DETR 2000, MAFF and DETR 2000) and schemes such as the Market Town Initiative introduced as a means of local capacity building. However, whilst the involvement of private businesses through collective action and networking has been championed as leading to economic success (Besser and Miller 2010a, 2010b, Huggins 2000) local business associations have not so far featured prominently within policy efforts to stimulate market town development.

Previous research into local business associations has been largely urban-centric, focusing on larger associations made up of larger businesses. Where rural business associations have been explored, research has conflated local and non-local organisations (Besser and Miller 2010a) or been small scale (Phillipson *et al.* 2006).

Recognising a gap in the literature, this research aimed to identify the costs and benefits afforded to businesses through membership of local associations, to measure the determinants of association performance and analyse the contribution to the service role of the market towns they serve. In order to do this, local business associations were identified based on a sample frame that highlighted group size and homogeneity of sector. After identification many association meetings were attended to observe proceedings and build a research presence with the local business communities. A questionnaire was subsequently sent out to the members of 15 associations. The questionnaire elicited views on the costs and benefits of membership, attitudes about the association, public bodies and impacts. 313 members responded giving a favourable response rate in difficult economic times of 37%.

11.1 Key findings

Local business associations have been described as providing an efficient mechanism to access certain specific collective benefits (Bennett 1996a, Park 1996). This research has found that local business associations are relevant in providing two key groups of benefits, promotional and integrational. The more calculative promotional benefits relate to cooperation undertaken to promote the members business. An improved reputation, new customer contacts and improved visibility to customers are relevant within this group. Integrational benefits relate to social and informational benefits, including a reduction of isolation, provision of collective voice and access to knowledge. These groups are negatively related and change over the term of membership, with the relevance of promotional benefits decreasing and integrational benefits increasing over time. Indeed their relevance varies with personal and business characteristics. As such promotional benefits are more important to businesses with a non-local market, whilst integrational benefits are more important to in-migrant businesses seeking to embed themselves within the social milieu. The more time contributed to the association, the greater the satisfaction with integrational benefits and this goes some way towards explaining the heavier time commitments of the leaders of associations.

High concentrations of in-migrant businesses exist within these associations and since these firms are important catalysts for rural development (Bosworth 2010, Kalantaridis and Bika 2006a, Stockdale 2006), associations are important sites for rural development (Atterton *et al.* Forthcoming). However, home based businesses are much less likely to be members than expected, which is particularly interesting given their growing importance in the rural economy (Dwelly *et al.* 2006, Mason *et al.* 2010, Newbery and Bosworth 2010). The practical issues of running a business from home may affect their capacity to engage with the local business community or their networking outlook. Although, when home based businesses were members of local business associations they found integrational benefits less relevant than their non home based colleagues. This suggests that there may be some sociological difference between the two groups.

A cost-benefit analysis showed that when business and community benefits were valued, then for the majority, membership leads to overall gains. The majority of members were satisfied and valued membership at a higher level than is currently

182

being paid for. For example, 62% of the members of the Morpeth Chamber of Trade were satisfied with membership and were willing to pay £70 annual subscription compared to their current fee of £50. Performance is also related to a number of structural determinants. Larger associations representing a smaller number of business sectors, and holding greater levels of member to member trust, had better levels of performance. Local business associations appear to operate below Olson's (1971) threshold where collective action is compromised by free riding behaviour, although this may be more to do with the non rival nature of the majority of benefits rather than group size *per se*. Effective leadership had a positive effect on performance and was found to reduce the detrimental effect that poor links to other organisations had on performance or the negative effect of a membership that was closed to new ideas.

Local business associations appear to provide an institutional mechanism that contributes towards the service role of market towns, with the majority of members indicating a socio-economic contribution. They hold concentrations of sectors key to this service role and they contribute through the maintenance and development of local business by providing promotional and integrational benefits. They also have local impacts which vary depending on various local circumstances. There is a direct relationship between the local impact of the association and the time commitment of the members.

11.2 Limitations of the research

Given the gap in the research literature on local business associations this thesis has attempted to address a broad spectrum of issues. This has inevitably meant that some aspects have received only a cursory treatment. The research did not, for example, examine impacts of associations from the perspective of non-members or other interests, taking only the viewpoint of the members. This would be a useful next stage in exploring the economic contribution of local business associations to their community.

The use of a quantitative survey as the main research instrument also imposed certain constraints, requiring a balance between brevity and depth on certain issues. This also had the drawback that only a static snapshot could be taken. Membership appears from this research to be dynamic and there is some suggestion of ebbs and flows in

group size over time. This research can only hint at this dimension and a longitudinal approach could offer much potential.

Finally, the models of performance and socio-economic contribution inevitably did not explain all of the variation in performance and further research could aim to build models with more predictive power. In addition to the endogenous predictors modelled in this thesis, an accounting of exogenous predictors, such as level of social cohesion, would help develop the models further.

11.3 Implications for policy

In 2010 the Government set out its priority to shift power to local communities and businesses by creating Local Enterprise Partnerships composed of local businesses and civic leaders (BIS 2010a). By establishing Local Enterprise Partnerships they aim to bring private business interests firmly into focus in the regeneration and development of urban and rural places. Past experience of business engagement, such as the Training and Enterprise Council's in the 1980s' (Huggins 1998), show that the engaged business actors are inevitably large businesses, having the motivation and resources to participate. Whilst smaller business may have similar motivations and are often particularly interested in their local area, they often do not have the time resources or capacity to represent their own interests. Given that businesses with fewer than 10 employees represent 96% of businesses, and employ 34% of the workforce in the UK, (BIS 2010b) this is a voice that Local Enterprise Partnerships cannot afford to ignore.

Local business associations are interesting to policy makers for 2 reasons: they represent an important constituency of local representation and development, and they make a contribution to the socio-economic function of market towns. From a policy perspective, these associations are enclaves of more profitable businesses, concentrated within service sectors important to the future of market towns. They have particularly high concentrations of in-migrant businesses, a group that have been shown to be important to the process of rural development (Bosworth 2010, Kalantaridis and Bika 2006a, Stockdale 2006). Their members represent groups that local economic development officers should be particularly interested in. Moreover,

they provide access to those members of the business community that are already engaged within local civic society.

Perceptions that local businesses are only interested in private benefits appear misplaced and local collective impacts are an important determinant in association membership and participation. There is a need for public bodies to recognise that local businesses are engaging in local interests through local business associations. However, the nature of these private benefits appears important as to whether businesses cooperate. Where exclusive non-rival benefits are relevant to members, issues of free riding are irrelevant. When local policy makers seek the support of local businesses in town centre management projects, to facilitate local collective impacts they need to focus on enabling benefits that will promote rather than destroy local business cooperation. Businesses will cooperate to gain promotional benefits, such as increased customer visibility and an improved reputation, and integrational benefits, such as finding a collective voice, sounding out new ideas and building peer support networks.

These associations appear tailor made for a bottom-up, business led development agenda. They provide a site for the integration of the newcomer businesses that are key to the generation of new ideas and reinvigoration of the local business community. However, given limited individual resources, their voice is likely to be lost beneath the interests of bigger business. As such efforts should be made to engage these collections of local businesses. Care needs to be taken as these associations are often based on the voluntary efforts of a few, being founded on goodwill and run on social capital. As such they are easily damaged by public interventions (Phillipson *et al.* 2002, 2006). This research shows that they do not respond well to national initiatives and are not appropriate forums for signposting generic business advice. They respond best to other local bodies that are willing to listen and to respond at a local level.

11.4 Future research

This research highlights the importance of homogeneity of sector to local business association performance. This was necessarily limited by the scope of the research, but it seems probable that some sectors share key commonality with others. A simple

count of sectors cannot address these issues fully. Future research would address how cooperation between various sectors manifests and whether the performance benefits of homogeneity extend across all sectors equally.

Whilst in-migrants are heavily concentrated within local business associations, home based businesses are notable by their absence. For some reason they are less likely to join local business associations and it may be that they do not find the available benefits relevant and the practical issues of running a business from home may affect their capacity to engage with the local business community or their networking outlook. Alternatively, they may gain these benefits elsewhere, possibly through personal networks. Nevertheless, it seems likely that there is some sociological difference between home based businesses and non home based businesses and further research would explore how they are economically and socially placed within a rural context and in relation to business cooperation and networking.

The funding mechanism for place management schemes needs further exploration, examining and comparing the value of informal place management approaches to more formal schemes. This research established that public subsidy had no apparent effect on member performance, and explored members' opinions as to the impacts of public bodies and their interventions. However, there is scope for research focused specifically on the effect of policy interventions on local business associations.

Finally the 2 groups of benefits found to be relevant in this research could be developed further. This research has touched upon the different users of these benefits and it would be illustrative to use their factor scores in a cluster analysis to create typical groups of benefit users. These constructs could then be tested for reliability and generalisability within another context. For example, more altruistic business associations such as the Rotarians or Lions Club may offer the same key benefits.

11.5 Conclusion

Through providing the first comprehensive survey of members of local business associations in the UK, this thesis has examined how these associations act as an institutional mechanism that contributes towards the service role of market towns.

These associations offer important benefits to members and the service centre through the provision of promotional and integrational benefits, and place based impacts. Where associations have larger group sizes, represent fewer sectors and hold higher levels of member to member trust, they perform better and where members commit more of their time they provide relatively more local impacts.

This thesis has contributed to, and extended, research on local business associations and sets out an unambiguous focus for policy development. Local business associations are enclaves of more profitable businesses, concentrated within important service sectors and with high numbers of in-migrant businesses. They make a socio-economic contribution to market towns through the maintenance and development of local businesses and place based impacts.

~Appendix A~

Survey documentation

Introduction to the small business association study and survey

As part of research at the Centre for Rural Economy at the University of Newcastle, we are carrying out a survey of small business associations that are centred upon rural settlements in the North of England. The rationale behind this study is twofold:

1. While significant research into business networks and large chambers of commerce has been conducted, very little is actually known about smaller associations such as chambers of trade, forums and local associations. These are often dismissed as ineffectual 'talking shops' and as a result we cannot really say what benefits members really seek or how satisfied they are with their delivery.

2. By their nature, associations are relatively small, this means that individual membership surveys are often statistically insignificant, difficult to conduct and impossible to analyse. In order to respond to the needs of members, the leaders of these associations must rely upon anecdotal evidence and are often driven by the views of the vocal few.

By surveying a statistically significant number of business association members, this survey will be able to identify objectively what benefits members value, how they rate their delivery and, by benchmarking against other associations participating, identify best practice approaches and areas for improvement. It will also provide an independent source of evidence that can be used by the association leadership to understand their membership and drive future direction. The findings will also give interested public policy stakeholders insights into the most appropriate ways to assist small business associations.

The survey and analysis will be conducted and administered by Robert Newbery, a PhD researcher at the Centre for Rural Economy. Originally an engineer, Robert has a background running his own small business and holds masters degrees in business and research. The research is sponsored by the Economic and Social Research Council (ESRC) and by One North East, the Regional Development Agency for the North East of England.

