



Special
Feature

TRADE ASSOCIATIONS

*the American
experience*

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In the USA associations play an important and influential part in the country's socio-economic scene. There is much to be learnt from a comparison with the UK's situation.

The largest US associations include the American Hospital Association, the Association of American Railroads, the American Petroleum Institute, the National Rural Electric Cooperative Association, the National Automobile Dealers Association and the American Bankers Association. With the exception of the American Hospital Association which is based in Chicago, all these associations are based in the Washington DC area and all employ more than 400 staff, making them substantially bigger than their British counterparts.

Generally, US associations operate in a broadly similar way to their British counterparts. However, an analysis of their income and expenditure shows that they rely to a lesser extent on subscriptions. In 1993 just 44% of their income came from subscriptions whereas a typical figure for British associations would be in excess of 70%. Conventions, conferences and other types of

meeting are a major part of the work of trade associations and a substantial source of revenue.

LEGISLATIVE AND REGULATORY REQUIREMENTS

In the UK there are no legislative or regulatory requirements relating to trade associations. They can take any legal form they like, they are not required to register with anyone and they need not publish accounts or details of their activities. Also, there is no legislation on lobbying, one of their mainstream activities.

By contrast, in the USA trade associations are required to disclose detailed information about their activities including their finances, are required to register as lobbyists and are severely restricted in the way they can go about seeking to influence government. The standard book on trade association law ("Association Law Handbook" by Jerald Jacobs) runs to 500 pages. Alarmingly, the book is described as a summary guide and references are

provided for each subject to "more extended treatments published elsewhere".

Lobbying is governed by the Lobbying Disclosure Act 1995. This requires trade associations to register. The registration document, which is publicly available, covers matters such as a general description of the lobbyist, its clients, a list of the employees who are expected to act as lobbyists, the general areas in which the registrant expects to engage in lobbying activities and substantial contributions.

In order to maintain tax exempt status trade associations are also obliged to file detailed information with the Internal Revenue Service.

Trade associations are also very vulnerable to anti-trust legislation which is being used with particular vigilance against them.

HOW TRADE ASSOCIATIONS IN THE USA WORK TOGETHER

The large size of the trade associations sector in the USA

naturally generates the need for central services and a representative body. These are even more necessary given the nature of the political process in the USA, with not only the Federal Government but also 50 states making laws which impinge on all businesses.

The principal organisation which provides services to trade associations in the USA is the American Society of Association Executives. This has over 23,000 members who manage trade associations, individual membership societies, professional organisations and not for profit associations. Over 40% of its members are chief executive officers. The Society provides a wide range of services including conventions, trading courses, publications and representational services on trade association matters. Its largest publication, the annual "Who's who in

Association Management and Buyers Guide", runs to 870 pages. Its regular monthly publication "Association Management" frequently runs to well over 100 pages.

The Society has an excellent internet site (<http://www.asaenet.org>) which gives access to a wide range of information not only about the ASAE but also about all aspects of association management.

In addition to the ASAE at national level, there are about 70 state and local associations with major ones in New York and Washington.

Trade associations also get together on representative matters through establishing coalitions. This is necessary because of the large number of trade associations interested in a particular piece of legislation. Coalitions can have quite a formal existence with their own budgets and staffs and are recognised as being an effective way of coping with the complex legislative process in the USA.

The size of the trade association sector has also generated a substantial industry of association management companies. There are currently over 500 companies which manage more than 1,700 associations. Associations can contract for total administration, a single service on an ongoing basis, a specific time period or a single project. The largest association management company - Smith, Bucklin - operates internationally and currently services 180 organisations of which 100 are trade associations. It employs a total staff of 700. Most of the associations it services have annual budgets of under \$1 million.

USE OF INFORMATION TECHNOLOGY

Trade associations in the USA make extensive use of information technology.

A 1996 report showed that 50% of associations used voice mail for incoming calls, 43% had a toll free number, 78% used fax

broadcasting and a fax on demand service was provided by 20% of associations.

There is an extensive market for specialist software packages for associations. The largest system is iMIS, produced by Advanced Solutions International which is also available in the UK through Fisher Technology. The system has modules covering membership management, committee management, dues and subscription management, meetings management, word processing interface, legislation tracking, exhibition management, audit processing, speaker tracking, legislative bill tracking, relationships, hotel room block management and also the basic accounting services.

There are also specialist consultants who advise on the available software.

About a third of associations have an internet address; of these 81% use it for electronic mail and just over a third to publish a worldwide web page.

RATIONALISING DIFFERENCES BETWEEN AMERICAN AND BRITISH ASSOCIATIONS

Why are trade associations so much larger and more sophisticated in the USA than they are in Britain?

The first fairly basic point is that the US economy is over six times as large as the British economy, which means that there are more members of trade associations therefore higher income, therefore greater scope to provide a range of services for the same income per member.

The USA is not only larger in terms of GNP but also large physically. It is 40 times the size of Britain. This means that there is not the opportunity for people in industry to get together at national level to the same extent as there is in Britain. There has therefore developed a tradition of major annual conventions. Even small industries have conventions of over 1,000 people, and the large ones have conventions running into tens

of thousands. The largest convention has about 100,000 people attending. The convention business is estimated at over \$80 billion per year, and to a large extent has been captured by trade associations. Most associations have a large convention department which generates substantial income which subsidises the other services.

The US system of government also explains differences between US and British associations. In addition to the federal nature of the USA, with there being 50 state governments with substantial powers as well as the federal government, the legislative process is extremely complex. In Britain most representative work is done with civil servants, with little resources being used to target MPs. MPs have little say in what legislation is put before Parliament and can exert only a modest influence over the final form of legislation. In the USA the position could hardly be more different. Legislation is a matter for Congress not for the administration, and there is no centralisation of the legislative process as there is in Britain. A number of bills can be introduced from any number of sources during the course of the congressional year, and all need to be closely monitored by trade associations. If necessary lobbying influence must be brought to bear. The position can be summarised by saying that to secure a particular legislative output could well require an input between 10 and 100 times greater in the USA than is necessary in Britain.

LESSONS FOR THE UK

What lessons can British trade associations learn from the American experience?

Firstly, we do not need trade associations of anything like the size of those in the USA. This would be hugely wasteful of resources.

Perhaps one lesson for the UK is that trade association work in the USA is regarded as a profession in itself. People move from association to association with senior executives invariably being recruited from

within the association sector rather than from the sector they are representing, which is still common practice in Britain.

The US experience shows the great advantages to be gained from economies of scale when trade, professional and other voluntary organisations get together. Publications can be produced, conferences and seminars organised and experiences can generally be shared, particularly as the organisations concerned are seldom in competition with each other.

Certainly UK associations can learn from their US counterparts in respect of use of information technology. The efficient US association provides a highly professional service to its members using the worldwide web, e-mail, faxback and other electronic services. Many associations have databases which can be searched on line.

The American Society of Association Executives provides an excellent service to its members. In Britain there are a number of separate organisations that provide part of the services, but the range and quality of the services is tiny compared to that available in the USA. While recent developments have shown the willingness among trade associations in Britain to share experiences with each other there does not yet exist a satisfactory framework for this to be done. As a result the sort of benefits that are available to American association executives are not yet available in Britain.

A copy of the full report "Trade Associations - The American Experience" on which this paper is based can be obtained from the Association of British Insurers, 51 Gresham Street, London EC2V 7HQ at the price of £8.00 including postage and packing.

Further information about American associations can be obtained by visiting the worldwide web site of the American Society of Association Executives (<http://www.asaenet.org>)