Strategic Planning in Trade Associations

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Introduction

For many trade associations strategic planning has been an unfamiliar concept. They have been able to operate in a stable environment in which they have needed to give little thought to major strategic issues.

This is now changing as a result of a combination of factors. Many associations now face a rapidly changing environment.

Best practice is for an association to have a medium term strategic plan, typically running over a three to five year period, and annual operating plans.

What a strategic plan needs to cover depends on the association. Major items are likely to include structural changes such as mergers, governance, policy priorities and use of the internet.

This paper briefly overviews the planning process in trade associations. It begins by analysing the changing environment which has necessitated a more proactive approach to planning. It describes the planning process and then considers the major issues which will need to be addressed in strategic plans.

The paper is written from a United Kingdom perspective but is probably broadly applicable to the situation in many other countries.

A new environment

Over the last five or so years the environment within which trade associations operate has begun to change rapidly. Five major factors have contributed to this change. Their relative importance varies significantly from country to country and sector to sector but there are common threads in most sectors in most countries.

For trade associations **mergers** of their members are invariably bad news. Most associations have a subscription scale which is tapering or which has a cap or in some cases is both tapered and capped. Mergers mean a reduction in the number of members and generally also in subscription income. Mergers between large members can cause huge reductions in subscription income which cannot easily be recovered by raising subscriptions for other members.

Mergers have been a problem for associations for many years. There is a perception that the pace of mergers, particularly between large members, has been increasing. In Britain in the last few months there have been announcements about major mergers within the drugs, entertainment and banking industries.

Mergers often cut across traditional industrial sectors. In the financial services market for example, banks have been acquiring insurance companies and insurance companies have been acquiring or establishing banks. The biggest recent merger in the USA has been between an entertainment company, Time Warner, and an internet service provider, America OnLine. It is now increasing difficult to delineate the boundaries between industrial sectors and therefore the natural constituency for a trade association.

This trend has been accentuated, particularly in Europe, by the increasing internationalisation of the economy. The mobile phone industry for example has developed from nothing fifteen years ago to a major national industry and now to a major global industry following the recent takeover by the British company, Vodafone, of the American company, AirTouch, and the German company, Mannesmann. The computer industry has always been global and the car industry has now moved into the same category, as has pharmaceuticals. Within the European Union the pace of cross border mergers has accentuated even in those countries such as Germany and France which traditionally have made it difficult for hostile takeovers from non-domestic institutions. In the more open economy of the United Kingdom, the water, electricity, car manufacturing and investment banking industries are now to a large extent foreign controlled.

Managing a trade association is all the more difficult when major members have their head offices outside of the country. Their natural allegiance should be to their head office and it is quite possible that the trade association in the host country will take a different view of some matters from the trade association in the home country.

Regulatory changes are closely related to mergers and globalisation. In some cases they help to force these trends while in other cases they have been reactions to the trends. Surely, for example, the introduction of the Euro will further accentuate the trend for cross border mergers of banks and other financial institutions in particular?

In many countries there is a radical change in the regulatory landscape. In Britain nine financial regulators are now being merged into a single regulator, the Financial Services Authority, which covers the whole of the UK finance sector. This obviously calls into question the existing trade association structure. The major financial institutions have one regulator but nine trade associations. It does not make much sense and cannot be expected to last for long. Similarly, in Britain the gas and electricity regulators have merged. No doubt there are similar trends in other countries.

Political changes contribute to a changing regulatory environment. Obviously in the Europe a great deal is now decided at European Union level which means that national trade associations have to operate at that level directly as well as operating through European associations. In some sectors policy is decided to some extent at the global level, for example in international transport, broadcasting and banking. A new phenomenon in Britain is the establishment of regional governments in Scotland, Wales and, from time to time, Northern Ireland. As policy making is devolved to the legislative bodies in these countries so trade associations need to extend their areas of operation.

To compound the problem **expectations of members,** and in some cases other stakeholders, are increasing. In the past, certainly in Britain, members took a fairly tolerant view towards their trade associations. Sometimes they were seen as a club; certainly there was little pressure on them to act in a businesslike way. Indeed attempts to do so often lead to criticism.