The survey

A sample of smaller associations that are linked to rural settlements within the North of England will be identified. The leaders of these associations will be asked various organisational questions relating to the association and if they fit certain criteria, then the association may become part of the study. The anonymity of participants is held very highly and at no stage will individuals be identified in the analysis or reporting. Individual membership details will only be used for survey purposes, being only accessible by Robert Newbery.

When participant associations have been identified, a survey will be distributed to members by a postal survey. The survey will take place during the spring and summer of 2009.

CENTRE FOR RURAL ECONOMY

Requirements for participation

The cost of the survey is included in the research budget and *there is no cost to participating associations*. Leaders of the selected associations will be interviewed and may be asked to fill in a questionnaire in addition to the main survey.

To ensure a successful and useful survey it is asked that association leaders publicise the survey to members through meetings and email and otherwise encourage participation.

Dissemination of findings

After data analysis, a summary of findings highlighting the specific association compared to other participating associations will be generated. It is envisaged that an event of some kind will be held to present the practical findings – this may be at a regular meeting of the association or possibly a regional best practice event held at the ONE North East offices in Newburn, Newcastle.

If you have any questions regarding the research or survey, please contact:

Robert Newbery
Phone: 078 1779 4813
Centre for Rural Economy
Newcastle University
NE1 7RU

E-mail: robert.newbery@ncl.ac.uk

~Appendix B~

Survey letters

April 17th, 2009

RE: Survey of Gilsland and Greenhead Tourist Partnership members

Dear Jane Smith,

Over the next few days you will receive a questionnaire in the post as part of a research project being conducted at the Centre for Rural Economy at Newcastle University.

The Gilsland and Greenhead Tourist Partnership have agreed to participate in this research which explores the needs of members of rural business associations in the North of England.

As the findings may help your association to understand and fulfill your needs and expectations, it is important that you take this opportunity to express your views and opinions.

I would like to thank you in advance for your time and consideration.

Yours sincerely,

Robert Newbery

Centre for Rural Economy

THE QUEEN'S
ANNIVERSARY PRIZES
FOR HIGHER AND FURTHER EDUCATION

2005

Newcastle University

Centre for Rural Economy

School of Agriculture, Food and Rural Development

Newcastle University
Agriculture Building
Newcastle upon Tyne
NE1 7RU United Kingdom

Guy Garrod
Director

April 20th, 2009

Survey of Gilsland and Greenhead Tourism Partnership members

Dear Jane Smith,

The Centre for Rural Economy at Newcastle University is conducting a survey of 1000 members of business associations in the rural North and members of the Gilsland and Greenhead Tourism Partnership are being asked to take part.

The aim of this research is to find out what economic and social benefits associations like yours deliver to both members and to the local area as a whole. This will identify how associations can gain maximum benefits for their members whilst highlighting the current role that public bodies play.

We are asking you to spend 15 minutes filling in the enclosed survey. All answers are confidential and will only be released as summaries within which no individual's answers can be identified.

Although this survey is voluntary, in order to be effective and to maximize opportunities for your association, your response is both needed and greatly appreciated. Once you have completed the survey, please return it in the enclosed stamped addressed envelope.

If you have any questions about this research, please contact Robert Newbery at the Centre for Rural Economy, either by email at robert.newbery@ncl.ac.uk or by telephone on 07817794813.

Thank you for your time.

Yours sincerely,

Robert L Newbery

Centre for Rural Economy

tel : +44 (0) 191 222 6623
fax : +44 (0) 191 222 5411

www.ncl.ac.uk/cre

THE QUEEN'S
ANNIVERSARY PRIZES
FOR HIGHER AND FURTHER EDUCATION

2005

A few days ago we posted a questionnaire to you exploring your needs and experiences as a member of a local business association.

If you have already returned this survey, please accept our thanks. If not, we would be grateful if you could do so as soon as possible, as it is only with your help that we can understand how rural business associations benefit their members and communities.

If you did not receive a questionnaire, or if it was misplaced, please contact me at robert.newbery@ncl.ac.uk or 07817794813 and I will post another one today.

Yours sincerely,

Bob Newbery
Centre for Rural Economy
Newcastle University

Newcastle University

Centre for Rural Economy
School of Agriculture, Food and Rural Development

Newcastle University
Agriculture Building
Newcastle upon Tyne
NE1 7RU United Kingdom

Guy Garrod
Director

May 6th, 2010

Dear Jane Smith,

Survey of Gilsland and Greenhead Tourism Partnership members

We recently sent you a questionnaire that asked your opinions in relation to the Gilsland and Greenhead Tourism Partnership and this has not yet been returned.

We are writing again because of the value that your questionnaire has in providing accurate results. In order for this to happen we need to hear from as many association members as possible.

Comments from those members who have responded include a variety of opinions on both the impacts the association has had within the community and the benefits that people have received. The results will be very useful to the organisers of these associations.

A few people have said that they do not believe the questionnaire is relevant to them as they are only a small business. We are interested in the views of all members. Other respondents have said that the survey is too complex for a small association like theirs – however, these small groups have many complex factors affecting them which we need to account for.

We acknowledge that some questions such as those on education and finance may feel obtrusive, but these are vital in understanding how business associations like yours fit within the wider economic and social environment. All responses are confidential, but if there are any questions you are uncomfortable with answering, then please feel free to leave them blank.

We hope that you will fill out and return the questionnaire as soon as possible.

Yours sincerely,

Bob Newbery

Researcher
Centre for Rural Economy

tel : +44 (0) 191 222 6623
fax : +44 (0) 191 222 5411

www.ncl.ac.uk/cre

The University of Newcastle upon Tyne trading as Newcastle University

~Appendix C~

The questionnaire

The response to this survey is anonymous and the privacy of individuals and businesses will be maintained at all times.

1.0 The Association

1.1 **In which year did you join the association?** _____

1.2 **What would you say the single most important purpose of the association is?**

[   ]

1.3 **Do you help with the organisation or administration of the association?** Yes /No

1.4 **Can you indicate the extent you agree or disagree with the following statements**

1=Strongly disagree   5=Strongly agree

		1	2	3	4	5
a.	The association has effective leadership	1	2	3	4	5
b.	The association represents the interests of all local businesses	1	2	3	4	5
c.	The benefits of membership are fairly spread across the membership	1	2	3	4	5
d.	The association has poor links to other organisations	1	2	3	4	5
e.	The association is very formal	1	2	3	4	5
f.	The association is closed to new ideas and approaches	1	2	3	4	5
g.	Other members of the association are key competitors	1	2	3	4	5
h.	The local business environment is extremely competitive	1	2	3	4	5
i.	My business is threatened by local developments	1	2	3	4	5
j.	Relationships between local businesses are very close and trusting	1	2	3	4	5
k.	Relationships between members of the association are very close and trusting	1	2	3	4	5
l.	I am very satisfied with membership of the association	1	2	3	4	5

2.0 Local issues

2.1 **To what extent do you believe the association has contributed towards the following during the past 12 months?**

1=No contribution   5=Major contribution

		1	2	3	4	5
a.	The improvement of public parking	1	2	3	4	5
b.	The preservation of historic and cultural assets	1	2	3	4	5
c.	The maintenance and development of local businesses	1	2	3	4	5

Continued from overleaf…

1=No contribution   5=Major contribution

		1	2	3	4	5
d.	The improvement of the local physical environment	1	2	3	4	5
e.	Attracting funding for local initiatives	1	2	3	4	5
f.	A reduction in crime	1	2	3	4	5

3.0   Links to public bodies

3.1   **To what extent are public bodies successful in:**

1=Not successful   5=Very successful

		1	2	3	4	5
a.	Using the association to provide information on new legislation or policies (*e.g. Health & Safety, etc.*)	1	2	3	4	5
b.	Listening and responding to the needs of business through the association	1	2	3	4	5
c.	Signposting access to business support or advice through the association	1	2	3	4	5
d.	Working as a partner of the association to achieve local objectives	1	2	3	4	5
e.	Supporting the running of the association	1	2	3	4	5

3.2   **What impact do you believe the following public bodies have on the association?**

-2=Negative impact   +2=Positive impact

		-2	-1	0	+1	+2
a.	The town or parish council	-2	-1	0	+1	+2
b.	The district or county council	-2	-1	0	+1	+2
c.	The Regional Development Agency (*e.g. ONE North East*)	-2	-1	0	+1	+2
d.	Central Government	-2	-1	0	+1	+2
e.	Business Link	-2	-1	0	+1	+2
f.	Other relevant public / semi-public bodies (Please specify):	-2	-1	0	+1	+2

3.3   **Could you provide any specific examples of these impacts?**

4.0 Costs of membership

4.1 Please estimate any financial costs incurred by your business over the past 12 months for the following:

a. Annual subscription to the association   £ _____ / Don't know

b. Costs of any training provided by the association   £ _____ / Don't know

b. Costs of travel to and from association events and meetings   £ _____ / Don't know

c. Other financial costs arising through membership (please specify): *(E.g. Donations, advertising, web-site, etc.)*   £ _____ / Don't know

_____

4.2 Indicate the total number of association meetings attended by you, or representatives of your business, in the past 12 months.   ___ Meetings

4.3 Including you, how many representatives of your business generally attend association meetings?   ___ People

4.4 Excluding meetings, please estimate the total amount of time given by you, or representatives of your business, to other association activities in the past 12 months. *This could include travel, volunteering and training time etc.*   ___ Hours

4.5 Has membership of the association led to any problems or costs which were unexpected in the past 12 months?   Yes / No

4.6 If Yes, please elaborate *(These can include unexpected demands on your time):*

┌─────────────────────────┐
│   │
│   │
│   │
└─────────────────────────┘

5.0 Membership benefits

Since *joining*, can you estimate:

5.1 The number of new customers you have met through the association? *(Either directly or indirectly through referral)*   ___ / Don't know

5.2 The number of new suppliers you have met through the association?   ___ / Don't know

5.3 The number of other useful contacts you have met through the association?   ___ / Don't know

5.4 Below is a list of benefits that business associations provide to their members.

	How relevant is each to your business needs?					How satisfied were you with their provision in the last 12 months?				
	1=Not relevant to business, 5=Very relevant to business					*1=Very dissatisfied 5=Very satisfied*				
a. A collective voice	1	2	3	4	5	1	2	3	4	5
b. A contact network	1	2	3	4	5	1	2	3	4	5
c. New customer contacts	1	2	3	4	5	1	2	3	4	5
d. Access to local knowledge	1	2	3	4	5	1	2	3	4	5
e. Peer support	1	2	3	4	5	1	2	3	4	5
f. Reduction of isolation	1	2	3	4	5	1	2	3	4	5
g. Exchange of general information	1	2	3	4	5	1	2	3	4	5
h. An opportunity to socialise	1	2	3	4	5	1	2	3	4	5
i. A sounding board for ideas, issues and problems	1	2	3	4	5	1	2	3	4	5
j. An improved reputation	1	2	3	4	5	1	2	3	4	5
h. Greater visibility to customers	1	2	3	4	5	1	2	3	4	5

5.5 Please estimate any financial gains to your business over the past 12 months that have occurred as a result of membership. Indicate the cause of the gain, followed by the amount:

