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**INDUSTRY ASSOCIATION  
RESEARCH PROJECT**

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***Report #2:  
Canadian Associations and the New Association Order:  
Potential Directions for Reform***

*Presented to:  
Industry Canada*

*Prepared by:  
Strategic Policy Choices, Inc. & Tom Deans Consulting, Inc.*

*March 1994*

**STRATEGIC POLICY CHOICES**

BRINGING PUBLIC POLICY TO THE BUSINESS ENVIRONMENT

**INDUSTRY ASSOCIATION  
RESEARCH PROJECT**

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**STRATEGIC POLICY Choices**

**BRINGING PUBLIC POLICY TO THE BUSINESS ENVIRONMENT**

## FOREWORD

This report is one of several based on research undertaken and the views of senior association and business executives received in the context of a study, commissioned by Industry Canada, of industry associations in Canada. The opinions expressed in this report do not necessarily reflect the views of Industry Canada.

The overall project, including research direction, and conduct of the interviews, mail surveys and focus groups, involved close collaboration between the consulting team and several groups in Industry Canada: Industry and Sector Policy Integration Directorates, Industry Sector Branches, and Industry Canada Regional Offices. In particular, Christopher LeClair for the consulting team and Michael Moore for Industry Canada, with the assistance of Sector Branch, Regional Office and Policy Sector personnel, arranged and conducted the interviews and focus groups.

Special thanks are extended to the association and business executives without whose cooperation and participation, the success of the project would not have been possible.

*Industry Canada  
March 1994*

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Strategic Policy Choices Inc. in association with Tom Deans Consulting Inc. is pleased to present the following reports on industry associations commissioned by Industry Canada:

***Report 1: Canadian Associations as Agents of Industrial Change: Canada In Comparative Perspective***

***Report 2: Canadian Associations and the New Association Order: Potential Directions for Reform***

***Report 3: Benchmarks In Innovation: Association Best Practices In Organizational Design and Service Delivery***

***Report 4: Annotated Bibliography***

We would like to thank Industry Canada personnel in both Ottawa and the regional offices for their active participation and logistical support throughout all phases of the project. In this regard, we extend special thanks to George Skinner, Terry Leung, Peter Chau, and, in particular, Michael Moore, for their efforts. In addition, we would like to acknowledge the advice and counsel of Dr. William Coleman and Dr. Michael Atkinson of the Department of Political Science at McMaster University along with the research efforts of Carlo Mastrangelo. Finally, we thank all association and company executives who provided their valuable input.

*Strategic Policy Choices Inc., and  
Tom Deans Consulting Inc.  
March 1994*



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## EXECUTIVE SUMMARY

This report was commissioned by Industry Canada as part of an ongoing effort by the Federal Government to help industry associations identify and respond to the key challenges of the 1990's and beyond. This is one in a series of reports that has examined various aspects about the structure and performance of Canadian industry associations in relation to their capacity to provide effective and timely services to member firms.

Section one of the report examines the critical role that industry associations play in providing member companies with services ranging from *education and training, export promotion, bench marking, codes and standards work*, and a host of other activities that have a direct impact on the competitive prospects of member firms. Sectoral associations, in particular, have become providers of value-added services designed to respond to an ever-increasing range of specific industry challenges. Both the federal and provincial governments are showing clear signs of increasing their collaborative efforts with industry associations in the area of industrial competitiveness. If the current thinking is correct, industry associations could be called upon to further expand their range of activities and services in response to a number of prevailing conditions.

However, over the last three years, association executives have expressed concern that the capacity of Canadian industry associations to provide these kinds of value-added services is neither consistent nor widespread. Indeed, at the same time companies are looking to them to respond to a growing number of external pressures, associations are finding that they lack the resources to meet these challenges. The need to help companies gain new export markets, promote international harmonization of codes and standards, initiate environmental stewardship programs, and undertake international productivity/quality bench marking are illustrative of the kinds of issues that companies are looking to their associations for leadership and action.

Section two of the report presents the results of interview and survey research on a number of critical issues relating to the health of Canada's industry association community. The purpose of this research was to gain insights from both association and company executives on the perceived challenges confronting industry association in Canada.

The findings of the research is divided into six general areas:

### ***1) Key Association Activities and Services***

Canadian industry associations are active in providing services in a number of different areas, most of which are identified by member companies as being critically important. The one area where views of association executives and member companies seem to diverge is over the relative prominence that is attached to the advocacy function. While associations are quick to point to their advocacy efforts as an activity of key importance, companies are interested in sectorally specific lobby efforts in which the association has a



meaningful chance of influencing policy. Company executives also point out that there are significant variations in the effectiveness of services provided to them by different associations.

### ***ii) Re-thinking Association Roles and Priorities***

Company and association executives believe that there is a need for major changes in the way associations operate in Canada. Almost half of the association executives surveyed identified the need to forge closer cooperation with other associations and in some cases merge to reduce duplication. Company executives want associations to recognize that as members they are first and foremost "customers" and should to be treated accordingly. In addition, there is a dominant belief that the traditional geographic and sectoral boundaries that define association mandates are no longer relevant. Company executives want their associations to evolve as they themselves evolve. As companies expand into new markets they are increasingly looking to their associations to provide services which take account of the new marketplace.

### ***iii) Fragmentation and a Lack of Resources***

Association and company executives believe that Canada's association community is characterized by an abundance of industry associations. There is a strong belief many associations duplicate each others efforts and use up limited industry resources in the process. Company executives indicated that they can no longer afford to belong to so many associations and that they are more often choosing not to renew memberships. They believe that association fragmentation and a lack of resources are opposite sides of the same coin.

### ***iv) Responding to the Fragmentation and Resources Problems***

In terms of responding to the overall problem of association fragmentation and a lack of resources, the consensus of opinion between association and company executives is not as apparent. The vast majority of company executives want systematic association mergers and rationalization at the sectoral and sub-sectoral level. In contrast, half of the association executives favour this approach. Alternatively, association executives believe that coalitions are a better way to reduce duplication among industry associations.

### ***v) Associations as Industry-Government Intermediaries***

Association and company executives see significant benefits arising from industry associations administering government programs. Both cite the same reasons as to why this is a positive approach. At the same time, both want to see formal criteria in place that can be used to determine if an association should be eligible to assume program delivery roles. This includes criteria relating to the size of the industry that an association represents, the degree to which an association fully represents the firms in a particular

industry, and the staff and administrative capabilities an association has in order to effectively deliver a program or service.

#### **vi) The Role of Government**

Industry association executives believe that government has a major impact on the effectiveness of industry associations. They claim that influence of government is sometimes exercised in a number of ways; who it decides to consult with on policy or regulatory matters and how it goes about identifying which associations are given the opportunity to play a role in the process, greatly enhances or undermines the legitimacy of associations in the eyes of their members. In contrast, the views of company executives on the role of government deal more with what the government ought not to do - it must not fund industry associations.

A theme which came out clearly throughout the interview and survey process is that association reform is starting to take shape and will likely increase in scope. In an effort to better understand how such reform ought to occur, a comparative examination of the sources of industry association effectiveness employed by leading international researchers was conducted. This approach used in the comparative study of industry associations traces the causal link between an association's capacity to provide effective services and its specific organizational properties. Cross-national analysis of industry associations in Europe highlights the causal relationship between an association's *outputs* (services and activities it offers members) and its key organizational attributes, defined in terms of its level of *organizational development*. The more *organizationally developed* an association is, the more capable it is of providing its members with comprehensive services. The chief organizational properties which determine an association's level of organizational development, and hence its effectiveness, are its *membership domain*; the *resources* it has at its disposal; and the way in which it is *structured* (both internally and its relationship with other associations).

Broader association domains, fewer competing associations, less reliance on dues, and a concerted effort to cooperate, rather than compete with related associations are among the organizational attributes that characterize those associations in Japan and Europe that are noted for their effectiveness in meeting the needs of member companies. In Canada, preliminary research suggests that such organizational attributes are also important factors in accounting for the services and activities associations are capable of providing to member firms.

It is instructive to note that comparative studies of association effectiveness focus on the kinds of organizational questions that many Canadian association executives and member companies are openly asking themselves: *What is the best way to finance association activities? What are the implications of having a more broadly-based versus narrow association domain? Are there benefits to more concerted association cooperation? What is the most*

*appropriate role for the government to play in helping to make industry associations more effective?*

The report concludes with *Potential Directions for Associations in the 1990's*, outlining areas for reform for associations and their members to explore as a means to enhance the services and activities they undertake. These areas for reform build on the findings from the survey and interview research combined with insights from the comparative literature on the *sources* of industry association effectiveness. Each reform is accompanied by action steps that associations and their member firms can implement to help initiate a process of reform. In some cases, the report identifies a supporting role for Industry Canada to play. The *Potential Directions for Associations in the 1990's* are as follows:

***Activities and Services:***

1. Associations will be increasingly expected to deliver services which are comprehensive, timely, and at a far better value than what companies would otherwise be able to secure from another source.
2. Wherever possible, national associations must strive to provide a meaningful national focus and be responsive to regional needs in a flexible and cost-effective manner.
3. Associations have begun to play an important role in self-regulatory activities. In order to achieve the full benefits of these activities, associations will need to make a concerted effort to define what kinds of actions government can undertake to facilitate the self-regulatory function.
4. As government looks for more innovative ways to deliver services to industry, associations may be called upon to act in a program delivery capacity. While associations see this as a positive opportunity, there is a corresponding recognition of the need to develop eligibility criteria, accountability mechanisms, and performance benchmarks to ensure that the programs are delivered fairly and efficiently.

***Domains:***

5. Associations must work to more fully express the views of all segments of the industry they represent and be able to document the levels of industry support on different issues. Those associations that do so will be in a better position to assume a leadership role in the delivery of public programs, the providing of more formative input on existing or proposed government policy and other forms of industry/government collaboration.
6. Mergers or small sectoral and sub-sectoral associations will likely be required to make better use of industry funds as well as provide associations with the critical mass of members to ensure they are capable of speaking with authority on behalf of the firms in an industry.

**Structures:**

7. In cases where mergers are not likely to occur, related associations should work to cooperate where the pooling of resources and staff time makes for more effective service delivery.

8. Associations should identify a means by which to provide a collective voice on those government policy issues that affect the functioning of industry associations as effective industry-government intermediaries, including issues such as proposed changes to the Lobbyist Registration Act.

**Resources:**

9. Associations must attempt to move away from exclusive reliance on dues towards other forms of revenues and should investigate more fee-for-service approaches.

10. Associations/members must work to develop a position on the issues of core funding to industry associations.

### ***I. Imperatives of the "New" Association Order***

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For Canada's industry association community, the mid 1990's will prove to be a period of structural and economic upheaval every bit as systematic as that confronting the companies they represent. The competitive consequences of the globalization of markets, the imperative of achieving "economies of scale," and the inevitability of closures, lay-offs, and the attendant dislocation that such rationalization brings about, will become as commonplace to association executives as they have been to the executives of member companies. The days of companies indiscriminately funding numerous industry associations without careful scrutiny of their "return on investment" are obsolete. In short, industry association executives are confronted by what can best be described as a new association order. In commenting on these kinds of changes, Dr. Al Litvak predicted that "in five years, I personally don't think we'll recognize our associations."<sup>1</sup>

Industry associations are responding in two diametrically different ways to this *new association order*. An encouraging number have implemented the kind of competitive adjustments needed in order to survive and prosper, seeking out potential merger opportunities, revisiting the logic and relevance of their mandates, and otherwise redefining the very essence of the association-member relationship. By contrast, some associations remain wedded to the *old association order*, characterized by a belief among association executives that companies will continue to belong out of some altruistic sense of "commitment to the industry," regardless of the bottom line benefits that membership offers.

For Canadian companies, governments, and of course, the associations themselves, the eventual outcome of the adjustment process in Canada's industry association marketplace is a matter of some consequence. The issues that require concerted industry action have never been more pronounced. Associations are the chief vehicle through which industry-wide action can best be pursued. The need to develop and exploit export opportunities in a cost-effective manner, the desirability of self-regulatory approaches over government imposed regulation, and the development of industry-driven education and training infrastructure are just a handful of the critical tasks that demand strong, effective industry associations.

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<sup>1</sup> As cited in Phil Johnson, "Calm Before the Storm," *Association Magazine*. February/March 1992. p. 17.



## **II. Purpose of Report:**

### ***Understanding and Responding to The Challenges That Confront Industry Associations in the 1990's***

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This report is part of an ongoing effort by Industry Canada to help industry associations identify and respond to the key challenges that affect their capacity to provide effective and timely services to member firms in the context of the 1990's and beyond.

The report has two principal objectives:

First, the report aims to summarize and compare the views of association and member company executives on a number of key issues affecting industry association in Canada. These issues include: variations in the quality and comprehensiveness of association services currently offered, the existence of association fragmentation, the financial pressures confronting industry associations, the need for possible changes to the way associations are organized, and the role of government in helping to promote association effectiveness.

Second, the report combines the insights of the survey research with comparative analysis of association performance in other countries in order to identify and understand the *sources* of industry association effectiveness. In the process, the report points to potential directions for reform that association and member company executives may want to consider as they move to enhance the effectiveness of industry associations in Canada.

## **III. Report Format**

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The report is divided into the following sections:

**Section one** provides a brief overview of the importance of industry associations in Canada and identifies the emerging consensus on the kinds of challenges that confront associations in the 1990's. This section sets out five key issues about the current state of industry associations in Canada around which much recent debate has centred.

**Section two** summarizes the views of executives of both associations and member firms as they relate to the key issues set forth in the previous section. This provides an opportunity to assess the level of concern over the health of industry associations and the perceived need for changing the way associations operate in Canada.

**Section three** employs an approach used in the comparative study of industry associations that traces the causal link between an association's capacity to provide effective services to its specific organizational properties. By looking at the relationship between organizational attributes and association effectiveness as it applies to examples drawn from studies of

Canadian, Japanese, and European associations, this approach provides the basis for a discussion about the suitability of industry association reform in Canada.

*Section four* concludes by highlighting "Future Directions" for industry association reform in Canada that associations, member firms, and the government should explore as a means to potentially enhance the effectiveness of associations. Building on the findings of the personal interviews, focus groups, and the theoretical insights contained in the comparative literature, this section proposes the kinds of organizational changes that should be considered.

#### ***IV. An Overview of the Research Methodology***

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In developing the primary research approach, Industry Canada and the consulting team balanced a number of methodological objectives: (1) the importance of focusing on key sectoral areas while at the same time gaining insights on a wide cross-section of Canada's industry association community; (2) the need for the study to be national in focus while minimizing costs; and (3) the ability to analyze the views of association executives/member firms in a manner that is systematic, rigorous, and yet flexible enough to take into account the financial, geographic, and time constraints which pose challenges to the thoroughness of any national research effort.

In an attempt to accomplish these objectives, Industry Canada and the consulting team agreed on a research workplan that consisted of personal interviews with association executives, mail surveys of association executives, and focus groups of company executives. Industry Canada's sector branches and regional offices had the responsibility of selecting the association executives that were to be interviewed, those that were to be sent a mail survey, along with the make-up of the focus groups. Industry Canada also had a role in organizing the meetings, coordinating the logistics and participated in the actual interviews and focus groups. It is worth noting that when sector branches and regional offices sought association participation in the research project, interest in the project was so high that the number of personal interviews, mail surveys, and focus groups had to be dramatically expanded from the original estimates.

The following shows the final breakdown of personal interviews, mail surveys, and focus groups that were conducted:

**Personal Interviews:** A total of 57 personal interviews were conducted with association executives in Montreal, Toronto, Ottawa, Halifax, Moncton, Saskatoon, Regina, Calgary, Edmonton, and Vancouver.

**Mail Surveys:** A total of 136 mail surveys were sent out to association executives across Canada. Thus far, 43 mail surveys have been completed and returned, for a response rate of 32%.

**Focus Groups:** A total of 11 focus groups were conducted in Montreal, Toronto, Halifax, Moncton, Saskatoon, Calgary, Edmonton, and Vancouver. Of these, 8 groups consisted of company executives and 3 of association executives. The focus groups of company executives involved a total of 65 people. The remaining 3 groups brought together an additional 28 association executives.

## **V. Understanding Associations:**

### **A Taxonomy**

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Before it is possible to examine industry associations in Canada, it is first appropriate to define what is meant by the term industry association in the context of this report. In this report, the term industry association refers to "...a non-profit, voluntarily-joined organization of business competitors designed to assist its members and its industry in dealing with mutual business problems." The term industry association is often used interchangeably with "trade" or "business" association.

