

Trade Association Performance - A five-year View

Report of the
2001 Benchmarking Study
of Trade Associations

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1. Executive Summary

1.1. Background

1.1.1 The Trade Association Forum undertook the current Benchmarking Study in the autumn of 2001 to build on and update the previous exercises conducted in 1997 and in 1999.¹ The purpose of all the studies has been to contribute to continuing improvement in the performance of trade associations by identifying elements of good practice which trade associations may wish to adopt and by illustrating how these are being applied in practice.

1.1.2 With this third study in the series there is also the opportunity to review the progress made by trade associations over a period of nearly five years. For continuity, each study has followed closely the format of the 1997 report, incorporating the analytical framework developed by Compass Partnership at that time and the good practice points identified within that framework. These have been restated and extended in the current report so that reference back to the earlier report should not be required.

1.1.3 The context in which trade associations operate is not static. There have been significant changes in government policies over the last 5 years and in the structures of government. The "two-speed" economy has affected different sectors in different ways. The context for trade associations and the targets to which they aspire are constantly moving and this is reflected in changes to the questionnaire.

Participation

1.1.4 With 101 participants, the sample for the 2001 Study is slightly smaller than for the 1997 and 1999 studies. However, there is a high degree of continuity with a majority having taken part in the previous studies and with broadly similar size distribution within the samples.

1.2. Key findings

1.2.1 **Mergers** - One of the key findings of the 1999 benchmarking study was the high level of merger activity expected. In 1999, 25% of respondents expected to merge in the next two years and 55% in the next five years. In practice this has not happened. In 2001, 8% of those who took part in the 1999 Study had merged in the last two years – less than half of those who had expected to. This may be due in part to the very real difficulties that can arise when trying to merge organisations. But it is also due to the emergence of a more complex pattern of collaborative activity. (§3.3.14)

1.2.2 **Alliances** - A key finding of the 2001 Study is the significant proportion of associations that have formed entered into formal alliances with other associations over the last two years. Some 23% of respondents have formed such alliances and these include many that had been contemplating mergers. When combined with those that have merged, a total of 31% of respondents are working more closely with other associations. There is also less formal co-operation on a range of issues. (§3.3.19, §3.3.20)

1.2.3 **Subscription Income** - It is clear that there is continuing pressure on subscription income for trade associations. A crude indicator is progress up through the subscription based size bands for the benchmarking studies, which have not been indexed over the last five years.

¹ *Trade Association Performance*, May 1997, Compass Partnership
Trade Association Performance, November 1999, Richard Fairclough, Trade Association Forum

Very few associations have progressed to a higher size band. For associations that took part in 1997 and in 2001, subscription income had risen overall by 10.5% in five years, a figure that conceals losses as well as gains. (§3.2.5, §3.3.3)

1.2.4 Membership - A comparison of membership numbers by association shows a slight decline between 1997 and 2001, due in part to mergers. There is also some evidence of a reduction in market penetration in certain cases, although recruitment figures overall indicate a broad balance between membership gains and losses. (§3.4.8, §3.4.20)

1.2.5 Staffing - Against this background staffing levels in associations have remained broadly static or declined slightly. There has however been a levelling up of salaries, both for Directors General and for second tier staff, particularly among small associations. At the same time there is some evidence of increasing attention to the quality and development of staff. Three-quarters of associations have staff appraisal systems in place (87% of large associations) while 80% also have strategic plans. The proportion of associations with Investors in People status, or with plans to work towards it, has increased from 40% in 1997 to 63% in 2001. (§3.3.7, §3.6.9, §3.6.15 –3.6.23)

1.2.6 Information Technology - The penetration of IT systems into most aspects of association work is now almost universal, with most association staff fully "connected". This supports an increased level of electronic communication at reduced cost. There are also indications of other economies - e.g. on-line sales systems - and the beginnings of viable e-commerce applications. Fears that trade associations could be usurped by web-based commercial information providers do not seem to have materialised. (§3.6.25, §3.6.30)

1.2.7 Member involvement - Many associations have experienced difficulties in attracting suitable candidates to serve on the governing body (40%) or to serve as Chairman (32%), particularly among smaller associations. There is, however, an established trend away from permanent committees towards more flexible time limited working groups. (§3.5.24, §3.5.28)

1.2.8 Sector Skills - More than 50% of respondents indicated that they were linked to or worked with one or more NTOs. 32% of associations determined the skills requirements for the sector and 58% said that they promoted training standards for their sector. (§3.15.1)

1.2.9 Commercial income - Total turnover of associations has increased significantly since 1997, driven almost entirely by commercial activities. However, the net surplus from commercial activities is altogether more modest with an apparent reduction overall in the surplus generated - median surplus in 1997 of £46,000 reduced to £40,000 in 2001. Detailed comparisons over time show that some associations are doing better and others worse, for example where major activities such as exhibitions have had to be cancelled. The true profitability of commercial activities is an area that needs to be watched carefully. (§3.4.8, §3.4.20)

1.3. Summary

1.3.1 It is clear that running a trade association has not become any easier in the last five years. The operating environment has become more complex and the demands greater, with no increase in resources. Trade associations have had to adapt by working "smarter" as well as harder. This has included not only greater attention to staff development but also collaboration with other associations to increase effectiveness.

2. Introduction

2.1. General

2.1.1 This report sets out the findings of the Trade Association Forum's Benchmarking Study 2001, the third in a biennial series which commenced in 1997. As a result, it is now possible to look back over nearly five years at the progress made by trade associations.

2.1.2 As in previous years, the purpose of the benchmarking study is to provide participants with a basis for detailed comparison of practices to enable them to:

- Identify key issues requiring attention in their organisation;
- Compare their own performance with good and best practice in other organisations;
- Decide what changes may need to be implemented to achieve improved practice.

2.1.3 This report is designed to provide a general commentary on the findings of the Benchmarking Study 2001, identifying highlights and also extracting trends where relevant.

2.1.4 A detailed analysis of the questionnaire responses has been compiled and made available exclusively to those trade associations that participated in the Study.

2.1.5 Throughout the analysis, trade associations are segmented by size on the basis of subscription income.

2.2. Context

2.2.1 The environment in which trade associations operate has changed significantly during the last decade and trade associations have had to adapt in culture and style. The developments that inspired the formation of the Trade Association Forum have played a part in this and are summarised in Appendix 2.

2.2.2 Trade associations have evolved to provide collective representation and services to particular trade sectors (or sub-sectors), usually defined in relation to a product, service, market or process. As not-for-profit organisations, their legitimacy is based on the support of their members, expressed through governance arrangements where typically the Director General is answerable to a Board or Council, usually elected and/or selected in such a way as to reflect the membership. The members are more than just customers for association services. The relationship is complex and to maintain credibility and the ability to influence, the association needs to maintain the active support and engagement of members.

2.2.3 Trade associations face a number of significant challenges, many of which were brought into sharper focus by the Macdonald report of March 2001². Among these issues are government policies and approaches, changes in the structure of government and changes in the business environment.

2.2.4 The change of government in 1997 unleashed a significant workload. New policy initiatives have affected many sectors, with increased volume of initiatives, legislation and regulation. Whitehall restructuring, devolution and the implementation regional approaches are having an increasing impact on relationships and patterns of working, while the importance of

² *The Business of Representation*, March 2001, Alastair Macdonald for the Trade Association Forum.

decision making at the European level continues to grow to the extent that Brussels is more important than Westminster for some sectors.

2.2.5 Globalisation has added to competitive pressures within business while corporate restructuring and mergers have a direct effect on the membership and income of trade associations and the amount of time which members are willing to commit. The blurring of boundaries between traditional sectors raises questions for associations about the definition of their sector and the scope of their membership.

2.2.6 At the same time, while economic activity has been buoyant over the last five to ten years, the emergence of a two-speed economy has had an impact that differs widely between sectors. With a strong currency and high employment, consumer sectors have benefited, whilst manufacturing and exports have been squeezed hard.

2.2.7 Thus, although not commercial organisations in themselves, trade associations are increasingly subjected to commercial pressures. They face increased demands and expectations whilst dealing with rapid change imposes a considerable additional overhead. To maintain effectiveness and credibility demands new skills and expertise while there are real difficulties in increasing resources, particularly subscription income.

2.2.8 Trade associations have not stood still over the last five years. Faced with these pressures and the need to do more with less, trade associations have paid greater attention to their own management. The associations in membership of the Trade Association Forum have grown in number from 276 to 308 since the Forum went self-funding in April 1999. And very significant numbers of individuals have been engaged in Forum activities. More than 750 have taken part in one or more Forum events or activities over the last three years alone. In particular the Forum has aimed to

- promote the best practice message to trade associations
- encourage networking and exchange between like-minded individuals in organisations
- provide information and advice
- undertake research projects to identify and develop best practice in key areas

2.2.9 This process has helped encourage greater openness and confidence in exchanging ideas and working together – a factor of increasing importance for the future.

2.3. Methodology

2.3.1 The findings of the 2001 Benchmarking Study have been based entirely on a postal questionnaire (see Appendix 2) which was issued in October 2001. This followed closely the structure and format of the 1997 and 1999 questionnaires in order to yield comparable results, although some areas have been expanded and some new topics introduced.

2.3.2 The analytical framework for the benchmarking studies was developed by Compass Partnership who undertook the original studies in 1996 and 1997³ The key themes and issues were identified and developed following research, which included meetings and interviews with Chief Executives of associations, opinion-formers, civil servants, MPs and others.

³ The first open study in 1997, with 135 participants, was preceded by an initial study of 27 large associations in 1996.

2.3.3 This framework has been augmented where appropriate with material from other sources including particularly the Macdonald report *The Business of Representation*.

2.4. Sample

2.4.1 The sample in the 2001 study with 101 participants is smaller than in the previous studies - 135 in 1997 and 140 in 1999. However the composition is very similar in terms of size, with similar percentages of small, medium and large participants. There is also a significant degree of overlap, with 53% of the 2001 sample having taken part in the 1997 study and 71% having taken part in the 1999 study.

2.4.2 While the three samples provide snapshots at particular points some two years apart, they are not directly comparable due to changes in their composition. Comparing the lists of participants it is apparent that a “wave” moves through the samples. A proportion of those that took part in the 1997 study did not take part in 1999. Similarly, a section of the 1999 participants did not take part in 2001. At each stage a new cohort has taken part for the first time.

2.4.3 This changing composition of the overall sample can disguise the true extent of the progress made by trade associations. However, by examining the overlap in the samples, it is possible to make direct “before and after” comparisons on a number of key indicators and in nearly all cases these indicate positive progress.

2.5. Definitions

2.5.1 Throughout the report the following terms are used:

- ‘Director General’ has been used for the most senior member of the paid staff;
- ‘Chairman’ has been used throughout for the most senior non-executive post;
- ‘Governing Body’ has been used for the committee which has ultimate authority in an association;
- ‘Executive Committee’ has been used for the committee which has delegated responsibility for governing an association. Some will not have such a committee;
- ‘Lower quartile’: the point in a statistical distribution such that 25% of associations fall below it;
- ‘Median’: the point in a distribution such that 50% of associations fall below it;
- ‘Upper quartile’: the point in a distribution such that 25% of associations fall above it;
- ‘Small trade associations’: trade associations with annual subscription income of less than £200,000;
- ‘Medium trade associations’: associations with a subscription income of between £200,000 and £1 m;
- ‘Large trade associations’: associations with a subscription income in excess of £1 m;
- ‘Overlap sample 1997’: associations that took part in both the 1997 and the 2001 benchmarking studies.
- ‘Overlap sample 1999’: associations that took part in both the 1999 and the 2001 benchmarking studies.

