

## BEST PRACTICE MANAGEMENT PRINCIPLES FOR BUSINESS CHAMBERS TO FACILITATE ECONOMIC DEVELOPMENT: EVIDENCE FROM SOUTH AFRICA

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**Abstract:** Local economic development (LED) is seen as one of the prominent and emerging tools in the facilitation of development of on a local and regional level. On the local level, the partners in LED are government, business and communities. Business chambers are the core representative of local businesses and have to play an important role in the coordination of local economies. The primary objective of this study was to identify best practice management principles for business chambers to facilitate economic development. Three local business chambers from the Vaal Triangle region in South Africa were interviewed to gain an in-depth view on the roles and function of a business chamber. The results emanated in one main overall function namely the facilitation of the development of a local region and four secondary roles flowing from the main function. These roles include coordination and leadership, promotion and marketing, provision of information and business training and support. The result of the research is that economic development in a specific region is dependent on facilitation and coordination by local business chambers. In order to achieve this business chambers must be well managed and have the best interest of the local community as its primary goal.

**Key words:** local economic development, business chamber, best practice, management, Vaal Triangle region, South Africa

DOI: 10.17512/pjms.2017.15.1.14

*Article history:*

*Received January 12, 2017; Revised May 17, 2017; Accepted June 6, 2017*

### Introduction

Local economic development (LED) is a growing study field and is a sub-field of development economics (Meyer-Stamer, 2006). The ultimate goal of LED is the economic development of a specific region through job creation and improvement of quality of life (Blakely and Leigh, 2013). According to Van Zyl (1994), LED is a process and can include variables such as entrepreneurship, business development, poverty alleviation and structural changes in the economy and institutions. A well-balanced combination of these aspects could lead to higher levels of productivity, income and choices for people and also the modernisation of the economy. The growth and expansion of small businesses and entrepreneurship development within a specific region is important for economic development (OECD, 2004a). The coordination of small businesses in a region by means of formal organisations such as business chambers can play a vital role in business

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development and ultimately economic development (OECD, 2004b; Clark and Radwan, 2010; Dubroff, 2014). According to Dammert (1999), formal business formations such as business chambers can play a major role in a local economy in specifically assisting with the creation of jobs and entrepreneurship development. Formal business formations such as business chambers have the potential to support small business development and could contribute to job creation (International Chamber of Commerce, 2016). Within a local region, the three main role players namely local government, local business and local communities, must have one vision and work together through partnerships, to achieve economic development success (World Bank, 2016). According to Kongolo (2010), entrepreneurship and small business development should be coordinated by local business chambers. According to the Association of Chambers of Commerce Executives (2016), the definition of a business chamber a collection of businesses looking to develop collaborative interests and also the develop the local community. *The roles and functions of business chambers* have changed over time and their role and function have expanded to include economic development and to be the main voice of business (Geneva Analytics, 2011).

The primary objective of this research is to formulate best practice principles for business chambers. The research is important in that, although it is localised to a specific region in South Africa, the results could be useful on a wider scale in developing regions.

### Literature Review

Trousdale (2005) defines LED as a process driven by local people, which could include business formations in a region that work together with a common vision of stimulating economic development activities resulting in a resilient economy. Helmsing and Egziabher (2005) and Swinburn (2006) stated that LED requires partnerships between local role players to increase economic activities in a well-defined geographical territory. LED has a focus on strategic planning with a vision and formal strategies. In this context, the International Labour Organisation (ILO) (2006) and Blakely and Leigh (2013) lists four core features to define the content of LED strategies where business chambers can contribute. Firstly, participation and coordination by all role players. Secondly, impact within a specific region or locality. Thirdly, optimal sustainable use of all local resources and lastly, with a focus on local competitive advantages. Local business chambers are important role players in achieving LED goals and LED success is dependent on factors such as; strong joint local leadership in partnership, the creation of an enabling economic development environment by all role players, a focus on job creation projects and initiatives, improved capacity of local institutions, skills development and lastly, an improvement in the quality of life of all local residents (Trousdale, 2005). Lukas (2013) found that formal business formations such as business chambers are a requirement for successful development of a region. Bennett (1998) defines business chambers as a grouping of local businesses coming together

