



UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION (UNIDO)
Technical Information on Industrial Processes

TRADE ASSOCIATIONS

in the Leather-related Industries

by
Anthony Clothier
Shoe Industry Expert

for the 13th Session of the UNIDO Leather Industry Panel
managed by
Ferenc Schmél
Industrial Development Officer

Vienna, 2003

Materials in this publication may be freely quoted or reprinted, but acknowledgement is required, together with a copy of the publication containing the quotation or reprint.

The designation and classification of countries and territories employed, the presentation of material in this study do not imply the expression of any opinion whatsoever on the part of the Secretariat of the UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION (UNIDO) concerning the legal status of any country, territory, city or area, or of its authorities, or concerning the delimitation of its frontiers or boundaries, or regarding the economic system of degree of development.

Mention of the names of firms and commercial products does not imply endorsement by UNIDO.

The publication has not been formally edited.

The original document was prepared in 1997.

TABLE OF CONTENTS

Introduction	5
EXECUTIVE SUMMARY	7
1. Membership: Who Should the Association Represent?	7
2. The Activities of Trade Associations	7
3. Strategic Planning	8
4. The Governance and Organization of Association	8
5. The Staffing of Trade Associations and the Essential Qualities of Their Staff	9
6. The Financing of Trade Associations	9
Recommendations	11
BASIC ASSUMPTIONS	13
Objectives of the Study	13
Vocabulary and Definitions	13
History	14
Objectives	14
Sources of Information	15
Structure of the Report	15
MEMBERSHIP: WHO SHOULD THE ASSOCIATION REPRESENT?	17
One or More Industries?	17
Level of Representation	17
The Problems of Different Size Firms	17
Problems of Internal Conflict of Interest	18
Direct Membership or Membership via Association	18
The Question of Critical Mass	18
Viability	18
Relations with Other Bodies	19
Good Practice	19
THE ACTIVITIES OF TRADE ASSOCIATIONS	21
Lobbying	21
Provision of Statistics	23
Provision of Information to Members	23
Marketing	23
Employment Services and Wage Negotiations	24
Training	25
Technical Services	25
Fashion Advisory Services	25
Consultancy Services	26
Bulk Purchasing	26
Best Practice	26
STRATEGIC PLANNING	29

The Importance of Strategies	29
Good Practice	30
THE GOVERNANCE AND ORGANIZATION OF ASSOCIATION	31
Organizational Structures	31
Election of Officers of Association	31
The Professional Staff of the Association	32
Relationship between the Elected President/Chairman and the Secretary/Director	32
Setting Long Term Strategic Policy	33
Changes in Attitudes to Participation in Association Activities	33
Committees	33
Good Practice	33
THE STAFFING OF TRADE ASSOCIATIONS	34
Numbers of Employees	34
Skills and Quality Of Staff	34
The Problem of Minimum Viable Size	35
Essential Qualities of Staff	36
Good Practice	36
THE FINANCING OF TRADE ASSOCIATIONS	37
The General Situation	37
Subscriptions	37
Other Income	37
Voluntary Membership versus Parafiscal Tax	38
Setting the Subscription Level	38
Charging for Other Services	39
The Legal Position of Trade Associations	39
Good Practice	39

Annex: List of Interviews Carried out in the process of Preparation of the Survey

Introduction

UNIDO is one of the specialized agencies of the UNITED NATIONS with the main mandate to assist developing countries in enhancing their industrial capabilities and international competitiveness. The LEATHER UNIT of UNIDO has always been involved in *transferring* appropriate and up-to-date *technology* to institutions and production units of developing countries in Africa, Asia and Latin-America. Normally the form in which this transfer took place has been (*direct*) *technical assistance* in the field of, *inter alia*, policy and strategy formulation, human resources development (training), marketing, product design, process technology, production management, quality control and environmental protection.

For some time governments of recipient countries had been closely associated with UNIDO projects; sometimes their organizations were the direct beneficiaries of the UNIDO assistance. Due to privatization and certain structural changes in the world economies, industrial activities have become part of private ventures whereby governments only play regulative or - in good cases: facilitating - roles. Technical assistance is needed at the plant and production level where private companies are predominant. Selecting recipients (direct beneficiaries) for UNIDO assistance is now a more complex issue as no (international, regional or local) aid in any form should disturb market conditions. On the one hand, *professional (trade) associations*, as non-government organizations (NGOs) or civil groupings seem to be the relevant bodies for selecting appropriate local counterparts, on the other hand such authorities are in a position to ensure free access to results, dissemination of information thereby guaranteeing sustainability of achievements and a multiplication effect.

Industrial sectors, especially the leather-based industry subsector in many developing countries and in former centrally planned economy countries (countries in transition), often suffer from unrecognized *common interests* among competing entrepreneurs. In these countries joining hands, lobbying together against governments tending to take too quick (legislative) action without foreseeing problems which might later arise in the industry, combining efforts in export promotion and retaining raw material (hides and skins) resources are of prime importance. Formulating and/or strengthening respective trade association is one of the most efficient (and fairly inexpensive) ways of tackling these problems.