_____   £ _____   /   Don't know

5.6 Please indicate new services you would like to see the association provide:
(You can ignore any which are already provided)

a. Marketing and advertising of the local area ☐
b. Formal networking events ☐
c. Informal gatherings ☐
d. Newsletter ☐
e. Community events and festivals ☐
f. Web directory ☐
g. Paper directory ☐
h. Members business map ☐
i. Access to information on grants ☐
j. Organised trips ☐
k. Business awards ☐
l. Training, please specify below: ☐

m. Updates from public bodies ☐
n. Speakers and presentations ☐
o. Discounted insurance ☐
p. Member to member discounts ☐
q. Social events ☐
r. A bulk purchasing system ☐
s. Community floral displays ☐
t. Community Christmas lights ☐
u. A voice in local organisations ☐
v. A voice in regional organisations ☐
w. A voice in national organisations ☐
x. Other, please indicate below: ☐

5.7 Since joining, membership of the association has …

		-2=Strongly disagree			+2=Strongly agree	
a.	Improved the business performance	-2	-1	0	+1	+2
b.	Helped my personal development	-2	-1	0	+1	+2
c.	Contributed to the economic viability of Barnard Castle and the surrounding area	-2	-1	0	+1	+2
d.	Contributed to the social and community vitality of Barnard Castle and the surrounding area	-2	-1	0	+1	+2

5.8 In the next 12 months, I expect that membership of the association will …

		-2=Strongly disagree			+2=Strongly agree	
a.	Improve the business performance	-2	-1	0	+1	+2
b.	Help my personal development	-2	-1	0	+1	+2
c.	Contribute to the economic viability of Barnard Castle and the surrounding area	-2	-1	0	+1	+2
d.	Contribute to the social and community vitality of Barnard Castle and the surrounding area	-2	-1	0	+1	+2

5.9 We would like to estimate how much the association is worth to your business and local community.

Imagine a hypothetical situation in which the association must close. If the association could be saved by increasing the membership subscription, what is the <u>maximum</u> that you would be willing to pay to keep the business and community benefits that you have identified?

£ _____

This is a fictitious scenario which will not be used to alter annual subscription.

5.10 If you were *not* willing to pay to save the association, please tick your main reason and second reason for this response.

		Main reason	Second reason
a.	I cannot afford to pay more	☐	☐
b.	I contribute in other ways	☐	☐
c.	I can get the same benefits elsewhere	☐	☐
d.	The benefits I receive are not worth the extra cost	☐	☐
e.	I expect others will pay to save it	☐	☐
f.	I do not expect to be a member next year	☐	☐

6.0 <u>Personal information</u>

6.1 **Please indicate your sex:** Male / Female

6.2 **Please indicate your age:** _____ years

6.3 **Have you ever sought business advice?**   Yes / No
E.g. from an accountant, Business Link, Family member, etc.

6.4 At what level did you finish your formal education? (*Tick one box only*)

1. Higher (postgraduate) degree/NVQ Level 5 ☐
2. Degree/NVQ Level 4 ☐
3. A level/NVQ Level 3 ☐

4. O Level/GCSE /NVQ Levels 1 - 2 ☐
5. No formal qualifications ☐
6. Other: ☐

6.5 What was your employment status immediately prior to working in this business?

1. Owner-manager of another business ☐
2. Employed full/part time in the private sector ☐

3. Employed full/part time in the public sector ☐
4. Other: ☐

6.6 How many *other* associations, clubs or forums are you a member of in your capacity as a business person?
These may be local, regional or national.

_____ associations

6.7 How many miles away is the business from your home?
(*0 will indicate a home based business*)

_____ miles

6.8 If you answered less than 30 miles above, when did you start living in this local area?

1. Lived here since a child ☐
2. Grew up here and returned later in life ☐
3. Moved here as an adult ☐

7.0 The business

7.1 Please state your position in the business (e.g. owner, manager, etc):

[   ]

7.2 Please describe the main activity / activities of the business:

[   ]

7.3 How many people *including you* does the business employ?

1. Full-time _____
2. Part-time _____
3. Temporary or seasonal _____

7.4 I would describe the business as: an independent ☐   a franchise ☐   a subsidiary or branch ☐

7.5 In what year was the business established?   _____

7.6 How would you describe the current stage of the business?
Please tick one box

a. A steady-state ☐

b. Growing ☐

c. Declining ☐

d. Not sure ☐

7.7 In the next 10 years the plan is to:
Please tick one box

a. Maintain current position ☐

b. Expand the scale of activities
Which may include increasing the number of employees ☐

c. Reduce the scale of activities
Which may include reducing the number of employees ☐

d. Don't know / uncertain ☐

7.8 Please estimate the percentage of your purchases by value that took place within the local area (approx. 30 miles) during the past 12 months? ——— %

8.0 The following, final questions relate to the business finances. Please only complete these if you are in a position to know these figures. Answers will be used in determining the type of businesses that find association membership useful and *will only be used for the purpose of this research*. At no time will individual firms be identifiable.

8.2 Over the last five years have your profits: *Please tick one box only*

1. Increased ☐   2. Decreased ☐   3. Stayed the same ☐

8.3 What is the average annual turnover of the business? *Please tick one box only*

1. Below £9,999   ☐☐☐
2. £10,000 to £39,999
3. £40,000 to £66,999
4. £67,000 to £99,999

5. £100,000 to £249,999   ☐☐☐
6. £250,000 to £499,999
7. £500,000 to £999,999
8. £1m or more

8.4 Please indicate the average annual profits of the business by ticking one of the ranges below:

☐☐☐☐

1. Less than or equal to 0% of turnover (i.e. a loss or break even)

2. Above 0% and up to 1% of turnover

3. Above 1% and up to 5% of turnover

4. Above 5% and up to 10% of turnover

5. Above 10% of turnover

If over 10% please specify the percentage: ——— %

9.0 Do you have any further comments about the topics raised in the questionnaire?

Robert Newbery
Business Association Survey
Centre for Rural Economy
Newcastle University
Agriculture Building
NE1 7RU

Email: robert.newbery@ncl.ac.uk
Telephone: 07817794813

Thank you for taking the time to complete this questionnaire. Could you please return it in the stamped addressed envelope provided.

~Appendix D~

Combining data-sets for logistic regression

Whilst the models of all and non local business associations (Tables 6.2 and 6.3) provided a fairly even ratio of members to non members, within the third party rural business survey there were only 83 local business members compared to 830 non members. Within multivariate regression techniques the smaller a sample is, the lower the effects size that can be identified. Field (2005) identifies that with a sample of around 100, with approximately 10 predictors, only large effects can be isolated. The picture for logistic regression is not so simple (see Demidenko 2006, Hsieh *et al.* 1998), but ensuring that each half of the dependent variable is above the minimum criteria to identify smaller effects is a robust approach to ensuring adequate sensitivity.

Given the small sample of local members in the third party rural business survey, a new combined dataset was constructed from its members (83) and non members (830) with the addition of the members (306) of the business association survey. This provided a sample large enough to identify large, medium and small effect sizes (N=1219). To ensure comparability between these populations, key structural variables were tested for statistical association between business association members in the third party rural business survey and the members in the business association survey. Tables D.1 and D.2 illustrate that these populations were statistically comparable.

Gender was the exception, where comparison shows that 26.4% of the time there is no significant association between the two populations. This discrepancy may be explained by the higher representation of accommodation businesses (which have a relatively even gender balance) and lower representation of sectors such as agriculture, manufacturing, finance and professional (which are heavily biased towards male respondents) within the business association survey.

Table D.1 Comparability of populations: statistical associations between key non-interval structural variables

Key structural variable	Chi-square test[1]
Business sector	.000***
Business profit	.010**
Respondent previous employ	.012*
Respondent gender	.264
Density of rural area (sparse / less sparse)	.000***

p < .05, ** p < .01, *** p < .001

[1] For Chi-Square testing a statistically significant association at the 95% level is sought between populations

Table D.2 Comparability of populations: statistical associations between key interval structural variables

Key structural variable (interval data)	Analysis of variance[2]
Business year established	.485
Business total employment	.295
Respondent age	.316
Respondent formal education	.172

p < .05, ** p < .01, *** p < .001

[2] For ANOVA testing the absence of a statistically significant relationship between means is sought

~Appendix E~

Data validation

All models were tested for influential cases and outliers by calculating the standardized residuals. Table E.1 shows the number of cases that have standardized residuals of greater than 2.0 and 2.5 standard deviations. It also shows the number of cases expected given the overall sample size and a normal distribution.

Table E.1 Standardized residuals for statistical models

Model name	Table	Sample size	No. cases with > 2.0 Std Dev.	Expected based on sample size	No. cases with > 2.5 Std. Dev	Expected based on sample size
Logistic regression predicting membership of all business associations	6.2	679	8	34	2	17
Logistic regression predicting membership of a non local business association	6.3	618	13	31	3	15
Logistic regression predicting membership of a local business association	6.4	832	41	47	29	21
The impact of characteristics on the relevance of integrational benefits	7.5	158	4	8	0	4
The impact of characteristics on the relevance of promotional benefits	7.5	158	8	8	0	4
Regression for determinants of overall satisfaction	8.5	266	9	13	4	7
Regression model for determinants of willingness-to-pay	8.6	207	9	10	8	5
Regression for predictors of has had an economic contribution	9.2	259	13	13	6	6
Regression for predictors of will make an economic contribution	9.2	258	15	13	7	6
Regression for predictors of has had a social contribution	9.2	257	13	13	8	6
Regression for predictors of will make a social contribution	9.2	257	14	13	6	6
Regression of public intervention predictors for economic contribution	9.5	252	15	13	6	6
Regression of public intervention predictors for social contribution	9.5	251	17	13	4	6
Regression of various public bodies on satisfaction	9.6	144	6	7	0	4
Regression model for member turnover	A7.2	244	10	12	3	6

This is only a guide; logistic regression for example is not expected to follow a normal distribution. Nevertheless, most cases were within the expected range. Where cases exceeded this threshold, their impacts were assessed in more detail. In the final models, no individual cases or outliers were found to exert an undue influence on the overall result.

~Appendix F~

Validation of willingness-to-pay

The use of willingness-to-pay is usually accompanied by its validation with a regression equation. This is to assess theoretical validity and certain variables are expected to predict willingness-to-pay (Mitchell and Carson 2005). Predictors are chosen according to their relevance to the market scenario used to prompt respondents for an evaluation. In this case the scenario was to estimate how much an association was worth to members' business and local community. Relevant predictors were chosen as relating to business and community costs and benefits. Business performance and economic contribution to the town were included as key theoretical predictors. Subscription was expected to have an anchoring effect on any additional payment, whilst organisers were expected to value associations more highly than ordinary members.

Table F.1   Regression model to validate willingness-to-pay

	Beta	B	S/E
Subscription	.308****	.032	.007
Do you help organise	.108*	.320	.198
Improved business performance since joining	.303****	.332	.077
Will contribute economically to town and area	.165**	.254	.111
Constant	-	2.412	.235
R^2	.312		
Adjusted R^2	.295		
Durbin-Watson	2.058		
Sample size	165		

*p < .1, **p < .05, *** p < .01, **** p < .001

The model given in Table F.1 shows that annual subscription, improved business performance and an expected economic contribution to the town and area were all positively related at and above the 95% level of significance. Where the member

helped organise the association, they were also willing-to-pay, although this was only significant at the 90% level. As such willingness-to-pay appears to be a valid measure of how much an association is worth to a members business and the local community.