Likewise, it is important to distinguish between the different kinds of associations which exist in Canada and abroad. On the most basic level, associations can be categorized on the basis of the scope of the industry segment they represent. Association scope can be defined on both an *economic* and *geographic/territorial* basis. In terms of geographic scope, industry associations in both Canada and abroad represent companies on a *local, provincial/state, regional, national, and international level*.

In differentiating association types on the basis of the scope of economic activity they represent, the complexity of the associational system emerges. Typically, associations are one of the following types listed below:

**Subsectoral Associations:** represent a narrow, specific element of a sector of the economy (i.e. dairy products, plastic molds/machinery).

**Sectoral Associations:** represent a "sector" of the economy, sometimes defined by the International Standard Industrial Classification (ISIC) code or, in the case of Canada, the Canadian Industrial Classification (SIC) code (i.e. food processing, chemicals).

**Intersectoral Associations:** represent a number of sectors of the economy.

These association types are consistent with the variations in those found in both Canada and abroad.<sup>2</sup> However, on a practical level, it is difficult to differentiate between these

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<sup>2</sup> For a good overview of these distinctions see William Coleman, "Canadian Business Interests and the State," in K. Banting ed. *The State and Economic Interests: Volume 32 of The Research Studies Prepared for The Royal Commission on Economic Union and*

associations. In the case of sectoral and subsectoral associations, the lines of demarcation are not that clearly drawn. For the purpose of this report unless otherwise noted, the term "sectoral" association will tend to encompass those at the "subsectoral" level. Much of the comparative literature tends to distinguish between associations in terms of their sectoral or intersectoral focus.

While not that common in Canada, any taxonomy of associations must also distinguish between the above and those that function as "**Peak**" Associations. These are associations that exist at both the sectoral and intersectoral level and share a formalized, ordered relationship with a group of associations representing industries at a lower subsectoral or sectoral level. As "associations of associations," they are capable of maximizing industry input through vertical integration and coordinating the activities of the most specialized interests into discussions of broader industrial concerns at a sectoral and/or national level.

In Canada, there are few national sectoral peak and intersectoral peak associations which exhibit formalized relationships with smaller associations. At both the sectoral and intersectoral level, associations tend to represent individual firms directly. In contrast, at the provincial level, Le Conseil du Patrontat in Quebec (CPQ) is an association which functions as intersectoral peak associations in the traditional sense. The CPQ, for example, represents 126 associations which cover all major sectors of the Quebec economy.

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*Development Prospects for Canada.* (Toronto: University of Toronto Press, 1986) pp. 245-285. It is also worth noting that it is possible to segment associations on the basis of what "trade level" or business channel they represent. Quite often within a specific sector, different associations exist for *manufacturers, distributors, wholesalers, and retailers*. See Isaih Litvak, *National Trade Associations: Business Government Intermediaries*, *Business Quarterly*, (Autumn 1982) pp. 34-42.

## REFLECTIONS ON THE STATE OF CANADA'S INDUSTRY ASSOCIATION COMMUNITY: AN OVERVIEW

### ***I. Canadian Industry Associations and Their Undisputed Importance to the Competitiveness Equation***

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Industry associations in both Canada and abroad have long been recognized as salient agents of industrial change.<sup>3</sup> Leading industry associations in Canada have become providers of value-added services designed to respond to an ever-increasing range of complex industry challenges. They serve as the means through which companies can pool their efforts to collectively address industry problems too daunting for any one company to solve. The activities and services that many associations provide are central to the international competitiveness of the firms they represent. In Canada, industry associations are involved in a number of such activities.

In the area of *education and training*, associations in the electronics, plastics, petrochemicals, automotive, and transit industries have developed comprehensive training programs that are heavily utilized by member companies. In the forestry industry, for example, associations have taken on *export promotion* activities that have systematically expanded export opportunities for companies in that industry. A growing number of sectoral and a few intersectoral associations have undertaken *industry bench marking* activities that have helped companies improve in areas such as ISO 9000 compliance and the adoption of Total Quality Management (TQM) practices. In the area of product *codes and standards*, associations representing the building and construction-related industries have played a major role in harmonization and product approval issues. Under the rubric of *environmental protection*, associations from the chemical and grocery products industries, among others, have taken the lead in developing industry action plans which place these associations at the forefront of product stewardship. And finally, associations representing the securities and insurance industries have undertaken various forms of industry *self-regulatory* functions, thereby protecting the public interests while at the same time protecting their members from government-imposed initiatives. Of course, these are just some of the industries and issue areas where associations have developed comprehensive programs and services tailored to respond to the needs of the private sector. To use Michael Porter's lexicon, "associations have become important leverage

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<sup>3</sup> M.M. Atkinson, W.D. Coleman, *The State, Business and Industrial Change in Canada*. (Toronto: University of Toronto Press, 1991); Peter Katzenstein, *Corporatism and Change: Austria, Switzerland and the Politics of Industry*. (Ithaca: Cornell University Press, 1984) See also, Peter Katzenstein, *Small States in World Markets: Industrial Policy in Europe* (Ithaca: Cornell University Press, 1985); W.D. Coleman, *Business and Politics A Study in Collective Action*. (Kingston: McGill-Queen's University Press, 1988).



mechanisms” for assisting member companies to respond to a growing number of competitiveness challenges.<sup>4</sup>

If the current thinking is correct, industry associations will be called upon to further expand their range of activities and services in response to a number of prevailing conditions. The then Minister of Industry, Science, and Technology Canada, Michael Wilson noted that:

*“...as the role of the public sector changes, Canada will need a strong phalanx of industry associations to support our businesses. That is why the federal government has been urging forward looking business leaders to think about making more effective use of this critical resource.”<sup>5</sup>*

Speaking in regard to the emerging importance of industry self-regulation, a former Deputy Minister and now association president, Mark Daniels, had this to say about the growing workload of industry associations:

*“There can be little doubt that governments will continue to cut back their activities in response to the deficit crisis (at least while they continue to try and fight it), and the consequences for traditional policy, legislative, and regulatory roles are clear. Less will be done by government, and associations as well as individuals will find themselves in the delicate role of trying to define, understand and accommodate the public interest while credibly pursuing their self-interest.”<sup>6</sup>*

In the area of education, training, and technology development, Michael Porter argued that associations need to assume a greater role in helping members address international competitiveness challenges. To do this Porter contends that we must “transform trade associations into factor creating mechanisms.”<sup>7</sup>

These observations seem to confirm a current trend towards increased government-industry cooperation which uses the strategic position of industry associations as the intermediary. At both the federal and provincial level, governments are showing clear signs of increasing their collaborative efforts with industry associations in the area of industrial competitiveness. In Ontario, a major initiative termed the *Sector Partnership Fund* has been established to bring industry, labour, and government together in an effort to identify industrial policy needs and develop programs and policies in response to them. The work

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<sup>4</sup> Michael Porter and The Monitor Company, *Canada at the Cross Roads: The Reality of A New Competitive Environment*. (Ottawa: Business Council on National Issues and The Ministry of Supply and Services, 1991) p. 91.

<sup>5</sup> Hon. Michael Wilson, Minister of Industry, Science and Technology Canada, *Canadian Competitiveness: The Public Sector Factor*. (Ottawa: Minister of Supply and Service, June 1993) p. 13.

<sup>6</sup> Mark Daniels, "Issues in Association Management: The Trend Toward Intermediation," in *Business Quarterly*. (Spring 1991) p. 6.

<sup>7</sup> Porter, *Canada at the Crossroads*. p. 79.

is undertaken through tripartite task forces which are looking into areas such as trade, technology, education and training, the environment, and international competitiveness. In Quebec, associations have been called upon to participate in the provincial governments' industrial policy efforts through the establishment of *industrial clusters*. As in the case with Ontario, this initiative is tripartite in its approach and seeks to identify and respond to key industrial challenges confronting clusters of industries.

At the federal level, partnerships with industry association continue to increase involving a number of departments in areas such as; the environment, trade/investment promotion, international competitiveness, technology, education and training, and health and safety, among others. Indeed, the advent of the importance of education and training alone, has seen the establishment of a host of tripartite consultations in the form of Sector Studies and Sector Councils which call upon industry associations to play a major role in both the design and in some cases the delivery of services and programs.

In addition, the workload of industry associations has grown in response to concerted efforts by provincial and federal governments to open up the policy-making process. Such efforts consist of the establishment of extensive consultation exercises surrounding the development of public policy and have been offered up to address growing public desire to see more democratic governance in Canada. As the key representatives of industry, associations have been called into policy and regulatory consultations on a multitude of issues. While industry associations are obviously favourably disposed to any chance to provide input into the policy process, the resources required to respond to the burgeoning number of consultations are substantial, creating a situation where many association executives claim to suffer from what has come to be known as "consultitis".

## ***II. Growing Concern About the Capacity of Industry Associations to Provide the Kind of Services That Members Require in the 1990's***

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There is a concern that the capacity of Canadian industry associations to provide these kinds of value-added services is neither consistent or widespread. Indeed, at the very time governments are looking to industry associations to assume increased responsibilities to help deliver essential business services to member firms, associations are finding that they lack the resources to meet these challenges. The Industrial and Electrical Equipment Prosperity Task Force offer an illustrative depiction of associations in Canada and their capacity to play a greater role in working with government to jointly address competitive problems:

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<sup>8</sup> The Industrial and Electrical Equipment Sector Task Force, *Prosperity Initiative: A Report of the Industrial and Electrical and Equipment Sector* (April 1992) p. 20.

*"With the exception of some powerful associations, many are by and large small, poorly funded, inadequately manned and narrowly focused. As governments are reduced in size and program spending, they look to associations to take on more responsibilities...How can they accept this challenge?"*

### **III. Determining the Key Issues**

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Various consultations and bilateral meetings served to initiate a series of discussions among association and member company executives along with the Federal government. These discussions centred around issues dealing with the relative health of Canada's industry association community.

A view held by various association executives and the heads of member firms was that the Federal government has a role to play in helping to develop a more comprehensive understanding of the problems that Canada's industry association community faces. As part of the Federal government's response to this request, a group of association executives were brought together in the Spring of 1993 for what was termed a "Brainstorming Session." This meeting offered association executives and government officials the opportunity to exchange views on a wide range of issues concerning Canadian industry associations. From this meeting as well as numerous other informal and formal consultations, the following issues emerged which all parties agreed require further investigation and analysis:

#### ***i) Associations Are Important Providers of Key Services to Member Firms but There Are Widespread Discrepancies in the Scope and Quality of Association Services***

Associations are generally regarded as strategic players in providing a range of critical business services to their members who would have difficulty securing on an individual basis. At the same time, variations in the quality and effectiveness of services offered by industry associations are pronounced. While some associations offer a range of comprehensive business services that receive strong support of member firms, many of the smaller associations are not equipped to compete and have lost members as a result of their inability to provide "value-added" services.

#### ***ii) The Reasons for Variations in Association Effectiveness Seem to Relate to the Large Number of Associations, Many of Whom Are Small and Lack Resources***

One of the potential reasons for the variation in patterns of association activity is that there are too many industry associations in Canada that openly compete with each other for membership. In Canada, we have hundreds of small national associations, the majority of which lack both the financial and human resources to design and deliver the kinds of services that meaningfully help member firms. At the same time, it is believed that Canadian associations rely too heavily on membership dues.

### ***iii) Associations Will Need to Look at Ways to Make Better Use of Limited Industry Funds***

There is a belief that mergers of smaller associations may be required to create more financially viable associations capable of ensuring that more companies have access to the kind of high quality services that associations are capable of providing. At the same time, any kind of rationalization will not be easy.

### ***iv) There Are Both Opportunities and Drawbacks to Associations Playing a More Pronounced Role as Intermediaries Between Industry and Government***

Government efforts to reduce the size of the public sector will continue to place pressure on associations to assume program and service delivery functions. For the most part, agreement exists on the benefits that could result from associations assuming an expanded role in areas such as program design and delivery. However, association executives express concern about their collective capacity to deliver programs and services to members given existing financial resources and staff constraints.

### ***v) What is the Role for Government to Play in Helping Encourage Industry Associations to Become More Effective in the Provision of Services to Member Firms***

Association executives have two different views on the role that government should play with respect to promoting industry association effectiveness. Many argue that government should assume a leadership role in *encouraging* major association reform and promoting association effectiveness. There are some associations, on the other hand, who interpret any form of government involvement in the workings of industry associations as intrusion into what is viewed as a private sector responsibility.

A consideration of what has been written by leading authorities on Canadian industry associations confirms the importance of many of these key issues. In terms of the number of industry associations in Canada, Litvak found that there could be as many as 700 national industry associations in Canada.<sup>9</sup> In his extensive work on industry associations, William Coleman has gone one step further and cited the existence of a multiplicity of competing associations in Canada as a cause of a fragmented association community which undermines the effectiveness of industry/government collaboration.<sup>10</sup>

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<sup>9</sup> Isaiah Litvak, "The Lobbying Strategies of Business Interest Groups," in James Fleck and Isaiah Litvak eds. *Business Can Succeed!: Understanding the Political Environment*. (Toronto: Gage Publishing, 1984) p. 66.

<sup>10</sup> William Coleman, "Canadian Business and The State," in K. Banting, ed. *The State and Economic Interests*. Vol. 32: Royal Commission on the Economic Union and Development Prospects for Canada. (Toronto: University of Toronto Press, 1986) pp. 245-289.

## **INDUSTRY ASSOCIATIONS AND THE CHALLENGES OF THE 1990'S: THE VIEWS OF ASSOCIATION AND COMPANY EXECUTIVES**

The *key issues* raised in the previous section formed the basis of the research effort to solicit the views of association executives and member companies on the challenges confronting industry association in Canada and the possible changes that can be made to help bring about stronger, more effective associations. These issues were distilled into two key research instruments: a *personal interview/survey questionnaire* and a *focus group discussion guide*. While each of these research instruments was designed to solicit input on the same key issue areas, they vary to the extent that the focus group discussion guide was obviously less specific and approached issues from the perspective of the member company, not the association executive. The key issues set forth in each survey instrument contained a series of open-ended and closed questions.

In response to each key issue area, a summary of the views of association executives is presented followed by the views of member companies. Throughout this section, an effort is made to highlight both the similarities and differences of opinion between the two groups. Moreover, an attempt is made to augment the analysis with the direct comments of association and company executives in a way that provides a first hand glimpse into their thinking on various issues.

### **Issue #1:**

#### ***Variations in the Kinds of Services That Associations Offer Member Firms and the Degree to Which Association Services Correspond to Member Expectations***

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##### ***i) Key Services and Activities: The Association Perspective***

Industry associations report being active in an ever-increasing number of areas. The five most commonly cited activities/services that associations offer include: *Advocacy* 93%; *Informational Services* 75%; *Public Relations* 62%; *Education and Training* 61%; and *Trade/Export Promotion* 52%.

When examining the kinds of services that associations provide, there is a striking variation in the level of comprehensiveness that different associations offer member firms. In some cases, these services are offered as part of an association's strategic plan to respond to particular industry needs in an integrated fashion. Other times, associations undertake activities on an ad hoc basis which appear only to scratch the surface of the members' needs in a specific area. The following highlights the variations in specific activities and services provided by associations under the auspices of six activity/service categories:



(1) **Export Promotion/Market Development** remains a salient priority of many associations. Activities and services of many associations tend to focus on government initiated and funded trade missions to other countries. By contrast, at the other end of the spectrum, *the Council of Forest Industries (COFI), the Petroleum Services Association of Canada (PSAC), and the Automotive Parts Manufacturers' Association (APMA)* have established separate trade promotion offices in both Canada and abroad to better exploit new export opportunities. Furthermore, associations exclusively dedicated to export development such as *the Canadian Exporters Association (CAE)* provide a mix of both policy advocacy and business services aimed at helping members access and exploit new markets.

(2) **Education and Training** is one of the fastest growing areas of association focus. Activities and services of the majority of associations tends to center on short-term, training seminars aimed at the management level. Although of obvious benefit to the members, such activities address only a small portion of industry needs in this critical area. By contrast, *the Society of the Plastics Industry (SPI), the Automotive Industries Association (AIA), the Electrical and Electronic Manufacturers Association of Canada (EEMAC), and the Petroleum Services Association of Canada (PSAC)* have developed more comprehensive training programs aimed at various levels of employees in their respective industries. As a point of interest, *the Canadian Urban Transit Association (CUTA)* has developed a training program that is so popular, the association has been able to sell it internationally to transit companies in various countries. In the financial services area, *the Canadian Bankers Association (CBA)* and *the Trust Companies Association of Canada (TCAC)* also have extensive training services and programs available to members.