However, as major companies have downsized so they have expected their trade associations to increase their efficiency. Pleasant but ineffective members of staff are not tolerated as once they were. Where associations do not perform then large members may well take on representative work either themselves or jointly with other large companies. In some cases they may threaten to pull out of the association and in a smaller proportion of cases may actually do so. A potentially worrying trend for many associations is the establishment of informal groupings of large companies at the European level. They can provide the Commission and the Parliament with what they want, predominantly good quality information; they have a ready audience and can move much more flexibly and effectively than Europeanwide associations many of which remain bureaucratic and ineffective.

In some countries government is expecting trade associations to be come more effective. A particularly valuable role of associations is to help ensure that proposed regulations will achieve their purpose. As the number of government officials has been sharply cut in many countries so the scrutiny they are able to give to potential legislation has been reduced and associations can often provide an effective service to make sure that legislation does achieve its desired purpose. In Britain in some sectors the government is increasingly looking to the industry to come up with solutions. And it always wants organisations which can tell it what companies in a particular sector think about a certain proposal or how they will react if the government does a certain thing.

For a time in the mid-1990s the British Government was very critical of trade associations generally. There is evidence that this had a desirable effect in stimulating changes that should have occurred in any event but which tend not to occur unless there is some outside stimulation.

Finally, the **internet**. This is changing a great many things and it should also change radically the way that trade associations operate. The internet offers huge opportunities for associations but also huge threats. Associations cannot afford to ignore the internet. They have to take account of its implications and most will need to make the internet the very centre of their operations.

That then is the new environment for trade associations. It is most certainly not stable. The membership of many associations is changing rapidly as a result of mergers within sectors, between sectors and across national borders. The regulatory landscape is changing rapidly particularly in Europe. Members and other stakeholders are expecting trade associations to become more effective notwithstanding the fact that they have to do more with less, and the internet will have a very major impact on their operations whether they like it or not. In this environment medium and short term planning is essential.

The planning process

Given the greater need for strategic planning as a result of a more rapidly changing environment how does the good association go about the planning process? There is little to guide an association that is not of American origin.

The starting point has to be a clear **understanding of the association's market position**. This is somewhat more difficult than it sounds. Surveys of trade associations in Britain tend to reveal that many association claim they have an 80% market share. This is because they define their market to ensure that they have 80% of it.

An association needs a realistic assessment of its true market position. A principal point is whether membership is compulsory in law or in practice. In some countries membership of an association is compulsory as a matter of law and even if it is not then it may be impossible to operate outside the association. This is not the case in Britain, but there are some associations which owe their high levels of membership almost entirely to the fact that they offer commercial services which are essential for anybody in the sector.

Good practice is for an association to define a range of markets which it is in and for which it will have a wide range of market shares. For example, the Association of British Insurers can claim to represent 98% of the business of insurance companies operating in Britain but only 80% of general insurance business in Britain (because Lloyds is not a member) and perhaps only 50% of risk management business.

An association also clearly needs to understand which other associations are in its market whether on a complementary or a competitive basis.

Publicly, an association may tend to overstate its market position but there is always a danger in believing one's own propaganda. Internally, the management of an association should be 100% clear about its market position.

With the base of an understood market position the next stage of the planning process can best be described as an **environmental scan**. An association should analyse all of the external factors which are likely to impact on the association in the planning period. These will include the five factors analysed in the first section of this paper and probably some other factors that are more specific to the sector.

There is a helpful recent American publication *Facing the Future*, published by the American Society of Association Executives, which identified fourteen trends affecting associations. These are summarised in Appendix 1.