Recognizing the importance of professional associations and the lack of available information on this subject, UNIDO decided to conduct a survey revealing the main functions, *modus operandi*, managing and financing of trade associations in the leather, footwear and other products industries worldwide. The major **objective** of the study is *not* to present a model to be followed, but rather to show *good practices* which lead to more-or-less stable legal and economic conditions for leather-related manufacturing businesses. This paper presents problems of existing trade associations, lessons learned, possible ways of operation and relations with local and international authorities. Each chapter is followed with a list of best practices which can orient those involved in creating or operating national, regional or even international associations in the leather-based industries. The *executive summary* consists of a brief introduction which is followed by a full list of the best practices that have been identified. There are some *recommendations* offered for new and existing associations which may be considered when management decisions are made regarding future activities.

The *Annex* of the report consists information on trade associations operating in the leather-related industries in various countries of the World as appeared by end September 1997 on the InterNet.

EXECUTIVE SUMMARY

The **objective** of the study is to provide guidelines to industries in the footwear and leather sectors in various developing countries on how to establish or expand representative trade associations. The study takes into account general trade association experience and specific leather and footwear trade association experience.

It is certain that well organised trade associations in these sectors with good strategies have had a very significant effect on the long term viability of their industries.

There is a particular vocabulary used among these organisations but the main terms used are *trade association* (generally meaning a national trade association), *confederation* (meaning a supranational association) and *director* (meaning the chief paid employee of an association).

Trade associations need clear *objectives*. Three good objectives are:

- a) to keep its members in business;
- b) to provide services cheaper and/or better than the members could provide for themselves;
- c) never defend the indefensible.

The study is the result of 18 interviews with presidents and directors of confederations, national associations, local associations and training organisations in nine countries. These are listed in the appendix. We are extremely grateful for all the help given by these organisations in providing the information on which this report is based. Another very useful source of information was a UK bench marking exercise on 140 trade associations sponsored by the UK DEPARTMENT OF INDUSTRY and the ASSOCIATION OF BRITISH INSURERS.

Good practices identified through the survey may be grouped around the main problem areas of establishing and running trade associations. The following list provides a summary of those mentioned at the end of each chapter of the study:

1. Membership: Who Should the Association Represent?

- 1.1. Tightly focused associations are ideal but if this is not possible try and avoid conflicts of interest among the members.
- 1.2. Ideally for credibility with governments an association should represent over 70% of the output of the sector. Certainly having more than one representative body in the sector is a disadvantage.
- 1.3. Big differences in the size of firms in an industry can cause problems. Associations need to have the financial strength to do without the membership of potentially disruptive companies.
- 1.4. There is a certain level of staffing and services needed to ensure that an association can offer a service attractive and useful to its members. If a narrowly defined sector cannot provide enough for this then there are certain ways of organising effective larger groups.
- 1.5. Trying to set up an association of financially weak companies is counter productive.

2. The Activities of Trade Associations

- 2.1. Lobbying is one of the key activities of a trade association and needs to be done well. It is normal for the director to be a skilled lobbyist. The elected president and vice presidents should allow the director to lead in this area.
- 2.2. Lobbying is frequently best conducted on a supranational level because that is where the key policy decisions are made.
- 2.3. Trade associations should develop long term contacts with officials in the various ministries they have to deal with on a long term basis. Contacts with ministers and members of Parliament are useful but less important.
- 2.4. Good and honest statistics are a vital tool for lobbying. Never provide doubtful information.
- 2.5. The director must have the authority to speak firmly on behalf of the industry at short notice. Late weak statements are useless.

- 2.6. Lobby with other groups that have similar interests.
- 2.7. Complaining too often can bring the industry a bad reputation with the government and with the public. Concentrate on positive issues where the government is likely to have some sympathy.
- 2.8. Environmental issues are crucial to the future chances of success of the industry but do not defend the indefensible. Recognize that cleaner safer processes are bound to be demanded, the lobbying job is to see that new requirements are based on sound evidence and that the industry has adequate time to implement change.
- 2.9. Lobbying failures have had a catastrophic effect on the industry in some countries (even though the problem may have really been total deafness on the part of the authorities).
- 2.10. Associations should aim to provide a good statistical service at the lowest cost.
- 2.11. Trade associations should act as the eyes and ears of the members on new concerns and enthusiasm in the environmental and health areas. They can then educate their members in how best to comply with new regulations.
- 2.12. Marketing is an important activity and a well run export marketing activity can contribute a lot to the success of the industry.
- 2.13. Background overseas marketing information should be provided to members. If the association has a good computer data base this can be highly sophisticated and provide a very wide range of useful information.
- 2.14. If a trade association is involved in employers federation work and negotiates wage agreements it should also provide a full labour relations advisory service.
- 2.15. If membership of trade unions is not universal it is better not to try and force a union agreement on all members. The best solution is to have parallel organizations for trade and employment so that companies can choose if they want to belong to one or both.
- 2.16. Associations must ensure that there are suitable training organizations providing training courses at all levels which are relevant to the needs of their industry. This requires constant attention.
- 2.17. Training organizations can be fully independent of the association or they can be parallel or daughter organizations. They should not be a fully integrated part of the association as this makes funding difficult.
- 2.18. Similarly with research and development if there are independent institutes then the association should see that it has an effective technical committee to see that the work of the research organisation is relevant.
- 2.19. Trade associations particularly among tanners should ensure that the industry has an effective and authoritative fashion advisory panel.
- 2.20. Trade associations can provide consultancy services which deal with sensitive issues more effectively than general consultancy firms. Association staff can often take a more balanced view of the weaknesses and strengths of the industry and should try and correct the problems that they find.