2.6. Literature

2.6.1 The literature on the role and function of trade associations has begun to develop in recent years with an increasing body of expertise that associations can turn to for help. Key references include:

- the DTI *Model Trade Association* 1996
- *Trade Association Strategy and Management* 1996 – by Mark Boléat

2.6.2 The Trade Association Forum has produced a number of reports since 1997 including:

- *Trade Association Performance* – benchmarking studies 1997 and 1999
- *Core Competencies for the Senior Managers of Trade Associations* 1998
- *Models of Trade Association Co-operation* 1999 – Mark Boléat
- *The Business of Representation* 2001 – Alastair Macdonald

2.7. Acknowledgements

2.7.1 The Trade Association Forum greatly appreciates input and comment at various stages during the course of the project from Roger Parry (Compass Partnership), Niall Campbell (British Footwear Association) and other individual members of the Forum Steering Group as well as support from the Department of Trade and Industry.

3. Trade Association Performance

3.1. Outline

3.1.1 This main section of the report describes the performance of the 101 associations involved in the study under the following headings:

1. Overview of the Sample
2. Membership
3. Governance
4. Management and Staffing
5. Finance and Financial Management
6. Representations to UK Government and Regulatory Bodies
7. Representation in Europe and Internationally
8. Industry Leadership
9. Public Relations and Communications
10. Membership Services
11. Commercial Services

3.2. Overview of the Sample

Participants

3.2.1 101 trade associations took part in the 2001 Benchmarking Study compared with 135 in the 1997 exercise and 140 in the 1999. These cover a broad range of industrial and commercial activities. (See Appendix 1) In all, some 217 associations have taken part in one or more of the benchmarking studies since 1997.

3.2.2 Whilst not the only measure, subscription income provides a straightforward and reliable indicator of size. This basis, with the same size bands, has been used for all the studies 1997, 1999 and 2001. The size bands are:

- Small trade associations – subscription income of less than £200,000
- Medium trade associations – subscription income of between £200,000 and £1 million
- Large trade associations – subscription level of over £1 million

3.2.3 The percentage breakdown by size for each of the three studies is shown in Table 1. The percentages in each size band very similar in each case.

Table 1 - Breakdown by Subscription Income

Size of association	Subscription Income	2001		1999		1997	
<i>Small</i>	£1 - £200,000	23	23%	34	24%	33	24%
<i>Medium</i>	£200,000 - £1 m	48	48%	64	46%	62	46%
<i>Large</i>	£1 million +	30	30%	42	30%	40	30%
<i>Total</i>		<i>101</i>		<i>140</i>		<i>135</i>	

3.2.4 There is a wide overlap between the samples with 53% overall of the 2001 participants having taken part in 1997 and 70% of 2001 participants having taken part in 1999. As shown in Table 2 the percentage overlap was greater for medium and larger associations.

Table 2 - Overlap in Samples - 1997 - 2001

Size of association	Subscription Income	2001 Participants		Participated 1999		Participated 1997	
		Count	Percentage	Count	Percentage	Count	Percentage
<i>Small</i>	£1 - £200,000	23	23%	16	23%	9	17%
<i>Large</i>	£1 million +	30	30%	23	32%	15	28%
<i>Medium</i>	£200,000 - £1 m	48	48%	32	45%	29	55%
<i>Large</i>	£1 million +	30	30%	23	32%	15	28%
<i>Total</i>		101	100%	71	100%	53	100%

3.2.5 A closer inspection reveals that there has been relatively little movement between bands. One or two associations have dropped down a band while just 8 of the 1997 overlap sample have moved up a band over the last 5 years, in some cases due to a quite small absolute increase in subscription income. This is an indicator that subscription income has generally not risen significantly over the last 5 years. (See Section 3.3 below).

How representative is the sample?

3.2.6 The 101 associations that took part in the 2001 Study represent about one third of the Forum membership but probably less than 10% of all UK trade associations ⁴.

3.2.7 Whilst there is a relatively small number of medium and large trade associations, there is a very long “tail” of small and very small associations many of which clearly discharge quite limited functions.

3.2.8 As in previous years, we must conclude that the participating associations are not a totally typical sample. The small and very small associations are underrepresented and there is a bias towards the more active associations.

3.3. Association Income and Structure

3.3.1 Total income of the participating associations varied greatly from £88,000 to over £17 million, with a median of £982,500 (1999 - £848,000, 1997 - £770,000).

3.3.2 The median total income by size band was

- Small - £283,017
- Medium - £669,728
- Large - £3,713,113

3.3.3 Within the overlap sample, subscription income has increased between 1997 and 2001 by 10.5% on average, although this percentage conceals some larger gains and losses.

⁴ A 1994 analysis of trade associations undertaken by the Trade Association Research Unit of Manchester Metropolitan University estimated that there were 1,300 trade associations. The Directory of British Associations published by CBD Research classifies over 1,600 organisations as trade associations, although perhaps not all of these would meet a rigorous definition. The Trade Association Forum itself has a database of some 700 active trade associations.

3.3.4 Total income comprised three elements: subscription income, income from commercial services and "other" income (e.g. from investments). The pattern of income over the last 5 years is set out in Table 3 below.

Table 3 - Sources of Income - 1997 - 2001

Income Source	2001	1999	1997
<i>Subscriptions</i>	44%	55%	54%
<i>Commercial (gross)</i>	47%	33%	30%
<i>Other</i>	9%	12%	16%
<i>Total</i>	100%	100%	100%

3.3.5 Clearly, the most significant growth in association income has been in the area of commercial activities, although increased turnover (gross income) has not always resulted in increased net income. This is explored in more detail in Section 3.16.

3.3.6 Over the last five years, some associations have seen significant swings in the level of "Other" income (e.g. from investments) but overall the absolute level is little changed.

Staff

3.3.7 The number of staff employed by trade associations (excluding subsidiaries) ranged from 1 to 128 staff in 2001, with the median at 10. Staff levels have tended to reduce over the last 5 years, as shown in Table 4.

Table 4 - Median Staff Size

Size of association	Median Staff 2001	Median Staff 1999	Median Staff 1997
<i>Small</i>	4	4	5
<i>Medium</i>	8	8	10
<i>Large</i>	33	35	36
<i>Overall</i>	10	10	11

Location

3.3.8 Overall, 54% of associations were located in London with a further 21% in the South East, a position little changed from 1997. Other main locations are the West Midlands with 7%, East Midlands with 6% and Scotland with 4%.

3.3.9 Location in London is related to size with 88% of large associations, 59% of medium associations and only 21% of small associations were located in London.

- For large trade associations, proximity to Whitehall and Westminster remained the most important factor in the location of their Head Office
- For many medium and small trade associations, proximity to members and cost factors were significant drivers
- For some small trade associations, historical factors such as the home address of the existing or original Director General and staff was often a key reason

- Proximity to devolved administrations (Scotland, Wales, Northern Ireland) emerged as a factor for 3% of respondents.

Regional Offices

3.3.10 Devolution, regional policy and the developing role of Regional Development Agencies is at odds with the national sectoral focus of trade associations. Very few maintain regional offices with only 15% having more than a single office. It is conceivable that trade associations which have a regional base could be attractive potential partners for associations in sectors particularly affected by regional developments.

3.3.11 Within the overlap sample there has been a slight reduction in the numbers of regional offices over the last 2 years (1999 - 17 associations with 87 offices down to 2001 - 15 with 74 offices).

Legal status

3.3.12 Most trade associations continue to be companies limited by guarantee. There was little variation of legal status by size of association. Being unincorporated permits greater flexibility in some areas but can be limiting in others, for example ownership of property. Of the participating associations:

- 79% were companies limited by guarantee
- 15% were unincorporated
- 4% were companies limited by shares
- 2% other

3.3.13 Some 7 associations (10%) of the 1999 overlap sample had changed from unincorporated to limited status - 5 to limited by guarantee and 2 limited by shares.

Rationalisation, Co-operation and Mergers

3.3.14 An important finding of the 1999 Study, was the perceived scope for rationalisation among trade associations. This has intensified in the last two years under a range of pressures. The volume and complexity of policy issues is a powerful incentive to reduce overlap and duplication while, as indicated in the Macdonald Report, the downsizing of government departments reduces the number of interfaces and contributes to the pressure to rationalise representations.

- 60% of respondents indicated that other associations competed for their membership (1999 - 58%, 1997 - 57%) and this was felt most keenly among larger and medium sized associations.
- 35% of respondents indicated that their members also tended to belong to smaller associations providing a more specialist service. This was more marked among the large associations (55%) than the medium and small associations (27% each).
- Overall, 70% considered that there was scope for rationalisation in their sectors (1999 - 64%, 1997 - 63%) with considerable variation by size - 83% of large associations felt there was scope for rationalisation compared with 48% of small associations. Within the overlap sample, the percentage seeing scope for rationalisation increased from 61% in 1999 to 70% in 2001.

Mergers

3.3.15 One of the key issues emerging from the 1999 Study was the potential for mergers between trade associations, when a perhaps surprising total of 55% of 1999 respondents had felt it likely that they would seek to merge in the next five years.

3.3.16 These expectations have not been borne out in practice. For example, whilst 25% of respondents in 1999 expected a merger within the next two years, only 6% have actually achieved this – See Table 5.

Table 5 - Expectation of Mergers

	2001	1999
<i>Merged in the last two years</i>	6%	7%
<i>- Likely to merge in next two years</i>	14%	25%
<i>- Likely to merge in next five years</i>	33%	30%
<i>Total likely to merge</i>	47%	55%

3.3.17 The 1999 Forum study on *Models of Trade Association Co-operation*⁵ examined in depth the question of mergers identifying benefits but also the very real obstacles. These include such factors as commitments to leases, incompatible subscription structures, differences in purpose/culture and the diversion of time and effort required to achieve constitutional change, not to mention personalities.

3.3.18 What has emerged over recent years is rather a more complex pattern of collaborative activity stopping short of merger and thus avoiding many of the attendant problems.

Alliances

3.3.19 A significant feature of the last two years has been the development of formal alliances between trade associations within a wider sector and it appears that this route has been adopted in cases where a merger might previously have been contemplated.

3.3.20 Table 6, looking at specific cases in the overlap between 1999 and 2001, shows that while 20% were contemplating a merger, only 8% did this. This apparent loss of enthusiasm is more than offset by the fact that 23% indicated that they had entered formal alliances with others. This approach is inherently more flexible and avoids many of the risks of mergers. It also signals an important trend towards joint approaches on cross-sectoral issues. The Macdonald report emphasised the value of ad hoc coalitions as a means to pool efforts and increase "clout" which is valid both in the both in the UK context and at the European level.

⁵ *Models of Trade Association Co-operation*, March 2000, Mark Boleat

Table 6 - Mergers v. Alliances

	Expect to merge			Have merged	Formal Alliance
	YES in 2 years	YES in 5 Years	NO		
1999	20%	28%	52%	8%	23%
2001	13%	31%	55%	-	-

3.3.21 As in 1999, participants in the 2001 Study were asked to identify their association with the higher level groupings adopted by Trade Partners UK for identifying priority areas within its matrix of markets and sectors. Most respondents were able to identify their sector within these groupings although 15% felt that none of the existing categories were applicable - gaps lying particularly in the areas of services which are not exported – e.g. tourism and hospitality. It is not possible to draw firm conclusions from the limited sample, but there are clusters within the broader sectors which may indicate scope for collaboration - see Table 7.

Table 7 - Trade Partners UK Sector Groupings

Trade Partners UK grouping	Number of TAs
Engineering	13
Infrastructure	8
Food & Drink	8
Creative & Media	7
Recreation & Leisure	5
Business & Consumer Services	5
Healthcare	5
Chemicals	5
Agriculture	4
Oil & Gas	4
Financial Services	4
Household Goods	4

Other Co-operation

3.3.22 The great majority of respondents indicated that they had worked with other associations during the course of the previous two years.

