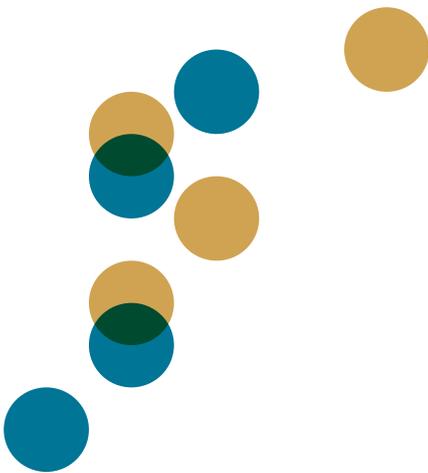


Working Paper

Not Just a Matter of Resources:

Stability and Change in the German
System of Business Interest
Representation

Beate Kohler-Koch



mannheimer zentrum
für europäische sozialforschung



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Editorial Note:

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Abstract

Population change in interest organisations has attracted increased scholarly attention. The change in numbers and composition of groups is likely to have an impact on the functioning of interest representation, but the impact will be limited as long as it is not accompanied by a change in the organisational structure of the system of interest groups. Therefore, the focus is both on change in the population and in the organisational structure of the system of German business associations. We expect that economic conditions will have a major effect on the business organisations' ability to prosper and survive and will influence their integrative capacity. Based on a unique data set, this article examines the importance of economic context conditions. For the first time the analysis uses economic data that match the domain of the individual associations at sector and sub-sector level. It turns out that economic performance is not a reliable predictor for what has happened to the population of German business associations since the turn of the century and that the structure and functioning of the system remained unchanged.

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1 Stability and change of peak and sector associations of business¹

The core message of the article is that stability and change in the organisation of interest representation can not be measured by registering variations in the number of associations. We rather need to consider whether fluctuations in the number of associations affect the structure of the system and impede its functioning. We start by taking stock of the development of business interest associations (BIAs) in the field of industry since the turn of millennium before entering into a theoretical discussion on factors influencing change and how they can be measured. We give theoretical arguments that call for a more nuanced data analysis than is currently used. Finally, we present empirical findings that put a question mark on the sole relevance of economic context conditions for change in the German system of business interest representation.

1.1 The apparent stability in the system of German business associations

When comparing today's system of German business associations with that of the turn of the century, the first impression we get is stability. It is still a differentiated and largely hierarchically structured community of associations, with peak, sector and sub-sector associations at national and sub-national level representing the diversity of private economic activities (Kohler-Koch 2016).² The common feature of these associations is that they are voluntarily non-profit organisations constituted by companies and, in the case of higher-order associations, by business associations. When we compare the number of entries in the leading German directory, Oeckl, for 2015 or 2020 with that for 1999 (Oeckl online 2015 and Oeckl 2000, respectively), we find, in total numbers, little population change at the level of sector associations and only a small reduction in the number of sub-sector associations.³ In 1999, Oeckl listed altogether 325 business associations in industry. By early 2015, the number had declined to 301 organisations⁴, a reduction of just 7.38 per cent. By the same token, an only slightly reduced number of associations represented the retail trade in 2015, and the wholesale trade had exactly the same number of member associations in 2015 as it had in 1999.

The umbrella association of German industry, the Bundesverband der Deutschen Industrie (BDI), fits well with this general trend. In terms of numbers, membership has been extraordinarily stable with 35 full members in 1999 compared to 36 in 2015 and again 35 in 2020. The BDI has never been in danger of disintegration. Even dissolution has never been a serious threat since resistance against merging with the German Employers Association (Bundesvereinigung der Deutschen Arbeitgeberverbände, BDA) was too strong.⁵ Similarly, none of the 34 sector associations affiliated to the BDI in 1999 ceased to exist.⁶ Since the turn of

¹ Acknowledgement: I want to thank all business associations for providing important insights and, above all, for their invaluable support in gaining the relevant economic and organisational data. My thanks also go to Jana Anzlinger and David Friedrich for their support in the statistical analysis and to Christine Quittkat for helpful comments.

² The corresponding German terminology is 'Spitzenverband' for peak associations representing a wide field of economic activity such as industry, trade, crafts or agriculture, 'Branchenverband' for associations representing distinct sectors such as the chemical or metal manufacturing industry, and 'Fachverband' for specific associations representing sub-sectors such as construction chemistry or tools industry. Many national associations ('Bundesverband') maintain sub-national associations ('Landesverband/Regionalverband').

³ We did not take into consideration the craft sector and associations representing exclusively employers or professional interests as well as organisations geared towards research promotion and education.

⁴ The number of hits in Oeckl are much higher because they also include subsidiaries and subnational associations as well as professional associations and the related European and international associations.

⁵ In contrast to far-reaching negotiations aiming at a merger of the BDI with the BDA in the early 1970s, renewed initiatives in later years (2006 and 2014/2015) were soon abandoned.

⁶ In the late 1990s, the BDI had 35 members, one of them the "Arbeitsgemeinschaft Industriegruppe", a group of small associations with collective membership which we do not include in the analysis.

the century, far-reaching changes seem to be the exception⁷—we only find a few cases where sector associations of related industries merged (plastic converters, steel and metal processing, textile and fashion) or were put on a new footing, as in mining (VRB). Thus, the first impression is stability. It needs closer scrutiny to see that reality is far more fluid. Thus, we first turn to the changing profile and composition of the BDI, then to member change within the federations at sector level, and last to population change at the sub-sector level.