3. Strategic Planning

- 3.1. Associations should have a formal procedure for developing and agreeing a long term strategy. It is often useful to have some external input into this strategy.
- 3.2. A trade association should look at the future prospects and problems of the industry in a detached way and develop innovative programmes for dealing with the problems and opportunities identified.
- 3.3. Trade associations with clear strategies have a framework which provides credibility to its lobby programme. Associations with no strategy or a minimal strategy rarely receive much attention from government.
- 3.4. Imaginative and long sighted strategies have in the past made substantial differences to the long term chances of success in an industry. The same is likely to apply in the future.

4. The Governance and Organization of Association

- 4.1. Make sure all members have the chance to express their opinion at least once a year.
- 4.2. The executive council or board must in principle be democratically elected even though some "seeding" of the candidates may be needed to ensure that the board represent the various interests of the association.
- 4.3. Elected officers of the association should be re-elected at regular intervals every two years seems to be ideal.
- 4.4. There are good arguments for limiting the number of times an officer can be re-elected, equally there

are also arguments for longer periods of office. Perhaps a total of three years should be the minimum and six or seven years the maximum.

- 4.5. The professional staff of the association should be sufficiently competent to run the association without continuous reference to the president/chairman. Continuous intervention by the president/chairman is undesirable.
- 4.6. On specialized topics informal contacts between association experts and known knowledgeable specialists in the industry can save a lot of time.
- 4.7. Associations should carry out regular formal consultations/surveys of their members to see that they are meeting the membership's needs.
- 4.8. The number of permanent committees should be kept to a minimum. Special temporary working groups should be set up to deal with specific problems in a specified time.

5. The Staffing of Trade Associations and the Essential Qualities of Their Staff

- 5.1. Good quality staff are just as essential in trade associations as in any other business. Pay must be high enough to attract good people. Very expert long term association staff can provide a unique service to the industry.
- 5.2. Most trade associations should be able to afford a competent director who will usually lead the lobbying activity. But it is a problem for smaller associations to afford competent staff to head up other functions.
- 5.3. Where the industry is small and it is difficult to support the minimum viable staff (probably about 7) thought should be given to operating two trade associations out of one office. But the partner needs to be carefully chosen to avoid conflicts of interest and other problems.
- 5.4. Another way to get over the size problem is for the association office to manage another activity such as a trade fair or a research organization.
- 5.5. Trade association staff must be totally discreet and not pass on information about one member to another.
- 5.6. Trade associations must treat all their members completely impartially.
- 5.7. Good directors need good judgement as to when they should act on their own and when they should consult the elected members.

6. The Financing of Trade Associations

- 6.1. Trade associations should try and finance regular member services out of members' subscriptions and investment income.
- 6.2. Associations should use surplus income from trade fairs for either specific projects to benefit the industry or promotion of overseas businesses.
- 6.3. In spite of the problem of "Free loaders" it is better that members are able to join and leave associations according to whether they think they are getting value for money. Parafiscal taxes as a means of finance have generally proved very unsatisfactory.
- 6.4. Subscription levels need to be tied to a figure which automatically moves with inflation (like turnover). Subscription levels should not have to be the subject of annual negotiation with the membership. Occasional re-adjustment is a different matter. Mixed formulae for setting subscriptions may be appropriate in certain circumstances.
- 6.5. Subscription levels should be set at a level to cover normal average annual running costs. Special activities involving extra expenses should be covered by special subscriptions.
- 6.6. It is sensible for an association to have sufficient reserves to cover about 3 months working. This is more necessary for small than large associations.
- 6.7. Subscription levels should not be a precise percentage of turnover (or other measure throughout the company size scale). There should be a minimum level which covers the minimum cost of providing services, a stepped scale, and a maximum which is not as high as the straight scale would indicate. This better reflects the cost of servicing members and the benefits to members.
- 6.8. Additional services should recover all the costs incurred not just the direct costs.
- 6.9. Associations may wish to split their activities into a non-profit making members group plus a tax paying trading company. It depends on the legal arrangements in the country.

Recommendations

The best practices outlined in this report should be useful to all types of bodies representing the leather and footwear sectors in all parts of the world. The recommendations should be of use to small associations that are only just being established and equally they can be relevant to large, well developed organizations.

Areas of the world where trade associations are being established or enlarged include not only developing countries in Africa, Asia and Latin America, they also include the countries of Central and Eastern Europe which are moving away from centrally planned economies. In many of these countries there have been long established semi-state chambers of trade which need to be replaced or supplemented in the new, more liberal economic structures.

