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Relationship between Governance Mechanism and Performance of NLCCs: The case of Fujian Chamber of Commerce in Sichuan Province

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Doctor of Management

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Abstract

The roles of Chambers of Commerce (CoCs) and non-local Chambers of Commerce (NLCCs) in coordinating the relationships between governments and firms become more and more important. However, we also witness a lot of problematic issues in the real-world operations of NLCCs including the low-efficiency of their internal governance, the poor communication with their host governments, and the poor performance of the regional-economy coordination between their home areas and their host areas. These problematic issues point to both the governance mechanisms of NLCCs and their operational performance.

Based on the survey data on the Fujian Chamber of Commerce in Sichuan Province, we study the relationship between the governance mechanisms and the corresponding performance of NLCCs with a Structural Equation Model. The results show that (1) the success of a NLCC's governance mechanism does positively affect the NLCC's performance, (2) the success of a NLCC's governance mechanism can be measured by 5 dimensions (members' right-obligation relationship, decision-making & financial transparency, function realization of the board of directors, function realization of the board of supervisors, actual operations，& communication), (3) the performance of a NLCC can also be measured by 5 dimensions (cost & budget, member services, management procedures, innovation，growth, & cross-region socio-economic coordination). The main novelty is that we empirically establish the relationship between the success of a NLCC's governance mechanism and its performance and thus complement the weakness that the literature separately studies the governance mechanisms of CoCs and the evaluation of their performance.

Keywords: NLCC; governance mechanism; performance; Structural Equation Model; Chamber of Commerce; Fujian

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Resumo

Os papéis das Câmaras de Comércio (CoCs) e das Câmaras de Comércio não locais (NLCCs) na coordenação das relações entre governos e empresas tornam-se cada vez mais importantes. No entanto, também testemunhamos muitas questões problemáticas nas operações do mundo real das NLCCs, incluindo a baixa eficiência da sua governação interna, a má comunicação com os seus governos de acolhimento e o fraco desempenho da coordenação regional-económica entre as suas áreas de origem e as suas áreas de acolhimento. Estas questões problemáticas apontam tanto para os mecanismos de governança das NLCCs como para o seu desempenho operacional. Com base nos dados da pesquisa sobre as Câmaras de Comércio Fujian na província de Sichuan, estudamos a relação entre os mecanismos de governança e o desempenho correspondente de NLCCs com um modelo de equação estrutural. Os resultados mostram que (1) a melhoria do sucesso de um mecanismo de governança da NLCC afeta positivamente o desempenho da NLCC, (2) o sucesso de um mecanismo de governança das NLCCs pode ser medido por cinco dimensões (relacionamento de direito dos membros, tomada de decisão e transparência financeira, realização de funções do Conselho de Administração, realização de funções do Conselho de Supervisores, e operações reais e comunicação), (3) o desempenho de um NLCC também pode ser medido por cinco dimensões (custo e orçamento, serviços membros, procedimentos de gestão, inovação e crescimento, e coordenação socioeconómica entre regiões). A novidade principal é que estabelecemos empiricamente a relação entre o sucesso de um mecanismo de governança da NLCC e o seu desempenho e assim complementamos o *gap* que a literatura separadamente estuda os mecanismos de governança dos CoCs e a avaliação de seu desempenho.

Palavras-chave: NLCC; mecanismo de governação; desempenho; modelo de equações estruturais; Câmara de Comércio; Fujian

JEL: L31, L39

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摘 要

商会（cocs）和异地商会（nlccs）在协调政府与企业关系中的作用越来越重要。然而，我们也看到了许多问题的存在，包括其内部治理效率低，与东道地政府沟通不畅，以及区域经济协调的表现不佳。这些问题既指向异地商会的治理机制，也指向商会业绩。本文以四川省福建省商会的调查数据为基础，运用结构方程模型研究了福建省商会治理机制与业绩的关系。研究结果表明：（1）商会治理机制的完善程度对商会的绩效有积极影响；（2）商会治理机制的成功程度可以从 5 个维度（会员权利义务关系、决策和财务透明度、理事会职能发挥、监事会职能发挥、实际运行与沟通）来衡量；（3）商会的绩效也可以从五个维度（成本与预算、会员服务、管理流程、创新与增长、跨区域社会经济协调）来衡量。本文的创新之处在于，通过实证研究，建立了异地商会治理机制的成功与业绩之间的关系，弥补了当前文献将二者进行分离研究的不足。

关键词：异地商会；治理机制；业绩；结构方程模型；商会；福建

JEL: L31, L39

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2020 年 6 月 12 日

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List of Abbreviations and Acronyms

AGFI: Average Goodness Fit Index

AVE: Average Variance Extraction

CFA: Confirmatory Factor Analysis

CGCC: China General Chambers of Commerce

CoC: Chambers of Commerce

CR: Composite Reliability

GFI: Goodness Fit Index

ICC: International Chamber of Commerce

MBA: Master of Business Administration

MI: Modification Index

NGO: Non-Governmental Organization

NLCC: Non-Local Chambers of Commerce

RMR: Root Mean-Square Residual

RMSEA: Root-Mean-Square Error of Approximation

SEM: Structural Equation Model

SMC: Square Multiple Correlation Coefficient

SPSS: Statistical Product and Service Solutions

WTO: World Trade Organization

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Chapter 1: Introduction

1.1 Research background and significance

1.1.1 Research background and significance

The Chambers of Commerce and Industry Associations, which are hereinafter uniformly referred to as the Chambers of Commerce (CoCs), are the social organizations formed spontaneously by the industrial and commercial enterprises in an industry or an area and are the membership mutually beneficial non-profit organizations. Although CoCs have no legislative and rule-making power, it can, according to the benefits of the member enterprises, affect the formulation of the relevant laws and regulations by lobbying lawmakers and other means. The communications between CoCs and governments and the intimate connections among firms within industries are the inseparable parts of social construction and at the same time are the important links between the members of CoCs and governments, among their member enterprises, and between the member enterprises and the entire society.

With the thriving development of China's economy and the transformation of the Chinese governments, the roles of CoCs in coordinating the relationships between local governments and firms become more and more important. A typical feature of this tendency is that since the Reform and Open policy, the number of CoCs has grown rapidly and their business scopes have been extended significantly. In China, there are over 3400 direct CoC members and over 80000 indirect members managed by the All-China Federation of Industry and Commerce with the delegation by the government (Yang & Huang, 2016), the CGCC manages 14 enterprises and institutions and 39 national professional associations.[①] Under the premise of complying with Chinese laws and regulations and national policies, these CoCs operate normative in accordance with the principle of market and have made great contributions to commodity circulation, safeguarding the legitimate rights and interests of the members, industry management and co-ordination, foreign economic relations and cooperation and other aspects.

Specially, along with the spread of the economic activities from the coastal and developed areas to the underdeveloped inland areas, CoCs established in the former areas

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[①]http://www.cgcc.org.cn/skgk/index.htm，accessed on 2019-04-23

opened their branches in inland provinces. Consequently, many non-local Chambers of Commerce (NLCCs) have been established in inland provinces. According to an incomplete survey[①], there are more than 10,000 NLCCs in China and more than 30 provincial-level NLCCs are operating in the Sichuan province in 2018. The total number of the member enterprises of these CoCs is over 20,000 and the majority of them have joined the Sichuan Federation of Industry and Commerce to be as a member of it. Thanks to the non-local nature of NLCCs, they not only promote the development of the member enterprises in the home area and its host area, but, more importantly, play the increasingly the role as a bridge of the coordination of the economic and social management policy between the governments of the home area and its host area, the optimization of the resource allocation between the home area and its host area, and the promotion of the mutually beneficial cooperation between the enterprises of the home area and its host area.

However, the practice and literature review show that due to the vague legal status and the variety of targets of CoCs (especially, NLCCs), the problem of arbitrariness for the measurement of the performance of CoCs is so serious that it is hard to evaluate the effectiveness of the governance mechanism of CoCs (including NLCCs). Thus, the relationship between the success of governance mechanism and the performance of CoCs has been for long time the considerable concern of the theoretical researchers and practitioners (Xu, 2009). But researchers and practitioners have not reached an agreement on this issue yet. However, it can be expected that if we define the multi-dimensional measurement of the success of the governance mechanism and the multi-dimensional measurement of the performance, then we can build a Structural Equation Model to analyze the relationship between the governance measurement dimensions and performance measurement dimensions (Zhang & Zhang, 2009). The corresponding results help to evaluate how effective each of the governance dimension (& the entire governance mechanism) induces the performance on each of performance measurement dimension. Finally, our research will provide a set of meaningful managerial recommendations for the governance of CoCs (including NLCCs).

1.1.2 Research object and the problems

To study the relationship between the success of the governance of the Non-local Chambers of Commerce and the performance, intuitively, an ideal method is to collect all typical characteristics of governance mechanism and performance reflected in the operation

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[①] Internal data of the Fujian Chamber of Commerce in Sichuan Province.

process all over the country so as to use the theoretical and empirical methods to describe the relationship between the two. But, according to the difficulty in collecting those data (materials) and the NLCC management practice of the author (the author served as president of the Fujian Chamber of Commerce in Sichuan Province for twelve years), this research considers the Fujian Chamber of Commerce in Sichuan Province as the research object and discusses the relationship between the success of the governance mechanism and the performance outcome to provide the specific case reference. Therefore, we below in this section reveal the main problems of the Fujian Chamber of Commerce in Sichuan Province in practice so as to provide the intuitive observation of the relationship between the success of the governance mechanism and the performance of CoCs.

(1) The arbitrariness of the performance measurement of CoCs

As the Fujian Chamber of Commerce in Sichuan Province was established, there was a hot debate about the future direction and the vision of the Fujian Chamber of Commerce in Sichuan Province. That is, how do CoCs balance the host government, home area government and the member enterprises? Although almost all member enterprises admit that via "huddling", "transparency", "unity within CoCs", "balanced budget" and "active contributions", the Fujian Chamber of Commerce in Sichuan Province devoted to serving the economic construction in the host area, the economic construction in the home area and development of the member enterprises. However, how to measure governance performance in all these dimensions is very arbitrary. For example, sometimes the role in the non-local economic development is measured by the output of member enterprises in the host area and sometimes it is measured by the degree of the participation of CoCs in the policy consultations organized by the governments in the host area (Li, 2008). Or sometimes, it can be represented by the charitable donation in the host area. For another example, the service performance of CoCs to the member enterprises sometimes is represented by how many times business information is exchanged within CoCs and sometimes it is measured by the communications that are required to achieve the corresponding business expansion (Xu, 2009). The arbitrariness of these performance measurements on the one hand makes it is unpredictable for CoC managers on "how to serve member enterprises, economic development in both the host area and the home area." On the other hand, makes member enterprises, governments in the host area and in the home area do not know how to check and evaluate CoCs and their managers. Therefore, the arbitrariness of performance measurements will inevitably bring unclear baton, thus causing conflicts in the governance (management)

practice.

(2) Low effectiveness of the governance mechanism: unclear governance dimension and weak enforcement.

How to manage CoCs is still a head-breaking question for the Fujian Chamber of Commerce in Sichuan Province. On the one hand, the multiple management problem caused by its two-level (provincial-municipal) management framework leads to the severe regional difference of the corresponding governance (management) methods and means. In the case of this difference, although the general assembly, the board of directors, and the president's office have the same duties and tasks in the ICC Constitution, in the specific operations of the discussion and decision process, some municipal-level managers simply emphasize the handling procedures of member appeals, some municipal-level managers emphasize the fulfillment of member obligations, and other municipal-level managers focus more on the financial transparency. The emphasis or attention of these different governance dimensions has led to different governance results and further results in doubts about the governance role of different dimensions of governance mechanism.

On the other hand, the two-level (provincial-municipal) management framework of the Fujian Chamber of Commerce in Sichuan Province makes the decision decentralized and causes serious free-riding. This weakens the enforcement of decisions. Specifically, the weak enforcement is reflected in the following three aspects. First, the lack of reasonable guidance and supervision causes the problem of decentralized decision within a NLCC and serious phenomenon of communal dining. Second, even if the president, the honorary president, the chief supervisor, the executive Chairman, the executive vice-president, the vice-president, the executive director, and the chairman have honorary formal duties, they are not willing to perform their duties due to the soft constraints rooted in the decentralization structure, especially when a big decision requires more key staffs within CoCs to be involved. Third, when good policies, projects, or business opportunities appear, the management framework cannot punish the members who do not contribute, by prohibiting them from benefiting from the policies, projects, or business opportunities. Finally, since the Fujian Chamber of Commerce in Sichuan Province, as a non-profit organization, has almost no arrangement to evaluate its members' performance, it cannot figure out some "correct" schemes to incentive its members and thus the free-riding tends to get worse and worse.

The observations in these two aspects on the practice of the Fujian Chamber of Commerce in Sichuan Province imply that to achieve the governance success of a NLCC, it is

necessary to clarify the relationship between the governance mechanism (& its dimensions) and the performance (& its dimensions) of the NLCC to propose the specific management suggestions, to better serve the member enterprises, to better promote the economic development in both the host area and the home areas, and to make the communication between the host and the home governments better.

1.2 Research questions

Based on the discussion in Section 1.1, this thesis will study the relationship between the success of NLCC governance mechanism and the performance according to the survey data based on the Fujian Chamber of Commerce in Sichuan Province. More specifically, this thesis will answer the following questions.

(1) What are the dimensions of the governance mechanism of a NLCC? How to measure each dimension? What is the (relative) importance of each dimension in the governance mechanism?

These questions are motivated by the literature review in Chapter 2 in which we find that the case-dependent qualitative studies do not clearly reveal how internal and external governance mechanisms induce a NLCC (or more generally, a CoC) to realize a specific socio-economic role although they implicitly recognize the importance of those governance mechanisms. In this thesis, we address these questions by exploring the multidimensionality of NLCC governance mechanisms in Chapter 3, building a confirmatory factor model on NLCC governance mechanisms in Chapter 4, and testing the model with a questionnaire data in Chapter 5.

(2) What are the dimensions of the performance of a NLCC? How to measure each dimension? What is the (relative) importance of each dimension in performance?

These questions are motivated by both the literature review in Chapter 2 and the author's 12-year experience of managing the Fujian Chamber of Commerce in Sichuan Province (a NLCC). More specifically, we find in the literature review that the external evaluation of the performance of a NLCC (or more generally, a CoC) in, for example, the A-level evaluation by the Ministry of Civil Affairs in China, is usually superficial and thus leads to the difficulty to operate. According the author's experience, the internal performance evaluation is too arbitrary to incentivize the employees to efficiently serve the objectives of a NLCC (or more generally, a CoC). In this thesis, we try to answer these questions by exploring the

multidimensionality of NLCC performance in Chapter 3, revealing the cross-regional socio-economic coordination as a special performance dimension of NLCCs in Chapter 3, building a confirmatory factor model on NLCC performance measurement in Chapter 4, and testing the model with the corresponding questionnaire data in Chapter 5.

(3) Based on the measurement results in (1) and (2), how does the success of the governance mechanism of a NLCC affect its performance (i.e., the relationship between the success of the governance mechanism of a NLCC and the corresponding performance)?

We address this question by building and testing a structural model with both the confirmatory factor models on NLCC governance mechanisms and on NLCC performance measurement in Chapter 4 and testing it in Chapter 5. The corresponding results can quantitatively reveal how the success of the governance mechanism of a NLCC affects its performance and thus helps to fill the gap in the literature, as shown in Chapter 2, that scholars study NLCC governance mechanisms and NLCC performance in a separate manner.

1.3 Research contents

Firstly, this thesis learns from the relevant theories of firm governance mechanism, theories of the performance management of the non-profit organizations, and the operations practice of the Fujian Chamber of Commerce in Sichuan Province to identify the typical dimensions of the governance mechanism and those of the performance of a NLCC and to build a Structural Equation Model between the governance mechanism with its typical dimensions and the performance with its typical dimensions of the NLCC. Secondly, to collect data, a questionnaire for measuring the corresponding dimensions is designed in accordance with the measurement dimensions of governance mechanism and performance and issued to the members of Fujian Chamber of Commerce in Sichuan Province, managers of CoCs and MBA students familiar with the operation of the Fujian Chamber of Commerce in Sichuan Province. Thirdly, based on the reliability and validity test of the questionnaire, the Structural Equation Model is tested and the relationship between the success of governance mechanism and the performance of NLCCs is identified. Finally, the corresponding management recommendations are given. More specifically, the thesis includes the following chapters.

Chapter 1 briefly points out the research background, the significance, research objects, the main research questions and some possible novelty.

In Chapter 2, we describe the origin, development history, nature, function and structure of CoCs and review the corresponding research literature from different perspectives, and based on this, points out that although the researchers have separately studied the governance mechanism (& the operational mode) of CoCs and the evaluation of the performance, the literature on the relationship between the two is still quite rare. In particular, in terms of NLCCs, even if the researchers have descriptively explored their occurrence-development mechanism, their management and the interactive mechanism between NLCCs and governments, they barely take in account the all parts and show the relationship between the success of governance and performance of a NLCC.

Chapter 3 analyzes the roles of NLCCs involved in the local socio-economic governance and argues that NLCCs play important coordination and bridge roles in cross-regional economic governance and social governance. Particularly, this chapter introduces the operations practice of the Fujian Chamber of Commerce in Sichuan Province. These analyses provide theoretical and practical support for the performance dimension of the "cross-regional socio-economic coordination" in the Structural Equation Model in Chapter 4.

Chapter 4 presents the research design about the relationship between the governance and the performance of a NLCC. In this chapter, we identify five typical measurement dimensions of governance mechanism and five typical measurement dimensions of performance of a NLCC, and then we build a Structural Equation Model to test the relationship between the governance and the performance of a NLCC. In addition, we introduce the selected subjects and the criterion to determine a valid sample.

Based on the questionnaire data, Chapter 5 tests the Structural Equation Model established in Chapter 4. The results show that (1) the measurement dimension of members the right-obligation relationship is relatively less important than the other four measurement dimensions of the governance mechanism of a NLCC; (2) the measurement dimension of the cross-regional socio-economic coordination is relatively less important than the other four measurement dimensions of the performance of a NLCC; (3) the improvement of the governance mechanism of a NLCC positively affect the performance of the NLCC.

Based on the results of Chapter 5 and some empirical observation, Chapter 6 give some managerial recommendations for improving the (operational) performance of a NLCC.

Finally, Chapter 7 gives the conclusions, limitations, and some future research prospects

In summary, the logical relationship among these chapters is shown in Figure 1-1.
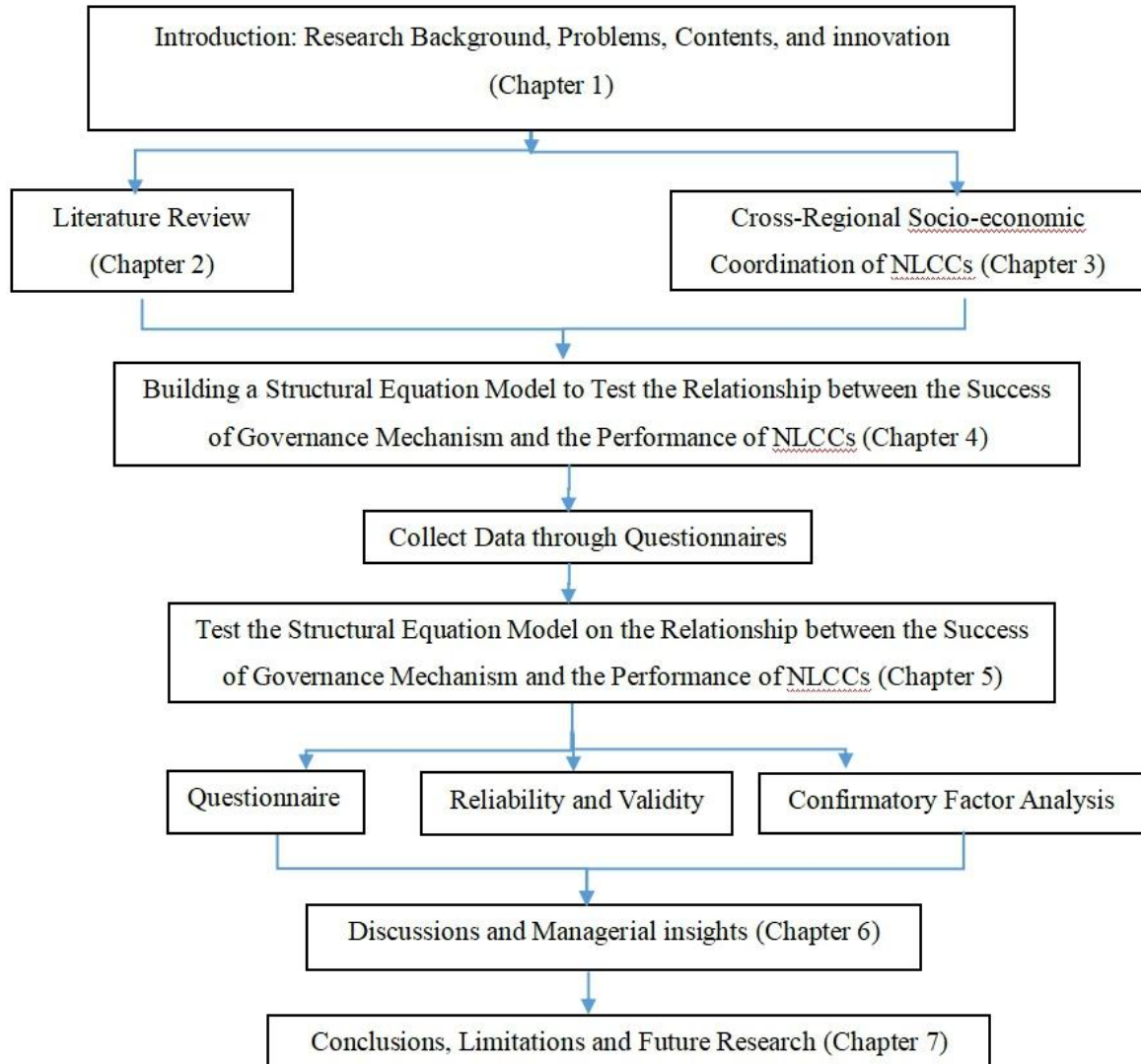
Figure 1-1 Research framework

1.4 Research innovation

As indicated in the literature (Chapter 2), the existing literature mainly studies the operations of CoCs governance mechanisms and the performance evaluation of CoCs separately. Focusing on this weakness this thesis, based on the concretion of the measurement dimensions of the success of NLCC governance mechanisms and the performance of NLCCs, designs questionable and issues it to subjects related to the Fujian Chamber of Commerce in Sichuan Province (a NLCC), builds and tests a Structural Equation Model to study the relationship between the success of the governance mechanisms and the performance of NLCCs. The novelty of this thesis is mainly reflected in the following three aspects.

(1) Clarifying the measurement dimensions of the success of governance mechanisms

and the performance of NLCCs

In order to discuss the relationship between the success of the governance mechanisms and the performance of a NLCC, this thesis, based on the existing research literature and the actual investigation of the Fujian Chamber of Commerce in Sichuan Province, identified five dimension factors of the success of the governance mechanisms and five dimension factors of the performance of a NLCC. Specifically, the measurement dimensions of the success of NLCC governance mechanisms include members' right-obligation relationship, decision-making and financial transparency, function realization of the board of directors, function realization of the board of supervisors, actual operations, and communication. The performance dimensions include cost and budget, member services, management procedures, innovation and growth, and cross-region socio-economic coordination. This dimensional approach helps us to build and test a Structural Equation Model to discuss the relationship between the success of governance mechanism and the performance of a NLCC.

(2) Introducing the role of cross-regional socio-economic coordination as a performance dimension of NLCCs and revealing its relative importance in measuring performance.

Although the non-local nature of a NLCC intuitively means that the NLCC will have the role of the cross-regional socio-economic coordination between the host area and the home areas, but the question of how important of this role in measuring performance has not been answered quantitatively. For this question, this thesis gives alternative answer: although cross-regional socio-economic coordination is relatively less important than other four dimensions, it is still a non-negligible performance dimension (the loading coefficient is 0.94 in the second-order CFA analysis). This result is consistent with the usual voices in practice that under the market economy conditions, NLCCs shall play a role of the bridge via offering advice and suggestions to governments' socio-economic policy-making, promoting cooperation among business enterprises, and even promoting cooperation between business enterprises and government.

(3) Quantifying the relationship between the success of governance mechanism and the performance of NLCCs through a Structural Equation Model analysis

Based on the identified measurement dimensions of the success of the governance mechanisms and the performance of NLCCs, this thesis designs a questionnaire to obtain the data and discusses the relationship between the success of NLCC governance mechanisms and the performance of NLCCs through establishing and testing a Structural Equation Model. The result shows that there is a significantly positive correlation between them. That is,

improving the governance mechanism of a NLCC will help to improve the performance of the NLCC. This result not only overcomes the research gap that the work on NLCC (CoC) governance mechanisms and the corresponding performance evaluation are separately studied, but also provides the empirical reference to answer the practical question of "how a NLCC can improve its governance mechanism so as to enhance its performance".

Chapter 2: Literature Review

In China, there are many types of non-profit organizations that are very similar to CoCs. They include the All-China Federation of Industry and Commerce (& its branches) with a national organizational structure, comprehensive CoCs based on geographic links, and industry groups, industry CoCs and trade associations based on industrial/business similarities. This diversity feature leads to the difficulty to clearly define a Chamber of Commerce (CoC) in China.

Since the 1990s, Chinese scholars have explored the meaning of Chamber of Commerce (CoC). Most of the scholars believe that a CoC is an independent legal entity and a non-profit organization with its purpose to protect its members' (or enterprises') legitimate rights and interests and promote the prosperity of the corresponding industrial and commercial transactions. This thesis understands that CoCs are non-profit organizations in the third sector (neither in the public sector (governments) nor in the private sector (enterprises)) and have an independent legal person status. With some regional/geographic or industrial links and the purpose of "huddling development", a CoC can be viewed as a social group that is spontaneously formed to promote the coordinated socio-economic development via providing quasi-public services to its members. Therefore, under the conditions of the compliance with laws and regulations, CoCs have management autonomy, including autonomously raising funds, autonomously determining membership, autonomously determining constitution and governance framework, autonomously serving members' needs, and autonomously promoting socioeconomic development (Zhang & Gao, 2007).

2.1 The origin and development of CoCs

The modern CoCs originated in Europe and evolved from European guild. Around the 10th century, with the rejuvenation of European business, the professional merchant class appeared again. But, in that era, it was a risk to do business. Thus, those merchants had to unite to deal with natural risks and gangsters (for example, ships shall troop to sail, and merchants shall troop to travel around). This makes the merchant community of the feudal society (the guild) appear around the 11th century (Bennett,1998). Of course, without a proper

governance framework, this guild was only the choice of self-protection for industrial and commercial workers, and at the same time, due to the commercial monopoly power caused by feudal privileges, it had become an exploitation tool (for example, the exploitation of the apprentice from the craftsman) and a merchant alliance to protect the member merchants from the defaults of rulers (Greif, 1993; Greif et al., 1994). Further, with the development of the capitalist economy, the guild had gradually gotten rid of constraints rooted in the feudal system and was transformed to the modern CoC, although it is difficult to determine accurately when modern CoCs were organized (Bennett, 2011).

In China's business history, CoCs took the form of "shop" in the Western Zhou Dynasty, "store" from pre-Qin Dynasty to the Song Dynasty, "business group" in the Ming Dynasty, and the subsequent "trade association", "gang", and "guild hall" (Fang & Lü, 2007). CoCs in modern China was directly influenced by the foreign merchants' CoCs. with the expansion of the foreign CoCs in China, the Qing government agreed the memorials submitted by Zheng Guanying and Sheng Xuanhuai (the reason was that CoCs were the key to revitalizing business) and commanded Yuan Shuxun, the magistrate of Shanghai, to cooperate with Yan Xinhou to set up the Shanghai business conference room which was called "Commercial Conference Office" with a reference to the naming method in Japan (Li, 2008). Further, in 1904, the Qing government officially issued the "Concise Constitution of the Chambers of Commerce" and the "Six Bye-laws of the Constitution" to declare the establishment of governance rules of CoCs, thus stimulating the vigorous development of CoCs throughout the country. According to Li (2008), nearly 1,000 CoCs were set, with the promotion of the Qing Dynasty government (more specifically, its Commerce Department), in all provinces and autonomous regions except Tibet till 1912. During the Beiyang Government period (1912-1928), the development of CoCs continued: In 1924, the total number of CoCs all over the country reached more than 1500 and there were 85 overseas Chinese CoCs (Li, 2008).

After the establishment of the new China (i.e., the People's Republic of China), due to the socialist transformation (1949-1956), the central government established the All-China Federation of Industry and Commerce to confederate trade unions. As the reception of industrial and commercial organizations in a highly centralized planned economic system was finished, CoCs had no living soil at all and their development in China was almost suspended till 1978 (Fang & Lü, 2007). However, the Reform and Open policy triggered the renascence of CoCs. The subsequent development of CoCs experienced four stages: the recovery stage (1978-1989), the standardization stage (1989-1992), the rapid development stage (1992-2006),

and the folk transformation stage (2006-present). Especially, in the folk transformation stage, CoCs were extended to all merchant communities including almost all industrial and commercial fields (Mao, 2019), since the "Regulations of Industry Association in Guangdong Province" was issued in 2006 to change the role (or function) of the relevant government departments from executive to operational guidance.

The development of CoCs in China clearly demonstrates that Chinese CoCs are more dependent of the recognition and the promotion of the central government and local governments. Thus the co-opetition between governments and CoCs is a very natural outcome (Fang & Lü, 2007). This implies that CoCs in China tend to contribute more to the socio-economic coordination and development in the "third sector" via linking governments and markets.

This socio-economic coordination role makes modern CoCs substantially different from traditional guilds even if the former is developed from the later. The two main differences are as follows (Xin, 2018).

On the one hand, the social and political foundation is different. Traditional guilds depend on feudal privileges while modern CoCs reply on freedom and democracy in the capitalist socio-economic system (in particular, their decision-making procedures usually require the consensus or majority voting from their members). In terms of the membership, members of traditional guilds are mainly individuals. So, a traditional guild is essentially an association of the practitioners with similar industrial characteristics and background. This individual-based association resulted from the lack of legal-person status at that time. That is, only the status of legal subjects of the natural persons are usually recognized. The members of a modern CoC are mainly firms or enterprises, since legal-person status was recognized and protected by capitalist socioeconomic systems. Thus, a modern CoC usually has some industry-based feature. For example, home appliance industry, machinery industry and real estate industries can set up their own CoCs. It also has a region-based feature. For example, the Wenzhou CoC, the Fujian CoC and the Guangdong CoC are set by firms registered in Wenzhou, Fujian and Guangdong, respectively. As far as the relation to the government is concerned, a traditional guild is featured with political, military and religious nature derived from the feudal system. So traditional guilds may control the government certainly (especially, when the guild system dominate, the government there may be controlled by guilds). A modern CoC is generally considered to be in the "third sector" outside the government (or enterprise) and its major role is to promote and improve the communication and coordination

between the government and the market (or enterprise). As for the market competition, the strategic measures of traditional guilds and modern CoCs are different, although they are pursuing external monopoly and limiting the competition to some extent (Cao, 2013).