One caveat is that an R^2 of 30% shows that the regression does not explain all of the variance affecting willingness-to-pay. However the purpose of this model was to validate willingness-to-pay as a theoretical construct, and it does this by finding significance with key theoretical predictors. From the analysis in Chapter 8, there are structural predictors that explain much of the remaining variance.

~Appendix G~

Derivation of average turnover per association

The mean value of respondents' turnover could be used to represent the association level average turnover in the performance and socio-economic models in (Tables 8.5, 8.6 and 9.2). However, this approach is limited by the potential effect of non-response bias, with high turnovers inflating the mean. Based on the assumption that the associations represent similar populations, with similar distributions, an alternative is to use multivariate regression to derive an average turnover by association. With turnover as the dependent variable and the local business associations as the independent factors the resultant coefficients can be used to calculate a value for association turnover. The use of regression will increase the sample size (and degrees of freedom) across associations, leading to a reduction in any non-response bias[15]. In essence, this approach weights the average turnover of each association based on the distribution of individual turnover across all the associations.

To simplify survey completion, turnover was selected from a number of ranges, shown in Figure G.1. These ranges were implicitly ordered 1 through to 8 and the category number rather than the mid-point of the turnover range was used in analysis to overcome the lack of range boundaries for the low and high end categories, e.g. 1. Below £9,999 and 2. £1m or more.

Figure G.1   Turnover ranges presented in the business association survey

8.3   **What is the average annual turnover of the business?** *Please tick one box only*

1.	Below £9,999	5.	£100,000 to £249,999
2.	£10,000 to £39,999	6.	£250,000 to £499,999
3.	£40,000 to £66,999	7.	£500,000 to £999,999
4.	£67,000 to £99,999	8.	£1m or more

Using the ordered turnover category as a continuous dependent variable and local business associations as independent variables, a multivariate regression was applied to the rural business association data set. Where associations were not significant

---
[15] This is a standard approach in imputation techniques, where missing data is estimated using either average or regression based methods.

they were subsumed into the reference category. Table G.1 provides the results of this model including unstandardised and standardised coefficients and standard errors.

The sample size was 244, with a data reduction due to missing data of 20.3%. Explained variance was 39.4%, but the purpose of this model was not to explain turnover but to provide an estimated value per local business association for turnover category. The model was tested to ensure it did not violate the assumptions of parametric data and was not sensitive to influential cases or outliers.

Table G.1   Regression model for average turnover of members by association

	B	Standard error	Beta
Alnwick Tourism Association	-2.11****	0.36	-0.36
Brampton Chamber	1.34*	0.78	0.09
Gilsland and Greenhead Tourism Assoc..	-1.49***	0.57	-0.14
Guisborough Business Association	1.79***	0.72	0.13
Haltwhistle Chamber	1.01*	0.54	0.10
Haltwhistle Tourism Association	-1.74***	0.68	-0.14
Hexham Forum	1.29**	0.54	0.13
Morpeth Chamber	1.32***	0.46	0.16
Penrith Chamber	1.22***	0.44	0.16
Rothbury Tourism Association	-2.01****	0.39	-0.30
Constant	4.49	0.23	-
R^2	.394		
Adjusted R^2	.368		
Durbin-Watson	1.669		
Sample size	244		

$*p < .1, **p < .05, *** p < .01, **** p < .001$

The regression value for each association is shown in Table G.2. The absolute value was used to select the relevant turnover band; the remaining proportion was then used to calculate an estimated point within the turnover band. For example Alnwick had a regression value of 2.38, the absolute value of 2 locates it in the £10,000 to £39,999 turnover band. The remaining proportion of .38 is then used to identify the size of modifier to add to the turnover minimum.

Table G.2   Average turnover of local business associations

Local business association	Regression value	Turnover minimum	Turnover maximum	Average turnover
Alnwick Tourism Association	2.38	£10,000	£39,999	£21,339.62
Barney Guild	4.49	£67,000	£99,999	£83,235.51
Bellingham Tourism and Trade	4.49	£67,000	£99,999	£83,235.51
Berwick Chamber	4.49	£67,000	£99,999	£83,235.51
Brampton Chamber	5.83	£100,000	£249,000	£224,117.00
Gilsland and Greenhead Tourism	3.00	£40,000	£66,999	£40,000.00
Guisborough Business Association	6.29	£250,000	£499,999	£321,499.71
Haltwhistle Chamber	5.50	£100,000	£249,000	£174,500.00
Haltwhistle Tourism Association	2.75	£10,000	£39,999	£32,499.25
Hexham Forum	5.79	£100,000	£249,000	£217,114.00
Morpeth Chamber	5.81	£100,000	£249,000	£220,690.00
Penrith Chamber	5.71	£100,000	£249,000	£205,492.00
Rothbury Business Club	4.49	£67,000	£99,999	£83,235.51
Rothbury Tourism Association	2.48	£10,000	£39,999	£24,549.52
Wooler Business Association	4.49	£67,000	£99,999	£83,235.51

213

~Appendix H~

Press cuttings

Survey will weigh worth of trade groups

A SURVEY will be carried out of Morpeth businesses to weigh up the benefits of trade groups.

Dr Robert Newbery, of Newcastle University's Centre for Rural Economy, is carrying out a study of associations across the region.

And as part of his research, he is looking at the workings of Morpeth Chamber of Trade.

The academic has attended two meetings to observe the group and is now urging businesses to fill in a survey for his next stage.

Dr Newbery hopes to pull in 1,000 responses from traders in an area from Berwick to Guisborough and across to Penrith.

The questionnaire will cover such topics as motives for joining organisations, groups' attitudes and needs, relationships with public bodies and how members would like to see their associations develop.

"There is a huge gap in research for small associations of less than 1,000 members, but I used to run a business and I have an impression of how helpful they can be," said Dr Newbery.

"I am going to meetings across the North East and am asking members to participate in a survey I have compiled.

"It should be useful research and for businesses in the area it should give some useful feedback to the Chamber.

"The difficulty is getting people to respond. As long as enough people respond it will be ok to carry out analysis."

Chamber members will all be given a copy of the survey and Dr Newbery will return to the town later this year to reveal his findings.

Praise f... have ca...

A CARING couple have ...nised for their commitme... tion to foster care.

Northumberland Coun... cil commended Michael a... McGuire who have foster... young people during the ...

A certificate, floral bou... worth of high street vouc... presented to the pair as p... authority's celebration of ... Fortnight, during which ... encouraged to become fos...

The Council has also p... the DVD, are originally fr... near Morpeth.

They were approved in ... stream foster carers and h... fostered teenage boys to h... prepare for independent li...

The McGuires, who als... the DVD, are originally fr... near Morpeth.

Mr McGuire said: "We ... and fostering helps to keep... When we look at the children we have foster care in Northumberland."

River rubble is being removed

TONS of rubble are being cleared from the River Wansbeck to reduce the risk of flooding.

The Environment Agency will begin work this week at Oldgate Bridge in Morpeth to remove a build up of debris.

Staff worked in the immediate aftermath of the town's flood in September to remove large items and vegetation that had been washed downstream, but could not easily access the area around the bridge arches where rubble, such as breeze blocks and building material, had collected.

Now the water level has dropped it is safer to bring in an excavator to dig out the deposits.

Agency official Les Collingwood said:

"The two smaller arches at Oldgate Bridge are especially prone to catching trees and large debris, and clearly we need to keep the river flowing. — High Stanners, which bore the brunt of the flooding last year, is just upstream of this bridge.

"Although this rubble shouldn't cause flooding on its own, it could well contribute to a blockage at the bridge, so we need to take every precaution to reduce the risk."

The cleared material will be taken along the riverbank in dump trucks to be transported to landfill. It can not be recycled partly due to fuel-related residue run off from roads.

The work is expected to be completed in June.

Flooding and weather facts

MEMBERS of the Morpeth Flood Action Group heard from a weather expert about the Met Office's role with flood information.

Graham Butler from the organisation's Manchester Weather Centre, who has responsibility for the North East region, gave a presentation that included the particular weather circumstances which contributed to last year's flooding in Morpeth.

He explained his role, the forecasts of heavy and unusual rainfall which were made prior to the floods on September 6 and how this information was disseminated to the appropriate bodies.

For example, on September 4, 2008, the Met Office alerted Northumberland County Council's Emergency Planning section of a potential 100mm rainfall.

Mr Butler stressed that the Met Office provided detailed predictive weather information to the Environment Agency, the emergency services and County Council, but a great deal of information about weather was also available to the public and this could be accessed through its website at www.metoffice.gov.uk/weather

on the flooding which took place across the country in 2007, a Flood Forecasting Centre had been set up and employed both meteorologists and hydrologists who work collaboratively to provide a wide perspective on forecasting potential flooding and its effects.

The effects of climate change mean that in future there would be a higher likelihood of severe and unpredictable weather events, which could require a 20 percent increase in flood protection measures.

A new aspect of weather forecasting is related to surface water, where warnings are given when heavy rainfall might be expected.

This allowed emergency services with local knowledge to take any necessary actions to prepare for surface water flooding, including the preparatory cleaning of grids and gullies in order to ensure that blockage of these will not lead to flooding.

Action Group Chairman Alan Bell said: "After the presentation members of the group engaged in discussion with Mr Butler about various aspects and everyone agreed it

Research dissemination

Rural Business Associations

Morpeth Chamber results

Newcastle University

NORTHERN RURAL NETWORK
progress through knowledge

Aims of the research

- Previous research has:
  - Focused on larger networks
  - Often been geographically neutral
  - This research focused on small, rural and local business associations
- Due to the small size of these associations:
  - Difficult to produce statistically valid data
  - The survey overcomes this by sampling approx. 800 business members

The sample - the mix of sectors

Broad Sectors bar chart — Frequency vs Broad Sectors (Retail, Tourism, Services, Other)
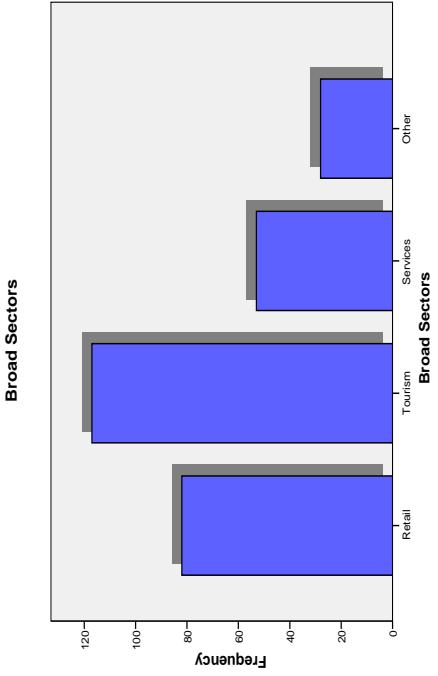
The sample - the associations

