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Theoretical Perspectives, Measurement, and Future Exploration in Business Environment Research

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Abstract

In the process of high-quality development in China, the business environment has become a key pillar in empowering the sustainable development of enterprises and other business entities, with its theoretical and practical research gaining increasing prominence. This paper analyzes existing studies and identifies several issues in current research on the business environment, including inconsistent definitions of core concepts, imbalanced construction of indicator systems, limited scope of value effect research, and insufficient dynamic evolution analysis. Based on this, future research directions in China's business environment field are envisioned from four aspects: clarifying core concepts and enriching specific contexts, refining evaluation metrics and innovating research methods, exploring diverse pathways and extending value chains, and analyzing regional characteristics while uncovering dynamic evolution mechanisms. This aims to provide new insights for building a business environment research system that integrates Chinese characteristics with international perspectives and to enhance the guiding role of theory in practice.

Keywords

Business Environment; Cost View; Resource View; Business Ecosystem View

Introduction

In the context of high-quality development in China, the business environment, as the sum of the external environment for enterprise economic activities, is a key support for empowering sustainable development of business entities. The importance of theoretical research and practical exploration of this environment is increasingly prominent. Research on the business environment abroad began in the 1970s and gradually emerged with the release of the World Bank's Global Business Environment Report in 2004; The Chinese academic community paid attention relatively late and the research process is not coherent. Although related research is

still in its infancy, due to differences in conceptual definition, dimensional division, and research contexts, research presents fragmented characteristics, and the guiding role of theory in practice has not been fully utilized. This article systematically reviews the existing research on the business environment, and looks forward to future directions based on the current research status, providing reference for the theoretical development and practical application of this field.

1. Definition of the Connotation of Business Environment

The business environment is a core concept that describes the convenience of external conditions for enterprise production and operation. The academic community's understanding of its connotation and extension is not yet unified. It can be sorted out from two dimensions: subject scope and theoretical perspective, and classified into four types of concepts based on the logic of "subject environment function".

The narrow business environment regards the government as the core shaping subject, consisting of the institutional soft environment and infrastructure hard environment constructed by the government. Research often focuses on the impact of a single dimensional environment on enterprises, such as the value effects of formal and informal institutions such as digital infrastructure, tax incentives, and "pro clean" government business relationships. The broad business environment incorporates the market into the conceptual framework, believing that the government and the market jointly shape the external environment of enterprises. Although scholars have not unified their dimensional division, they are all guided by enterprise needs, with government service optimization as the core, and increasingly follow the principles of "marketization, rule of law, and internationalization", presenting comprehensive and systematic characteristics. Typical dimensions include market, government affairs, law, innovation, financial services, etc.

From a theoretical perspective, from the perspective of institutional transaction costs, the business environment refers to the total cost of time, manpower, funds, and other resources required for enterprises to comply with policies and regulations and carry out activities throughout their entire life cycle. The core function is cost savings, and the World Bank's evaluation indicators are a typical manifestation of this perspective; From the perspective of resource dependence, the business environment refers to the sum of resources and conditions that enterprises obtain from external sources, such as funds, information, technology, and human resources. Its core function is resource support, which is consistent with the definition of the "Regulations on Optimizing the Business Environment"; From the perspective of business ecosystem, the business environment is a comprehensive ecosystem faced by enterprise business activities, and the research core is the interactive relationship and coupling mechanism between different dimensional

elements, rather than the independent effect of a single element.

Based on the logic of "subject-environment-function", the business environment can be classified into four categories: government led cost saving, market led resource support, cost saving and resource support jointly composed of government and market, and system synergy formed by government and market collaboration. The conceptual extension, complexity, and systematicity of the four types of business environments have gradually increased, indicating that scholars need to combine research questions and theoretical perspectives to clarify their connotations and attributes.