The environmental scan should be followed by a traditional SWOT analysis – **strengths, weaknesses, opportunities and threats**. In practice the same issues may well be both opportunities and threats, or strengths and weaknesses. For example significant income from trading activities is an obvious strength but also a potential weakness because the association is vulnerable to a downturn in trading income. And the internet should certainly be both an opportunity and a threat. Depending on circumstances a SWOT analysis could be turned into a brief analysis of certain key points which are likely to include –

- Membership – loyal or fickle, appreciative of the association or tolerant of it, potential for expanding membership.
- External reputation – with government, regulators and the media.
- Member involvement – willingness to serve on committees and to provide high quality input when asked.
- Staff – quality, morale, turnover.
- Information technology – website, membership system, internal office system.
- Financial position – reserves, subscription base, trading income.

- Competition – other association and organisations competing for part or all of the association's business.

A strategic plan, particularly one suggesting a significant change of direction, must be broadly acceptable to the stakeholders in an association. The easiest way to achieve this is to involve them in the process so that they are party to an analysis and **buy-in** to the conclusions.

The two key sets of stakeholders are members and staff. The staff probably need to be involved at an earlier stage than the members. Staff are more likely to perform effectively if they are fully conversant with the environment within which their association is operating and the association's own plans for the future, and they will also feel more valued if they are involved in the planning process.

The governing body of the association, and particularly the officers, need to be involved from the outset in identifying important external factors and where appropriate identifying policy priorities and organisational issues.

There may also be a need to involve other stakeholders such as regulatory agencies and government departments although generally this is not necessary.

But there is a major problem in involving staff and members at a very early stage. A strategic plan should properly look at all possibilities, and there is a danger that staff may feel that just because something is being considered, such as a possible merger, then that is a likelihood and their jobs are under threat. Involving the members at an early stage could well mean the draft plans will leak out which could be damaging, particularly if an association is considering a merger or establishing a federation.

These are all issues that require skilful management by the chief executive of the association. But on occasions there will probably be matters that are kept out of the strategic plan because they are commercially confidential. Where, for example, an association's leaders understand that there is a need for the association to merge in the foreseeable future they may take the view that premature disclosure of this could be damaging. Perhaps the answer here is not to commit to a strategic plan in such circumstances.

This all points to the need for the whole planning process to be carefully handled. If a plan is produced entirely by the officers with no involvement of the governing body, the staff generally or the members then it is likely to be viewed with considerable suspicion particularly if it is proposing significant structural change. If there is widespread consultation at too early a stage there is the danger of unnecessarily arousing fears. Also there may be a huge amount of unhelpful input which cannot sensibly be assimilated into a plan, yet not including it can cause offence to those who have volunteered their views. A strategic plan that identifies 47 policy priorities to keep everyone happy is not much of a strategic plan.

What should the **final outcome** of the planning process look like? Associations vary in this respect. Quite a number produce a fairly brief, but stand-alone, document which typically summarises the market position of the association, the external factors likely to affect the association in the planning period, the policy issues that have been identified as priorities, any structural changes that need to be considered and finally organisational matters. Sometimes too little attention is given to the format of the final document. Those who have been working on the plan properly feel that the content itself is all-important, but to the rest of the world presentation is very important. If a document is published it should be carefully written and well presented drawing on all the information in the planning process but not necessarily repeating verbatim everything that the governing board has approved. The strategic plan should be available on the association's website, either in the public part or the private part depending on the extent to which it is regarded as confidential.

A strategic plan should always be approved by the governing body of the association, preferably after taking account of the views of members on a near final draft. This is important to secure the necessary buy-in from the governing body itself and on occasion perhaps to prevent an incoming chairman deciding to follow his or her own priorities rather than the agreed priorities of the association. It is certainly important that all members receive a copy of at least a summary of the plan, and depending on its length and structure perhaps the whole document. Many associations will also disseminate the plan more widely, for example to government departments, regulatory agencies and other trade associations with which they regularly deal.

A strategic plan is worthless if it is forgotten as soon as it is completed. Good practice is for the governing body to have at least annually, and perhaps six-monthly, a paper on progress in **implementing the plan**. Often this will be in accordance with a one year operational plan which is likely to be far more detailed than a longer term strategic plan. Such an operational plan, which should be prepared largely by the secretariat but signed off by the governing body, should set in rather more detail the policy issues that are to be pursued in the ensuing year together with the association's objectives in respect of each policy issue and how they are to be achieved, and also organisational issues.