with the primary goal of the improvement of local competitiveness and development of local business. Keith (2011) supports the definition by Bennett and adds that the business chamber should attract external investment, grow the tax base and assist with job creation initiatives. Business chambers have the function to act as middle men between local businesses and other local role players, including local government. Groupings of local businesses could benefit from economies of scale advantages (Bennett, 1998). VNG International (2007) and Meyer and Meyer (2016a), state that local businesses, through local business chambers, have several main economic development roles. These roles include facilitation of an enabling environment for business success, co-ordination of all role players towards a single vision for the region and strengthening of networks, acting as an enabler by providing expert advice, support, information and training, stimulators attracting new businesses to the region and a developer of local communities.

According to Swinburn (2006) and supported by Srinivas (2015), business chambers have many roles in the development of the local economy in supporting local government. This could be done by means of conveying and sharing resources, knowledge and experience, removal or minimizing politics in development, assist with coordination between local role players, assist with analysing the local economy and to assist with the inclusion of informal business.

In 2009 a nation-wide survey was conducted in South Africa which included most business chambers (Rogerson, 2009). The main findings include: The working relations and relationships between business chambers and local government were mostly poor with co-operation from local government; local government generally showed poor governance with main problems including lack of responsibility, poor skills levels, Corruption regarding tender allocations, unstable staff retainment, poor public participation processes, and limited funding. According to Travers (2012), local economic development is dependent on good coordination and cooperation between local role players.

According to Geneva Analytics (2011), business chambers are important entities within local regions and have many roles to play in management and development of the local economy. In order to accomplish of all these roles, chambers should provide attempt to attract members by providing value-added services and in doing so provide a value proposition to local firms (Lukas, 2013). Examples of value-adding activities include counselling for local businesses in distress, the use of training centres and universities in the region to provide skills training (Dammert, 1999; Keith, 2011), assistance local business with legal aspects of business development, networking extension and development through events, finance and funding assistance, and provision of information (Flint, 2014). The provision of information on current trends in the economy is important for local business owners for decision making purposes. Information could be provided on consumption patterns and analysis of critical sectors, and analysis of retail and service industries as well as advice on possible export opportunities. The share of information can lead to more collaborative initiatives between firms and this could

improve competitiveness of the local economy as a whole (Bennett, 1998). Finally business chambers could also assist in the promotion and showcasing of members and continuous information and communication with members through regular information documents (Dammert, 1999).

According to Dammert (1999) business chambers faces many problems in modern society. Problems could include the following: decreasing memberships and formation of other organizations attracting members, lack of leadership from business community, shortage of business people interested in management of the chamber, lack of finance and funding, poor collaboration and interest from local government. According to Keith (2011), modern business chambers are more and more focusing on non-commercial social activities and such include skills development and education, initiative to improve the local environmental, governance and cultural activities. Social issues affect economic development and business chambers can play a major role in such activities. Lukas (2013) warns however that business chambers should have a primary focus business and economic development and should not be too involved in social activities. Keith (2011) states business chambers still have a major role to play in the local economy and this role is even more relevant in difficult economic conditions. By serving the needs of local businesses and local communities, business chambers can stay relevant (Flint, 2014).

## **Methodology**

### ***Research Objectives of the Study***

The objective of this study was to identify best practice principles for business chambers by analysing the roles they have to play in economic development. The final result of this analysis was illustrated by means of a graphic diagram (see Figure 1).

### ***Research Design***

The study followed a qualitative research design. Two main research paths were followed. Firstly, a detailed literature study was conducted to identify the roles and management functions that a business chamber should adhere to and secondly, this data was strengthened through in-depth face-to-face interviews conducted with key role players from three local business chambers.