5. Recommendations for action to **associations operating in varying countries.**
 - 1.1. For the *reasonably sized, well established associations* in both developed and developing countries it is recommended that the associations measure their structure and performance against the benchmarks. (In this group we include many of the associations who have so kindly helped with providing information for the study.) For all trade associations though we would emphasize the tremendous advantages to be gained by having a clearly thought out strategy.
 - 1.2. For *less strong* and perhaps *less well established organizations* we would recommend that they also analyze their organization against the benchmarks and consider perhaps:
 - d) whether they can provide an increased range of relevant services to their members;
 - e) whether there is another organization with which they could combine to provide a more viable base;
 - f) they should particularly consider whether they are relevant to their members' needs and what they could do to make themselves more relevant;
 - g) they could look critically at their staffing: many associations are weak because they have the wrong staff.
 - 1.3. In the case of industries where there is currently *no representation*, or where there is only a *government sponsored chamber* of trade or where there is only a small organization run by the members without professional staff, we would recommend the following:
 - a) carry out a realistic survey of what form a future trade association could take, considering such factors as
 - (i) what will be the eventual size of the industry,
 - (ii) assume 80 per cent of the industry by turnover become members: what size of association would this provide and what subscription income,
 - (iii) what services does the industry need as a whole and what additional services would some members be ready to pay for;
 - b) once this information has been collected, then it is possible to make an assessment of what scale of organization the industry could eventually support. If it is going to be of a size to support a staff of four to five people, then it will probably be worthwhile to set up an office; if it is less than this, then it will be sensible to consider cooperating with another organization;
 - c) whatever structure is decided on, we recommend that careful note is taken of the best practices outlined in this report: it is far easier to get things right from the start rather than have to alter them later on;
 - d) at all costs fragmented representation should be avoided.
6. **Supranational associations.** The increasing number of officially defined and established trading groups plus some *de facto* groupings means that there will be growing interest in the setting up of supranational groups to represent industries in the sector in the way that ESALIA has been established in Africa. ESALIA is somewhat different from the EUROPEAN LEATHER AND FOOTWEAR CONFEDERATIONS in that it does not have a clear, official governmental counterpart like the EUROPEAN UNION. It is, therefore, recommended that wherever a clear counterpart exists (i.e. EUROPEAN UNION) then it is desirable that

the leather or footwear industries should establish an organization to represent the joint interests of their member associations. The risks of not being properly represented are far too high.

Even if such a counterpart organization does not exist, there may well be very good arguments for having a supranational body to organize joint activities for the footwear or leather sectors, particularly where:

- a) the individual national industries are small and cannot support their own export promotions, training etc;
- b) there is a lack of coherent and well thought out policies both by individual governments and the industries themselves: in such a case, a supranational body may be able to command the resources to develop sound, long-term policies and promote those to the members of their governments.

ESALIA has made a promising start along this road. We recommend that further assistance should be given to ESALIA to develop lobbying skills, to develop a long-term strategy for the industry in the region, and to develop sound policies for the sector which ESALIA can promote to the government in the region.

Chapter I

BASIC ASSUMPTIONS

Objectives of the Study

The leather and leather using industries of the developing countries particularly in Africa are becoming more *industrial* in organisation. They are therefore reaching the stage where they need to have more control over the environment in which they operate in terms of the way in which their national government and international actions impact on them, the availability of skilled personnel, the availability of supporting services etc. They have reached the stage when they need an organisation greater than the size of one firm (even a big one) to represent them. The time has come for industries in the leather and leather using sector to either set up representational bodies or develop those that already exist. The *purpose of this study* is to look at how various forms of trade association, federation and confederation have been set up and operated in industries in these fields where they have been in operation for some time and consider what lessons might be learnt by those coming fresh to the activity. The study also draws on survey work carried out in a wide spread of trade associations in other industries. It should be noted from the start that whilst trade associations in the leather and footwear industries are similar in many respects to those in other industries there are distinct differences in terms of activity and priorities.

The *aim of this paper* is to describe the major aspects of trade associations under various headings and then give some key points of “**Best Practice**” or **Do’s and Don’ts** under each heading. It is obvious that there can never be one model organisation which can be applied in all circumstances but from the study that has been carried out it is clear that there are certain organisational forms and activities which are clearly better than others.

It is certain that well organised trade associations in the sector with good strategic goals have had a very considerable influence on the long term success and viability of the industry they represent. Ineffective organizations have failed to support their industry and have sometimes allowed an unnecessary decline to take place.

Vocabulary and Definitions

Trade association is a group representing manufacturers in a given industry in a country. The manufacturers may be direct members of the association or they may be members through a local association.

A **local association** is a grouping of manufacturers in a region who may be:

- a) all from one industry;
- b) from one industry in an area plus its supporting industries, ie component makers;
- c) all the industries in that area, but this is most likely when the leather/ footwear industry is predominant in the region.

An **employers federation** is a grouping of manufacturers put together for the purpose of negotiating pay and conditions with unions. Employers federations tend to have a more formal legal basis than trade associations.

The term of **trade federation** used sometimes to indicate that membership must be via a local association, in other words it is a national federation of local associations.

The term of **confederation** is the term most used to represent a supranational but not totally international grouping of national federations or associations. The EUROPEAN LEATHER AND FOOTWEAR INDUSTRIES are represented in Brussels by confederations.

International associations: with a few exceptions where the industry is genuinely international (like airlines), these are largely information exchanging bodies and do not concern this report very much.