- **Homogenous Small**
  - Gilsland and Greenhead Tourism Partnership
  - Haltwhistle and District Tourism Association
  - Barney Guild
  - Guisborough Business Association
  - Wooler Traders

- **Heterogeneous Small**
  - Haltwhistle and District Chamber of Trade
  - Bellingham (BDTTA)
  - Rothbury & Coquetdale Business Club
  - Brampton Chamber

The sample - the associations

- **Homogenous Large**
  - Alnwick Tourism Association
  - Rothbury and Coquetdale Tourist Association

- **Heterogeneous Large**
  - Hexham Business Forum
  - Berwick upon Tweed
  - Morpeth and District Chamber of Trade and Commerce
  - Penrith Chamber of Trade

218

Comparing members to non members

- The odds of a member's profit having increased in the last 5 years are 1.42 times the odds (higher) of non members

- The odds of a member being female are 1.845 the odds (higher) than those of non members

- The odds of a member not being born in the area are 1.606 times the odds (higher) than those of non members

Identifying results

Financial gain

219

Identifying results

New customers

Chart: stacked bar chart showing percentages (0%–100%) for Retail, Tourism, Service, Other, Overall with categories: Don't know, None, 1 or more

Identifying results

New suppliers

Chart: stacked bar chart showing percentages (0%–100%) for Retail, Tourism, Service, Other, Overall with categories: Don't know, None, 1 or more
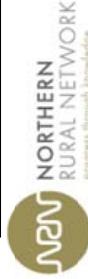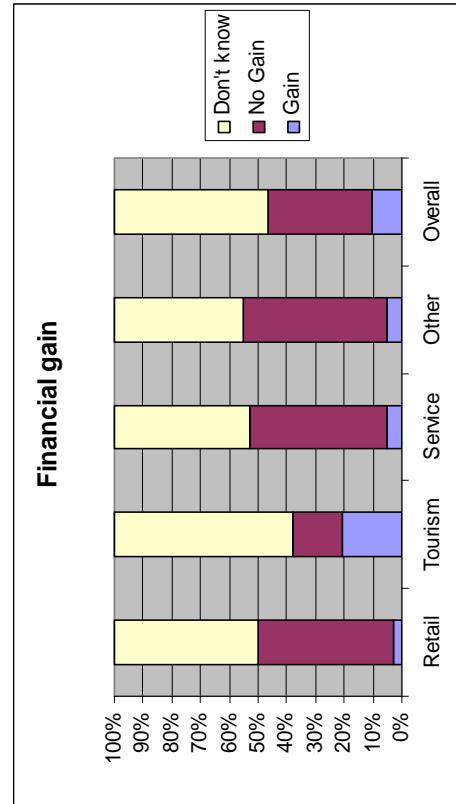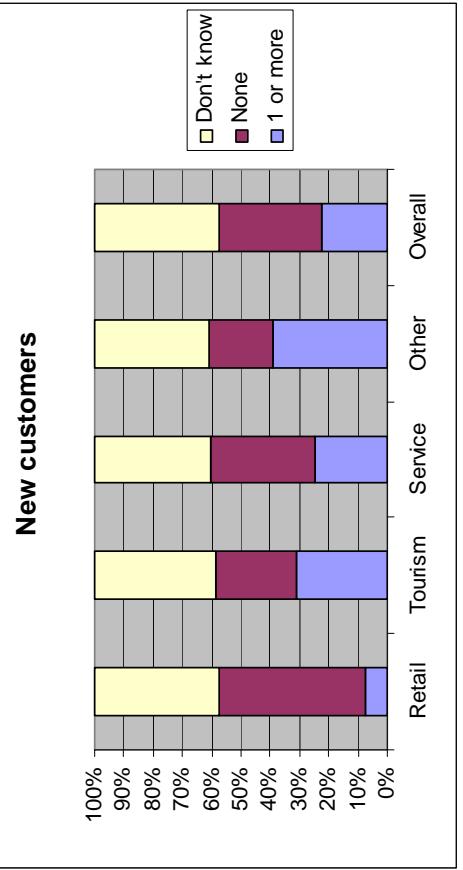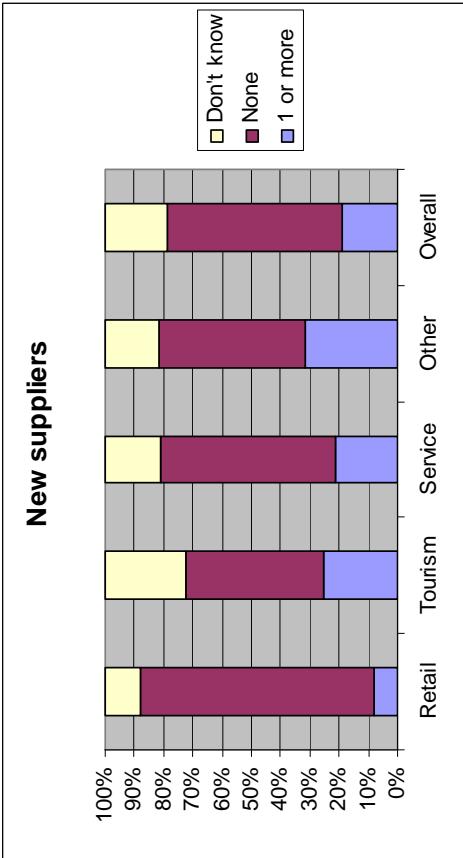
Identifying results

Useful contacts

Legend: Don't know, None, 1 or more

Categories: Retail, Tourism, Service, Other, Overall
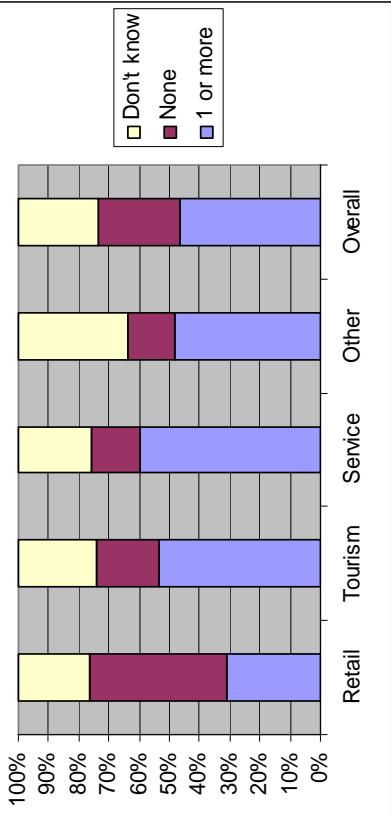
Identifying benefits

Importance	Relevance of benefits provided to members	Morpeth satisfaction	Overall satisfaction
1	A collective voice	79.0%	70.0%
2	Access to local knowledge	68.2%	68.8%
3	Exchange of general information	69.0%	70.8%
4	Reduction of isolation	62.8%	63.8%
5	A contact network	70.0%	70.4%
6	An opportunity to socialise	67.2%	63.2%
7	A sounding board for ideas, issues and problems	66.4%	67.4%
8	Peer support	59.0%	63.8%
9	An improved reputation	62.8%	66.8%
10	Greater visibility to customers	56.2%	66.0%
11	New customer contacts	49.6%	61.4%

New services

- 42% Access to information on grants
- 42% Informal gatherings
- 39% Marketing and advertising of the local area
- 31% Social events
- 27% A voice in regional organisations
- 27% Speakers and presentations
- 23% Updates from public bodies
- 23% A voice in national organisations
- 23% Community Christmas
- 19% A voice in local organisations
- 19% Formal networking events

- 19% Community floral displays
- 19% Organised trips
- 15% Discounted insurance
- 15% Newsletter
- 15% Members business map
- 15% Business awards
- 12% Web directory
- 12% Community events and festivals
- 8% Paper directory
- 8% A bulk purchasing system
- 8% Customer care and Health & Safety training
- 4% Member to member discounts
- 4% Waste disposal

Since joining membership has

	In the past 12 months	In the next 12 months
Improved the business performance	Disagree	Disagree
Helped my personal development	Agree	Neutral
Contributed to the economic viability of Morpeth and the surrounding area	Agree	Agree
Contributed to the social and community vitality of Morpeth and the surrounding area	Agree	Agree

Length of membership

Years a member

Length of membership

Legend: 0 - 1 years, 2 - 5 years, 6 + years

Since joining membership has

	In the past 12 months	In the next 12 months
Improved the business performance	Disagree	Disagree
Helped my personal development	Agree	Neutral
Contributed to the economic viability of Morpeth and the surrounding area	Agree	Agree
Contributed to the social and community vitality of Morpeth and the surrounding area	Agree	Agree

Newcastle University

Local Issues

Reduce crime
Attract funding
Improve physical environment
Maintain business
Preserve historic
Improve parking

0.0% 10.0% 20.0% 30.0% 40.0% 50.0% 60.0% 70.0% 80.0%

Overall Morpeth

Newcastle University

NORTHERN RURAL NETWORK
progress through knowledge

To what extent are public bodies successful in:

Chart categories:
- Supporting the running of the association
- Working as a partner of the association to achieve local objectives
- Signposting access to business support or advice through the association
- Listening and responding to the needs of business through the association
- Using the association to provide information on new legislation or policies (e.g. Health & Safety, etc.)

Axis: 0% 10% 20% 30% 40% 50% 60% 70%

Legend: Overall | Morpeth

Public bodies:Impact

	Morpeth	Overall
Town or parish council	Positive	Positive
District or County council	Positive	Positive
Regional Development Agency	Negative	Positive
Central Government	Negative	Negative
Business Link	Negative	Positive
Other	Negative	Positive
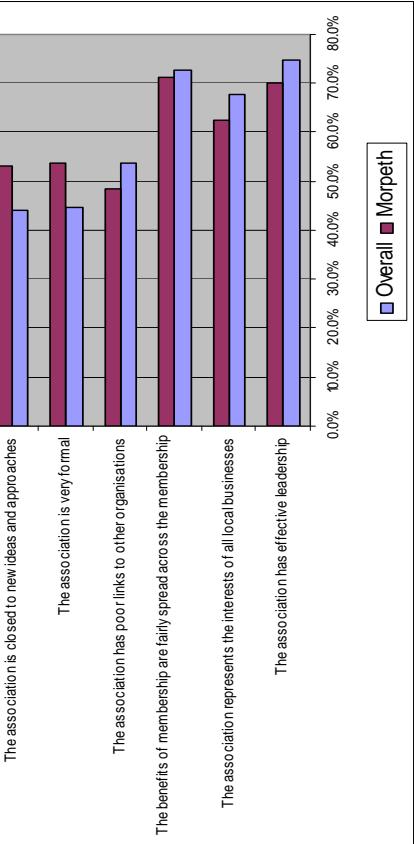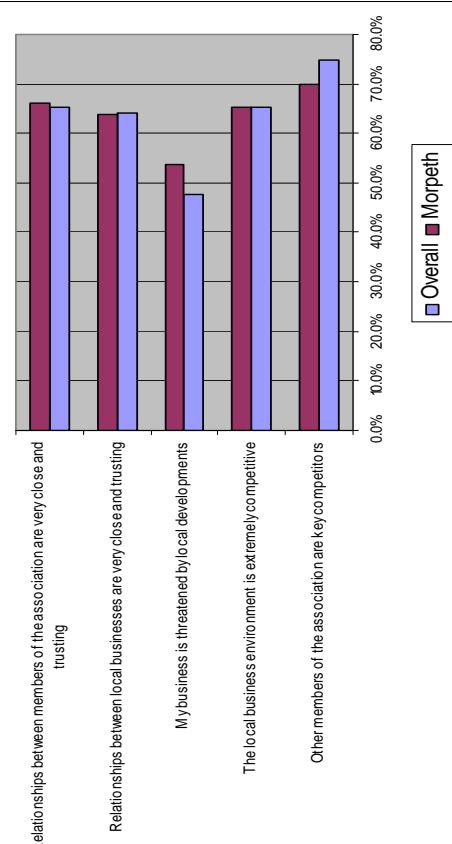
Conclusion

