

Strategic planning *for trade associations*



Mark Boléat

Director-General,
Association of British Insurers

Strategic planning is an essential part of the process of managing

organisations. However, it has not featured in many trade associations. Traditionally they have operated with a short time horizon punctuated by irregular fundamental enquiries into objectives, functions and organisation, generally prompted by concern on the part of larger members. Now, it is increasingly accepted that trade associations must operate and plan their future in the same way as more commercial businesses.

The need for planning

Any organisation needs to plan for its future. Organisations cannot work on a day-to-day basis partly because some decisions, for example in respect of capital investment, may have a long lead time before they can be implemented and an even longer lead time before there

is a pay back. The planning process is designed to enable the day-to-day functions of an organisation to be carried on smoothly and in line with the longer term objectives.

There are numerous publications on strategic planning so all that is required here is a brief summary. The planning process typically begins with a SWOT (strengths, weaknesses, opportunities, threats) analysis. These can be examined internally provided there is sufficient objectivity, with the help of outside consultants or entirely by outside consultants, although obviously drawing on information within the organisation.

Strengths and weaknesses are internal characteristics of an organisation. These cover variables such as people, organisation, system/communications, products, production, finance, credentials and knowledge. External circumstances are regarded as threats or opportunities. These cover variables such as the market, technology, the economy, society and legislation.

Such analyses are best kept relatively simple so as to enable management to concentrate on the key issues. Often such

analyses will throw up the same issues being both a threat and an opportunity or a strength and a weakness. For example, a company that has invested heavily in new technology may regard this as a strength in terms of its ability to produce a competitive product, while the high overheads which have resulted from this may be regarded as a weakness. The rapid growth of a new market gives new opportunity but at the same time it is a threat if it attracts significant new entrants into that market.

Having undertaken a SWOT analysis a long term plan can then be devised. Again, this is well covered in standard textbooks. The plan will start from the products that are to be produced and then how they are to be produced including, for example, the need to acquire new premises, the need to make other capital investments, the need to recruit new staff and perhaps the need to raise additional capital. Plans might not always be positive. Many organisations face a declining demand for their product. In this case the long term plan will be how to *downsize*, for example by closing plants, withdrawing from certain

This article is an edited extract from the author's book "Trade Association Strategy and Management" (Obtainable from the ABI, 51 Gresham Street, London EC2V 7HQ).

product lines and so on.

Both the long term and its implementation need regular review. It is reasonable to establish annual targets in accordance with the plan and for the progress against these targets to be monitored at, say, quarterly intervals. However the plan itself cannot simply be ignored once it has been settled. Plans need to be updated perhaps on a yearly basis in the light of changing circumstances. For example, an organisation might be gearing up to meet anticipated new demand which then fails to materialise. The plan will need adjusting mid-stream.

The planning process in trade associations

For trade associations the analysis of internal strengths and weaknesses will be similar to that of other fairly smallish companies. People and credentials are probably the most important variables.

More so than most other organisations trade associations have to take a market as they find it and are not able to influence that market to any great extent. Accordingly, a strategic planning exercise must give much more weight than is usual to the operating environment within which the trade association works.

Few markets are static. Developments in technology and in consumer tastes can lead to new markets being created or existing markets appearing. To take one good example the increase in crime has led to the growth of a whole new security industry which operates at both commercial and retail level.

Within markets that change little the members themselves can change substantially. In particular, there can be a reduction in the number of members as a result of mergers, takeovers, or companies going out of business. Mergers present problems to trade associations where there is a tapering subscription scale. The

organisation is less than the combined contribution of the organisations that made up the merger. New entrants into a market are always attractive to trade associations as they are a valuable source of additional income. New entrants in particular are likely to find the service which a trade association provides particularly valuable given their own lack of knowledge, while their subscriptions will be low on the grounds that they have as yet undertaken very little business.

The environment also has to take account of the views of members towards the trade association and generally towards co-operation with each other. In an expanding and profitable industry attitude towards the trade association is likely to vary from strong support to relative apathy, with people happily paying the annual subscription almost on the basis that it is a contribution to a club which everybody joins. When an industry is under some pressure, either because of market developments or because of regulatory problems, then attitudes towards a trade association are likely to change sharply. Members may question the subscription payable and may expect the trade association itself to act in a far more businesslike way.

Government contact

A final factor in any analysis of environment is government policy. If government has no policy towards and no involvement in a particular industrial sector then there is only a limited representative service which has to be undertaken. If for whatever reason there is to be a concentration of government activity on the sector then a different trade association might be needed. This can occur perhaps because legislation which will directly affect the sector or perhaps because there are

continued from page 25

Strategic planning for Trade Associations

suddenly major policy issues that need to be dealt with by government.

It is clear from this analysis that the external opportunities and threats part of the planning process will concentrate on changes in the market in which the members are operating and changes in government policy, two variables that may often be related. Until fairly recently, few trade associations would describe themselves as having competitors. Now, because of the breaking down of barriers between markets, associations are far more in competition with each other.

Organising the planning process in trade associations

The ideal planning process, one already underway in most well run trade associations, is for the planning process to be handled by the senior executive team with the long term strategy being approved by the governing board and with regular monitoring reports being given to it. Unlike in most other organisations trade association strategies have to be fairly public. Obviously they have to be made known to the members which in many industries virtually ensures that they will find their way at least to the trade press. This means that strategy reports have to be written on the basis that they will be read by other trade associations which might be regarded as competitors and by others who might be able to make use of the information in the report to help their own business. On the other hand, a public strategy can be helpful to trade associations by reducing the need for regular debates on the same

subject.

Strategic plans and their implementation have important implications for the staff and the accommodation of the trade association. This is another area where trade associations are different from other organisations. In terms of staff they are very small bodies compared with the members that they represent. The staff are the major asset. If an association is performing poorly then the chances are that this is because the staff are poor, and the planning process will inevitably reveal this. If the organisation is expensive to run then this might call into question current accommodation both in terms of space occupied and location. These are all very sensitive issues and if not handled well can be damaging. For example, if staff feel that they are not highly regarded then it is the best members of staff who are likely to leave, that is those who can easily obtain a job somewhere else, whereas the poorer members of staff will remain. Similarly, early protracted debate about the location of an office will cause some staff to leave and make it more difficult to recruit.

The special nature of trade associations means essentially that there must be a two-tier planning process. There will be the public process with a document made available to members and therefore, in effect, anyone else as a consequence of that. The leadership of the association will have some sort of private agenda which may entail significant staff changes, relocation, merger with other trade associations or downsizing.