What has been suggested in this paper is a fairly formal and structured arrangement. Indeed this is the practice followed by many trade associations. But the planning process also needs to be **flexible**. Matters can arise which need to be addressed as priorities which may not have been even thought of when the strategic plan was drafted. Sometimes there can be issues which are of such major importance that large sections of the strategic plan become irrelevant. For example, a financial crisis caused by mergers or resignations of members may require drastic action, possibly including seeking a merger with another association or considerably downsizing the scale of the association's operation.

The worst form of planning is to say that such matters cannot be taken into account because they are not in the strategic plan. A three year plan needs to be modified as necessary, certainly annually if not more frequently. Having said this, a good strategic plan should be so wide ranging that most eventualities are considered. For example, it is appropriate for a strategic plan to note that if there are significant mergers between members then the level of subscriptions and possibly the future of the association may need consideration.

The elements of the planning process are summarised in Appendix 2.

Big issue 1 - structural changes

Almost any strategic plan must properly consider the possibility, if not likelihood, of significant structural changes in the association in the planning period. This will follow on naturally from the analysis of the association's market position and the environmental scan. Some associations may be in the fortunate position of having a relatively stable market, that is the members are not merging with each other to any great extent and the sector in which the association is involved remains a discreet sector which merits its own separate trade association. Generally, it will be the smaller trade associations representing niche areas that will be in such a stable market. By contrast, most large trade associations will be expecting significant restructuring within the next five years. For example, a major survey of 145 trade associations in Britain in 1999 showed that while only 7% had been involved in a merger in the previous two years, 25% thought it likely that they would seek to merge with another association in the next two years, and a further 30% in the next five years. As many as 55% of associations, 74% for larger associations, said that other associations competed for their membership.

A strategic plan must properly consider the sustainability of the association's position given the market it is seeking to serve. An association does its members no service by pretending that there will not be a problem and that at all costs a separate association for the sector must be preserved.

A strategic plan must analyse in detail how the association's market place is changing and the implications of mergers for subscription income. Where there are transnational mergers the implications of these also need to be thoroughly discussed.

However, a strategic plan is probably not the place to go into detail about how an association might react to a need for significant restructuring. Rather, it is sufficient to say that changing market conditions are likely to lead to the association needing to co-operate more closely with other associations and, depending on circumstances, that co-operation could conceivably lead to the creation of a federation or a merger. In such a situation the plan show say how the associations intends to position itself, for example by seeking to work more closely with other associations and not making major investment or accommodation decisions.

Big issue 2 - governance

Even those associations which do not have structural changes as an issue may well have governance as being a big issue in the strategic plan. The modern trade association needs to be able to act quickly whether on organisational or structural matters. A bureaucratic organisation with layer upon layer of committees is increasingly inappropriate. The association's strategic plan should set out the broad policy aims of an association in sufficient detail to allow staff to get on with their work without constantly having to refer back to committees. Similarly, where committees do exist they should be able to take decisions without having to push everything upwards provided it is within the framework of overall association policy.

Over the last ten or so years many associations have made a fundamental change in their method of governance. In Britain at least such change often follows a crisis or the arrival of a new chief executive or both.

Whatever the starting point the finishing point for changes in governance tend to be much the same. The chief executive must have the necessary powers to run the association in accordance with agreed policies. Certainly in Britain the chief executive will also be the principal representative of the association and would expect to lead for the association in meetings with ministers and officials. He or she will also be the principal media spokesman.

Committee structures in associations are undergoing radical change. The old fashioned approach was to have a huge network of standing committees with technical panels reporting to them. New issues would be allocated to the appropriate major committee which might then allocate part or all or it to a minor committee. Committees would consider the issue and report upwards with perhaps the governing body finally signing off any policy paper.

This is a very bureaucratic method of working and does not fit easily with many policy issues that cut across traditional boundaries. The more modern approach is to establish a project group for each issue which is then in effect given delegated authority to come to a final decision.