- 87% (1999 - 92%) indicated that they held regular liaison meetings
- 69% (1999 - 85%) had worked in ad hoc campaign alliances
- 27% (1999 - 54%) indicated that they had worked in joint ventures

3.3.23 In addition

- 18% had collaborated in competitiveness studies and 19% in sector strategies for export

- 38% worked together in industry training schemes
- 31% collaborated in shared codes of practice 31%
- 31% collaborated through sharing premises / facilities

Higher level umbrella bodies

3.3.24 31% of the sample (1999 - 27%, 1997 - 29%) identified themselves as a member of a wider group of trade associations representing their sector. Such participation remains slightly higher among smaller associations.

3.3.25 The annual contribution paid to umbrella bodies ranged from £400 to £508,000 with the median being £4,000 (1999 - £3,900).

3.3.26 Umbrella bodies provide a mechanism to bring together small trade associations in order to give more muscle and credibility in a diversified sector and to achieve unified representation on major issues. While it is possible that umbrella bodies might facilitate mergers, the converse may be equally true, namely that they enable associations that would not be able to form a permanent alliance to work together with non-members where appropriate, enabling constituent members to maintain distinct identities and “subsidiarity” while collaborating.

3.4. Membership

Overview

3.4.1 It is generally accepted that the nature of the membership has an important bearing on effectiveness. For effective, convincing representation and clarity of presentation, an association should represent the whole of an industrial or commercial sector rather than being one of a number of competing voices. The Model Trade Association document suggested that associations should represent a substantial proportion of the sector both in terms of output and numbers of companies in the sector and that they should have a broadly based membership, including large and small companies as well as the key players.

3.4.2 Strategies to encourage a strong penetration into the potential membership are therefore vital. Good practice points identified in the 1997 report included:

- High market share increases legitimacy
- Broadly-based membership helps to reflect diversity
- Subscriptions must be seen to be fair by members
- Reduce dependence on membership subscriptions
- Responsiveness to members’ views is essential to maintain their support

Market share

3.4.3 Market share is a key factor in demonstrating whom an association represents and establishing credibility. It is however critically dependent on the definition of the market – about which there is often considerable ambiguity. Sector boundaries shift and definitions are not universally agreed. Associations may tend to choose a definition that flatters market share.

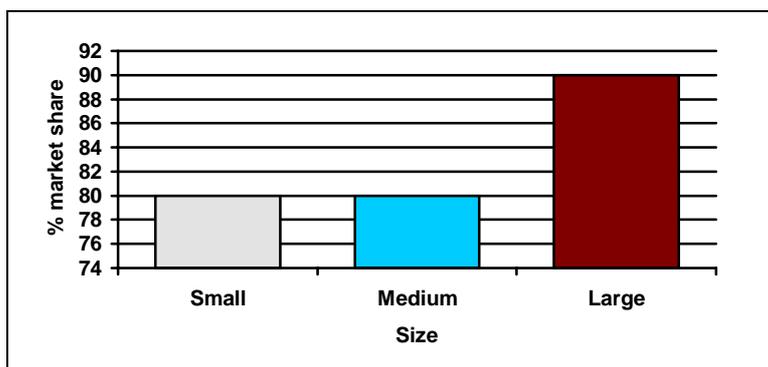
3.4.4 Participants were asked to estimate the percentage in terms of turnover of the sector which their members represent. This ranged from 20% to 100% with:

- Lower quartile: 70% (1999 - 78%, 1997 - 75%)
- Median: 82% (1999 - 85%, 1997 - 85%)
- Upper quartile: 90% (1999 - 94%, 1997 - 94%)

3.4.5 The median market share by turnover varied by size. This is set out below and is shown in Figure 1:

- for small associations: 80%
- for medium associations: 80%
- for large associations: 90%

Figure 1 - Median Market Share by Turnover



3.4.6 There is a greater variation in market share by number of companies from 1% to 100% with:

- Lower quartile: 22% (1999 - 30%, 1997 - 25%)
- Median: 50% (1999 - 60%, 1997 - 60%)
- Upper quartile: 81% (1009 - 80%, 1997 - 80%)

3.4.7 Again, these figures should be treated with care but they indicate that, in line with the usual "80:20 rule" trade associations tend to have in membership those larger companies which account for a significant proportion of the turnover of the sector. There appears to be a common problem in recruiting members in those sectors that include a large number of small operations. In such cases it is perhaps inevitable that the focus of the trade association is towards the medium and larger companies.

3.4.8 Overall, the figures indicate a slight downward trend in membership penetration and a closer look at the overlap sample indicates that the origin of this is among the manufacturing sectors.

Subscriptions

3.4.9 In most cases, full member subscriptions are based on a uniform scale applied to all members (80%). In 12% of cases, different grades with different service levels operate while in only 6% of cases are services offered on a menu driven approach.

3.4.10 Within this framework, a range of bases is used for assessing subscriptions. Turnover was the factor used by 58% of associations (1999 - 54%, 1997 - 58%). Other bases included staff numbers (10%), wage-roll (3%) or industry specific indicators of size or volume (7%) -

e.g. number of vehicles, number of depots or tonnage. In a number of cases there were hybrid bases combining two factors (6%) and in others different bases for different types of members.

3.4.11 The shape of the subscription scale determines the actual level of subscription paid. The main types are - tapering (60%), where larger members pay a reducing rate against turnover (or other relevant basis), and proportional (28%) where all members pay the same rate against turnover.

3.4.12 There is some variation by size of association as shown in Table 8.

Table 8 - Type of Subscription Scale

Size	Proportional		Tapering		Equal shares		Other	
<i>Small</i>	5	23%	13	59%	3	14%	1	5%
<i>Medium</i>	14	30%	30	64%	2	4%	1	2%
<i>Large</i>	9	30%	16	53%	2	7%	3	10%
<i>Overall</i>	28	28%	59	60%	7	7%	5	5%

3.4.13 Making changes to the subscription basis/structure is an inherently tricky exercise as any significant change, no matter how logical, will normally create losers as well as winners. In some cases, changes will need to be phased in to be acceptable. The Macdonald report suggested a more flexible approach to subscriptions to provide greater transparency and help match services provided to the individual needs of members. It appears that some of this may be happening.

3.4.14 Some 29% (1999 - 21%) of respondents indicated that they had significantly altered their subscription basis/structure during the last two years. Closer inspection reveals that, while some of these cases are relatively detailed adjustments to subscription scales, the majority are significant changes rather than business as usual.

3.4.15 The main changes appeared designed to increase fairness or tap into new opportunities and included: change to a turnover basis (wholly or in part), move from a flat-rate basis, simplification / reduction in number of bands, increase in number of bands (!), reduced lowest subs, increased lowest subs(!), raised top end subs and interestingly introduction of a global rate to cater for overseas subsidiaries.

3.4.16 The minimum and maximum subscription levels are set out in Tables 9 and 10:

Table 9 - Minimum Subscription (£)

Size	Lowest	Lower quartile	Median	Upper quartile	Highest
<i>Small</i>	10	134	318	509	2,600
<i>Medium</i>	51	295	450	750	21,000
<i>Large</i>	25	237	600	979	45,000
<i>Overall</i>	10	247	418	753	45,000

Table 10 - Maximum Subscription (£s)

Size	Lowest	Lower quartile	Median	Upper quartile	Highest
<i>Small</i>	130	1,150	2,300	10,213	24,104
<i>Medium</i>	670	4,033	6,951	18,500	57,000
<i>Large</i>	237	2,409	27,750	67,313	325,000
<i>Overall</i>	130	1,638	6,130	18,575	325,000

3.4.17 The following tables - Table 11 and Table 12 - set out the actual minimum and maximum subscription achieved.

Table 11 - Lowest Subscription in the current year (£)

Size	Lowest	Lower quartile	Median	Upper quartile	Highest
<i>Small</i>	10	220	380	1,018	12,000
<i>Medium</i>	72	290	410	758	21,000
<i>Large</i>	75	263	648	1,500	45,000
<i>Overall</i>	10	250	450	935	45,000

Table 12 - Highest Subscription in the current year (£)

Size	Lowest	Lower quartile	Median	Upper quartile	Highest
<i>Small</i>	125	800	1,600	10,275	30,000
<i>Medium</i>	130	2,331	7,950	24,222	260,000
<i>Large</i>	69	33,000	100,320	325,000	1,738,866
<i>Overall</i>	69	1,806	11,750	60,660	1,738,866

3.4.18 Associate membership, for organisations such as suppliers who are not eligible for full membership, provides an additional source of membership income as well as facilitating the input of specialist expertise. 79% of associations overall operate an associate grade of membership, with slightly greater prevalence among larger associations.

Membership Turnover

3.4.19 Maintaining a buoyant and balanced membership is crucial both to maintain representative “clout” and for financial reasons. Mergers between member companies resulting in smaller numbers of larger members may not affect “clout”, but associations with a tapering subscription scale lose revenue when member companies merge.

3.4.20 Overall, membership among respondents appeared fairly stable. The median figures showed overall 7% of members having joined during the previous year with the median figure for total losses at 5%. For medium and larger associations the gains and losses were roughly balanced at 5% each. There was however a higher churn rate among smaller associations with

median gains of 9% and median losses of 8%. Most of these losses were due to members leaving voluntarily, closely followed by take-overs/mergers and to a lesser extent due to going out of business.

Dependence on membership subscriptions

3.4.21 As noted in Section 3.3 above, there is an apparent reduction of the proportion of total income derived from membership subscriptions. Additional commercial income can be generated by introducing genuinely new services or by making separate charges for existing services. This is a marketing issue and a question of member preference, but the extent to which core services can be unbundled with a view to limiting subscriptions is probably limited, particularly where representation is a major part of the association's work. (See also Section 3.16).

Value for Money

3.4.22 A recommendation of the Macdonald Report was that Associations should consider introducing a Value for Money report to members, quite separate from the formal Annual Report and Accounts. This should address also what members put into the association, which partly determines what they take out. Key questions would include

- Could you do for yourselves what the association does for you?
- What staff effort is the association saving you?
- How is the company contributing, beyond its subscription, to help the work of the association?

3.4.23 Some 28% of respondents indicated that they produce or plan to introduce a Value for Money report - including 37% of large associations.

Member Involvement

3.4.24 A recurring theme in research reports and trade association events has been the need to anticipate external developments and adapt the association's working to the needs of members (and other "customers" of the association) rather than clinging to existing structures and processes. This is a question of both attitude and approach. Absence of complaint is not a reliable guide to satisfaction and while technology has increased the capacity to distribute information there is a continuing need to engage with members to listen and to obtain views at first hand.

3.4.25 46% of associations (1999 - 34%) had a systematic programme for meeting Chief Executives of member companies. More than half of the large trade associations – 60% (1999 - 56%, 1997 - 48%) – had such a programme compared with less than a third of small and medium trade associations. Within the overlap sample, the overall number of associations with such a programme increased from 32% in 1997 to 37% in 1999, including 65% of the large associations.

3.4.26 Overall, 71% of associations (1999 - 72%) have open meetings for members (other than AGMs and Committee meetings) and 61% (1999 - 58%) had a procedure for dealing with member complaints.

3.4.27 Some 82% (1999 - 74%) of all associations conducted surveys all members for their views on the association. The overall frequency of such surveys was:

- 32% annually
- 28% every two years
- 24% every three years
- 16% every five years.

3.5. Governance

Overview

3.5.1 A vigorous governing body with appropriate skills and the ability to understand and keep to the distinction between governance and management is the ideal for most not-for-profit organisations.

3.5.2 Competitive pressures and changes in the ownership and structure of industry have an impact on the amount of time that members are able or willing to spend on trade association business. If senior people are to be engaged in the work of the association, their limited time needs to be used effectively. They need to feel that their contribution makes a difference. Their focus must be on the vision and strategy or particular areas of expertise rather than the operational detail.