Chambers of industry re often national organizations with local groupings covering all industries with sub sectors devoted to particular industries. In centrally planned economies they are the dominant representational body though they tend to be heavily government influenced. In full free market economies they are more independent. They often have certain statutory duties such as issuing certificates of origin.

This study concerns itself with all levels of organisation and interviews were carried out with:

- a) local associations;
- b) national associations;
- c) supranational confederations/associations.

Director, secretary, director general, secretary general, general director. These are all titles used for the professional head of a trade association, federation or confederation. In this report the term “Director” is used to cover this position.

History

Trade associations have a very long history. Some of those existing today are the direct descendants of the MEDIAEVAL GUILDS. For example the origins of the TURKISH LEATHER ASSOCIATION are in the 15th Century. In many countries the associations and federations developed at the time of the industrial revolution and were the result of the move from artisan work to organised manufacturing.

It is interesting to note that in the past a major function of associations was, like the mediaeval guilds, to protect the members of the industry by restricting entry and ensuring certain standards of quality and behavior. Subsequent to this in quite a number of industries there was a considerable degree of activity in controlling prices. Today in many countries these activities are totally illegal and so the associations have had to find new activities!

Objectives

It is very important that trade associations and federations are clear about their objectives because it is tempting to get involved in all kinds of ancillary good works, such as trying to reduce unemployment. However as trade associations normally depend on members’ subscriptions to finance their core activities they must ensure that they continue to do things which their members think useful and valuable. Even where federations have been financed by a para fiscal tax (a fee which every manufacturer has to pay by law) there can eventually be a forcible revolt which if not closing down the association/federation results in the departure of the senior personnel.

It is suggested that if an organisation has as its objective *“to keep its members in business”* it will not go far wrong. The importance of this definition is that it allows the necessary flexibility to move with the times. Successful trade associations are good at recognising long term irreversible trends which cannot be resisted but finding other routes by which the members can secure their future. One of the golden rules of trade associations management in all kinds of ways is *“Never Defend the Indefensible”*.

The other useful definition is to say that associations exist to carry out functions better or cheaper than their members could do on their own. This makes the payment of a subscription a useful investment rather than a duty.

Sources of Information

This report is based on a series of interviews carried out with directors or chairmen of various bodies

representing the leather, footwear and associated industries during July and August 1997. Interviews were held with a local association, a considerable number of national associations and three supra national groups. Interviews were also held with two training organisations with close links to the industry because one of the objectives of this report is to recommend what sort of linkage there should be between trade associations and the industry's training programme.

A total of 18 interviews were carried out covering activities in 9 countries (a list of those interviewed is the *Annex 1*). We are extremely grateful for all the help and assistance that was given in the preparation of this report by these people and these organizations. We hope they too will find it useful reading.

A further source of very useful on general trade association good practice was a Bench marking exercise carried out in summer 1997 on 140 trade associations from a wide variety of manufacturing and service industries in the UK. This recorded actual practice and then laid down some good practice guidelines. This was sponsored by the UK DEPARTMENT OF TRADE AND INDUSTRY which is keen to improve trade association performances. The co-ordinator of the project was the director general of the ASSOCIATION OF BRITISH INSURERS, A book was also recently published under the title "Trade Association - Strategy and Management". Both the study and the book have provided useful statistical information and commentary on more general trade association practice.

Structure of the Report

The main body of the report is divided into six sections. Each of these talks about a particular aspect of the subject, describes what actually happens in the organisations visited and then tries to set out some best practice points or recommendations. The report also indicates where the leather and footwear trades associations practice seems to differ significantly from general trade association practice as identified in the UK Study.

Note: Except where there are obviously no problems of confidentiality the report keeps the comments of the individual associations anonymous. A number of the associations asked not to be quoted directly on certain specific points. In general those interviewed expressed a strong desire to see the final report to use it as a benchmark on their own activities!

Chapter II

MEMBERSHIP: WHO SHOULD THE ASSOCIATION REPRESENT?

One or More Industries?

The *ideal situation* is where the narrowly defined industry sector represented by the association is big enough to support a proper association with a competent permanent staff.

It seems associations are easier to operate when the members have very similar interests. But it is quite normal for associations to have associated industries in full or associated membership. Typically this occurs when companies making shoe components are members of shoe trade associations. In fact in some cases this has been a considerable advantage to all parties. But it is not generally a good idea to have an association representing several levels of the same industry, i.e. tanners and shoemakers, or shoemakers and shoe retailers as there is likely to be a conflict of interest.

Many footwear associations also represent the leather goods sector as there are great similarities and no conflicts of interest. In addition in most countries the leather goods sector is not big enough to support its own representation activity.

Level of Representation

One of the main functions of an association is to **represent the interests of the industry** to the government. It is logical therefore that an association should aim to have as high a percentage of the industry in membership as possible. In fact governments tend to take a very negative view of an industry which is represented by several different bodies and often decide not to bother much about it.

It is a *general rule* that trade associations in the leather sector and in industry overall try to represent more than 70% of the capacity of the sector. There are a number of associations that represent close to 100% of the capacity and others who represent 75% but where the 25% missing is the output of one big company which has decided to stay outside the association. But there is at least one example of an association being accepted as the official voice of the industry even though it had only 50% of the capacity in paid membership, this is because it is rightly perceived as being an umbrella pressure group for the industry rather than a conventional trade association.