On the other hand, they are operated in different ways. Traditional guilds usually adopt the means such as limiting price limit, maintaining wage levels (with stable costs), organizing new production methods, and new product specifications (to maintain traditional consistency) to stifle competition. Modern CoCs generally limit the competition through the way of price alliances, price and production limit, and encouragement of innovation (but in order to create some technological barriers). As for the regional/geographic vastness, traditional guilds are purely local organizations (often just associations consisting of urban merchants and craftsmen). In contrast, modern CoCs are more extensive (besides local CoCs, there are national and international CoCs). Finally, from the profitability perspective, traditional guilds are not defined as non-profit organizations while modern CoCs are clearly recognized as non-profit organizations.

2.2 The nature and functions of CoCs

2.2.1 The nature of CoCs

CoCs are in nature voluntary associations (Schofer & Fourcade-Gourincha, 2001). They are mainly featured by the non-government (civil), non-profit, autonomous, mutually beneficial (public welfare), and market (economic) natures.

First, a CoC is non-governmental (also known as civil) (Yang & Yang, 2010). It is not (& is not affiliated with) any government agency. It does not adopt the way of administrative management to operate either. The relationship between a CoC and a government depends on their strategic interactions. In these interactions, a CoC should undertake part of the public management functions of the corresponding government, but the implementation relies on the consensus or majority voting of its members instead of the mandatory violent agencies such as the police. Therefore, CoCs are generally considered as the non-governmental organization (NGO) with the mission to serve their members.

Second, CoCs are non-profit (Hansmann, 1980). That is, CoCs do not exist to make profits. This is the basic feature of a CoC that makes it different from an enterprise (a firm). Even the members of the a CoC are usually for-profit organization but the CoC itself serves the members through the methods such as information sharing, resources sharing and the

coordination of the relationship among its members and between its members and the corresponding government, instead of aiming at making profits. These services are not provided via trade-offs between the benefits and costs but focus on the satisfaction of its members (usually, enterprises or firms). CoCs are non-governmental and non-profit organizations that are usually regarded as in the "third sector" outside the government and enterprises (markets). For example, the French Chambers of Commerce Law directly stipulates that a CoC is a public non-profit organization (Rosenbaum, 1987).

Third, CoCs are autonomous organizations (Recanatini & Ryterman, 2001). Autonomy means self-governance and the activities to deal with their own affairs individually and independently. In the reform of the contemporary CoCs, the specific requirements for autonomy include "Voluntariness, self-selection of president, self-financing, self-employment, and meeting independence"[1]. Currently, the autonomy of CoCs often is analyzed by considering to what degree governments can affect CoCs' decision-making. But the roles of members' right-obligation relationship in the internal autonomy are ignored. Basically, the right of a CoC's autonomy roots in its members' delegation. Thus, it is important to analyze how to guarantee of the rights of CoC members in the internal autonomy.

Fourth, CoCs are mutually beneficial and pursue quasi-public welfare (Xu, 2008). Strictly speaking, a non-profit organization is an organization pursuing some public benefit while a mutually beneficial organization is to pursue some common (quasi-public) interests of a particular group. The members of a CoC shall conduct consensus or majority voting to represent their common interests. Then the benefits are in nature mutual. Of course, in a corporatism country, a CoC is a mutually-functioning group (the state authorizes it to represent firms in some specific industry or combined a local place) and thus be naturally regarded as a non-profit organization.

Fifth, the behaviors of CoCs are market-based or sometimes in China known as economy-oriented (Feng, 2010). CoCs are the product of the market economy and are closely related to the markets that their member enterprises/firms participated in. This is an important feature that distinguishes CoCs from other social organizations. The connotation can be demonstrated in the following four aspects. Firstly, CoCs cannot be generated and develop without the transformation from a natural economy to a commodity economy where the freedom and the equity of wealth pursuing and association are recognized by laws. Secondly, their members have clear market-oriented targets. The basic reason for the existence of CoCs

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[1] http://news.sina.com.cn/o/2015-07-22/023932132755.shtml., accessed on 2020-5-12

is to coordinate their members' market competition. They adopt a market-based logic to reduce the vicious competition among their member enterprises/firms, and at the same time, to cope with the competitive threat from non-member enterprises. Thirdly, the operations of CoCs must be economic. This is simply because their member enterprises/firms have common economic interests and then CoCs established by these members have to satisfy the corresponding economic appeals.

To summarize, we can view a CoC as a third-sector organization that pursues the collective benefits of its members with voluntary agreements and self-discipline. Thus its objective is neither to purely seek private interests of its members nor to purely serve public purposes. However, this third-sector nature makes CoCs very suitable to play an intermediary role in coordinating governments' public interests and the member firms' private interests. For example, following the Chinese traditions, CoCs in China not only actively bridge its members, charitable organizations and governments to promote philanthropic donations (Xu, 2008), but also convey private firms' needs and industrial difficulties to governments so as to mitigate the information asymmetry between governments and firms (Feng, 2010). Finally, from a CoC manager's perspective, the third-sector feature implies that a CoC has to be operated in a multi-objective framework and thus leads to severe difficulties of CoC governance. The multi-objectivity implies that a CoC's performance evaluation must be multidimensional and the governance mechanism should be accordingly designed in a multidimensional manner.

2.2.2 The functions of CoCs

2.2.2.1 Representation function

Under the market economy environment, enterprises are the main force in the market which plays a fundamental role in resource allocation. However, due to the fierce market competition, enterprises may excessively focus on the profits, causing the well-known prisoner dilemma (as shown in the Cournot model & the Bertrand model in Hou (2017)). In order to overcome or alleviate the dilemma, the enterprises in the competition are required to set up representatives of their common interests. A CoC is one of such representatives since it established under the condition of consensus and majority voting of the member enterprises. The CoC takes the collective/common interests of its member enterprises as the operational objective, promotes the self-discipline of its member enterprises on the basis of its own self-discipline. Thus, it can represent the collective/common appeal of its member enterprises

and protects the legal rights and interests of its member enterprises from being externally affected or harmed.

2.2.2.2 Social governance function

As a non-governmental and non-profit social organization, the autonomy of CoCs implies that they are able to regulate and constrain their member enterprises and thus improves their members' voluntary commitment to social responsibilities. The business profits and social benefits can be improved in a balanced manner. On the other hand, in the interactions between CoCs and governments, CoCs can undertake some of the government's social management and service functions. For example, they can organize their member enterprises to carry out accurate poverty alleviation, provide informal industry protection alliances, publicize and interpret government policies, and provide negotiating spaces to alleviate social conflicts. CoCs can also understand well the demand of the society for public management and services because the folk transformation makes them closer to the market (or the public). Therefore, the socialization level of public management and services in the whole society can be improved and the purpose of more efficient social governance can be achieved.

2.2.2.3 Functions to promote economic development

As CoCs are established via the consensus and majority voting from their members with common economic interests, their necessary and basic function is to promote the healthy development of the regional, national, and even world economy through the means such as reflecting the economic interests of their member enterprises, coordinating the economic behaviors among member enterprises, between member enterprises and non-member enterprises, and finally between their member enterprises and governments. More specifically, the economic development functions of CoCs can be understood as follows.

Intermediary of information communication. As a social organization in the industry and business circles, a CoC has many member enterprises and the CoC managers usually also operate their own enterprises. This feature is conducive to CoC managers to understand the real problems faced by enterprises. Thus, the appeals from the member enterprises can be reported to the governments more effectively and accurately (Cheng, 2015). The transmission of such information can prevent government decisions from deviating from the true state of economic development, thereby helping to alleviate or even eliminate government failure. On the other hand, as a third-sector organization outside the government and the market (enterprise), CoCs themselves with the non-profit nature can explain the decision-making

intentions of governments better and further can promote and explain the decision-making basis, process and goals of governments to the member enterprises (& even the whole society), prevent member enterprises (& even the public) from misunderstanding governments' decision-making goals.

Behavior-coordinating function. In general, due to resource endowments and differences in decision makers' preferences, the economic interests of the actors in an economic system are often inconsistent. From the perspective of a CoC, the economic-interest inconsistency exists between its member enterprises, between its member enterprises and non-member enterprises outside the CoC, and between its member enterprises and the governments. This inconsistency may cause opportunistic behaviors of the corresponding stakeholders and then lead to chaotic economic orders and stagnant economic development. In this case, CoCs can coordinate economic interest conflicts among stakeholders by constructing the benefit-sharing mechanism and using its influence and constraints (Hou, 2017). For example, CoCs can provide a consultation and negotiation platform in a cooperative atmosphere, on which the parties in conflict can express their economic interests frankly and encourage the parties to achieve a win-win solution under the principle of benefit balancing. For another example, under the condition under which CoCs have identified the long-term potential opportunities with its information superiority, CoCs can report the corresponding opportunities, propose the benefit contribution plan, and then incentive the parties of the interest conflicts to achieve an agreement for long-run interests. Finally, a real-world observations on this behavior-coordination function is that although the disruption of Soviet central planning mechanism led to the disorganization of production firms (Blanchard & Kremer, 1997), business associations (CoCs) arose as an institutional response to decrease the transaction costs resulting from the disorganization (Recanatini & Ryterman, 2001).

Service-providing function. CoCs are established according to consensus and majority voting of their member enterprises to serve the common interests of the members. This legitimate nature of CoCs implies the obligation to serve its member enterprises. In practice, the service function of CoCs can be reflected in helping their members to extend technology applications, speed market development, improve business images and obtain financial and non-financial support from the government (Feng, 2015). These services are clearly based on a CoC's collective reputation.

Supervision function. The self-discipline of CoCs and their members cannot be

separated from supervision. Since the goal of CoCs is to get the common interests of member enterprises it is necessary to supervise and publish the opportunistic behavior of individual member enterprises. In addition, CoCs should also actively support the external supervision because the lack of external supervision will make it difficult to obtain external trust. Without external trust, it is hard for CoCs to realize the function of coordinating internal and external relationships and behaviors (Li & Wang, 2005).

In summary, the realizations of these different functions depend on different governance means to provide incentives to different stakeholders related to CoCs. From an internal governance perspective, the success of a CoC's governance mechanism at least has to rely on a suitable arrangement of members' right-obligation relationship, balanced delegations to directors and supervisors, and a procedure system to ensure the effectiveness of information communication and the efficiency of decision making and implementation. This implies that the measurement of the success of a CoC's governance mechanism should be conducted in multidimensional manner.

2.3 The Governance of Non-profit Organizations and CoCs

According to their organizational nature, CoCs belong to the category of non-profit organization. So, the research on non-profit organizations will provide a theoretical reference for the research of this thesis on the relationship between the success of the governance and the performance of CoCs. It is worth noting that the research on the relationship between CoC governance and the corresponding performance is very rare. We thus have to indirectly employ the findings on non-profit organizations to figure out the specific and instructive logical clues that governs the relationship between the success of the governance and the performance of CoCs.

2.3.1 The concept of governance

Based on the investigation of the origin of the word "governance" by Jessop (1998), the initial meanings of "governance" include steering, piloting, and helmsman. For a long time, governance is mainly used to express the management practices of the state (or the government) in public affairs, including controlling, guiding, and regulating public behaviors. Thus, governance basically corresponds to governments. This implicitly recognizes a clear line between the public and private sectors or between governments and the market

(enterprises): governments dominate the entity of the public sector while the market (enterprises) stimulates the private sector. However, with the growth of civil society, people realized that both markets and governments may fail and started to find out the "third sector" to complement the defects of these two. Such "third sector" does not have the strong enforcement power of the government, and it cannot give high-power monetary incentives based on the market mechanism either. In order to express the management process of this "third sector", in the 1990s, scholars and practitioners changed the meaning of the word "governance" significantly. It was applied excessively beyond the traditional political or public management field. In fact, governance had been widely used in almost all socioeconomic fields (Stoker & Hua, 1999).

With the expansion of the application of the word "governance", Jessop (1998, p. 30) calls jokingly it as a buzzword which can mean anything or nothing. For example, Rhodes (1996) and Stoker (1998) summarize, respectively, six definitions and five points of view. The Global Governance Committee (1995) presents a very general definition of governance: it is the sum of means to manage the common affairs by individuals and institutions in various public and private sectors. However, although these definitions or points of view are situation-dependent, they share the following common implications.

First, governance is a concept that is different from government. It emphasizes the governance without governments (mandatory forces) and suggests that the legitimacy of authority come from the consensus or majority voting for common goals in a cooperative and trustful manner. Second, even if governance involves formal rules, it focuses on the process of continuous and dynamic interactions to formulate and realize common goals through interest coordination and joint actions (where, informal institutional arrangements play an important role). Third, governance emphasizes coordination and cooperation instead of control. Thus, the formation and execution of authority is embedded in a bottom-up self-organization process rather than top-down commands. Fourth, the object of governance is to collectively act for common interests rather than to manage public affairs managed by governments according to laws and/or administrative regulations. The former is for the creation and distribution quasi-public goods for the specific groups while the latter is to create pure public goods for the society. Fifth, because the object of governance (collective action) is between the public and private sectors, the boundaries of right-obligation relationships in the governing process are relatively vague. Sixth, governance focuses on the dynamic adjustment of rules that govern collective actions.

Just as the failure of governments and markets, governance is not omnipotent. It may fail too. The failure of governance can be expressed as the dispute over a common goal or as the ineffectiveness in action. Governance that avoids main failures can be called the good governance (Yu, 2000). For how to judge whether governance is good or not, Yu (2000) summarizes six measurement dimensions: legitimacy (which means that whether the authority is consciously recognized & obeyed by members), transparency (which means whether the information in the governance process is open & transparent), accountability (which means whether the members can be responsible for their own actions), rule of law (which means whether laws are complete & strictly enforced), responsiveness (which means weather the demands and responsible behaviors of the members are responded correspondingly, timely & correctly) and effectiveness (which means whether the governance process is efficient in terms of the realization of common goals, or directly points to the management efficiency).

Noting that the outcomes of the so-called "good governance" implemented in Africa do not meet the expectation, de Alcántara (1998) warns not to pursue a universal standard of good governance. The warning implies that for the assessment of governance, good governance shall be based on different conditions on time, locality and characteristics of the governed object. That is, the assessment shall pay special attention to the informal institutional arrangements that exist within and outside the assessment objects. de Alcántara (1998) also analyzes the impact of informal institutions when constructing governance indicators for remote CoCs.

2.3.2 The Governance of Non-profit Organizations

Non-profit organizations are widely observed in the real world and they are expanding increasingly. However, they are also problematic (for example, corruption caused by obtaining preferential tax policies and poor self-regulation of non-profit organizations). Thus, the research on the non-profit organization governance has gradually become an active research area. As shown in the following literature review, the focus is mainly on the ultimate responsibility objectives and the effectiveness of the actual operations of the non-profit organizations and clearly point out that the governance is the basis for ensuring effective operations and achieving the ultimate responsibility objectives.

Stefan (2001) believes that the non-profit organization committee is ultimately responsible for the organization while the Board of Directors is ultimately responsible for the governance of non-profit organizations. Smith and Lipsky (1993) indicates that the roles and

the operations of the Board is the core of academic discussions on non-profit organizations, and they shall be the starting point for governance research and the key research object. Rooster (2007) shows clearly that social legitimacy and public supports are indispensable for non-profit organizations. Therefore, the board is required to consider the public's response when making decisions. Saidel and Fabiane (1998) and Zhang and Zhang (2009) directly emphasizes the role of stakeholders inside and outside the non-profit organizations during the governance.

Regarding the governance of non-profit organizations, Young (2010) thinks of governance as the primary issue for the effective operations of the non-profit organizations, and emphasizes that the governance contents of non-profit organizations includes the following three aspects, namely, internal division of labor, governance mechanisms and the power responsibility and implementation of the board. Iecovich (2004) identifies nine typical activities in the operations of the non-profit organizations and based on the business nature, divided them into four categories, that is, human resource management, decision management, financial management, and management of relationship between internal and external environment. Mandato (2003) argues that the relationship management mode shall be constructed based on the features of non-profit organizations so that the board can make full use of the decision-making skills to maintain the environment of suggestions and the cooperation between the board and the CEO and keep the creative functions. Glacier (2002) more directly compares the differences in governance characteristics between for-profit organizations and non-profit organizations and reveals the weak governance mode of non-profit organizations. With this mode, the mission of a non-profit organization basically guides the governance to allow the excellent experts to ultimately control the actions of the organization.

Furthermore, researchers also emphasize that incentives and supervision are important factors for ensuring efficient operations. For incentives, different from the incentives of for-profit organizations, non-profit organizations emphasize the internal incentives more and the treatment of "non-distribution surplus" will substantially affect the governance effect (Steinberg, 1990). Knez (2001) proposes that the team-based incentives are better than individual-based incentives for the non-profit organizations. Of course, in order to attract high-quality talents, enhance employee loyalty, and encourage employees to work hard, the fundamental factors such as the wages and non-wage benefits of non-profit organization managers shall be taken into account (Rosenbloom, 2007). As for supervision, Knez (2001)

points out that the team members in small autonomous organizations can supervise each other and control "free action" so that team rules can be implemented effectively. However, for larger non-profit organizations, Herzlinger (1996) insists that explicit regulatory mechanisms should be established and implemented effectively. Palmer (1997) carefully describes the suggestions about accounting task revision proposed by UK charities and provides a financial guidance to monitor the actual implementation.

Overall, the governance of the non-profit organizations is usual not high-powered incentives but is kind of weak governance based on interaction, propaganda, democracy, and autonomy (Chen et al., 2004). Due to its highly depending on ethic and informal arrangements of institutions, the weak governance is featured by weak motivation to formal incentives, vague management objectives and soft supervisory management mechanisms. Although non-profit organizations can punish their members' illegal behavior, such as critical education, information disclosure, and eviction notices (Lu, 2003), the feature of weak governance usually makes non-profit organizations suffer seriously from free-riding (Bennett, 1995, 1996, 1998).

2.3.3 The governance of CoCs

As a non-profit organization in the third sector, a CoC has a mutually beneficial feature for members (enterprises). In fact, the assets of a CoC on the one hand are from the contributions of their members (such as membership fees) and on the other hand, are from the government subsidies, social assistance funds and paid services. So, in theory, the owners have obvious diversity. Therefore, the managers of CoCs with different asset sources actually have a residual management right (Yu, 2008) while the fund providers lack sufficient incentives to exercise their "ownership" due to the complex "ownership" relationship (Wang, 2002; Jia et al., 2004). This makes CoCs become mutually beneficial organizations without clear objectives. Then CoCs can be viewed as clubs providing services to the members to meet their needs, or social institutions providing local public goods for the collective interest of their beneficiaries (Xu & Zhang, 2007). More importantly, most of the goods provided by CoCs are not priced in some open market and the allocations of resources within CoCs are not competitive. Thus, the governance of CoCs shall have both the general characteristics of the governance of the non-profit organizations (with clear quasi-public welfare goals) and the particularity of CoCs themselves. The particularity is that although CoCs can undertake part of the public management functions of governments, their goals are obviously mutually

beneficial. That is, they focus on the benefits of their members (enterprises/firms). These two aspects lead to the complexity of CoC governance.

In general, Wang (2007) summarized the main concerned issues as follows.

First, based on foundations of institutional environments, organizational structures, management systems, and governance procedures, scholars comparatively analyze the articles of association, the personnel management institutions, and the decision-making methods. These studies establish the links between the development prospects of Chambers of Commerce and governance system and thus help us to theorize their internal governance mechanisms.

Second, they examine the internal governance of CoCs from the perspective of internal cooperation mechanisms. The main result is that although the internal governance of CoCs (as bottom-up non-governmental organizations) changes according the competition dynamics, the internal cooperation is necessary and has to be built on the trust systems of CoCs.

Third, the incentives and supervision mechanisms in the internal governance of CoCs are analyzed and investigated from the perspective of institutional analysis. The main conclusion is that Chambers of Commerce shall provide selective incentives to their members while their network organization structure and the extensive interactions among members is able to play the supervision role.

Fourth, the external effects of the internal governance of CoCs are analyzed from the perspective of political science. The main result shows that the practical operations of CoCs governed by non-mandatory rules, to some degree, promotes the democratization process in China.

2.3.3.1 Basic theoretical logic of the governance of CoCs

As for quasi-public organizations such as CoCs, researchers generally believe that due to the separation of the ownership and control, the principal-agent relationship is the basic clue to study the governance issues of non-profit organizations. But it is necessary to emphasize the coordination between stakeholders and the relationships among some special public liabilities (Li, 2015; Hou, 2018). Correspondingly, Chen (2007) points out that the study of the governance issues of CoCs must pay attention to the impact of the uniformity of the ownership, control power and usufruct on the stakeholder behaviors involved in the governance process. In the following, this subsection will discuss the basic theoretical logic of governance of CoCs from the perspectives of property rights, principal-agent relationship and

mutual benefit, and combine some operational practices to point out several typical characteristics of the governance of CoCs.

First, the property source of CoCs and institutional arrangements of non-profit organizations imply the absence of real owners (Chen, 2017). The property of CoCs generally comes from the membership dues, government grants, and other social donations. Theoretically, members, governments, and social donors should all become the "owners" of a CoC. However, the nature of non-profit organization (or legal status) of CoCs makes these "owners" not be given the corresponding share of ownership (for example, as the case of a joint-stock business, a formal and clear ownership shall be assigned based on the ratio of contributions or the negotiations among shareholders). In fact, there is a more extreme situation that those social donors directly relinquish their ownership as long as the funds are used according to pre-specified purposes. In the other extreme case, although a for-profit member enterprise has a strong profit-pursuing motivation, the non-profit nature of CoCs (or legal status) makes it subject to the non-distribution constraint that the residual of CoCs cannot be distributed among the members (Zhang & Zhang, 2009). Therefore, from the perspective of the residual claim, the ownership also has no practical significance for member enterprises. For governments, the basic motivation to subsidize CoCs is not to either obtain benefits (but support the development of CoCs) or control the operations of CoCs (this is because governments can achieve this purpose through various mandatory regulatory measures), leading to the lack of incentives to obtain formal ownership. Therefore, although the owners of CoCs can be determined theoretically, the current institutional arrangements (in China) make the owners in theory almost have no motivation to pay attention to their shares of ownership. This leads to the so-called situation of the absence of real owners (Chen, 2017).

Second, the circular principal-agent relationship and the "absence of real owners" lead to weak incentive of stakeholders in the principal-agent chain of the governance of CoCs. Like the for-profit joint-stock enterprises, the governance of CoCs separates the ownership and control. CoCs are operated through the principal-agent relationship. However, theoretically, the principal-agent chain of CoCs is circular in a certain sense. The enterprise members of CoCs entrust the board of directors through the general meeting under the condition that the enterprise members of CoCs pay membership fees and the board of directors further entrusts the executive to manage and constrain the members of CoCs (of course, management & constraints of the enterprise members are for the benefit of the members) (Li, 2016; Liao et al., 2016). This kind of circular principal-agent chain makes the roles of principals and agents

unclear and thus causes confusion in the definition of authority in decision-making and decision implementation, which in turn inevitably makes it difficult for members of CoCs (enterprises), members in the board of directors and executive managers members to have strong incentives that usually are based on the formal rules (or formal contracts). Therefore, theoretically, in the circular principal-agent chain, the weak incentive features due to informal rules (such as moral constraints, industry traditions & regional traditions) are relatively obvious (Liu, 2016; Ni, 2016). Further, although the absence of real owners helps to break the circular principal-agent chain, sufficient incentives are absent at starting point of the principal-agent relationship. On the one hand, due to the lack of formal and clear provisions on the shares of ownership, the owners do not have enough motivation to respect the selection of board of directors, find out the optimal scope of authorization and discuss the most appropriate goals of CoCs when they authorize the board of directors through the general meeting. On the other hand, the board of directors may not further sign the incentive contract with clear performance indicators with the management team due to the reasons such as membership, improper delegation and unclear objectives. In a word, from the perspective of both theory and reality, weak incentive is the main feature of the governance of CoCs, although the weak incentive is possible for the very specific businesses (Feng, 2011, 2018).

Finally, mutual benefits also imply weak incentive feature. Compared with the clear objective of public welfare institutes, mutual benefits correspond to the overall or common interests of a particular group and the interest relationships among members within the group. Thus, the services provided by CoCs to their members are a kind of quasi-public goods. In both the creation stage (such as, the creation of business opportunities, the cost savings of business opportunity search, and the cost savings of bargaining) and the use stage, the feature of quasi-public good is not consistent with the individual interests of their members. Conflicts among the members of a CoC cannot be avoided. This weakens the incentives to ensure the collective/common interests of CoC members. The free-rider problem naturally follows. As observed by Bennett (2007, 2011, 2013), there are few members who are willing to serve the general collective. Such free-rider problem makes it hard to elicit strong incentives to effectively ensure the collective interests of CoCs. Therefore, the weak incentive feature again appears.

To sum up, due to the absence of real owners and mutual benefits, in the principal-agent chain of CoCs, although some specific behaviors can use formal strong incentives, weak incentives deserve more attention. Therefore, in order to realize good governance of CoCs, we

should pay more attention to the dynamic interaction process among various stakeholders in the governance with less expectation to pursue some specific rules and fix them in the long run.

2.3.3.2 A typical characteristic of the governance of China's CoCs: Informal hierarchical membership fees

In China, although the Regulations on Social Organization Registration (for trial implementation, 1998) did not stipulate the (internal) governance structure of CoCs[①], the governance structure is stipulated by means of administrative regulations in some areas (provinces). These local regulations include the "Administrative Measures of Industry Association in Wenzhou City (for trial implementation, 1999)"[②], the "Administrative Measures of Industry Association in Shenzhen Special Economic Zone (for trial implementation, 2000)"[③], and the "Administrative Measures of Industry Association in Guangzhou (for trial implementation, 2006)"[④]. These local regulations are different from one-another, but they basically recognize the basic structure of the governance of CoCs, including power center, decision-making body, executing agency, and supervisory body.

Since such a formal governance structure is just a framework, it does not specify how to make it work. In practice, the power center usually adopts an informal system (or convention), which can be called "hierarchical fee system", to decide the members of the decision-making body, executing agency and supervisory body. The informal hierarchical fee arrangement acknowledges that the more fee a member of a CoC pays, the easier the member reach a higher position in decision-making body, executing agency and supervisory body (Nie, 2016).

Intuitively, this kind of hierarchical fee system assigns a higher weight to the members paying more fees in decision making, execution and supervision to some extent (the higher the position, the larger the weight). Thus, it is helpful to decrease the free-riding behavior of CoCs and help CoCs to raise funds. But, similar to the joint-stock firms, such hierarchical fee system may also allow the members paying more fees to infringe the interests of members who pay less. Therefore, the hierarchical fee system is a double-edged sword for the governance of CoCs.

According to the author's management experience of CoCs, whether the hierarchical fee system results in good governance depends on whether CoCs has the following business

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[①] http://www.mca.gov.cn/article/gk/fg/shzzgl/201812/20181200013490.shtml, accessed on 2020-6-12.
[②] http://www.wenzhou.gov.cn/art/2014/4/28/art_1229315_38434.html , accessed on 2020-6-12.
[③] http://www.chinalawedu.com/falvfagui/fg22598/101171.shtml , accessed on 2020-6-12.
[④] http://www.chinalawedu.com/falvfagui/fg22598/101120.shtml , accessed on 2020-6-12.

ethics: the members of CoCs (especially the managers) consciously cultivate themselves to reach the moral that interests be guided by righteousness. This ethical condition was regarded by Yu (2012) as the foundation of any business success. In the situation of governance, the righteousness consistent with the mutual benefit can be interpreted as the ethical realm of China's ancient "do not impose on others what you do not want" and "beneficence is beneficial" (the Analects of Confucius). With this interpretation, if the above-mentioned condition can be met, the negative effects of infringing in the governance of CoCs are expected to decrease significantly. Meanwhile, the hierarchical fee system has some potential to mitigate free-riding (Sun, 2004). Therefore, based on the above-mentioned condition, it is expected that the good governance of CoCs can be realized in the hierarchical fee system.

In fact, based on the author's empirical observations in many cases, the failure of the governance with the hierarchy fee system is related to the certain injustice of the CoC managers. For example, since the hierarchy fee system allows members to acquire the position of power center, decision-making body, executing agency and supervisory body via paying more money, so the legitimacy of CoCs is questionable. A second example is that the hierarchy fee system strengthens the role of money, leads the manager to value the fee over responsibilities, and finally make the manager lose trustworthiness. In addition, due to the corresponding relationship between the hierarchy fee system and the management position, some CoCs raise funds by setting unnecessary management positions and make the management overcrowded. Further, as the ability to pay the fee usually does not correspond to the management ability, the hierarchy fee system makes the senior managers of CoCs lack the sufficient management capacity and thus results in low efficiency (Wang, 2018).

To summarize, for a CoC adopting the hierarchy fee system, we have to pay enough attention to these two opposite effects when evaluating the success of the governance of the CoC.

2.4 The socio-economic governance role of CoCs

The socio-economic governance role of CoCs (including NLCCs) has been widely investigated from the perspectives of economics, history, sociology, and political science. The central focus of these studies is mainly on the communication and coordination role among the government, the market, and the citizens. More specifically, the main contributions of the researchers are reflected in the following aspects.

2.4.1 Basic principles of the cooperation between CoCs and governments in providing public services

From the perspective of political processes, Chambers of Commerce in the private sector have the ability to participate in local socio-economic autonomy, which then help to improve the development of democratic politics and the return of state power to society and then provide a realistic basis for the balanced development of the whole society. This means that Chambers of Commerce can cooperate with governments to provide public services to the society. In this process, if any one of the government, the market and the civil society is dominant, the balanced development of the society will be affected. But Chambers of Commerce as private associations naturally have the potential to coordinate the relationship among the three (Gao, 2007). Rosenbaum (1987) and Sun (2005) argue that only the closer cooperation between a civil society and the corresponding local government can serve the public more effectively. They further analyze several forms of the collaboration services of the government, enterprises and the society, the reasons for fast development of the cooperation modes, the guarantee of organization structure for the effective collaboration services, the warranty of the quality and the responsibility of the collaboration services, and the experience of economy-transition countries in effectively control the collaboration services of the government, enterprises and society. On this basis, according to the relationship characteristics among Chambers of Commerce, governments and enterprises, Sun (2005) describes three coordination roles of Chambers of Commerce in coordinating the behaviors of governments and the public (including enterprises). First, Chambers of Commerce in civil law countries (such as France & Germany) can build an important bridge for the communication between the public (including enterprises) and governments. Second, Chambers of Commerce in common law countries (such as the United States & the United Kingdom) mainly focus on the civil commercial cooperation and coordination at the market level. Third, Chambers of Commerce in middle-type countries (such as Japan) actually adopt the industry association mode, which can promote the closer cooperation between governments and enterprises (especially, for some financial supports).

From the perspective of public management, the New Public Management Theory (Lane, 2000) also implicitly emphasizes that as autonomous social organizations, Chambers of Commerce play the role of the bridge among governments, the market and the enterprises, and as a part of the market system, they fully take part in the market economy management, which in turn help to promote the socialization of public management and public services.

Grief (1993, 1994) adopts a game-theoretical approach to analyze the rising and falling of ancient industry associations and explains the positive effects of local commercial expansions on public services. According to their mechanism analysis on industry communities, Streeck et al.(1994) conclude that Chambers of Commerce, alongside the market, enterprises, countries, and informal networks, is one of the five economic systems involved in the capitalist socio-economic governance. Recanatini and Ryterman (2001) even believe that since the disorder of an over-economic market induces high transaction costs, spontaneously-formed Chambers of Commerce is stable and can provide the members with sufficient information with adjustments and thus play a more important role in improving market efficiency and performance.