1. 2 The changing profile and composition of the BDI

As to the BDI, the stability in aggregated numbers conceals profound change. This becomes apparent when we look at its composition: the BDI is no longer exclusively the peak association for the manufacturing industry. After a lengthy discussion, the BDI decided at the end of the 1990s to invite also industry-related service providers to become members. It was a decision on principles, and one can argue that the BDI has adjusted to a fundamental change in industry. As early as that time, economic activities of the German industry extended beyond the manufacturing of goods to offering comprehensive services and system expertise. Furthermore, the change in membership criteria was a tribute to the long-term shift from industry to services. Another reason for reaching out to different categories of members was to gain additional funding. By 2011, five service-providing associations had joined.⁸ Some of them are indeed close to manufacturing, such as the Association of Technical Inspection Agencies (VdTÜV), the Association of Consulting Engineers (VBI), and the Employers' Association of Mobility and Transport Service Providers (AgvMoVe). Yet, others are only marginally related to the manufacturing industry, such as the Association of the Tourism Industry (BTW) and the German Property Federation (ZIA).

This enlargement significantly changed the BDI's profile. The service providers not only deviate in terms of economic activities but also in terms of organisational structure, which has an impact on their lobbying strategies. First, the degree of organisation in the service industry is very low due to the small size of individual enterprises and a less pronounced associational identity. In contrast, the manufacturing industry has a very high level of organisational representation, which is mostly above 80 per cent and sometimes even close to 100 per cent of turnover. In terms of lobbying behaviour, they prefer an insider approach addressing the working level of ministries at an early stage of legislation. In order to be a respected partner in negotiations with the administration, they concentrate on offering the expert knowledge of business and convey the message that they have a valid judgement of the companies' readiness to comply with political regulations. Service providers, on the contrary, tend to be at the bottom end of the scale of organisational strength.⁹ In order to have an impact, they prefer to go public and address political decision-makers, claiming to speak in 'the general interest' of a huge number of stakeholders even though they are not members.

The composition of the BDI has also changed concerning its core industrial membership. Of the 35 members in 1999, only 22 were still members in 2015.¹⁰ Even those did not remain unchanged: seven of them were

⁷ The split in the representation of the pharma industry already happened in 1993/1994, and BITKOM, Germany's digital association, was created in 1999 including a merger of several industry associations.

⁸ The associations of the Tourism Industry (Bundesverband der Deutschen Tourismuswirtschaft e.V., BTW) joined in 2003, the Consulting Engineers (Verband Beratender Ingenieure, VBI) in 2007, the German Property Federation (Zentraler Immobilien Ausschuss, ZIA) in 2008, the Technical Inspections Organisations (Verband der TÜV e.V.), and the Mobility and Transport Providers (Arbeitgeber- und Wirtschaftsverband der Mobilitäts- und Verkehrsdienstleister e.V., AgvMoVe) in 2011.

⁹ For example, the degree of organisation of the VBI in terms of enterprises is about 8%; in terms of turnover, it is slightly higher, as the relatively larger consultancy offices are more inclined to join the association. The TÜV association is different as it mainly consists of the six large companies with a broad international presence.

¹⁰ If we include the members of the BDI's 'industrial working group' in our count, the ratio of initial members in 1999 in relation to exits and newcomers differs slightly. The group grew from four to five. Among the four organisations that constituted the working group in 1999, three stayed on (gaming machines, jewelry and watch making, leather and shoe manufacturing), one withdrew (book selling), and two new associations joined the group—one resulting from a merger (plastic converters) and the other one being a long established organisation that wanted to have a closer affiliation to the BDI (dental industry).

thoroughly reorganised by redesigning the rules or scope of membership and/or the association's field of action. The number of exits amounts to 13, but again, this number has to be qualified: seven associations gave up membership to opt for a stand-alone position and the other six associations gave up their independent existence to merge with other organisations. Compared to 1999, the BDI had 14 new members in 2015, among those only four were newly founded associations,¹¹ another four sprang up from mergers, and six were organisations that had existed before but had not been ready or eligible to join. The latter also include the industry-related service providers. In total, 49 associations have been full members of the BDI in the past fifteen years and incidents of change (in relation to all cases) amount to 69.4 per cent.

1.3 Changes in the membership of peak and sector associations of industry and trade

When we look at associations which include other associations as members, it again seems that changes have remained within limits.¹² We counted a total of 323 member-associations in 1999 and 276 member-associations in 2015, which amounts to a reduction of 14.1%. Again, these figures do not reflect what has actually happened. When we take all associations that persisted, joined or left higher-order associations, merged, ceased to exist, or were newly founded in these fifteen years into account, we arrive at a total of 409 cases. Only 175 BIAs of the original population continued to exist, which is just about half of the population (54.7%). Eleven associations continued, but have been reorganised. A total of 93 associations ceased to exist. 41 BIAs cancelled their membership in a higher-order association and most of them opted for standing on their own, but a few joined other associations. Finally, also new BIAs emerged, though in smaller numbers. In most cases, newcomers were not really new: 41 BIAs—the majority—had already existed before, and 18 BIAs originated from a merger; only 30 BIAs were newly founded associations.