2. The Impact and Mechanism of the Business Environment

The differences in the connotation and function of the business environment from different theoretical perspectives determine the essential differences in its impact mechanism on the value creation activities of business entities. Its value effects radiate to the national, regional, and enterprise levels, and the core mechanism revolves around cost, resources, and ecology.

The cost perspective focuses on the changes in the cost structure of enterprises caused by the optimization of the business environment, with the core being to empower business entities by reducing institutional transaction costs and productive costs. The reduction of institutional transaction costs is reflected in reducing expense costs (taxes, informal expenditures, etc.) and efficiency costs (manpower, time, etc.), promoting entrepreneurs to focus on productive activities, enhancing the innovation and competitiveness of private enterprises, and alleviating the economic development imbalance caused by the difference in institutional costs between the north and south; The reduction of productive costs can be divided into two categories: direct and indirect. Direct costs (raw materials, labor) can be reduced by siphoning human capital and improving labor market allocation efficiency. Indirect costs (transportation, financing, credit) can be effectively suppressed by optimizing the business environment, thereby improving enterprise profits and labor productivity.

The resource perspective is based on the theory of resource dependence, and the business environment empowers business entities through two major functions: providing resource support and guiding resource allocation. Resource support can be divided into policy and market support. Policy support includes government subsidies, tax incentives, etc., providing guarantees for enterprise innovation and transformation; Market support comes from supply chains, financial institutions, etc., providing direct resources such as manpower and funds for enterprises. Resource allocation guidance includes guiding enterprise resources towards green innovation and technology research and development through environmental regulations, government procurement, etc., as well as optimizing market factor allocation through relaxing market access, reducing taxes and fees, alleviating

overcapacity, and improving total factor productivity. Research on the "profit view" derived from the perspective of business entities shows that optimizing the business environment can promote technological progress, improve technological efficiency, and promote industrial structure upgrading.

From the perspective of business ecology, the business environment is regarded as a comprehensive ecosystem, and the interaction mechanism between subjects and elements within the core research system is studied. Qualitative comparative analysis (QCA) is the mainstream research method. The research mainly focuses on institutional configuration and complex systems perspective: the perspective of institutional configuration focuses on the interactive evolution of government and market logic, and the competition and complementary relationship between the two form diverse institutional configurations such as coexistence, symbiosis, and dominance, empowering urban entrepreneurship and digital economy development; The complex systems perspective views the business environment as a multidimensional and multi-party complex system, focusing on the synergistic interaction of elements such as public services, human resources, finance, and the rule of law to drive urban innovation performance and high-quality development.

Overall, the value effects of the business environment exhibit three major characteristics: coverage at the national level (global value chain upgrading, quality of foreign direct investment), regional level (innovation and entrepreneurship, high-quality economic development), and enterprise level (innovation, investment, digital transformation); The core mechanisms are cost, resources, and ecology, and other effects rely on these three core mechanisms to play a role; The research perspective has shifted from a single element to system collaboration, and from static influence to dynamic evolution, which is in line with the needs of practical development.

3. Indicator System and Data Sources for Business Environment

Empirical research on the business environment relies on a scientific indicator system and reliable data sources. The World Bank has led the construction and development of the indicator system, while China has built a localized system based on international experience. Different levels of measurement exhibit differentiated characteristics, and there is a problem of uneven development.

The World Bank's business environment indicator system has gone through a process of "establishment-improvement-transformation": the first report was released in 2004, which set five primary indicators based on the enterprise lifecycle; In 2020, a DB system consisting of 12 primary indicators was established, with a core focus on regulatory framework and convenience of handling affairs; In 2021, due to issues such as narrow measurement scales and insufficient data representativeness in the DB system, a service perspective was introduced to construct the BEE system. In 2023, it was officially named the B-Ready system,

which includes 10 primary indicators and evaluates from the three dimensions of "supervision, service, and convenience". It pays more attention to the relationship between the daily operating environment of enterprises and the overall economic development. This change is in line with the cost, resources, and ecological functions of the business environment.