2.4.2 Demonstrating the cooperation between CoCs and governments in providing public Services

The research of Lacho (2008) shows that all the four Chambers of Commerce in the suburbs of New Orleans set special departments for communicating with the local government. More specifically, each of these four case Chambers of Commerce has a permanent governmental affairs committee or public policy committee with the responsibility to supervise the local, state, and federal issues and to urge the members (enterprises) communicate with the local, the state and national elected officials in the local forums (such as luncheon party) or meet them in the state legislature.

Martin and Swank (2012) described how Chambers of Commerce can coordinate with national and political organizations to represent the commercial interests of organized labors. For example, in Denmark, large enterprises are responsible to support and coordinate social partners and decision makers to rebuild the significance of commercial interests in the broader organizational scope. This coordination has enabled the economy in Denmark to keep thriving in despite of great changes in the global economy. In contrast, the USA has established the National Association of Manufacturers and the American Chambers of Commerce to seek for the coordination idea that the commercial interests shall be related to the political actors. However, the bipartisan politics system raises questions about the effectiveness of an association representing different political ideologies. In the cases of Denmark and the USA, the legitimacy of commercial interests depends on both the socio-political history and the culture of each country. This viewpoint can be also found in Fishman and Lizardo (2013) who argue that although Portugal and Spain represent two historically similar societies, different

cultures mean differences in the legitimacy of commercial interests.

Bakalis (2011) reveal the determinants of its success by exploring the role of the State of Victoria Minority Chambers of Commerce and Industry in Australia in promoting international business activities and providing the chance to establish effective partnerships with external stakeholders.

Milgrom (1990) explicitly point out that the main roles of Chambers of Commerce in the economic activities management are (1) Establishment of standards and contract price list, common sales organizations, workers groups, Chambers of Commerce involved in the negotiations, articles in the agreements; 2) Establishment of the accreditation process and the setting of safety quality standards; (3) Establishment of the market behavioral norms, consumer complaints office, arbitration and daily negotiation system, organization of embargo, and standards of supply market selection; (4) Communication of the relevant information, supervision and implementation rules, reduction of disputes and selection of members; (5) Regional and market share segmentation, contact between buyers and sellers, membership benefit enjoying and sharing, research, patents, labor and surplus output, and functional diversification of the enterprise group allocation; (6) Formulation and implementation of the policy together with governments and the support of governments' rules and regulations.

2.4.3 Studies based on Chinese contexts

First, a number of authors explore the relationship between CoCs and governments. Zhang (1998) clearly describes the evolution of the socio-economic governance function of Chinese CoCs by studying the changes in the relationship between CoCs and governments in the historical process. Yu and Lu (2004) point out that the coordination role of CoCs substantially impacts the interaction among CoCs, governments and enterprises. CoCs cannot only undertake the industry management functions from the government but also can play the role of bridge between enterprises and governments. What is more, they also provide their member enterprises with the channels to take part in making public policies and expressing political voices. Zhang (2007) argues that there is a game-type relationship between non-governmental CoCs and governments. The power gaming between the two determines the realization of local loci-economic governance and the power game has to induce effective interaction mechanisms such as information communication, cooperation, and supervision. Yang (2016) recognizes the significance of CoCs for government governance: in the governance process, CoCs will affect the public order, and under certain conditions, their

voices can be transformed into the public order.

Second, the value and the significance of CoCs are also revealed. Qin and Cen (2003) believe that non-governmental CoCs play an indelible role in reducing transaction costs and improving resource allocation efficiency. Chen and Wei (2003) show that because, as industry-level self-regulatory organizations, CoCs represent the interests of their member enterprises in some specific industry, the governance of CoCs also provides a quasi-institutionalized and quasi organization. Chen and Ma (2007) propose five strategies for CoCs to participate in the local governments' public policy making and implementation: the administration and discussion of state affairs through the institutional channels such as the National People's Congress and the CPPCC, information consulting, interest advocacy, creation of political effect, and institution participation.

Third, some weakness of the participation of CoCs in socio-economic governance projects is further explored. Li and Wang (2005) believe that the establishment of the interaction mechanism between CoCs and governments is not enough to reflect the urgent needs of the current reality. At the same time, due to the warm relationship between CoCs and governments, the chaos and fragmentation of the two are generated and thus governments are not willing to supervise CoCs. This will hinder the formation of the better interaction mechanism between them. Chen and Ma (2007) explore that the negative effects of the governance of CoCs are largely because the non-standardized formal system. In this case, CoCs rely on the informal system (such as regional traditions & customs) excessively. Then the justice tends to be destroyed and resources are allocated in an imbalance manner among different social classes. This in turn weakens the governing function of CoCs. Jiang (2008) argues that CoCs conform to the government-civil dualism characteristics of the social organizations in China. The pursuit of the right to speak brings some benefits but it also reduces autonomy. Many management rules outside CoCs have the problems such as weak operation and ambiguity, which makes the role of CoCs in the local socio-economic governance not be played fully.

Except exploring the governance dilemma reflected in the local socio-economic governance of CoCs, the research cited above also proposed methods and means to correct it. These methods/means mainly focus on following two aspects.

On the one hand, they suggest strengthening CoCs themselves and improving the management system of governments. In terms of the former aspect, researchers believe that the non-governmental CoCs shall pay enough attention to the influence from governments,

enhance their organizational independence, enlarge their funding sources, select appreciator leaders, scientifically make their decisions making, and promote internal democratic supervision and management. As for latter aspect, the management system has to be changed so as to provide clear orientations and incentives for CoCs to behave in an expected manner.

On the other hand, they emphasize on the transformation of government functions and the legalization on the operations and management of CoCs. Governments shall further reform the administrative management system and accelerate the implementation of the market-oriented regulations. More importantly, the "Chambers of Commerce Law" (or "trade association law") shall be introduced as soon as possible to speed up the legalization of CoCs. Currently, it is necessary for governments and non-governmental CoCs to cooperate in institutionalized setting. This implies that the construction and development of laws and regulations are urgently required to effectively incentivize non-governmental CoCs or industry associations to operate in a rational, legitimate and normative manner.

2.5 The performance evaluation of CoCs

The performance evaluation of CoCs essentially is a specific organization performance evaluation whose main purpose is to provide proper information feed backs for the adjustment of organizational goals (Zhang, 1998) and the coordination of internal resource allocations within an organization (Wang, 2014). It must have important practical significance. Unfortunately, Chinese scholars have not contributed too informal in the field of the performance evaluation of CoCs (although some scholars have begun to do so). Still, there are three executive-led evaluation modes in the practice: the A-level evaluation by the Ministry of Civil Affairs, the evaluation implemented individually by the All-China Federation of Industry and Commerce, and the evaluation jointly conducted by the All-China Federation of Industry and Commerce and some government departments.

Also note that, in contrast to the comparison (as a performance measurement) between revenues and costs under market conditions, the performance evaluation outside the market lacks any objective criterion (Wolf, 1990). This makes it hard for an incentive tool based on objective performance in the governance of CoCs to play a decisive role. Thus, the internal cooperation and trust mechanisms are necessarily (Yang, 2010).

2.5.1 The A-level evaluation by the ministry of civil affairs

In August 2007, the Ministry of Civil Affairs issued the Measures for the Implementation of Evaluation of National Non-Governmental Organizations[①]. In August 2008, the Ministry of Civil Affairs first evaluated a selected set of industry associations in China. On June 23, 2009, the "National Industry Association Chambers of Commerce Evaluation Awards Meeting" was held in Beijing and at the meeting, the Ministry of Civil Affairs issued plaques to 84 national industry associations/CoCs which have obtained the evaluation of 3A or above. Since October 2008, the evaluation practice of the Ministry of Civil Affairs has been extensively applied to municipal-level industrial associations.

For the evaluation indicators, the civil affairs departments across the country, in spirit of the "Industry Association Chambers of Commerce Evaluation Indicators" of the Ministry of Civil Affairs, score the evaluation indicators with the maximum of 1,000 points. The indicators are divided into four categories: 1A, 2A, 3A, 4A, and 5A. The contents evaluated mainly include basic conditions, internal governance, job performance and social evaluation. Although there are slight differences in the distribution of indicator weights adopted by the civil affairs departments at different levels and in various regions, both the internal governance and job performance are the main concerns in the evaluation. They are distributed larger weights than other contents.

For the evaluation team, the civil affairs departments have established evaluation committees to be responsible for the organization and authorization of the evaluation. The evaluation team is mainly composed of the staff of the registration management agency, and the staff of the business regulation agency, and some professionals who are familiar with the administration of CoCs and with high social reputation (e.g., experts & scholars, certified public accountants, lawyers, & journalists).

The evaluation process includes the self-evaluation report by CoCs, evaluation team's field investigation, evaluation committee's review, media publicity, evaluation outcome, and other procedures (if necessarily). In this process, the field evaluation is key. It includes the access to information, field observations, and social investigations.

In terms of evaluation outcomes, they are categorized into five levels, namely, 1A, 2A, 3A, 4A, and 5A from the worst to the best. The civil affairs departments issue the certificate and a plaque to CoCs with a level of 3A or above. The evaluation results of CoCs are managed dynamically and the corresponding degradation and elimination mechanisms are set.

[①] The detailed information in this subsection can be founded at http://www.chinalawedu.com/falvfagui/fg22598/251362.shtml, accessed on 2019-5-20

The effective period of the Ministry of Civil Affairs is 3 years and the effective period of local civil affairs departments is generally 5 years.

In terms of the application of evaluation outcomes, they relate CoCs to the grants or awards from local government departments. Currently, local government departments have stipulated that CoCs with a level above 3A can have an advantage of priority to undertake the projects of governments' public services or the tax deductions.

2.5.2 Evaluation implemented individually by the Federation of Industry and Commerce

Most of CoCs are small or medium-sized non-government organizations and are not covered in the scope of the evaluations from the civil affairs departments. Therefore, as a supplement to the A-level evaluation by the Ministry of Civil Affairs, different associations develop different evaluation methods[1]. On the one hand, according to their own actual conditions, local associations of industry and commerce implement the evaluations about selected topics with scoring systems with a maximum of 100 points. On the other hand, associations of industry and commerce organize the relevant staffs and experts in the association system to for man evaluation committee that conducts a comprehensive evaluation via report listening, information research and real-world interviews. For example, the Federation of Industry and Commerce in Nanjing is led by the leaders with specific duties and the responsible staffs of the associations of industry and commerce at district and county levels. They establish an evacuation committee to conduct cross-group evaluations of grassroots CoCs and commend the best CoCs.

2.5.3 Evaluation jointly conducted by the Federation of Industry and Commerce and some government departments

This evaluation mode mainly includes the following two types[2].

(1) The operations of the mode of "N Departments plus the Federation of Industry and Commerce"

The Economic and Trade Bureau, the civil affairs department, the Bureau of Finance, and the Federation of Industry and Commerce jointly implement the annual performance appraisal and evaluation of CoCs. The assessment contents contain three aspects: organization,

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[1] This subsection is written based on information at .http://www.xcsgsl.com/xcsgsl/News_View.asp?NewsID=2259 , accessed on 2020-6-12

[2] For more detailed information, please refer to http://zs.jssh.org.cn/xwzx/tpxw/201908/t20190826_184332.html., accessed on 2020-6-12.

system and management. The scoring system is scaled in a 100-point manner. The assessment is held at the end of each year and it consists of three stages (i.e., self-evaluations, initial evaluations & comprehensive evaluations) with the qualitative and quantitative approaches. Specifically, initial evaluations are carried out via reading relevant management files, listening the report by the evaluated subjects, and field investigations. The outcomes of such initial evaluations shall be reported to the leading member groups which further hold a meeting to conduct comprehensive evaluations and determine what level an evaluated subject is at. Four levels (i.e., excellent, standard, basically standard & substandard) are in the evaluation system. CoCs evaluated as excellent and standard are subsidized by 50,000 RMB and 30,000 RMB. And the prizes come from the special development funds for the small and medium-sized enterprises at the municipal level.

(2) The operations of the mode of "the Federation of Industry and Commerce plus N departments"

Under this mode, the Federation of Industry and Commerce leads the work evaluation of CoCs while the relevant government departments, such as the Economic and Trade Bureau, the civil affairs departments, and the bureau of finance, support the work of evaluation. The evaluation offices are usually set in the Federation of Industry and Commerce. The evaluation at the municipal level contents include organizational structures, management system construction, management duty fulfillment, and work innovation while the evaluation contents of grassroots CoCs include formal organization construction, formal institution construction, innovative work, economic service effectiveness, local public contribution, and fund guarantee. The evaluation work is also carried out once a year and the evaluation outcomes are also scaled in a 100-point manner. And finally, four levels of awards from the first to the fourth (named as the work promotion award) are set to match the evaluation outcomes. Again, the prizes come from the special development funds for the small and medium-sized enterprises at the municipal level.

The above executive-led evaluation methods are basically debated to test how CoCs work in practice. However, some scholars have also started to explore some theoretical dimensions to measure the performance of CoCs. For example, based on the balanced score card, Xu (2009) tries to build a performance evaluation system consisting of cost and budget consideration, internal working processes, and external services when exploring how governance mechanisms of CoCs affect their operational performance. Zang et al. (2014) construct a performance evaluation system for CoCs that includes functional performance,

capability performance, financial performance and external service performance. Song (2018) suggests that the democratization dimension and the rule-formalizing dimension be included in evaluating the performance of CoCs. A final note is that given that Xu's (2009) four performance dimensions (i.e., learning & growth, cost & budget, internal process, & external services) is more concrete than those in Zang et al. (2014) and Song (2018). We will use them, with some modifications for our research purpose, as references to build our confirmative factor model to measure the NLCC performance.

2.6 Non-local chambers of commerce (NLCCs)

According to the statistics of the All-China Federation of Industry and Commerce,[①] up to the third quarter of 2017, there have been 6,799 NLCCs in China, which account for 14.8% of the total number of CoCs in the country. As for NLCCs, researchers mainly focus on their generation and development mechanisms, their administrative system, and their interactions with the central governmental and/or local governments (in the host area & in the home area).

2.6.1 The generation and development mechanisms of NLCCs

At present, most of Chinese researches on the local governance function of NLCCs take the Wenzhou Non-local Chamber of Commerce as an example to study its role and function in local governance and produce many research results. They mainly focus on the generation and development mechanism, the internal governance and the functional orientation of NLCCs.

As for the generation and development mechanism of NLCCs, it is mainly based on the two main bodies in the process of the emergence of a NLCC: the enterprises and the governments. It is emphasized that a NLCC is a well-organized interest expression mechanism (Chen, 2007) which is the result of the spontaneous demand inducement of the enterprise and the leading role of the government (Sun, 2008). At the same time, some scholars believe that the formation and rise of NLCCs is the result of selective cultivation by the government (Jiang, 2008).

With regard to the internal governance of NLCCs, Yu and Lu (2004) studies the Wenzhou Chamber of Commerce from the perspectives of organizational form, personnel management, articles of association and decision-making mode, the internal incentive and supervision mechanism. It is found that the incentive approaches include material incentive,

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[①] https://baijiahao.baidu.com/s?id=1606929755300195556&wfr=spider&for=pc, accessed on 2020-6-12.

unity incentive, purpose incentive and selective incentive and the supervision mechanism shows the characteristics of self-discipline, which is a combination of institutionalization and moral drives (Chen & Ma, 2003).

The functional orientation of a NLCC in different places is mainly concerned with the following four aspects: the role of the NLCC in making up for government failure, the ability to reduce transaction costs and improve the efficiency of resource allocation (Qin & Cen, 2003), the ability of interest representation, interest aggregation and interest expression (Chen, 2003), and the ability to integrate political expression, economic governance, social governance, and cultural communication (Li, 2012). This implies the bridge role of a NLCC in coordinating the socio-economic development between the host and the home governments.

Based on the summary of Li (2008), the research on the generation and development mechanisms of NLCCs mainly includes the following four aspects.

First, a group of authors employ the so-called institutional change theory to analyze the generation and development mechanisms of NLCCs. This line of analyses, with some specific cases, emphasizes the role of the interactions between enterprises and local governments (in the host area & in the home area) in the generation and development process of NLCCs. The main point is that NLCCs are generated by and their development is driven by the interaction between the voluntary demand of enterprises and the institutional transformation of governmental service providers, and this interaction can help the two to reach a win-win situation.

Second, the analyses based on the political process view propose that local governments' guidance and supports make the member enterprises of a NLCC obtain their financial profits and these profits in turns help local governments to achieving their economic goals (e.g., growth & stability).

Third, the analyses from the perspective of civil society emphasize the roles of local governments in promoting the development of private sectors in both the host area and the home area. This implies that the rise of NLCCs is the result of matching the development between the host and the home governments. That is, due to some special role of NLCCs in the socio-economic development in both the host area and home area, they attract the supports of both the host and the home governments.

Fourth, from the perspective of legitimacy, researchers recognize the importance of social legitimacy, administrative legitimacy, acquisition of political legitimacy to justify the

existence of NLCCs and their administrative ability.

2.6.2 Administrative management system for NLCCs

The Chinese government adopts a system of "registration at the province level, one chamber of commerce set in one province and dual management" to manage NLCCs. As for this management system, researchers have two different perspectives.

On the one hand, the supporters believe that the dual management system plays a positive role in governing social interaction processes. For example, Chen (2002) believes that the implementation of the current dual management system is pragmatic in the adjustment of China's state-society relation. Sun (2001) argues that the dual management system of Chinese civic organizations is a reasonable choice to resolve social conflicts, due to the improper structured management, unreasonable resource allocations, and field/region diversities.

On the other hand, the opponents argue that the current dual management system hinders the development of CoCs thus drastic reforms are necessarily. For instance, Wang (2007) insists that CoCs themselves have non-governmental properties and the dual management system, instead, artificially makes an opposite relationship between the private and the public sectors. Jiang (2009) claims that the system of "registration at the province level, one chamber of commerce set in one province and dual management" restricts the sustainable development of the whole society and thus it is necessary to innovate the management system for NLCCs.

In order to better realize the functions of NLCCs, scholars have called for the strategy-based research on how to improve the ability of NLCCs to create diversified governance mechanism. The central tradeoff is between strengthening NLCCs' self-construction (i.e., the establishment and the management of NLCCs are mainly based on the NLCCs themselves) and optimizing the government's policy supply.

In terms of strengthening the self-construction of NLCCs, it is emphasized that the role of governments' direct management must be weakened, and the independence of the organization consciousness, the source of funds ，the selection ，and appointment of leaders should be enhanced. The constitution of a NLCC should be viewed as the fundamental guidance, and democratic election, decision-making, supervision, and management should be carried out effectively (Yu, 2006). Yu and Huang (2008) stress that a NLCC should collect sufficient financial resources from its members, improve the quality of serving its members, enhance its cross-CoC competency and maintain a good relationship with governments.

In terms of optimizing the policy supply of the government, we should focus on improving the management system of NLCCs and promote and standardize the development of NLCCs. We need also redefine NLCCs, abolish the principle of "register in the province" and the provisions of "unit member", encourage NLCCs to register and establish in civil affairs departments at all levels, promote the legalization of "one place, many meetings", and eliminate political incentives. We should further encourage the chamber of Commerce to unite or set up branches to expand the scale and representativeness of the chamber of Commerce, clarify the functional boundary of NLCCs, and strengthen performance evaluation (Wu & Dong, 2009).

2.6.3 Interconnections between NLCCs and local governments (host and home)

Although the nature of NLCCs intuitively implies that NLCCs inevitably interact with local governments (host & home), the related research is rare. Huang (2008) points out that the activities of NLCCs inevitably are involved in both a formal network with officially-recognized rules and an informal network outside the official system. The former allows economic, administrative, and even political methods to govern activities within the system while the latter depends on interpersonal relationships, public opinion making and information exchanges. So, Huang (2008) suggests a strategy change from the current single mode to the network mode. Wang (2010) points out that the rapid development of NLCCs is closely related to the supports of local governments and this relation usually has some profit-seeking motivation. Therefore, she recommends that according to the state of socio-economic development, NLCCs should actively play the role of local social management, maintain social justice, and promote orderly market competition so that a government-corporate interest community is formed.

In summary, the non-local nature of NLCCs implies that on the one hand, they have to face the different regulations between the host and the home governments, and on the other hand, they are entitled an opportunity to promote the socio-economic coordination between these two governments. Although the administrative system of "registration at the province level, one chamber of commerce set in one province and dual management" may bring inconsistent administrative regulations of the host and the home governments, a NLCC have potential to achieve a three-win outcome for the host government, the home government and the NLCC (& its member enterprises) as long as the NLCC figures out the complementarity due to the resource and policy differences between the host and the home areas.

2.7 Chapter summary

The literature review shows that scholars, from political, economic and social perspectives, generally define the nature of CoCs (as non-profit organizations), explore the development of CoCs, and point out the coordination role among governments, the market and the enterprises (the public). Governance mechanisms for general non-profit organizations and for CoCs (as a mutually beneficial non-profit organization) are studied, respectively. Accordingly, the weakness of the governance of CoCs are pointed out. Further, the authors (e.g., Huang, 2008) investigate the generation and development mechanisms, the administrative management system of CoCs (including NLCCs) and specially analyze the interaction mechanism between NLCCs and local governments (host & home). In addition, scholars (e.g., Zhang et al., 2014) identify and discuss some typical governance mechanisms (or operational frameworks) of CoCs (more broadly, non-profit organizations). Finally, the performance evaluation practice of CoCs is also discussed. However, the current research still has several weaknesses.

First, the operations of the governance mechanism of CoCs are studied in a very specific case-dependent manner. Thus, it does not provide a logically consistent framework to theorize the governance of CoCs. Further, from a perspective of empirical studies, the measurement problem related to both the success of governance mechanisms and the performance of CoCs remains unsolved. Some scholars think that the method to analyze for-profit organizations can be (with some additional consecrations) applied to the case of CoCs. But other researchers suspect due to the non-profit organization nature of CoCs. In addition, in China, the administrative departments in charge of CoCs are often difficult to be determined (the Ministry of Civil Affairs, or the All-China Federation of Industry and Commerce). This leads to different policy (evaluation) requirements that make the dimension of the performance and measurement methods quite random. Therefore, in order to study the relationship between the success of the governance and the performance of CoCs, the first issue is to determine the dimensions to describe the success of the governance and the performance of CoCs. That is, it is necessary to answer our research questions (1) and (2) to identify the dimensions of the success of the governance and the performance of CoCs.

More specifically, on the one hand, the combination of the theoretical perspectives of governance and the specific nature of CoCs in the literature review indicates that there are diverse means to govern CoCs so as to realize different functions. This implies that the

success of CoC governance is multidimensional. We will capture this multidimensionality with a confirmatory factor model in Chapters 4 and 5 to answer our research question (1). On the other hand, an evaluation of a COC's performance should consider the satisfaction of its members, the operational efficiency of management procedures, the growth, and the socio-economic coordination role. Thus, we need to measure a CoC's performance in a multidimensional manner. Therefore, another confirmatory factor model will be employed to address the multidimensionality of CoC performance measurement in Chapter 4 and 5. Then we answer our research question (2) with this model.

Second, the literature review shows that the non-local nature of NLCCs is the basic feature that make NLCCs are different from general CoCs (especially the local CoCs). However, the literature review also shows that due to the non-local nature, the practical and theoretical characteristics of NLCCs are hardly fully analyzed. In fact, the literature just conceptually discusses NLCC-related topics. More importantly, this non-local nature has hardly been incorporated into the analytical framework of governance. Therefore, from a point of micro view, in order to study the relationship between the success of the governance mechanism of a NLCC and the corresponding performance outcomes, it is necessary to capture this non-local nature as a dimension to measure the success of the governance mechanism and a dimension to measure the performance. In fact, we will demonstrate in Chapter 3 that the cross-regional socio-economic coordination can be used to capture such a non-local nature. That is, the cross-regional socio-economic coordination should be viewed as a performance dimension when measuring a NLCC's performance.

Third, the existing literature mainly discusses the governance mechanism (& its operations) and the performance evaluation of NLCCs in a separate manner even if Xu (2009) and Zang et al. (2014) take these two aspects together. But these isolated studies cannot answer the question of what the relationship between the two is. Intuitively, different governance mechanisms often result in different performance of CoCs. Therefore, from a perspective of management practice, the answer to the question will provide NLCC managers with some decision-making suggestions on how to improve the performance of a NLCC through improving its governance. From an academic perspective, the answer to this question provides an alternative analytical governance-based framework to understand the operations of non-profit organizations including NLCCs. We thus raise our research question (3) and quantitatively answer it with a Structural Equation Model in Chapter 4 and 5.

Focusing on these shortcomings, this thesis, on the basis of the author's management

practice of the Fujian Chamber of Commerce in Sichuan Province, tries to abstract typical measurement dimensions (including the cross-regional socio-economic coordination that is used to represent the non-local nature of NLCCs) of the success of the governance mechanism and the performance of NLCCs, build and test the corresponding Structural Equation Model, and empirically reveal the impact of the success of the governance on the performance of NLCCs.

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Chapter 3: Cross-Regional Socio-economic Coordination of NLCCs

Different from a general CoC, a NLCC usually operates in its host area and its home area simultaneously. Thus, theoretically, the nature of the "third sector" of a NLCC requires that its two-area operations allow it spontaneously to build a bridge for the interactions between the host and home governments, between the (private) enterprises in the host and home areas, and more broadly between the public in the host and home areas. Thus, this bridge can help to promote the socio-economic coordination in these two areas. Based on this intuition, the purpose of this chapter is to support our theoretical judgment that NLCCs have an important cross-regional socioeconomic coordination role with some practical observations of the operations of NLCCs in China.

3.1 Characteristics in the development of China's NLCCs and their advantages in promoting the cross-regional socioeconomic coordination

3.1.1 Characteristics in the development characteristics of China's NLCCs

(1) Basic characteristics in the development of China's NLCCs over the country

In China, the Reform and Opening up policy promoted the flourishing development of NLCCs (& even general CoCs). First, in the process of the establishment of the socialist market economic system, the political and economic status of the non-public economy has been determined. The development of private enterprises in certain regions/provinces sped the development of CoCs. Second, with the cross-regional expansion of business activities, since enterprises in a home area need to collaborate with each other in some host area, they have strong motivations to establish CoCs in the host area. Third, under the administrative management system of "one enterprise, one area, one chambers of commerce" and "double management" established in the Regulations on the Social Organizations Registration (for trial implementation, 1998)[①], enterprises in a home area can register a chamber of commerce at each provincial level. Finally, with the spread of the economic activities from the eastern coastal areas to the western inland areas, especially with the promotion of the China Western

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① http://www.mca.gov.cn/article/gk/fg/shzzgl/201812/20181200013490.shtml, accessed on 2020-6-12.

Development, CoCs in the eastern coastal areas established their corresponding NLCCs in the western inland areas (host area) which are active in the social, political, economic and cultural fields between its home area and its host area.

As shown in the development history of China's NLCCs, although NLCCs currently operate under the "top-down" administrative management system suggested the "one enterprise, one area, one chamber of commerce" and the "double management" regulations, they encourage the "bottom-up" exchange and communication between the members(enterprises) of CoCs and the relevant government administrations (Wang, 2014). Therefore, despite many shortcomings which restrain the development of (non-local) CoCs, (non-local) CoCs play actually the role of the "third sector" quite well.

Further, the "one enterprise, one area, one chamber of commerce" and the "double management" regulations allow NLCCs and CoCs to be registered correspondingly by their home-area and their host-area administrative departments. Note that the members of NLCCs and the corresponding CoCs registered in the home area usually are the same. They can express the same appeals to both the home-areas and the host-area governments. This provides a natural foundation for the home-areas and the host-area governments (or the administrative management departments) to directly coordinate their socioeconomic policies. In addition, the "one enterprise, one area, one chamber of commerce" and the "double management" regulations also define a correspondence between the range of activities of the (non-local) CoCs and the administrative jurisdiction level. This helps to break the usual administrative-level restrictions in the Congressional socioeconomic (policy) coordination (in China, intergovernmental communication procedures, processes, contents, and etiquette usually rely on the administrative level of both parties) (Liu, 2017; Wang & Xie, 2018; Jian, 2019).

(2) Characteristics in the development of NLCCs in the western inland (underdeveloped) areas

The development of NLCCs in the western inland (underdeveloped) areas is not only related to the comparative advantage of the eastern coastal areas thanks to the local economic conditions (such as resource endowments, geopolitical characteristics & labor costs), but also is related to the national economy development strategies and policies (such as the China Western Development). With the double incentives of the market-oriented comparative advantage and government (policy) guidance, NLCCs in the western inland areas developed fast but still lag behind the national average level (especially in the eastern coastal areas).

More specifically, the development status of NLCCs in the western inland areas has the following characteristics.

1) The number of NLCCs in the western inland areas (provinces) is closely linked to the socio-economic development of these areas (provinces). For the areas (such as Chongqing and Sichuan) with relative better socioeconomic development status, businesses in production, circulation and service are more active, the public's market awareness is stronger, and the government manages NLCCs relatively loosely. These conditions make CoCs in the eastern coastal provinces more willing to establish and operate their NLCCs there. Thus, the number of NLCCs in these areas (with a home in the eastern coastal areas) is much larger. On the contrary, for areas (such as Tibet & Xinjiang) with relatively poor socioeconomic development, the number of NLCCs is relatively small (Wei, 2015).

2) Another interesting phenomenon is that the number of CoCs in the western inlands that establish and operate their NLCCs in the eastern coastal areas also has a positive correlation with the corresponding socio-economic development. This reflects that the motivation to establish and operate the NLCCs (usually, in the eastern coastal areas) of CoCs in the areas with better socioeconomic development is stronger than that of CoCs in the areas with poor socioeconomic conditions (Hou, 2018). An intuition reason is that the enterprises (especially private enterprises) and their established CoCs in areas with better social-economic development to expand outwards.

3) Most NLCCs in the western inland areas have their home CoCs in the eastern coastal areas (such as Zhejiang, Fujian, Guangdong, Jiangsu, & Heshan). In contrast, the number of NLCCs with home CoCs in the western inland areas is very small. One possible reason for this phenomenon is that the provinces in the western inland areas are more homogeneous in terms of social, economic, and cultural aspects. Then comparative advantages between them are not obvious, making home CoCs and their members lack the motivation to establish and operate the corresponding NLCCs.

The analysis of the characteristics of the development of NLCCs at both the national level and at the regional level (western inland regions/areas) suggests that the cross-regional socio-economic coordination of NLCCs can be described as helping governments in the western inland areas to learn market-oriented management experience from governments in the eastern coastal areas (at the macro-management level), promoting the matching between the resources in the western inland areas and the market demand in the eastern coastal areas (at the economic level), and enhancing the public's understanding of the business operation

logic in market economy (at the society level).

3.1.2 Advantages of NLCCs in promoting cross-regional socio-economic coordination

Under the background of China's socialist market economy and the administrative (management) orientations by relevant government departments, NLCCs have the following obvious advantages in coordinating cross-regional socioeconomic operations.

1) Advantage of innovation

NLCCs are mainly established by the enterprise members spontaneously in the home area (in the eastern coastal areas) and are operated in the host area (the western inland areas).They accumulate rich management experiences, innovative consciousness and advanced technologies in the operations in the home areas (usually the eastern coastal areas) and can bring new ideas, new technologies and new management methods from the home area to the host area. This is clearly helpful to improve the average technological level and innovation consciousness, and management capacities in the host area (Yang & Jin, 2011). Compared to government-directed capital attraction via technological investment, the diffusion of technologies and experiences induced by NLCC's spontaneous behaviors can promote better the suitability of technologies, systems, and ideas in the host area. More importantly, this diffuseness can also induce governments in the host area to better innovate their institutions to manage market economy in a bottom-up manner.