3.5.3 This has implications for both the governance structure and the way in which the work of the association is managed. A clearer separation of governance and management demands a fully professional secretariat with greater emphasis on the role of the chief executive. As emphasised in the Macdonald report, associations are in the business of representation and need to bring business disciplines to their work.

3.5.4 Good practice points that emerged from the 1997 report included:

- Governing bodies should contain a cross-section of members
- Moderately sized governing bodies are more effective
- Governing bodies should have 4-6 meetings per year
- Chairmen should be authoritative but not over-involved
- Executive Committees with delegated responsibility can reduce the load on governing bodies
- Committees should provide clear policy input and enable active participation
- A reasonable number of committees and time limited task forces/working groups is the most effective

Governing bodies

3.5.5 Constitutional arrangements in most respondent associations include provisions to ensure diverse representation on the governing body. Appointments to most governing bodies include a mixture of election, selection and nomination and the majority of associations have places formally designated for different categories of membership – e.g. by size and region.

3.5.6 On the other hand, with certain exceptions, governing bodies are almost entirely dominated by men in most associations - a position little changed over the last 5 years. Only 25% of associations had a percentage of women on the governing body greater than 8% (1997 - 6%).

3.5.7 Overall, the median level of governing body places taken by Chairmen or Chief Executives of their member companies is 75% (1999 - 80%, 1997 - 87%), the proportion being slightly higher in large associations. Clearly, this is desirable to ensure high level input and commitment and ensure legitimacy when representing the membership. The declining percentage (which is confirmed in the overlap sample) exaggerates differences between small numbers - for example, a difference one or two individuals on a governing body of 20 equates to 5 or 10 percent.

3.5.8 The size of the governing body as per the constitution varied from 4 to 159. The median number for a governing body was 18 (unchanged from 1999 and 1997), with large associations having a proportionately higher number of members than small associations.

3.5.9 The actual size of the governing body may vary from the constitution but in practice it was not significantly different, ranging from 4 to 129, with a lower quartile of 12, a median of 16 and an upper quartile of 22.

3.5.10 Some 21% of respondents overall indicated that the structure of the governing body had been changed significantly in the last 2 years. In most cases, this involved a reduction in the size of the governing body, in some cases coupled with change of legal status (incorporation) and in one case, a split to form a holding company board and commercial subsidiary board. Some had increased in size - to include sector representatives, to include regional representatives (from devolved administrations) or on simplification of a two-tier structure.

3.5.11 In a new question for 2001, respondents were asked whether there was a financial mechanism by which members could secure a seat on the governing body - e.g. by exceeding a subscription threshold or paying additional levy. This was the case in 11% of associations, large and medium only.

3.5.12 Overall, the median number of meetings per annum as set out by the constitution and also in practice was 4 – unchanged from 1999 and 1997.

3.5.13 31% of the governing bodies reviewed their performance each year (1999- 39%, 1997 - 49%) and, as in both 1999 and 1997, a higher proportion of small associations typically reviewed their performance annually.

Chairmen

3.5.14 In the majority of associations, the Chairman serves a two-year term although in larger associations a one-year term was slightly more common.

3.5.15 The time spent by Chairmen on association business ranged from a day per month to 20 days. The lower quartile was 2 days, the median 2 days and the upper quartile 4 days per month. Chairmen of larger associations tended to spend more days per month on association business.

3.5.16 Overall, in 85% of associations the Chairmen and Directors General met regularly to plan the business of the association.

Executive Committees

3.5.17 Just over half of the respondent associations have an Executive Committee. They range in size from 3 members to 31. Of these, the lower quartile was 5, the median 7 and the upper quartile 11.

3.5.18 The number of meetings per annum ranged from 1 to 20. The lower quartile was 4, the median 4 and the upper quartile 6 meetings per annum.

3.5.19 The Executive Committee tends to meet more often in larger associations – median 6 times per year rather than 4.

Committee Structure

3.5.20 Overall, 28% of respondents indicated that the committee structure of the association had been changed significantly in the previous 2 years (1999 - 27%), 43% of large, 17% of medium and 33% of small associations having made such changes.

3.5.21 In all cases, these changes were characterised by a shift to working in task groups rather than permanent committees. 76% of associations overall had reduced the number of permanent committees while 73% all associations were making greater use of time limited working groups.

3.5.22 Overall, 77% of associations has documented and communicated to members the roles and responsibilities of the governing body, executive committee and other committees.

3.5.23 Almost all respondents felt that their they had the size of their committees and working groups about right.

3.5.24 In a new question for 2001, participants were asked whether they had experienced difficulty in attracting suitable candidates to serve on the governing body. 41% overall indicated that they had had difficulty. Similarly, 32% had had difficulty attracting suitable chairmen. In both cases, this was more pronounced among smaller associations.

Committee effectiveness

3.5.25 In the judgement of most respondents their committee structures were effective although the views were less sanguine than in 1999:

- governing body adequately representing the membership - 71% - (1999 - 81%)
- committees providing clear policy input - 57% - (1999 - 75%)
- enabling active participation of members - 85% - (1999 - 87%)
- bringing skills commensurate with the tasks - 53% - (1999 - 78%)
- providing freedom for paid staff to implement agreed policy - 73% - (1999 - 84%)

3.5.26 In all cases, the rating was higher in larger associations

Time limited working groups

3.5.27 As would be expected from the reorganisations recorded above, the numbers of permanent committees and panels showed a slight reduction from 1999, ranging from 0 to 48, with the lower quartile 3, the median 7 and the upper quartile 15. Large trade associations had a greater number of permanent committees and panels than small and medium trade associations.

3.5.28 There is clearly a well established trend to structuring work in a dynamic way around issues, which shift and which may have only a limited life cycle, rather than around rigid subject areas with their own permanent committees. Time-limited working parties with greater subject focus and no open-ended commitment make it more possible to attract the right people from member companies or indeed to access expertise outside the membership.

3.5.29 Overall, 50% of trade associations have 3 or more time limited task groups. The median number of participants was 6 and, typically, holding about 4 to 6 meetings over 1 to 2 years. Almost all those who used these task groups stated that their size was about right.

3.6. Management and Staffing

Overview

3.6.1 As noted above, the capacity for trade associations to increase their subscription incomes - and thus support larger staff costs and overheads - is limited. Whatever the size and shape of the organisation, all associations need to make best use of limited resources.

3.6.2 Key ingredients in increasing capacity and effectiveness are the calibre of staff and the way in which they are deployed. Factors in deployment include appropriate use of technology and outsourcing of non-core functions where these can be served better and/or more cheaply externally. Staff costs are typically the major expense heading for trade associations so good management and staff policies are central to achieving professionalism and effectiveness. Clearly, larger associations are able to deploy greater resources and employ a wider range of more specialised staff.

3.6.3 The following good practice areas emerged from the 1997 report:

- Attract, retain and motivate high calibre staff
- A regular cycle of planning, communication and review
- Make appropriate use of IT
- Make appropriate use of outsourcing.

Director General

3.6.4 Directors General are recruited primarily from the business sector represented or from other trade associations. Overall, 41% of Directors General were previously connected with the association's own sector, 15% having previously worked for the association and 26% being from companies in the sector, while 25% came from other trade associations. The equivalent figures for 1999 were 47% previously employed within the association's sector - 17% internal appointments, 29% from companies in the sector - and 17% from other trade associations.

3.6.5 The pattern of recruitment differs by size. In large associations, there is clearly a larger pool of experience to draw on and 27% were internal appointments whereas the proportion was only 4% in small associations. Conversely, while 43% of appointments in small associations were from companies in the sector, this applied to only 10% of the large associations.

3.6.6 Some 57% of Directors General in large associations came from trade associations (same association or association in a different sector) whereas this was the case for only 40% of small associations. 13% (1999 - 18%) were appointed from the public sector and 20% from the private sector. This is set out in Table 13.

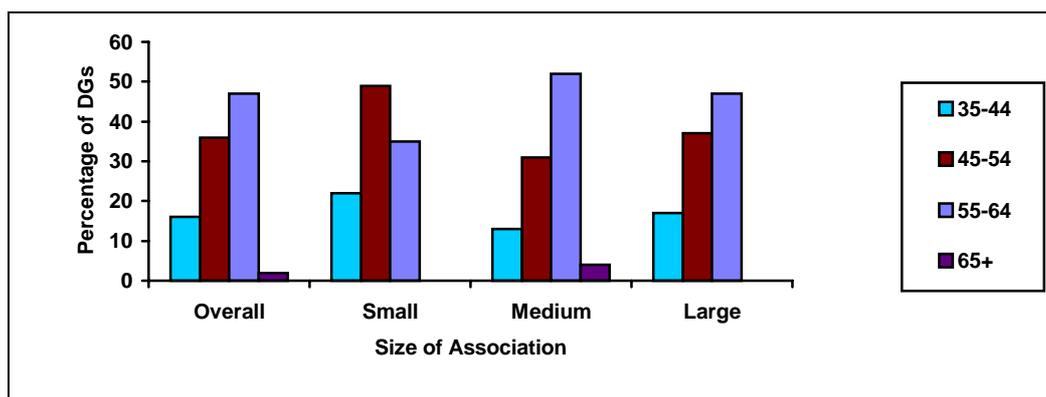
Table 13 - Organisation in which Director General previously worked

	Same TA	Company in TA sector	Another TA	Public Sector	Private Sector - diff industry	Other
<i>Small</i>	4%	43%	0%	13%	30%	9%
<i>Medium</i>	13%	27%	33%	15%	13%	0%
<i>Large</i>	27%	10%	30%	10%	23%	0%
<i>Overall</i>	15%	26%	25%	13%	20%	2%

3.6.7 Only 12% of the Directors General in the study were female (1999 - 12%, 1997 - 11%). Overall, the median time in post was 5 years (1999 - 4 years).

3.6.8 The majority of Directors General were aged between 55-64 years - 47% -with a further 36% between 45 and 54 years and 16% between 35 and 44. Medium sized associations had an older age profile - including 4% over 65 - as shown in Figure 2.

Figure 2 - Age of Director General by size of Association



Salaries

3.6.9 The salary of the Director General ranged from £27,000 to £192,000 with 50% of Directors General earning over £60,000. As Table 14 shows, the salary of the Director General is related to the size of the association.

3.6.10 The median salary level has increased by some 10% to £60,000 from £55,000 in 1999, itself an increase of 10% on the median salary level of £50,000 in 1997.

Table 14 - Director General Salaries (£)

Size	Lower quartile	Median	Upper quartile
<i>Small</i>	38,000	47,000	55,000
<i>Medium</i>	50,313	60,000	66,500
<i>Large</i>	86,000	92,700	120,000
<i>Overall</i>	48,810	60,000	82,000

3.6.11 It was clear in the 1999 report that a degree of catching up had taken place over the previous two years, with greater increases in the median salary for medium and smaller associations. This trend persists although less pronounced between 1999 and 2001 than in the previous two years.

3.6.12 Based on the median of the total sample, the value of the overall employment package was 20% higher than the salary level.

3.6.13 Overall, 57% of Directors General had an annual appraisal with their Chairman and 54% agree annual personal objectives (rather than objectives for the association) with the Chairman.

3.6.14 Almost all Directors General felt that they were given the freedom to lead the organisation and that work was clearly delegated from the Director General to staff members.

Staff

3.6.15 The average second tier salary ranged from £15,500 to £92,000 with a median of £35,000. Table 15 shows second tier staff salaries by size of association.