The Problems of Different Size Firms

As has already been said sometimes big firms choose to stay out of an association because they feel that the association has nothing to offer them that they cannot do cheaper or better themselves. In certain circumstances some big firms feel sufficiently strong that they can do better presenting their case on their own. A great deal depends on how much government departments are prepared to listen to single firms. Some big firms whilst remaining outside an association still continue to have a very constructive relationship with the association and will join in with money and personnel on specific issues.

On the other hand some big firms will be a member of an association because they feel they have to use one service that it provides, but on other issues they can have very different views to the majority of members and can be disruptive. It is important for an association to have sufficient financial strength that it does not worry if this or that big firm is a member or not. This increases mutual respect.

The easiest to run associations are those where firms are of a similar size and have similar interests.

Problems of Internal Conflict of Interest

These problems often arise because of the continuing changes in industry. Here are two **typical examples**:

1. In a pure shoe manufacturing association where manufacturers also wholesale their own product and have decided (or been forced to) import finished shoes or uppers in order to remain competitive. They therefore are unhappy when the association prepares a lobby against imports.
2. In a tanners association where members not only produce finished leather but also wet blue hides and trade in raw hides. They are not happy when the association lobbies for a tax on raw hide exports.

These problems are difficult to deal with and can almost destroy trade associations completely if not dealt with in time. Some associations have found very successful ways round these problems.

Direct Membership or Membership via Association

Some national federations do not allow direct membership, all companies have to belong either to an industry specialised or non specialised local association. There are other National associations who only allow direct membership, if the firms also want to belong to a local association that is up to them. There are others that allow both direct and indirect membership.

Obviously the location of the industry is a practical reason for going in one direction or another. If the industry with a few exceptions is concentrated in one part of the country then a local association does not have a part to play. If it exists in several clusters in distinct regions then local associations occur naturally.

The Question of Critical Mass

Of course an association can operate without paid professional staff and many small associations exist on the voluntary and unpaid effort of the chairman, secretary and treasurer but in the long term for reasons which will be discussed later this cannot do many of the things that an association should try to do.

So the question is what to do if the association cannot survive by representing a narrow industrial sector such as tanning or shoemaking if it wants to have access to a proper professional staff with some specialist expertise in things like marketing. There are various **possibilities** (the related issues are dealt with more fully later):

1. Run more than one association out of the same office. For example run a protective equipment association with a shoe association. Provided the right choice is made this has little downside and can even produce synergies. Leather goods also comes into this category.
2. Join an umbrella grouping which also covers a number of related industries, an example would be shoe making going into an overall clothing federation. Whilst there may be synergies there is also the risk of the interests of the junior partner being swamped.
3. Find an office which deals perhaps in other activities such as chamber of trade of commerce which has a competent staff with various skills which can also take on the running of the trade association. Properly chosen this can work well.

Viability

According to a top representative of CEC there are little point in trying to build any kind of association on the basis of companies which were financially weak. If it was thought desirable to establish an association among companies which were currently financially insecure then it would be better if those trying to set up the

association or their consultants spent time in helping the companies achieve greater financial stability and financial knowledge first. Otherwise the association and the companies dug themselves deeper and deeper into a pit.

Later on we shall deal with the issue of how an Association can help keep its members financially healthy.

Relations with Other Bodies

In most countries there is a national association which acts an umbrella body representing all trade associations. In Italy it is COFININDUSTRIA, in the UK it is the CBI (CONFEDERATION OF BRITISH INDUSTRY), in France it is the PATRONAT. It is usual for sector associations to belong to this body and some of these umbrella organisations accept direct members as well.

These larger groups represent the whole of the country's industry on major issues, they can also take up special issues for single associations or groups of industries. Associations in the leather and shoe sectors may choose to lobby the government directly or they may believe it more effective to work through the umbrella organisation.

Effective results are often achieved by working with other trade associations which have a common interest.

Good Practice

1. *Tightly focused* associations are ideal but if this is not possible try and avoid conflicts of interest among the members.
2. Ideally for credibility with governments *an association should represent over 70% of the output of the sector*. Certainly having more than one representative body in the sector is a disadvantage.
3. Big differences in the size of firms in an industry can cause problems. *Associations need to have the financial strength* to do without the membership of potentially disruptive companies.
4. There is a certain level of *staffing and services* needed to ensure that an association can offer a service attractive and useful to its members. If a narrowly defined sector cannot provide enough for this then there are certain ways of organising effective larger groups.
5. Trying to set up an association of financially weak companies is counter productive.

Chapter III

THE ACTIVITIES OF TRADE ASSOCIATIONS

This is the largest and perhaps the most important part of this report. It is also the area where there are very great differences between the various associations interviewed. It is possible to identify about ten different activities which trade associations are involved with. However very few of the associations are involved in all of them and there are very big differences in the priorities given to these activities by different associations.

Each of the varying activities is described in turn but the best practices for all activities are reserved for a section at the end.