These key role players included management committees of the three business chambers based in the Vaal Triangle area in Gauteng, South Africa (Vanderbijlpark Business Chamber, the Sasolburg Business Chamber and the National African Federated Chamber of Commerce, Sedibeng Branch). The details of these interviews were reported on in a previous study by Landsberg et al. (2016) and key aspects from the original study linking to the main purpose of this study will be included.

### ***Research Instrument and Procedure***

The initial study by Landsberg et al. (2016) made use of a descriptive quantitative and qualitative design using a pre-designed questionnaire. The qualitative portion of this study was obtained through in-depth, face-to-face interviews with the key role players from the various business chambers. This was done by using open-ended discovery-oriented questions that were presented to the respondents. This approach was used in order to gain a deeper understanding of the research topic. Some benefits of qualitative research include, *inter alia*, (1) sensitivity, (2) flexibility, (3) improved opportunities to develop, explore and discover the relevance of a topic and (4) ability to gain deeper social meaning (Ospina, 2004). All participants were informed of the outcomes of the study prior and consent was obtained prior to the interviews taking place.

### ***Data analysis***

The initial study by Landsberg et al. (2016) analysed the qualitative data by transcribing the interview recordings. This was performed by all three researchers listening, reading, rereading and compiling a summary of the content independently, through a collaborating and recursive method (Miles and Huberman, 1994). The main goal for doing this during the initial study was to determine meaningful categories from the information. For the purpose of this study, only responses linked to identifying business chambers' best practice functions by analysing the roles they have to play in economic development was used.

### **Results and Discussion**

This section reports on the key results and findings from the qualitative interviews held with the three business chambers. The main objective of this section is to summarize the business chambers' best practice principles by analysing the roles they have to play in economic development and illustrating it graphically.

The three business chambers indicated that their membership trend over the past few years had showed a marginal increase in numbers. They also agree that the municipal areas they are situated in namely the Emfuleni and Metsimaholo local municipalities are not creating an enabling environment for business to prosper. This has a negative outcome on local economic development (LED) (Trousdale, 2005). An enabling environment includes factors such as leadership, partnerships, a democratic system that supports accountability, the encouragement of free markets and open competition, low levels of corruption including good governance and the presence of social capital and trust (Meyer and Meyer, 2016b). The initial study yielded three main themes from the qualitative analysis. These themes were improved cooperation, effectiveness and the role and purpose of a business chamber. All three chambers were in agreement that the overall function or role of a business chamber is the facilitation of the development of a local region. Deeper

analysis of the individual responses received from the three business chambers revealed a more in-depth outlook of what the specific functions and roles of a business chamber should include. Within this overall purpose, four secondary roles and functions were identified, as graphically illustrated in Figure 1.

As can be seen from Figure 1, four distinct best practice functions and roles of a well-functioning business chamber were identified:

1. *Coordination and leadership* – This function includes the overall facilitation of the coordination through leadership, with partnership formation, networking and continued communication of all role players in the region. Development of partnerships is an important role of a business chamber (Clark and Radwan, 2010) and in this regard all three chambers agreed and highlighted this point. More specifically, the chambers pointed out that they should create a platform for joint ventures, act as a facilitator to discuss potential collaborations and share knowledge and experience. They further pointed out that all relevant stakeholders involved in the LED process should actively work together. Policy implementation should be strengthened on a local level through business chamber support and awareness. Emanating from the interviews, this function should critically address the creation of effective networking opportunities and good flow of communication between the relevant community stakeholders.
2. *Promotion and marketing* – The second role identified as a key function of a business chamber is the promotion and marketing of the region. It is important to retain and attract businesses to the region for economic development to occur. One of the business chambers specifically mentioned that good marketing of an area creates an enabling environment for business to operate in.
3. *Information* – The provision of information on the local economy, new business opportunities, research, surveys and regular newsletters were identified as the third role. Information is vital in every day decision-making (Bondigas, 2017) and all three business chambers agreed that having relevant information available on a timely manner is critical for business success. They further emphasised that good communication and information flow are critical factors and that provision of information is important. This was also stated by Bennett (1998) as a main role of a business chamber.
4. *Business training and support* – The provision of business support and training by means of business advice, entrepreneurship training and development was identified as a key function. From the interviews, all three business chambers agreed that they would be interested in partnering with the local municipalities to assist business development and train local unemployed people. Blakely and Leigh (2013) state that training of unskilled and unemployed people is an important role of business chambers. Another function emanating from the literature as well as the interviews was entrepreneurship development. The chambers agreed that this is an important role that should be addressed by them in co-operation and with support from other organisations such as government agencies and the higher education institutions in the region. Blakely and Leigh