The data shows a high level of fluctuation, but it is also apparent that associations strive for survival and are therefore ready to join forces. Many associations decided to merge with other associations, and the same number of associations that withdrew from membership joined a higher-order association. Only 47 associations definitely ceased to exist (Table 1).

¹¹ Arbeitgeber- und Wirtschaftsverband der Mobilitäts- und Verkehrsdienstleister e.V. (Agv MoVe); Bundesverband der Deutschen Luftverkehrswirtschaft e.V. (BDL); Bundesverband der Deutschen Sicherheits- und Verteidigungsindustrie e.V. (BDSV); Verband Forscher der Arzneimittelhersteller e.V. (vfa).

¹² The figures include the two peak associations of trade, namely the Federation of German Wholesale, Foreign Trade and Services (Bundesverband Großhandel, Außenhandel, Dienstleistungen e. V. BGA) and the German Retail Association (Handelsverband Deutschland HDE), as well as the peak association of industry, BDI, and the BDI members of industry with associations as members or a mixed membership. VDMA and ZVEI are included although both are associations with direct company membership. However, the respective departments act as if they were autonomous associations (Kohler-Koch 2016).

Table 1: Patterns of change affecting peak and sector associations (1999 – 2015)

Quit branch association	41
Ceased to exist	47
Old members that merged	46
New by merger	18
Newly founded	30
Newly accessed	41
Reorganized	11
Constant	175
Total	409

2 Theoretical discussion and methodology

2.1 Stability and Change not just a matter of population numbers

In recent years, the population ecology model developed by Gray and Lowery (1996) has spurred empirical research on population change in interest organisations. The main focus is on growth or decline in population density. (e.g. Berkhout et al., 2015; Fisker, 2013; Gray/Lowery, 1996; Klüver/Zeidler, 2018; Lowery et al., 2015; Lowery/Gray, 1995, 1998; Messer et al., 2011; Nownes, 2004; Nownes/Lipinski, 2005). In a recently published study, Klüver and Zeidler (2019) tested the theoretical propositions of the model in a longitudinal analysis of business interest groups in Germany. They show that both the size and the wealth of an economic sector as well as government activity have a statistically significant positive effect on interest group density (Klüver/Zeidler, 2019, p. 474).

What does population density tell us about the functioning of interest representation? We argue that it allows only limited conclusions. It is an unfounded proposition that constituencies represented by large numbers of interest groups have 'a stronger voice' (Klüver/Zeidler 2019: 15) because it neglects the power difference between resourceful associations representing aggregated broad interests and small groups representing narrow special interests. By the same token, it is a fallacy to assume that growing numbers of groups indicate a turn to a pluralistic system of interest representation as long as we have no information about their membership in higher order associations. The structure of the system rather than numbers is constitutive for the functioning of the German system. Sub-sector associations represent the diversity of interests. They are grouped in higher-order associations at sector level which are members of peak associations. Thus, the hierarchical structure which allows both for diversification and unity is the main characteristic feature of the German system. Change should therefore be measured in terms of structural changes. This includes the integrative capacity of the associational system in terms of the inclusiveness of sector and peak associations and the readiness of endangered small associations to ensure their survival by mergers.

Consequently, research should not only focus on variations in numbers of groups. We opted for five dependent variables: (1) 'survival' and 'exit' in terms of (2) 'ceased to exist' and (3) 'merged with other associations'. In addition, to capture change in the affiliation to higher order associations we included two more variables: (4) 'quit branch associations' and (5) 'newly accessed' membership in branch associations.

2.2 Explaining change in the population of association

2.2.1 The independent variables

It is a compelling argument that the competition for the limited pool of resources is decisive for continued existence, growth or decline of interest groups (Lowery 2012: 54). Gray and Lowery's 'Energy-Stability-Area' (ESA) model provides a coherent theoretical framework combining constituency and policy related explanations to account for variations in the number of interest groups. What makes their model unique is their focus on 'density dependence' meaning '(...) that the births of new lobbying organizations decline and their deaths increase as interest communities become more crowded.' (Lowery 2012: 47). For the German case, however, we reject the proposition that 'density dependence' is the decisive factor for change (Gray/Lowery 1996; Halpin/Jordan 2012). We argue that the underlying proposition that 'change in the organizational world is primarily a function of organizational selection rather than organizational adaptation' (Nownes 2004: 32), does not fit. The German system is prone to accommodate changing context conditions by associational re-organisation and absorbing new organisations in nascent fields into the hierarchical system (Lang/Schneider 2007: 231). Neither the hypothesis of 'density dependence' nor the focus on numbers as dependent variable are suited for our investigation.