(3) **Bench marking/Competitive Adjustment Services** have grown exponentially in response to the dramatic increase in prominence of the "competitiveness issue," combined with the emergence of international quality standards such as ISO 9000. Again, there is considerable range in the comprehensiveness of activities and services offered under this banner. For many associations, efforts primarily focus on organizing seminars to inform members about emerging issues relating to Total Quality Management and ISO 9000. Such efforts are confined to information dissemination and do not go as far as systematically helping member firms implement quality standards or continuous improvement plans. Alternatively, *the Society of the Plastics Industry (SPI), the Automotive Parts Manufacturers Association (APMA), the Canadian Manufacturers Association (CMA), les Association des manufacturiers du Quebec (AMQ), and the Environmental Services Association of Alberta (ESAA)* have developed more comprehensive bench marking activities in cooperation with government programs such as the Advanced Manufacturing Technology Application Program (AMTAP) and the Automotive Components Initiative (ACI).

(4) **Regulatory Advocacy, Development, and Compliance** services and activities of industry associations have surged in response to the enormous growth in regulatory activity at the

provincial level. In areas such as the environment, health & safety, and labour policy, associations have been called upon to help their members respond to an increasingly complex regulatory environment. It is possible to break down the services provided into three separate sub-categories based on increasing involvement: *regulatory advocacy*, *regulatory development*, and *regulatory compliance/self regulation*.

These activities differ on the basis of the role an association plays in the regulatory process:

**Regulatory Advocacy** is one of the most basic association activities and consists of lobbying officials for less onerous regulatory measures. For a great many associations, this represents the extent of their involvement in the regulatory process.

**Regulatory Development** is a more comprehensive activity and refers to the role played by associations in the design of regulatory initiatives. *The Canadian Drug Manufacturers Association of Canada (CDMA)* and *the Canadian Association of Petroleum Producers (CAPP)* and *the Mining Association of Canada (MAC)*, among many others, contribute to the content of new regulations in an ongoing basis.

**Regulatory Compliance** is the most comprehensive level of association involvement in the regulatory process and refers to the role that associations assume in helping to ensure that its members adhere to regulatory requirements. An emerging trend among industry associations in this area is to assume self-regulatory functions. For industry associations in the financial sector, self-regulation is not a new phenomenon. *The Investment Dealers Association (IDA)*, *the Canadian Life and Health Insurance Association (CLHIA)* and *the Insurance Bureau of Canada (IBC)* have all assumed these kinds of functions. More recently, however, we are seeing instances where other industry associations including *the Canadian Chemical Producers Association (CCPA)*, *the Grocery Products Manufacturers of Canada (GPMC)*, *the Pharmaceutical Manufacturers Association of Canada (PMAC)*, and more recently, *the Canadian Franchise Association (CFA)* are assuming self-regulatory functions. While the precise nature of the self-regulatory activity varies from one association to another, the objective remains the same; assuming responsibility for the actions of industry in order to maintain the public trust and lessen the need for government-imposed initiatives.

(5) **Public Policy Advocacy** remains the prime focus of a large number of industry associations. Advocacy efforts take place on both a sectoral specific and intersectoral basis. For example, sectoral associations like *the Information Technology Association of Canada (ITAC)* and *the Canadian Advanced Technology Association (CATA)* both lobbied successfully for the expansion of Research & Development tax incentives and government procurement policies that will benefit their members. *The Canadian Textile Institute (CTI)* devotes much of its time lobbying on trade policy matters. At the intersectoral level,

associations like the *Business Council on National Issues (BCNI)*, the *Canadian Chamber of Commerce (CCC)*, the *Canadian Federation of Independent Business (CFIB)*, the *British Columbia Business Council (BCBC)*, and *le Conseil du Patronat du Quebec (CPQ)* tend to focus on broader, less sector-specific policy issues. Issues such as the implications of provincial labour reform, the appropriateness of fiscal and monetary policy, and the burden of taxation are the kind of policy areas these associations lobby for change.

**(6) Industry Research and Statistical Services** are an integral part of what most associations offer their members. Their prominence has increased as associations move to address issues, such as; bench marking and competitive industry analysis where the existence of specific industry data is critical. Many associations tend to focus on circulating/re-working existing sources of information collected by organizations such as Statistics Canada. However, some associations have moved into conducting more original, comprehensive industry analysis that serves as an important business planning /market intelligence tools for member companies. *The Canadian Office Products Association (COPA)* and *the Canadian Restaurant and Foodservices Association (CRFA)* are examples of associations that conduct extensive market and customer research which is highly utilized by member firms.

### ***ii) Key Services and Activities: The Company Perspective***

There are both similarities and differences between what associations offer in the way of services and what members expect. Insights from member companies gained through the focus groups are divided into three dominant sub-themes: (a) *members want services and activities that affect the bottom line*; (b) *members want services rather than broad advocacy efforts in the majority of cases*; and (c) *members are increasingly looking to sectoral as opposed to horizontal associations as the key providers of value-added services*.

#### ***a) Members Want Services and Activities That Affect the Bottom Line: "Am I Getting Value for My Money?"***

Members of associations view themselves as the customers and their associations as the suppliers. They want value for their money and are increasingly examining the relevance of the associations to which they belong and the impact that these services have on their businesses. At first blush, the specific kinds of services that members expect from their associations are very similar to the services listed by association executives and include: *market information, the chance to network with potential customers, industry statistics/research, bench marking information, input into the regulatory process, and education*. At the same time, companies point out that the level of effectiveness of the services they receive in the above areas varies dramatically from one association to another. Most members are able to distinguish between those industry associations they belong to that provide them with value-added services versus those that do not. Such discrepancies in industry association performance are forcing members to look beyond what is contained in the membership

promotion brochures and examine the usefulness and quality of specific services offered under each activity area. According to one member company:

*"I evaluate the benefits I get from my association on an activity by activity basis. If it is a choice between hiring a new sales person, a trip to meet with a customer or renewing association memberships, I have got to be convinced the specific services I received were worth the money."*

### ***b) Members Want Services Rather than Broad Advocacy in the Vast Majority of Cases***

Closely related to the previous theme is a dominant belief that associations spend far too much time and resources on advocacy and lobbying functions aimed at broad policy issues. This seems to stand in stark contrast with the tendency among many association executives to highlight the prominence of their lobbying efforts. Members believe that these activities yield little in the way of tangible results and detract from the ability of associations to provide meaningful services to member firms.

According to one company executive, the results or lack thereof speak for themselves:

*"Every year the associations that I belong to claim they lobby for lower taxes, less government and less regulations-every year I pay higher taxes, face more government intervention and am forced to comply with more regulations!"*

However, it is important to note that company executives view association lobby efforts on sectorally-specific issues such as Research & Development tax regimes, government procurement, and environmental regulation somewhat differently. If the lobbying or advocacy efforts are focused and members believe their association actually has a chance to shape the regulatory or policy process, support for this activity area increases dramatically.

### ***c) Members Are Increasingly Looking to Sectoral as Opposed to Intersectoral Associations as the Providers of Value-Added Services***

Consistent with the previous two sub-themes, members are starting to consolidate their membership in those associations that bring them the most *sectorally-relevant* business services. Many participants openly claim that they have recently dropped their membership in intersectoral associations such as the Canadian Manufacturers Association, Chambers of Commerce, and Boards of Trade. Members are making these kinds of decisions on the basis of the belief that industry-specific services such as information on export market opportunities, emerging technologies, or the implications of new regulatory requirements are better met through sectoral associations. Industry complexity, technological development and globalization have resulted in the increasing specialization of the issues that associations must address on behalf of member firms. Intersectoral associations are thus considered ill-prepared to provide the kind of focus and sectoral expertise that companies are looking for in association services. In addition, the growing lack of support for macro policy/non-sector specific advocacy (an activity considered to be the central focus

of intersectoral associations) has contributed to the move away from intersectoral associations.

**Issue #2:**

**The Need to Re-think The Way Industry Associations Do Business in Canada**

The second *key issue* dealt with the degree to which both association and company executives are seriously re-thinking the role of industry associations and how they respond to member needs. To what degree are industry associations cognizant of the fact that members view them as potential suppliers of business services? What changes are they intending to make to respond to the increasing demands of member firms? Similarly, what kinds of changes do member companies want to see their industry associations implement? Are there other services that are currently not being provided that companies want industry associations to offer?

***i) New Approaches: The Association Perspective***

Association executives believe that the time has come for a systematic re-thinking of the way industry associations operate in Canada. Personal interviews and mail surveys reveal dimension of consensus on this issue.

*92% of those association executives surveyed indicate that there is active discussion within their associations about current and future roles.*

When pressed as to the focus of this re-thinking, two major issues which emerge are: (a) opportunities for greater association cooperation and consolidation and (b) the need to restructure to improve organizational effectiveness and relevancy. The following excerpts are taken from the interviews and illustrate the conventional thinking of association executives on these issues:

***a) Opportunity for Cooperation and Consolidation***

*"We have been pursuing the formation of a coalition of associations or even mergers in the \_\_\_\_\_ sector. We are in ongoing discussions with several of these groups regarding the concept of closer relationships, which could create efficiencies and enhance the profit and influence of all those involved."*

## ***b) Association Restructuring***

*"Our association has recently completed an in-depth study and reorganized....unless the association can demonstrate its ability to deliver value for money, then it will have a hard time sustaining itself."*

*"There is not only active discussion, but a deliberate effort to restructure the association so as to keep our goals/vision current with member needs and direct our activities to meet those ends."*

## ***ii) New Approaches to Enhancing Association Effectiveness: The Company Perspective***

This is an area where association and company executives share many of the same views. When company executives are asked to generalize about the ways in which their industry associations could operate to more effectively address industry needs, three dominant sub-themes emerge. These themes closely reflect the kinds of issues with which many association executives are currently struggling: (a) *national associations must strive harder to be sensitive and responsive to members located outside the "Golden Triangle,"* (b) *associations must continuously re-think the business they are in to remain relevant to their "customers,"* and (c) *associations must evolve as their members' marketplace evolves.*

### ***a) National Associations Must Strive Harder to Be Sensitive and Responsive to Members Located Outside the "Golden Triangle"***

In the regions, national industry associations are considered expensive, regionally insensitive, and otherwise incapable of providing the kinds of services that members expect or are able to afford. However, companies generally recognize that they are "victims of geography" and realize that national associations typically focus on those parts of the country where the greatest number of members reside. At the same time, companies in the regions believe that national associations should dramatically alter their fees in order to better reflect the level of service that they are capable of delivering to companies outside of Toronto/Montreal/Ottawa. While many companies in the regions recognize the importance of having a national association, many report that the current level of services provided does not justify the cost of membership.

***b) Associations Must Re-Think the Business They Are in if they to Remain Relevant to Their "Customers"***

Members believe that the economic crunch of the 1990's has made membership in a number of associations both costly and impractical. This has meant that in the last five years, many companies have dramatically cut back on the number of associations to which they belong. Members no longer view the dues paid to associations as "charitable contributions to the industries of their choice." In today's economy, members believe that in order for associations to remain relevant, association executives must recognize how private sector attitudes are changing with regard to membership. According to one company executive:

*"In the past, we paid our dues, got our newsletters and attended the yearly golf tournament-it was like a fraternity. Now we want to know what we are getting in return for every dollar spent on our associations."*

***c) Associations Must Evolve as Their Members' Marketplace Evolves***

Company executives strongly believe that industry associations should evolve to reflect the scope of the marketplace where their companies conduct business. If member companies view their marketplace as North American in scope, they want associations that are increasingly capable of responding to member needs on a North American basis. Members want industry statistics, market information, opportunities to network with potential customers, and bench marking information which relate to their marketplace. As their markets expand, they expect their associations to increasingly be able to provide information and services on these very markets. In Atlantic Canada, for example, companies want their associations to move from a provincial to a regional basis of representation. By contrast, Vancouver company executives want their associations to organize on a North-South basis, reflecting the way in which they define their emerging marketplace. In Toronto, provincial, and in some cases, national associations are being viewed as less relevant by member companies who consider their marketplace to be North America. Many company executives indicate that they currently belong to U.S. associations because of their information needs about the U.S. market, needs which they claim their Canadian associations are ill-equipped to provide.

***Issue #3:***

***The Health of Industry Associations in Canada: Concerns About Association Fragmentation and a Lack of Resources***

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This *key issue* area attempted to address the critical matter of the organizational and financial well-being of industry associations in Canada. Specific questions operationalize the concept of association "health" in two ways: (a) *existence of fragmentation among*

industry associations in Canada, and (b) the adequacy of the financial resources of industry associations to provide the kind of business services that members require.

***i) Fragmentation and Lack of Resources: The Association Perspective***

A strong majority of association executives agree that fragmentation and a lack of resources are major problems confronting industry associations in Canada.

*74% of association executives surveyed agree with the depiction of Canada's association community as being highly fragmented, with a poor density of representation and weakly integrated.*

*71% of industry association executives agree that one of the key issues is a lack of financial resources.*

However, an initial examination of the interview and survey findings reveal some important differences between the financial strength of those associations that are heavily reliant on dues as their chief source of revenues and those that have a strong fee-for-service/user pay element. Preliminary research seems to suggest that fee-for-service associations are capable of generating higher revenues than dues-dependant associations.

It is worth noting that a number of association executives did indicate that they intend to pursue fee-for-service as an alternative to their more traditional dues-based approach to financing association activities. According to one association executive:

*"Lack of financial resources will become an even greater concern for associations due to the economic situation and greater competition in the economy in general. Associations must be more efficient and more creative; if service levels are to be maintained or increased, sources other than dues and assessment must be exploited."*

***ii) Fragmentation and Lack of Resources: The Company Perspective***

Company executives have strong views about the existence of too many industry associations in Canada. For them, the issue of association fragmentation and the pervasive financial resources problem are merely opposite sides of the same coin. Too many associations means that limited industry resources available for associations fees get spent on too much "industry association overhead," rather than meaningful activities and services. Some company executives representing larger firms indicate that they are members of as many as 10-15 associations at the sub-sectoral, sectoral, and intersectoral levels. As one company executive indicated, "with so many industry associations coming to your doorstep looking for support, where do you draw the line?"



In addition, many company executives believe that the existence of competing associations undermines the voice of the business community. One company executive describes the problem this way:

*"In my industry, there is an association in the West, one in Ontario, one in Quebec, and we even have a national association. However, they seem to spend more time fighting among themselves than they do in representing the needs of my industry. I have made a conscious decision that I am not going to support any of these associations until all of this stops. Its a waste of money! "*

#### **Issue #4:**

### ***Responses to Fragmentation and Lack of Resources: Calls For Association Rationalization***

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The purpose of this "key issue" was to explore the views of association executives and member companies regarding potential solutions to the problem of association fragmentation. The line of questioning attempted to solicit views on the merits of organizational responses to the perceived problem of fragmentation and financial instability.

#### ***i) Responding to The Problems: The Association Perspective***

##### ***a) Association Consolidation:***

Association executives believe that the problems of association fragmentation are a result of the existence of a multitude of industry associations. In fact, six out of every 10 association executives surveyed believe that there are too many industry associations in Canada. As a related finding, approximately half of all association executives surveyed support the concept of association rationalization.