2) Advantage of close connection with the grassroots

The member enterprises of NLCCs operating in both their home areas and their host areas play an important role in maintaining market order, providing social services, and meeting social needs. Different from governments' administrative departments, enterprise members under the governance of a NLCC contribute much to innovating social and economic governance mechanisms through self-discipline and self-service. These mechanisms, due to their broad and direct social foundations, can achieve a higher level of social mobilization and self-discipline (relative to the government).

3) Advantage of flexibility

NLCCs have stronger flexibility and adaptability due to their organizational structures and operational modes. It is easy for them to adjust their behaviors timely according to different situations. Particularly, in the case of dealing with highly risky issues, as there are no government-like administrative procedure constraint and fixed thinking mode for administrative decision making, NLCCs can flexibly organize (part of) CoC members,

according to their resource endowments and risk-bearing abilities, to complete the corresponding work.

4) Efficiency advantage

Thanks to their business thinking, the operations of NLCCs are similar to those of private enterprises. They respond to the incentives from market and social needs flexibly and make the efficient decision by trading off between revenues and costs (although the trade-offs are not profit-driven). At the same time, the corporate thinking makes decisions be effectively implemented and decreases efficiency losses in decision implementation.

In conclusion, NLCCs operate directly in the market. Compared to governments, they have obvious advantages in innovation, connection with the grassroots, flexibility, and efficiency. All these advantages support them to play their "third-sector" role. However, NLCCs are often limited by their idea of local interests of their member enterprises and lack an overall vision. Therefore, for these decisions about the totality and the globalization of the socio-economic development, the role of the government is indispensable in China.

3.2 The cross-regional socio-economic coordination role of NLCCs

As a NLCC is a kind of mutually beneficial non-profit organizations, its non-local nature makes it have its non-negligible roles in cross-regional (especially, between the home area & host area) socio-economic coordination. This coordination is mainly related to cross-regional socio-economic behaviors, resource allocations, and economic management policies.

3.2.1 The role of regional economic coordination of NLCCs

Market and government are the most important basic mechanisms for developing the regional economies. The former focuses on providing incentives of economic activities for economic entities (enterprises & consumers) with private interests through prices while the latter emphasizes to achieve public interests though public policies. However, the flourish of non-profit organizations and/or non-government sectors suggests that this kind of dichotomy between the public and private sectors is increasingly unable to clearly describe socio-economic practices, which in turn shows that lots of social and economic activities require the coordination from a "third sector". Relative to other types of non-profit organizations and/or non-government sectors (whose targets are usually social or public), the members of CoCs are often mainly the commercial enterprises whose objectives are maximize their economic interests (profits). So, the goal of a CoC is to serve the common

profit-pursuing interests of member enterprises. This makes CoCs have the unique advantages in economic behavior coordination (Yuan & Chen, 2013, 2015).

As for general CoCs, these advantages are reflected in the following aspects. Firstly, a CoC can induce their member enterprises to realize efficient resource allocations within a region through the incentive of the market mechanism. Secondly, a CoC can boost competitiveness of their member enterprises through methods such as containing excessive commercial disputes, implementing informal arbitration on disputes, providing legal services, and coordinating the relationship between the local government and its member enterprises. This tends to improve the comprehensive competitiveness of the region. Thirdly, based on the incentives of the market mechanism, a CoC can promote and coordinate the orderly flow of factors and talents under the goal of common commercial interests to achieve efficiency and orderly co-optional in the spatial and temporal dimensions of economic activities in the region (Jin, 2015).

More specifically, as a civil autonomous organization with the majority of its member enterprises operating in the host area and home area simultaneously, a NLCC naturally is closely connected to the socio-economic subjects (such as governments, enterprises, consumers and (more broadly) the public) in the host area and home area (Li, 2015). Because of this non-local nature, a NLCC can better play across-regional economic bridge role between the host area ，home area，and this role is mainly reflected in the following five aspects.

First, compared with other social organizations, a NLCC on geographic basis can build the platform for its member enterprises to cooperate more effectively. The mutually beneficial governance mechanism of the private economy, advantage of resource concentration and the social capital corresponding to the organizational network help to expand cooperation among members of the NLCC to other economic agents and further promote to realize the broad resource complement and information sharing between the host area and home area. Therefore, this platform of cooperation on resources, information and social capital can help enterprises to realize comprehensive and in-depth regional economic cooperation's between the host area and home area at the level of strategic decision-making and operational practice.

Second, as a self-organizing economic organization, a NLCC can break inter-regional institutional barriers and promote business idea exchanges through real economic activities across regions (provinces), which helps to reduce transaction costs caused by inefficient negotiations and regulatory systems on cross-regional socio-economic coordination and also

helps to reduce the possibility of blind competition. Therefore, the win-win result in the development of the regional economy in the host area and home area is expected to be achieved.

Third, in China, the level of economic development in the eastern coastal areas is significantly higher than that in the western under-developed inland areas. Under the guidance of government policies such as the China Western Development, NLCC in the eastern coastal areas and western inland areas actively respond to the government's call and actively invest in the western inland areas, which promotes the upgrading of the economic structure of the western inland areas and especially the transformation from the extensive use of resources to intensive development and utilization, and then objectively advances the business philosophy and market rules in the western inland areas.

Fourth, NLCCs in the "third sector" have established a communication platform between their member enterprises and relevant government departments. These member enterprises can informally and truthfully express their business demands to relevant government departments through the NLCC channel to avoid unnecessary misunderstandings (or even conflicts) of using formal channels to express. Therefore, NLCCs can help to alleviate business troubles of both the member enterprises and relevant government departments, thereby reducing the corresponding coordination costs, and establishing a trust relationship between them. Further, this kind of trust relationship is also conducive to the economic policy coordination (through NLCCs & their members) between host-area and home-area governments since it helps government to reach a consistent understanding of the purpose of some specific economic activities (for example, the investment activities of home enterprises to the host area may worry the government about the capital outflows).

Fifth, based on the trust relationship between governments and NLCCs (& their members), the governments in the host area and in the home area usually trust more the business information and policy advice provided by NLCCs (& their members) when they develop their economic policies. Therefore, on the one hand, the blindness of the government's economic policies can be overcome and on the other hand, the coordination of economic policies between the host area and home area can be based on the consistency of the appeals of NLCCs. These highly targeted and cross-regional coordinated economic policies are the vital foundations for the win-win result that both regional economies in the home area and in the host grow in a healthy manner.

To summarize, the economic operations with the participation of NLCCs help to achieve

resource complementarity, information exchange, and economic policy coordination between the enterprises, NLCCs and governments in the host area and in the home area. And then the cross-regional socio-economic coordination is realized. In China, this coordination is mainly reflected in the spread of economic development from the eastern coastal areas to the western inland areas. In this process, the resources, information, talents, and technologies, with the help of NLCCs, have been flowed orderly. This coordinates socio-economic behaviors between the east and the west.

3.2.2 Undertaking some economic management functions of governments

In the traditional government and market dichotomy, the basic function of a government is to implement its economic management function to overcome market failures, but the government may fail. Under such background, CoCs in the "third sector" provide a way to complement government failures and market failures. That is, the management of member enterprises by CoCs can objectively reduce the extent and the scope of market failures. Thanks to the self-organizing nature of CoCs, they know more about the market information, are more familiar with market operations, and understand more clearly business rules (especially, business practices in specific situations, informal processing procedures caused by specific commercial disputes, & the behavioral preferences of specific business entities) in the market economy. So, their management systems and rules (for members) can better satisfy the incentive compatibility conditions, which in turn make the systems and rule be easily implemented. It means that CoCs can undertake and better undertake some of governments' economic management functions to mitigate market failures, especially when governments lack specific market information (Yu, 2018).

By applying this logic to NLCCs, we find that NLCCs can undertake the economic management functions of governments in the host area and in the home area.

(1) Assisting the host-area and the home governments to manage "new" enterprises

As the members of NLCCs are featured by non-local operations, the business network constructed by their business activities has strong information-acquisition capabilities. This network can easily obtain the operating history, business reputation and typical business practices of a new entrant that conduct businesses in the host area and/iron the home area. However, this information cannot be easily known by governments. The lack of information makes governments difficult to choose appropriate strategies to manage such a new entrant (Xue & Ma, 2017). At this time, if the governments consult with related NLCCs, the

information-lacking problem can be resolved. Of course, as the intermediaries, CoCs can help governments to explain relevant policy objectives and operational implications to promote the understanding of those new entrants, achieve the effective communication and enhance the trust between new entrants and governments.

(2) Filling supervision and regulation gaps of governments

No market supervision and regulation from governments are complete. There must be some supervisory/regulatory gaps. The self-governance function of CoCs (including NLCCs) is an important complement to fill these gaps. To maintain and strengthen their legitimacy, CoCs have to regulate and publish their members' wrong behaviors according the collective common interests by means of internal notification, member condemnation, forced exit of the CoC organization (Wu, 2019).Thus this self-governance ensures that CoC members abide by business ethics, business conventions and industrial norms on the basis of compliance with laws and regulations. Specially, when there exists a huge difference between the business practices in the host area and in the home area, the self-governance function of NLCCs is more effective because NLCCs can more easily address such a difference to achieve consistent behavioral standards.

Firstly, on the basis of laws and regulations, NLCCs can efficiently figure out business dispute settlement mechanism via collective procedures with the rule of consensus or majority voting.

In practice, the formal legal treatment of business disputes makes the two parties tend to not cooperate with each other for a long time. However, this voluntary settlement method offered by NLCCs can almost alleviate the motivation to conflict for all parties in dispute because the reputation or the "mianzi" of the parties can be maintained in a friendly atmosphere.[1] They thus are willing to cooperate with each other in the long run. Therefore, not only can the business dispute settlement mechanism offered by NLCCs achieve the result of resolving conflicts and maintaining long-term cooperation willingness, but also save the judicial resources for governments.

Secondly, providing useful intermediary assistance for governments' cross-regional economic promotion and enterprise protection.

The emergence and the development of CoCs (including NLCCs) are based on the services provided to their members (enterprises/firms). In China, traditionally, cross-regional

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[1] In China, "mainzi" can be understood as a kind of prestige that has a strong social and psychological pressure for a person's decision-making.

economic and business promotions are organized mainly by governments. They organize the enterprise teams from parts of the country (or even overseas) and introduce their business cooperation opportunities and economic policies (Wu, 2011). In this case, thanks to their professional understanding of business opportunities and the common interests of their member enterprises, NLCCs can do this promotion more efficiently and protect the member enterprises effectively in the event that the member enterprises receive some unfair treatments. Specifically, NLCCs can carry out the following four types of work. The first is to cooperate in market development. The second is share cross-regional market information. Thirdly, as the non-governmental organizations, NLCCs are conducive to avoiding trade disputes corresponding to government actions (such as non-market economy status under the World Trade Organization (WTO) regulations) and promote cross-regional (national) business cooperation in a non-governmental manner. The fourth is to provide legal protection. For example, in the case of lawsuits about trade disputes, NLCCs can help their member enterprises by implementing the anti-dumping measures, providing statistical evidences at an industrial level, and establishing early warning mechanisms.

3.3 The Cross-regional social coordination role of NLCCs

In addition to the cross-regional economic coordination, as a third-sector organization, a NLCC usually plays its cross-regional social coordination role in a wider social scope via their business operations. In the modern social system, the social coordination role implied by the self-governance of CoCs (including NLCCs) cannot be ignored. In particular, it substantially impacts the social consciousness, because the self-organizing behavior of CoCs has a clear orientation of business interests or profits and then significantly affects the public's ideological or moral judgement on commercial interest itself.

First, in China, under the guidance (management) of governments' administrative departments, NLCCs can more accurately understand the intentions, goals and action plans of public management of governments in the host area and in the home area and thus can enhancing the socialization of governments public management. Therefore, they can consciously transfer such public management intentions and goals of the home-area and the host-area governments to the corresponding stakeholders involved in the cross-regional business operations of NLCCs and their members. Then the public's misunderstanding is reduced, and the public management goals can be more effectively achieved. Although this process is "top-down", in general, it helps to form the consensus expectation of social

behaviors. Furthermore, as the commercial behaviors of NLCCs and their members are consistent with the government's public management goals, these goals are understood and supported by the public (especially stakeholders involved in direct commercial relationships with NLCC members). This helps the public form the perception on whether the commercial interests obtained by NLCCs and their members are reasonable. For example, in China, for the perception of the question of under what conditions and to what extent commercial interests are reasonable, a government's public management policy can usually be used as a relatively direct reference. This perception can be gradually strengthened during the operations of NLCCs and their member enterprises. Further, it can on the one hand reduce the possibilities of the conflicts among NLCCs, their member enterprises, and the corresponding stakeholders. On the other hand, it improves the market economic consciousness of the entire public and makes the socialization of governments' public management much easier.

Second, because the business operations of NLCCs and their members are connected with the public, they can more accurately master the dynamics of the public's needs and further influence the objective formulation and the institutional arrangements of governments' public management through the communication with the relation government departments. This helps to realize "bottom-up" institutional innovations in the public management process. In order to seek better business opportunities, NLCCs and their member enterprises must go deeply into the society to understand the needs of the public in their cross-regional operations. For these needs, NLCCs and their member enterprises (& other non-member enterprises) can meet only part of the needs through product/service innovation. As for the other part of unsatisfied needs (due to too high cost or because the pubic involved is too extensive), NLCCs can truthfully report to the relevant government departments and trigger the relevant policy development process to address those unsatisfied needs through the provision of public goods, policy resource re-allocations or other policy supports. What is particularly noteworthy to note is that the needs for some public management policies or public goods themselves have different characteristics in different areas. The cross-regional operations of NLCCs and their member enterprises can capture these characteristics better and thus can help the home-area and the host-area governments to identify this difference. This further allows governments to make tailored public management policies in specific situation. In fact, in public management policy communications between local governments in China, a local government (usually in some underdeveloped area) tends to habitually "clone" the "good" policies of another government (usually in developed area), leading to the problem of policy

in adaptability.

Third, the operations of NLCCs (& their member enterprises) actually promote the flows of talents and the cultural communication between the host area and the home area. Each place has its own way of supporting its own inhabitants. So, the important challenge of the non-local nature of NLCCs is the cultural difference between the host area and the home area. But driven by commercial interests, NLCCs (& the member enterprises) understand, explain and disseminate the cultures in the host area and in the home area in an informal way at any step in doing their businesses. This naturally facilitates cultural communication. Of course, NLCCs can also promote cultural communication between the host area and the home area by the formal methods such as cultural exhibitions, non-local investigations and business environment explanations and so on.

It should be pointed out that in China, even though the cross-regional social coordination of NLCCs has huge potential, the role has not yet been satisfactorily played. The reasons are mainly as follows. First of all, NLCCs and their member enterprises focus excessively on the common business interests and lack sufficient initiatives for cross-regional social coordination. Secondly, they understand cross-regional social coordination in a too narrow way. For example, some NLCCs simply understand it as public welfare activities such as charity, poverty alleviation or social assistance. Thirdly, they lack long-run strategic considerations for cross-regional social coordination. For example, some NLCC just temporarily seek solutions to problems only when these problems occur. Fourthly, they lack the general view of the business environment. Most of NLCC tend to interact with interest-related government departments and business partners with direct business contacts, but rarely actively set up the appropriate communication channels with the general public in the home area and/or in the host area. Fifthly, the operations of NLCCs depend mainly on their local cultural basis of social coordination. For example, some NLCCs in fact are the meeting club for the enterprises from their home area and thus are just closed bases of their home culture rather than open platforms for communications of different cultures.

In summary, the cross-regional social coordination of NLCCs is three-fold: the "top-down" policy transmission in the process of public management socialization, the "bottom-up" decision support for governments' policy innovation, and the promotion of cultural exchange between the host area and the home area. At the same time, due to many reasons revealed in the operational practices in China, the role of social coordination of NLCCs is not satisfactory played but the potential is huge.

3.4 Overview of the development of the Fujian Chamber of Commerce in Sichuan Province and its role-play in the host area (Sichuan)[①]

3.4.1 Overview of the non-local development of the Fujian Chamber of Commerce

With the joint efforts of the Federations of Industry and Commerce and CoCs at all levels in Fujian Province, the network structure of CoCs whose homes are in Fujian (hereinafter referred to as Chambers of Commerce in Fujian Province) has been gradually formed in China and the influence become more and more significant. CoCs in Fujian Province are becoming important platforms to enhance the businessman spirit in Fujian and promote the business cooperation. Up to the end of 2018, there were 802 CoCs operating all over the country. More specifically, the number of the provincial-level NLCCs outside Fujian province was 34, of which 31 (or, 90%) of them were registered by civil affairs departments. In addition, 75 NLCCs were registered at the municipal level. In general, the development of NLCCs in Fujian province has gone through two major stages[②].

(1) Stage of spontaneous establishment and initial development

From the 1980s to the beginning of this century, people who were born in Fujian Province and ran businesses outside spontaneously established associations to strengthen their hometown-related feelings and relationships. At the early stage of the development, the role of these private-economy associations was relatively limited, and the basic business was to cultivate and develop members. The principle of establishment and operations at this stage was "Voluntarism, personnel self-determination, self-finance, and meeting independence." [③] According to this principle, the enterprises set up in Fujian had strong motivation to gather together in the form of CoCs to operate in the host area (province, municipalities and autonomous regions outside Fujian) since they were faced with serious local protectionism. At this stage, such NLCCs were featured by fewer members, weak management, and a small number of staffs.

(2) Rapid development stage in the past 20 years

In 2004, the Fujian Federation of Commerce and Industry invited a large number of businessmen from domestic and foreign countries (including more than 400 businessmen born

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[①] This subsection is written according to the author's management practice and the records of the Fujian Chamber of Commerce in Sichuan Province.
[②] http://www.fjgsl.org.cn/, accessed on.2020-6-12.
[③] http://www.fjgsl.org.cn/, accessed on.2020-6-12.

in Fujian & operating overseas businesses) and held the first world-class NLCC meeting. This meeting was paid high attention by the Fujian Provincial Party Committee and the provincial government. In this stage, according to the deployment of the Fujian Provincial Party Committee and the provincial government, the Fujian Federation of Commerce and Industry was responsible for promoting the establishment and the operations of the Fujian Chamber of Commerce and guiding its healthy and orderly development. Thus, the activities of NLCCs were officially managed. Further, conditional on the development of NLCCs and their increasingly enhanced influence in the host area, the Fujian Federation of Commerce and Industry now actively promote the "returning project" for the member enterprises of these NLCCs so as to re-strengthen socio-economic connections between Fujian (the home area) and other provinces or overseas regions (the host area).

3.4.2 The role-play of Fujian NLCCs in the host area

(1) Fujian NLCCs have become the "booster" to serve members and exhibit the "Fujian brand".

Fujian NLCCs adhere to the principle of serving their members. Especially, under the pressure of economic downturn, they worked harder and harder to serving the member via, for example, strengthening legal right protection, extending fund-raising channels, and jointly improving the influence of the "Fujian brand". For example, there are six special committees established by the Fujian Chamber of Commerce in Shanxi Province. With the work of these committees, the membership in this NLCC is expanded, the members' rights have been fully guaranteed, and the direct economic losses have reduced by more than 40 million yuan. For another example, the Fujian Chamber of Commerce in Shanghai helps the member enterprises to actively expand their overseas markets and achieves great influence via integrating resources from Shanghai and Fujian on the Free Trade Zone platform. In these practices, the reputation of the "Fujian brand" have been substantially improved.

(2) Fujian NLCCs have become the "investment attraction accelerator" of host governments.

Fujian NLCCs actively participate in the cooperation between their member enterprises and host-area governments and provide a strong support to satisfy the financing needs in the host area. In recent years, with the policy support from the host-area Party Committee and government, Fujian NLCCs have invested lots of funds in the economic construction of the host area and have been viewed as the "investment attraction accelerator". For example, in

Beijing alone, the Fujian Chamber of Commerce in Beijing have 16,500 member enterprises and there are more than 20 of them with an annual output valued more than 650 billion yuan an annual tax payment beyond 2 billion yuan, and providing about 350,000 jobs. In addition, the Fujian Chamber of Commerce in Tianjin have won the honorary title of "Domestic Investment Promotion Special Award" and "Two-way Service Advanced Unit" for 9 consecutive years.

(3) Fujian NLCCs have become the "thruster" in charitable contributions and the harmonious society construction

Fujian NLCCs advocate the concept of "for the area, love the area and construct the area", actively contribute to the public welfare improvement in both the host area and the home area, and actively participate in the construction of the (local) harmonious society. In order to realize such a concept, they guide the members to enhance "four types of confidence", implement corporate social responsibility, and establish harmonious corporate cultures. Besides, Fujian NLCCs also organize their members to participate in a series of social activities such as "Shangshang Guangcai Student Assistance", "Guangcai Pink Ribbon", "Guangcai Business: Liancheng Branch, Su District Branch and Nanjiang Branch".

(4) Fujian NLCCs have become the "linker" of Cross-regional collaboration.

In the past 40 years, Fujian NLCCs took the coastal advantages of information, capital and market experience to strongly support the social and economic development in the inland host areas. At the same time, they also brought back helpful input resources to Fujian. In such a cross-regional socioeconomic interaction process, not only have NLCCs and their members grown to a significant extent, but also the comparative advantages between the host area and the home area have been mutually converted to socio-economic improvement. Recently, the "returning project" strategy reinforced the socio-economic coordination rooted in socio-economic interaction process.

To summarize, as the special form of grassroots organization set up and managed by the Fujian Federation of Industry and Commerce, Fujian NLCCs strengthened their own operational abilities, gradually grew their influence, and contributed great to the socio-economic development in the home area and in the host area. In the process of growth, one can clearly identify the socio-economic coordination role of Fujian NLCCs in supporting governments' policies, bridging the socio-economic interactions, and contributing to social assistance.

3.5 Chapter summary

It can be seen from Chapter 2 that the measurement of the success of a NLCC's governance mechanism is multidimensional. More specifically, except the impacts of external laws and regulation, the internal governance of a NLCC inevitably includes the right-obligation arrangement among members, the decision-making mechanism, the supervision mechanism, and the communication within and outside the COC. We will capture these governance aspects with a confirmatory factor model on the governance mechanism in Chapter 4 and 5 so as to answer our research question (1).

Accordingly, Chapter 2 also reveals that the objectives of a NLCC are obviously diverse in different historical stages, different social backgrounds, and different institutional environments. This, on the one hand, implies that the performance of a NLCC (reflected specifically in goals & standards of good governance) must be measured in a multidimensional manner. For example, the performance of a NLCC are at least related to Xu's (2009) four dimensions (i.e., learning & growth, cost & budget, internal process, & external services). In this chapter 3, we explore that the non-local nature of NLCCs can be thought of as the cross-regional socio-economic coordination. That is, the operations of NLCCs, either driven by commercial interests or triggered by governments, coordinate the cross-regional socio-economic development between the host area and host area. This coordination mainly focuses on making socio-economic development policies between the host-area and the home-area governments, improving the resource allocation between the home area and the host area, and promoting the cultural communication between the two areas. Thus, to study the relationship between the success of NLCC governance and the corresponding performance, the cross-regional socio-economic coordination role cannot be ignored. We thus add this role as a performance dimension and incorporate it into the confirmatory factor model (for answering research questions (2)) and the Structural Equation Model (for answering research question (3)) in Chapter 4 and 5.

Chapter 4: Methodology

Based on the literature review in Chapter 2 and the cross-regional socio-economic coordination role of NLCCs in Chapter 3, this chapter, with the author's practices of NLCC management, proposes the hypotheses for empirically testing the relationship between the success of NLCC governance mechanisms and the corresponding performance. It also reports how we construct the sample that will be used in Chapter 5 to test the model.

The reasons for employing the Structural Equation Model are as follows. First, both the success of NLCC governance mechanisms and NLCC performance, in general, are multidimensional and thus difficult to measuring directly. This implies that we need to use the method of factor analysis to measure these two unobservable variables. According to Qiu and Lin (2009), we can use a Structural Equation Model to bridge these two unobservable (or latent) variables if we measure them with confirmatory factor models. Second, our data is obtained via a questionnaire and thus the correlations among the errors of manifest variables cannot be completely avoided. However, the estimating approach of a Structural Equation Model allows these correlations (Qiu & Lin, 2009). Third, the Structural Equation Modeling is widely used by scholars in education, psychology, management, and sociology to study the relationships among different latent variables (Qiu & Lin, 2009). Recently, Xu (2009) built and tested a Structural Equation Model to analyze the relationship between CoC management mechanism and COC performance with any NLCC consideration.

We acknowledge that valuable insights on the governance of NLCCs can be obtained via qualitative studies (Xu, 2009). However, we believe that a quantitative investigation will demonstrate in clearer manner the relationship between the success of NLCC governance mechanisms ， NLCC performance， and reveal how they are respectively related to their dimensions.

4.1 Measurement dimensions for the success of NLCC governance mechanisms and the performance of NLCCs

(1) Dimensions to measure the success of NLCC governance mechanisms

Governance itself is an abstract concept, no good or bad (Rosenau, 1992). However, we observe that the success of a governance mechanism depends on a set of formal rules, informal rules, and procedures. As suggested by Yu (2000), six criteria can be used to judge how successful a mechanism is (good or not). These criteria include legitimacy, transparency, accountability, rule of law, responsiveness, and effectiveness. When they are used to evaluate the success of the governance mechanism of a NLCC, the goals (governance goals) of the NLCC are very clear, that is, to serve the common interests or the collective goals of their members. Therefore, the legitimacy is implicitly satisfied while the implementation degree of other given criteria depends on the specific rule system and the corresponding organizational structure. Further, in China, there is no legal basis to guide the operations of CoCs (including NLCCs), and the administrative regulations of various regions do not clearly define the governance mechanism and the governance structure. This causes huge diversities in terms of governance mechanisms and corresponding organizational structures of NLCCs in practice. These diversities enlarge the difficulty to measure the success of the governance mechanisms of NLCCs (&, more broadly, CoCs). Therefore, this research will take the analytical framework of corporate governance as a reference to identify the dimensions of NLCC governance mechanisms.

Despite the different governance goals, the evaluation of the success of NLCC governance mechanisms can borrow much from the work on corporate governance mechanisms. Gillan (2006) gave a general framework to analyze corporate governance mechanisms. This framework considers both internal and external mechanisms. An external governance mechanism captures the incentives and constraints provided by the market (the market as a whole, the capital market & various intermediary service agencies), the legal and regulatory environment and the independent supervision system. An internal governance mechanism mainly includes management incentive arrangements, shareholders' meetings, board of directors, board of supervisors, capital structure, internal control system, and anti-acquisition strategies. Of course, an external governance mechanism cannot be completely separated from internal governance mechanism. In fact, they are mutually connected. For example, the board of directors is closely connected to the labor market and capital market and the internal control system was connected to laws and regulations according to the Sarbanes-Oxley Act. Xi and Zhao (2004) also divided a corporate governance system into internal and external aspects. An internal governance mechanism contains the power allocation and the balance of the board of directors, the board of

supervisors, the shareholders' meeting, and the management while an external governance mechanism captures constraints implied by broader social, economic, political, and cultural environments including the market environment.

Similarly, a complete governance system of a NLCC shall consist of both internal and external governance mechanisms. An internal governance mechanism focuses on how to better serve NLCC members with common goals through the operations of the general meeting, the board of directors, the board of supervisors and the secretariat (& the professional committees). And an external governance mechanism is mainly specified or required by laws and regulations (if any), governments, news media, and communities.

Despite that, for the reasons on the data collection of the questionnaire, this thesis mainly focuses on the internal governance mechanisms of NLCCs. Based on the framework of Gillan (2006) and Xi and Zhao (2004), this thesis considers the five dimensions which mutually supplement and impact each other in the governance mechanism of a NLCC as follows:

① Members' right-obligation relationship: the extent to which the authorization between the members and the NLCC is clear

② Decision-making and financial transparency: the extent to which the decision-making and financial information is transparent

③ Function realization of board of directors: how well a NLCC's board of directors works

④ Function realization of board of supervisors: how well a NLCC's board of supervisors works

⑤ Actual operations and communication: the effectiveness of a NLCC's actual (daily) operations and information communication.

We thus have the following hypothesis.

Hypothesis 1: *The success of a NLCC's governance mechanism can be measured through the following five dimensions: members' right-obligation relationship, decision-making and financial transparency, function realization of board of directors, function realization of board of supervisors, and actual operations and communication.*

(2) Dimensions to measure the performance of NLCCs

As revealed in the literature review in Chapter 2, current evaluation of CoCs in China is

an administratively-oriented overall evaluation and the research on the evaluation of the performance of CoCs is still in the very early stage. In fact, although Zang et al. (2014) conceptualize four performance dimensions (i.e., functional performance, capability performance, financial performance, & service performance), they fail to capture the operational process and the nature of CoCs. The learning and growth, cost and budget, internal process, and external services given by Xu (2009) better reflect the operational activities of CoCs in the framework of a balanced scorecard approach. However, Xu (2009) analyzed the operating performance of a CoC from the perspective of external members. The object of this article is the internal operation performance of NLCC. Thus, based on existing literature research and the particularity of NLCCs, this thesis basically adapts four dimensions in Xu (2009) to evaluate the performance of NLCCs. More specifically, the cost and budget dimension is kept. The learning and growth dimension is changed as innovation and growth since we want to capture the interaction between governance mechanism innovation and influence growth of a NLCC. The internal process dimension is replaced by management procedures so as to focus on the effectiveness of management procedure implementation. Finally, we use the membership service dimension to replace the external service dimension, because the basic goal of a NLCC is to serve the common interests of their members. More importantly, as shown in Chapter 3, the non-local nature of NLCCs implies the cross-reginal socio-economic coordination role between the host area and the home area (Li, 2008). This thesis further adds the dimension of playing the non-local role (the cross-regional socio-economic coordination). To sum up, this thesis measures the performance of NLCCs with the following five dimensions:

① Cost and budget: the effectiveness of cost and budget management

② Member services: the quality of member services

③ Management procedures: how effective management procedures are implemented

④ Innovation and growth: the degree to which a NLCC adapts to environmental changes and improves its influence

⑤ Playing the non-local role (the cross-regional socio-economic coordination): the degree to which a NLCC promotes the cross-regional socio-economic coordination between the host and the home areas

We thus have the following hypothesis on the measurement of performance of NLCCs.

Hypothesis 2: *A NLCC's performance can be measured through the following five*

dimensions: cost and budget management, the quality of member service, management procedures, innovation，growth, and the cross-regional socio-economic coordination.