(2013) once again opine that this type of involvement in entrepreneurship development is one of the main roles of business chambers. In conclusion, the business chambers clearly indicated that assisting members to find business opportunities and to grow their business, educating members on relevant entrepreneurial topics, creating networking opportunities for members and to serve as a collective voice to local government could be highlighted as the main roles they need to fulfil. The coordination of all role players in the region will allow for economic development, leading to new business development and job creation.

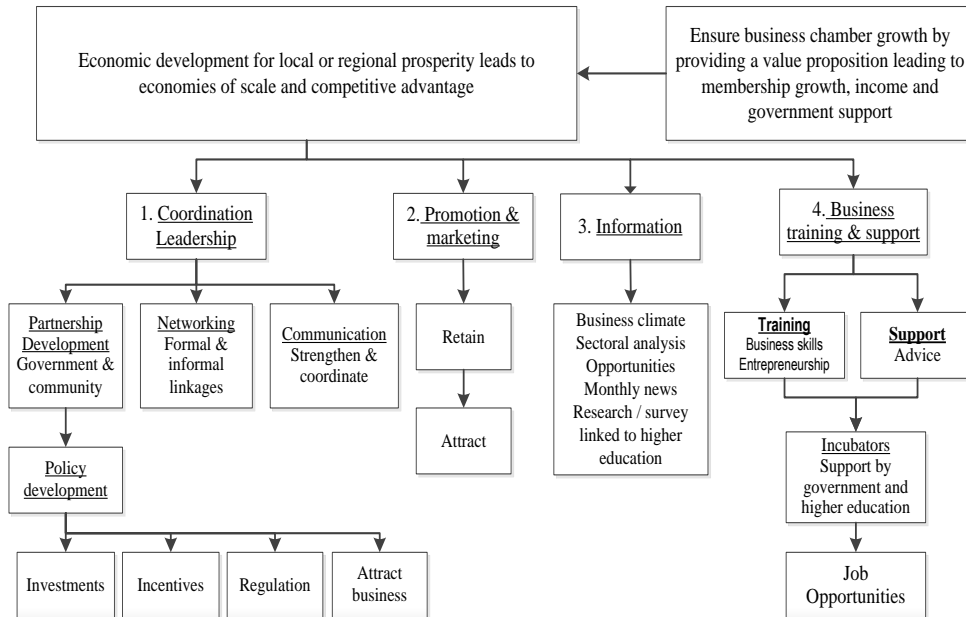


Figure 1. Best practice functions and roles of business chambers

### Conclusion

The primary objective of the research was to analyse, identify and formulate best practice principles for business chambers in their role in economic development of local regions. In the process, the facilitation of the local economy and business development were identified as the primary objective of a business chamber. In addition to the primary objective, sub function of business chambers were also identified which include: facilitation of coordination and leadership of role players in the economy, promotion of collaboration between businesses and other local role players, improved network opportunities, show casing of members, increased and improved communication channels, sustained information provision and lastly active training and support for members businesses.