- Overall
  - the odds of a member's profit having increased in the last 5 years are 1.42 times the odds (higher) of non members

- For the Morpeth Chamber of Trade and Commerce
  - The socio-economic wellbeing of Morpeth and district is the focus of the membership – not immediate business benefits
  - Members believe they make a significant contribution to local issues
  - Having a collective voice is the highest ranked business benefit
  - Access to information on grants and Informal gatherings are the future priorities
  - Followed by marketing and advertising of the local area
  - The relation with local councils is a positive one, scoring high for partnering for local objectives
  - However, Business link, ONE and Central Government have a negative impact

NORTHERN
RURAL NETWORK
progress through knowledge

Newcastle University

~ Bibliography ~

Abercrombie, N. Hill, S. and Turner, B. (2000) The Penguin Dictionary of Sociology. Penguin Books, London

Affleck, A. and Atterton, J. (2009) Rural Enterprise in a Recession: Evidence from the North East of England. Proceedings of the 7th Rural Entrepreneurship Conference: Rural Enterprise in a recession, University of the West of Scotland

Amin, A. and Thrift, N. (1995) Institutional issues for the European regions: from markets and plans to socioeconomics and powers of association. Economy and society, 24(1), pp41-66

Archer, M. (2000) Homo Economicus, Homo Sociologicus and Homo Sentiens. In M. Archer and J. Tritter (Eds.), Rational Choice Theory: resisting colonization. Routledge, London

Archer, M. and Tritter, J. (Eds.) (2000) Rational Choice Theory: resisting colonization, Routledge, London

Arnstein, S. (1969) A Ladder of Citizen Participation. Journal of the American Planning Association, 35(4), pp216-224

Atterton, J. (2007) The 'strength of weak ties': social networking by business owners in the highlands and islands of Scotland. Sociologia Ruralis, 47(3), pp228-245

Atterton, J. and Affleck, A. (2010) Rural businesses in the North East of England: final survey results 2009. Centre for Rural Economy. Available at www.ncl.ac.uk/cre/publish/researchreports/RBSReportFINAL.pdf, (accessed July 2010)

Atterton, J., Newbery, R., Bosworth, G. and Affleck, A. (Forthcoming) Rural Enterprise and Neo-endogenous development. In G. Alsos, S. Carter, E. Ljunggren and F. Welter (Eds.), The Handbook of Research on Entrepreneurship in Agriculture and Rural Development, Edward Elgar, London

Baker, W. and Obstfeld, D. (1999) Social Capital by Design: Structures, Strategies and Institutional Context. In R. Leenders and S. Gabbay (Eds.), Corporate Social Capital and Liability. Kluwer Academic Publishers, Boston

Baland, J. and Platteau, J. (1996) Halting degradation of natural resources: Is there a role for rural communities. OUP, Oxford

Barbour, R. and Kitzinger, J. (1999) Developing Focus Group Research: Politics, Theory and Practice. Sage Publications, London

Barney, J. (1991) Firm Resources and Sustained Competitive Advantage. Journal of Management, 17(1), pp99-120

Bartholomew, D., Steele, F., Moustaki, I. and Galbraith, J. (2008) Analysis of Multivariate Social Science Data. 2nd Edition, Taylor & Francis Group, NW

Baumgartner, D. and Schultz, T. (2010) Volunteer Organisations: odds or obstacle for small business formation in rural areas? Evidence form Swiss municipalities. Regional Studies Associations Annual International Conference, Pecs, Hungary

Becker, G. (1976) The Economic Approach to Human Behaviour. University of Chicago Press, Chicago

Bell, M. (1994) Childerley: Nature and Morality in a country village. University of Chicago Press, Chicago

Bennett, R. (1996a) The Logic of Local Business Associations: an Analysis of Voluntary Chambers of Commerce. Journal of Public Policy, 15(3), pp251-279

Bennett, R. (1996b) Can Transaction Cost Economics Explain Voluntary Chambers of Commerce. Journal of Institutional and Theoretical Economics, 152, pp654-680

Bennett, R. (1997) Explaining the Membership of Voluntary Local Business Association: The Example of British Chambers of Commerce. Regional Studies, 32 (6), pp503-514

Bennett, R. (1998) Business associations and their potential contribution to the competitiveness of SMEs. Entrepreneurship and regional development, 10, pp243-260

Bennett, R. (2007) Joining and Lapsing: what determines membership decisions re business associations, Institute for Small Business and Entrepreneurship Annual Conference, Glasgow, Scotland

Bennett, R. and Ramsden, M. (2007) The contribution of business associations to SMEs: Strategy, Bundling or Reassurance. International Small Business Journal, 25, pp49-73

Besser, T. and Miller, N. (2010a) Starting business networks: benefits and barriers. International Journal of Entrepreneurship and Small Business, 10(2), pp224-240

Besser, T. and Miller, N. (2010b) High-risk and low-risk cooperative exchanges and perceived benefits in formal business networks. Entrepreneurship and Innovation, 11(2), pp107-118

Bhide, A. (1992) Bootstrap Finance: the cost of start-ups. Harvard Business Review, 70(6), pp109-117

Business, Innovation & Skills (BIS) (2010a) Local growth: realising every place's potential, Cm7961, London: The Stationery Office

Business, Innovation & Skills (BIS) (2010b) Small and Medium-Sized (SME) Statistics for the UK and Regions 2009, Available at //stats.bis.gov.uk/ed/sme (accessed October 2010)

Bosworth, G. (2010) Commercial counterurbanisation: an emerging force in rural economic development. Environment and Planning A, 42(4), pp966–981

Brandenburger, A. and Nalebuff, B. (1996) Co-opetition: a revolution mindset that combines competition and cooperation: the game theory strategy that's changing the game of business. Doubleday, London

Bromley, P. and Cummings, L. (1995) Transaction costs in organisations with trust. In R. Bies, B. Sheppard and R. Lewicki (Eds.), Research on Negotiation in Organisations, JAI Press, Greenwich

Brown, C., Farthing, S., Konstadakopulos, D., Nadin, V. and Smith, I. (2002) Dynamic Smaller Towns: Identification of Critical Success Factors – Final Report. Centre for Environment and Planning, University of the West of England

Buchanan, J. (1965) An Economic Theory of Clubs, Economica, 32, pp1-14

Burns, P. (2007) Entrepreneurship and small business, Palgrave Macmillan, New York

Burns, P. and Whitehouse, O. (1996) Managers in Europe, European Venture Capital Journal, 45, April / May

Burt, R. (2005) Brokerage and Closure: an Introduction to Social Capital. Oxford University Press, Oxford

Burt, R., Jannotta, J. and Mahoney, J. (1998) Personality Correlates of Structural Holes, Social Networks, 20, pp63-87

Caffyn, A. (2004) Market town regeneration; challenges for policy and implementation, Local Market town regeneration; challenges for policy and implementation. Local Economy 19(1), pp8–24

Cameron, S. and Shucksmith, M. (2007) Market towns, housing and social inclusion. In N. Powe, T. Hart and T. Shaw (Eds.), Market Towns: roles, challenges and prospects, Routledge, Oxford

Centre for Local Economic Strategies (CLES) and Action for Market Towns (AMT) (2009) Understanding and Supporting the Resilience of Market Towns: Report for the commission for Rural Communities. Available at towns.org.uk/files/markettownsrecessionreport.pdf (accessed January 2010)

Chamberlin, J. (1974) Provision of Collective Goods as a Function of Group Size. American Political Science Review, 68(2), pp707-716

Churchill, N. and Lewis, V. (1983) The Five Stages of Small Business Growth. Harvard Business Review, 61(3), pp30-50

Coase, R. (1937) Nature of the Firm, Economica, 16(4), pp386-405

Coase, R. (1960) The problem of Social Cost. Journal of Law and Economics, 3(1), pp1-44

Coase, R. (1994) The New Institutional Economics, Journal of Theoretical and Institutional Economics, 140(1), 229-231

Coca-Stefaniak, J., Parker, C., Quin, S., Rinaldi, R. and Byrom, J. (2009) Town centre management models: A European perspective. Cities 26(2), pp74–80

Coleman, J. (1988) Social Capital in the creation of human capital. American Journal of Sociology: Supplement, 94, pp95-120.

Colomer, J. (1995) Leadership Games in Collective Actions, Rationality and Society, 7, pp225-246

Commission for Rural Communities (CRC) (2008) State of the Countryside. Available at: www.ruralcommunities.gov.uk/files/The%20State%20of%20the%20Countryside.pdf (accessed January 2009)

Commission for Rural Communities (CRC) (2005) State of the Countryside. Cheltenham

Cook, K. and Karp, D. (1994) Social Psychology Quarterly, 57(4), pp300-367

Cooper, A. (1993) Challenges in predicting new firm performance. Journal of Business Venturing, 8, pp241-253

Cosh, A. and Hughes, A. (1998) Enterprising Britain: Growth, innovation and public policy in the small and medium-sized enterprise sector 1994-1997. ESRC Centre for Business Research, Cambridge

Countryside Agency (CA) (2002) State of the Countryside 2002: Economy and Enterprise. Countryside Agency Publications, Cheltenham

Countryside Agency (CA) (2003) Market Towns Initiative: evaluating the first year. Research note: CRN 60, Available at www.somersetmarkettowns.co.uk/uploads/documents/crn60-market_towns_initiative-_evaluating_the_first_year.pdf (accessed October 2010)

Countryside Agency (CA) (2004a) Assessment of the Market Towns Initiative: a summary. Countryside Agency Publications, Cheltenham

Countryside Agency (CA) (2004b) State of the Countryside: 2004. Countryside Agency Publications, Cheltenham

Countryside Agency (CA) (2004c) The Role of Rural Settlements as Service Centres. Countryside Agency Publications, Cheltenham

Courtney, P. (2000) Small towns and the rural economy: a study of their contemporary functions. Unpublished PhD Thesis, University of Plymouth

Courtney, P. and Atterton, J. (2001) Community Linkages and Sectoral Networks: Regional variations of networking in Scotland and their implications for competitiveness and innovation. Regional Studies Annual Conference, London

Courtney, P. and Errington, A. (2000) The role of small towns in the local economy and some implications for development policy. Local Economy, 15(4), pp280-301