How it may be asked can one keep control of such project groups and avoid the danger of different project groups coming up with conflicting policies? This is of course for the chief executive of the association and the senior staff. Any strategic plan which seeks to move towards a project based method of working must also make allowance for there to be sufficient competent senior staff able to handle the new situation.

Big issue 3 - the internet

The implications of the internet should feature in the strategic and operational plan of any trade association. The internet has huge implications for associations. They are membership organisations generally, with membership being widely dispersed throughout the country or the whole of a continent such as Europe or indeed the whole world. Their primary product is information which lends itself to be disseminated over the internet. Many strategic plans will have needed revision to have taken account of the internet and there should be almost no one-year operational plan which does not have a significant section devoted to the internet.

The internet should have been identified as one of the major external factors affecting the association. It greatly improves speed of communication and dissemination of knowledge. Most associations should properly aim to have the internet at the very centre of their entire operations, not just their communications.

Committees can now be run effectively by a combination of e-mail and discussion groups on a website, greatly reducing the need for meetings. Members can now be given brief summaries of papers with the option of downloading the whole document if they want it. Publications should be ordered from the internet and the association's conference and training programme should also be available on its website. Best practice now is to have a searchable database of all the information the association has produced enabling members quickly to access whatever they want with the option of sending an e-mail message to the relevant member of staff should they want further information.

Many associations in Britain have been slow to embrace the internet and indeed some do not have a website at all. Such associations are in grave danger. It is open to other organisations to set up websites that can become virtual trade associations. This is particularly the case where a trade association can be a gateway for purchasers of a product, typically products purchased infrequently and which have a relatively high value. If an association does not establish the portal for the goods or services its members provide then somebody else will and that somebody else may also see merit in providing further information on the website such that it becomes the portal for the whole sector.

An association must aim to have the best portal for its sector, and its strategic plan and its operational plan should spell out how this is to be achieved, how members and others are to be encouraged to use the website and how the site itself is to be developed.

Policy priorities

An essential part of any trade association plan is the identification of policy priorities. At the strategic planning level a common practice is to identify up to ten broad policy objectives such "To maintain the existing favourable tax treatment of….." or "To reduce the costs of complying with the …..Act", or "To develop closer relations with consumer bodies" or "To improve the public image of the industry".

At the annual operating plan level specific actions need to be identified most of which will come within such broad headings. Identifying such actions is not easy. Measurable targets are attractive but can be meaningless. For example a target of having six meetings with consumer bodies may not lead to closer relations with consumer bodies. This issue is one for management. A planning process is dangerous if it leads to a box ticking approach with sight being lost of the overall objective.

Organisational issues

A strategic plan should generally cover a range of organisational and other matters such as –

- Membership – should the association seek to widen its membership; what will be done to maintain and increase membership?
- External relations – what are the main objectives of external relations policy; the balance between internal and external work?
- Events – should there be a significant change in the range of events; to what extent should they be handled internally or outsourced?
- Accommodation – is there a need to consider relocating the association or upgrading the existing premises?
- Staff – is a significant change needed in the number and type of staff employed; the staff training programme?
- IT – does the association's main IT system need upgrading?
- Trading activities – should the range of trading activities be increased or reduced; how should they be organised?

Finance and resources

In most commercial organisations the outcome of the planning process concentrates on finance and resources. In a trade association often it does not. A trade association does not have major investment decisions to take. Those associations that have substantial trading activities may have some such decisions but for most resource issues are about the head office and perhaps the computer system.

Traditionally the financial issues arose from the strategic plan. That is the subscription income that needed to be raised followed from the work that was to be done. Where there was no significant change in the volume of work then a relatively stable subscription scale can be contemplated

A more sophisticated approach is now generally required. Subscription income should be forecast on a number of alternative assumptions about membership. Similarly, there should be a range of forecasts for other income. An expenditure forecast can be made from the planned work programme. The plan may result in the need for additional subscription income or seek to achieve an increase in trading income. The plan should highlight known significant changes in expenditure resulting from, for example, a rent review, a move to new premises, the installation of new computer equipment or a planned new external relations programme. Where a subscription increase in needed the plan should be an important part of the process of softening up members.