*50% of association executives surveyed believe that the consolidation of a number of sectoral associations into a single organization would result in a more effective vehicle for providing services to members and for interfacing with government.*

#### ***Reasons for/against association consolidation:***

Association executives offer a variety of reasons for their positions on the issue of association consolidation. Those who favour consolidation see it as a rational organizational response to the problems of duplication and lack of resources. The following excerpts highlight the thinking of those who favour such an approach:

*"I believe that a coalition of formulation of a single association with inclusion of several national agencies is necessary to reduce duplication, clarify roles, define issues, and reduce costs."*

*"Larger association groups are more efficient and with the same cost per member, provide improved services."*

Those who believe that rationalization should not or will not take place base their arguments on two grounds. Some association executives report that they have tried at great length to bring about rationalization only to run headlong into the desire of other association executives to protect their turf. To this end, they oppose moves towards rationalization only because they see them as being futile. Others oppose rationalization because they do not see any way in which a broader association could better meet the needs of specific sectors or subsectors. The following illustrates reasons why many association executives oppose rationalization:

*"In our sector.....a national association representing all the players would be more effective from a cost, manpower, and service delivery perspective. The only thing stopping this is egos at all levels and a belief that 'we are different'."*

*"We tried a number of years ago to bring together a group of sub-sectoral associations to explore the possibility of some form of merger. Despite widespread support for merits of doing so, the issue of turf protection was so strong that the initiative really didn't go anywhere."*

*"\_\_\_\_\_ cannot conceive that the consolidation of a number of sectoral associations into a single association would result in the benefits implied."*

#### **b) Association Coalitions:**

When asked to comment on the suitability of networks or coalitions of associations to address the problem of fragmentation, association executives are more favourably predisposed to the idea:

*61% of association executives believe that a network or coalition of associations is a better approach.*

#### **ii) Responding to The Problems: The Company Perspective**

On the issue of how to respond to the problem of association fragmentation, company executives typically favour widespread rationalization. At the same time, they recognize the difficulties in bringing organizational change about. Responses to the issue of association consolidation is divided into two sub-themes: (a) *universal support for association rationalization*, and (b) the *"turf protection" imperative standing in the way of association rationalization*.

***a) Universal Support for Association Rationalization:***

Almost without exception, member companies want to see smaller subsectoral and sectoral associations merge to reduce duplication and make more rational use of limited industry funds available for association activities. According to company executives, fewer associations translates into stronger, better-financed associations which could offer members increased comprehensive services.

According to one company executive:

*"Associations need to learn what we as business people have learned; the smaller you are the harder it is to compete sometimes."*

On the other hand, member companies generally are divided on whether or not there is any value in the amalgamation of unrelated sectoral/sub-sectoral associations into larger provincial or national "umbrella" organizations. In partial accordance with the views of association executives, such organizations were perceived to lack the kind of focus that makes them sectorally relevant.

***b) The "Turf Protection Imperative" Standing in the Way of Association Rationalization:***

Despite the overwhelming support for the idea of association rationalization, company executives contend that the penchant of some association executives to resist change will undoubtedly hamper the reform process. According to company executives, any move to reduce the number of industry associations in Canada to achieve more effective associations implies that there "will be association winners and losers." The desire of association executives not to be on the losing end of the rationalization process will make such organizational reforms difficult. However, it is worth noting that there are a number of company executives who are also heavily involved in their own associations and are actively pushing the case for association reform and rationalization. Both in the West and Atlantic Canada, where the smaller number of firms in an industry requires considerable private sector volunteering to help run associations, companies keenly welcome association mergers that make economic and organizational sense. As a result, moves towards reform and rationalization are quite pronounced and are not impeded by full-time association staff with vested organizational interests in preserving the status quo. As one company executive/association activist indicated, "association staff are concerned with turf protection—I am not. I want the best services for my money."

***Issue #5:***

***Associations As Industry/Government Intermediaries: Expanding the Role of Industry Associations in The Delivery of Government Programs***

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This "key issue" sought association and company executives views on the potential intermediary role associations play between government and the private sector. In

particular, it looks at the role that associations could play as delivery agents in bringing government programs and services closer to member companies.

### ***j) Associations as Agents of Program and Service Delivery: The Association Perspective***

Associations remain overwhelmingly supportive of the possibility of having the opportunity to assist in the delivery of government programs:

*87% of association executives view as positive the prospect of governments using them as intermediaries to communicate with, and to deliver programs and services to companies.*

At the same time, they believe a number of issues have to be resolved before this kind of collaboration could take place. The following highlights a number of direct comments from association executives as to (a) *why* associations could prove effective as delivery agents, and (b) the “*criteria*” an association should be able to meet in order to take on such a role.

#### ***a) Comments in Support of Using Associations As Deliverers of Programs and Services***

*“This is the case with the \_\_\_\_\_ industry. It is viewed positively, and in most cases an efficient means of information and program delivery. It also allows the industry, through the association, to more easily develop a consensus view on the information communicated and the program that is delivered.”*

*“Yes, it [sic...using associations as delivery agents] is positive. Provides a reality check on the usefulness of government programs and services and immediate feedback on effectiveness.”*

#### ***b) Comments on the Kind of “Qualifying Criteria” Government Should Establish to Ensure that Associations are Capable Delivery Agents***

At the same time, associations express a strong belief that reasonably strict guidelines must be in place to ensure that only those associations capable of delivering programs are permitted to do so.

The following comments suggest the kind of eligibility requirements that associations believe government should employ in deciding upon what kind of associations should be permitted to deliver programs and services:

*“Government should insist that associations truly represent their constituents (65%) or better prior to entertaining association representatives.”*

*“Governments must end their crippling addiction to “universality” in their dealings with industry associations.”*

*"I believe that governments should choose which associations represent significant sectors of the economy and forge close partnerships with these associations. The criteria for choosing associations could look at what % of GNP sectors the various associations represent."*

*"Government should work with industry associations to establish criteria for funding and to avoid an over burdensome accounting structure for that funding. In addition, this would be an ideal way to get associations to work together. Government could offer funding to coalitions of associations."*

## ***ii) Associations as Delivery Agents of Programs and Services: The Company Perspective***

Member companies likewise see a potential for greater association/government partnership in the area of program and service delivery. While the view is by no means unanimous, a majority believe that by utilizing associations in a program and service delivery capacity, the government could more effectively assist member firms with the provision of business services. Cost savings, economies of scale, and proximity to the private sector are three of the more commonly cited reasons why associations could be used to deliver programs and services to member firms. And like association executives, companies believe a number of key conditions should be met prior to allowing associations to assume a program and/or service delivery role.

These conditions include:

- a) Governments must ensure that associations have the kind of flexibility needed to effectively deliver and administer the program.*
- b) Associations must be heavily representative of their sector prior to being used in this capacity.*
- c) Associations must have the right to treat members differently than non-members in relation to access of a program or service they are administering.*
- d) The specific program or service must have the broad support of the association members to avoid the situation of associations chasing program dollars regardless of the degree to which these programs correspond to the key priorities of the members.*

### ***Issue #6:***

#### ***What is the Appropriate Role of Government?: Improving Industry Association Effectiveness***

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This "Key Issue" solicited the views of association and company executives on how governments could operate in a manner that more effectively enhances the viability of industry associations. While associations identify a host of areas where governments need to alter the way they operate, member companies tend to focus on the idea of opposing government providing direct funding to associations.

### ***i) The Role of Government: The Association Perspective***

Associations believe that government plays a major role directly and indirectly, influencing the effectiveness of industry associations. According to association executives, the government exercises this influence in a multiplicity of ways. When asked what the role of government should be in promoting association effectiveness, the five most frequently cited responses were as follows: "Improve consultations" (33%); "Treat associations as the exclusive voice of industry"(32%); "Do not fund associations" (14%); "Contract-Out" regulatory/services responsibility (14%); and "Promote association rationalization"(11%).

A consideration of specific comments associated with these responses should prove instructive.

#### ***"Improve Consultations"***

Associations argue that governments must structure, administer, monitor, and respond to consultations efforts in a more effective manner. There is a strong belief that consultations continually bring together the same sectoral associations, regardless of whether or not these sectors and associations provide an accurate snapshot of the changing economy. Likewise, it was noted that in some cases, the government's desire to consult with individual firms and not the associations skews the consultative exercise. One company's views, although important, do not constitute the "industry" position on a given issue.

The following highlights the range of opinions on both how and why government needs to improve the consultation process:

*"The manner in which the sector we participate in has been strongly weighted towards one or several industries in the group has resulted in some rather unsatisfying directions. Government should assure that, whatever process is established, it is done fair and equitably with each industry having a seat at the table that makes them an equal partner in the deliberations."*

*"Forms of collaboration such as the SAGIT's are fine, as far as they go. However, for every association fortunate enough to be represented on a SAGIT, there are many which are not. Experience indicates that communications between many SAGITS and the sector they purport to represent is less than satisfactory. In addition, blanket organizations do not necessarily represent the best interests of their constituents except in a general sense. For example, the ability of blanket organizations for small business do not always reflect the views of small business in the secondary manufacturing sector. Yet, it is the views of these blanket organizations that apparently receive the greatest attention."*

*"We have never heard of the prosperity initiative; never received any information on it."*

*"Before engaging in consultations, government must take a much closer look at who associations claim they represent"*

### ***"Treat associations as the exclusive voice of industry"***

A commonly held view is that governments sometimes undermine association effectiveness by choosing to speak directly with firms on particular regulatory or policy issues. The associations argue that such a practice renders associations obsolete. At the same time, they contend that often individual companies are not capable of providing an industry-wide perspective on issues under discussion.

Association executives offer some insightful comments on the issue of associations versus company executives as the legitimate representative of a sector:

*"While I can recognize the government's desire to have real live business people represented at the consultation table, they must understand that one member company does not and can not speak on behalf of the entire industry."*

*"The role should be to work with sectoral associations and not to try and deal with individual companies."*

*"In some cases, government employees look upon associations with a "critical eye" and view them as lobbyists only and make sure to keep association staff at arms length when developing programs for manufacturing companies. In some cases, there is a great reluctance on the part of government employees to work with association staff in the administration of specific programs and they go out of their way to by-pass the association and work directly with industry."*

### ***"Contract Out" Governments Must Provide Associations With the Regulatory and Administrative "Tools" to Enhance the Self-Regulatory Function***

A dominant theme to come out under this "key issue," is the desire on the part of some industry associations to see the privatization of government functions in relation to industry regulation. Associations contend that in cases where industry self-regulatory programs have been established, government must work to devolve regulatory implementation and administration authority to associations and should focus on setting standards and monitoring performance.

The following comments are illustrative of the thinking of association executives on this issue:

*The Ontario government conducts many if not all of the registration functions we currently undertake for our industry as part of our self-regulatory effort. Does that make any sense to you?*

*If the government wants us to develop and implement policy for this industry, then give us the licensing function and enable us to undertake self-regulation.*

### ***“Do not Fund Weak Associations”***

The issue of government funding of industry associations is perhaps the most emotional topic; many associations remain unequivocally opposed to the practice. The following comments highlight the opinions on this issue:

*“We do not think that financial grants by governments to associations is the answer to a successful association....If the association cannot survive on membership dues it should cease to exist.”*

*“Government should not prop up weak associations.”*

*“Firms must pay their own way or associations should fold up and go away.”*

*“Do not help associations that have limited industry sector support This would be irresponsible, promote stagnation and would treat the symptom and not the problem.”*

### ***“Promote Association Cooperation”***

Some association executives believe that the government has a role to play in encouraging associations to cooperate in Canada in the form of mergers and increased alliances. The following comment highlights this view:

*“As governments reduce their activities in the business environment, they should redirect a portion of funding for specific programs through trade associations. Government should work with industry associations to establish criteria for funding and to avoid an over burdensome accounting structure for that funding. In addition, this would be an ideal way to get associations to work together. Government could offer funding to coalitions of associations.”*

### ***ii) The Role of Government: The Company Perspective***

Member companies do not see government as playing any kind of salient role when it comes to enhancing association effectiveness. To this end, their comments deal almost exclusively with the issue of government funding of associations.

### ***The Government Should Not Subsidize Industry Associations—Lack of Private Sector Support for an Industry Association Implies that the Association Marketplace Has Spoken***

With a few noticeable exceptions, companies express strong opposition against any direct government funding of industry associations. The prevailing belief is that if an association does not offer the kinds of services that members are willing to pay for, it is not meeting a need in the marketplace. In fact, some company executives place partial blame for the current state of fragmentation in the association community on governments for their ad hoc funding of new industry associations. The one point of disagreement among focus group participants on this issue is whether or not there are possible exceptions to the rule.



A small minority of participants believed that in the case of an emerging industry such as software, there may be merit in providing "seed funding" to encourage the formation of industry associations considered critical to an industry's development. Such funding, it is argued, should only be offered under exceptional circumstances and for a limited period of time. Despite some support for the plight of "infant industries," the vast majority of companies opposed direct funding of industry associations under any circumstances.

### ***iii) Summing Up Similarities and Differences in Views of Association and Company Executives on The State of Industry Associations in Canada***

In summarizing the findings, it is fair to note that there are far more similarities than there are differences among association and company executives in response to the six "key issue" areas.

#### ***On association activities and services...***

Canadian industry associations are active in many of the same areas members demand services. That being said, company executives point out that there are significant variations in the effectiveness of services provided by associations within different activity areas. However, the one area where views seem to diverge is over the relative prominence that is attached to the lobbying function. While associations are quick to point to their lobby efforts as an activity of key importance, companies are only interested in sectorally specific lobby efforts in which the association has a meaningful chance of influencing policy. Related to this observation, company executives indicate they are moving away from membership in associations at the intersectoral level and focusing resources at the sectoral level. It is at this level, that companies feel they are given the most relevant business services.

#### ***On the need for industry associations to re-think the way they do business...***

Association and company executives want to see fundamental change in the way in which associations operate in Canada. A growing number of association executives recognize the need to forge closer cooperation with other associations, or in some cases, look at opportunities for consolidation. The need to consider both of these options is being driven by an increasingly competitive association marketplace where members are less willing to belong to a multitude of poorly financed industry associations. Associations are also going through a period of comprehensive introspection in the difficult battle to remain relevant to a "customer" whose expectations are changing more rapidly than the capacity of many associations to keep up.

In keeping with this observation, company executives want associations to recognize that as members they are first and foremost customers and should to be treated as such. In addition, there is a dominant belief that the traditional geographic and sectoral boundaries that delimit association services and activities are no longer relevant. Members want

associations that are capable of providing them with value-added business services that cover the markets into which they sell. For many companies, the idea of a provincial or even a national industry association is an obsolete way of trying to meet the needs of companies whose interests span provincial, national, and international borders. On a different level, companies located in the regions do not believe that existing national associations have the flexibility to meet the needs of companies west of Ontario. Companies in the west feel that national associations based in Ontario and Quebec charge far too much for the limited slate of services they are capable of offering. This is followed by calls for differentiated fee structures for those companies unable to take full advantage of association membership because of geography.

#### *On the issue of fragmentation and lack of resources...*

Moving to the critical issues of association fragmentation and lack of financial resources, both association and company executives express strong beliefs that Canada's association community is characterized by a multiplicity of competing industry association, many of whom duplicate each others efforts and use up limited industry resources in the process.

#### *On responding to the organizational and financial challenges...*

In terms of responding to the overall problem of association fragmentation and duplication of effort, the views of association and company executives start to diverge. Company executives want systematic association mergers and rationalization at the sectoral and sub-sectoral level. Only a minority of association executives favour this approach, and those who do usually come from associations that have gone through mergers and have benefited as a result. However, both association and company executives admit that the desire within Canada's association community to preserve the status quo and protect turf will pose significant challenges to any reform effort. In contrast, association executives are much more favourably disposed towards the idea of closer association cooperation or coalitions to help address the problem of fragmentation.

#### *On associations as industry-government intermediaries...*

Association and company executives see an enormous benefit in having industry associations administer government programs. Both cite the same reasons as to why this is such a good idea. In addition, both parties want to see formal criteria in place which can be used to determine if an association should be eligible to assume program delivery roles. This includes criteria relating to the size of the industry that an association represents, the degree to which an association represents the firms in particular industry, and the staff and administrative capabilities an association requires to effectively deliver a program or service.

#### *On the role of government...*

Industry association executives believe that governments have a profound impact on shaping the effectiveness of industry associations and therefore have a major role to play.

They claim that government influence is sometimes exercised in an overt fashion; who it decides to consult with on policy or regulatory matters and how it goes about identifying which associations are given the opportunity to play a role in the process, greatly enhances or undermines the credibility of associations in the eyes of their members. Another area where government exercises a direct influence is in providing direct funding to specific associations, a move denounced by many association executives because of the manner in which it contributes to the fragmentation problem. Other actions of government such as the proposed changes to the *Lobbyist Registration Act* are also believed to have an impact on association effectiveness.

## SOURCES OF INDUSTRY ASSOCIATION EFFECTIVENESS: SOME INSIGHTS FROM THE ORGANIZATIONAL DEVELOPMENT FRAMEWORK

### ***I. Potential Directions For Industry Association Reform in Canada***

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The survey and interview findings suggest that association reform is as desirable as it is inevitable. Indeed, some associations have already begun to embrace comprehensive reform. A number of association executives are openly talking about the likelihood of association mergers. Likewise, many associations are responding to the economic crunch by seeking to develop more stable, non-dues income sources as well as well as looking to implement "fee-for-service" approaches in an effort to provide value-added services to the "customer."