The analytical model proposed by Schmitter and Streeck appears to be more adapted to the German case as the focus is on conditions that shape the organisational properties of business associations (Schmitter/Streeck 1999: 19). Schmitter and Streeck identify two clusters of independent variables – summarized under the heading 'logic of membership' and 'logic of influence' (Schmitter/Streeck 1999: 2) – that favour or impede associative action and can be expected to condition not just the emergence but also the maintenance of business associations. The 'logic of influence' refers to relevant properties of state and other political institutions. As our investigation only concerns a single country without major institutional shifts in the investigation period, we concentrate on the membership variables. Schmitter and Streeck list eight

variables, of which we exclude four for methodological reasons or because the underlying arguments do not fit the German system.¹³ The analysis considers the following four variables:

- (1) the number of independent companies in a given sector,
- (2) equality in terms of the distribution of resources (measured by turnover and employment),
- (3) the heterogeneity among firms (measured by the scope of economic activities within the association's domain), and
- (4) the long-term profitability and growth of the respective sector.

2.2.2 Relevant data

The analysis differs substantially from previous scientific investigations in terms of the data used. All previous studies (Berkhout et al., 2015; Klüver/Zeidler, 2019; Messer et al., 2011) are based on economic section data according to the statistical classification of economic activities given in official international (ISIC/Eurostat) and national (Statistisches Bundesamt) statistics. These data are problematic for two reasons: First, with the exception of peak associations data at section level¹⁴ does not correspond with the domain – that is the constituency – represented by the individual BIA. More than 90 per cent of German BIAs organize special interests pertaining to a narrow field of economic activities. Only at the lower 'division' and 'group' level of the classification system, we find the appropriate statistical information. Secondly, in most cases the delineation of associational domains does not fit the classification of economic activities in the official statistics.

The theoretical argument for a more differentiated data analysis is that the rise and decline of business associations depends on the economic well-being of their respective constituency and that data on sector performance provides no appropriate information. The economic situation at the branch level may deviate considerably from the larger sector. German textile is a telling example. For decades, it has been a declining industry, but technical and industrial textiles are a profitable and rapidly expanding branch industry. The great difference in the economic development within the textile industry had a marked impact on the reorganisation of the textile associations. Accordingly, when we want to test the explanatory power of the economic context conditions, we have to use data that corresponds to the organisational domain of the individual associations.

¹³ These include: social cohesion, competition, company turnover and interdependence. With regard to social cohesion, as defined by Schmitter and Streeck (29), we find no significant proportion of group members in the German environment who are related by marriage, have attended the same educational institutions, are members in the same clubs or charities, or belong to the same minority group with a distinct social identity. Competition (Schmitter /Streeck 26) is as intense in the German economy as in any other Western economy. However, it has a different impact on associational behaviour. BIAs which are in regular contact with other national associations point out that German companies differ markedly from those in European countries with a pluralist or post-communist tradition. They all agree that German companies find it easy to see common ground for collective action and to join forces in order to fend off political intervention, irrespective of their competitive situation. When regulations hit companies unequally and distort competition, as it happened in recent years most prominently with the EU regulation REACH, German associations nevertheless expanded their services to lessen the adverse effects felt especially by smaller companies. Schmitter and Streeck introduce the rate of turnover in a population (28) with the argument that the duration of membership has a socialising effect. However, interviews confirm that the short life span of enterprises is not the main reason for insufficient socialisation. Rather, BIAs experience the negative effect of frequent turnover in the top management of large corporations and of recruitment that is more international. They complain that members of their board increasingly do not understand the German associational system and do not have the time to become socialised. Due to the overlapping of both effects and a lack of relevant data, turnover is not included in the evaluation. The interdependence between members of a population (Schmitter/Streeck 26) has been relevant for building the associations, but under present-day conditions their maintenance and survival is not contingent on the degree but on the changing patterns of interdependence. The progress of digitalisation and the expansion of business activities to cover the entire value chain alter relations not so much within a sector, as indicated by Schmitter and Streeck, but across sectors. Domain conflicts are already on the horizon, but we lack reliable data for an empirical assessment.

¹⁴ It is the highest level in the ISIC/Eurostat classification hierarchy embracing 21 sections.

2.2.3 Problems with data availability

Concerning the dependent variables, the Directory of Public Life (Oeckl) was a valuable source of information. We used the yearly editions of Oeckl to get data on population change – newly founded organisations, organisations that ceased to exist as well as entrance and exit by mergers – and on changes in the affiliation to higher-order associations. However, entries on company membership in sub-sector associations for 1999 were patchy, therefore, we requested information directly from the associations. We extended and validated the database by analysing BIAs' statutes, annual reports and websites and we conducted 107 semi-structured interviews in 2014 and 2015 with senior staff (managing directors or equivalent), to gain more detailed information on reasons for and the implementation of organisational change.

The search for economic data to validate the relevant context conditions was a major problem and could not be solved without the untiring support of the associations. Nonetheless, the results of the statistical analyses have to be taken with a grain of salt. The first reason is that in most cases the classification of economic activities in official statistics does not correspond to the domain of associations.¹⁵ In some cases we find an almost perfect match between the statistical classification and the domain of the corresponding association, like in the manufacture of glass.¹⁶ In other cases, the associations confirmed our findings that the statistical delineation do not correspond to their membership. This is equally true for large associations such as the Central Association of the Electrical Engineering and Electronics Industry (Zentralverband Elektrotechnik- und Elektronikindustrie, ZVEI) whose activities span many more classifications than officially proposed (Gontermann/ Giehl 2012), and for small ones that just do not find an adequate correspondence between the official statistical nomenclature and their activities.¹⁷ Furthermore, some industries escape the official business statistics because the majority of their enterprises are too small.¹⁸

The second problem is the change in the classification system. Since 1999, the statistical demarcation of the national German (WZ) and the EUROSTAT (NACE) codes, classifying economic activities, have been changed twice. This had the effect that some formerly separated sections are now lumped together or vice versa, so that matching data cannot be found.¹⁹

Thirdly, we witness a structural change in industry with the effect of economic activities shifting from the sole manufacturing of machinery to the supply of a full range of services. Companies that sold a product in former times now offer a range of affiliated services from plant engineering up to final inspection. The classification system of the official statistics does not reflect this expansion of economic activities covering the whole value chain.