Crowe, J. (2007) In search of a happy medium: how the structure of interorganizational networks influence community economic development strategies. Social Networks, 29(4), pp469-488

Curran, J., Jarvis, R., Blackburn, R. and Black, S. (1993) Networks and small firms; constructs, methodological strategies, and some findings. International Small Business Journal, 11(2), pp13-25

Curran, J. and Blackburn, R. (1994) Small Firms and Local Economic Networks: The Death of the Local Economy. Paul Chapman Publishing, London

Czaja, R. and Blair, J. (2005) Designing Surveys – a guide to decisions and procedures. 2nd edition, Pine Forge Press, London

Demindenko, E. (2007) Sample size determination for logistic regression revisited. Statistics in Medicine, 26, pp2285-3397

Department for Environment, Food and Rural Affairs (DEFRA) (2004) Rural Definition and Local Authority Classification. Available at: www.defra.gov.uk/rural/ruralstats/rura-definition.htm (accessed October 2007)

Department of the Environment (DoE) and Ministry for Agriculture, Fisheries and Food (MAFF) (1995) Rural England: A Nation Committed to a Living Countryside Cm3016. HMSO, London

Department of the Environment, Transport and Regions (DETR) (1998) The Impact of Large Food Stores on Market Towns and District Centres. HMSO, London

Department of the Environment, Transport and Regions (DETR) (2000) Out Town and Cities: The Future. Delivering an Urban Renaissance Cm4911. HMSO, London

Department of Transport, Local Government and the Regions (DTLGR) (2000) Modernising Local Government Finance, HMSO, London

Dietrich, M. (1994) Transaction Cost Economics and Beyond, Routledge, London

Dillman, D. (2000) Mail and Internet Surveys, John Wiley and Sons, New York

Dwelly, T., Maguire, K. and Truscott, F. (2005) Under the Radar: tracking and supporting rural home based business. Commission for Rural Communities, Cheltenham

Dyer, J. (1997) Effective Interfirm Collaboration: How firms minimize transaction costs and maximize transaction value. Strategic Management Journal, 18(7), pp535-556

Elster, J. (1989) The Cement of Society. Cambridge University Press, Cambridge

Farrell, H. and Knight, J. (2003) Trust, institutions, and institutional change: industrial districts and the social capital hypothesis. Politics and Society, 31, pp537-566

Field, A. (2005) Discovering Statistics using SPSS. Sage Publications, London

Foley, P. and Green, H. (1989) Small Business Success. Paul Chapman, London

Fowler, F. (1995), Improving Survey Questions: design and evaluation. Sage Publications, Thousand Oaks

Fowler, F. (2002) Survey Research Methods. Sage Publications, Thousand Oaks

Garrod, G. and Willis, K. (1990) Contingent Valuation Techniques: A review of their unbiasedness, efficiency and consistency. ESRC Countryside Change Initiative, Working Paper 10, University of Newcastle

Gibson, C. and Koontz, T. (1998) When 'Community' is not enough: Institutions and Values in Community-Based Forest Management in Southern India. Human Ecology, 26(4), pp621-647

Gimeno, J., Folta, T., Cooper, A. and Woo, L. (1997) Survival of the fittest? Entrepreneurial human capital and the persistence of under-performing firms. Administrative Science Quarterly, 42, pp750-783

Granovetter, M. (1973) The Strength of Weak Ties. The American Journal of Sociology, 78(6), pp1360-1380

Granovetter, M. (1985) Economic Action and Social Structure: The Problem of Embeddedness. American Journal of Sociology 91(3), pp481-510

Granovetter, M. (2005) Business Groups and Social Organization. In N. Smelser and R. Swedburg (Eds.), Handbook of Economic Sociology. Princeton University Press, New York

Greene, F., Mole, F. and Storey, D. (2008) Three Decades of Enterprise Culture, Palgrave Macmillan, Basingstoke

Gulati, R. and Gargiulo, M. (1999) Where do interorganizational networks come from? American Journal of Sociology, 105(5), pp1439-1493

Gulati, R., Nohria, N. and Zaheer, A. (2000) Strategic Networks, Strategic Management Journal, 21, pp203-215

Hair, J., Black, W., Babin, B., Anderson, R. and Tatham, R. (2006) Multivariate Data Analysis. 6th Edition, Pearson / Prentice-Hall, New Jersey

Hamilton, B. (2000) Does entrepreneurship pay? An empirical analysis of the returns to self-employment. Journal of Political Economy, 108(3), pp604-631

Hamnett, C. (1992) House price differentials, housing wealth and migration. In A. Champion, and A. Fielding (Eds.), Migration, Processes and Patterns: Volume 1, Research Progress and Projects. Bellhaven, London

Hanna, V. and Walsh, K. (2002) Small firm networks: a successful approach to innovation. R&D Management, 32(2), pp201-207

Harding, R. (1982) Collective Action. John Hopkins University Press, Baltimore and London

Hart, T. and Powe, N. (2007a) Drivers for change in the case study towns. In, N. Powe, T. Hart and T. Shaw (Eds.) Market towns: roles, challenges and prospects. Routledge, Oxford

Hart, T. and Powe, N. (2007b) Visting the shops: rural service centre or visitor attraction? In, N. Powe, T. Hart and T. Shaw (Eds.), Market towns: roles, challenges and prospects. Routledge, Oxford

Hechter, M. (1994) The role of values in rational choice theory. Rational Sociology, 6, pp318-333

Hechter, M. and Kanazawa, S. (1997) Sociological rational choice theory. Annual Review of Sociology, 23, pp191-214

Homburg, C., Koschate, N. and Hoyer, W. (2005) Do satisfied customers really pay more: A study of the relationship between customer satisfaction and willingness to pay. Journal of Marketing, 69, pp84-96

Herrschel, T. (2010) Policy making and 'Composite peripherality': spatial 'Edgeness' meets 'In-betweeness'. Regional Studies Annual International Conference, Pecs, Hungary

House of Commons Environment Select Committee (HCESC) (1994) Fourth Report, HMSO, London

Hsieh, F., Bloch, D., and Larsen, M. (1998) A simple method of sample size calculation for linear and logistic regression. Statistics in Medicine, 17, pp1623-1634

Huggins, R. (1998) Building and Sustaining Inter-firm Networks: Lessons from Training and Enterprise Councils. Local Economy, August, pp133-150

Huggins, R. (2000) The success and failure of policy-implanted inter-firm network initiatives: motivations, processes and structure. Entrepreneurship and Regional Development, 12, pp111-135

Huggins, R. (2010) Forms of network resource: knowledge access and the role of inter-firm networks. International Journal of Management Reviews, 12(3), pp335-352

Huggins, R. and Johnson, A. (2010) Knowledge flow and inter-firm networks: the influence of network resources, spatial proximity and firm size. Entrepreneurship and Regional Development, 22(5), pp457-484

Ibara, H. (1992) Structural alignments, individual strategies, and managerial action: elements toward a network theory of getting things done. In N. Horia, R. Eccles (Eds.), Networks and Organizations: Structure, Form and Action. Harvard Business School Press, Boston, pp165-188

Inkpen, A. and Tsang, E. (2005) Social capital, networks, and knowledge transfer. Academy of Management Review, 30(1), pp146-165

Iyer, S., Kitson, M. and Toh, B. (2005) Social capital, economic growth and regional development. Regional Studies, 39, pp1015-1040

Jack, S. and Anderson, A. (2002) The effects of embeddedness on the entrepreneurial process. Journal of Business Venturing, 17, pp467-487

Johannison, B., Ramirez-Passillas, M. and Karlsson, G. (2002) The institutional embeddedness of inter-firm networks: a leverage for business creation. Entrepreneurship and Regional Development, 14(4), pp297-315

Kalantaridis, C. and Bika, Z. (2006a) In-migrant Entrepreneurship in Rural England. Entrepreneurship and Regional Development, 18(2), pp109-131

Kalantaridis, C. and Bika, Z. (2006b) A study into the Local Embeddedness of Rural Entrepreneurs in Cumbria. Environment and Planning A, 38(8), pp1561-1579

Kilkenny, M., Nalbarte, L. and Besser, T. (1999) Reciprocated community support and small town-small business success. Entrepreneurship and Regional Development, 11(3), pp231-246

Kirzner, I. (1979) Entrepreneurial Discovery and the competitive market process: an Austrian Approach. Journal of Economic Literature, 35, pp60-85

Laschewski, L., Phillipson, J. and Gorton, M. (2001) State Sponsored Facilitation of Small Business Networks: Evidence from the North East of England. Working Paper 57, Centre for Rural Economy, University of Newcastle

Laschewski, L., Phillipson, J. and Gorton, M. (2002) The facilitation and formalisation of small business networks: evidence from the North East of England. Environment and Planning C: Government and Policy, 20(3), pp375-391

Lester, A. and Wilson, L. (1995) Surveying businesses by telephone – a case study of methodology. International conference on survey measurement and process quality, American Statistical Association

Lin, N. (2001) Social Capital: A Theory of Social Structure and Action. Cambridge University Press, New York

Lin, N. (2002) Social Capital: A theory of social structures and action. Cambridge University Press, Cambridge

Linares, F. (2004) Hawks, Zealots and Hypocrites, but Not Free Riders: The Logics of Cooperation in Llano Del Beal: A Qualitative Case Study. Rationality and Society, 16(4), pp437-467

Lorenzen, M. (2007) Social capital and localised learning: proximity and place in technological and institutional dynamics. Urban Studies, 44, pp799-817

Lowe, P. and Talbot, H. (2000) Policy for small business support in rural areas: a critical assessment of the proposals for the small business service. Regional Studies, 34(5), pp479-487

235

MacCoun, R., Kier, E. and Belkin, A. (2006) Does Social Cohesion Determine Motivation in Combat: An Old Question with an Old Answer. Armed Forces & Society, 2006, 32(4), pp646-654

Mason, C., Carter, S. and Tagg, S. (2010) Invisible Businesses: the characteristics of Home-Based Businesses in the United Kingdom, Regional Studies, First published on 01 June 2010 (iFirst)

Medway, D., Warnaby, G. and Bennison, D. (2000) Reasons for retailers' involvement in town centre management. International Journal of Retail & Distribution Management, 28(8), pp368-378

Mekic, D. (2005) Chamber size, accreditation and business representational effectiveness for SMEs, Institute for Small Business and Entrepreneurship National Conference, Blackpool

Miller (2006) Key Findings Report: Market Towns Retail Distinctiveness Report. Report to One North East Regional Development Agency

Ministry for Agriculture, Fisheries and Food (MAFF) and Department of the Environment, Transport and Regions (DETR) (2000) Our Countryside: the future. A Fair Deal for Rural England CM4909. HMSO, London

Misztal, B. (1996) Trust in Modern Societies, Blackwell Publishers, Oxford

Mitchell, R. and Carson, R. (1989) Using Surveys to Value Public Goods: The contingent valuation method. Resources for the Future, Washington

Murdoch, J. (2000) Networks – a new paradigm of rural development. Journal of Rural Studies, 6, pp407-419.