Not to underestimate the significance of these efforts, there is a noticeable absence of established "bench marks" upon which to base critical decisions about appropriateness of specific industry association reform in Canada. Thus far, association executives and CEO's of member firms looking to restructure their associations have proceeded more on the basis of "fixing" existing problems rather than reforming in accordance with any kind of accepted *theory* of industry association effectiveness. This raises some obvious, yet important questions: *What are the specific organizational characteristics of industry associations which have been proven to enhance the quality and breadth of services they are capable of delivering to member firms? Are there any established guidelines or principles that should be employed in undertaking comprehensive reform?* Research conducted in the U.S. during the 1980's shed partial light on these questions. The research linked association effectiveness to broad association attributes such as the "leadership" of association presidents/CEO's; a strong commitment of board members to the association cause; and the ability of an association to operate programs that carry out its mission.<sup>11</sup> However, as important as these characteristics are to almost any type of organization, industry association or otherwise, they do not point to specific direction as how to best organize and structure industry associations in a manner that enables them to provide the most effective services to member firms.

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<sup>11</sup>These points were summarized by Dr. Al Litvak, "Repositioning Canadian Industry Associations-Beyond Free Trade," A Presentation to The Industry Association Symposium, November 9, 1993. Toronto. The Canadian Society of Association Executives.

## **II. The Relationship Between Industry Association Effectiveness and Association Organization: An Overview of the European and Japanese Experiences**

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Work by leading industry association experts such as William Coleman and Wyn Grant, among others, provides the basis of a framework for examining the sources of industry association effectiveness.<sup>12</sup> They have undertaken cross-national analysis of industry associations in Canada and Western Europe in which they traced the causal relationship between an association's *outputs* (the services and activities it offers members) and its key organizational attributes, defined in terms of its level of *organizational development*. The more *organizationally developed* an association is, the more capable it is of providing its members with comprehensive services.<sup>13</sup>

This approach demonstrates how specific organizational properties of industry associations combined with government policy towards the association community influences the kind of activities and services they are capable of providing to member firms. The chief organizational properties which determine an association's effectiveness are its *membership domain*, the *resources* it has at its disposal, and the way in which it is *structured* (both internally and its relationship with other associations). Government policy refers to both the direct and indirect influence that governments have on the association "playing field."

Each of these organizational properties play a role in determining an association's capability and effectiveness. However, the relationship between each association property is one of interdependency. Understanding the impact that particular kinds of association *membership domains*, *resources*, and *structures* have on the capability and effectiveness of an association must also take into account the manner in which these organizational properties interact with one another. Taken together, these three properties combined with the role of government policy towards industry associations, provide a framework for assessing the capability and effectiveness of industry associations. They also point to specific areas of reform for those association executives and member companies looking for

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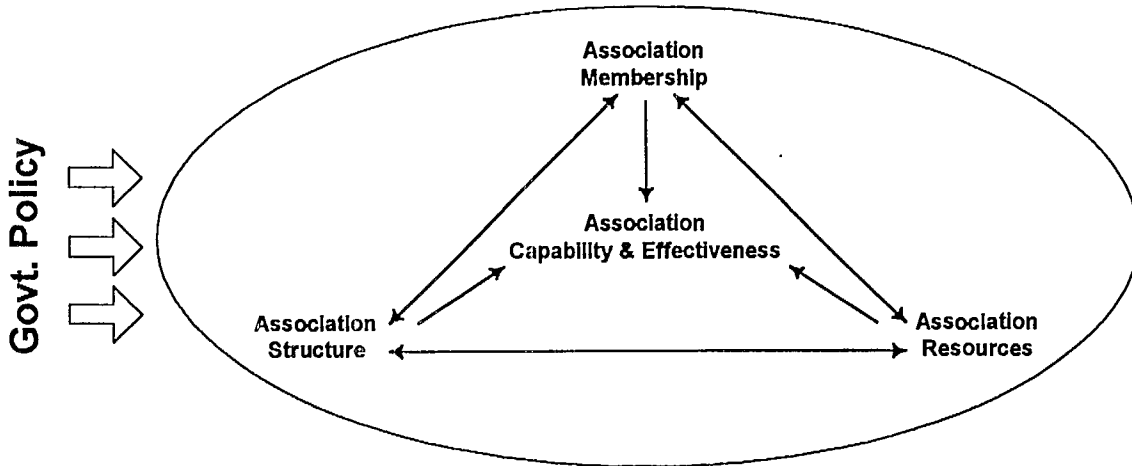
<sup>12</sup> P.C. Schmitter and W. Streeck, *The Organization of Business Interests* (Berlin: International Institute of Management labour market policy discussion paper, 1981) William D. Coleman and Wyn P. Grant, "Business Associations and Public Policy: A Comparison of Organizational Development in Britain and Canada," *Journal of Public Policy* 4:2 (1984), p. 212; Henry J. Jacek, "Business Interest Associations as Private Interest Governments," in Wyn Grant, ed., *Business Interests, Organizational Development and Private Interest Government: An International Comparative Study of the Food Processing Industry* (Berlin: de Gruyter, 1987).

<sup>13</sup> The international literature does not call what associations do "services". Instead, they choose to refer to associations services as "outputs." In any case, the organizational development literature does distinguish between different levels of outputs which more or less mirrors our reference to the level of comprehensiveness of services and activities. For a good discussion of the concept of organizational development see, Coleman and Grant, "Business Associations and Public Policy," pp. 218-220 and pp. 224-226.

ways to improve association performance. Figure 1 provides a depiction of the relationship between association properties, the role of government, and association capability and effectiveness.

**Figure 1:**

**Organizational Development Framework**



For the purpose of this report, the usefulness of the concept of *Organizational Development* and its analytic framework for examining association capability and effectiveness is derived from its prescriptive orientation. It sets forth the key organizational features of an industry association and describes the specific kinds of organizational attributes which positively influence the services and activities the association is able to undertake on behalf of member firms. Likewise, it situates the role of government in helping to provide the kind of playing field that enables industry association to operate more effectively. In the process, it offers a compelling explanation of the interplay between the elements of association organization and effectiveness and provides a suitable basis upon which to explore the merits of specific directions for industry association reform.

**Organizational Property #1:  
Membership Domain**

An association's *domain* refers to the scope of an industry segment from which it draws its members and the extent to which it actually represents the majority of members of an

industry, otherwise known as its “density of representation.” Typically, the broader the membership base, the fewer associations there are representing a particular industry sector or sub-sector. Those associations that do exist tend to have high levels of industry support.<sup>14</sup> By contrast, associations with narrow domains are characterized by competition among a number of smaller associations and enjoy lower levels of financial support resulting from a smaller potential membership base from which to raise revenues. This has obvious implications for the kinds of activities narrowly-based associations are capable of offering member firms.

The relationship between association effectiveness and the scope of its domain also plays itself out in terms of government’s relative accord to associations as the *bona fide* representative of firms in a particular industry. Governments are far more willing to enter into policy and program collaboration with associations that have broader membership domains. Governments prefer to deal with associations with broader domains because of the assurances they have that the programs and services which flow from the association/government relationship are enjoyed by a larger number of companies. In addition, associations with narrow domains usually can only speak for one small sub-sector of an industry that may be affected by a particular government initiative. As such, it is difficult for governments to accord associations with narrow membership domains a major role in regulatory/ policy development or program delivery. Instead, governments are forced to consult a multiplicity of smaller associations, many of whom seek to represent the same companies. In the end, the associations effectiveness in shaping policy or accessing a program is diminished by its narrow membership base. **Figure 2** contrasts the different kinds of association domains.

**Figure 2:**

**Membership Domain**

Less Effective				More Effective
Narrow Focus	⇔	⇔	⇔	Broad Focus
Numerous Associations	⇔	⇔	⇔	Few Associations
Overlapping Jurisdictions	⇔	⇔	⇔	Minimal Overlap
Low Levels of Industry Support	⇔	⇔	⇔	High Levels of Industry Support

<sup>14</sup> Coleman and Grant, "Business Associations and Public Policy," pp. 209-235.

## **Organizational Property #2: Structure**

The second organizational property of an association is its **structure** which can be broken down into *intra-organisational structures* and *inter-organizational structures*, or relations among associations (associational system). In the case of intra-organizational structures, the concept of Organizational Development holds that effective associations place a premium on organizational features which facilitate the aggregation of often diverse interests which exist in an industry and the reconciliation of these diverse interests into common industry positions on various issues. Association executives play the role of consensus builder and through an arrangement of committees and working groups capable of giving expression to a wide range of industry views, enable difficult decisions to be taken. Such internal organizational structures allow associations to take action on important, yet potentially controversial issues such as the development of self-regulatory programs.<sup>15</sup>

Structure also refers to relations among associations. In many countries, with the notable exceptions of Canada and the U.S., association effectiveness is enhanced through cooperation at both the sectoral and intersectoral levels which results in a more powerful, concerted expression of industry views to governments. This is achieved through what are called "peak" associations. Peak associations maximize industry input through vertical integration and coordinate the activities of the more specialized interests into discussions of broader industrial concerns at the sectoral and national level. Throughout Europe, association structures are integrated and hierarchically ordered: sectoral peak associations generally accept that they are unable to effectively meet the more specialized need of subsectors, represented by subsectoral associations, and thus speak for the industry on matters of more general importance.<sup>16</sup> Such arrangements avoid duplication and allow associations to focus on those activities and services they are best suited to address.

By contrast, a lack of such structural relations among sectoral, subsectoral, and sectoral peak associations contributes to fragmentation and a lack of coordination, both of which undermine association effectiveness. Associations in effect compete for members to participate in their slate of activities rather than their "competitors." Endemic to associations in Canada is a situation in which associations representing related sectors in many cases offer the very same kinds of activities. **Figure 3** contrasts association structures on the basis of those which are more versus less effective.

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<sup>15</sup> Ibid.

<sup>16</sup> William Coleman, "Canadian Business and The State," in K. Banting, ed. *The State and Economic Interests*. Vol. 32: Royal Commission on the Economic Union and Development Prospects for Canada. (Toronto: University of Toronto Press, 1986) pp. 245-289.



**Figure 3:**

**Structures**

Less Effective				More Effective
<i>Internal Decision Making Structures</i>				
Simple	⇒	⇒	⇒	Complex/Inclusive
Majority Rule	⇒	⇒	⇒	Consensus-Based
<i>External Decision Making Structures</i>				
Competitive	⇒	⇒	⇒	Cooperative
Unstructured Relations Between Associations	⇒	⇒	⇒	Formal Relations Between Associations
No Division of Labour Between Associations (duplication of services)	⇒	⇒	⇒	Definite Division of Labour Between Associations (no duplication of services)

**Organizational Property #3:  
Resources**

The final organizational property which helps determine association effectiveness are *resources*. Resources include membership dues, fees paid for services provided to members, along with the direct and indirect benefits which associations are able to derive as a result of government policy towards industry associations.

More effective industry associations tend to draw upon predictable and diversified *resources*, ultimately allowing them to insulate themselves from immediate member demands and the instability associated with a reliance on membership dues during times of recession. In turn, this enables associations to develop a capacity for long-term strategic planning and service delivery. In Europe, associations rely on membership dues as only one source of income.<sup>17</sup> During times of economic difficulties, dues-dependent associations face revenue shortfalls because of the manner in which membership dues are calculated for most associations as a percentages of a company's sales. Jacek, in his examination of chemical associations in Canada, Europe, and the U.S. linked the existence of more

<sup>17</sup> Henry J. Jacek, "Business Interest Associations as Private Interest Governments," in Wyn Grant, ed., *Business Interests, Organizational Development and Private Interest Government: An International Comparative Study of the Food Processing Industry* (Berlin: de Gruyter, 1987).

comprehensive association activities in the areas of education and training and codes and standards among European associations to the sources from which an association draws its resources. In explaining the variations in association activities, he held that the more varied the sources of an association's revenues, the more it could move "from a purely member dependent voluntary association concerned with urgent immediate problem solving to one with a diversified and dependable financial base and with an increasing attention to important long term planning."<sup>18</sup> **Figure 4** contrasts the two types of association resources on the basis of less versus more effective.

**Figure 4:**

**Resources**

Less Effective				More Effective
Single Source	⇔	⇔	⇔	Multiple Source
Heavy Reliance on Membership Dues	⇔	⇔	⇔	Dues Less than 50% of Association Revenues
Fee Structure is "All or Nothing" Approach	⇔	⇔	⇔	Fee Structure Allows Members to Choose Services and Activities

**The External Variable:**

**Government Policy Towards Associations**

Government policy towards industry associations can have an impact on the effectiveness of associations in a number of ways. The most extreme form of government policy is the requirement of *mandatory membership* for companies to belong to an association. In other cases, governments assist associations by adopting policies such as the *rule of by-pass*, a policy some European governments have that prohibits individual companies from dealing directly with policy-makers and instead, requires that they go through their associations to discuss industry matters.<sup>19</sup>

Other less direct forms of government policy which bolster association effectiveness include the extension of *program delivery responsibility* to associations in areas such as export promotion and research and development. In some cases, associations are given the

<sup>18</sup> Henry J. Jacek, "The Function of Associations as Agents of Public Policy," in Alberto Martinelli, ed., *International Markets and Global Firms: A Comparative Study of Organized Business in the Chemical Industry* (London: Sage, 1991) p. 176.

<sup>19</sup> Victor Pestoff, *The Organization of Business Interests in the Swedish Chemical and Drug Industry* (University of Stockholm, 1983).

opportunity to restrict access to program support to member companies.<sup>20</sup> This approach occurs widely in both Japan and Europe and helps to strengthen associations by making membership that much more important. Figure 5 shows the different approaches governments take to their relations with associations.

*Figure 5:*

**Government Policy**

<u>Less Effective Associations</u>				<u>More Effective Associations</u>
Ad hoc approach to dealing with associations	⇒	⇒	⇒	Structured approach to dealing with associations
Government consults both companies and associations on policy issues	⇒	⇒	⇒	Government consults mostly associations as the representative of industry on policy issues
Government views all associations as equals and does not extend more significant roles to one over another	⇒	⇒	⇒	Government's approach to working with associations is based on a consideration of their representational credibility. Those that are more representative of their industry are invited to play a more significant role

***III. The Relationship Between Industry Association Effectiveness and Organizational Development: Insights From The Japanese and European Experiences***

Comparative analysis of industry association performance in various countries supports the Organizational Development hypothesis about the salient role that association organizational characteristics play in shaping association effectiveness. A consideration of the organizational attributes and effectiveness of a number of leading associations in Europe and Japan will help bring into focus the degree of causality. As outlined in greater detail in a Comparative Research Report undertaken as part of the industry association project, comparative analysis of industry association effectiveness has tended to focus on Japanese and European case studies. Despite Canada's proximity to the U.S., association

<sup>20</sup> Ibid.

analysts generally conclude that American industry associations are not models of effectiveness.

For those Canadian association executives and member companies who are contemplating some type of reform, a brief comparative overview should help to demonstrate both the rationale for change and examples of the kind of organizational issues which should be addressed. A description of various innovative association activities and services will be followed by a consideration of the connection between the way a particular association is structured and what it is capable of offering to member firms. The sectors that will be considered are *chemicals, food-processing, and electronics.*

### ***The Chemical Sector***

#### ***a) Education and Training: the Swedish and British Chemical Sectors and Association-Run Vocational Training Programs.***

In Germany, Sweden, and Britain associations representing the chemical industry play an integral role in the area of vocational training. For example, the Chemical Industries Association (CIA) in Britain in conjunction with the Association of British Pharmaceuticals Industry (ABPI) has assumed full control for the development and administration of an occupational training program for industry. In Sweden, the Association of Swedish Chemical Industries has assumed the delivery of vocational training programs previously run by the National Board of Education.<sup>21</sup>

#### ***b) Research and Development: The German Chemical Sector and the VCI-A Multi-Million Dollar, Industry-Funded Research Organization***

The German Chemical industry has also been a leader in the area of industry sponsored **research and development.** To this end, Germany's *Verband der Chemischen Industrie* (VCI) operates a large scale collective research effort as a central component to maintaining and enhancing the industry's strong economic performance domestically and internationally. The VCI is financed from a fee schedule based upon members' sales. It administers a large multi-million dollar research organization, the *Fonds der Chemischen Industrie*, designated to support research in the chemical sector.<sup>22</sup>

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<sup>21</sup> Wyn P. Grant, *The Organization of Business Interests in the UK Chemical Industry*, Discussion Paper IIM/LMP 83-3 (Berlin: Wissenschaftszentrum Berlin, 1983), pp. 32-33., cited in Henry J. Jacek, "The Function of Associations as Agents of Public Policy," in Alberto Martinelli, ed., *International Markets and Global Firms: A Comparative Study of Organized Business in the Chemical Industry* (London: Sage, 1991) p. 157.

