

## Success for European Trade Associations

### In search of the added dimension

Does Dutch theory about trade associations allow a one-to-one translation from national to European? Or does the European trade association require an additional dimension to ensure practical success?

By **Jules Lejeune**

Dutch association culture offers a fertile field for developing a scientific basis for professional activity. The propeller model of the VU university in Amsterdam and more recently the positioning model of Berenschot Consultants have contributed importantly to further professionalisation of association activity, offering a useful theoretical framework for strategic thinking and action of trade associations. Whereas the propeller model describes the propulsion of the trade association in the social vector field, the positioning model describes the radar that allows determining its position (see box). But how do these Dutch models relate to the integrated European market where national borders are becoming much less important? Can these theories be translated one to one from national to the European trade associations? Or is there an additional dimension contributing to success of European trade associations?

**The Tack Propeller** / The propeller model by Peter Tack (VU Amsterdam) describes the primary process and the critical success factors of trade associations. The dynamism of trade associations is illustrated by a propeller where the three blades represent the key elements of activity: strategic positioning of the trade, collectively organising the sector and individual benefits for members. The drive shaft symbolises the infrastructure, the mechanism that keeps the propeller moving.

**Schmidt Star** / In a way related to this, Dedan Schmidt and others (Berenschot) state that the trade association does five things for its members: lobbying, finding agreements with third parties (convenants with government, wage agreements etc.), internally binding (quality) agreements, constituting a meeting place and reference framework, and (increasingly) offering direct services and exclusive discounts supporting the business activity of its members. The profile of the trade association is determined by the relative value of the separate components in a star diagram.

### Three types of members

Since completion of the European internal market in 1992, the structure of many industries has changed considerably. Following developments among their large multi-national customers, many of their smaller suppliers or competitors have seen increases in scale, consolidation and specialisation. The changed strategic position of companies due to European integration has had significant consequences for their requirements as to trade associations and their priorities when collective representation of interests via industrial cooperation is

concerned. The motive to be a member of a trade association differs with the size of the company and the markets it serves. Overall, three types of attitude can be distinguished with regard to membership.

### 1. Leaders

First, there are large multinationals with establishments in a number of countries. Some of these are in size and structure almost a trade association by themselves. They do perform some of the traditional functions of trade associations. Such groups have a homogeneous 'membership' and a collective identity. They have detailed information transfer and exchange, they work to uniform standards, and their subsidiaries usually benefit from a specially designed package of collective (purchasing) arrangements. These things are coordinated at the level of the holding company, from a 'secretariat' that has the support of the line structure of the organisation.

**Accumulation/** For these multinational leaders, the accumulation of memberships and consequent overlaps is a matter of concern. With each acquisition there are additional memberships of national or European organisations. The total sum of membership fees may be out of line with targeted benefits and profits. Such a situation may contribute to the idea that trade associations are bureaucratic institutions.

Nevertheless, these large groups do benefit from membership of one or several independent trade associations. The national trade association is a useful medium for collective bargaining with unions and for agreements with public authorities. The European trade association is an independent and representative platform for influencing decisions and attitudes at the European Commission, NGO's and among customers. Legislation affecting the industry is to a large extent elaborated in Brussels. Think for example of the environment, health and safety agenda which by itself means lots of work for trade associations.

At the national as well as European level a joint approach to the media may be useful and finally the trade association - as long as it stays clear of restricted practices - is the legally qualified framework for inter-company contacts, exchange of information and cooperation.

The connection with the trade associations for this type of members is not based on emotions but rather on rational considerations. There is generally no personal tie involved. Representation in bodies within the trade association is usually delegated from higher levels in the multi-national. Frequent changes in positions within the company mean that every time membership itself is under review.

**European dynamics**

This is illustrated by the European Packaging industry where amalgamations, takeovers and alliances over the last 10 years have strongly affected industry structure. For consumer packaging folding cartons in the early 90's there were over 1000 suppliers across Europe. Practically none of these had a market share exceeding a few percent or had the possibility of serving their customers from several locations. In 2005 more than 50% of European market volume is handled by the fifteen largest players. In flexible packaging, the field for food packaging is now occupied by little more than a handful of worldwide players. In other packaging sectors, such as labeling or corrugated board there is a similar movement.

**2. Participants**

The second type of members comprises independent companies (often family-owned) operating from their national market but internationally oriented in their specific niche. They tend to be long established businesses that outgrow (or have outgrown) their home market. The primary interest remains to have their house in order with the help of the national trade association.

**Participants see international exchange of knowledge and experience as a starting point for extended (bilateral) international cooperation**

**Platform** / Additionally however companies in this category feel a need for strengthening connections with colleagues as well. International exchange of knowledge and experience concerning markets, commercial activities and technology, management succession problems, employee training, legislation etc may be the first stage in more intensive (bilateral) international cooperation. The motivation for this group to be members of a European trade association is in actively shaping of a European platform. There is a clear motive of personal involvement, especially among owner managers who seek a longterm strategy for their business. Exchanging views on common problems in informal surroundings contribute to the creation of a 'common identity'.

**3. Subscribers**

The third type is members who view the trade association primarily as an organisation acting in their (supposed) interest and as a portal for information, advice and contacts, but who do not have the need (or the means) to act themselves in the field of the trade association. This type of members is found in national as well as in international trade associations. It can mean this type of members does not view the trade association as a body they identify with. They don't think as 'we' but rather 'they' when referring to the trade association.

**Challenges for trade associations**

Existing structures of European trade associations seem no longer adequate for finding answers to progressive European integration, industrial structures and segmentation of different groups of members.

Federations particularly are having a difficult time because they have to strike a balance between the interests of national associations (with many members of the 'participant' type) and those of the multinationals (the 'leaders'). The fact that motives for membership in an international trade association differ requires differentiation in policy. The association may have to adjust its structure for a more flexible, open and quickly responding European organisation.

If that is attained, the European trade association can be an active coordinating and supporting factor for both multinationals and national member organisations. It will also offer more direct interaction between members of the national associations.

This is not a simple process. As a consequence international developments have narrowed the membership bases of many national associations. Delegating tasks to the European organisation, where this is acceptable from the national point of view, raises the objection that the European association usually is not equipped to assume part of the functions of national associations. Also, European federations tend to be too remote from the membership at large. And the European organisation tends to have a larger diversity of member companies, industrial structures and cultures, which often impede rapid decision making.

### Extra dimension

The observations above do not diminish the validity of the models referred to in the introduction. On the contrary, Holland is internationally famous for creative order in complex structures. The polder model used to be seen, at the end of the last century, as the economic and social equivalent of 'total football' of national trainer Michels and Crujff and his team in the seventies, or of the Delta plan for coastal defence in preceding decades.

(Trade) Associations are still determining the game in our society and Tack, Schmidt and others have defined components that continue to be important for any association manager. In European trade associations too, strategic discussions gratefully refer to the propeller and the positioning diagrams. Nevertheless these models as yet take insufficient notice of the specific dynamics of international trade associations.

The polder pumping system calls for a European equivalent. The proverbial European 'unity in diversity' will need to be established also in industrial organisation, partly by the use of tried and tested instruments of the polder model.

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