Based on the measurement dimensions of the success of the governance mechanisms and the performance of NLCCs, and the theoretical analysis in Chapter 2, it can be reasonably assumed:

Hypothesis 3: *The success of the governance mechanism of a NLCC positively affects its performance.*

We now summarize the correspondence between research questions and hypotheses in Figure 4-1.
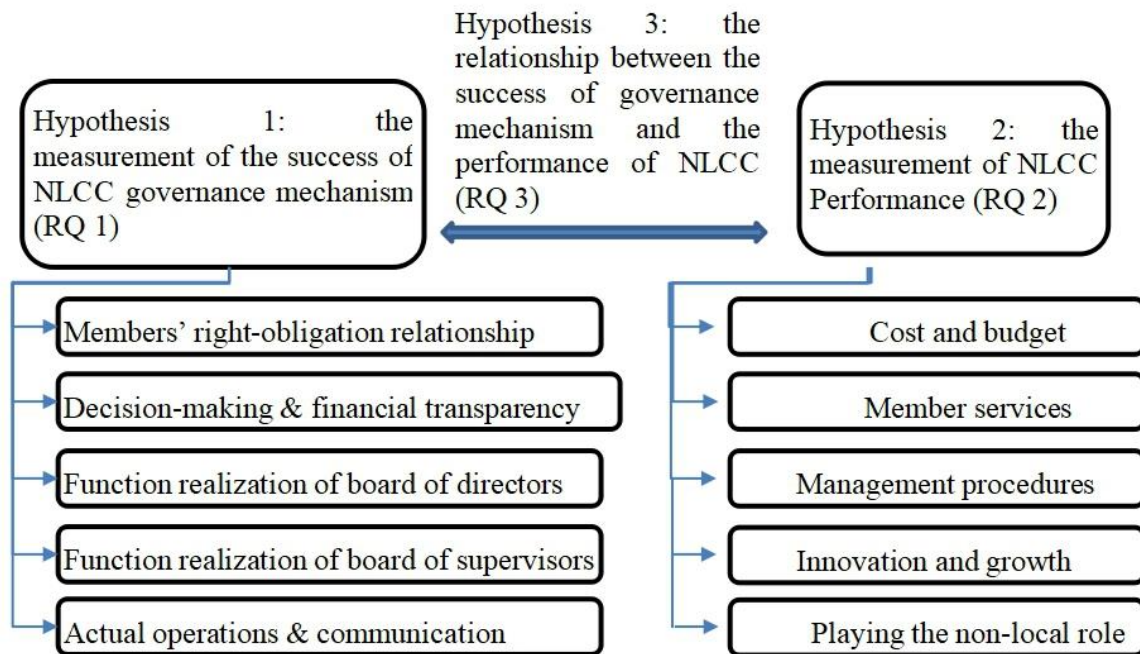
Figure 4-1 The Correspondence between Research Questions and Hypotheses

4.2 Structural equation model

In order to test the hypotheses proposed in section 4.1, this thesis builds a Structural Equation Model (Structural Equation Models are widely used in social science research), which is shown in Figure 4-2 (where the manifest variables of each dimension (latent variable) are measured by the questionnaire items in Section 4.3.1). Although Xu (2009), unlike the case-based qualitative analyses reviewed in Wang (2007), quantitatively examines the relationship between CoC governance and performance, he just uses the path analysis approach to conduct his research without any consideration of the structural aspects among

the governance dimensions and the performance dimensions. In fact, he assumes that all the governance and performance dimensions are observable and thus can be directly measured with his questionnaire. In contrast, the Structural Equation Model in Figure 4-2 allows us to explore the structural aspects, rather than simply providing a cause-effect path among observable variables.
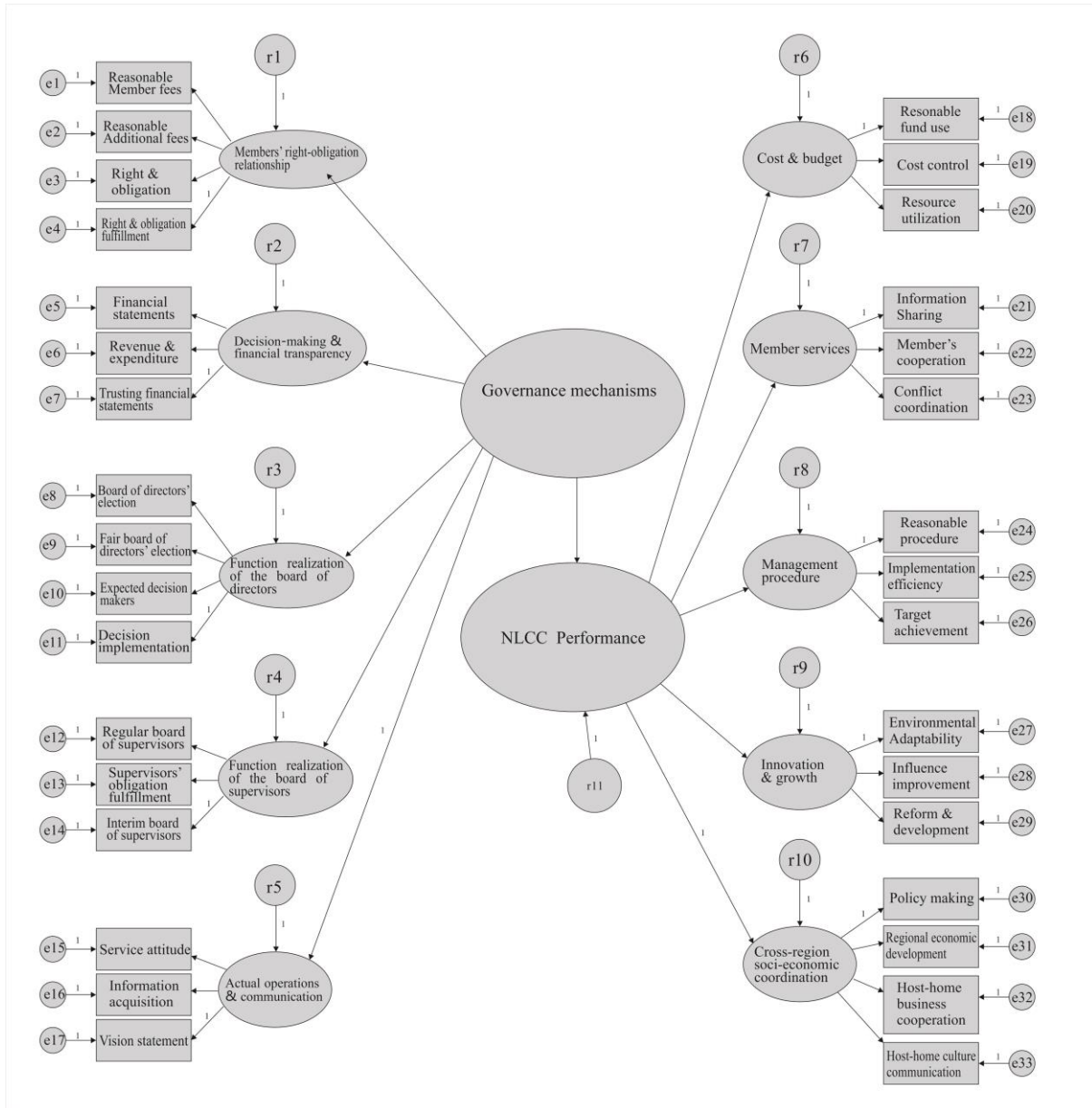
Figure 4-2 The Structural Equation Model

4.3 Questionnaire design (the measurement model)

Based on a detailed analysis of existing literature (Chapter 2) and an in-depth discussion with the questionnaire design team (1 professor, 1 associate professor, 2 staffs of the Fujian

Chamber of Commerce in Sichuan Province and 2 managers of the member enterprises in the Fujian Chamber of Commerce in Sichuan Province), we design a primary questionnaire and pre-test its changeability and reliability. Further, we use the five-point Likert Scale where the five levels from "very dissatisfied" to "very satisfied" are given 1-5 points, respectively. The higher the satisfaction is, the higher the score is. According to pre-test results, the design team determines the final questionnaire, which is presented as follows.

4.3.1 Measurement table of the success of governance mechanisms of NLCCs

The success of NLCC governance mechanisms includes five dimensions. We set 4 items to measure the "membership right-obligation relationship", 3 items to measure the "Decision-making and financial transparency", 4 items to measure the "function realization of the board of directors", 3 items to measure the "function realization of the board of supervisors", and 3 items for the "actual operations and communication". In summary, we have 17 items to measure the success of NLCC governance mechanisms. The questionnaire is issued via the wjx.cn, WeChat and emails. The items and the corresponding descriptions are summarized in Table 4-1.

Table 4-1 Measurement table of the success of NLCC governance mechanisms

	(1) Regular membership fees paid to join the CoC are reasonable (reasonable membership fees)
	(2) Additional fees paid for each activity of the CoC are reasonable (reasonable additional fees)
Right-obligation relationship	(3) The member's rights and obligations are clearly declared (right & obligation declaration)
	(4) The CoC fulfills the member-CoC contract in a standardized way (right & obligation fulfillment)
Decision-making and financial transparency	(5) The CoC publishes statutory financial statements regularly (financial statements).
	(6) The detailed financial revenues and expenditures of each activity of the CoC be clearly announced (revenue & expenditure)

Function realization of the board of directors	(7) You trust the financial statements of the CoC(trusting financial statements)
	(8) The members of the board of directors of the CoC are be elected regularly in accordance with mandatory rules (board of directors' election)
	(9) The election of the board of directors' members are in line with the principle of fairness and justice (fair board of directors' election)
	(10) The current board of directors' members of the CoC are in accordance with your expectations (expected decision makers)
	(11) The decisions of the board of directors meeting of the CoC are effectively implemented (decision implementation)
Function realization of the board of supervisors	(12) The supervisory boards meetings are held regularly according to the mandatory rules (regular board of supervisors)
	(13) Members of the supervisory board earnestly perform their duties (supervisors' obligations fulfillment)
	(14) Temporary supervisory board meetings are held in time (interim board of supervisors)
Actual operations and communication	(15) Staffs of the CoC are kind and friendly (service attitude)
	(16) Members can get the information they want from the CoC (information acquisition)
	(17) The future vision of the CoC is clearly stated (vision statement)

4.3.2 Measurement table for the performance of NLCCs

The performance of NLCCs also includes five dimensions. We set 3 items to measure the "cost and budget", 3 items to measure the "member service", 3 items to measure the "management procedures", 3 items to measure the "innovation and growth", and 4 items to measure "Cross-region socio-economic coordination (Playing the non-local role)". The last dimension is newly introduced while all other four dimensions are adapted from Xu (2009). In summary, we have 16 items to measure the performance of NLCCs. The items and the corresponding descriptions are summarized in Table 4-2.

Table 4-2 Measurement table of the performance of NLCCs

Cost and budget	(18) The expenditure of the CoC is used fairly and reasonably (reasonable fund use)
	(19) The budget of the CoC is well controlled (cost control)
	(20) The resources of the CoC are efficiently utilized (resource utilization)
Member services	(21) The CoC promotes business information sharing among members (information sharing)
	(22) The CoC promotes business cooperation among members (member's cooperation)
	(23) The CoC well coordinate conflicts among members (conflict coordination)
Management procedures	(24) The management procedural of the CoC meet legal/ethical requirements (reasonable procedure)
	(25) The CoC implement its management procedures efficiently (implementation efficiency)
	(26) The management procedures of the CoC achieve its targets (target achievement)
Innovation and growth	(27) The CoC adapts well to environmental changes (environmental adaptability)
	(28) The influence of the CoC is sustain improved (influence improvement)
	(29) The improved influence of the CoC promotes the innovations of its governance mechanisms (reform & development)
Cross-region socio-economic coordination (Playing the non-local role)	(30) The CoC plays an important role in the formulation of policies in the host area and the home area (policy making)
	(31) The CoC coordinates well the regional economic development of the host area and the home area (regional economic development).
	(32) The CoC promotes business cooperation between the host area and the home area (host-home business cooperation)
	(33) The CoC promotes cultural communication between the host area and the home area (host-home culture communication)

4.4 Subject selection and questionnaire issuance

This research collects data with a questionnaire (see Appendix 1). The questionnaire was mainly issued to the staff of the Fujian Chamber of Commerce in Sichuan Province, the

management team and employees of its member enterprises, and MBA students with enough acquaintance with the Fujian Chamber of Commerce in Sichuan. The reasons are as follows.

First, the staff is familiar with the operations of the Fujian Chamber of Commerce in Sichuan Province and are direct participants in the governance of this NLCC so that they have deep understanding about it. Second, the management team and the employees of the member enterprises are influenced by the Fujian Chamber of Commerce in Sichuan Province. And finally, although MBA students do not directly or indirectly participate in the operations of the Fujian Chambers of Commerce in Sichuan Province, they are third-party observers of the operations as long as they are familiar with this NLCC.

4.5 Valid observation confirmation

All the samples collected are checked one by one via manual detection and SPSS software detection. The check points include (1) whether the source documents of the questionnaire have been modified, (2) whether the items are completely answered, (3) whether the questionnaire items have been missed, and (4) whether the questionnaire is answered in a logically consistent manner. If an observation does not meet any of the 4 requirements, it is considered as an invalid observation.

4.6 Chapter summary

This paper builds a Structural Equation Model to describe the relationship between the success of governance mechanisms of NLCCs and the corresponding performance. A questionnaire is designed to measure the five dimensions of the success of NLCC governance mechanisms and the five dimensions of the NLCC performance. This Structural Equation Model will be tested in Chapter 5.

Chapter 5: Results

This chapter is devoted to testing the Structural Equation Model established in Chapter 5 so as to empirically reveal the relationship between the success of governance mechanisms and the performance of NLCCs. It includes some basic statistical analysis, confirmatory factor analysis, statistically testing the Structural Equation Model. The software used in this chapter are SPSS24 and Amos Graphics program.

5.1 Basic statistical analysis

5.1.1 Statistical description of the questionnaire

500 questionnaires were issued, and 382 questionnaires were collected in this research. According to the confirmation criteria of a valid observation in Chapter 4, the number of the valid observations 277 and the rate of the valid observations is 72.5%. The result of the basic descriptive statistics of valid questionnaire data is shown in Table 5-1.

Table 5-1 Statistical description of the questionnaire data

		Number of samples	Minimum value	Maximum value	Average	Standard deviation
Member right-obligation relationship	Reasonable membership fees	277	2	5	3.96	0.84
	Reasonable additional fees	277	1	5	3.76	0.945
	Right and obligation declaration	277	1	5	4.07	0.818
	Right and obligation fulfillment	277	2	5	4.05	0.856
Decision-making and financial transparency	Financial statements	277	1	5	4.07	0.822
	Revenue and expenditure	277	2	5	4.06	0.849
	Trusting financial statements	277	1	5	4.07	0.82
	Fair board of	277	1	5	4.1	0.813

	directors' election					
	Expected decision maker	277	1	5	3.88	0.897
	Decision implementation	277	2	5	3.94	0.8
Function realization of the board of supervisors	Regular board of supervisors	277	1	5	3.97	0.851
	Supervisors' obligations fulfillment	277	1	5	3.95	0.891
	Interim board of supervisors	277	1	5	3.94	0.847
Actual operations and Communication	Service attitude	277	1	5	3.96	0.838
	Information acquisition	277	1	5	3.9	0.797
	Vision statement	277	1	5	3.95	0.835
	Reasonable fund use	277	1	5	3.94	0.855
Cost and budget	Cost control	277	1	5	3.86	0.818
	Resource utilization	277	1	5	3.91	0.834
	Information sharing	277	1	5	4.04	0.816
Membership services	Member's cooperation	277	1	5	3.96	0.82
	Conflict coordination	277	1	5	3.94	0.843
Management procedures	Reasonable procedure	277	1	5	4.01	0.761
	Implementation efficiency	277	1	5	3.92	0.867
	Target achievement	277	1	5	3.98	0.821
	Policy making	277	1	5	4.05	0.844
Cross-region socio-economic coordination	Regional development	277	1	5	3.99	0.885
	Host-home business	277	1	5	4.06	0.836
	Host-home culture	277	1	5	4.01	0.883

5.1.2 Normality test of the questionnaire data

According to Kline (1998), normality is the prerequisite for the application of questionnaire data to a Structural Equation Model analysis. So before testing the Structural Equation Model established in Chapter 4, the normality test of the questionnaire data is necessary. In fact, whether the data is normally distributed can be judged by calculating the skewness and the kurtosis of the questionnaire data with the SPSS (24.0). Kline and Little (2005) point out that a questionnaire data can be viewed as following a normal distribution, if the absolute value of the skewness coefficient and the kurtosis coefficient are less than 2 and 7, respectively. Further, Table 5-2 shows that for all the variables, the absolute values of the skewness coefficients are less than 2 and the absolute values of the kurtosis coefficients are also smaller than 7. Therefore, the questionnaire data satisfies the normality conditions and thus can be validly used to test the Structural Equation Model established in Chapter 4.

Table 5-2 Variable normality test

Variable name	Minimum value	Maximum value	Skewness	C.R.	Kurtosis	C.R
Reasonable member fees	2	5	-0.477	-3.242	-0.36	-1.223
Reasonable additional fees	1	5	-0.595	-4.044	0.058	0.196
Right and obligation declaration	1	5	-0.651	-4.424	0.16	0.543
Right and obligation fulfillment	2	5	-0.555	-3.772	-0.451	-1.532
Financial statements	1	5	-0.722	-4.905	0.327	1.113
Revenue and expenditure	2	5	-0.515	-3.503	-0.551	-1.872
Trusting statements	1	5	-0.679	-4.616	0.23	-0.781
Board of directors' election	1	5	-0.625	-4.246	0.11	0.373
Fair Board of directors' election	1	5	-0.666	-4.527	0.173	0.589

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Expected decision maker	1	5	-0.452	-3.074	-0.265	-0.901
Decision implementation	1	5	-0.392	-2.667	-0.315	-1.07
Regular board of supervisors	1	5	-0.652	-4.433	0.292	0.99
Supervisors' obligations fulfillment	1	5	-0.608	-4.134	-0.024	-0.082
Interim board of supervisors	1	5	-0.565	-3.836	0.162	0.55
Service attitude	1	5	-0.451	-3.064	-0.06	-0.205
Information acquisition	1	5	-0.421	-2.858	0.029	0.099
Vision statement	1	5	-0.548	-3.724	0.008	0.028
Reasonable fund use	1	5	-0.787	-5.349	0.729	2.447
Cost Control	1	5	-0.419	-2.847	0.134	0.455
Resource utilization	1	5	-0.475	-3.23	-0.089	-0.304
Information sharing	1	5	-0.628	-4.267	0.188	0.639
Member's cooperation	1	5	0.553	-3.755	0.296	1.006
Conflict coordination	1	5	-0.539	3.663	-0.037	-0.125
Reasonable procedure	1	5	-0.555	3.77	0.44	1.496
Implementation efficiency	1	5	-0.589	-4.002	0.102	0.347
Target achievement	1	5	-0.551	-3.745	0.064	0.219
Environmental adaptability	1	5	-0.588	3.997	0.045	0.153
Influence improvement	1	5	-0.581	-3.948	0.139	0.474
Reform and development	1	5	-0.728	-4.947	0.526	1.789

Policy making	1	5	-0.778	-5.287	0.724	2.461
Regional development	1	5	-0.633	-4.299	0.022	0.075
Host-home business cooperation	1	5	-0.719	-4.885	0.421	1.429
Host-home cultural communication	1	5	-0.718	-4.879	0.193	0.657

5.1.3 Reliability test of the questionnaire

The questionnaire reliability refers to the degree of result reliability or result consistency of the questionnaire: whether the test results obtained by applying the questionnaire in different scenarios measure the same contents or traits (or whether the test results are stable). The higher reliability degree of the questionnaire indicates the more stable measurement results. The reliability of a questionnaire survey (collected data) can be tested with Cronbach's α coefficient. According to Hair (1998), when the Cronbach's α coefficient is greater than 0.7, the questionnaire data has a higher reliability. In particular, when the questionnaire items of a latent variable are fewer than six, a Cronbach's α coefficient greater than 0.6 can also be used to confirm that the questionnaire data has a higher reliability. Table 5-3 gives the results of reliability test. It shows that the Cronbach's α coefficient for each latent variable is greater than 0.7. Therefore, the survey data meets the reliability requirements.

Table 5-3 Reliability test of latent variables

	Indicator	Item number	Cronbach's α
	Member right-obligation relationship	4	0.78
Success of Governance mechanisms	Decision-making and financial transparency	3	0.84
	Function realization of the board of directors	4	0.86

	Function realization of the board of supervisors	3	0.85
	Actual operations and communication	3	0.81
	Cost and budget	3	0.84
NLCC Performance	Membership service	3	0.82
	Management procedures	3	0.84
	Innovation and growth	3	0.83
	Cross-region socio-economic coordination	4	0.88

5.1.4 Validity test of the questionnaire

The questionnaire validity refers to the degree to which the relevant questionnaire items can accurately measure the required measurement dimensions. Or put it differently, the validity is used to test the degree to which the questionnaire can correctly reflect the traits or the contents of latent variables. Since the reliability is a necessary but not sufficient condition for the validity, we need further to test its validity after the reliability analysis of a questionnaire. Finally, validity tests include discriminant validity (to verify whether two different variables are statistically different) and convergent validity (also known as converge validity or internal consistency validity, to test whether each measurement model reflects the same latent variable).

Although correlation coefficients, confidence interval methods (e.g., Bootstrap) and Average Variance Extraction (AVE) can be used to test the discriminant validity in the Structural Equation Model framework, we adopted the AVE with comparisons to the corresponding correlation coefficients according to the following steps. First of all, the AVE value and the correlation coefficient of each latent variable are calculated. Second, the correlation coefficients are compared with the corresponding AVE values. Finally, the discriminant validity of latent variable is confirmed if its AVE value is greater than the square of its correlation coefficient (Fornell & Larcker, 1981).

Convergence is mainly used to evaluate the correlation between various scale indicators for measuring the same latent variable. A moderate correlation is required to confirm the convergent validity of a latent variable. The Cronbach's α is the most common indicator used to establish the internal consistency within a latent variable. In order to confirm whether a

latent variable is convergence valid, the following criteria must be met. (1) The factor load is higher than 0.7, (2) The Square Multiple Correlation Coefficient (SMC) is higher than 0.5, (3) The composite reliability CR is higher than 0.7, and (4) the amount of average variance extraction (AVE) is greater than 0.5.

The validity test is applied to the factor analysis of the first- and second-order latent variable below.

5.2 Confirmatory factor analysis

A Structural Equation Model (SEM) analysis requires an initial statistical analysis of its measurement models, i.e., confirmatory factor analysis (CFA). If its measurement models can not fit well, it shall be corrected and adjusted. A confirmatory factor analysis can be applied into the first-order and the second-order models in a Structural Equation Model. In this thesis, the success of governance mechanisms and performance of NLCCs are respectively second-order latent variables and others are first-order latent variables.

Based on the analysis in Section 5.1.4, the validity of the measurement models can be verified by the convergent validity and the discriminant validity. Following Hair et al. (1998, 2009), this thesis uses the following three indicators to evaluate these measurement models:

(1) The factor loading of each observable variable. The acceptance criterion is as follows. If a factor (an observed variable) has a loading between 0.5 and 0.6, it is the barely acceptable. If the factor lording is greater than 0.6, it is acceptable range. And if a factor has a loading greater than 0.7, it is thought of as well fitting. On the other hand, a factor with a loading lower than 0.5 shall be removed from the Structural Equation Model.

(2) The composite reliability of latent variables is captured by the CR value, which indicates the internal consistency between latent variables. The usually suggested acceptance threshold is 0.7, but Fornell and Larcker (1981) believe that the internal consistency is acceptable as long as the CR value is greater than 0.6.

(3) The average variance extraction (AVE) value of a latent variable indicates the ability of each measurement item of a latent variable to explain the variance of the latent variable. The greater the value of AVE is, the better the reliability and the convergent validity of the latent variable are. Fornell and Larcker (1981) suggest that 0.36~0.5 is an acceptable range and the explanatory ability is better if the value is greater than 0.5.

The original measurement model needs to be corrected if its fitting is poor. The

correction method is as follows. The first step is to delete the questionnaire data with dependent residuals for a saturation model. The second step to delete the data with co-linearity.

5.2.1 Confirmatory factor analyses on the measurement model of the success of NLCC governance mechanisms

Note that the success of NLCC governance mechanisms is a second-order latent variable. We first analyze and confirm that the factor loading of the items (observable variables) meet the requirements. And based on this, we do the second-order CFA analysis.

5.2.1.1 First-order confirmatory factor analyses on the measurement model of the success of NLCC governance mechanisms

5.2.1.1.1 Members' right-obligation relationship

The latent variable "members' right-obligation relationship" (or shortly, right-obligation relationship) has four items (observable variables). The CFA analysis shows that the factor loading of the four items, namely, reasonable membership fees, reasonable additional fees, rights and obligations declaration, and right and obligation fulfillment, are respectively 0.82, 0.57, 0.71, 0.67 (as shown in Figure 5-1). The CR is 0.7892, which is greater than the critical level of 0.7, and the AVE is 0.4876, which is between 0.36 and 0.5. Therefore, the measurement model is acceptable. But since the factor loading of reasonable additional fees is 0.57 (<0.6), the model is over-identified. We thus remove the factor "reasonable additional fees" and re-test the modified measurement model.
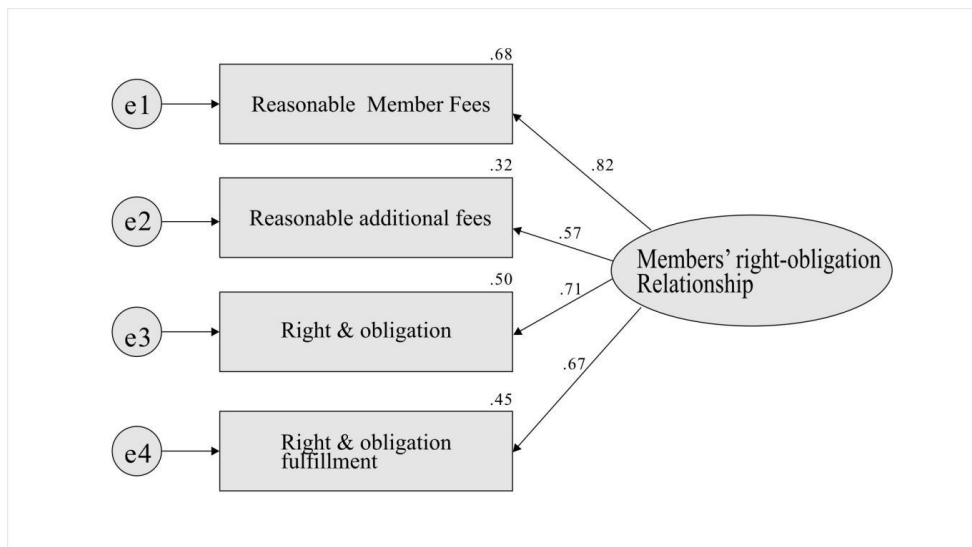

Figure 5-1 First-order CFA analysis on "members' right-obligation relationship"

Figure 5-2 gives the factor loading in the modified measurement model. The factor loading of reasonable membership fees, rights and obligations declaration, and right and obligation fulfillment are respectively are 0.71, 0.79, and 0.73. Each factor loading exceeds the critical level 0.7, the CR is 0.7879 (>0.7). The AVE is 0.5537 (> 0.5). Thus, this measurement model has good reliability and convergent validity, and the residuals are positive and significant. Since the model is a saturated model with three measurement items, Figure 5-2 demonstrates the unique solution. Thus, we keep the three observation variables (reasonable membership fees, rights & obligations declaration, and right & obligation fulfillment) for subsequent Structural Equation Model analysis.
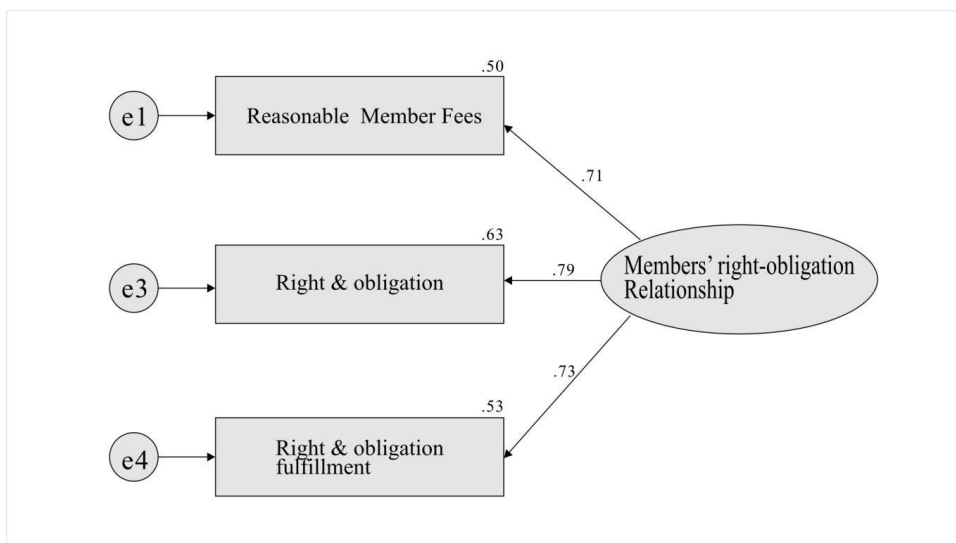
Figure 5-2 First-order CFA analysis of the modified measurement model on "members' right-obligation relationship"

5.2.1.1.2 Decision-making and financial transparency

The latent variable "Decision-making and financial transparency" has three items (observable variables). According to the CFA analysis, the factor loading of the three items, i.e., financial statements, expenditure and trusting financial statements are 0.80, 0.78, and 0.82, respectively (as shown in Figure 5-3). The factor loading of each item exceeds the critical level of 0.7, the CR is 0.8422 (>0.7). The AVE is 0.6403 (>0.5). The model's reliability and convergent validity are acceptable, and the residuals are positive and significant. Since the model is a saturated model with three measurement items, Figure 5-3 demonstrates the unique solution. Thus, we keep the three observation variables (financial statements, expenditure & trusting financial statements) for subsequent Structural Equation Model analysis.
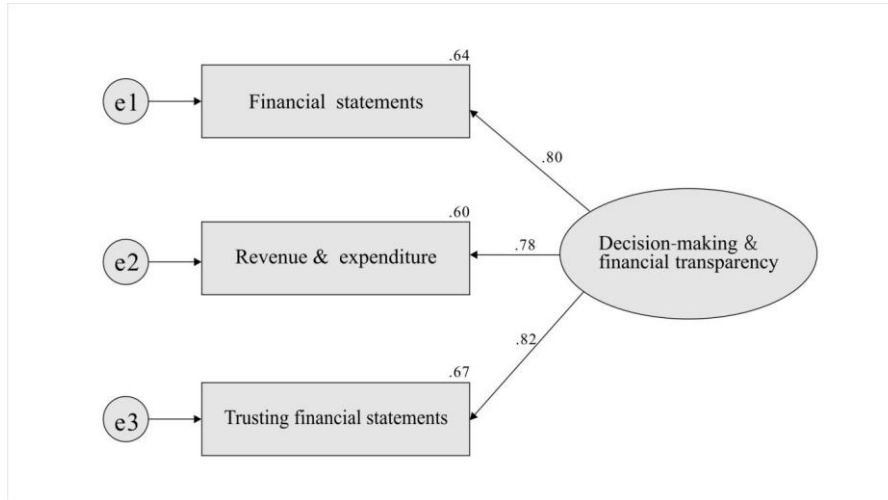
Figure 5-3 First-order CFA analysis on "Decision-making and financial transparency"

