

Collective bodies for trade associations as a change agent

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Introduction

Trade associations are complex business organisations providing a range of representational and other services in a rapidly changing environment. They need managing as organisations and should always strive to improve their performance. They can be helped in achieving this by learning from others and sharing their experiences with other trade associations.

This paper begins with a theoretical examination of the value of collective action by trade associations before describing in some detail how trade associations have got together in Britain over the last few years to help improve their performance.

Why associations are difficult to manage

It is helpful to quickly rehearse why trade associations are different from other organisations and particularly why they are difficult to manage.

One set of issues stems from the nature of governing bodies. In the case of most organisations the members of the governing body all have a common aim, for example to maximise profits in the case of a commercial company, or to provide certain services in the most cost effective way for a charity. In the case of a trade association, however, members may well not have a common objective. Some may be on the governing body to pursue their own career or wider interests. Some may be members of the governing body by default. Often the members of the governing body will compete fiercely with each other and they may have very different views as to what they want from their trade association. Some, for example, may want a powerful trade association laying down standards of conduct and seeking to share as much information as possible between members. Others, by contrast, will wish to see a very weak trade association, feeling that a powerful one will work to their competitive disadvantage.

The members of the governing body are also transient. Succession planning is at best difficult and at worst impossible. Members may suddenly leave the governing body because they have lost their position in their companies, or worse still they may lose their position in their companies but stay on the governing body. Mergers and acquisitions can suddenly mean that good people have to leave a governing body. The chairman may often be the person with the most time rather than the best qualified, and governing bodies of trade associations and also the chief elected officers may well not feel bound by the views of their predecessors. There is therefore the scope for radical and regular changes in governance arrangements.

A second set of issues arises from the services that trade associations provide. The main product is generally an intangible one – representation. The success of a trade association in this respect may not be evident for many years, if ever. Some of the best work that trade associations do is in stopping things happening which their members never know about. Tangible services, like training programmes and

statistics, may be valued more highly. A commercial company can measure its success, and the success of individual operating units, by profitability. This is not a valid criterion for a trade association and it is very difficult to define what criteria should be used.

The management of trade associations has become more difficult over the past few years as a result of a combination of factors –

- Mergers between members have reduced subscription income and often robbed associations of good members of the governing body and committees.
- The breaking down of barriers between some markets has made it more difficult for associations to delineate their areas of activity.
- Globalisation of many business sectors makes the role of trade associations at a national level more difficult.
- Changes in the nature of management mean that people tend to hold a particular top position now for only a limited period of time and this makes continuity in the governing body more difficult.
- The expectations of members as to what their trade associations should be doing are continually rising.
- Changes in technology, in particular the development of the Internet, radically alter the way that trade associations should operate.

Why associations need specialist information

It may be argued that trade associations have recently been brought into the real world and now have to face the same competitive issues as their members. Why then can they not use the same tools as their members, such as inter-firm comparisons and the employment of management consultancies?

It is because trade associations are different that the traditional tools may be of little use. Inter-firm comparisons tend to concentrate on easily measurable variables whereas for trade associations the most relevant variables are not easily measurable if indeed they are measurable at all in the short term.

The huge amount of information about corporate governance is less applicable to trade associations where having a democratic process and maintaining the right balance of interests on the governing body tend to take precedence over having an effective governing body.

Management consultancies are willing to work for anybody but their value is greatly enhanced by their ability to draw on the lessons they have learned from dealing with similar organisations. Trade associations are not like commercial companies and where some major management consultancies have worked for trade associations the results have often been disappointing for this reason.

Trade associations are a special type of organisation and as such in issues that are specific to them they have most to learn not from their members or from commercial organisations generally but rather from other trade associations.

The American experience

Trade associations in the United States have long since recognised the value of having their own collective body and of sharing their experiences. However, as in so many other areas, it is helpful to understand the differences between trade associations in America and those in other countries before drawing too many conclusions from what happens on the other side of the Atlantic.

The federal nature of the United States, with fifty states each having substantial autonomy, combined with the tortuous legislative machinery in Washington, means that there are a huge number of trade associations which have to work very much harder than their European counterparts in order to achieve a particular objective.

There is therefore a massive trade association industry that is a market in itself for other industries including software suppliers, publishing houses, lawyers, convention centres, insurance intermediaries and consultancy services.