<sup>22</sup> Ibid.

### ***c) Policy Advocacy: The German Chemical Sector—An Established Role in the Policy-Making Process***

In areas of *public policy advocacy*, business interest associations in the German chemical sector are actively involved at all stages of the policy process. In Germany, the VCI plays an instrumental role in the policy process, routinely reviewing relevant drafts of bills and making its influence felt at the earliest stages of the formulation of a measure. Moreover, the VCI is frequently engaged in co-determining public policy activity with the chemical sector. The strong policy role of the VCI is highlighted by focusing on events surrounding the creation and passage of the *Chemikaliengesetz* (the Chemical Act) in 1982, legislation designed to deal with the health and environmental impact of new industrial chemicals. At the risk of oversimplification, by being able to enter into a dialogue with the government from the initial stages of the proposal's emergence from within the German Ministry of the Interior, the VCI was able to co-determine the fundamental components of the Chemical Act before the legislature became involved. The final product was a much less onerous policy (pre-marketing notification) for the industry as a whole, in stark contrast to the more unpredictable and intrusive (pre-manufacturing notification) Toxic Substances Control Act (TSCA) which had emerged earlier in the United States.<sup>23</sup>

### ***The Food Processing Sector***

#### ***Association Activities in the Area of Regulatory Development and Enforcement—Examples from Britain, Sweden, Austria, the Netherlands***

One activity which distinguishes food processing associations throughout Europe is the significant role they have been granted with regards to quality regulation. The level and extent of this involvement varies according to country. In the Netherlands, for example, the meat products, dairy products, and fruit and vegetable processing subsectors each have a quality control board with a semi-public status, governed by representatives of the business interest associations in each industry. In the case of Austria and the Netherlands, associations are members of state bodies responsible for the formulation, enforcement, and/or sanctioning of quality regulations. In Britain, associations may be involved in consultation procedures organized by the government. In Switzerland, associations may be given regulatory power to enforce state licensed regulations.<sup>24</sup>

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<sup>23</sup> Volker Schneider, "Corporatist and Pluralist Patterns of Policy-Making for Chemicals Control: A Comparison Between West Germany and the United States," in Alan Cawson, ed. *Organized Interests and the State: Studies in Meso-Corporatism*. (London: Sage, 1985) pp. 174-191.

<sup>24</sup> Victor, Pestoff, "The Effect of State Institutions on Associative Action in the Food Processing Industry," in Wyn Grant, ed., *Business Interests, Organizational Development and Private Interest Government: An International Comparative Study of the Food Processing Industry* (Berlin: de Gruyter, 1987).

### ***The Electronics Sector:***

#### ***Japanese Associations As Agents of Competitive Adjustment and Industry Restructuring***

Japanese association-government cooperation, especially in the electronics sector, has taken place on a dramatic scale. In the areas of competitive adjustment and industry restructuring, the Japanese Printed Circuit Board Association (JPCA), for example worked with MITI and its members to encourage joint ventures and mergers among member firms to promote economies of scale.<sup>25</sup> JPCA was successful in playing this role in part because of the program delivery responsibility MITI extended to it in the form of the Modernization of Small and Medium Sized Enterprise Program. MITI also worked with JPCA to promote increased competitiveness of its members through the adoption of process technology and quality improvement practices. Again, it was JPCA's successful administering of the MITI's Structural Improvement Program that played a major role in the success of the industry-wide adoption of these measures.

#### ***IV. Organizational Attributes and Their Impact on Association Effectiveness: Explaining the Pattern of European and Japanese Association Activity***

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As noted, comparative research conducted on industry association performance and effectiveness makes the case that an association's capacity to provide comprehensive services and activities of the Japanese and European variety is very much shaped by organizational factors.

#### ***Explaining Association Effectiveness in the Area of Education And Training: The Role of Non-Dues Income in European Associations***

One of the chief organizational factors which is used to offer an explanation for the capacity of European chemical associations to take the lead in establishing vocational training programs is the degree to which these associations draw on non-dues income. Compared with a reliance on dues alone, non-dues sources of income from fee-for-service activities tends to be more predictable and offer associations a degree of financial stability and flexibility in undertaking the kind of longer term planning that the development of education and training programs naturally requires. In explaining the greater capacity of European associations to develop and implement education and training programs than

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<sup>25</sup> For a consideration of the literature relating to the role of associations in the Japanese electrical and electronics industry see Daniel Okimoto, *Between MITI and the Market: Japanese Industrial Policy for High Technology*, (Stanford: Stanford University Press, 1989); See also, Mari Sako, "Neither Markets Nor Hierarchies: A Comparative Study of the Printed Circuit Board Industry in Britain and Japan," A paper prepared for The Second Conference of the Project, "Comparing Capitalist Economies: Variations in the Governance of Sector," Bellagio May 29-June 2, 1989.

their U.S and Canadian counterparts, Jacek noted that variations in revenue sources and a lack of reliance on membership dues affect the capacity of associations to develop comprehensive activities and services. With regards to education and training, the ability of European associations to draw on alternative income sources "enable associations to move from a purely member dependent voluntary association concerned with urgent and immediate problems to one with a diversified financial base and with an increasing attention to long term planning."<sup>26</sup>

***Explaining Association Effectiveness in the Area of Policy Advocacy:***

***The Peak Association Structure and the High Density of Representation in the German Chemical Sector***

Researchers identify two related organizational attributes when seeking to help explain the prominent role that German chemical associations such as the VCI play in the area of policy advocacy. The first reason relates to what has been referred to earlier as density of representation. Associations in the German chemical sector are highly representative of their respective sub-sectors. As such, German policy-makers have recognized that policy positions put forth by associations generally reflect the views of the vast majority of firms and as such, have been more willing to involve industry in the policy-making process.

A related reason is the existence of peak association structures in the German chemical sector. The VCI is the peak association in the chemical sector and has all 31 sub-sectoral associations as its members.<sup>27</sup> Governments wishing to involve industry in matters of policy or regulatory development can turn to the VCI with the confidence of knowing that it encompasses the views of firms from all of the industry sub-sectors.

***Explaining Association Effectiveness in the Area of Regulatory Development and Enforcement:***

***High Density of Representation Among associations in the Food Processing Sector in Britain, Switzerland, Austria, the Netherlands, and Sweden.***

The willingness of national governments to extend substantial regulatory development and enforcement responsibilities to food processing association throughout Europe has much to do with the degree to which they are capable of speaking on behalf of the majority of firms in the industries they represent. In a comparative examination of associations in the

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<sup>26</sup> Henry J. Jacek, "The Function of Associations as Agents of Public Policy," in Alberto Martinelli, ed., *International Markets and Global Firms: A Comparative Study of Organized Business in the Chemical Industry* (London: Sage, 1991) p. 176.

<sup>27</sup> W. Grant, W. Paterson and C. Whitston, "Government-Industry Relations in the Chemical Industry: An Anglo-German Comparison," in S. Wilks and M. Wright, eds., *Comparative Government-Industry Relations* (Oxford: Clarendon Press, 1987), p. 46.

food processing sector, researchers have linked density of representation as a key organizational attribute to the effectiveness of associations in this area of activity.<sup>28</sup> Coleman and Grant observed that such organizational attributes left British associations "better prepared to enter into a dialogue with state officials on longer-term policy issues affecting the sector and better able to assume responsibility for public policy implementation" when compared with Canadian associations that are viewed as being less representative of their sector.

***Explaining Association Effectiveness in the Area of Competitive Adjustment and Industry Restructuring:***

***The Role of Program Delivery Responsibilities in the Japanese Electronics Sector.***

The important role that electronics associations have played in helping member companies adjust and restructure has, in part, been assisted by the program delivery role responsibilities that MITI has extended to them. JPCA's administration of MITI's Structural Improvement Program and the Modernization of Small and Medium Sized Enterprise Program are cited as examples of this important role. On the one hand, MITI through the association is able to ensure that adjustments are initiated on an industry-wide basis. By the same token, providing associations with program delivery responsibilities and the capacity to make membership in the association a prerequisite for participation, MITI's actions have the effect of increasing membership in associations. In turn, associations are bolstered by increased financial resources they derive from having more members. At the same time, the association becomes more representative of its industry sector and therefore acts as a better vehicle for the government to use in working with firms in an industry.

***V. The Relationship Between Organizational Attributes and Association Effectiveness: Some Preliminary Observations on the Canadian Experience***

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It is instructive to note that the *Organizational Development* approach to association effectiveness centres on the kind of organizational issues raised throughout the survey and interview phases. Once more, both association executives and executives from companies are openly addressing a number of similar organizational questions: *What is the best way to finance association activities? What are the implications of having a more broadly-based versus narrow association domain? Are there benefits to more concerted association cooperation? What is the most appropriate role for the government to play in helping to make industry associations more effective? As noted earlier, Comparative analysis of industry association effectiveness suggests that such questions are well worth asking.*

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<sup>28</sup> Victor Pestoff, "The Associative Action of Swedish Business Interests: The Organization of Business Interests in the Swedish Food Processing Industry," (Research Report No.8, Department of Political Science, University of Stockholm, 1983).



As in the case of the previous analysis of European and Japanese associations, it will be useful to see if organizational characteristics likewise offer a partial explanation to the variations in industry association effectiveness which seem to exist in Canada. While the research undertaken for this report was not intended to serve as a comprehensive analysis of industry association effectiveness in Canada, it does permit an examination of possible reasons why some associations have proven more effective than others in the services and activities they undertake on behalf of member firms. Organizational characteristics, as identified in the comparative literature on industry associations, contain salient insights into the potential sources of effectiveness.

***Domains:***

***Narrow Focus Versus Broad Focus and the Implications for Canadian Industry Association Effectiveness***

As one examines the kind of membership domains typical of most Canadian industry associations, the insights of the *Organizational Development* approach seem valid. Canada's industry association community is characterized by a large number of more narrowly focused industry associations, a fact bemoaned by company executives who in many cases pay dues to a number of different associations representing variations of the same sector or sub-sector. For their part, association members want to belong to fewer, more financially viable associations. Likewise, a majority of association executives interviewed believe that there are too many associations in Canada. In fact, close to half of them support some form of consolidation of associations.

On the surface, it seems that the hypothesis about the broader the domain the more effective the association, has some basis of support in the Canadian context. For example, the Grocery Products Manufacturers of Canada (GPMC) and the Society of the Plastics Industry (SPI) both represent a broad cross-section of their respective sectors/sub-sectors. These associations have membership domains which help ensure they have the resources and the representational credibility to make them much more effective than many Canadian associations who represent much smaller, narrow sub-sectors of the economy. SPI's success in the area of education and training and GPMC's effectiveness in promoting self-regulation are due in part to their capacity to ensure the involvement of major companies in a broad cross section of their respective industries.

***Structures:***

***Fragmented and Uncoordinated Versus Integrated and Hierarchically Ordered and the Implications for Canadian Industry Association Effectiveness***

The examination of industry association **structures** in Canada and the impact they have on association effectiveness likewise substantiates the findings of the comparative literature review. In the case of *internal* association structures, it seems that Canadian associations that place a premium on consensus building and accommodation of conflicting industry

views seem to be somewhat more effective in finding common ground where positions can be developed and acted upon. This seems to be the case in the financial services, grocery products, chemicals, and health services sectors where the accommodation seeking and consensus-building role assumed by association staff along with the internal decision-making processes have helped make associations in these sectors leaders in the area of industry self-regulation. By contrast, there are some associations whose efforts to deal with controversial issues amount to little more than a polling of the members to determine "yes"/"no" positions on the desirability of industry action. As a result, many associations who lack the internal capability to manage contentious industry issues are likely to face government-driven responses to issues ranging from the environment to consumer protection.

With regards to the structure of relations between associations, with the exception of the CPQ and a handful of sectoral associations, Canada lacks peak associations to coordinate industry action on non-sector specific issues. As such, close to three-quarters of association executives that were surveyed believe that associations remain fragmented and weakly integrated.

While industry associations in Canada do cooperate informally with other associations in the form of coalitions, it does not appear to systematically address the problem of duplication and fragmentation. In terms of providing services to their members, some associations continue to shy away from more formal cooperation. Efforts by government to have associations cooperate on activities that require association/government collaboration are often met with hostility from associations who fear encroachment on their "turf." As a result, many associations' services and activities, especially those of the smaller associations, suffer from a lack of industry support and as a result only begin to scratch the surface of their members' needs in a specific area.

In contrast, a sector where Canadian associations have exhibited much higher levels of cooperation and coordination of activities has been in the automotive industry. While no sectoral peak association structure exists, associations from this sector participate in the Automotive Advisory Committee (AAC). This committee is an innovative institutional mechanism for bringing together government and the various subsectors in an attempt to develop industry-wide policies and programs. The effectiveness of associations in the automotive sector in areas such as export promotion and education and training, can be partially attributed to their willingness to cooperate, pool resources, and avoid costly duplication of effort. To be sure, the AAC plays a major role in helping to forge association cooperation. By the same token, the Federal government is likewise able to accord the associations that sit around the table, a greater role in the policy-making process. According to one observer of the automotive industry, the AAC "allows the group to speak as the automotive industry, as opposed to individual associations whose credibility is diminished by a more narrow view." It is worth noting that associations representing the chemical industry are currently attempting to formalize similar institutional arrangements.

### ***Resources:***

#### ***Dues Dependency Versus Multiple Resources and the Implications for Canadian Industry Association Effectiveness***

The issue of association resources is yet another area where the problems confronting many Canadian industry associations and the potential reforms under consideration, speak directly to the comparative research. While the majority of associations provide at least some services to members for a fee, they are generally reliant on membership dues as the principal source of revenue. The majority of industry associations surveyed rely on dues for at least 70% of their total revenues.

In contrast, associations which have developed fee-for-service approaches to association programming have proven more successful at generating revenues to fund association activities and services. This lack of reliance on dues income has enabled them to become effective suppliers of key member services. The success of The Canadian Office Products Association (COPA) and the Canadian Restaurant and Food Services Association (CRFA) in supplying members with detailed industry statistics, industry trends, and market research is very much linked to the fee-for-service approach adopted by these organizations. In addition, The Canadian Urban Transit Association (CUTA) has developed fee-for-service education and training products that are so successful they are sold internationally. In both cases, revenues raised from "profitable" activities are used to enhance the overall quality of services and activities. A number of associations are now recognizing the need to move in this direction and have begun to look at non-dues sources of income and providing services to members on more of a fee-for-service basis.

### ***Government Policy Towards Associations:***

#### ***Ad Hoc vs. Formal Policy Approach and the implications for Canadian Industry Association Effectiveness***

While not an organizational attribute as such, comparative research does hold that the government policy towards associations is also a factor in accounting for association effectiveness. Association executives interviewed identified the manner in which government policy can affect associations in precisely the same areas noted in the organizational literature. On the positive side, association executives strongly believe that extending program delivery responsibilities to associations will demonstrably enhance the value of membership, especially if access to such programs can be limited to members. Association executives also believe that government policy can bolster the importance of being a member of an association by according associations pride of place over individual companies in the consultative/regulatory process. The concern among association executives over the implications of proposed changes to the *Lobbyist Registration Act* points to an example of the potentially negative impact of government policy on associations.

## **VI. The Theory and Practice of Industry Association Effectiveness: A Summary**

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The *Organizational Development* approach offers a useful framework for examining the sources of industry association effectiveness. In both Canada and abroad, a link seems to exist between how associations are structured in accordance with the three organizational properties discussed throughout this section and the scope of services they are capable of providing to member firms. In addition, the role that governments can play in helping to provide the kind of playing field which enhances the effectiveness of industry associations is also an important factor.

Broader association domains, fewer competing associations, less reliance on dues, and a concerted effort to cooperate, rather than compete with related associations are among the organizational attributes that characterize those associations in Japan and Europe that are noted for their effectiveness in meeting the needs of member companies. In Canada, preliminary research suggests that such organizational attributes also help account for variations in the level of services associations are capable of providing to member firms.

It is encouraging that many association and company executives are starting to think and act upon a number of the same organizational issues. At the same time, the manner in which they have been able to identify the kind of role they want to see government play in the future suggests that a movement towards association reform is gaining momentum.