Lobbying

For some associations (not amongst those interviewed) lobbying and public relations are the sole reason for the existence of trade association. In many bodies both in the general world of trade associations and in the leather and footwear sectors this is the principle and sometimes total activity of the director of the association. Indeed the basic skills possessed by potential directors tend to point in this way. So it is very common, even if an association provides a wide range of services to its members, for the director to be the lobbying expert.

Lobbying otherwise known as *representation*, has a very wide meaning. To most people in its simplest form it means trying to influence the government of one's own country to do things which are helpful to the industry and not to do things which are unhelpful to the industry. However there are associations which intentionally do very little of this kind of lobbying because they believe that continual complaining can have a bad effect on the industry's image with the government and the public.

Within the EU a large amount of lobbying now has to be done at Brussels through EUROPEAN TRADE ASSOCIATIONS because Brussels is where the most important decisions are taken. Equally there are various other international bodies that can be lobbied such as the WORLD TRADE ORGANIZATION (WTO).

Lobbying and public relations merge together in activities to influence other groups such as:

- a) *banks*: to ensure that the financial sector thinks the footwear a good industry to lend money to;
- b) *environmental groups*: to make sure that their campaigns are based on sound science rather than wild guesses.

There is also the whole activity of "defensive" lobbying which is what is needed when the industry is being attacked in public for one reason or another.

The actual practice of successful lobbying is a highly developed skill and is something that takes time to learn. It is also a long term activity, it takes a long time to build the right connections and relationships which can then be used once a specific case comes up. Long term personal contact and quiet pressure are far more effective than sudden noisy confrontational press conferences. It is sometimes difficult to persuade the members of the association that this is so as they often mistakenly believe that noise and press coverage are the same as results.

Successful lobbying often involves finding other groups which have similar interests and working with them to produce a bigger effect.

A trade association is likely to want to be in a position to make representations to a number of government ministries such as:

1. *Industry and trade Ministries* for foreign trade issues, action against dumped footwear, actions to open

- markets, financial assistance for overseas trade promotion.
2. *Labour and Employment Ministries* for general labour issues, employment law, health and safety and training.
 3. Environment Ministers to deal with new legislation on disposal of waste etc.

Therefore it is likely that an effective trade association will maintain contact with officials in a number of ministries. In general the key to all successful lobbying is to have built good contacts with the permanent officials as they tend to stay in their jobs longer than ministers, but contacts can also be built with ministers.

It is also useful to build contact with elected members of parliaments but this should concentrate on members who have either shown a definite long term interest in the industry or who represent areas where there is a substantial concentration of the industry. Otherwise there is always the danger that a member of parliament will use a case provided by an association for their own political purposes.

In making cases to government it is essential that the statistics used to back up the argument should be absolutely reliable. Government and other officials rely very heavily on the statistics they are provided with and an association can do serious long term harm to its credibility by basing an argument on dubious information.

When an important new issue arises particularly when the industry is under attack it is important that the association can say something meaningful. If the association is only able to come out four weeks late with a very weak statement because of the arguments between the members it will badly damage the industry's credibility. For this reason in a good association the director has full power to make a statement on behalf of the industry at very short notice. Obviously the director's position in an association which has clear objectives and ideals is much easier. There is another golden rule "Never defend the indefensible". So if some members of the association have done something stupid the association should not try to deny it.

It is worth listing the **current main areas of lobbying** activity in the industry. It is likely that most of these will remain important for many years to come.

1. *Opening markets.* There are many shoe and leather markets in newly rich countries where imports are not allowed or are heavily restricted. Governments and the EU are usually receptive to lobbying directed at opening these markets.
2. *Restricting of imports or action against dumping.* Conventional restriction of imports is no longer a very productive area for lobbying and most associations do not bother much with it as it is unpopular with governments and the public and tends to have adverse public relations effects for the industry. Anti dumping cases are very hard work but can be successful.
3. *Environmental and Employment Legislation.* Governments, both national and supranational, tend to be active in introducing higher regulation in these areas. Often this is as a result of pressure by consumer groups. Therefore there is a good chance that the measures may be based on inadequate scientific evidence and may be highly damaging to the industry and may be imposed with an unrealistically short timetable. The **objective of the lobbying** is to ensure:
 - a) that the measures are based on sound scientific evidence;
 - b) that there is a viable technical solution;
 - c) that sufficient time is allowed for the industry to comply.

In the past failure to persuade governments and other bodies on these type of issues has had extremely damaging consequences for the tanning industry in a number of countries.

4. *Improving the Supply of Raw Materials.* A major activity in lobbying in the tanning industry is not only to improve the quality of hides coming forward by better farming/slaughtering techniques but also to stop countries restricting the export of their own hides whilst still being free to buy hides from other countries on the world market.

Provision of Statistics

As has already been pointed out successful lobbying requires good statistical back up and this is one reason why most trade associations aim to collect industry statistics. Statistics about the industry such as total retail demand, total manufacturing capacity, imports and exports are also very valuable to the members.

Most trade associations are active in the statistical field in the following ways:

1. Collecting figures from other information gathering organisations such as government and European statistics offices, customs services etc and interpreting them and re-issuing them for use within the industry.
2. Collecting individual and therefore confidential information from the members and then presenting the aggregated figures for general use. Many associations will send out a statistical digest not only to their members, but also to banks, government departments and so on.
3. Knowing where to find special information for the members.