¹⁵ In many cases the two-digit numerical codes ('divisions') correspond to the domain of sector associations and the three-digit and sometimes the four-digit numerical codes correspond to the sub-sector BIAs.

¹⁶ Bundesverband Glasindustrie e.V. (BVGlas).

¹⁷ This is particularly true for the aviation industry (Bundesverband der Deutschen Luftverkehrswirtschaft e.V. BDL) as well as the security and defence industry (Bundesverband der Deutschen Sicherheits- und Verteidigungsindustrie e.V. BDSV).

¹⁸ For example in the case of the jewellery and watch making industry (Bundesverband Schmuck, Uhren, Silberwaren und verwandte Industrien e. V.)

¹⁹ An obvious case is the tobacco industry.

3. Empirical analysis at the level of peak and sector associations

The empirical analysis has two parts. In the first part, we focus on change at the level of peak and sector associations as represented by the BDI's full-member associations of industry and trade.²⁰ In the second part, we turn to the analysis of population change at the sub-sector level.

The analysis of sector associations does not cover all BDI members. In order to avoid fundamental differences in the logic of membership, we exclude associations with exclusively direct company membership and focus on the associations with associations as members or a mixed membership of companies and associations. We examine the fate of the associational population which comprises seventeen sector associations and their member associations and relate it to the conditions pertaining to the respective economic sector. The dependent variables are 'survival' and 'exit'. The latter comes in two variations: it can mean that a BIA disappeared from the market of interest representation²¹ or that a BIA ceased to exist as independent actor due to its merging with another association. This differentiation makes sense because merging is tantamount to losing autonomy but not the capacity for collective interest representation and it signals the integrative capacity of the associational system.

All relevant data — the number of companies, distribution of resources, heterogeneity, profitability and growth — refers to the individual domain of each of the seventeen sector associations, viz. the area of economic activities the sector association claims to represent. Owing to the limited number of cases in the first part of the analysis, we opt for simple statistical descriptions and bivariate analyses (Table A1 in the Appendix). When we later examine the fate of the sub-sector associations in relation to the specific conditions at sub-sector level we go for a multivariate analysis.

3.1 Number of actors

According to Schmitter and Streeck (1999: 25), we should expect a 'skewed, U-shaped relation' between the numbers of enterprises in a given population and the likelihood of associative action. In the German manufacturing industry, reality is different: the readiness to associate is equally strong in industries with only a few business actors²² as in industries with a very large number of potential members.²³ The question then is whether the number of actors makes a difference in exit.

The data suggests that BIAs in industries with a small number of enterprises are more vulnerable to go into liquidation and are less likely to merge, but the relation is not statistically significant.

3.2 Distribution of resources

Schmitter and Streeck (1999: 25) expect that a very unequal distribution of resources as well as an approximately equal distribution of resources hamper associative action. However, inequalities in the distribution of resources can be beneficial for collective action when a small group of well-endowed enterprises is willing to subsidise the membership of smaller members. We examine whether variations in equality have an effect on the associational membership of sector associations and take the level of concentration in a sector

²⁰ Thus, the industry-related service providers and the members of the 'Arbeitsgemeinschaft Industriegruppe' are excluded.

²¹ It does not necessarily mean that the BIA also ceases to exist as a legal entity, because some associations are kept alive to meet contractual obligations such as pension payments.

²² Six BDI member associations represent an industry with less than 50 enterprises.

²³ In the manufacturing industry, even sectors with more than 3,000 enterprises (industrial engineering, electric engineering, metal working, food and drink) have achieved a very high level of organisational density.

measured by the share of the ten largest enterprises in total turnover and in employment as indicator for the distribution of resources.²⁴

The mean differences convey the impression that exit happens less often in the case of approximately even distribution and of very unequal distribution, which is contrary to Schmitter/Streeck's hypothesis. A more in-depth analysis reveals that BIAs most often cease to exist when the concentration rate in employment is between 40 and 50 per cent; all other relations are statistically not significant.

3.3 Heterogeneity

According to Schmitter and Streeck (1999: 27), heterogeneity is the 'extent to which firms in an industrial sector (however defined) perform different transformations of factor inputs into different product outputs.' We adopt the definition but link it to a different argument. For Schmitter and Streeck, heterogeneity primarily effects market competition. They conclude that interchangeable products augment competition and are averse to associative action, and that only an intermediate level of modes of production combined with a diversification of output products is likely to encourage associations. Our argument puts the function of BIAs centre stage. BIAs function as service providers for their members and as intermediaries between state and business. Accordingly, we expect that homogeneity corresponds with the demand for the same type of goods and the same political interests and, hence, a strong support for associative action. A valid indicator for heterogeneity is the scope of business members' economic activities, measured by the number of NACE categories relating to the respective industrial sector.²⁵

When examining which associations suffered most from the exit of member associations, heterogeneity is not a reliable predictor for exit. We see no clear trend, and the statistical analysis does not confirm a significant relation either.