5.2.1.1.3 Function realization of the board of directors

There are four items in the measurement model of the latent variable "function realization of the board of directors". According to the CFA analysis (as shown in Figure 5-4), the factor loading of board of directors' election, fair board of directors' election, expected decision maker and decision implementation are 0.74, 0.78, 0.76, and 0.83, respectively. The factor loading of each item exceeds the critical level of 0.7, the CR is 0.8598 (>0.7). The AVE is 0.6056 (>0.5). The model has acceptable levels of reliability level and convergent validity, and the residuals are positive and significant. Since the model is a saturated model with four measurement items, Figure 5-4 demonstrates the unique solution. Thus, we keep the four observation variables (board of directors' election, fair board of directors' election, expected decision maker & decision implementation) for subsequent Structural Equation Model analysis.
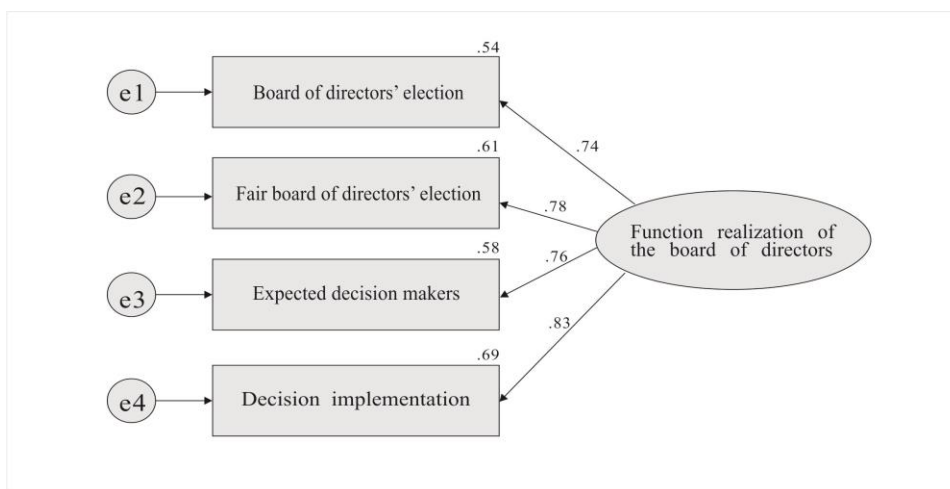
Figure 5-4 First-order CFA analysis on "function realization of the board of directors"

5.2.1.1.4 Function realization of the board of supervisors

There are three items in the measurement model of the latent variable "function realization of the board of supervisors". According to the CFA analysis (see Figure 5-5), the factor loading of regular board of supervisors, supervisors' obligations fulfillment and interim board of supervisors are 0.85, 0.78, and 0.80, respectively. The factor loading of each item exceeds the critical level of 0.7, the CR is 0.8516 (>0.7). The AVE is 0.657 (>0.5). The model's reliability and convergent validity are acceptable, and the residuals are positive and significant. Since the model is a saturated model with three measurement items, Figure 5-5 demonstrates the unique solution. Thus, we keep the three observation variables (regular board of supervisors, supervisors' obligations fulfillment & interim board of supervisors) for subsequent Structural Equation Model analysis.
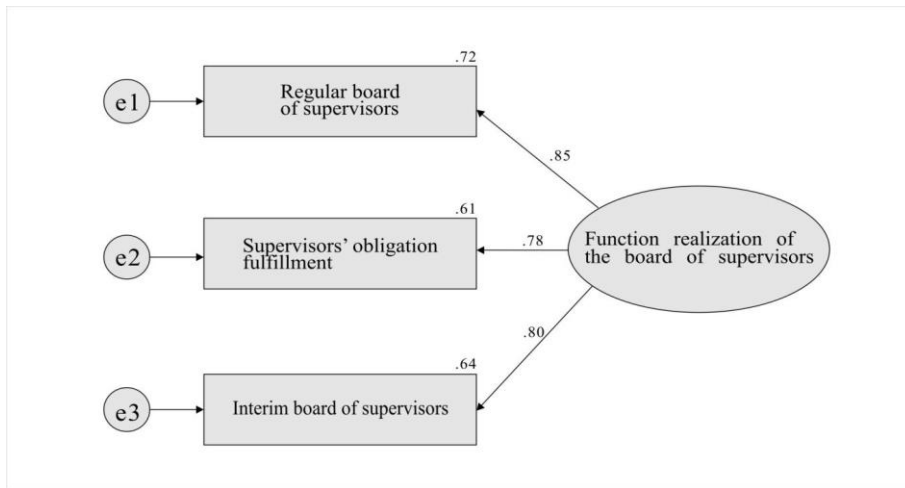
Figure 5-5 First-order CFA analysis on "function realization of the board of supervisors"

5.2.1.1.5 Actual operations and communication

The latent variable "actual operations and communication" has three items. According to results the CFA analysis in Figure 5-6, the factor loading of service attitude, information acquisition, and vision statement are 0.77, 0.71, and 0.84, respectively. The factor loading of each item exceeds the critical level of 0.7, the CR is 0.818 (>0.7). The AVE is 0.0.6009 (>0.5). The model has good reliability and convergent validity, and the residuals are positive and significant. Since the model is a saturated model with three measurement items, Figure 5-6 characterizes the unique solution. Thus, we keep the three observation variables (service attitude, information acquisition, & vision statement) for subsequent Structural Equation Model analysis.
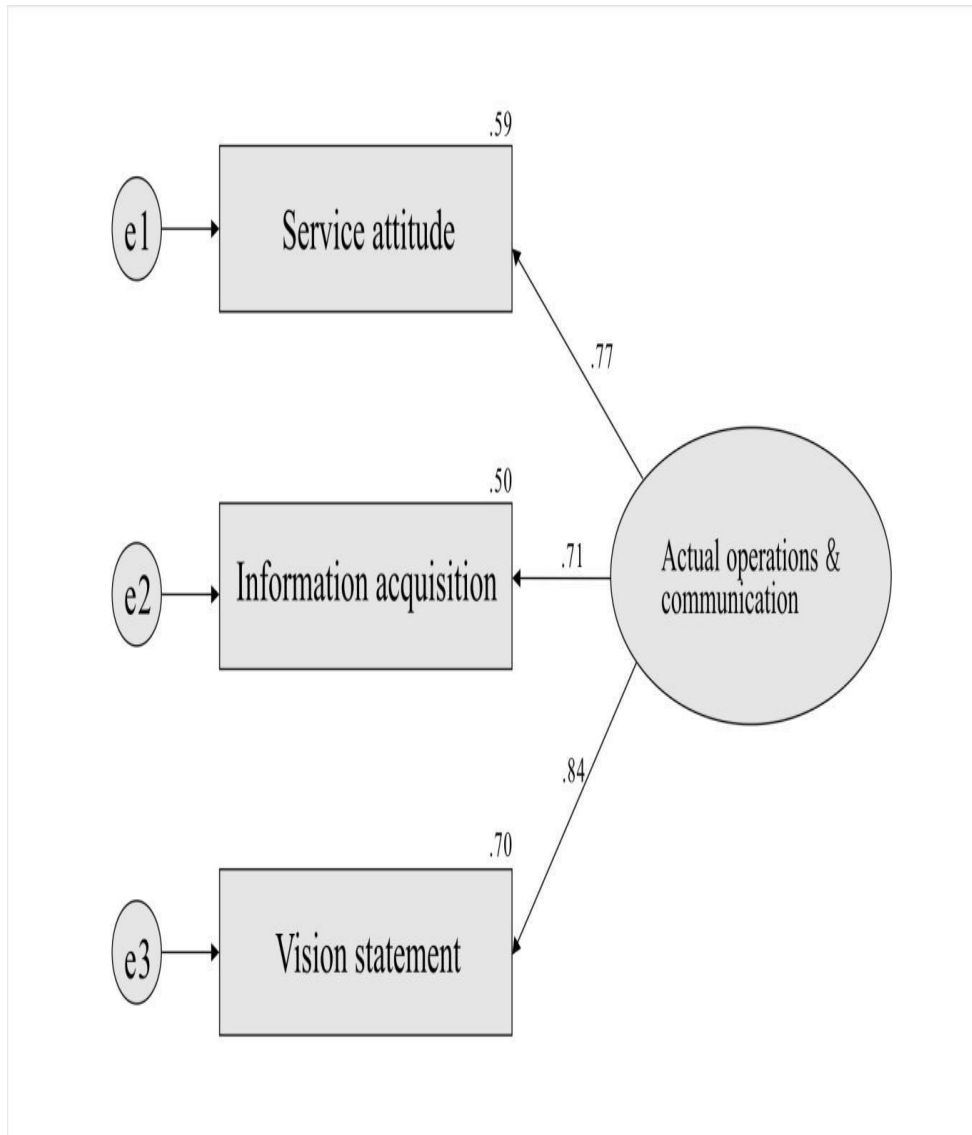
Figure 5-6 First-order CFA analysis on "actual operations and communication"

5.2.1.2 Second-order confirmatory factor analyses of the measurement model for the success of NLCC governance mechanisms

We first analyze the correlative relationships among the first-order factors (latent variables) to see whether there is a higher-order common factor (latent variable) that affects each of these first-order factors. Thus, we use the first-order confirmatory factor analyses in subsection 5.2.1 to establish such relationships in Figure 5-7. After adjustments, Table 5-4 summarizes the covariance estimates about the relationship the first-order factors (latent variables) in the measurement model of NLCC governance mechanisms. Finally, the corresponding correlations coefficients are summarized in Table 5-5.
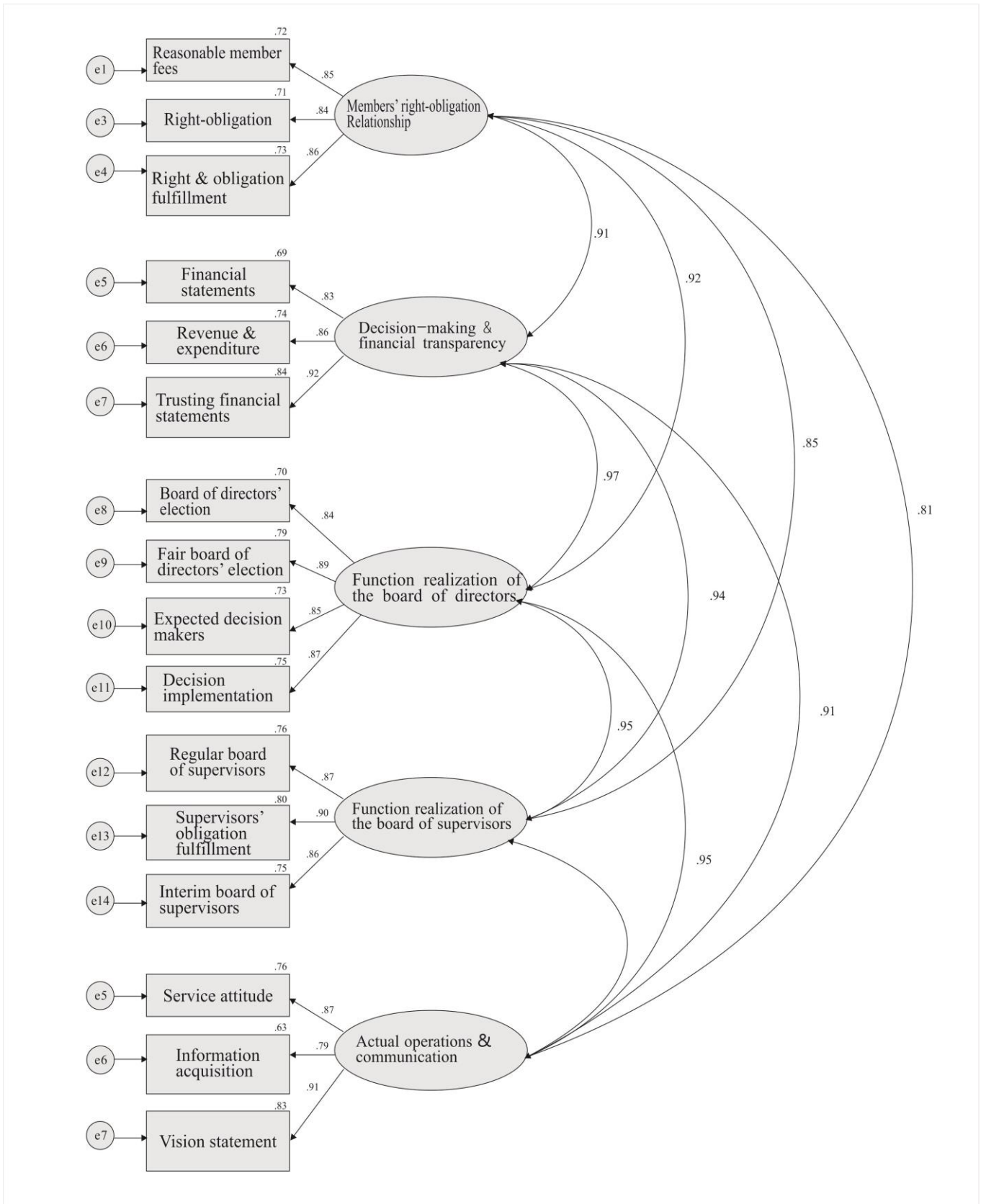
Figure 5-7 The relationships among the first-order factors in the measurement model of the success of NLCC governance mechanisms

Table 5-4 Covariance estimates among first-order factors of the success of NLCC governance Mechanisms

			Estimated value	S.E.	C.R.	P	Label
Member's right-obligation relationship	↔	Function realization of the board of directors	0.385	0.034	11.238	***	par_12
Member's right-obligation relationship	↔	Decision-making and financial transparency	0.443	0.039	11.465	***	par_13
Member's right-obligation relationship	↔	Function realization of the board of supervisors	0.382	0.039	9.854	***	par_14
Member's right-obligation relationship	↔	Actual operation and communication	0.39	0.035	11.064	***	par_15
Function realization of the board of directors	↔	Decision-making and financial transparency	0.477	0.037	12.873	***	par_16
Function realization of the board of directors	↔	Function realization of the board of supervisors	0.454	0.039	11.627	***	par_17
Function realization of the board of directors	↔	Actual operation and communication	0.48	0.038	12.777	***	par_18
Decision-making and financial transparency	↔	Function realization of the board of supervisors	0.483	0.043	11.29	***	par_19
Decision-making and financial transparency	↔	Actual operation and communication	0.494	0.042	11.889	***	par_20
Function realization of the board of supervise	↔	Actual operation and communication	0.483	0.041	11.69	***	par_21

As shown in Table 5-4, the test results of the Covariance estimates between any pair of first-order latent variables are significantly not 0 (in the sense of a significance level of 0.01, expressed by "***"). That is, there are significant correlations between any pair of the first-order latent variables and these correlations can be fully described in Table 5-5.

Further, it can be seen from Table 5-5 that the correlation coefficient between any pair of latent variables is above 0.75, which means that there may be another higher-order common factor that affects each of these five factors in a correlative manner. Thus, we build and test a second-order CFA model in Figure 5-8.

Table 5-5 Correlation coefficients among first-order factors of the success of NLCC governance Mechanisms

Member's right-obligation relationship	↔	Function realization of the board of directors	0.852
Member's right-obligation relationship	↔	Decision-making and financial transparency	0.896
Member's right-obligation relationship	↔	Function realization of the board of supervisors	0.821
Member's right-obligation relationship	↔	Actual operation and communication	0.795
Function realization of the board of directors	↔	Decision-making and financial transparency	0.949
Function realization of the board of directors	↔	Function realization of the board of supervisors	0.959
Function realization of the board of directors	↔	Actual operation and communication	0.962
Decision-making and financial transparency	↔	Function realization of the board of supervisors	0.934
Decision-making and financial transparency	↔	Actual operation and communication	0.906
Function realization of the board of supervisors	↔	Actual operation and communication	0.941
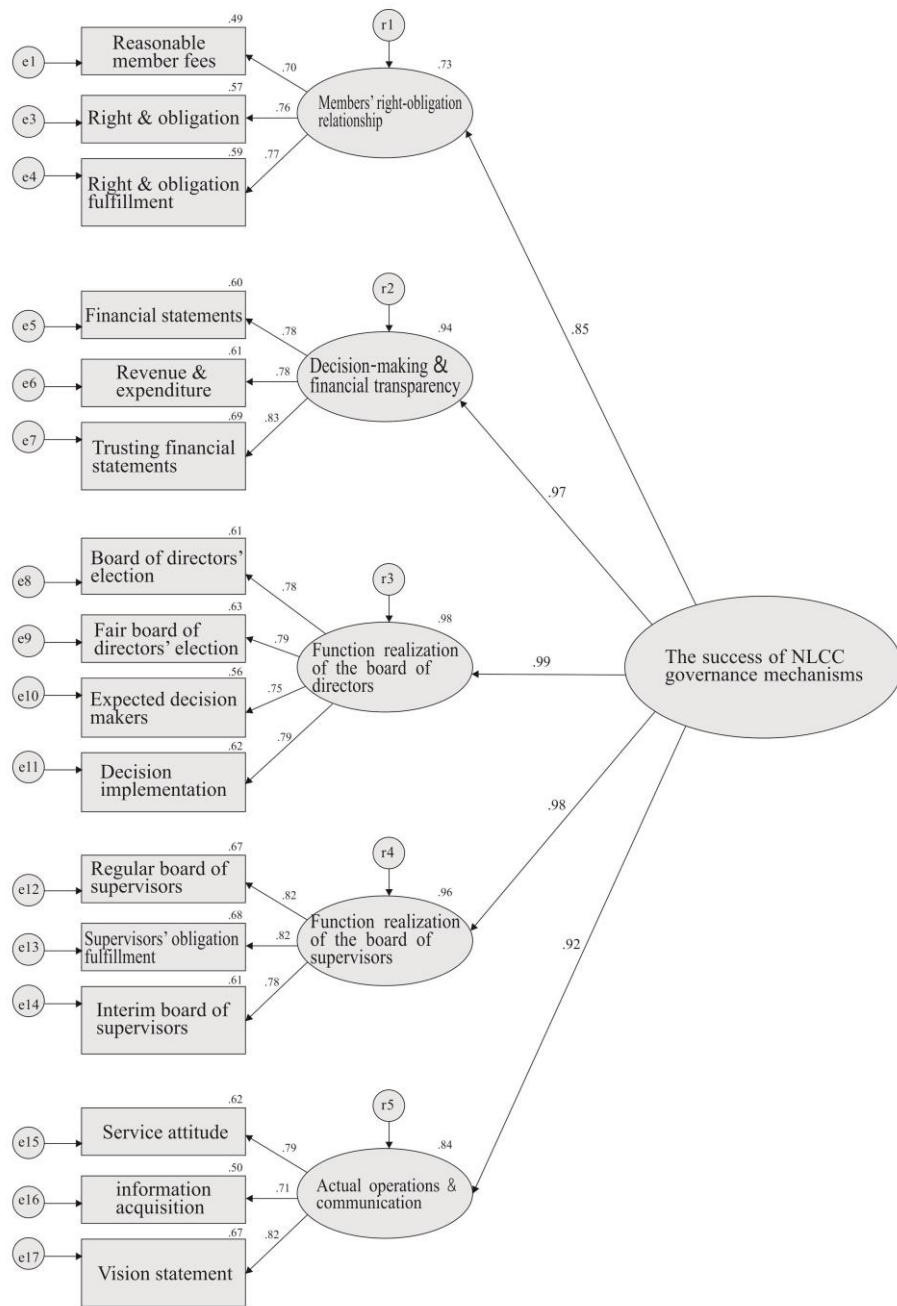
Figure 5-8 Second-order factor analysis on the measurement model of the success of NLCC governance mechanisms

The test results of the second-order measurement model of the success of NLCC governance mechanisms in Figure 6-8 are as follows: the chi-square value is 159.937, the degree of freedom is 94, RMR=0.021 (<0.05), GFI=0.935 (>0.9), AGFI=0.905 (>0.9), and RMSEA=0.05 (equal to the critical value 0.05). This indicates that this second-order measurement model fits well and can be used for the subsequent Structural Equation Model

analysis.

Further, for the evaluation of the success of NLCC governance mechanisms, the results of the second-order CFA model in Figure 6-8 show that Function realization of the board of directors, Function realization of the board of supervisors, decision-making and finance transparency, and actual operations and communication have the important role (the loading factors are 0.99, 0.98, 0.97, & 0.92, respectively). The practical implication of this result is that to successfully governing a NLCC, the three formal rules (Function realization of the board of directors, Function realization of the board of supervisors, decision-making & finance transparency), and the informal rule actual operations & communication) are of vital importance. This result is consistent with the nature of NLCCs (in the "third sector" between the public & private sectors) that both formal rules and informal rules are important to successfully govern a NLCC with common interests of its member enterprises (see Chapter 7).

Finally, but interestingly, the dimension of member's right-obligation relationship has relative low importance (with the loading coefficient of 0.85), which is certainly consistent with the phenomenon of "absence of real owners" rooted in the mutual benefit of CoCs (NLCCs): since CoCs (NLCCs) try to induce their member to mutually benefit each other, the free-riding behaviors are inevitable. Thus, members in a CoC (NLCC) do not have strong motivations to clearly specify their right-obligation relationships, leading to the low importance in the evacuation of the success of CoC (NLCC) governance mechanisms (relative to the other four dimensions).

5.2.2 Confirmatory factor analysis on the measurement model of NLCC performance

Like the measurement of the success of NLCC governance mechanisms, the performance of a NLCC is also a second-order latent variable. We thus conduct both the first-order analysis and the second-order analysis in this subsection.

5.2.2.1 First-order confirmatory factor analysis the measurement model of NLCC performance

5.2.2.1.1 Confirmatory factor analysis of cost and budget

The latent variable "cost and budget" has three items. According to the CFA analysis, the factor loading of reasonable fund use, cost control, and resource utilization are 0.87, 0.71, and 0.81, respectively (as shown in Figure 5-9). The factor loading of each item exceeds the

threshold value of 0.7, and the CR is 0.8406 (>0.7) and the AVE is 0.639(>0.5). The model has acceptable level of reliability and convergent validity, and the residuals are positive and significant. Since the model is a saturated model with three measurement items, Figure 5-9 characterizes the unique solution. So, we keep the three observation variables (reasonable fund use, cost control, & resource utilization) for the subsequent Structural Equation Model analysis.
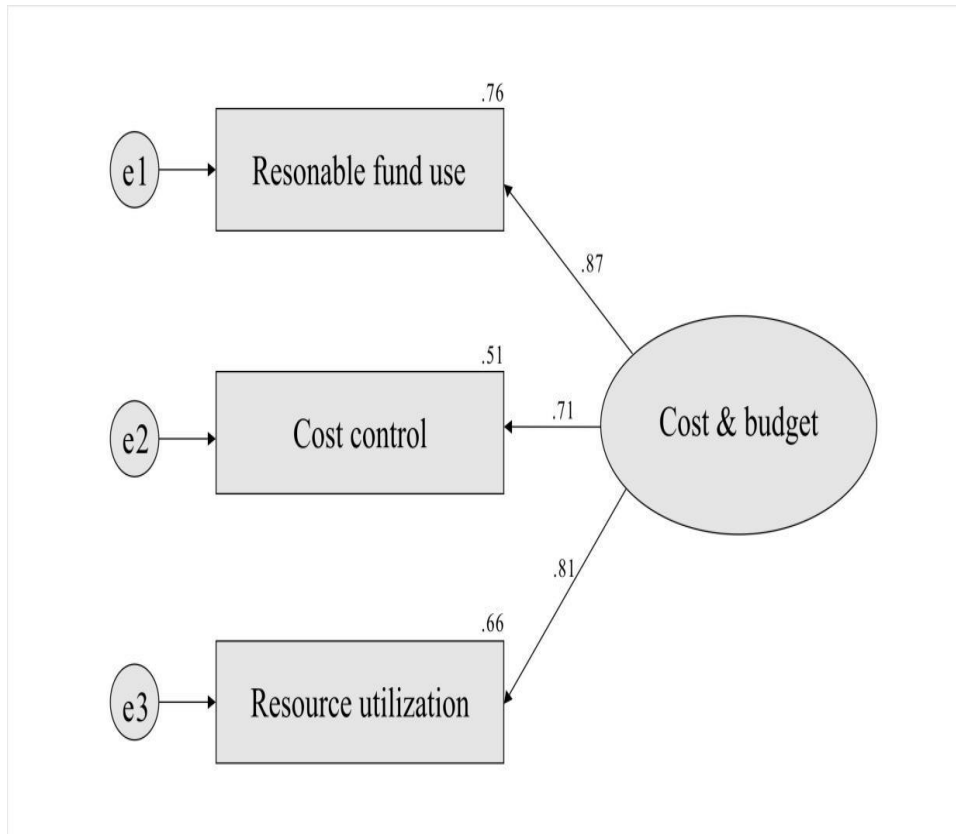
Figure 5-9 First-order CFA analysis on "cost and budget"

5.2.2.1.2 Member services

The latent variable "member services" has three items. According to the results of the CFA analysis in Figure 5-10, the factor loading of information sharing, member's cooperation, and conflict coordination are 0.82, 0.79, and 0.74, respectively. The factor loading of each item exceeds the threshold value of 0.7, the CR is 0.8269 (>0.7), and the AVE is 0.6147 (>0.5). The measurement model has good reliability level and convergent validity, and the model residuals are positive and significant. Since the model is a saturated model with three measurement items, Figure 5-10 characterizes the unique solution. All the three observable variables (information sharing, member's cooperation, & conflict coordination) are used in the following Structural Equation Model analysis.
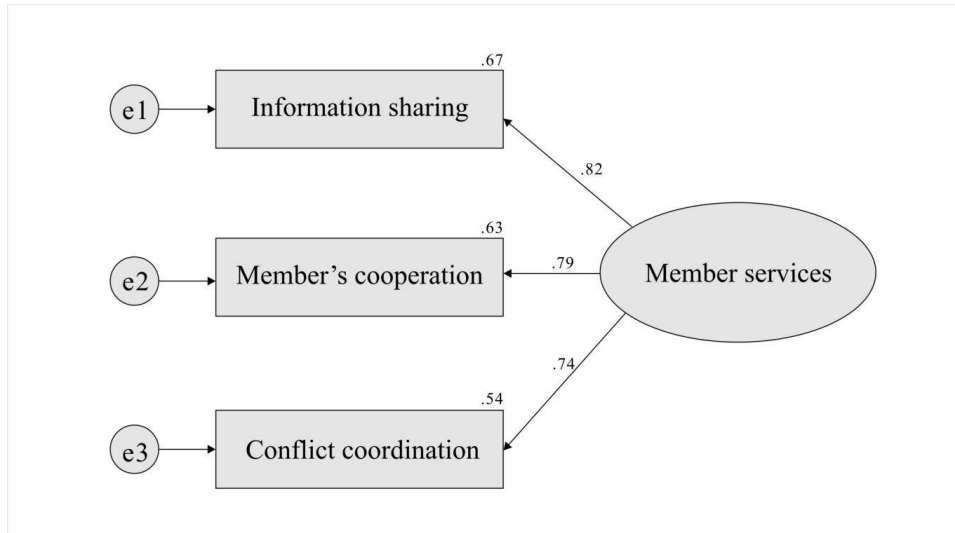
Figure 5-10 First-order CFA analysis on "member services"

5.2.2.1.3 Management procedures

The latent variable "management procedures" has three items. The results of the CFA analysis in Figure 5-11 show that the factor loading of reasonable procedures, implementation efficiency and goal achievement are 0.75, 0.75 and 0.89, respectively. The factor loading of each item is greater than 0.7, the CR is 0.8406 (>0.7), the AVE is 0.639 (> 0.5). The measurement model can be accepted as reliable and convergent valid, and the model residuals are positive and significant. Since the model is a saturated model with three measurement items, the solution given in Figure 5-11 is unique. All the three observable variables (information sharing, member's cooperation, & conflict coordination) are kept for the following Structural Equation Model analysis.
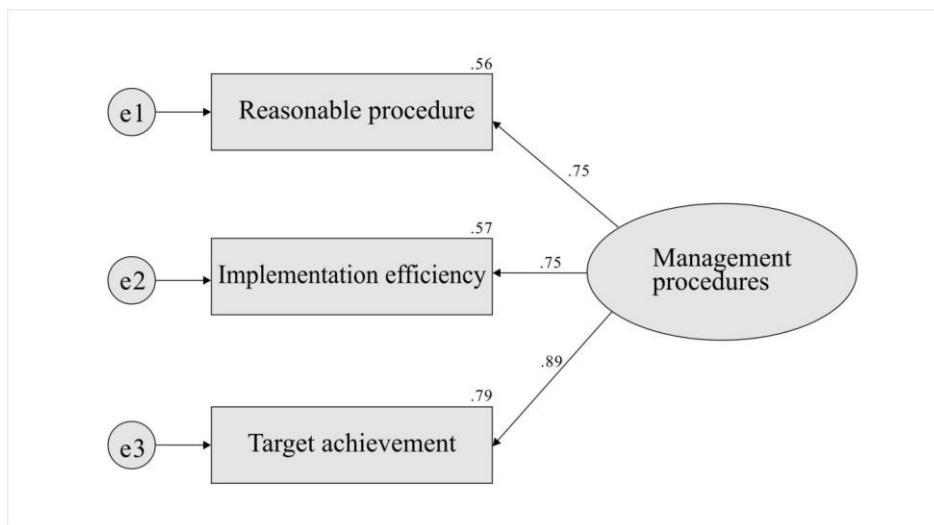
Figure 5-11 First-order CFA analysis on "management procedures"

5.2.2.1.4 Innovation and growth

The latent variable "innovation and growth" has three items. As shown by the CFA analysis in Figure 5-12, the factor loading of environmental adaptability, influence improvement and reform and development are 0.81, 0.74, and 0.82, respectively. All the factor loadings are higher than the threshold value of 0.7, the CR is 0.8333 (>0.7), and the AVE is 0.6254 (>0.5). We thus accept this measurement model according to the criteria on reliability and convergent validity. In addition, the model residuals are positive and significant. Finally, note that this measurement model is a saturated model with three measurement items. Then Figure 5-12 characterizes the unique solution. Therefore, all the three observable variables (environmental adaptability, influence improvement & reform & development) are retained for the subsequent Structural Equation Model analysis.
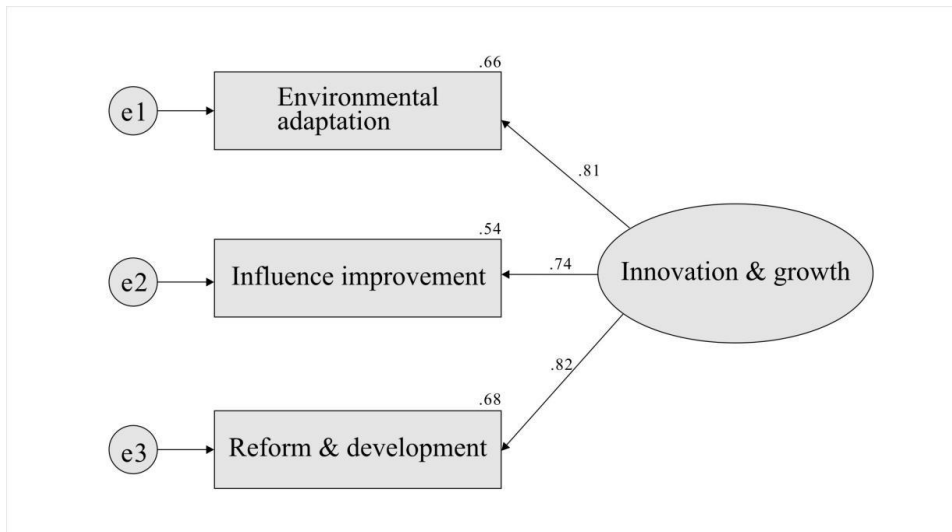
Figure 5-12 First-order CFA analysis on "innovation and growth"