Table 15 - Average Second tier Staff Salaries (£)

Size	Lower quartile	Median	Upper quartile
<i>Small</i>	20,750	27,208	31,226
<i>Medium</i>	25,000	32,000	35,000
<i>Large</i>	44,150	50,000	62,125
<i>Overall</i>	26,451	35,000	45,688

Staff policies, appraisal and training

3.6.16 Large associations generally have a more developed approach to staff management and development.

- 77% of associations (1999 - 65%) operate a staff appraisal system - 87% of large associations, 81% of medium and 55% of small. Within the overlap sample, the overall percentage of associations with an appraisal system increased from 66% in 1999 to 82% in 2001.
- 64% of associations (1999 - 54%) have a personnel policy/staff handbook in place - 80% of large associations, 67% of medium and 36% of small.

3.6.17 The median for staff turnover in the last year was 11% with small associations reporting a very low level of staff turnover.

3.6.18 Overall 19% of associations had achieved Investors in People status (1999 - 7%). 64% of large associations were planning or had put in place IiP programmes while only 24% of small associations were engaged in this process as shown in Table 16.

Table 16 - Investors in People Status

Size	No plans to pursue		Future plans		Working towards		Achieved IiP	
<i>Small</i>	16	76%	1	5%	4	19%	0	0%
<i>Medium</i>	22	48%	4	9%	10	22%	10	22%
<i>Large</i>	11	37%	3	10%	8	27%	8	27%
<i>Overall</i>	49	51%	8	8%	22	23%	18	19%

3.6.19 Smaller associations in particular have limited scope for employing a wide range of specialist skills. A way round this is to use flexible working practices, part-time staff and consultants. This can give access to high calibre individuals or specialist skills for just the amount of time required.

3.6.20 Overall, 56% of associations indicated that they were making greater use of flexible working practices and 57% that they were making greater use of part time staff. In both cases, small associations were leading the way. 71% of associations were making greater use of consultants and 21% – predominantly large associations – were making use of secondments.

3.6.21 In a new question for 2001, participants were asked about their general approach to recruiting.

- 95% indicated that they normally sought to recruit specialist / technical skills and experience
- 18% indicated that they normally sought those with trade association experience. (Medium and larger associations were more likely than smaller associations to seek those with trade association experience)
- 19% indicated that they normally sought graduates to train and develop

3.6.22 This suggests that skills and knowledge wherever they come from are more important than trade association experience. Indeed certain skills may not be available among trade associations.

Business Planning

3.6.23 As mentioned above, the Macdonald report laid particular emphasis on business disciplines within associations, including a strategic planning framework and best in class use of the Internet.

3.6.24 Overall, 80% of associations (1999 - 74%, 1997 - 80%) have an up-to-date strategic plan for the association. In addition, 75% of associations (1999 - 74%, 1997 - 76%) have an annual plan which establishes clear priorities. In 71% of associations (1999 - 62%, 1997 - 71%) the organisation's performance against those plans is reviewed by the governing body.

Use of IT

3.6.25 The penetration of IT into most aspects of association work is now very high. Where there is a difference by size, larger associations are generally further ahead, although small associations are ahead of medium associations in some areas, possibly due to the relative ease of adopting small office systems.

- 90% of associations operate a pc network (1999 - 91%)

- Virtually all staff have everyday use of a pc terminal (1999 - 77%)
- Virtually all staff have an external e-mail address (1999 - 67%)
- Virtually all staff have direct access to the Internet (1999 - 60%)
- Virtually all associations have a website (1999 - 87%, 1997 - 58%)
- 92% of associations provide access to membership/contact data to most staff data over a network (1999 - 74%)
- 92% of respondents believe that IT is crucial to the future development and operation of the association and 74% of respondents believe that IT expenditure will increase as a proportion of total expenditure over the next 5 years.

3.6.26 Overall, 64% of associations have an explicit IT strategy – ranging from 48% of small associations to 80% of large. In small associations, the responsibility for the IT function rests primarily with the Director General (61%) whereas in large associations it rests primarily with the finance/admin functions (50%) or with a specialist IT manager (29%).

3.6.27 The uptake of IT for specific applications includes:

- systems for contact administration including membership records (100%), committee management (79%), conference/event management (81%), sales admin – e.g. publication sales (75%) and general contact management – e.g. press (70%)
- systems for internal communication include e-mail (94%), diary management (50%), Intranet (37%)
- systems for communication externally and with members include e-mail and websites, of which 57% include a members only area, as well as fax broadcast (74%)
- Use of IT for word processing is universal while finance/accounting systems are almost universal

E-business

3.6.28 In 1999, a number of questions were introduced in relation to e-business. Despite (or because of) the "hype" of that era, it appears that the full import of the issues was probably still fairly obscure at that time. The responses indicated that 74% of participants had taken measures to adopt e-business but the measures cited were primarily in relation to infrastructure - i.e. installation of e-mail and websites - rather than business processes.

3.6.29 For the 2001 Study, a range of more specific questions was posed. Overall, 50% of associations said that the implications of e-business for the association had been considered by the governing body. Interestingly, this consideration was in inverse proportion to association size.

3.6.30 However, asked about specific measures taken, larger associations were slightly ahead of medium and smaller associations.

- 55% of respondents indicated that they had introduced on-line booking of events
- 64% on-line sales of publications and
- 38% on-line membership applications/renewals.

3.6.31 A concern for trade associations generally has been the potential threat to their operations from commercial websites, which might compete particularly in the provision of

information. The collapse of the "dot com bubble" has illustrated the difficulty of generating worthwhile revenue from a whole range of potential schemes.

3.6.32 Comments suggest that many of the potential threats to trade associations from outside providers have receded while at the same time trade associations have begun to exploit the viable opportunities.

3.6.33 17% of respondents indicated that they had established some form of e-commerce portal - alone or in partnership with commercial partners - to facilitate trading by members.

3.6.34 25% indicated that there were commercial portals or websites which aimed to compete with the services offered by the association but the comments but indicated little concern about the seriousness of the competition. Some competing sites are of poor quality or failing while a number of information sites may be complementary rather than competing.

Outsourcing

3.6.35 Outsourcing was identified in the 1997 report as a means of enabling associations to concentrate on their core business. (See also Section 3.16 - Commercial Services).

3.6.36 Functions which associations indicated that they substantially outsourced include:

Table 17 - Outsourced Functions

Function	%
Legal Advice	67%
Payroll	48%
Catering	48%
Website content maintenance	38%
Information Technology	33%
PR	31%
Exhibition / Event management	24%
Building / Facilities management	23%
Statistics	21%
Mailing	16%
Accounts	14%
Bulk photocopying	13%
Public Affairs	9%

3.7. Finance and Financial Management

Overview

3.7.1 While in the short run many associations can manage to "punch above their weight", it is in the long term essential that an association has sufficient resources to do the job. Strategic partnerships are a means to marshal greater resources (as identified in Section 3.3) but these need to operate within well formulated business plans. It is also important that managers have reliable and speedy information with which to manage and monitor plans. The following areas of good practice were identified in the 1997 report:

- Provide timely financial information

- Director General has appropriate authority to authorise expenditure
- Ensure managers have a good understanding of accounts and terms of trade

Size and Income

3.7.2 The size and shape of the industries that trade associations serve vary by sector. Requirements and priorities will differ depending on the maturity of the industry, whether it is emerging or contracting, and the degree of concentration.

3.7.3 The DTI suggested at the time of publication of the Model Trade Association document that an association aiming to represent a major sector on a national basis would be likely to have an income of at least £1 million if it was to be effective in representing the views of its sector to government. Those that fall into this category are distinguished in the benchmarking studies as Large.

3.7.4 The total income of the participants in the 2001 Study ranged from some £88,000 to over £17 million with a median income of £982,500 (1999 - £848,000, 1997 - £771,000). Total paid staff, excluding subsidiaries, varied from 1 to 128 with a median of 10 staff.

3.7.5 It is clear that the many Medium and Small associations that fall below the £1 million level are not in a position to conduct a full range of functions and this is confirmed by the benchmarking studies. Nevertheless, they may be in a position to represent their members effectively in their chosen area of operation.

Table 18 - Total Income and Numbers of Staff

	Small	Medium	Large
<i>Median total income</i>	£283,017	£669,728	£3,713,113
<i>Median number of paid staff (full-time equivalents)</i>	4	8	33

3.7.6 The value of net assets (i.e. total assets less total liabilities) as per the last balance sheet ranged from below zero to £15.5 million with a median of £389,000. When properties and leases are included at market value the median figure rose to £584,500.

3.7.7 The value of current assets less current liabilities ranged from below zero to £6.6 million with a median of £188,683.

3.7.8 Overall, 80% of associations had a policy on profits. 68% aimed for break-even and 32% for a surplus. The median level of target surplus was 5%.

3.7.9 76% of associations had a policy on reserves - including a larger proportion of small associations. This is consistent with the greater need of smaller associations to protect themselves against the potential shock of losing major members or suffering commercial shortfalls.

3.7.10 Overall, 41% aimed to maintain the value in real terms and 21% aimed to maintain as a proportion of annual expenditure. 27% had other targets, mostly designed to raise reserves to a particular level or to maintain reserves at a specific level geared to subscriptions or trading activity. Interestingly, a number of responses emphasised limiting or reducing reserves.

3.7.11 The level of cover provided by reserves ranged from 0 to 60 months of normal operating expenditure, with the median at 7 months. Smaller associations typically maintained a higher level of cover than medium and larger associations.

Table 19 - Reserves expressed as Months of normal Expenditure

<i>Months</i>	Lower quartile	Median	Upper quartile
<i>Small</i>	6	12	25
<i>Medium</i>	2	6	12
<i>Large</i>	3	6	11
<i>Overall</i>	3	7	12

Financial information

3.7.12 47% of managers were provided with monthly income and expenditure information and 39% of managers received income and expenditure information quarterly. The number of days after the month end that managers received financial information ranged from 1 day to 60 days. The median was 14 days.

Authority to authorise expenditure

3.7.13 28% of Directors General stated that they could authorise all expenditure within budgets without limit. For the remainder, authorisation limits within budget ranged from zero to £1,250,000 with the median at £10,000. Outside their budgets this ranged from zero to £500,000, with a median of £2,750.

3.8. Representation to UK Government and Regulatory Bodies

Overview

3.8.1 The quality of representation was a key issue in the DTI trade association initiative, which led up to the publication of the Model Trade Association document in 1996. In designing the original benchmarking studies, Compass Partnership paid considerable attention to the processes of representation in the research they conducted among opinion formers and others.

3.8.2 The Macdonald report of 2001 restated the "rules of engagement" for Government and Trade Associations, little changed over the years, as follows:

- Associations which clearly speak for 80/90 per cent of the companies in their sectors, know their facts and put well-argued cases to Government are treated with respect. This applies particularly if the TA covers companies in “politically sensitive” sectors;
- Associations which seek to produce alternative solutions to a problem rather than merely provide litanies of complaint can be especially influential;
- The prudent Association regards it just as important to keep its Civil Service contacts up-to-date with developments as to lobby at the Ministerial level;
- No Association can afford to rest on its reputation. Respect has to be earned each time by the quality of representation put forward. Once lost, the good standing of an Association is not quickly recovered;

- It is also a fact that Associations work best during times of threat when a sector has a common enemy!

3.8.3 Virtually all of the large trade associations in the 2001 Study (as in 1999 and 1997) stated that a major part of their work was to influence the legislative and regulatory framework, while 91% of medium trade associations (1999 - 1997 - 87%) and 68% of small trade associations (1999 - 76% %, 1997 - 81%) identified this as a key role. There was a significant difference between large and smaller associations in their approach with much more active engagement by larger associations.

3.8.4 Overall, 27% of respondents have an in-house parliamentary adviser or specialist, including 70% (1999 - 52%) of large associations, but only 26% (1999 - 19%) of medium and 5% (1999 - 9%) of small associations. 20% (1999 - 31%) of respondents stated that they retained a public affairs consultancy with again a higher proportion of large associations using such a service - 28% compared with 23% medium and 5% small. In all cases, consultancies were used, mainly for information gathering purposes and less for lobbying.