## **CONCLUSIONS: POTENTIAL DIRECTIONS FOR INDUSTRY ASSOCIATIONS IN THE 1990'S AND BEYOND**

### ***I. The Agenda for Industry Association Reform in the 1990's***

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The findings of the surveys, interviews, and focus groups support the prevailing theme in comparative industry association literature that links the organizational attributes of industry associations to their capacity to provide effective services to member firms. Association and company executives alike identified the manner in which association fragmentation, duplication, and the heavy reliance on dues income has undermined the range of services and activities they are capable of offering. While it is true that some association executives are less than enthusiastic about major association reform, member companies remain unanimous in their conviction that the status quo is no longer tenable.

There are clear signs that some associations in Canada have begun to respond to the changing expectations of member companies and the new association landscape by making the required competitive adjustments. In a number of instances, related sectoral and sub-sectoral associations have merged in order to reduce costly overhead and avoid duplication. The quality of the services they provide and the degree to which these services meaningfully address the issues confronting member firms seems to have been enhanced as a result of the pooling of industry resources under a smaller number of broader, more representative industry associations. Others are in the process of major self-examination of the relevance of their mandates and the quality and effectiveness of the services they provide. "What kind of business services is it that our members or customers need to enhance their international competitiveness?" "How can we provide value-added services to the firms we represent in excess of their cost of membership?" "Are there ways we should charge for these services that provide members with better value for their money?" These are the kinds of questions some association executives and company executives are asking themselves in an effort to survive and prosper as associations in the 1990's.

The way in which association reform occurs in Canada is the responsibility of associations and their member firms. Companies are forcing their association to keep pace with new fiscal realities and the changing needs and expectations of the membership. In addition, surveys and focus group discussions demonstrated that a number of association executives are themselves leading the charge for industry association reform. At the same time, government departments like Industry Canada have a role to play in facilitating the process. Comparative research contends that government policy towards association plays a role in the way industry associations can function more effectively. For their part, association executives and their members are divided on what the appropriate role of the government ought to be. Some association executives and their chairpersons have asked that the federal government assume a major role in brokering industry association reform in Canada. Others see the government involved in an indirect fashion. A small number of association and company executives contend that the federal government has no role to



play in helping industry associations to become more effective. Despite this difference of opinion, the impetus for association reform must come from association and company executives. In the listing of recommendations that is to follow, responsibility for organizational reform is viewed as a private sector concern. At the same time, there is a role for government to play in supporting efforts by associations and their members to enhance their effectiveness.

## **II. Responding to the New Imperatives: Some Potential Directions for Industry Associations in the 1990's**

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This section sets forth "Potential Directions Industry Associations in the 1990's." Building on the comparative framework borrowed from the study of industry associations in other countries, the recommendations for consideration are organized in terms of *activities and services, domain, structures, and resources*. In discussing future directions for associations to explore, a number of potential action steps have been identified which would serve to initiate a process of association reform. In each case, the kind of supporting role that government can play has also been identified.

### **Activities and Services:**

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- 1) Associations will be increasingly expected to deliver services which are comprehensive, timely, and at a far better value than what companies would otherwise be able to secure from another source.**

**Background:** Research suggests that members are increasingly driven by cost/benefit analysis of what they get from their association versus what they pay. Decisions to join or renew membership in an association will be almost exclusively based on the financial value of the services that membership provides. In some cases, there seems to be discrepancies between what companies value as a key priority for belonging to an association compared with the specific programs and services that are offered. For example, close to 90% of association executives cite "advocacy" as a major association activity. However, focus groups with company executives seem to suggest that the advocacy function is not nearly as important to them. To the extent that this is the case, associations must reconsider the value of every service they provide.

#### **Potential Action Steps for Associations/Members:**

Association/Members should conduct detailed "customer" surveys to determine key requirements of the industry. This research must identify what resources members want to see devoted to specific services and activities.



Associations/Members should modify dues and fee structures to allow members to choose services on a more selective basis. At the same time, associations must survey what other associations are doing in terms of specific services and activities that may be of interest to their members.

***Supporting Role for Industry Canada:***

Industry Canada should circulate association "Best Practices" on a regular basis to keep associations abreast of the latest examples of innovative association activities. Perhaps, the Federal government could have yearly awards in order to provide innovative associations with public recognition of association excellence. Industry Canada should also work with intersectoral organizations like the Canadian Society of Association Executives (CSAE), the All Business Coalition (ABC), and the Business Association Interchange (BAI) that bring together association executives for the purposes of promoting information exchange through jointly run conferences, seminars, and meetings.

Industry Canada should provide industry associations with cost-shared consulting services to help identify and implement innovative organizational changes/continuous improvement plans. For example, Industry Canada should cooperate with associations in the development of a bench marking program/service to enable associations to evaluate themselves against the accomplishments other associations (i.e. *An Inter-Firm Comparison Program for Associations*). Support could also come in the form of secondments from government departments where officials with specific expertise (i.e. export promotion, competitiveness analysis) are placed with associations for a limited period of time to help encourage the development of an internal capability in a given area.

***2) Wherever possible, national associations should strive to provide a meaningful national focus and be responsive to regional needs in a flexible and cost-effective manner.***

**Background:** A prevailing view among association members outside of Ontario and Quebec is that national associations often neglect firms in regional areas. These same companies claim to receive few meaningful services out of national associations, but are still expected to pay the same membership fees as Ontario and Quebec based companies who receive a disproportionately larger share of services.

***Potential Action Steps for Associations/Members:***

Association/Members should re-think the kinds of services they provide to firms in regional areas. In many cases, these companies seek informational products.

Association/Members of national associations that want to maintain a regional presence should also re-define their fee structures to reflect the variation in scope of services they are capable of providing member firms located significant distances from where the association offers most of its services.



- 3) ***Associations have begun to play an important role in self-regulatory activities. In order to achieve the full benefits of these activities, associations will need to make a concerted effort to define what kinds of actions government can undertake to facilitate the self-regulatory function.***

**Background:** Associations are demonstrating an increasing interest in undertaking self-regulatory activities. Those industries that have done so have benefited from the opportunity to undertake regulatory activities which are more sensitive to their needs. At the same time, the implementation of self-regulatory programs is recognized as a complex, lengthy undertaking that will require ongoing consultation with a number of departments and ministries at both levels of government. Already, there are associations who have encountered numerous obstacles in their efforts to implement self-regulation. In some instances, governments have been partially reluctant to hand over administrative and regulatory levers to associations.

***Potential Action Steps for Associations/Members:***

Association/Members from within a given sector that are active or interested in self regulation should establish an association-government task force to develop common positions on the issue of "associations as vehicles for self-regulation." This could then be used by associations as the basis for more systematic discussions with governments.

***Supporting Role for Industry Canada:***

Industry Canada should work with industry associations interested in self-regulation by serving as a task force secretariat for bringing together associations to develop key positions, conducting relevant policy research, and coordinating meetings between association and relevant federal departments.

- 4) ***As government looks for more innovative ways to deliver services to industry, associations may be called upon to act in a program delivery capacity. While associations see this as a positive opportunity, there is a corresponding recognition of the need to develop eligibility criteria, accountability mechanisms, and performance benchmarks to ensure that the programs are delivered fairly and efficiently.***

**Background:** Association and company executives believe that associations can be used much more effectively in helping the government deliver a range of programs and services. However, a number of concerns exist. Member companies favour the idea of delivering government programs and services so long as associations can demonstrate that the particular program clearly corresponds to their industry's needs and is not just a case where the association goes out "in search of program dollars." Likewise, companies want to be assured that if their association delivers a program, they as dues paying members, have an advantage over non-dues paying members when it comes to program access. Associations are strongly in favour of assuming program delivery responsibilities provided



they are given the kind of flexibility to deliver the program in an effective fashion. Both parties believe that the government must establish criteria to determine which associations are given the opportunity to deliver public programs.

***Potential Action Steps for Associations/Members:***

Association/members in cooperation with Industry Canada should identify what constitutes sufficient industry interest to warrant the association assuming a program/service delivery function. Likewise, they should jointly identify what kinds of programs/services could better be delivered through associations.

Association/members must work with the government to identify key eligibility requirements for associations to be considered suitable to deliver public programs. Such requirements must deal with the following issues: (1) size of association and its capacity to undertake program delivery; and (2) the extent to which an association must represent its sector prior to being given the opportunity to deliver a program. They must also develop (1) a policy on how non-members are treated with respect to members when it comes to having the opportunity to participate in a program; (2) methods for holding associations accountable for the use of public funds; (3) ways that the program can be properly administered in a manner that is likewise flexible; and (4) benchmarks for evaluating association effectiveness in functioning as a delivery agent.

***Domains:***

***The Need For Fewer, More Representative Sectoral/Sub-Sectoral Associations***

- 5) Associations should work to more fully express the views of all segments of the industry they represent and be able to document the levels of industry support on different issues. Those associations that do so will be in a better position to assume a leadership role in the delivery of public programs, the providing of more formative input on existing or proposed government policy and other forms of industry/government collaboration.***

**Background:** Virtually all industry association executives express a keen interest in playing a much more significant role in both government program delivery and the policy and regulatory process. In fact, some associations believe that government should accord associations priority status over individual member companies as the official voice of industry. Such an approach would mirror the *Rule of by-pass* enacted in a number of European countries which limits the capacity of individual companies to deal directly with the government on industry-wide matters in favour of association-government interaction. Because of such an approach, companies are much more willing to join the association for the purposes of being better connected to the regulatory/policy process. This kind of government policy of favouring associations enhances the perceived value of membership in an association.



### *Potential Action Steps for Associations/Members:*

Association/Members interested in undertaking closer industry-government cooperation should be able to provide the following information to government: (1) the size of industry represented, (2) the % of companies in the industry that the association represents, (3) the geographic breakdown of the both the members and all firms in the industry, (4)% of members that support specific association position on a particular policy or issue, (5) the process used to determine industry positions in an association, and (6) the consistency of the association positions with those taken by other associations representing the same sector.

Association/Members should work with government to establish criteria in the above areas to guide the discussions on the possibility of involving associations to a greater degree in the development of policy and regulations and the delivery of programs.

### *Supporting Role for Industry Canada:*

Industry Canada should undertake detailed research aimed at offering the government a much clearer understanding of the "association profiles" of various industry sectors. These profiles should identify the following: (1) how many associations are there in each industry sector?; (2) how many associations does Industry Canada cooperate with on a regular basis and to what degree does this constitute the bulk of industry associations in Canada?; (3) to what extent do the broader intersectoral/sectoral associations who are consulted on a more regular basis accurately reflect the views of sectoral/sub-sectoral associations?; and (4) to what extent does Industry Canada's existing description of what constitutes a "sector," limit the kinds of associations which cooperate with the Federal government on a regular basis?

Industry Canada should work with industry association/member firms to develop benchmarks as to what kind of size, focus, geographic, and representativeness criteria associations should meet prior to becoming involved in more formative industry/government collaboration.

### ***6) Mergers or small sectoral and sub-sectoral associations will likely be required to make better use of industry funds as well as provide associations with the critical mass of members to ensure they are capable of speaking with authority on behalf of the firms in an industry***

**Background:** Association members are calling for associations to merge in order to achieve economies of scale and maximize industry resources. Smaller sub-sectoral associations which do not follow this route could lose many of their members outright. Association mergers which have occurred have proven successful. In addition, to the



extent that mergers create fewer, better financed associations in a specific sector/sub-sector, members would likely see improved services resulting from improved association effectiveness. According to comparative research, industry association effectiveness is strongly influenced by the organizational characteristics of an association. A broader association domain and increased density or representation which would result out of association mergers have been proven to have a positive impact on the capacity of an association to provide its members with comprehensive services.

***Potential Action Steps for Associations/Members:***

Related sectoral /sub-sectoral associations and their chairpersons should initiate exploratory discussions with their counterparts to determine if there is support for association mergers. Those association chairpersons/staff that support association rationalization should attempt to bring together potential merger partners and their boards to make the case for the merits of such reform.

***Supporting Role for Industry Canada:***

At the request of those associations/chairpersons interested in pursuing association reform, Industry Canada should assist in the preparation of *Industry Association Sectoral Profiles*. Industry Canada should help to cost share the expense associated with industry association mergers.

***Structures:***

***Establishing Better Ways For Association/Government Interfacing***

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- 7) *In cases where mergers are not likely to occur, related associations should work to cooperate where the pooling of resources and staff time makes for more effective service delivery.*

**Background:** Association cooperation can achieve some of the benefits of mergers without getting into the difficult issue of turf protection. Associations in the automotive and forestry sectors regularly cooperate in an effective manner. While closer cooperation will not actually reduce the number of associations, it will result in stronger, more representative associations, and will help ensure that there is less duplication of effort. Cooperation in areas of service delivery as well as the cost-sharing of specific activities and events can help make better use of industry funds.

***Potential Action Steps for Associations/Members:***

Association/Members should identify and seek out related associations with which they can undertake joint projects and share overhead costs. Association/Members should



negotiate Memorandums of Understanding with related associations to formalize working relationships and map out areas for joint service/program activity.

***Supporting Role for Industry Canada:***

Industry Canada should, where interest exists, work with related associations to establish industry/government structures to help achieve the coordination of related sectoral interests in policy discussions and program delivery activities. It should also provide secretariat support in order to bring a degree of permanency to cooperative efforts.

Industry Canada should, wherever possible, encourage association cooperation by making it an explicit criteria in deciding upon program funding eligibility. Such criteria would provide incentives for related sectoral/subsectoral associations to cooperate.

**8) *Associations should identify a means by which to provide a collective voice on those government policy issues that affect the functioning of industry associations as effective industry-government intermediaries, including issues such as proposed changes to the Lobbyist Registration Act.***

**Background:** Unlike countries throughout Europe, Canada lacks "Peak" associations that serve as a means to bring senior association executives together on a regular basis to discuss issues of key concern. This lack of a forum makes it difficult for industry associations to collectively speak to government on those issues which affect all industry associations. The potential implications arising out of proposed changes to the *Lobbyist Registration Act* highlight the need for some kind of regularized association/government dialogue on issues affecting the effective functioning of industry associations. Indeed, the desire of associations to assume program delivery responsibility and be given a more formative role in the policy/regulatory process would make such an association government forum essential.

***Potential Action Steps for Associations/Members:***

Associations/members should examine all existing forums that could serve to bring them together on a more regular basis for discussion with government on association-related issues.

***Supporting Role for Industry Canada:***

Industry Canada should initiate discussions with associations about the prospect of establishing an *Industry Association/Government Advisory Council*. Such a council could function as a means to bring together association and company executives, and key Federal government officials on an ongoing basis to address issues of concern to the entire industry association community. Such a forum could address emerging issues such



qualifying criteria for associations to deliver public programs, as well as the suitability of existing and proposed government support programs. Industry Canada should approach existing intersectoral associations to determine if there are ways in which they could provide secretariat services to such a council.

Industry Canada should re-allocate staff responsibilities to have staff exclusively responsible for industry association relations. The current association-government relations that exist, take place between associations and Industry Canada sector branches. While these relations are extremely positive, they deal with sectoral issues and do not address non-sectoral.

### **Resources:**

#### ***The Need to Move Towards More Diversified Sources of Revenue***

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- 9) ***Associations should attempt to move away from exclusive reliance on dues towards other forms of revenues and should investigate more fee-for-service approaches.***

**Background:** Research shows that reliance on membership dues can undermine association effectiveness given the manner in which such fee structures are usually linked to a company's sales. The greater financial capacity of fee-for-service associations to raise revenues suggests that this is the appropriate route to follow. In addition, comparative research suggests that the greater financial independence that comes from having non-dues sources of revenues ultimately assists association executives in their ability to undertake longer term strategic planning. A number of associations are in the process of actively considering this option for the above reasons.

#### ***Potential Action Steps for Associations/Members:***

Association/Members should re-examine all current association services and activities to determine if there are ways to raise revenues by expanding upon those that tended to have the strongest industry support.

Association/members should undertake surveys of the general membership to determine what services members are currently not receiving from the association but would be willing to pay for on a fee-for-service basis. Association/Members should organize and cost association activities and services in such a way so as to be able to allocate overhead to each service and activity and provide the opportunity for members to choose which activities and services they wish to purchase.

#### ***Supporting Role for Industry Canada:***

Industry Canada should provide support to assist associations in undertaking comprehensive assessments of the opportunities to implement fee-for-service approaches.