3.4 Profitability and growth

Finally, Schmitter and Streeck (1999: 28) expect that companies in stagnant sectors are more in need of associative action than those with dynamic growth. They believe that the interest in public protection is the common denominator. Our argument is more straightforward and specific to the German case: membership fees are the main source of BIA's income, and companies in declining industries and/or facing economic recession are cost-sensitive and consequently reluctant to spend money on an association.

Contrary to expectations, the data presents a very mixed record. BIAs cease to exist in declining and in highly prosperous industries, and they are more likely to stay alive only with a turnover increase of between 16 and 50 per cent. Again, we find no statistically significant relation.

To conclude: although it is highly plausible that the conditions shaping the logic of membership have an impact on the survival of business associations, the hypotheses do not stand up to empirical scrutiny when related to economic sector conditions.

²⁴ Own calculation based on Statistisches Bundesamt (2015) *Produzierendes Gewerbe. Konzentrationsstatistische Daten für das Verarbeitende Gewerbe, den Bergbau und die Gewinnung von Steinen und Erden sowie für das Baugewerbe*. Wiesbaden: Statistisches Bundesamt. Fachserie 4 Reihe 4.2.3.

²⁵ The realm of activity matching a four-digit category in the NACE classification is equated with a scope of one. The selected grouping is as follows: small scope = 1-6, medium scope = 7-16, large scope = 17-22, very large scope = > 22 categories. For the NACE classification see <http://ec.europa.eu/eurostat/ramon/index>.

The limited number and the diversity of the sectors constitute a weakness of the analysis and may distort the findings. Furthermore, the large sector associations cover a number of sub-sectors, which often differ widely in terms of their economic situation. In order to be on safer ground, we expand the field of research by including sub-sector associations of industry and trade with and without membership in higher-order associations. By doing so, we achieve two improvements: first, we arrive at a larger number of cases; second, we obtain a more focused representation of the economic context conditions. The restricted domain of sub-sector associations ensures a greater similarity of the members' environment.

4. Describing and explaining the fate of sub-sector associations

The following section aims to capture the differences at sub-sector level. The high number of sub-sector associations provide a large data pool, suited to a differentiated data analysis. The specific economic situation in each sub-sector and the number of BIA members in 1999 is linked to the fate of the individual sub-sector organisation. Again, the analysis focuses on 'survival' and 'exit' in terms of 'ceased to exist' and 'exit by merger'.

The objective to include all sub-sector associations of each sector covered by our research was not achieved. The main reason is the incongruence of associational domains and available statistics. In some fields, such as the chemical and pharmaceutical industries, the demarcation of associational domains at sub-sector level just do not match the categories used in the official statistics. In highly concentrated sectors, such as mining, relevant statistics are not accessible on grounds of data protection. In addition, some sectors of industry, such as ceramics or foundry, have too few associations to be included in a comparative analysis. Consequently, the study that started with eleven business sectors,²⁶ comprising 187 sector associations, was reduced to nine sectors combined in five groups of sub-sector associations of roughly equal size.²⁷

4.1 Variations in the survival of sub-sector associations

We here present the analysis of 170 sub-sector associations in five large sectors of industry and trade: building materials, food (including beverages), metal (production and manufacturing), textile (including garment) and wholesale trade.²⁸ The dependent variable comes in three variations: sector associations existing in 1999 either (1) ceased to exist because they were disbanded, (2) merged with another association or (3) survived as autonomous organisation. The difference in the fate of sub-sector associations per sectors is significant (see Table 2).

²⁶ Ten from industry: building materials, ceramics, food, beverages, garment, glass, metal production, metal manufacturing, textile, wood processing and, in addition, wholesale trade.

²⁷ We omitted ceramics, glass and wood processing, and pooled food and beverages, metal production and metal manufacturing as well as garment and textile, which in 1999 were represented by two separate and now by just one umbrella organisation.

²⁸ Data gathering even for this concentrated selection would not have been possible without the support of the sub-sector associations.

Table 2: Industry sectors and status in 2015, absolute and (percentage) (N = 170)

	Ceased	Merged	Survived
Building materials industry	1 (4%)	5 (22%)	17 (74%)
Food industry	2 (6%)	18 (53%)	14 (41%)
Metals industry	2 (10%)	4 (20%)	14 (70%)
Textile industry	9 (32%)	11 (39%)	8 (29%)
Wholesale trade	10 (15%)	13 (20%)	42 (65%)

$$Ch^2 = 28.064, df = 8, p < 0.001$$

We find a low survival rate in the garment and textile industry and a relatively high number of surviving associations in the building materials and metal industries. There is also a pronounced difference in the relative numbers of exits and mergers. The food industry stands out with a share of 53 per cent of mergers in relation to the original population and a loss of only 6 per cent through liquidation. Only in the building industry, fewer associations ceased to exist.