3.8.5 In 82% of associations, the Director General had prime responsibility for exercising the representative function with, in most cases, a very strong influence on policy. Almost all associations indicated that they could involve Chief Executives or Chairmen of member companies when making representations.

3.8.6 Overall 52% of associations (1999 - 76%, 1997 - 64%) felt that that they were effective in influencing government policy with a significantly higher number of large associations (82%) considering themselves effective in this area.

3.8.7 Good practice points identified in the 1997 report included the following:

- Provide leadership on difficult issues
- Co-operate with other trade associations to present coherent views
- Emphasise effectiveness rather than visibility and audibility
- Concentrate on issues of substance with civil servants rather than on receptions with Ministers and MPs
- Maintain good contacts with civil servants
- Present cases with substantive research and clear understanding of political and pragmatic concerns
- Take account of the political agenda
- Survey government and regulators to obtain feedback on performance
- Representation work should be led by the Secretariat

Leadership

3.8.8 Participants were asked what were currently the most pressing challenges facing their industry. Those cited most frequently were:

Table 20 - Current most pressing industry challenges

Issue	%
Skills shortages	45%

Increased international competition	36%
Low recognition/public regard	33%
Environmental concerns	29%
Health and safety concerns	25%
High level of mergers	23%
Downturn in business due to cyclical demand	19%

3.8.9 In the original study, a number of opinion-formers felt that many associations were not taking the lead on difficult issues, nor even reflecting the diversity of views among their members. Instead many associations were perceived as taking the 'lowest common denominator' position which could be agreed on by a large proportion of their membership.

3.8.10 Most respondents in 2001, however, felt that their industries were at least moderately effective in responding to these challenges and that the role of the association was important in achieving this response. Large associations were more sanguine on both counts.

Table 21 - Effectiveness of Sector response to current challenges

	Little effective response	Some positive initiatives	Very Effective
<i>Small</i>	18%	73%	9%
<i>Medium</i>	4%	87%	9%
<i>Large</i>	0%	83%	17%
<i>Overall</i>	6%	83%	11%

Table 22 - Importance of Trade Association in achieving Sector response

	Little importance	Some importance	Very important
<i>Small</i>	14%	36%	50%
<i>Medium</i>	2%	54%	43%
<i>Large</i>	3%	34%	62%
<i>Overall</i>	3%	34%	51%

3.8.11 In the 2001 Study 85% of respondents felt that their association was able to form and present a view on issues where there may be conflicting interests among members (1999 - 80%). Typically, it was the large and medium trade associations who felt they were best able to perform this role.

Effectiveness rather than visibility

3.8.12 A key to effectiveness emphasised in the 1997 report and the Macdonald report is the need to foster relationships over time so that positions are generally understood in advance rather than discovered in reaction to proposals or consultations. Ideally trade associations will be involved in a low-key manner at the very start of a process (often at European level) while

policies are being formed. Crude high profile attacks on proposed or actual government action are likely to be less effective than low profile well researched discussions with civil servants as early as possible before serious problems arise. This more constructive approach does, however, require a longer-term perspective and probably greater resources.

3.8.13 The Macdonald report and other accounts indicate that the view of the present government towards trade associations is generally neutral with a preference often to talk directly to companies. Despite this, participants remained generally positive about the responsiveness of government to trade association representations. Overall 54% felt that it had remained about the same and 33% that it had increased. 13% felt that responsiveness had declined rising to 23% among large associations.

Relations with MPs

3.8.14 The opinion-formers quoted in the 1997 study emphasised that social meetings with politicians were often a waste of time. Politicians much preferred well briefed business oriented meetings focusing on a few key points that were attuned to their needs as politicians – i.e. giving them bullets to fire – and which, especially if the meeting involved ministers, had been preceded by substantial work with civil servants who would brief them appropriately. In the past, contacts with MPs were often seen to be indiscriminate, unless they were on constituency related issues or unless the MP was a recognised champion of the particular issues.

3.8.15 As a result of the current large parliamentary majority and style government, the current influence of Westminster MPs is questionable and many associations, in the short term at least, are paying greater attention to European MEPs.

3.8.16 However, 37% of associations (1999 - 30%) were involved with an all party group, including 43% of large associations, but only 38% of medium and 27% of small associations.

Maintaining contacts with civil servants

3.8.17 Only 23% of associations said they have an annual agenda agreed with civil servants for matters they wished to progress with government (1999 - 18%, 1997 - 36%).

3.8.18 The number of government departments with which associations had contact ranged from 1 to 10 with the median at 4. However, 97% of associations had a single department which they regarded as their main point of contact with government, including:

- DTI (57%)
- DETR (13%)
- DEFRA (15%)
- DoH (5%)
- DCMS (3%).

3.8.19 There were variations by size with 58% of small and 61% of medium associations looking to DTI compared with 50% of the large associations.

Policy Research

3.8.20 The opinion-formers consulted for the 1997 emphasised that the most effective cases were made when backed up by substantive research. Proposals from associations needed to

make sense politically, acknowledging the thrust of the government agenda, as well as pragmatically. It was stressed that associations needed to look at all the different sides to the case.

3.8.21 Overall of 72% respondents (1999 - 76%, 1997 - 66%) felt that their associations did back up representation with thorough research, a much higher proportion of large trade associations (86%) feeling that they achieved this.

3.8.22 Opinion formers in 1997 criticised some associations for being insufficiently expert on key industry issues. A vital factor identified was the need for associations to receive high quality input and advice from their members and have access to top people in member companies. Overall 77% (1999 - 88%) of respondents felt that their mechanisms for consulting members were effective whilst 56% (1999 - 70%) felt that they were able to work effectively with non-members where appropriate. Again the scores were higher among large associations.

Taking account of the political agenda

3.8.23 Several opinion-formers indicated that the associations could achieve a great deal more if they looked in detail at the concerns of the different political parties, especially the detail of policy statements, and attuned their presentations to these. One put forward the following key principles:

1. Identify the position of government.
2. Be clear about what change you want.
3. Marshall arguments, taking on board government concerns.
4. Work closely with key individuals especially civil servants.
5. Monitor carefully the public agenda.
6. General dissemination only after you've done steps 1 – 5.

3.8.24 Almost three-quarters of the sample felt that they had an excellent understanding of how government works. Medium and large trade associations felt very confident of their understanding.

3.8.25 73% of respondents (1999 - 77%) felt that they monitored and anticipated the legislative process effectively, again with a higher proportion of large trade associations feeling that they undertook this process well.

Surveys of government and regulators

3.8.26 Methodical research is an important means for associations to understand how effective they are and to identify areas for improvement. Opinion-formers indicated that they would welcome the opportunity to give feedback to associations.

3.8.27 However, as in previous studies, only some 11% of associations (mainly large) regularly undertook surveys of government and regulators to gain feedback on their representation activities.

Secretariat Role in Representation

3.8.28 Ultimately, policy decisions need to be backed by committees/governing bodies to carry authority. However, a professional secretariat can bring specialist skills, knowledge and experience to policy work as well as providing continuity. This will frequently involve on-

going contact with civil servants and regulators which again is often best handled by the secretariat, not least because of the increasingly limited time that members are able to contribute.

3.8.29 Some 80% of all associations indicated that the Director General has the prime responsibility for developing policy and a similar proportion indicated that the Director General rather than the Chairman has the prime responsibility for exercising the representative function. However, whilst providing leadership, the Director General will often need to test ideas with the membership and there will always be cases where there is no substitute for direct involvement of the Chairman or other senior figures directly engaged in the industry, for example meetings with a Minister.

3.9. Representation in Europe and Internationally

Overview

3.9.1 With an increasing proportion of legislation and regulation originating at the European level, effective representation in Europe is clearly vital. This whole area is the subject of a separate Forum study to be published in Spring 2002 ⁶.

3.9.2 Time scales for policy development in Europe are commonly more protracted. The intervals between the appearance of draft Directives, their adoption and their eventual enactment in national legislation may be measured in years. Representations to modify policy will be most effective in the early stages and any scope for action may be much reduced by the time that legislation reaches the UK Parliament.

3.9.3 The views of opinion formers recorded in the 1997 report indicated that the performance of UK trade associations on European matters was very mixed, with some associations demonstrating good practice but with many others appearing not to have built Europe sufficiently into their thinking.

3.9.4 Many good practice points identified for UK representation in Section 3.8 also apply to representation in Europe, although there is a range of additional skills required. The following additional areas of good practice were identified for representation in Europe:

- Use the European trade association but do not become over reliant on it
- Understand the EU and its processes and develop good contacts
- Establish an effective monitoring system
- Form coalitions to increase leverage
- Use UK Government channels

3.9.5 Overall, 47% (1999 - 66%) of respondents in the Study felt that their association was effective in influencing developments at the European level (1999 - 63%), with the large trade associations stating that they were more confident in influencing developments than the small trade associations.

⁶ *Improving Trade Association Effectiveness at the European Level*, publication due April 2002, Mark Boleat for Trade Association Forum

European trade associations

3.9.6 Overall, 77% of all associations (1999 - 78%) were members of European trade associations. 88% identified themselves as direct members, with only 12% being members through a federation.

3.9.7 Some 69% felt they had a strong voice in their European association, with a higher proportion of large trade associations indicating that they had a strong voice. However, only 64% of all associations felt that the European association was effective.

3.9.8 Annual expenditure on subscriptions to European associations varied from zero to £300,000. Table 23 provides an additional breakdown.

Table 23 - Annual subscription to European Association

Size	Lowest	Lower quartile	Median	Upper quartile	Highest
<i>Small</i>	0	1,713	9,000	22,500	50,000
<i>Medium</i>	200	4,500	8,000	15,000	130,000
<i>Large</i>	6,000	15,500	30,000	50,000	300,000
<i>Overall</i>	0	7,000	13,500	30,500	300,000

European Union

3.9.9 Opinion-formers in the 1997 study emphasised the need for associations to have a good understanding of EU institutions and their processes. This would enable associations to contribute to policy development at an early stage. 58% of respondents, rising to 86% of large trade associations, felt that they had a good understanding of EU institutions.

3.9.10 Overall, 69% of associations (1999 - 52%) indicated that they had contact with the European Commission. 49% had contact with MEPs and 33% had contact with the UK permanent representative to the EU. 58% (1999 - 49%) had contact with a European standards body. With the exception of European standards bodies, typically large associations had more contact than small and medium trade associations.

Monitoring system

3.9.11 Some 5% of associations overall (including 17% of large associations) had an office in Brussels as a base for monitoring developments. An alternative approach is to use consultants. 17% of respondents (without Brussels offices) made use of consultants – 60% of these the CBI's British Business Bureau. Typically, large trade associations were much more likely to use consultants than small and medium trade associations.

Coalitions

3.9.12 Many issues at the European level are cross sectoral. 62% of associations, again with a higher proportion of medium and large trade associations, indicated that they worked closely with other associations in Europe.

International

3.9.13 Overall 81% of associations indicated that they had links with trade associations outside Europe, with 31% stating that they were members of an international association. More large associations had such links or belonged to an international association, the annual subscription paid for membership ranging from zero to £220,000, with a median of £2,933 as shown in Table 24.

Table 24 - Subscription paid to International Associations (£)

Size	Lowest	Lower quartile	Median	Upper quartile	Highest
<i>Small</i>	0	0	0	125	500
<i>Medium</i>	0	2,000	4,500	10,000	40,000
<i>Large</i>	0	500	2,500	12,000	220,000
<i>Overall</i>	0	500	2,933	9,712	220,000

3.9.14 Overall, 50% of respondents had links with international standards bodies.

3.10. Industry Leadership

Overview

3.10.1 The DTI's Model Trade association saw an important role for associations in providing industry leadership in competitiveness, exports, standards, innovation and technology transfer. Competitiveness and productivity remain central planks of the current government's policy, with added impetus from the 2001/2002 DTI review.