**10) Associations/members should work to develop a position on the issue of core funding to industry associations.**

**Background:** There is little comparative research on the role that government funding plays in influencing the effectiveness of industry associations in other countries. To the extent that associations are given funds at all, they are almost always in the form of a subsidy to compensate the association for some specific project or for some responsibilities they have assumed, such as the offering of vocational training. Throughout the focus groups, company executives expressed strong opposition to government subsidizing the "core" activities of associations. Association executives, to a lesser degree, also tended to oppose the direct funding of associations. At the same time, the continued practice of funding associations despite low levels of industry support, raises concerns regarding the policy which guides the decision-making process. The provision of program funding to associations to undertake specific projects, on the other hand, was viewed by both groups as a positive practice.

**Potential Action Steps for Associations/Members:**

Association/members should work with Industry Canada to develop a policy to guide the provision of funds to associations.

**Supporting Role for Industry Canada:**

Industry Canada should determine how much money the Federal government gives to associations on an annual basis. Industry Canada should also examine the criteria employed by different departments who fund associations.

## **APPENDIX A: LIST OF ASSOCIATIONS THAT PARTICIPATED**

### ***Associations That Were Interviewed***

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1. Aerospace Industries Association of Canada
2. Alberta Aerospace Association
3. Association des manufacturiers du Québec
4. Association of Consulting Engineers of Canada
5. Atlantic Provinces Chamber of Commerce
6. Automotive Industries Association of Canada
7. Automotive Parts Manufacturers' Association
8. Business Council of British Columbia
9. Business Council on National Issues
10. Canadian Advanced Technology Association
11. Canadian Apparel Federation
12. Canadian Association of Petroleum Producers
13. Canadian Bankers' Association
14. Canadian Chamber of Commerce
15. Canadian Chemical Producers' Association
16. Canadian Construction Association
17. Canadian Council of Professional Engineers
18. Canadian Drug Manufacturers' Association
19. Canadian Exporters' Association
20. Canadian Federation of Independent Business
21. Canadian Federation of Independent Grocers
22. Canadian Foundry Association
23. Canadian Franchise Association
24. Canadian Home Builders' Association
25. Canadian Institute of Chartered Accountants
26. Canadian Life and Health Insurance Association
27. Canadian Manufacturers' Association
28. Canadian Manufacturers' Association (B.C. Division)
29. Canadian Office Products Association
30. Canadian Restaurant and Food Services Association
31. Canadian Textiles Institute
32. Canadian Urban Transit Association
33. Chambre de commerce de Montréal
34. Conseil du Patronat du Québec
35. Council of Forest Industries of B.C.
36. Electrical & Electronics Manufacturers' Assoc. of Canada
37. Environmental Services Association of Alberta

38. Geomatics Industry Association of Canada
39. Grocery Products Manufacturers' of Canada
40. Industrial Biotechnology Association of Canada
41. Information Technology Association of Canada
42. Insurance Bureau of Canada
43. Investment Dealers Association of Canada
44. Machinery and Equipment Manufacturers' Assoc. of Canada
45. Mining Association of Canada
46. Ontario Furniture Manufacturers' Association
47. Ontario Waste Management Association
48. Petroleum Services Association of Canada
49. Pharmaceutical Manufacturers' Association of Canada
50. Prairie Implement Manufacturers' Association
51. Retail Council of Canada
52. Rubber Association of Canada
53. Society of the Plastics Industry of Canada
54. Software Development Association of Saskatchewan
55. Software Industry Association of Nova Scotia
56. Tourism Industry Association of Nova Scotia
57. Trust Companies Association of Canada

### ***Associations That Responded To The Survey***

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1. Alberta Forest Products Association
2. Alliance of Canadian Travel Associations
3. Association de l'industrie de l'aluminium
4. Association des fabricants de meubles du Québec
5. Association des manufacturiers de bois de sciage du Québec
6. Association des manufacturiers de prod. alimentaires du Québec
7. Association of Canadian Publishers
8. Association of Consulting Engineers of Saskatchewan
9. British Columbia Wood Specialties Group Association
10. Business and Institutional Furniture Mfrs. Assoc. of Canada
11. Canadian Association of Railway Suppliers
12. Canadian Association of Recycling Industries
13. Canadian Business Telecommunications Alliance
14. Canadian Electrical Association
15. Canadian Hardware and Housewares Manufacturers' Assoc.
16. Canadian Heat Exchanger and Vessel Manufacturers' Assoc.
17. Canadian Industrial Transportation League
18. Canadian Institute of Biotechnology



19. Canadian Maritime Industries Association
20. Canadian Paint and Coatings Association
21. Canadian Paper Box Manufacturers' Association
22. Canadian Paper Trade Association
23. Canadian Retail Hardware Association
24. Canadian Tooling Manufacturers' Association
25. Canadian Transportation Equipment Association
26. Canadian Wood Council
27. Centre d'initiative technologique de Montréal
28. Consulting Engineers of British Columbia
29. Electric Vehicle Association of Canada
30. Fédération de l'automatisation au Québec
31. Fur Council of Canada
32. Furniture West
33. Medical Devices Canada
34. Motor Vehicle Manufacturers' Association
35. Nova Scotia Consulting Engineers Association
36. Office des congrès et du tourisme du Grand Montréal
37. Packaging Association of Canada
38. Saskatchewan Mining Association
39. Shoe Manufacturers' Association of Canada
40. Society of Management Accountants of Canada
41. Structural Board Association
42. Technology Industries Association of B.C.
43. Tourism Industry Association of Saskatchewan

## **APPENDIX B: SURVEY QUESTIONNAIRE AND INTERVIEW GUIDE**

### **A. Key Issues**

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#### **1) Future Issues Confronting Industry Associations**

In terms of the firms that you represent, what do you think will be the three most significant issues of the next decade?

How do you think your association will respond to the needs of your members in these areas?

#### **2) Industry Association Priorities**

Please explain the process by which your association determines the types of activities and services it provides to member firms (i.e. membership surveys, conferences, decisions by the Board of Directors, decisions by association staff, etc.).

Is there active discussion at present within your association on the roles it now plays and the future roles it might or should play? What do you envisage as the possible outcome?

#### **3) Associations And International Competitiveness**

What kinds of services and activities have you undertaken or are you currently undertaking, either on your own or jointly with others, to help enhance the international competitiveness of member firms?

#### **4) Health Of Industry Associations In Canada**

Canadian industry associations have been described as, in general, being highly fragmented, with a poor density of representation, and weakly integrated. Do you agree with this description? What do you think can or should be done about it?

It has been said that one of the key issues for associations is a lack of financial resources, which makes it difficult to improve the quality and scope of business services offered to member firms. Do you agree with this assessment? What do you think can or should be done about it?

#### **5) New Activities And Services For Associations**

Many associations are undertaking new activities in response to members' needs. What new activities and services will your association be likely to undertake in the future, either jointly with others or on your own?

Does your association offer services to its members or to non-members for a fee? (Please describe them.) Are these services popular? Do they pay for themselves?

#### **6) Relationship With Other Associations In Canada**

Have you ever worked with other associations representing similar or related sectors to collectively address a common issue or problem? If you have, please describe the nature of cooperation and the kinds of issues or problems that you sought to address.

In Canada, there are many industry associations. Some have said that there are too many associations with overlapping jurisdictions. Do you think there is any truth to that view? Why?

Do you believe that consolidation of a number of sectoral associations into a single organization would result in a more effective vehicle for providing services to members and for interfacing with government? Do you think this is feasible in your industry? If not, why not?

Do you think that a network or coalition of associations might be a better approach? Why?

#### **7) Cooperation With Associations In Other Countries**

Does your association cooperate on a regular basis with associations in other countries? If so, what are the kinds of activities around which you cooperate on an international basis?

#### **8) Improving The Effectiveness Of Associations: The Role Of Associations**

In your view, are there ways that Canadian associations in general could operate more effectively to respond to the needs of Canadian industry?

If there are, what specific steps should be taken so that associations can become more effective?

#### **9) Improving The Effectiveness Of Associations: The Role Of Government**

In your view, are there ways that governments could help associations to become more effective in meeting the needs of member firms?

In terms of working with associations and Canadian industry, in general, what do you see as the appropriate role for governments (particularly, in your sector)?

#### **10) Associations As Intermediaries**

In some cases, industry associations are used by governments as intermediaries to communicate with businesses and, sometimes, to deliver programs and services to

companies. Is this true for your association? Do you view this as positive, negative or neutral? Why?

### **11) New Forms Of Industry-Government Consultations**

The Federal government's Prosperity Initiative Sectoral Consultations is one example of industry-government collaboration. There are many other examples; such as, the Federal government's Sectoral Advisory Groups on International Trade (SAGITs), ISC's Memoranda of Understanding with individual associations, Ministerial advisory committees (i.e. in the forestry and automotive sectors).

What forms of industry-government collaboration do you feel are the most effective for meeting your members' needs?

Are there ways in which these kinds of collaboration can be made more effective from the perspective of your industry association and the firms that you represent?

### **12) Other Issues**

Are there other issues concerning new roles for industry associations in the Canadian economy that you would like to mention?

## **B. Basic Information**

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### **I. Association Profile**

#### **a) Size And Budget**

Which of the following categories best describes your association:

No. of Employees

\_\_\_ 1 to 10

\_\_\_ 11 to 20

\_\_\_ 21 to 30

\_\_\_ Over 30

Is this greater than, the same as, or less than it was three years ago?

Association Budget

\_\_\_ \$0 - \$100,000

\_\_\_\$100,001 - \$250,000

\_\_\_\$250,001 - \$500,000

\_\_\_\$500,001 - \$1,000,000

\_\_\_\$1,000,001 - \$2,000,000

\_\_\_\$2,000,001 - \$5,000,000

\_\_\_Over \$5,000,000

Is this greater than, the same as, or less than it was three years ago?

***b) Sources Of Revenue***

What percentage of your association's revenues comes from the following sources:

\_\_\_Membership Dues

\_\_\_Government Funding

\_\_\_Trade Shows/Conferences/Seminars

\_\_\_Publications/Information Services

\_\_\_Provision of Group Services, i.e. insurance programs

\_\_\_Other

***c) Sectoral And Geographic Focus***

Briefly describe your association's sectoral and geographic focus.

***d) Description Of The Industry Represented By Your Association***

The following three questions relate to **all** of the firms in your industry sector (and geographic region, if applicable), i.e. including both members and non-members:

- What are the annual shipments (or receipts)?
- How many firms are there?
- How many employees are there? (What percentage are full-time employees?)

**e) Membership Base**

Which of the following categories best describes your association? (Please estimate, if necessary.)

Members of my association account for the following percentage of total industry shipments:

\_\_\_ under 25%

\_\_\_ 25 - 50%

\_\_\_ 51 - 75%

\_\_\_ 76 - 90%

\_\_\_ Over 90%

Is this greater than, the same as, or less than it was three years ago?

Members of my association account for the following percentage of the total number of companies in the industry:

\_\_\_ under 25%

\_\_\_ 25 - 50%

\_\_\_ 51 - 75%

\_\_\_ 76 - 90%

\_\_\_ Over 90%

Is this greater than, the same as, or less than it was three years ago?

**f) The Association Community**

Does your association share membership with related sectoral associations?

\_\_\_ Yes \_\_\_ No

If so, please list the names of these associations.

## **II. Activities And Services**

### **a) Mandate And Mission**

Please describe the mandate and mission of your industry association.

### **b) Types Of Activities And Services**

Which of the following categories of activities and services do you provide to your membership on an ongoing basis:

Advocacy/Government Relations

Trade/Export Promotion

Codes and Standards

Education and Training

Competitive Analysis/Bench Marking

Statistical Programs and Services

Technology Diffusion/R & D

Informational Services

Public Relations/Communications

Other (Please Specify)

### **c) Specific Examples**

For each activity/service category that you checked off, please describe briefly the **specific** activities and services that are offered to member firms.

### **d) "Best Practices" Inventory**

We are interested in identifying the "best practices" among industry associations in Canada in terms of the activities and services that they provide to member firms and assembling a "best practices" inventory.

If you have any examples of "best practices" that you would like to include in this inventory, please write a short description of them on a **separate sheet of paper** and return it with this Survey Questionnaire to the address indicated on the first page.

Alternatively, these examples may be described in documents that are already produced by your association (i.e. a newsletter or annual report). If you wish, **please enclose these documents** (and indicate whether you want them returned to you).



## APPENDIX C: FOCUS GROUP GUIDE

### ***Introduction:***

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- The purpose of this focus group meeting is to discuss a number of issues related to industry associations in Canada.
- Thank you for being here.
- Before discussing each issue individually, it would be useful to start by going around the table and asking what industry sector your company is in and whether your company belongs to an industry association. Also, please make any preliminary general comments, if you wish to do so.

*The following questions can be used to stimulate the discussion.*

### ***Issue #1:***

#### ***Association Services That Help Firms Become More Internationally Competitive***

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- Increasingly, industry associations are being looked upon as a vehicle to help member companies respond to international competitiveness challenges. What kinds of services and activities have your associations undertaken to help enhance your international competitiveness?
- If you do not belong to an association, are there services that you think an association should provide in this area?
- Are you aware of any new activities and services that your associations have undertaken recently?
- What new kinds of services would you like your associations to provide for you?

### ***Issue #2:***

#### ***Priorities and Future Issues Confronting Industry Associations and their Members***

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- What do you think will be some of the most significant competitiveness issues that will evolve over the next decade and do you think your industry associations will have a role in helping you address these issues?

*Some examples of these issues could include lack of skilled labour, adjustment under NAFTA or GATT, and environmental protection measures.*

- What do you think are the most important priorities for the associations to which you belong?
- If you were to change their priorities, what changes would you make?
- Do you know if there are any discussions within your industry associations on new roles that they should be thinking about?
- When you go to your association with a problem or question, do they respond quickly enough?

**Issue #3:**

***Health of Industry Associations in Canada***

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- Canadian industry associations have been described, in general terms, as being fragmented, having a poor density of representation, and being weakly integrated. Do you agree with this description? What should be done about it?
- It has also been said that one of the key issues for associations is a lack of financial resources, which limits the quality and scope of services offered to member firms. As far as you know, is this a major issue confronting the associations to which you belong?
- What do you think can or should be done about it?
- Do you pay a fee for any of your associations' services?
- Are these services popular?
- Do you know if they pay for themselves?
- Do you think that associations should be encouraged to put more of their activities and services on a self-financing basis?
- Are your associations trying to find new ways to attract more members? How?
- In addition to limited resources and the need for more members, are there other obstacles or constraints which limit the capacity of your associations to respond to your needs?

**Issue #4:**

***Relationship Between Associations***

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- In Canada there are many industry associations. Some have said that there are too many associations with overlapping jurisdictions. Do you feel that there are too many associations trying to recruit you as a member and offering many of the same kinds of services?
- Do you think that consolidation of a number of associations into a single organization would result in a more effective vehicle for providing you with services and for representing your views?
- Are you aware of any cooperation that has taken place in your sector between different associations to address common issues?
- Are you aware of associations in your sector cooperating with associations in other countries?

**Issue #5:**

***Improving the Effectiveness of Associations in Responding to Member Needs***

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- In your view, are there ways that your associations could operate more effectively to respond to your company's needs?
- What specific steps do you think should be taken so that associations can become more effective?
- What do you see, if any, as the role of governments in this? Federal? Provincial?

**Issue #6:**

***Associations as Intermediaries***

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- Industry associations are frequently used by governments to communicate with businesses, both in terms of getting information to them and in terms of receiving feedback from businesses on the important issues of the day? How do you feel about this? Is this a good or bad thing? Should governments be doing more or less of this?
- Sometimes, industry associations deliver programs and services on behalf of governments because, in some cases, it is more efficient and cost effective to do it

this way. Are you aware of cases like this? Do you think that this should be encouraged? Do you see any problems with this?

- Are there any kinds of programs or services that industry associations would be particularly good at delivering?

### ***Summary of Observations:***

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- Throughout this discussion, a number of interesting observations were made about how the roles of industry associations in Canada could be improved.
- We would like to take a few moments to briefly summarize what we think are the main points coming out of this focus group meeting.
- If you think that there is something that should be added, please let us know.

*Summarize key observations*

- Thank you for coming here today.

*Adjournment*

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Strategic Policy Choices,  
Industry association  
research project : report  
CCPO c. 2 aa ISC

INDUSTRY CANADA/INDUSTRIE CANADA



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