4.2 Testing the explanatory potential of context conditions and organisational properties

In order to explain variations in the survival rate, we examine relevant context conditions such as the number of companies and economic turnover in the sub-sector represented by each association in 1999 (Table A2 and Table A3 in the Appendix).²⁹ We also consider heterogeneity in terms of the scope of the association's domain, measured by the four-digit code according to the official German statistic classification of the time. We could not examine the impact of the distribution of resources because no data was available. We added an additional independent variable. Case studies directed our attention to the importance of organisational properties. Not the pool of potential members but the number of existing members determine the fate of the association. Accordingly, we consider the number of BIA members (Table A4 in the Appendix). When we examine number of enterprises and turnover, we have no significant results in relation to the fate of sub-sector associations (Table A5 and Table A6 in the Appendix). Only in relation to the numbers of BIA members in 1999, the survival status of sub-sector associations differs significantly (Table A7 in the Appendix). The multinomial logistic regression confirms these findings (Table 3).

²⁹ Data are based on the 1999 tax statistics, which were made available by the Statistische Bundesamt Deutschland.

Table 3: Explaining variations in the survival rate

Multinomial logistic regression

<i>Dependent variable: Survival status 1999 - 2015 (reference = survived)</i>		
	Ceased	Merged
Membership 1999 (log)	-1.225*** (0.312)	-0.235 (0.163)
Scope = 2	0.865 (0.714)	0.302 (0.453)
Scope = 3	-12.202*** (0.000)	0.460 (0.852)
Branch: textile industry	2.951** (1.238)	1.413* (0.723)
Branch: food industry	0.551 (1.352)	1.364** (0.640)
Branch: Wholesale trade	2.159* (1.182)	0.174 (0.628)
Branch: Metals industry	0.738 (1.344)	-0.127 (0.770)
Constant	1.020 (1.327)	-0.347 (0.792)
N =	166	166
AIC	297.487	297.487
Note:	*p<0.1; **p<0.05; ***p<0.01	

We find that the larger the membership, the greater the probability of survival. Taking the surviving sub-sector associations as the reference group, the variable size of membership has a significant negative relationship with the likelihood of being a member of the 'ceased-to-exist' group; this finding is significant across all three models tested. In other words, the larger the membership, the less likely it is for a sub-sector association to cease its existence. In a second model, we include the difference in scope³⁰ and see a similar

³⁰ It is worth mentioning that the variation in scope is limited. A scope of one, corresponding to one four-digit WZ/NACE category, is the reference; in 1999, no sector association had a scope larger than three.

trend: a larger scope facilitates survival and when sub-sector associations disappear, it is more likely that it happens by way of merging.³¹

When we add sector affiliation, then the size of membership and a large scope are still significant concerning the probability of exit. We take the building materials industry as reference because it has the largest share of surviving sub-sector associations. We find significant deviations in the garment and textile industry in respect to both exit and merger, whereas the food industry differs significantly only in the number of mergers and wholesale trade only in terms of exit.

5. Conclusion

The inventory of German business associations shows that major changes have occurred since the turn of the century. A simple comparison of the numerical composition of the BDI's membership or of the population at sector and sub-sector level is misleading because the stability in numbers conceals fluctuations within the population over time as well as variations in the composition of membership. In the case of the BDI, our analysis reveals that the change in membership amounts to a substantive reorientation which gives the BDI a new profile. In addition, sector associations have experienced a considerable change in the composition of their membership due to shifting realignments at sub-sector level.

In order to explain patterns of change, we started from the theoretical proposition that changing context conditions affect what Philippe C. Schmitter and Wolfgang Streeck (1999) called the logic of membership and the logic of influence. As the political context is the same for all German BIAs, we concentrated on variations in the conditions shaping the logic of membership. In the first part of our empirical analysis, we examined sector associations with similar characteristics and thus focussed on the BDI members representing industry and trade with associations as members or mixed membership, i.e. companies and associations as members. The hypotheses were that exit and survival depend on the number of companies in the respective sector and the differentials in the companies' resources, and also on the heterogeneity, longer-term profitability and growth of the respective sector's economy. As to 'exit', we made a differentiation between 'ceased to exist' and 'exit by merger'.

Contrary to our expectations, the most popular hypotheses do not stand up to empirical scrutiny. The data suggest some tendencies, but relations are statistically not significant. In particular, variation in the number of enterprises is not a reliable predictor for survival or exit. Also, when measuring profitability and growth, the data present a very mixed record, as BIAs cease to exist in declining as well as in highly prosperous industries and only have a better chance of survival at a medium level of concentration.

Since the small number of sector associations may distort the results, we broadened the investigation and analysed population change at the sub-sector level in a second step. The analysis of 170 sub-sector associations in five large sectors of industry and trade showed that survival, exit and merger differ significantly according to sectors. A relatively high number of associations survived in the building materials and metal industries and in wholesale trade. The garment and textile industry have the lowest survival rate. The food industry did not fare well either, as it lost 53 per cent of associations by mergers, though only 6 per cent of the original population went into liquidation.

³¹ We must state though, that the highly significant regression result for the scope = 3 category of the ceased associations should be considered with a grain of salt given the high coefficient and the extremely small standard error; this should be due to the rather small number of cases of ceased associations with a scope of three.