3.10.2 The following areas of good practice were identified in the 1997 report:

- Develop a vision for the sector
- Create an export strategy and make use of government export services
- Identify and promote sector standards, innovation and technology transfer

Vision for the sector

3.10.3 One opinion-former quoted in the 1997 report suggested that a vision would help associations to put a more coherent case to government and that such a vision would include:

- A comparison of the sector with other countries;
- Overall aims and objectives;
- What companies intend to do;
- What is required from government.

3.10.4 In 2001, 51% of associations (1999 - 43%) said they had an agreed vision for the development of the sector. 34% had specifically analysed the sector's competitiveness requirements in relation to global competition and 61% of associations said that they were taking action to address the sector's competitiveness issues. Such action included:

- Research projects 66%
- Benchmarking 71%

- Supply chain initiatives 45%
- Government programmes (e.g. Foresight) 45%

Export

3.10.5 An export strategy may be irrelevant for sectors predominantly involved in the domestic market or whose members set up operations in other countries rather than export. This is particularly true for services.

3.10.6 Almost three-quarters of trade associations indicated that their members exported. Of the percentage of members engaged in exports, the lower quartile was 5%, the median 25% and the upper quartile was 63%. The proportion of members that exported was greater for small and medium trade associations than large trade associations.

3.10.7 Of the associations whose members export:

- 41% had an export strategy to support member companies
- 31% of associations said that they took full advantage of government export services

3.10.8 The uptake of Trade Partners UK export services was recorded as follows:

- Trade Partners UK Information Centre - 61%
- Support for Exhibitions and Seminars Abroad - 30%
- Inward Trade Missions - 57%
- Outward Trade Missions - 67%
- Export Market Research Scheme - 41%
- Trade Partners UK Sales Leads - 20%
- Identifying a sector focal point for international trade - 41%

3.10.9 Only 52% were registered as participating trade associations under Industries on the Trade Partners UK website.

3.10.10 Expenditure on export support by associations ranged from zero to £1 million as illustrated in Table 25.

Table 25 - Association Expenditure on Export Support

	Lowest	Lower quartile	Median	Upper quartile	Highest
<i>Small</i>	0	1,000	50,000	110,000	500,000
<i>Medium</i>	1,000	12,500	48,000	160,000	502,095
<i>Large</i>	0	8,125	65,000	406,599	1,000,000
<i>Overall</i>	0	8,750	49,000	157,500	1,000,000

E-commerce

3.10.11 The 1999 Study introduced questions for the first time on e-commerce. At that time, 42% of respondents said that their association's governing body had considered the implications of e-commerce for the sector. In 2001 this had risen to 59%.

3.10.12 In addition, 18% of association (29% of large associations) said that they had developed guidance for members on e-commerce (1999 - 12% overall, 24% of large associations).

3.10.13 In addition, 28% (33% of large associations) said that they were leading sector initiatives such as drafting of standards to promote the development of e-commerce. There are a number of substantive examples which include:

- establishing online trading system for members
- strategic review and advice package for members
- participation in EU funded research
- commercial industry standards database
- business hub established
- e-business master-class to help members implement e-business strategy
- collaboration with government procurement systems
- testing of pilot scheme
- development of standards (some pan-European)

Sector standards, innovation and technology transfer

3.10.14 Most respondents felt that their associations were effective in taking a leadership role on industry standards, particularly in relation to product standards - 71%, codes of practice - 70%, health & safety 56%, environment 60%.

3.10.15 43% of respondents indicated that they made adherence to standards a condition of membership.

3.10.16 44% of associations felt that they were involved in actively promoting innovation and technology transfer, with higher scores among small trade associations.

3.11. Public Relations and Communications

Overview

3.11.1 The overall objective of PR and communications work in trade associations is to create a positive public image of the sector and a favourable climate of opinion. Without a positive public image, associations may be hampered in pursuing their wider objectives while making representations to government and regulators can be made more difficult. Whilst public relations activity can help accentuate the positive, it cannot in the long run be used to cover up the negatives. Identifying and dealing with such negatives is an area where public relations may have an important contribution to make to the vision and strategic planning of the association.

3.11.2 Overall 32% of respondents in the 2001 Study felt that their sector had a positive public image, with large trade associations generally having a less sanguine view, although 58% of respondents felt that their association was effective in improving the public image.

3.11.3 The following areas of good practice were identified:

- Develop a communications strategy;
- Choose the right issues;

- Develop close and regular links with journalists;
- Take most opportunities to give radio/television interviews;
- Make staff rather than officers responsible for the communication role;
- Review media profile.

Communications strategy

3.11.4 Overall, two thirds of associations had an agreed communications strategy including 77% of large, 68% of medium and 55% of small associations. Only 41% of respondents stated that they used PR consultants, with a greater proportion among medium and smaller associations.

3.11.5 73% of large trade associations provided media training for senior staff compared with only 9% of small trade associations.

Issues

3.11.6 In the 1997 study, it was stressed that it was important for associations to monitor the press closely and to make explicit decisions about which issues to engage on. It was suggested that associations should engage on those issues:

- Which could do damage to the sector; and
- On which there is a case to answer.

3.11.7 One association commented, 'Don't defend the indefensible.'

Links with journalists

3.11.8 Virtually all associations stressed the importance of maintaining close links with journalists:

- 73% of respondents felt that they acted as a focal point for the public and media: 97% of large trade associations as compared with 73% of medium and 41% of small trade associations
- Virtually all associations had regular contact with the trade press. 55% of associations had regular contact with the national press, ranging from 33% for small associations to 90% for large associations.
- 45% of associations indicated that they got to know about media stories before they broke: again, typically, a higher proportion of large trade associations felt that they had this advanced knowledge.

Responsibility for communication

3.11.9 Overall, 66% of associations said that the public relations and communications role was primarily the responsibility of the Director General - over 70% in small and medium associations. In large associations the role was more often shared with a PR function - Director General 53%, PR Director 40%.

3.11.10 The Chairman was rarely cited as taking responsibility for PR and communication although there would clearly be many cases where the Chairman would be the appropriate spokesman to appear in the media.

Media profile

3.11.11 Overall, 38% of associations obtained detailed reports documenting their media profile month by month, ranging from 27% for small associations to 53% for large associations.

3.12. Membership Services

3.12.1 The principal feature that distinguishes trade associations from other business service organisations is their representative role. This will be sufficient reason for many companies – particularly major players actively engaged – to be members of the trade association. The representative role (whether in a trade association, trade union or other representative body) is notoriously subject to the free-rider effect, whereby those who do not pay a subscription may nevertheless benefit from the activities of the organisations. Membership services can provide valuable direct benefits that are an incentive to remain in membership.

3.12.2 The leadership role, contacts, skills, knowledge and information required to fulfil the representative role can be harnessed to a range of direct services which can be made exclusive to members. These can not only enhance the value of membership but also provide additional sources of income for the association helping to reduce dependence on membership subscriptions.

3.12.3 Among the major challenges facing trade associations is the development of the Internet which could have a significant impact on the delivery of services – particularly information. A greater emphasis on marketing and customer service is likely to be required if trade associations are to be responsive and maintain their ability to add value for their members.

3.12.4 Overall, large associations tend to offer a wider range of services than small and medium trade associations. The core services (included in subscriptions) provided by associations are as set out in Table 26.

Table 26 - Core Services provided by Trade Associations

Core Service	%
Information on Legislation	97%
Fora for Specialist Groups	81%
Publications	78%
Industry Statistics	70%
Health and Safety	68%
Market Information	59%
Legal Advice	54%
Conferences	45%
Industrial Relations Advice	40%
Dispute resolution/Arbitration	35%
Training	34%
Discounts with Commercial Suppliers	32%
Exhibitions	25%
Economic Forecasting	20%

3.12.5 A number of these services were also offered on a commercial basis services attracting an additional charge including particularly: Conferences, Exhibitions, Training and Publications.

3.13. Information and Advice

Overview

3.13.1 Overall, respondents felt content about the effectiveness of their information and advice services. Some 93% of respondents felt that their associations were good at seeking out information relevant to their members and in providing sound advice on relevant issues. Overall, 53% felt that they provided adequate statistical information with greater confidence among large associations (62%) than small associations (41%).

3.13.2 99% of associations indicated that they communicated regularly with their members. The pattern of communication described in Table 27 below indicates an increased frequency compared with 1997.

Table 27 - Frequency of Communication with Members

Frequency	2001	1999	1997
<i>Daily</i>	13%	19%	14%
<i>Weekly</i>	43%	32%	35%
<i>Monthly</i>	35%	43%	43%

3.13.3 The increased frequency is particularly marked among medium and small associations and may reflect the increasing adoption of electronic media. Despite the ease of communicating daily, the emergence of a stronger weekly pattern may indicate a desire for a more regular and orderly distribution of information to avoid overloading members. At the same time, it is important that association communications do not sacrifice added value in a quest for speed of response. Information passed to members should include brief summaries and commentaries on the significance of developments, next steps etc.

3.13.4 Virtually all associations also communicate on paper with briefings and circulars. Some 78% distribute a journal, most use fax and e-mail distribution, while 72% (1999 - 65%, 1997 - 53% are using Internet /Intranet (members only area of website).

3.13.5 A perennial difficulty is ensuring that information is distributed to those who most need it. Overall, associations felt that members were only moderately effective at distributing the information sent to them, although they were reasonably good at making use of it. The Macdonald report noted that information gleaned by those engaged with the trade associations often fails to be communicated within the member organisation. Intelligent rather than indiscriminate electronic communication clearly has the potential to avoid bottlenecks and allow relevant staff in member organisations to subscribe to the information they need.

3.13.6 42% of associations indicated that they logged and analysed requests for information and advice.

3.13.7 For certain purposes, such as communicating ideas, mobilising support and to raising issues, briefings and conferences are better than other means of communication. The number of briefings and conferences arranged last year ranged between zero and 69 with a median of 5.

Typically, large trade associations held twice as many such events as medium and small trade associations.

3.14. Employment

Overview

3.14.1 The role of trade associations as employers' organisations has diminished with the decline of wage bargaining at national level, particularly during the 1980s with the then government's emphasis on increased labour market flexibility.

3.14.2 Some 36% of associations in the study were also employers' organisations, predominantly medium and large associations. Of those trade associations that were also employers' organisations, a third (1999 - half, 1997 - two thirds) negotiated a national wage system including terms and conditions. The percentage of members that adhered to the national system was estimated at 40% at the median (1999 - 65%, 1997 - 35%).

3.14.3 Some 31% of associations kept their role as employers' associations under regular review, with proportionately fewer small associations reviewing this role regularly.

3.15. Training and Education

Overview

3.15.1 Only 11% of associations in the 2001 Study were National Training Organisations but more than 50% indicated that they had links or worked with one or more NTOs.

3.15.2 The good practice points identified in the 1997 report included:

- Ensure that there is an NTO in existence
- Identify skill needs, develop and promote training standards
- Work with relevant organisations to ensure training needs are met

3.15.3 Comments in the questionnaire indicated that, many large associations had taken the lead in setting up an NTO for their sector.

3.15.4 Often these may have been run as financially self-sufficient, separately managed subsidiaries, allowing the NTO to focus on training matters and the association to concentrate on its core functions. A number of NTOs are now substantial businesses in their own right.

3.15.5 32% of associations said they determined the skills requirements for the sector, and 58% said that they promoted training standards for their sector.

Other organisations

3.15.6 75% of associations said that they worked with relevant organisations to ensure training needs were met and a number provided training themselves.