Conclusion

Strategic planning in trade associations is now vitally important. Without it associations may find themselves facing a sudden crisis because they have not sufficiently prepared for changes that could have been foreseen. Where major changes are needed then a strategic planning process can pave the way for them gaining buy-in from members, staff and the governing body.

The nature of strategic planning should vary properly from association to association but associations should not seek to reinvent the wheel in the planning process. In many countries, certainly in the USA and Great Britain, there is now a fair amount of information which helps associations in their strategic planning work.

A planning process should evolve over time building on those parts of the process which worked well and discarding those which worked less well. For example, an association can spend a long time developing a strategic plan such that it is out of date by the time it comes into operation. The timing of consulting stakeholders is another matter which associations can easily get wrong and which they should change over time.

To some the planning process might seem bureaucratic and getting in the way of the smooth running of the association. If properly managed it should not be. It should be an integral part of the way that a good trade association is run. The planning process itself should be valuable in helping stakeholders understand the issues facing the association and how they are being addressed. The resources that need to be devoted to an effective planning process should be regarded as a good investment in the future of the association.

Appendix 1
An American view of trends shaping associations

In 1999 the American Society of Association Executives (ASAE) published a report *Facing the Future* which analysed the major trends and issues affecting associations. 14 different trends were identified each of which related directly to each other. The report identified actions which associations needed to take -

- Adopting a new set of leadership characteristics will be the first step for association boards and staff as they move into the 21st century.
- Meeting rising member expectations and a greater demand for a return on the dues investment will drive association redesign.
- Keeping up with external changes and responding rapidly to members' emerging needs will require associations to become fast, fluid and flexible.
- The inability of current governance models to deal with an increasingly complex, fast paced environment will require a cultural shift for most associations.
- Associations must be willing to retire historically profitable programmes and services in favour of creating new programmes. They also need to extend their traditional areas of expertise (ie core competencies) to create new revenue generating programmes.
- The profound and beneficial influence of technology usage will be felt through its increasing capability to link people, build relationships and foster communities.
- Mastering the unplanned changes and unexpected consequences ("change loops") that do not fall neatly inside the time frame of the traditional planning calendar or scheduled board meetings will require a new mindset about the budget and planning processes.
- The generational shifts among staff, board and members will fundamentally alter the culture of associations. There will be shifts in member perception of and loyalty to the association, differing preferences for programmes and services and differing degrees of volunteer involvement.
- Securing a qualified workforce with the proper mix of business, technical and social skills combined with the diverse life experiences will demand greater skill, time, and effort.
- Gaining maximum advantage from outsourcing or co-sourcing will require associations to carefully distinguished core from non-core functions and identify its strategic benefits as well as cost savings.
- An increasing vulnerability to competition will require associations to become more vigilant about new types of competitors and to seek out non-traditional allies.
- As consolidation and mergers occur with greater speed and unpredictability, associations must become more proactive in dealing with the resulting chain reaction, which affects revenues, services and membership categories.
- As their members become less bound by geography, time zones, culture and language in their business and professional relationships, associations will have to redefine their own boundaries accordingly.
- Increasing public scrutiny and competition will lead associations to defend their members' credibility and to promote the unique value of their services or activities.

Appendix 2
Checklist for strategic planning process

Analysis

Analysis of market position
- What is the market
- Share of market covered
- Competitors

Factors influencing business
- Market changes
- Mergers
- Regulatory changes
- Social developments
- Reputation issues
- Internal changes

Strengths and weaknesses
- Membership
- Reputation with members, govt, media
- Members' involvement
- Staff
- IT
- Website
- Financial position
- Competition

The plan

Structural issues
- Possible mergers and federations
- Relations with other associations generally
- Relations with the European association

Policy priorities

Organisational issues
- Governance
- Expanding membership
- Service delivery
- Staff development
- IT and website

The process

Staff involvement

Leadership

Member involvement

Board approval

Implementation

Review