In our analysis, we found that relevant context conditions such as the number of companies and economic turnover in the relevant economic sub-sector do not explain variations in the survival rate. However, when we consider the number of BIA members and the scope of the association's domain, the predictions for survival are more reliable. The larger the membership and the larger the association's domain, the greater the probability of survival, and when sub-sector associations disappear, it is more likely that it happens by way of merging. When we add sector affiliation, the size of membership and domain are still significant concerning the probability of survival or exit.

Thus, the key message of the data analysis is that organisational properties are decisive for the fate of sub-sector associations, whereas context conditions are ambivalent.

All in all, we can conclude that despite numerous alterations in the population of German business associations key features of the German system have essentially remained unchanged. A large number of highly specialized sub-sector associations represent the diversity of interests and their integration in a hierarchical system of sector and peak associations guarantees the effective representation of common interests. Despite a large number of entries there is no turn to a more pluralistic system as the increase in new associations corresponds approximately the number of associations leaving the system. The almost stable level of higher-order associations and the high number of mergers prove the continued integrational strength of German business associations. Accordingly, we can expect that they still fulfil the balancing function – calibrating the interest of big and small companies facing a wide variety of different challenges – that makes them attractive partners in neo-corporatist governance. When looking for driving forces of change, future research should focus more on the organisational properties of associations, on the identity of organisations and the role of organisational entrepreneurs (Kohler-Koch et al. 2021)

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Appendix

Table A1: Mean differences of exit by number of enterprises, by distribution of turnover and employees, by degree of heterogeneity and by growth in turnover (N = 17)

		Average % ceased to exist	Average % exit by mer- ger	Average % combined exit
Number of enterprises represented	< 1000	23.33	5.00	37.50
	1000 - 5000	19.01	16.20	29.34
	> 5000	12.06	16.07	28.13
Distribution of turnover	Concentration rate < 20 %	10.98	27.97	25.97
	Concentration rate 21 - 40 %	24.21	14.27	38.48
	Concentration rate > 40 %	16.43	8.65	25.08
Distribution of employees	Concentration rate < 20 %	10.98	27.97	25.97
	Concentration rate 21 - 40 %	22.10	17.66	39.76
	Concentration rate > 40 %	18.06	0.00	18.06
Heterogeneity	Scope 1 - 6	18.75	12.50	36.46
	Scope 7 - 16	21.65	5.26	26.91
	Scope 17 - 22	18.52	17.13	35.65
	Scope > 22	9.21	18.21	27.42
Growth	Turnover decrease	24.78	5.26	30.04
	Turnover increase by 0 - 15 %	11.03	27.83	53.69
	Turnover increase by 16 - 50 %	17.83	0.00	11.89
	Turnover increase by 51 - 80 %	12.08	21.82	33.90
	Turnover increase by more than 80 %	22.22	11.11	33.33

Table A2: Number of enterprises 1999 by branches (N = 155)

	Min	Max	Mean	SD
Building materials industry	13	1792	387.14	526.00
Food industry	9	17867	777.42	3183.68
Metals industry	55	4072	595.20	896.70
Textile industry	9	7028	1181.00	2098.76
Wholesale trade	20	7360	1178.85	1381.83

Ch^2 (Kruskal-Wallis) = 29.833, $df = 4$, $p < 0.001$

Table A3: Industry turnover 1999 (in millions) by industry branches

(N = 155)

	Min	Max	Mean	SD
Building materials industry	93	5177	1472.90	1385.72
Food industry	10	20332	3118.03	5204.93
Metals industry	296	10362	2580.90	2466.88
Textile industry	27	20624	3273.17	5298.76
Wholesale trade	46	33960	6777.05	8141.57

Ch^2 (Kruskal-Wallis) = 18.329, $df = 4$, $p = 0.001$

Table A4: Membership 1999 by industry branches (N = 166)

	Min	Max	Mean	SD
Building materials industry	7	702	158.09	204.71
Food industry	5	650	90.27	134.31
Metals industry	5	270	86.45	77.42
Textile industry	6	1129	156	280.40
Wholesale trade	5	2000	224.20	396.87

Ch^2 (Kruskal-Wallis) = 5.790, $df = 4$, $p = 0.215$

Table A5: Number of enterprises 1999 by survival status 2015 (N = 155)

	Min	Max	Mean	SD
Ceased	9	3629	621.86	975.15
Merged	9	17867	1101.25	2847.29
Survived	13	7360	884.99	1306.71

Ch^2 (Kruskal-Wallis) = 3.241, $df = 2$, $p = 0.198$

Table A6: Industry turnover 1999 (in millions) by survival status 2015

(N = 155)

	Min	Max	Mean	SD
Ceased	130	28886	3362.00	6489.11
Merged	10	20624	3564.65	5565.03
Survived	27	33960	4876.85	6674.93

Ch^2 (Kruskal-Wallis) = 5.351, $df = 2$, $p = 0.069$

Table A7: Membership 1999 by survival status (N = 166)

	Min	Max	Mean	SD
Ceased	5	120	31.09	30.59
Merged	5	1129	146.10	236.99
Survived	6	2000	200.86	342.56

Ch^2 (Kruskal-Wallis) = 19.452, $df = 2$, $p < 0.001$