5.2.2.1.5 Cross-region socio-economic coordination

The latent variable "Cross-region socio-economic coordination" has four items. As shown in Figure 5-13, the factor loading of policy making, regional economic development, host-home business cooperation, and host-home culture communication are 0.85, 0.76, 0.81, and 0.81, respectively. All the four factor loadings exceed the threshold value of 0.7, the CR is 0.8826 (>0.7), and the AVE is 0.6531 (>0.5). Thus, both the reliability and the convergent validity of this measurement model are acceptable, and the model residuals are positive and significant. Again, the measurement model is a saturated model. So, the unique solution given in Figure 5-13 includes all the four observable variables (policy making, regional economic development, host-home business cooperation, & host-home culture communication), which

are retained for the subsequent Structural Equation Model analysis.
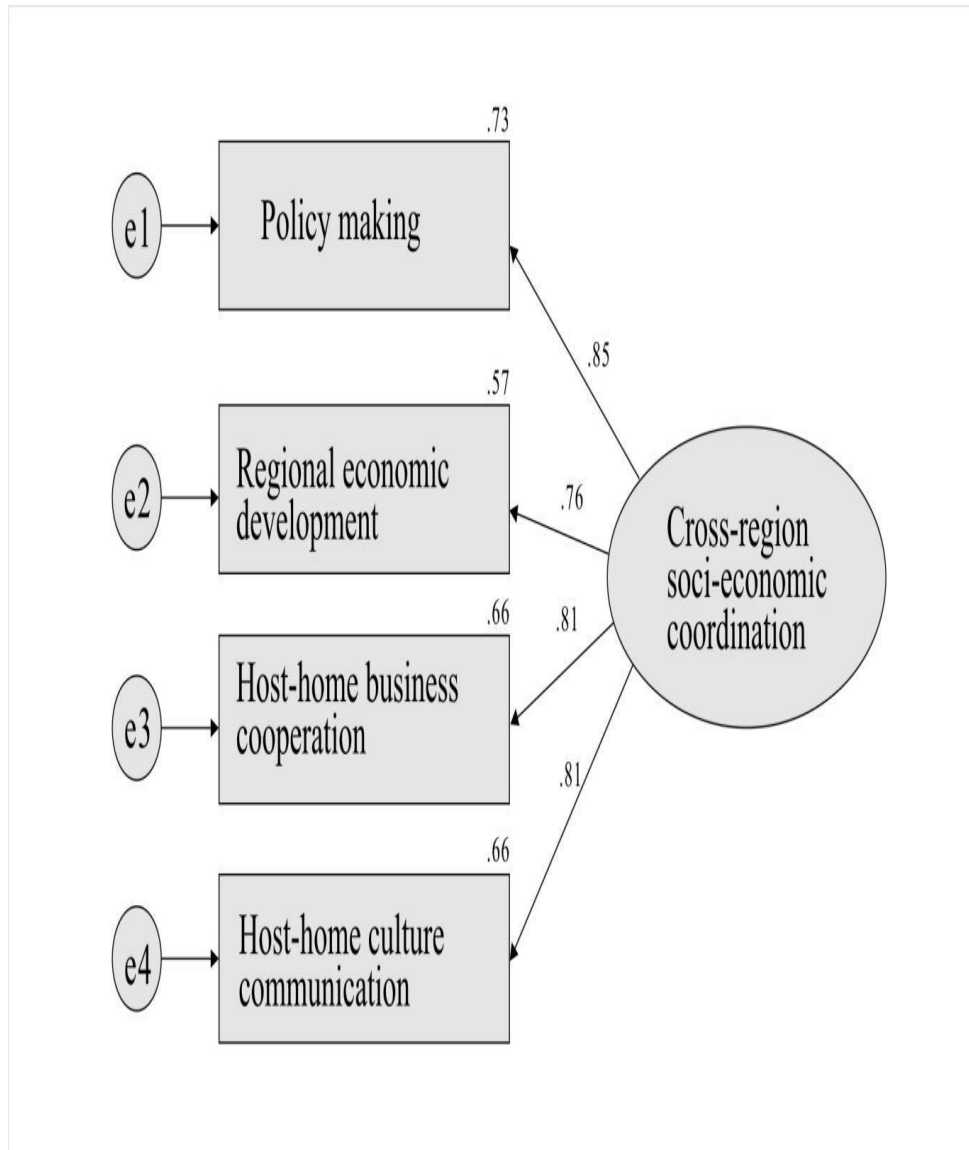
Figure 5-13 First-order CFA analysis on "cross-region socio-economic coordination"

5.2.2.2 Second-order confirmatory factor analysis the measurement model of NLCC performance

Similar to subsection 5.2.2.1, we need to analyze the correlative relationships among the first-order factors (latent variables) in the measure model of NLCC performance to see whether there is a higher-order common factor (latent variable) that affects each of these first-order factors. Thus, we use Figure 5-14 describe the relationships among the first-order. After adjustments, Table 5-6 summarizes the co-variance estimates about the relationship the first-order factors (latent variables) in the measurement model of NLCC performance. Finally, the corresponding correlations coefficients are summarized in Table 5-7.
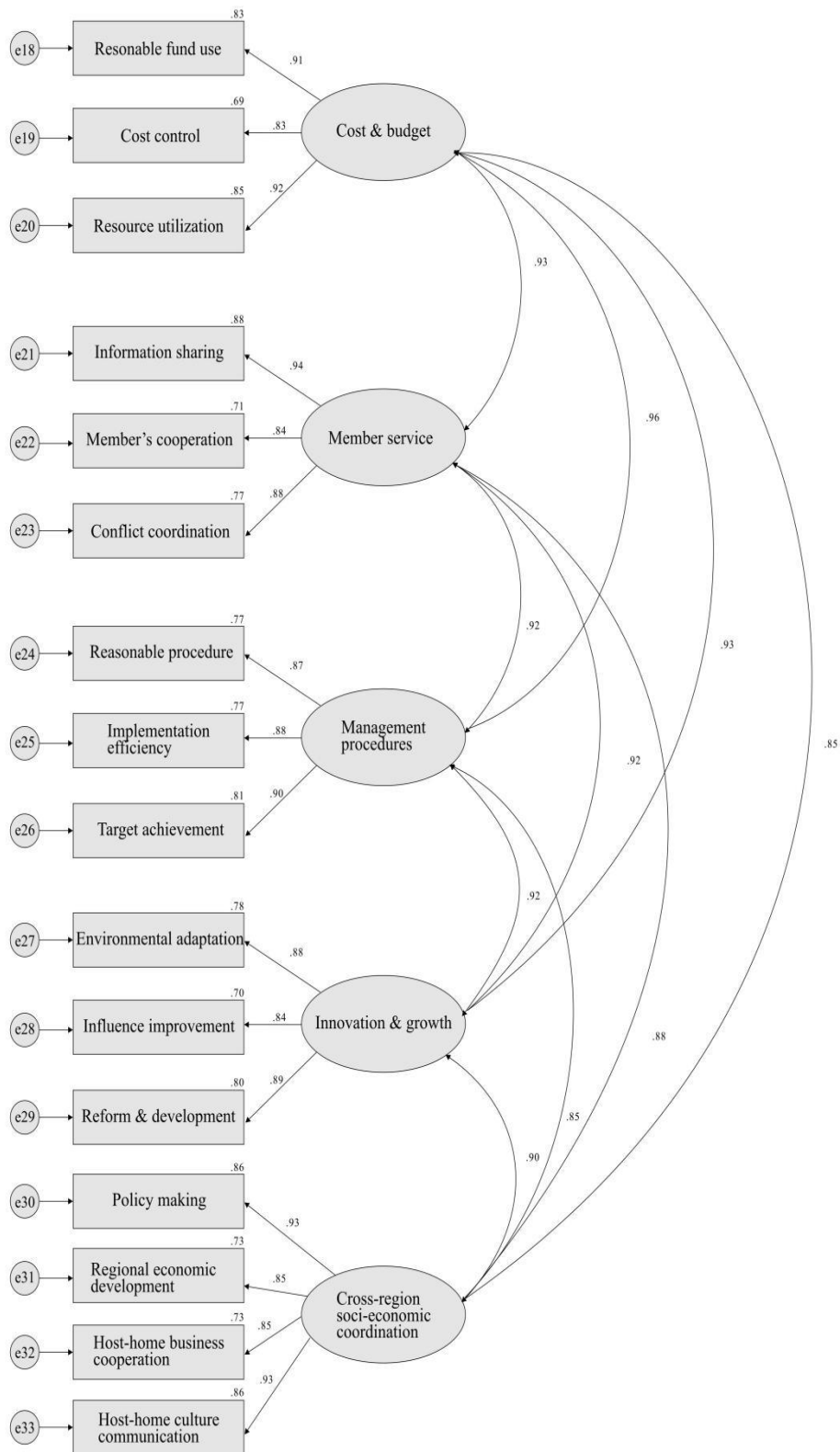
Figure 5-14 The relationships among the first-order factors in the measurement model of NLCC performance

Table 5-6 Covariance estimates among first-order factors of the success of NLCC performance

			Estimated value	S.E.	C.R.	P	Label
Cost and budget	↔	Management procedures	0.508	0.046	10.938	***	par_11
Cost and budget	↔	Membership services	0.484	0.045	10.743	***	par_12
Cost and budget	↔	Innovation and growth	0.505	0.049	10.386	***	par_13
Cost and budget	↔	Cross-region socio-economic coordination	0.468	0.047	10.054	***	par_14
Management procedures	↔	Member services	0.467	0.046	10.223	***	par_15
Management procedures	↔	Innovation and growth	0.492	0.05	9.918	***	par_16
Management procedures	↔	Cross-region socio-economic coordination	0.473	0.047	10.032	***	par_17
Member services	↔	Innovation and growth	0.478	0.049	9.795	***	par_18
Member services	↔	Cross-region socio-economic coordination	0.463	0.047	9.848	***	par_19
Innovation and growth	↔	Cross-region socio-economic coordination	0.507	0.051	9.994	***	par_20

Table 5-7 Correlation coefficients among first-order factors of the success of NLCC performance

Cost and budget	↔	Management procedures	0.943
Cost and budget	↔	Membership services	0.922
Cost and budget	↔	Innovation and growth	0.935
Cost and budget	↔	Cross-region socio-economic coordination	0.838
Management procedures	↔	Member services	0.889
Management procedures	↔	Innovation and growth	0.912
Management procedures	↔	Cross-region socio-economic coordination	0.848
Member services	↔	Innovation and growth	0.909
Member services	↔	Cross-region socio-economic coordination	0.85
Innovation and growth	↔	Cross-region socio-economic coordination	0.906

Table 5-6 shows that the covariance estimates between any pair of the first-order latent variables are significantly not 0 (in the sense of a significance level of 0.01, expressed by "***"). Further, Table 5-7 reveals that the correlation coefficients between any pair of latent variables are above 0.75. Thus, there must be another higher-order common factor that affects all these five first-order factors. To capture this second-order factor, we construct Figure 5-15 to conduct further statistical tests.
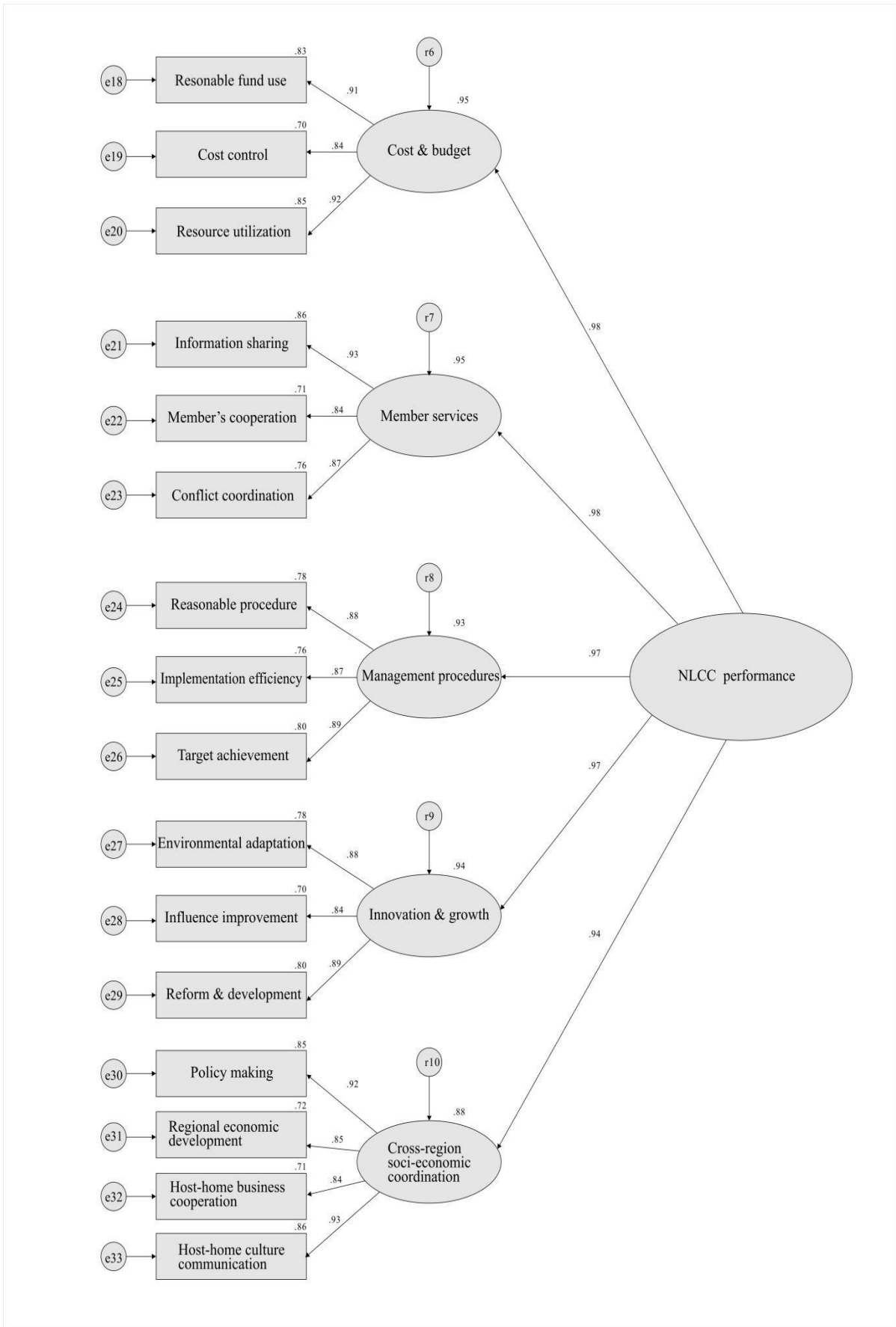
Figure 5-15 Second-order factor analysis on the measurement model of NLCC performance

The test results of the measurement model in Figure 5-15 are as follows: the chi-square value is 154.568, the degree of freedom is 93, RMR=0.066 (although still slightly above the critical value of 0.05, but still within the acceptable range), GFI=0.89 (slightly lower than 0.9, but in the acceptable range), AGFI=0.84 (slightly lower than 0.9, but in the acceptable range), RMSEA=0.049 (although slightly below the critical value of 0.05, but still acceptable). Therefore, the second-order measurement model is fitting well and can be used in the following Structural Equation Model analysis.

According to the results in Figure 5-15, all the five performance measurement dimensions (member services, cost & budget, member services, management procedures, innovation，growth, & cross-region socio-economic coordination) are the most important dimensions (with factor loading exceeding 0.90) to evaluate the performance of NLCCs. Comparatively speaking, the dimension of cross-region socio-economic coordination is relatively less important but still very important, which reflects that NLCCs are different from the general CoCs in their non-local nature. As revealed in Chapter 4, NLCCs have indeed played a non-negligible role in coordinating the social and economic development in the host area and in the home area. Based on the author's practical experience in managing the Fujian Chamber of Commerce in Sichuan Province, the role of NLCCs is even more prominent in establishing a bridge of business cooperation between the host area and the home area.

5.3 Structural equation model analysis on the relationship between the success of NLCC governance mechanisms and the performance of NLCCs

Based on the confirmatory factor analysis (FCA) in section 5.2, the Structural Equation Model established in Chapter 4 can be modified by eliminating the observable variable of "reasonable additional fees" in "members' right-obligation relationship". Further, the corresponding modified Structural Equation Model can be tested by putting the sample (questionnaire) data in the AMOS attached to the SPSS. Of course, the Structural Equation Model can be re-modified according to the modification index (MI) and a set of indicators on the goodness of model fit.

First, we report the estimated indicators on the goodness of model fit with a chi-square value of 806.672 and a degree of freedom of 448 in Table 5-8.

Table 5-8 Estimates of fitting indicators for the Structural Equation Model analysis

Fitting indicator	CMIN/DF	RMR	RMSEA	IFI	TLI	CFI
Estimated values	1.801	0.026	0.058	0.948	0.942	0.948
Recommendations	<2	<0.05	<0.08	>0.9	>0.9	>0.9

It can be seen from Table 5-8 that CMIN/DF = 1.801 (<2), RMR=0.026 (<0.5), RMSEA= 0.058 (<0.08), IFI=0.948 (>0.9), TLI=0.942 (>0.9), and CFI=0.948 (>0.9). Therefore, the Structural Equation Model shown in Table 5-8 and Figure 5-16 fits the sample data very well.

Table 5-9 Standardization regression results

Performance of NLCC	←	Success of NLCC governance mechanisms	0.931
Decision-making and financial transparency	←	Success of NLCC governance mechanisms	0.951
Function realization of the board of directors	←	Success of NLCC governance mechanisms	0.992
Function realization of the board of supervisors	←	Success of NLCC governance mechanisms	0.975
Actual operations and communication	←	Success of NLCC governance mechanisms	0.945
Member's right-obligation relationship	←	Success of NLCC governance mechanisms	0.839
Cost and budget	←	Performance of NLCC	0.98
Member services	←	Performance of NLCC	0.975
Management procedures	←	Performance of NLCC	0.993
Cross-region socio-economic coordination	←	Performance of NLCC	0.889

Innovation and growth	←	Performance of NLCC	0.979
Revenue and expenditure	←	Decision-making and financial transparency	0.777
Financial statements	←	Decision-making and financial transparency	0.775
Right and obligation Fulfill men	←	Member's right-obligation relationship	0.766
Right and obligation declaration	←	Member's right-obligation relationship	0.751
Reasonable membership fees	←	Member's right-obligation relationship	0.715
Decision implementation	←	Function realization of the board of directors	0.791
Expected decision maker	←	Function realization of the board of directors	0.754
Fair board of directors' election	←	Function realization of the board of directors	0.793
Board of directors' election	←	Function realization of the board of directors	0.777
Interim board of supervisors	←	Function realization of the board of supervisors	0.792
Supervisors' obligations fulfillment	←	Function realization of the board of supervisors	0.822
Regular board of supervisors	←	Function realization of the board of supervisors	0.811
Vision statement	←	Actual operations and communication	0.819

Information acquisition	←	Actual operations and communication	0.714
Service attitude	←	Actual operations and communication	0.779
Reasonable fund use	←	Cost and budget	0.838
Cost control	←	Cost and budget	0.74
Resource utilization	←	Cost and budget	0.819
Information sharing	←	Member services	0.818
Member's cooperation	←	Member services	0.78
Conflict coordination	←	Member services	0.75
Reasonable procedures	←	Management procedures	0.793
Implementation effectiveness	←	Management procedures	0.785
Target achievement	←	Management procedures	0.816
Environmental adaptability	←	Innovation and growth	0.8
Influence improvement	←	Innovation and growth	0.761
Reform and development	←	Innovation and growth	0.811
Policy making	←	Cross-region socio-economic coordination	0.837
Regional economic development	←	Cross-region socio-economic coordination	0.779
Host-home business cooperation	←	Cross-region socio-economic coordination	0.795
Host-home Cultural communication	←	Cross-region socio-economic coordination	0.827

| Trusting financial statements | ← | Decision-making and financial transparency | 0.838 |

Figure 5-16 Structural Equation Model for the relationship between the success of NLCC governance mechanisms and the corresponding performance

As shown in Table 5-8 and Figure 5-16, the (one-way) path coefficient between the success of NLCC governance mechanisms and the performance of NLCC is significantly 0.93. Therefore, the improvement of the governance mechanism of a NLCC is conducive to promoting the performance of the NLCC.

5.4 Chapter summary

This chapter mainly uses the data collected by the questionnaire (given Chapter 5) to test the Structural Equation Model on the relationship between the success of NLCC governance mechanisms and the corresponding performance. First, the data quality (including normality, reliability and validity is analyzed. Second, the measurement models of the success of NLCC governance mechanisms and the performance of NLCCs are tested by both the first-order and second-order confirmatory factor analyses. Finally, the relationship of the success of NLCC governance mechanisms and the performance of NLCCs is tested. The results of the model confirm the hypothesis in this paper. The governance level of NLCCs has a significant positive impact on the performance of NLCC, the improvement of the governance capacity of NLCC can improve the performance of NLCC.

The main results are as follows. (1) As for the success of NLCC governance mechanisms, the factor loading of members' right-obligation relationship, decision-making and finance transparency, function realization of the board of directors, function realization of the board of supervisors, and actual operations and communication are 0.84, 0.95, 0.99, 0.97 and 0.94, respectively. This implies that the members' right-obligation relationship is less important than the other four dimensions. (2) As for the performance of NLCCs, the loading of cost and budget, member services, management procedures, innovation and growth, and cross-regional socio-economic coordination are 0.98, 0.98, 0.99, 0.98, and 0.89, respectively. Thus, the cross-regional socio-economic coordination is less important than other four dimensions. (3) The improvement of the governance mechanism of a NLCC actually positively affects the performance (the path coefficient is 0.93) of the NLCC.

Based on the above empirical results and the author's experience in managing the Fujian Chamber of Commerce in Sichuan Province (a NLCC), the managerial insights are given in the following Chapter 6.

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Chapter 6: Discussion and Managerial Insights

Chapter 5 has empirically revealed the positive relationship between the success of governance mechanisms and the performance of NLCCs and the importance degree (expressed by loading factor) of each measurement dimensions with a Structural Equation Model. This chapter discusses these results and combine the author's practical experience in managing a NLCC to give some managerial insights on "improving the performance of a NLCC by improving its governance mechanism". These recommendations include (1) paying attention to develop the social responsibility of CoCs in its social activities in social and industrial development, (2) perfecting and innovating NLCC internal governance mechanisms with systematic thinking and vision, (3) focusing on the cross-regional socio-economic coordination role of NLCCs in performance evaluation, (4) innovating the administrative system to manage NLCCs, (5) accelerating the legislation for CoCs (NLCCs).

6.1 Discussion

We empirically establish a positive relationship between the success of governance mechanisms and the performance of NLCCs to answer our research question (3). This positive relationship generally implies that the governance success of a NLCC is the key to improve its performance. This result is intuitive, but it is abstract too. The abstractness hinders its applicability for NLCC managers. However, our results on the measurements of the success of NLCC governance mechanisms and the performance, which provide empirical answers to our research questions (1) and (2), help NLCC managers work out an effective governance mechanism and the corresponding performance evaluation system.

More specifically, an effective governance mechanism has to deal with all the five dimensions: members' right-obligation relationship, decision-making and finance transparency, function realization of the board of directors, function realization of the board of supervisors, and actual operations and communication. This result concretizes the general conceptual framework of Gillan (2006). Further, these dimensions should be assigned to differentiated importance. Especially, our results (Figure 5-1 & Figure 5-2) point out that

whether additional fees are reasonable is not an important factor when a NLCC manager considers members' right-obligation relationship. This is understandable since additional fees are occasionally collected for some irregular events. Finally, but importantly, we have to acknowledge that these five dimensions focus mainly on the internal governance of a NLCC. In the real world, external institutional environments (e.g., the administrative regulations & the laws) also affect the governance of NLCCs. Thus, a NLCC manager should not ignore these institutional environments when establishing a governance mechanism for his/her NLCC.

As for the performance evaluation system of a NLCC, our empirical results also reveal five dimensions: cost and budget, member services, management procedures, innovation and growth, and cross-regional socio-economic coordination. Again, in a performance evaluation system, all the five dimensions should be weighted in a differentiation manner. This result extends Xu (2009) by showing that the cross-regional socio-economic coordination role, which reflects the non-local nature of a NLCC, should be considered as a performance indicator of a NLCC.

With these discussions on our empirical results, we below give some managerial insights that are related to the internal governance, the performance evaluation, and the external institutional environments of NLCCs.

6.2 Managerial insights

6.2.1 Emphasis on developing the social responsibility of CoCs in its social activities in social and industrial development

The non-profit and unofficial nature of a CoC give it an important social function in promoting the development of society and industry in economic activities. With CoCs' ability to play an important role in management and organization in the market and industry, it can create fairer, freer, more equitable, more open and more inclusive market conditions among its member enterprises and in the market environment. Firstly, by continuously improving the internal governance mechanism, supplementing and improving the competitive order, CoCs are able to regulate the non-compliant behaviors and violations. Thus, market regulatory powers, such as industry standards and certification, optimize the competitive market environment, and CoCs can effectively regulate the market behaviors of their member enterprises, promoting the development of the industry and society. Secondly, facing

consumers, labor groups, social organizations and government agencies, NLCCs have multiple identities. By paying attention to their social responsibility that involve various industries in the national livelihood, and with the coordination of other economic organizations, CoCs establish the overall social image of the industry. As a representative of the industry, CoCs have coordinated cross-sector and cross-fields, and so have between consumers and enterprises. This will create social environmental factors that are more beneficial to the overall development of the industry and fulfill the responsibility of public service.

Thirdly, from a certain point of view, NLCCs shoulder the responsibility of social service. Social credibility and recognition are achieved by the legitimate status of NLCCs and the recognition and support of the service recipients. As a representative of the positive spirit of each member enterprise, NLCCs emphasize that citizens and each member enterprise should actively participate in social public welfare and service. As a result, CoCs should manage themselves with relatively a high degree of moral standards and behaviors, so that CoCs can become socially responsible organizations among member enterprises and in the industry fields. By influencing member enterprises, industry participants, employees and other social organizations, CoCs can promote social integrity, mutual assistance and social stability and order.

Fourthly, safeguarding the interests of the industry is the basis for the existence of NLCCs. As the representative of the overall interests of each member enterprise, CoCs have the tendency to actively participate in deliberating and administration of state affairs. Through their own characteristics, CoCs can effectively influence politics or policies in various ways so as to safeguard the interests of the industry. They can directly provide suggestions to the government for the development of the industry, or indirectly make proposals through the National People's Congress or the CPPCC, participate in the formulation of industry planning and decision-making, and assume the responsibility of safeguarding the interests of the industry by coordinating with the government and the industry mechanisms.

6.2.2 Perfecting and innovating NLCC internal governance mechanisms with systematic thinking and vision

CoCs (including NLCCs) are in the "third sector" between the government and market (enterprise), or public sector and private sector. Their internal governance necessarily involves formal rules, informal rules and the dynamic adjustment of these rules. This makes the

communication among the members of CoCs and between the managers and members of CoCs is essential in the internal governance process of CoCs (including NLCCs). Therefore, it is necessary to perfect and innovate the internal governance mechanism of CoCs (including NLCCs) with self-organizing systematic thinking and vision. However, the states and structure of a self-organizing system is determined in an evolutionary dynamic process, so they are hard to be re-designed. Even so, for CoCs (including NLCCs), four basic elements (regular operational procedures, funds, personnel, member enterprises) of this self-organizing system can be determined. Thus, our strategic suggestions for perfecting and innovating CoCs (including NLCCs) are given on the base of these four elements.

(1) Establishing, improving, and innovating the formal rule (management system) system for the regular operations of CoCs (including NLCCs)

In the regular operations of CoCs, the main jobs include membership determination, election, authorization, supervision, execution, dispute coordination and financial activities. To do these job well, it is necessary to follow their Constitution of Chamber of Commerce to perfect and innovate the corresponding membership rules, the electoral rules of the general assembly, the procedures to set positions and authorize the management team, the procedures authority supervision, the determination of business scope and implementation performance assessment methods, dispute coordination procedures and financial management system. Further, a basic data (information) library shall be established to support the implementation of these rules, procedures, and methods. And based on this, information systems for communication, evaluation and feedback shall be built and perfected. Thirdly, based on these information systems, according to the tested measurement model of the success of NLCC governance mechanisms in Chapter 6 (with appropriate extensions in some specific circumstances), one can evaluate how successfully (or effectively) the current formal rule system works and identify possible directions for institutional innovation. Fourthly, based on the full and democratic consultations between the members and managers of CoCs (including NLCCs), the specific formal rule innovation (or improvement) shall be approved according to the Constitution of Chamber of Commerce and the consensus or majority voting of the members.

A complete institutional system can guarantee that there are laws to abide by and rules to follow for the operations of CoCs (including NLCCs). The institutional system shall include electoral system, tenure system, supervision system, negotiation system, membership fee management system, and financial management system. A reasonable and effective

institutional system shall meet the following requirements. First, it ensures a scientific and flexible personnel system. The leading group of CoCs (including NLCCs) must be elected or dismissed via democratic procedures as stipulated in the Chamber of Commerce. Second, a multi-level supervision mechanism shall be established. CoCs shall not only set up the internal board of supervisors to fulfill the supervision function but also shall introduce the external supervision. For example, CoCs (including NLCCs) can contract with some professional third-party institutes to fulfil some specific supervision (e.g. to hire CPAs to implement financial supervision) so as to ensure the transparency, the democratization and the openness in the process of supervision. Of course, they can also take advantage of administrative supervision, public opinion supervision and membership supervision to improve the effectiveness of supervision. Third, an effective mechanism shall be built to coordinate the relationships within a CoC and between the CoC and external stakeholders. External stakeholders include government department, other CoCs, and enterprises outside the CoC. More specially, for a NLCC, it has to coordinate the relationship between its host-area and home-area stakeholders. Fourth, an effective mechanism shall be built to ensure the" professional and sustainable routine operations.

(2) Selectively expanding the membership scale and the financial source of CoCs

In China, the funds controlled by CoCs are positively correlated with their membership scale. In fact, government subsidies and social donations just account for a very small proportion of the total funds. As for the Fujian Chamber of Commerce in Sichuan Province, almost all the funds are from the membership fees while the contributions from other sources are less than 3%. In China, a special source is the rewards of government departments such as Bureau of Commerce at different level according to a CoC investment promotion performance (Wan, 2019). As sufficient funds are the economic and financial foundation for the operations of a CoC, it has a strong motivation to raise funds by expanding its membership scale or increasing its membership fees. However, it is hard to receive positive responses of the existing members to an increase in the membership fees, or in a worse case, some members may respond by going out. So, the remaining way is to expand the membership scale though developing new members. This is main reason to explain the blind member development (especially for Small & medium-sized CoCs). Further, the blind member development increases the difficulty to govern CoCs due to the members' differences in terms of resource, operational capacity, collective responsibility, and cooperative behavior. This implies a strategy of selective member development, although this strategy challenges

both the member recruit rule.

(3) Gradually professionalizing the incentive mechanisms and CoC management teams

Similar to governments, enterprises and any other organizations, the success of the governance of a CoC can be achieved without high-quality and professional human resources (Wang, 2018). In China, the senior executives of CoCs are usually elected from the senior managers of their member enterprises or renowned socialite while other management personnel and staff are recruited. The former usually does not receive salary compensation from CoCs or at most receives the one-time payment based on specific services. For the latter, they usually receive low salary due to the limited funds of CoCs. In addition, to coordinate the relationships between governments and their member enterprises, CoCs usually recruit some retirees from government departments and demobilized military personnel. Thus, both the incentive mechanisms and management team of CoCs are not very professionalized. This unavoidably makes it difficult for the governance mechanisms of CoCs to achieve the expected goals.