Murdoch, J., Lowe, P., Ward, N. and Marsden, T. (2003) The Differentiated Countryside. Routledge, London

Newbery, R. and Bosworth, G. (2010) Home-based business sectors in the rural economy. Society and Business Review, 5(2), pp183-197

Newbery, R. and License, A. (2008) Assessing Employment in Service Sectors within the rural town and fringe. Regional Studies Association Winter Conference, London

North East Regional Information Portal (NERIP) (2010) State of the Region. Available at www.nerip.com/stateoftheregion/ (accessed June 2010)

North, D. (1986) The New Institutional Economics. Journal of Institutional and Theoretical Economics, 142(1), pp230-237

North, D. (2005) Understanding the process of economic change, Princeton University Press, Oxford

Office of the Deputy Prime Minister (ODPM) (2005) Planning Policy Statement 6: Planning for Town Centres. ODPM, London

Oinas, P. (1997) On the socio-spatial embeddedness of business firms. Erdkunde, 51(1), pp23-32

Oliver, P. and Marwell, G. (1988) The Paradox of Group size in Collective Action: A Theory of Critical Mass. American Sociological Review, 53, pp1-8

Oliver, R. (1997) Satisfaction: a behavioural perspective on the consumer. McGraw-Hill, Boston

Olson, M. (1971) The Logic of Collective Action: Public goods and the theory of groups. Harvard University Press, Cambridge

One North East (ONE) (2009) Rural Policy Support: Working Paper 2, Available at www.onenortheast.co.uk/object/download.cfm?lib=liReport&id=16428 (accessed June 2010)

Ostrom, E. (1998) A behavioural approach to the rational choice theory of collective action: Presidential address to the American Political Science Association. American Political Science Review, 92(1), pp1-22

Oxford English Dictionary (OED) (2007) Oxford University Press, Oxford

Park, S. (1996) Managing an Interorganizational Network: A Framework of the Institutional Mechanism for Network Control. Organizational Studies, 17(5), pp795-824.

Parker, S. (2008) The economics of formal business networks. Journal of Business Venturing, 23, pp627-640

Patterson, H. and Anderson, D. (2003) What is really different about rural and urban firms? Some evidence from Northern Ireland. Journal of Rural Studies, 19, pp477-490

Performance and Innovation Unit (PIU) (1999) Rural Economies, The Cabinet Office, London

Phillips, M. and Swaffin-Smith, L. (2004) Market towns – victims of market forces? International Journal of Retail and Distribution Management, 32(11), pp557-568

Phillipson, J., Gorton, M. and Laschewski, L. (2002) Connectivity or Anonymity? Microbusinesses in the North East of England. Working Paper 68, Centre for Rural Economy, University of Newcastle

Phillipson, J., Gorton, M. and Laschewski, L. (2006) Local Business Co-operation and the Dilemmas of Collective Action: Rural Micro-business Networks in the North of England. Sociologia Ruralis, 46(1), pp40-59

Piore, M. and Sabel, C. (1984) The Second Industrial Divide. Basic Books, New York

Polanyi, K. (2001 [1941]) The Great Transformation: The Political and Economic Origins of Our Time. Beacon Press, London

Poteete, A. and Ostrom, E. (2004) Heterogeneity, Group Size and Collective Action: The Role of Institutions in Forest Management. Development and Change, 35(3), pp435-461

Powe, N. and Hart, T. (2007) A short history of Market Towns. In N. Powe, T. Hart and T. Shaw (Eds.), Market Towns – roles, challenges and prospects. Routledge, Oxford

Powe, N. and Shaw, T. (2004) Exploring the current and future role of Market Towns in servicing their hinterlands: a case study of Alnwick in the North East of England. Journal of Rural Studies, 20, pp405-418

Powe, N., Hart, T. and Shaw, T. (2007) Exploring Contemporary Functional Roles. In N. Powe, T. Hart and T. Shaw (Eds.), Market Towns – roles, challenges and prospects. Routledge, Oxford

Powe, N., Hart, T. and Shaw, T. (2007) Market Towns – roles, challenges and prospects. Routledge, Oxford

Price, L. and Atherton, A. (2010) What is the economic role of small and medium sized towns? Towards a typology of 'secondary centres' in the East Midlands region of England. Regional Studies Annual International Conference, Pecs, Hungary

Putnam, R. (1993) Making democracy work: civic tradition in modern Italy. Princeton University Press, New Jersey

Raley, M. and Moxey, A. (2000) Rural Microbusinesses in North East England: Final Survey Results. Centre for Rural Economy, University of Newcastle

Ray, C. (2001) Culture Economies. Centre for Rural Economy, Newcastle.

Reilly, J. and Szabo, E. (2005) Business Improvement Districts: A Good Practice Guide from the ATCM. Association of Town Centre Management, London

Ring, J., Peredo, A. and Chrisman, J. (2009) Business Networks and Economic Development in Rural Communities in the United States. Entrepreneurship Theory and Practice, 34, pp171-195

Roberts, S. (2002) Key Drivers of Economic Development and Inclusion in Rural Areas: Initial scoping study of the socio-economic evidence base. Report for DEFRA

Rosenfeld, S. (1996) Does cooperation enhance competitiveness, Assessing the impacts of inter-firm collaboration. Research Policy, 25, pp247-263

Rosenfeld, S. (2001) Networks and Clusters: The yin and yang of rural development. Conference proceedings: exploring policy options for a new rural America, 103-120. Available at rtsinc.org/publications/pdf/KCFed.pdf (accessed January 2008)

Rothbury Business Club (RBC) (2010) Available at www.coquetdalebusiness.net (accessed June 2010)

Rural Coalition (RC) (2010) The Rural Challenge: Achieving sustainable rural communities for the 21st century. Town and Country Planning Association, London

Rural Evidence Research Centre (RERC) (2005a) DEFRA Classification of Local Authority Districts and Unitary Authorities in England: A Technical Guide. Available at www.defra.gov.uk/evidence/statistics/rural/documents/rural-defn/LAClassifications_technicalguide.pdf (accessed July 2010)

Rural Evidence Research Centre (RERC) (2005b) DEFRA Classification of Local Authority Districts and Unitary Authorities in England: An Introductory Guide. Available at www.defra.gov.uk/evidence/statistics/rural/documents/rural-defn/LAClassifications-introguide.pdf (accessed July 2010)

Sandler, T. and Tschirhart, J. (1980) The Economic Theory of Clubs: An Evaluative Survey. Journal of Economic Literature, 18, pp1481-1521

Savage, M., Barlow, G., Dickens, P. and Fielding, A. (1992) Property, Bureaucracy, Culture: Middle class formation in contemporary Britain. Routledge, London

Schelling, T. (1960) Strategy and Conflict. Oxford University Press, Oxford

Shane, S. (2003) A General Theory of Entrepreneurship: The Individual-Opportunity Nexus. Edward Elgar, Cheltenham

Shepherd, J. (2009) A Typology of the Smaller Rural Towns of England. Rural Evidence Research Centre, Birkbeck College, Available at www.rerc.ac.uk/TypologyFinal.pdf (accessed September 2009)

Simmel, G. (1971) Georg Simmel on Individuality and social forms. D. Levine (Ed.), University of Chicago Press, London

Simmel, G. (1978) The Philosophy of Money. D. Frisby (Ed.) T. Bottomore and D. Frisby (Trans.), Routledge, London

South East Regional Research Laboratory (SERRL) (2004) Constructing and assessing an Indicator of Market Town Prosperity. Unpublished report to the Countryside Agency

Stevens, J. (2005) Market Towns Review. JSA Regeneration Report for ONE North East

Stigler, G. (1961) The Economics of Information. Journal of Political Economy, 69, pp213-215

Stinchcombe, A. (1965) Social Structure and Organizations. In J, March (Ed.), The Handbook of Organizations, Rand McNally, Chicago

Stockdale, A. (2006) Migration: A Pre-Requisite for Rural Economic Regeneration. Journal of Rural Studies 22, pp354-366

Stockdale, A. (2007) Gentrification of the Scottish countryside: An inevitable negative consequence of in-migration? Congress of European Society for Rural Sociology, Wageningen, The Netherlands.

Stockdale, A. and Findley, A. (2004) Rural in-migration: A catalyst for economic regeneration. ICG-UK Global Change and Human Mobility, Glasgow

Storper, M. (1995) The resurgence of regional economics, ten years later: the region as a nexus of untraded interdependencies. European Urban and Regional Studies, 2, pp191-221

Sydow, J. and Windeler, A. (1998) Organizing and evaluating interfirm networks: A structurationist perspective on network processes. Organization Science, 9 (3), pp265-284

Tarnai, J. and Paxson, M. (2004) Survey mode preferences of business respondents. 59th Annual Conference of the America Association for Public Opinion Research, Phoenix, Arizona

Taylor, M. (2008) Living Working Countryside: the Taylor Review of Rural Economy and Affordable Housing. Department for Communities and Local Government, London

Telford, R. (2006) Small businesses in rural areas – how are they different. Institute for Small Business and Entrepreneurship, Cardiff

Udehn, L. (1993) Twenty-five years with the Logic of Collective Action, Acta Sociologica, 36, pp239-261

Uzzi, B. (1996) The sources and consequences of embeddedness for the economic performance of organizations: the network effect. American Sociological Review, 61, pp674-698

Van Waarden, F. (1992) Dimensions and Types of Policy Networks. European Journal of Political Research, 21, pp29-52

Varughese, G. and Ostrom, E. (2001) The contested role of heterogeneity in collective action: some evidence from the community forestry in Nepal. World Development, 29(5), pp747-765

Wand, Y. and Ahmed, P. (2004) Understanding interfirm networks: A Theoretical Review. Journal of Management Concepts and Philosophy, 1(1), pp73-98

Warnaby, G., Alexander, A. and Medway, D. (1998) Town Centre Management in the UK: a review, synthesis and research agenda. International Review of Retail, Distribution and Consumer Research, 8(1), pp15-31

Wasserman, S. and Faust, K. (1994) Social Network Analysis: Methods and Applications. Cambridge University Press, New York

Welch, D., Oldsman, E., Shapira, P., Youtie, J. and Lee, J. (1997) Net benefits: An assessment of a set of manufacturing business networks and their impacts on member companies. USNet and regional technology strategies INC. Chapel Hill

Williamson, O. (1975) Markets and Hierarchies: Analysis and anti-trust implications. New York

Williamson, O. (1985) Reflection on the New Institutional Economics. Journal for Theoretical and Institutional Economics, 141(1), pp187-195

Williamson, O. (2000) The New Institutional Economics: Taking Stock, Looking Ahead. Journal of Economic Literature, 383, pp595-613

Witt, p. (2204) 'Entrepreneurs' networks and the success of start-ups. Entrepreneurship and Regional Development, 16, September, pp391-412

Yin, R. (2003) Case Study Research: Design and Methods. Sage Publications, Thousand Oaks

Young, N. (2010) Business networks, collaboration and embeddedness in Local and Extra-local spaces: the case of Port Hardy, Canada. Sociologia Ruralis, 50(4), pp392-408

Zey, Z. (1998) Rational choice theory and organizational theory: a critique. Sage Publications, Thousand Oaks