3.16. Commercial Services

Overview

3.16.1 Small associations derive a higher percentage of income from commercial services than medium and large associations. However, definitions of what constitutes a commercial service can vary, hence figures should be treated with some caution.

3.16.2 Associations indicated that they provide a wide range of commercial services as set out in Table 28. In the 2001 Study, respondents were asked to rate how worthwhile these services were in terms of financial contribution.

Table 28 - Commercial Services provided by Associations

Commercial Service	Offered	Doubtful Value	Positive contribution	Very worthwhile
<i>Seminars</i>	74%	20%	34%	46%
<i>Publications</i>	72%	22%	43%	35%
<i>Conferences</i>	59%	18%	39%	44%
<i>Training</i>	56%	15%	40%	45%
<i>Statistics</i>	46%	26%	47%	28%
<i>Exhibitions/trade shows</i>	45%	11%	35%	54%
<i>Insurance</i>	36%	24%	35%	41%
<i>Consultancy</i>	25%	16%	48%	36%
<i>Benchmarking</i>	25%	17%	63%	21%
<i>Press Cuttings</i>	15%	17%	75%	8%

3.16.3 Other commercial services offered include credit rating services, marketing/business development advice, pensions and specialist technical services.

3.16.4 Overall, a higher proportion of large associations provided commercial services in publications, statistical services, conferences, press cuttings and benchmarking. Medium associations were stronger in seminars, training and exhibitions/trade fairs. Small associations were particularly strong in consultancy and insurance.

Strategy

3.16.5 50% of associations had a strategy for commercial services with a slightly higher proportion of large associations having such a strategy. Elements that appeared in many strategies were:

- Services must be relevant to members and make a positive financial contribution
- Targets to build commercial income to a certain proportion of total income and reduce dependence on subscriptions.
- In one case services were provided where significant savings (min 15%) could be delivered to members.

3.16.6 The following areas of good practice were identified in the 1997 report:

- Include indirect costs in pricing
- Make a surplus net of direct and indirect costs
- Make appropriate use of separate management of commercial services

Overheads of Commercial Activities

3.16.7 In smaller operations it is possible without elaborate costing systems to take account of indirect costs in pricing. It is relatively straightforward to determine whether commercial operations are covering the costs of dedicated staff, for example whether net conference income fully covers the costs of conference staff. There are, however, risks, particularly when the scale of operations is increasing, that less obvious costs will be subject to increases or even step changes, for example, growth of sales might at a certain stage require an increase in accounts staff. In extreme cases, trade associations might not only overestimate the value of their commercial services but also risk subsidising them from subscription income.

3.16.8 Similarly, where a significant proportion of the time of the Director General or other senior staff is used in the management and development of commercial services, this may lead to increased costs if it leads to the need for additional staff. Potentially more serious, however, is the possibility that commercial services could divert management attention from the primary function of representation. Organisational approaches to handling these difficulties include separate management of commercial services, outsourcing and separate commercial subsidiary companies.

3.16.9 Some 43% of associations indicated that they included indirect costs in costing and pricing their commercial services (1999 - 34%).

Profitability

3.16.10 Taking account of direct and indirect costs, the surplus made in the previous year ranged from zero to a surplus of £943,877 as set out in Table 29.

Table 29 - Net surplus from commercial activities

	Lowest	Lower quartile	Median	Upper quartile	Highest
<i>Small</i>	0	12,500	40,000	68,750	314,000
<i>Medium</i>	500	9,250	29,390	67,500	600,000
<i>Large</i>	0	40,000	75,000	205,489	943,877
<i>Overall</i>	0	10,000	40,000	104,250	943,877

3.16.11 While there are clearly variations in the way that different associations measure and allocate costs, it is very apparent from detailed examination of individual responses that there are large variations in the profitability of commercial activities. These include variations in the absolute level of net surplus and in the net margin or percentage of surplus to turnover. Some are clearly very successful with substantial surpluses and a worthwhile net margin. Other generate substantial net surplus but with a low net margin, which may indicate a degree of vulnerability in the event of a downturn - for example, a fall off in exhibition space sales. At the other extreme, there are very modest net returns in some associations. In these cases, it may be questionable whether the commercial activities are worthwhile. Running the activities could be an unwarranted distraction unless there are compelling non-commercial reasons to continue.

3.16.12 In interviews for the 1997 study, those associations which used separately managed subsidiaries/joint ventures to deliver commercial services were enthusiastic about this approach

as it enabled both full costing of the service and freed up association senior staff to focus on core services. In practice, about 15% of respondents appear to make significant use of separately managed organisations to provide their commercial services.

3.16.13 The proportion of the Director General's time spent in managing commercial services ranged from zero to 80% with a median of 10%. Only 15% of associations felt that there was a conflict between commercial services and their representational work.

Appendix 1

Participants in the 2001 Benchmarking Study

Organisation	Keyword
Association of British Furniture Manufacturers	Furniture
Association of British Health-Care Industries	Health Care
Association of British Theatre Technicians	Theatre Technicians
Association of British Travel Agents	Travel & Tourism
Association of Learned and Professional Society Publishers	Publishing
Automatic Vending Association	Automatic Vending
Baby Products Association	Baby Products
British Aerosol Manufacturers' Association	Aerosols
British Association for Chemical Specialities	Chemicals
British Association of Removers	Removers
British Bankers' Association	Banking
British Beer and Pub Association	Brewing
British Coatings Federation	Coatings
British Compressed Gases Association	Compressed Gases
British Contract Furnishing Association	Furnishing
British Equestrian Trade Association	Equestrian
British Footwear Association	Footwear
British Frozen Food Federation	Food
British Gear Association	Mechanical Power
British Glass	Glass
British Hardware & Housewares Manufacturers Association Ltd	Hardware
British Healthcare Trades Association	Health Care
British Holiday & Home Parks Association	Leisure
British Industrial Truck Association	Materials Handling
British International Freight Association	Transport and Distribution
British Lubricants Federation	Lubricants
British Marine Industries Federation	Marine
British Nuclear Industry Forum	Nuclear Industry
The British Phonographic Industry	Music
British Printing Industries Federation	Printing
British Property Federation	Property
British Rubber Manufacturers Association Ltd	Rubber
British Security Industry Association Ltd	Security
British Wood Preserving & Damp-Proofing Association	Building and Construction
Builders Merchants Federation	Building Materials and Components
Business Services Association	Business Services
The Chamber of Shipping	Shipping
Cleaning and Support Services Association	Cleaning
Computing Services & Software Association	Computing
Construction Employers Federation	Building and Construction
Construction Products Association	Construction Products
Cosmetic, Toiletry & Perfumery Association Ltd	Cosmetics, Toiletry & Perfumery
Council of Mortgage Lenders	Housing Finance
Country Land and Business Association	Property
The Defence Manufacturers Association	Defence
Direct Selling Association	Marketing
Electrical Contractors Association of Scotland	Building and Construction, Electrotechnical
Electricity Association	Electricity Industry
Energy Industries Council	Energy
The Environmental Services Association	Environmental

Trade Association Forum

The Federation of Bakers	Food
Federation of Environmental Trade Associations	Building Materials and Components
Federation of Master Builders	Building and Construction
Federation of Piling Specialists	Building and Construction
Fitness Industry Association	Fitness
Forestry Contracting Association	Forestry
The GA	Gift and home accessories
Gin and Vodka Association of Great Britain	Drinks
Hairdressing Employers Association	Hairdressing
Heating & Ventilating Contractors' Association	Building and Construction
The Horticultural Trades Association	Horticulture
House Builders Federation	House Builders
Independent Healthcare Association	Health Care
International Union of Aviation Insurers	Insurance
The Lift and Escalator Industry Association	Lifts and Escalators
Lifting Equipment Engineers Association	Lifting Equipment
The Lighting Association	Lighting
The Machine Tool Technologies Association	Machine Tools
The Management Consultancies Association	Management Consultancies
Metal Packaging Manufacturers Association	Metals
Motor Cycle Industry Association Ltd	Motor Cycles
National Association of British and Irish Millers	Food
National Association of Master Bakers	Food
The National Association of Pension Funds Limited	Financial
National Association of Steel Stockholders	Steel
The National Caravan Council	Caravans
National Farmers' Union of Scotland	Agricultural
The National Federation of Builders	Building and Construction
National Hairdressers' Federation	Hairdressing
National Housing Federation	Housing
National Pharmaceutical Association	Pharmaceuticals
The Newspaper Society	Newspapers
The Outdoor Industries Association	Leisure
The Paper Federation of Great Britain	Paper and Packaging
Periodical Publishers Association	Publishing
PICON Ltd	Printing and Paper Making Machinery and Supplies
Professional Lighting & Sound Association	Professional Lighting & Sound
Proprietary Association of Great Britain Ltd	Pharmaceuticals
Provision Trade Federation	Food
Public Relations Consultants Association Ltd	Public Relations
Quarry Products Association	Quarry Products
The Scotch Whisky Association	Drinks
Shipbuilders & Shiprepairers Association	Shipbuilders & Shiprepairers
Society of British Aerospace Companies Limited	Aerospace
Society of British Gas Industries	Gas
Society of Maritime Industries	Marine Equipment
Textile Services Association Ltd	Textile Services
UK Quality Ash Association	Building Materials and Components
United Kingdom Offshore Operators Association Ltd	Petroleum
United Kingdom Warehousing Association	Transport and Distribution
The Wine & Spirit Association	Drinks

Appendix 2

Development of the Trade Association Forum

- In 1993 and 1995, the then President of the Board of Trade, Michael Heseltine, gave speeches critical of trade associations, saying that many were failing to provide their minimum services effectively. In particular he said that the standard of representation from associations varied from good to very poor.
- This led to the launch of the DTI 'Trade Association Initiative' which aimed to secure more effective trade associations and included the development of the **Model Trade Association** – a best practice guide published at the beginning of 1996 – which set out guidelines for the functions which trade associations should fulfil - see <http://www.dti.gov.uk/EAM/MTA/MTAwelcome.html>
- A series of benchmarking initiatives was launched in 1996, spearheaded by Mark Boléat (then Director General of the Association of British Insurers). An initial benchmarking exercise among 27 of the largest trade associations was followed with a larger study of 135 large, medium and small associations. Published in May 1997 as *Trade Association Performance*, this report established the current performance of trade associations in relation to a wide variety of indicators, including the key criteria identified in the DTI Model Trade Association document, and identified many elements of best practice which trade associations could seek to adopt.
- A series of twelve benchmarking clubs was formed in December 1996 as a practical means to facilitate the sharing of ideas and good practice among associations. The clubs drew their participants mainly from the 27 larger associations that had taken part in the first benchmarking exercise and generally ran for about 12 months.
- During the course of 1997, the Trade Association Forum emerged from these activities. The Forum was taken on by the CBI in September 1997 when a permanent administration was established with support from the DTI and Forum activities were opened to all interested trade associations. These activities included a further series of benchmarking clubs which ran during 1998 and a whole range of additional activities to encourage the exchange of information, ideas and best practice including a newsletter, holding conferences, arranging workshops and establishing a website.
- The Forum was relaunched on a self-funding basis in April 1999 and has achieved steady growth over its first 3 years. Subscribing members have increased from 273 in 1999 to 308 at the beginning of 2002.
- The Forum has undertaken a number of research projects over the years, many with DTI support. These include:
 - *Core Competencies for the Senior Managers of Trade Associations*, August 1998
 - *Models of Trade Association Co-operation*, March 2000
 - *Trade Association Consumer Codes of Practice*, March 2000, Richard Fairclough
 - *Implementing Consumer Codes of Practice*, March 2001
 - *The Business of Representation*, March 2001 (Macdonald Report)
 - *Improving Trade Association Effectiveness at the European Level*, due April 2002