The collective body for trade associations in America is the American Society of Association Executives (ASAE) which has 25,000 members from three sectors – the voluntary sector, trade associations and professional organisations. Although it represents individuals rather than organisations it is the de facto representative body and devotes considerable resources to lobbying in Washington and when necessary at the state level.

The ASAE also provides a huge range of services to its members, including publications, seminars and conferences (the major annual conference is attended by 5,000 people) and a whole raft of comparative studies, for example on meetings, publications, salaries and operating procedures and practices generally.

When the first benchmarking exercises were being developed in Britain, the American experience was carefully studied and, where appropriate, unashamedly borrowed.

The UK experience with benchmarking

In Britain trade associations hardly got together at all until the mid-1990s. That they did so then reflected the coming together of several different forces –

- The British Government had been pursuing an initiative to make trade associations more efficient and this prompted associations to examine their own performance carefully and in some cases even to consider merging. It put trade association effectiveness higher up the agenda, particularly of associations themselves.
- The British Government had itself provided funding for benchmarking exercises within industries and trade associations often managed these exercises. It therefore seemed a logical idea for trade associations to practice what they preached.
- Associations were beginning to come under pressure for the reasons explained earlier in this paper and recognised the need to improve their performance.

The first benchmarking exercise in Britain began at the end of 1995 when the largest association in the country, the Association of British Insurers, convened a meeting of 25 of the largest trade associations to discuss the possibility of a joint benchmarking

study. There was strong support for the exercise which went ahead with 27 associations, such was its popularity. The Government supported the project with funding as a result of which the associations themselves had to contribute just £600 each. A steering committee ran the project and retained the Compass Partnership to do the benchmarking work. They began their work with structured interviews with chief executives which were then followed up with a detailed questionnaire.

The project covered the full range of trade association variables: membership, governance, management and staffing, finance and financial management, representation, industry leadership, public relations and communications, membership services, information and advice, employment, training and education and commercial services. Information on subscription scales and salary levels and governance arrangements have proved to be particularly useful.

The associations unanimously agreed that the work had been well worth while and followed it up in 1996 with some benchmarking clubs covering particular areas such as representation, information technology and finance. Again, the Compass Partnership helped set up these clubs and reviewed their performance. It produced a list of thirteen guidelines for the successful operation of benchmarking clubs.

In practice, however, the benchmarking clubs quickly outlived their usefulness. There is little point it seems in setting them up on a regular ongoing basis. Rather, clubs should emerge on an ad hoc basis to deal with particular issues.

Prompted by the success of the first exercise, in 1997 the Association of British Insurers, again with the support of the Department of Trade and Industry, organised an open benchmarking exercise with every trade association being invited to participate. 130 did so. A summary report of this exercise was published with participating associations having a comprehensive analysis.

It would be foolish to say that as a result of benchmarking exercises trade associations in Britain have all done a number of things to improve their performance. Indeed, as is often the case, it is the best associations that participate in such exercises while those that could most benefit from them tend to stand aloof.

Most trade associations did look carefully at the results, compared them with their own performance, and where appropriate took action to improve performance. At the very least the published document gave ammunition to trade association executives that they could use in preparing papers for their governing bodies and perhaps in some cases it gave ammunition to governing bodies to stimulate executives to improve their performance.

The UK experience – the Trade Association Forum

The early benchmarking exercises had been managed, without charge, by the Association of British Insurers. This was not an ideal position and the Association had no wish to have a continuing role in this area. It had established an informal trade association forum to conduct the second benchmarking exercise, and this proved to be an organisation that was capable of developing into something more effective and formal.

Discussions took place with the Confederation of British Industry (CBI), the central representative body for industry and commerce in Britain, and with financial support from the Government the CBI agreed to take over the management of the Forum, which it duly did in 1998. The Forum has since moved on to a self-funding basis although it seeks financial assistance from the Government for some specific projects. The Forum remains a modest organisation with a subscription scale running from just £100 to £500 for organisations that are members of the CBI. It has around 300 members, including almost all of the major associations. The services which the Forum provides are information, a newsletter, a website, a directory of trade associations, work on best practice, seminars and workshops and practical help.

The Forum has not had difficulty in getting speakers from the Government and elsewhere to participate in its events because they know they are getting to the people who run Britain's trade associations.

The Forum remains an informal body with an advisory council and does not purport to represent trade associations. However, there is little doubt that it provides, at very modest cost, a valuable service to its members. Its courses are popular with members and generate a modest profit. The website enables trade associations to be traced by sector or by name with a hotlink straight to the association.