The study included a qualitative component and interviews of management of business chambers agreed that facilitation of economic development is the primary purpose of a business chamber. In support of the primary purpose, members should also be assisted in the identification of new business opportunities and ideas to extend and diversify entrepreneurship training, assist with skills to improve networks and ensure that the chamber is the voice of business in the region. As a local business grouping business chambers play a critical role as a pressure group to ensure service delivery by local government allows for an enabling environment for businesses to prosper. Economic development is the primary goal of both local government and local business chambers and only through collaboration between the two role players will this goal be achieved. Both role players have different but equally important roles to play. Local government should provide an enabling economic development environment such as quality service delivery and infrastructure in support of local business. Also local government must formulate economic policies to ensure certainty regarding economic development plans. Focus should be on identified growth sectors, opportunities for export and competitive advantages of the region. Also policy development must include a balance between poor communities and pure business development, with inclusion of incentives and support for the youths.

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### ZASADY ZARZĄDZANIA NAJLEPSZYMI PRAKTYKAMI DLA IZB GOSPODARCZYCH W CELU UŁATWIENIA ROZWOJU GOSPODARCZEGO: PRZYKŁAD Z AFRYKI POŁUDNIOWEJ

**Streszczenie:** Lokalny rozwój gospodarczy (ang. Local Economic Development, LED) jest postrzegany jako jedno ze znaczących, nowoczesnych narzędzi ułatwiających rozwój na szczeblu lokalnym i regionalnym. Na szczeblu lokalnym partnerami w rozwoju gospodarczym są: rząd, biznes i społeczności. Podstawowym przedstawicielem lokalnych przedsiębiorstw są izby handlowe, które odgrywają ważną rolę w koordynacji gospodarek regionalnych. Głównym celem niniejszego badania było określenie zasad zarządzania najlepszymi praktykami dla izb gospodarczych w celu ułatwienia rozwoju gospodarczego. W celu uzyskania pogłębionego obrazu roli i funkcji izby handlowej, przeprowadzono wywiady w trzech lokalnych izbach gospodarczych z regionu Trójkąta Vaal w Republice Południowej Afryki. Wyniki wyłoniły jedną główną funkcję ogólną, którą jest ułatwienie rozwoju regionu lokalnego i cztery drugorzędne role wywodzące się z głównej funkcji. Role te obejmują koordynację i kierownictwo, promocję i marketing, dostarczanie informacji oraz szkolenia i wsparcie biznesowe. Rezultat badania wskazuje, że rozwój gospodarczy w określonym regionie zależy od udogodnień i koordynacji przez lokalne izby gospodarcze. Aby cel został osiągnięty, izby gospodarcze muszą być dobrze zarządzane, a ich głównym zadaniem powinno być jak największe zainteresowanie lokalnej społeczności.

**Słowa kluczowe:** lokalny rozwój gospodarczy, izba gospodarcza, najlepsze praktyki, zarządzanie, region trójkąta Vaal, Południowa Afryka

#### 促進經濟發展的最佳實踐管理原則：來自南非的證據

**摘要：**地方經濟發展被視為促進地方和區域層面發展的突出工具之一。在地方層面上，LED的合作夥伴是政府，企業和社區。商會是當地企業的核心代表，必須在協調當地經濟中發揮重要作用。這項研究的主要目標是確定商業室的最佳實踐管理原則，以促進經濟發展。訪問了南非瓦爾三角地區的三家當地商會，深入了解商業中心的作用和功能。結果發揮在一個主要的總體功能，即促進當地區域的發展和從主要功能流出的四個次要角色。這些角色包括協調和領導，推廣和營銷，提供信息和業務培訓和支持。研究結果表明，特定地區的經濟發展取決於當地商會的便利化和協調。為了達到這個目的，商會必須有良好的管理，並以當地社區的最大利益為主要目標。

**關鍵詞：**地方經濟發展，商業室，最佳實踐，管理，Vaal三角地區，南非