The World Bank's database system is difficult to adapt to Chinese practical needs due to its focus on government supply orientation and neglect of enterprise demand. To this end, since 2018, the National Development and Reform Commission has established an indicator system that benchmarks the World Bank and has Chinese characteristics, including 18 primary indicators. By supplementing indicators such as water and gas use, intellectual property protection, and inclusive innovation, the evaluation dimensions of public services and high-quality development have been improved. It not only focuses on the convenience of enterprise life cycle services, but also highlights the core demands of high-quality urban development.

The existing research in China is based on the formation of diversified measurement methods and data sources at the "national-provincial-city-county-enterprise" level, but the development of each level is uneven. At the national level, the World Bank and Economist Intelligence Unit databases are mainly used, which suffer from insufficient operability and comparability; At the provincial level, indicators are constructed from dimensions such as market, government affairs, and law, with data sourced from the central bank, statistical yearbooks, etc; The urban level is the most extensively researched level, with indicators covering public services, human resources, finance, rule of law, etc. Data is sourced from the National Development and Reform Commission, urban databases, and judicial document websites; There is relatively insufficient research at the county and enterprise levels. County level indicators are mostly measured using World Bank secondary indicators, while at the enterprise level, virtual variables from questionnaire surveys are the main measurement method. Overall, there are still issues with the lack of a unified indicator system, insufficient granularity, and low data availability in current measurements, which constrain the universality and depth of research.

4. Future Prospects of Research on Chinese Business Environment

Based on the current research status, there are still problems in the study of China's business environment, such as vague core concepts, incomplete indicator systems, short value chains, and insufficient dynamic evolution analysis. In the future, in-depth exploration can be carried out from four aspects to promote the deep integration of theoretical research and practical needs.

The first is to clarify the definition of core concepts and enrich research in specific contexts. On the basis of adhering to the principles of "marketization, rule of law, and internationalization", guided by the needs of business entities and centered on

the transformation of government functions, we need to improve the conceptual system in the Chinese context: enrich the scope of subjects from a broad perspective, and build an ecosystem of government, market, and society coordination; Expand the specific context from a narrow perspective, focus on the "+business environment" fields such as digital, green, and foreign trade business environment, and explore the value effects of non physical business environment in the Industry 4.0 era.

The second is to improve the evaluation index system and innovate the configuration research method. Fill in the gaps in indicator systems and data at the county and enterprise levels, and enhance the granularity and accessibility of data; Combining field research, case analysis, and traditional quantitative research to enrich the research methodology system; Upgrade the QCA method, introduce time elements to develop temporal QCA, consider the connection strength between system elements, and enhance the explanatory power of the dynamic evolution path of the business environment.

The third is to explore multiple pathways of action and extend the value effect chain. Starting from the perspective of institutional configuration or complex systems, explore the nonlinear driving path of multiple factors under the interaction between the market and government entities; Expand the scope of value effect research to areas such as tourism recovery, green development, and business environment distance, such as exploring the impact of business environment on urban tourism economic resilience and the achievement of "dual carbon" goals, and analyzing the role of business environment gap in international investment of enterprises.

The fourth is to analyze the characteristics of regional development and explore the dynamic evolution mechanism. Deeply explore the theoretical sources and formation mechanisms of the uneven development of business environments in the north, south, east, and west regions, and study the collaborative development path based on regional resource endowments and development stages; Based on a dynamic perspective, this paper explores the evolution trend of the business environment in both horizontal space and vertical time, analyzes its long-term dynamic impact on the behavior of business entities, and provides theoretical support for precise optimization of the business environment.

In summary, as an important support for China's high-quality development, the business environment needs to be closely integrated with practical needs in theoretical research, continuously improved from concepts, indicators, mechanisms, evolution, and other aspects, to promote the formation of a research system that combines Chinese characteristics and international perspectives, better play the guiding role of theory in practice, and provide intellectual support for creating a stable, fair, transparent, and predictable business environment.

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