

Are you being represented?

Mark Boléat, director general of the Association of British Insurers, asks how British firms can make the most of their trade associations

'Trade and business associations exist to improve the business climate for their members. They have a sweeping and pervasive impact on public policy formation, the economy and society. Despite their importance to the operations of individual businesses, few firms analyse the value of these organisations or take the steps necessary to maximise their influence within their associations.'

This introduction to *The Executive's Handbook of Trade and Business Associations*, by US author Charles Mack, applies equally to Britain. Yet the author goes on to say that UK trade associations are among the weakest in any industrialised country, being 'small, parochial, under-financed and under-staffed'.

Michael Heseltine, as President of the Board of Trade, was equally critical. He said that many officials of under-resourced associations inhabit a make-believe land. 'They believe they are effective, when it is all too brutally clear that they are not.'

UK firms pay subscriptions of £300m a year to 1,300 trade associations; many do not get value for money. The problem lies in the structure of trade associations. Industry sectors need strong, well-resourced trade associations with highly professional staff operating within a settled strategy, providing an essential, efficient service in a cost effective way.

How can firms secure this ideal from their trade associations? Action needs to be taken at the macro level – the trade association structure – and the micro level – the relations between firms and the associations to which they belong.

Large firms can belong to many trade associations – between 10 and 20 is typical. They will range from small specialist associations to larger sectoral bodies as well as the CBI. They may be direct members of a European association and maybe an international association. Their subsidiaries abroad will belong to associations in those countries. Few corporate leaders know how many trade associations their firms belong to, how they overlap or conflict.

Auditing trade association membership is a salutary lesson. There may well be scope for rationalising membership, especially where there are trade associations in the same sector. Most firms can justify membership of many trade associations. The question then becomes how they can make them more effective.

Firms may belong to one or two big sectoral trade associations. These will be the bodies to which they pay the highest subscriptions and where the senior executives are most involved in the governing bodies or committees. Many large sectoral associations are strong, well-resourced and effective. Others are not. Where associations overlap, there is a case for rationalisation, yet mergers are difficult to achieve.

How can the case for rationalisation be evaluated? Major firms can get together and appoint people to produce a blueprint; consultants can be commissioned – although in this area the experience of consultancies is fairly limited. Probably the best source of information on whether a sector has effective representation is the government department and regulatory bodies with which the sector deals. A more aggressive stance towards trade associations is being taken by the DTI. Department officials may deem a trade association's structure unsatisfactory. This can be the starting point for reform.

There have been studies on the effectiveness of trade associations across the sectors over the last few years. Most reach the same conclusions about how an association should be organised – it needs to be more focused with more responsibility delegated to its secretariat, the committee structure should be streamlined, a menu of services should be offered with firms paying only for the services they want; there should be consideration of merger. Implementing such changes may require a new chief executive and other senior staff, able to take on a proactive role rather than just servicing committees.

There are recent examples of significant restructuring of trade associations, but there are other sectors where merger talks have failed.

Firms periodically need to have a thorough audit of relations with each trade association to which they belong. The starting point must be an analysis of the cost. The obvious cost is the basic subscription, but there may well be

additional subscriptions for particular services. The cost of staff time in servicing the association committees also needs to be factored in.

But these costs will be balanced by benefits – the chance to influence the agenda and getting early warning of possible regulatory and legislative developments.

Other benefits include access to information which would otherwise have to be obtained internally or from outside sources and the quality of representation. The latter is most difficult to evaluate as some of the best representational work of trade associations is to prevent things happening.

Armed with information about the costs and benefits, the firm should discuss its findings with the chief executive of the trade association.

Firms need to consider the merits and costs of having people on committees. Large firms with many people represented on a trade association's committee may need a coordinator to ensure consistency of representation and to be the point of contact between the firm and the trade association.

Firms need to be more proactive when dealing with their trade association. If firms want a particular policy line to be taken or want pressure brought to bear on a government department, then they should ensure that this is high on their association's agenda – not simply wait for somebody else to decide what should be discussed. Papers from the trade associations need to be commented on, in particular draft representations to government departments.

Firms shouldn't tolerate unsatisfactory service from their trade association. Many firms have come to realise that their sector has not been adequately represented because the association was inadequately resourced or because its staff was being asked to do the wrong job. It is up to the large association members to ensure that the right structure for their sector is in place and that the trade associations in their sector provide value for money.