Having met other executives at Trade Association Forum functions many chief executives now feel more confident about simply making a quick phone call for an informal chat with someone running another association.

In 1999 the Forum ran another major benchmarking exercise, this time without the need for financial help from the Government. In addition to providing updated information it also enable trends since 1997 to be analysed. Among the major trends were a significant increase in the proportion of associations that believed that they would be involved in mergers, the growing importance of IT and reviews of governance arrangements.

This year the Forum has, with British Government support, published two major papers. The first deals with codes of practice, a subject high on the political agenda in Britain and one where the Forum might actually adopt something of a representative role for its members. The Government and some outside pressure groups tend to have a rather idealistic view of what trade associations achieve through codes of practice and fail to appreciate that trade associations are member organisations that can only lead their members to a certain extent. If they try to go too far they risk not having any members.

The second study was entitled *Models of trade association co-operation* and examined the need for associations to work together before describing in detail the various ways in which this could be done, ranging from informal working arrangements to a formal merger or the establishment of a federation.

The role of government

There have been continual references in this paper to the role of government. It was fortunate that in Britain the Government was able to fund the various collective exercises. Indeed, the whole of the collective work by trade associations has been enthusiastically supported, both morally and financially, by the Government. The occasional critical speech has helped focus attention on the effectiveness of trade associations but more importantly the funding of research projects has greatly increased the total amount of knowledge on trade association management.

The last Conservative Government seemed to have a definite policy on trade associations including the encouraging of mergers, coupled with the belief that trade associations need a very high subscription income, around £1 million a year, in order to survive.

The Labour Government, elected in 1997, has scarcely looked at trade associations. It has said nothing which might suggest the existence of a policy. However, the Government has continued to fund the work of the Trade Association Forum and has indicated, albeit quietly, that it fully supports any measures to improve the effectiveness of associations. And so it should. Good government, more particularly joined up government, is as lacking in Britain as it is in other countries. The Government preaches the value of the joined up approach and expects industry to get its act together. However, as an entity, the Government has failed to get its own house in order and the quality of some policy work remains very poor.

The Government has not chosen to use trade associations as a weapon to help improve the effectiveness of government. This is unfortunate. Much of the best value that trade associations provide is to ensure that proposed legislation and regulations do achieve their desired objective by, in effect, cross checking what officials have done. The stronger and more effective the trade associations are, the greater the help they can give in ensuring that legislation achieves its intended result.

The future

There is little doubt that the environment facing trade associations will continue to get more difficult as technology and globalisation continue to develop.

The best trade associations will increasingly want to learn from the “best in class” whether that happens to be from Britain, from France or Germany, or indeed from the USA.

The Trade Association Forum will continue to run benchmarking exercises, conferences and seminars and will publish a regular newsletter. Where it can obtain funding it will also conduct major research studies – governance is next on the list.

It is likely that attention will gradually shift over time from trade associations at the national level to trade associations at the European level. It has to be said that European associations have tended not to come out well from the benchmarking exercises conducted in Britain. The problems with European associations are well known and include people being “parked” on European trade association committees either because they happen to speak a few languages or because there is a wish to

keep them clear of the national trade association. Governance issues are magnified because national governments have very different approaches to handling matters at the European level. The British Government, for example, tends to work in co-operation with industry associations on a co-operative venture. British associations are therefore generally particularly well informed about what is going on. Other national governments prefer to keep trade associations at arms length.

It is understood that as yet there have been few if any substantive benchmarking exercises between European trade associations. There is surely a significant need. Most European associations are poorly equipped to handle the changing way in which business is done at the European level. Current threats include the increasing tendency of big firms to get together at European levels outside of the formal trade association structure, and the increasing power of MEPS who generally are interested only in the national rather than the European perspective.

There is also a need to share information at the international level. To a limited extent this is done through a World Congress of Association Executives and informal liaison. The British Trade Association Forum and the European Society of Association Executives have both established good working relationships with the ASAE for example. However, there is a need for something more systematic. The American work on benchmarking was invaluable in getting the British work off the ground. Developments in technology in America are also relevant to other countries. Current trends include the integration of websites with back office systems and outsourcing through the use of Application Service Providers. Many American associations are worried that commercial vertical portals might capture their membership; European associations should be worried but are not.