As for the professional actions of CoC management teams, due to the third-sector nature and the goal to serve members' common/collective interests, the management team and staffs of a CoC shall have the following professional capabilities or qualities: (1) ability to observe and think from a government perspective (2) ability to analyze the relevant markets from a corporate perspective; (3) ability to interact in social networks and organize social interactions; (4) ability to implement decisions; (5) for the case of NLCCs, ability to understanding differences of cultures, traditions and customs between the host area and the home area.

As for the profession action of incentive mechanisms, according to the theory of organization, incentives can be elicited with material payoffs, solidarity promotion, and targets (Chen & Ma, 2003). Material incentives include tangible material rewards such as money. Solidarity incentives mainly refer to intangible rewards from joint actions. And target incentives refer to intangible rewards brought about by the achievement of the target of the organization. CoCs (as mutually beneficial non-profit organizations) take advantage of these three incentives and purposefully apple them to different types of people. For ordinary staffs, material incentives need to be strengthened, for junior managers, a combination of material incentives and solidarity incentives is an appropriate choice, and for senior managers, it is better to emphasize both solidarity incentives and purpose incentives.

(4) Establishing an effective mechanism of dialogue on equal footing, developing a platform of resource sharing and mutual benefit among member enterprises, and help

member enterprises develop.

Member enterprises are an important part of NLCCs. With the rise of non-public economy in China, the scale of enterprises is increasing which is the core power of long-term development of NLCCs. However, in recent years development, enterprises are facing many difficulties. Breakthrough and improvement of the current predicament is a great challenge for member enterprises, and also a problem that must be faced and solved in the process of growth and expansion of NLCCs. As a representative of the common interests of member enterprises, CoCs can not do without the participation of member enterprises in daily business activities and management. However, some CoCs fail to effectively meet the development needs of member enterprises through their public services, as they do not have a high level of daily business activities and management for the development of member enterprises and public services. Firstly, a dialogue on equal footing and mutual trust is needed to discuss and study the development problems of each member enterprise, to effectively mobilize the participation of member enterprises, and to actively promote the development of member enterprises. On the other hand, as the division of labor in the modern society becomes more and more detailed, all enterprises can not develop in isolation. Through the integration of resources among member enterprises, resource sharing and rationalized resource allocations can be realized, and barriers among member enterprises can be reduced, thus forming a complementary development state and achieving the purpose of mutually beneficial development of member enterprises. Therefore, the establishment of an effective equal dialogue mechanism between member enterprises and the development of a platform for resource sharing and mutual benefit among member enterprises not only enhances the active participation of member enterprises in various activities of the CoCs, but also strengthens the cohesion of the member enterprieses' centripetal force to help the development of member enterprises. At the same time, these methods can be used to further improve the governance ability and level of CoCs. In addition, depending on the resource sharing platform established by the CoCs, member enterprises can cultivate in-depth partnerships in various aspects, fulfill their respective responsibilities, help other member enterprises break through their own difficulties, obtain new development and opportunities, and promote the long-term sustainable development of NLCCs.

6.2.4 Focusing on the cross-regional socio-economic coordination role of NLCCs in performance evaluation

A NLCC is an important bridge connecting local governments and non-local entrepreneurs. So how to improve the multiparty communication is the important issue for both analyzing the success of the governance mechanisms of NLCC and measuring the performance of NLCCs. According to the factor analysis in Chapter 6, in measuring the performance of a NLCC, although the cross-regional socio-economic coordination is less important than the member services, cost and budget, innovation and growth, and management procedures, its factor loading is still up to 0.89. Therefore, it is necessary to pay attention to this performance evaluation dimension. In particular, in a Chinese situation where economic activities expand from the eastern coastal developed areas to the western inland underdeveloped areas, this dimension shall receive more attention because NLCCs play the role of intermediary in promoting the cross-regional micro-level transfer of business operations (Zhao & Li, 2017).

In practice, the evaluation results of this dimension can allow governments in the host area and the home area to more fully understand the economic behaviors of the member enterprises of CoCs and these economic behaviors reflect the complementation (for example, the complementation of industrial policies, the complementation of resource endowments, & the complementation of market demand) of the economic development of the two areas, thereby promoting the coordination of the governments in the two areas in their industrial development strategies (& even the social development strategy in the broader range) (Li, 2018). On the other hand, from the perspective of NLCCs themselves, if the government and the public in the host area are aware of their cross-regional socio-economic coordination role, then the legitimacy of NLCCs and their member enterprises in the host area will be boosted, thus providing a better environment for their business activities and further helping them develop better in the host area (Ma et al., 2016).

6.2.3 Innovating the administrative management system of NLCCs

In China, the operations of the internal governance mechanisms of NLCCs cannot be independent of the administrative management (or intervention) of governments (especially governments in the host area). Currently, the "Interim Regulations on Registration Administration of Private Non-enterprise Units" and the "Regulations on the Administration of Registration of Social Group" (hereinafter referred to as the Regulations) issued and

implemented in 1998 are the regulations at the highest level for the NGO (non-governmental organization), and these two Regulations have determined the basic framework of "registration at different levels and dual management". This is the fundamental mode for Chinese governments to manage NGO. Under the registration at different levels, the civil affairs departments of government at or above the county level is responsible for the review, approval, registration, annual inspection, change, cancellation, and supervision of the civil/social groups at the same level. Under this system, civil/social groups operating all over the country are reviewed and registered by the Ministry of Civil Affairs and civil/social groups operating at the local level are reviewed and registered by the civil affairs department of the government at the corresponding level. Of course, this management mode of registration at different levels does not mean that there is a difference in the administrative levels of civil/social groups, but just reflect the different areas that the civil/social groups operate in and the different areas that the members are recruited in (Wu, 2017). The legal personality of a civil/social group is granted once it is registered. Under the dual management, the registration and daily operations of a civil/social group are respectively managed by the registration authority and the competent authority. In short, the dual management requires that a civil/social group be affiliated to an "in-system" competent authority after it is registered and reviewed by the civil affairs department in the local government or the Ministry of Civil Affairs.

As an administrative management system with the most Chinese characteristics, the "registration at different levels and dual management" is both a reasonable policy choice and has certain defects. In China, since the cultural and economic development levels are very different in different areas/provinces, the administrative management ability, the citizen civil/social group level, the self-discipline mechanism of citizen groups, and the social supervision effectiveness grow in an imbalanced manner (Sun, 2008). Therefore the management system of the "registration at different levels and dual management" is a temporary and reasonable measure to respond to the real-world needs, but in the long run, this system may hinder the healthy development of civil/social groups in China. Its negative effects, i.e., the country controls over the society rooted in the planned economy system, are gradually revealed. It had evolved into the "segmentation" of administrative management in the country (Li, 2016). Under the influence of this management system, the state always hopes to fix civil/social groups as a whole to ensure that their actions are "within the reasonable range". The "registration at different levels" essentially becomes a kind of

"restrictions at different levels" that tends to hinder the competition among civil/social groups, restrain their vitality, and thus reduce the resource allocation efficiency among them. Furthermore, the "dual management" tends to evolve into an excuse for the registration authority and the competent authority to avoid the administrative responsibilities: When a civil/social group is in trouble, one accuses the other negligence of duty. Therefore, in the long run, the "registration at different levels and dual management" naturally and habitually places the promotion and the guidance of civil/social groups as a secondary goal and thus is not very good for the healthy growth of civil/social groups.

When this administrative management system is applied to NLCCs, these defects remain. But focusing on NLCCs, we suggest innovating the "registration at different levels and dual management" in the following four aspects.

(1) Gradually opening the registration of NLCCs at lower levels (above-county levels)

NLCCs are natural and inevitable outcome when the development of the socialist market economy reaches a high level. So, the development of NLCCs shall be guided actively, making it serve to the strategic goal of building a harmonious society, strengthening state, and enriching people. According to the "Opinions on Issues about the Registration of NLCCs" issued by the State board of directors in 2003, only provinces, autonomous regions, and municipalities directly under the Central Government meeting certain requirement are eligible to experimentally registered of NLCCs. But the real situation is that the local level governments in the western inland underdeveloped areas/provinces need lots of funds invested for their regional economic progress. Due to the unique investment-introducing advantages of NLCCs (usually, their homes are in eastern coastal developed areas), these local-level governments have much stronger motivations to registered NLCCs in their administrated areas whose home CoCs are in the eastern developed areas. We thus recommend that the administrative registration be extended to the western inland governments above the county level. Naturally, the above-county level recommendation can be applied to the eastern coastal developed areas.

(2) Moderately relaxing limit of "one enterprise, one place and one CoC"

According to the "Regulations on the Administration of Registration of Social Group", one and only one among civil/social groups with similar industrial and/regional characteristics can be registrant in the same administrative division. This stipulates the principle of "one enterprise, one place and one CoC". For NLCCs, as they have been registered in their home

areas, the implication of this principle is degraded to "one place and once CoC". Thus, this degraded principle requires that any CoC registered in its home area can just register one NLCC in a host area within an administrative division. Therefore, for a given host area, all potential host-area members (usually from the same home area) of a NLCC have a unique choice, leading to the monopolistic of the NLCC over its members in the host area. This monopoly usually weakens the motivation of the NLCC to improve its governance mechanism, causing the failure of the NLCC to play well its third-sector roles. However, on the other hand, if the principle of the "one place and one CoC" is completely removed, the other extreme scenario occurs: the competition among NLCCs from different home areas for the potential members in the host area tends to be chaotic. Therefore, to avoid these two extreme cases, we suggest moderately relaxing the principle of the "one enterprise, one place and one CoC" (or more specifically the "one place & one CoC") to try a principle of the "one place and several CoCs". This principle allows a home-area CoC to register a limited number of NLCCs or set up a limited number of branches in a host area, which induces an appropriate level of competition to enhance the competitive vitality and improve the resource allocation efficiency.

(3) Weakening (or even canceling) the daily management of the competent authority to enhance the non-governmental nature and autonomy of NLCCs

Since NLCCs in the "third sector" are the social organizations that are spontaneously formed by the home-area member enterprises for the common goals, the non-governmental nature and the autonomy are the foundations of the legitimacy of NLCCs. The daily management of the competent authority interfere too much or even sometimes restrict the members of NLCCs to express their appeals, business negotiations and autonomous conflict resolutions. It thus undermines the self-organizing characteristics of NLCCs, hinders their members from creatively participating in the NLCC governance, and further hampers the success of the NLCC governance and the adaptive ability of NLCCs. Therefore, to enhance the non-governmental nature and autonomy of NLCCs, we recommend weaken (or even cancel) the daily management of the competent authority. More specific all, we suggest the following strategies. (1) Relax administrative restrictions of the government departments on the management of NLCCs, change mandatory rules to the guidance opinions, and to delegate power to governments at lower levels (or directly to NLCCs); (2) Prohibit the relevant government departments from implicitly designating some "official president" to NLCCs so that the elections and the operation of the board directors can work in autonomous manner; (3)

Do not take NLCCs as an extension of government agencies: governments at all levels should not issue administrative orders to NLCCs so that the non-governmental nature and the autonomy of NLCCs are guaranteed; (4) Hire professional social intermediaries audit the financial status of NLCCs and enhance the supervision from third parties.

(4) Implementing and improving the exit mechanism for NLCCs, and promoting the standardized and orderly development of NLCCs

NLCCs play an important role as a bridge between the host government and the home government. With the development of the market economy and the increase of trans-regional economic flows, NLCCs are flourishing. According to the Regulations, in one of the eight cases that go "beyond the purpose and business scope of activities stipulated in the charter", the registration authority gives a warning, orders corrections, suspends business activities, within a specified time and shall order a replacement of supervisors. For severe cases, the authority shall cancel the registration. If a crime is conducted, criminal responsibility shall be investigated according to law. This regulation is rather general and difficult to implement in practice. NLCCS, mainly formed by the power of each member enterprises, have a lot of problems, where some use their influence to act as a representative of the interests of a single enterprise and some lack of credibility and baseline of morality. It is urgent to improve the exit mechanism of NLCCs in such background. Therefore, based on the various problems that exist in the development of NLCCs, it is necessary to further implement and improve the corresponding exit mechanism for NLCCs that do not meet the relevant regulations or do not adapt to the development of the economy, society and industry, enabling the scientific, rational and sustainable development of NLCCs.

6.2.5 Accelerating the improvement of the legislation of CoCs (NLCCs)

At current, the number of CoCs in China is already quite large. But so far, there is still no official "Law of Chambers of Commerce" issued for the operations of CoCs. Actually, at present, CoCs are managed according to only some national and local regulations such as the "Regulations on the Administration of Registration of Social Group (1998)"[1], the "Interim Regulations on Registration Administration of Private Non-enterprise Units (1998)"[2], the "Administrative Measures for Trade Associations of Wenzhou City (for trial implementation, 1999)"[3], the "Regulations on Trade Associations of Shenzhen Special Economic Zone (for

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[1] http://www.mca.gov.cn/article/gk/fg/shzzgl/201812/20181200013490.shtml, accessed on 2020-6-12.
[2] http://www.mca.gov.cn/article/gk/fg/shzzgl/201507/20150715847908.shtml , accessed on 2020-6-12.
[3] http://www.wenzhou.gov.cn/art/2014/4/28/art_1229315_38434.html , accessed on 2020-6-12.

trial implementation, 2000)"[①], and the "Regulations on Trade Associations of Guangzhou (for trial implementation, 2006)"[②]. These regulations have indeed played an important role in regulating the behaviors of CoCs to a certain extent. But CoCs (& more board, civil/social groups) still lack the certainty of a legal support. This makes CoCs lose its self-organizing characteristics since the lack of legal protection implies their needs of governments' help and then governmental inferences are in a voidable. Or on the other hand, due to lack of the certainty of legal punishments, CoCs grow and behave in a very capricious manner. In fact, except the can cell registration by government, there are no specific disciplinary measures to punish CoCs. Therefore, the governance of CoCs lacks a necessary top-level design, so they inevitably fall into the situation of "no overall plan for a fundamental transformation". In the long run, it is difficult to achieve a high level of CoC governance efficiency. This indicates that a "Law of Chambers of Commerce" shall be developed and issued without any delay (Zhang, 2018).

Obviously, a complete "Law of Chambers of Commerce", like a "Corporate Law", should stipulate the legal nature of CoCs (public interest oriented legal person or mutual beneficial legal person), the establishment of CoCs, the conditions and procedures for changing and terminating of CoCs, the functions of CoCs, the right-obligation relationship between CoCs and their members, and the financial management system. However, this thesis mainly focuses on the governance issues of CoCs. Therefore, the following suggestions are only from the perspective of CoC governance (Hou, 2017; Su, 2017; Li, 2019):

(1) It is recommended to define the nature of CoCs as the mutual benefit legal person. Otherwise, a definition of a CoC as a public interest oriented legal person violates the essence that it is spontaneously established by members (enterprises) and serve sits members. The definition of mutual beneficial legal person of a CoC can better reflect that the service in provides to its members are quasi-public goods instead of pure public goods to the general public.

(2) It is recommended to set the general assembly, the board of directors, the board of supervisors to achieve the balance among authorization, implementation and supervision and set the secretariat and a number of professional committees (if necessary) conduct specific daily work in the operations of a CoC..

(3) It is recommended to clearly clarify the business scope of a CoC when interacting

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[①] http://www.chinalawedu.com/falvfagui/fg22598/101171.shtml , accessed on 2020-6-12.
[②] http://www.chinalawedu.com/falvfagui/fg22598/101120.shtml , accessed on 2020-6-12.

with governments and use formal contracts to manage the transactions with governmental. This is to avoid the current implicit perception of CoCs as some kind of subordinates of governments and thus protect the self-organizing characteristics of CoCs from governments' direct restrictions and interventions.

(4) It is necessary to clarify the membership category (corporate legal persons, individual industrial & commercial household, natural persons, & professional research institutions), clarify conditions and procedures under which each category of member join a COC, and clearly define the right-obligation relationships among various categories of members and between CoCs and their members (especially the voting rights).

(5) It is necessary to construct an effective financial management system including the accounting principles, accounting processes, the use of accounting information, and the use of funds to accurately measure the amount of CoC assets and ensure the efficient utilization of CoC assets.

(6) For NLCCs, it is necessary to determine respectively the status of their legal person in the home area and the host area (two branches of a legal person or two independent legal persons).

Chapter 7: Conclusion

7.1 Main conclusions

With the vigorous development of China's market economy and the transformation of government functions in China, CoCs, as in the "third sector" between the government and enterprises, are playing an important economic coordination role. Particularly, China's reform and development are carried out first in eastern coastal areas, making the level of economic development in these areas generally higher than that in the western inland areas. Therefore, driven by the idea of "rich people help the poor", the economic activities in eastern coastal areas are gradually moving to the western inland areas. Lots of CoCs with their homes in the former areas will establish the corresponding NLCCs in latter areas. However, in the real practice of such NLCCs integrating "hometown feeling" and "business motivations", there exists incentive incompatibility such as insufficient self-management capabilities of NLCCs (low-efficiency of internal governance), poor communication with governments and member enterprises, and failure to play the cross-regional socio-economic coordination role effectively.

This thesis points out that these incentive incompatibility observations are the concrete manifestations of the relationship between the success of NLCC governance mechanisms and the performance of NLCCs (the first observation corresponds to the effectiveness of the operations of governance mechanisms, and the latter two observations correspond to the performance of NLCCs). Thus, the corresponding countermeasures to overcome the above observations can be figured out only if the relationship between the success of NLCC governance mechanisms and the performance of NLCCs is well understood. Further, a questionnaire was designed (in which three or more items were designed for each dimension) and were issued to the staff of the Fujian Chamber of Commerce in Sichuan Province, the management team and some employees of its member enterprises, and the MBA students familiar with the operation of the Fujian Chamber of Commerce in Sichuan Province to collect data. Finally, based on the reliability test and the validity test of the questionnaire, the corresponding Structural Equation Model is tested. The relationship between the success of NLCC governance mechanisms and the performance of NLCCs is analyzed, and the factors affecting the governance mechanism and the performance of NLCCs are measured by the confirmatory factor analysis.

Based on the significance test of the Structural Equation Model, the following main results were obtained.

(1) As for the success of NLCC governance mechanisms, the results of the second-order CFA model show that function realization of the board of directors, function realization of the board of supervisors, decision-making，finance transparency, and actual operations and communication are more important than members' right-obligation relationship, which means that is necessary to pay more attention to improving function realization of the board of directors, function realization of the board of supervisors, decision-making and finance transparency, and actual operations and communication so as to improve the operational effectiveness and thus enhance the success of NLCC governance mechanisms.

(2) In terms of performance measurement of NLCCs, the results of the second-order CFA model show that member services, cost and budget, innovation and growth, and management procedures are more important than cross-regional socio-economic coordination, indicating that it is necessary to focus more (relative to cross-regional socio-economic coordination) on the member services, cost and budget, innovation and growth, and management procedures in the evaluation of the performance of NLCCs. However, this comparison does not imply that the performance dimension of cross-regional socio-economic coordination can be ignored, since it not only characterizes the non-local nature of NLCCs, but also has a factor loading of 0.94 in out second-order CFA analysis.

(3) In terms of the relationship between the success of NLCC governance mechanisms and the performance of NLCCs, the results show that the standardized path coefficient between them is 0.931 (statistically significant), indicating that there is a significant positive correlation between the two, that is, the improvement of a NLCC governance mechanism can help to improve its performance.

At last, based on the above empirical results and the author's management practice of a NLCC (the Fujian Chamber of Commerce in Sichuan Province), the managerial insights on "how to improve the performance of NLCCs by improving the governance mechanism" are given. These insights (Recommendations) include (1) paying attention to develop the social responsibility of CoCs in its social activities in social and industrial development, (2) perfecting and innovating NLCCs' internal governance mechanisms with systematic thinking and vision, (3) focusing on the cross-regional socio-economic coordination role of NLCCs in performance evaluation, (4) innovating the administrative system to manage NLCCs, (5) accelerating the legislation for CoCs (NLCCs).

To sum up, the research results of this thesis have the following three aspects of novelty.

(1) Clarifying the measurement dimensions for the success of governance mechanisms and the performance of NLCCs.

In order to explore the relationship between the two, this thesis abstracts five dimensions to measure the success of NLCC governance mechanisms and the performance of a NLCC based on a literature review and the author's real-world experience in managing the Fujian Chamber of Commerce in Sichuan Province. This dimensional method is conducive to measuring the success of CoC (NLCC) governance mechanism and the performance of CoCs (NLCCs) with the use of a questionnaire method and further providing data basis for testing the Structural Equation Model.

(2) Introducing the cross-regional social-economic coordination role as a new performance dimension of NLCCs, and revealing the importance of this dimension in the performance.

The above results show that although cross-regional socio-economic coordination is relatively less important than the other 4 dimensions in the performance of NLCCs, it still a non-negligible performance dimension (with the loading factor of 0.94) of NLCCs. This result quantitatively describes the cross-regional socio-economic coordination role of NLCCs between their host areas and their home areas and highlights the importance of the non-local nature of NLCCs. This result supports the common voice in practice that under the market economy conditions, NLCCs shall play a substantial bridge role in cross-regional social economy coordination through the advice and suggestion offer in the inter-governmental economic policy coordination and business cooperation among the enterprises.

(3) Quantifying the relationship between the success of NLCC governance mechanisms and the performance of NLCCs through a Structural Equation Model analysis

Based on the abstracted dimensions describing the success of NLCC governance mechanisms and the performance of NLCCs, the thesis designs a questionnaire to collect data and empirically test a Structural Equation Model to analyze the relationship between the success of NLCC governance mechanisms and the performance of NLCCs. The results show that there is a significantly positive correlation between them. This implies that the improvement of a NLCC's governance mechanism help promote the performance of the NLCC. This result provides empirical evidence and theoretical support for the managers of NLCCs to answer the question of how to improve their governance mechanisms and raise the performance of a NLCC.

In general, the theoretical contribution of our quantitative results is that we provide a multidimensional framework to analyze the relationship between the success of governance mechanisms and the performance of NLCCs and we highlight with this framework that the cross-regional social-economic coordination role is an important dimension to measure the performance of a NLCC. From a practical perspective, these results can be applied by NLCC managers to develop multidimensional performance-based incentive schemes to strengthen their internal governance and by regulators to furnish external policy environments that motivate NLCCs to better realize their governance goals.

7.2 Limitations

This thesis combines the management practice on the Fujian Chamber of Commerce in Sichuan Province with an extensive literature review to clarify the dimensions that determine the success of NLCC governance mechanisms and the performance of NLCCs, establishes and tests the corresponding Structural Equation Model to quantitatively characterize the relationship between the two, and gives the corresponding managerial insights. It should be acknowledged that although the attempt made in this thesis provides a reference for the research on the relationship between the success of governance mechanisms and the performance of NLCCs, it still cannot fully answer all the questions raised in the operations of NLCCs. More specifically, this thesis has the following limitations.

First, our tentative research is based on the data collected from subjects who are almost related to the Fujian Chamber of Commerce in Sichuan Province. The quantitative results may not guarantee that all the corresponding managerial insights are valid for all NLCCs. Second, it is intuitive that a NLCC's operations are embedded in the specific social and cultural contexts of the home and the host areas. Although our Structural Equation Model recognizes the host-home cultural communication as a factor to affect a NLCC's governance success, it does not explicitly model whether and how the different behavioral tendencies implied by local cultures in the host and the home areas affect the governance of a NLCC. Third, as for the performance measurement, the Structural Equation Model of this thesis only introduces the cross-regional socio-economic coordination role to characterize the non-local nature of NLCCs. But, in fact, this non-local nature often needs to include other important factors in the scope of investigation. Finally, the multidimensional framework just conceptually provides a theoretical reference to analyze the relationship between the success of governance mechanisms and the performance of NLCCs. it is thus far from the theoretical

maturity.

7.3 Future research

To address the limitations in section 7.2, we suggest the following future research.

For the first limitation, a feasible extension is to expand the scope of data collection. For example, one can extend the subject base to cover all NLCCs in China and randomly draw subjects from the base. Even if the novelty of this extension is limited, it can serve as a robustness check. Another alternative extension is to conduct horizontal comparisons between different NLCCs. Both lines of extensions can provide a more accurate empirical characterization of the relationship between the relationship between the success of NLCC governance mechanisms and the performance of NLCCs.

For second and third limitations, one can explicitly model the reginal differences between the host and the home areas in an extended Structural Equation Model. These differences include at least the difference in economic development level between the host area and the home area, the difference in cultural environment (difference in the culture, customs & business ethics in different provinces of China is very obvious) between the two areas, and the differences in market italicization and resource endowments between the two areas, and so on. Intuitively, these differences either affect the relationship between the success of NLCC governance mechanism and the performance of NLCCs from a perspective of NLCC governance environments, or directly are embedded in such a governance mechanism as implicit rules, or affect the legitimacy of the performance dimension of NLCCs. Therefore, no matter whether a theoretical or an empirical method is adopted, the inclusion of these factors in the analysis will make an important (theoretical or empirical) contribution to the research of the relationship on the relationship between the success of NLCC governance mechanisms and the performance of NLCCs.

The last limitation presents a more important theoretical challenge for the research on the governance of NLCCs due to the multidimensionality as shown in the Structural Equation Model in Chapter 6. However, NLCCs can be seen as clubs where members contribute non-pure public goods (Buchanan, 1965). Then one possible way to employ Olson's (1965) logic of collective action to describe, with some appropriate characterization of the impacts of each dimension of a NLCC governance mechanism, the strategic interactions among the members in a NLCC. Thus, one can figure out the conflicts among the members (at least, in a

qualitative way) and then explore theoretical implications on how each dimension of a NLCC governance mechanism determines the success of the mechanism and further relates to a NLCC's performance. Moreover, if the collective action process is mathematically modeled, one can characterize the equilibrium in a more formal way. Clearly, the focus of this modelling is on the internal governance of a NLCC. As for external governance, we need to understand the strategic interactions between NLCCs and governments in both the host area and the home area. That is, a NLCC is regulated by two (local) governments. This is a typical common agency problem where multiple principals incentivize a common agent (Bernheim & Whinston, 1986). The implications of the common agency theory are that the cross-regional socio-economic coordination role depends on how the host and the home governments coordinate their regulation policies according to their socio-economic objectives. Therefore, a study that explicitly incorporates the host and the home governments' behavioral motivations is a valuable extension of this thesis.

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Appendix 1: Questionnaire

This questionnaire is used to collect data on the Fujian Chamber of Commerce in Sichuan Province (hereinafter, the CoC) to study the "Relationship between the Success of Governance Mechanisms and the Performance of Non-local Chambers of Commerce (NLCC)". All data are just used for this research.

Please give 1 point to 5 points according to your satisfaction degree. 1 point means "very dissatisfied" with the content of the item, 2 points mean "unsatisfied" with the content of the item, 3 points mean "generally satisfied" with the content of the item, 4 points mean "satisfied" with the content of the item, and 5 points mean "very satisfied" with the content of the item.

Part I: The Success of NLCC Governance Mechanisms

First, Members' right-obligation relationship

1. Regular membership fees paid to join the CoC are reasonable

□1 point   □2 points   □3 points   □4 points   □5 points

2. Additional fees paid for each activity of the CoC are reasonable

□1 point   □2 points   □3 points   □4 points □5 points

3. Members' rights and obligations are clearly declared

□1 point   □2 points   □3 points   □4 points   □5 points

4. The CoC fulfills the member CoC contract in a standardized way

□1 point   □2 points   □3 points   □4 points   □5 points

Second, Decision-making and financial transparency

5. The CoC publishes statutory financial statements regularly

□1 point   □2 points   □3 points   □4 points   □5 points

6. The detailed financial revenues and expenditures of each activity of the CoC are clearly announced

□1 point   □2 points   □3 points   □4 points   □5 points

7. You trust the financial statements of the CoC

□1 point   □2 points   □3 points   □4 points   □5 points

Third, Function realization of the board of directors

8. The members of the board of directors of the CoC are elected regularly in accordance with mandatory rules

□1 point □2 points □3 points   □4 points □5 points

9. The election of the board of directors' members are in line with the principle of fairness and justice

□1 point   □2 points   □3 points   □4 points   □5 points

10. The current board of directors' members of the CoC are in accordance with your expectations

□1 point   □2 points   □3 points   □4 points   □5 points

11. The decisions of the board of directors meeting of the CoC are effectively implemented

□1 point □2 points   □3 points   □4 points □5 points

Fourth, Function realization of the board of supervisors

12. The supervisory boards meetings are held regularly according to the mandatory rules

□1 point   □2 points   □3 points   □4 points   □5 points

13. Members of the supervisory board earnestly perform their duties

□1 point   □2 points   □3 points   □4 points   □5 points

14. Temporary supervisory board meetings are held in time

□1 point   □2 points   □3 points   □4 points   □5 points

Fifth, Actual operations and communication

15. Staffs of the CoC are kind and friendly

□1 point   □2 points   □3 points   □4 points □5 points

16. Members can get the information they want from the CoC

□1 point   □2 points   □3 points   □4 points   □5 points

17. The future vision of the CoC is clearly stated

□1 point □2 points   □3 points   □4 points   □5 points

Part II: The Performance of NLCC

First, Cost and budget

1. The expenditure of the CoC is used fairly and reasonably

□1 point   □2 points   □3 points   □4 points   □5 points

2. The budget of the CoC is well controlled

□1 point   □2 points   □3 points   □4 points   □5 points

3. The resources of the CoC are efficiently utilized

□1 point   □2 points   □3 points   □4 points   □5 points

Second, Member Service

4. The CoC promotes business information sharing among members

□1 point   □2 points   □3 points   □4 points   □5 points

5. The CoC promotes business cooperation among members

□1 point   □2 points   □3 points   □4 points   □5 points

6. The CoC coordinates well conflicts among the members

□1 point   □2 points   □3 points   □4 points   □5 points

Third, Management Procedures

7. The management procedure of the CoC meets legal/ethical requirements

□1 point   □2 points   □3 points   □4 points   □ 5points

8. The CoC implement its management procedure efficiently

□1 point   □2 points   □3 points   □4 points   □5 points

9. The management procedures of the CoC achieve its targets

□1 point   □2 points   □3 points   □4 points   □5 points

Fourth, Innovation and Growth

10. The CoC adapts well to environmental changes

□1 point   □2 points   □3 points   □4 points   □5 points

11. The influence of the CoC is sustainably enhanced

□1 point   □2 points □3 points   □4 points   □5 points

12. The enhanced influence of the CoC promotes the innovations of its governance mechanisms

□1 point   □2 points   □3 points   □4 points   □5 points

Fifth, Cross-region socio-economic coordination (Playing the non-local role)

13. The CoC plays an important role in the formulation of policies in the host area and the home area

□1 point   □2 points   □3 points   □4 points   □5 points

14. The CoC coordinates well the regional economic development of the host area and the home area

□1 point   □2 points   □3 points   □4 points   □5 points

15. The CoC promotes business cooperation between the host area and the home area

□1 point   □2 points   □3 points   □4 points   □5 points

16. The CoC promotes cultural communication between the host area and the home area

□1 point   □2 points   □3 points   □4 points   □5 points

Part III: Basic data

1. Name of the branch of the Fujian Chamber of Commerce in Sichuan Province:

2. Your position in your CoC:

3. Service time:

4. Do you have an enterprise that has join the Fujian Chamber of Commerce in Sichuan
Province:

5. Name:

6. Phone:

7. Email:

Finally, thank you very much again for your support of this research!