Provision of Information to Members

This generally covers two activities:

1. *Issuing of regular news letters* or bulletins which need to be carefully prepared so that they are looked at or read and not thrown in the waste paper basket. One association said that they thought pictures rather than script was a more effective way of communication.
2. *Acting as the eye and ears of the members.* This is an increasingly important area of activity and one which is highly valued by members. In most countries there are new views and new pressures which are likely to result in new regulations or laws which affect the members of associations in the leather and footwear sectors. A trade association should be in a position to hear about these very early on and warn the membership of what is about to happen.

It is equally important for the association to understand the issues well enough to be able to tell its members that even though there is a lot of noise in the press nothing much will happen about a particular issue so that the members do not waste their time worrying about it. (An example of this might be Mondopoint!).

The association will inform its members of a particular issue, then decisions have to be taken on whether to try and influence those who are preparing the measure to get it stopped or altered. Equally the measure may be seen as inevitable in which case the association will want to help its members meet the new requirements. Many associations, organise seminars and workshops to help their members understand potential new issues or regulations.

Marketing

Most associations are active in **promoting** the interests of their members in foreign markets. Some associations are extremely successful in this field. This involves some or all of the following activities:

1. *Organizing joint participation at foreign trade fairs.* Arranging stands, publicity etc. It is usual to charge a fee for this as not all members of the association participate. This also involves trying to get government support to subsidise costs particularly when new markets are being explored.
2. *Promotion of the industry or of particular products.*
3. *Providers of market information.* This can be done by carrying out detailed studies or commissioning detailed studies on a particular market. It can also involve having data bases on who the potential customers are. Some associations are able to supply their members with extremely comprehensive information including detailed credit checks on potential customers.
4. *Provision of support services.* This is particularly important where the association has a lot of small members and can involve such things as providing translation services, export documentation and bulk transport contracts.
5. *Channeling export enquiries.* Associations normally receive/collect many export enquiries. These are often for quite specific types of product, it is the job of the association to channel these to appropriate members, remembering always that all members must be treated equally.
6. *Long term activities to open markets.* Some associations will be involved in providing long term advice and assistance which will result in improved market opportunities quite a long way ahead.

Employment Services and Wage Negotiations

If normal definitions are strictly applied then a trade association is not responsible for negotiating wages and conditions for the workers in an industry, that is the responsibility of an employers federation. In fact many associations do carry out the work of an employers federation as well as those of a trade association. There seem to be three main ways of dealing with this:

- a) the trade association has nothing to do with negotiating with the trade unions: negotiations and labour matters may be carried out by a specialist organization;
- b) the association negotiates pay and conditions and the members pay at least the level of the wages that have been negotiated;
- c) there are two parallel organisations run by approximately the same staff, one is the trade association and the other is the employers federation: some companies are members of both and some members of only one.

The third method is particularly useful in countries where not all companies recognize trade unions and where national wage negotiations are not obligatory. In fact trying to force companies to adhere to a wage agreement where it is not obligatory may well drive them out of membership.

Where the association negotiates an agreement, probably once a year or once every two years, this is likely to be a basic agreement and companies may well negotiate local arrangements on top of this. In general nationally negotiated agreements tend to be more important and useful to small companies than large ones though this is not always the case.

Any association involved on the *labour negotiation* side is likely to provide a complete advisory service to its members on all labour relations issues. This will probably include full legal advice. Many associations have very experienced labour relations advisers which are of particular value to companies that are too small to be able to afford their own specialised personnel.

Training

It is important that leather and shoe industries in different countries are serviced by effective training organisations. It is of course possible for associations to set up their own training organisations and some have done this with considerable success. However as has been already indicated it is rare for this to be a direct part of the main trade association. It is better for a parallel or subsidiary organisation to carry out this work because it is quite likely that other organisations will help with the funding of the training and so well separated accounts are necessary.

Other associations have their own training experts but the job of these people is *not actually to run training courses* but to ensure that local training schools and universities develop and run courses that are suitable for the industry. In many ways this is the most practical solution because if the industry is scattered it is difficult for a trade association to manage a chain of local training institutes. This is not the case with the highest level courses where there is for example likely to be only one institution providing the university level courses in tanning in a country.

Technical Services

In quite a number of countries there are technical and research institutes which are separate from the trade association. In these cases trade associations usually have a technical committee whose job it is to liaise with the research institute to see that the research work being done is what the industry really needs.

In other cases particularly where the industry is relatively new or where there has been no research activity until recently it has been more usual for the technical and research institutes to be set up as a daughter or parallel organisation of the trade association.

Once again some separation is quite a good idea because some companies are interested in being members of the research association but not of the trade association and vice versa. But a common arrangement is for the trade associations to pay a block membership fee to the research association on behalf of its members (naturally at a reduced rate).

The other area of technical activity is for associations to become involved in the setting of standards for the industry in terms of machine safety, environmental issues, safety footwear manufacture etc.

Fashion Advisory Services

In both the leather and footwear industries it is common for trade associations to at least facilitate the work of a fashion advisory committee whose job is to meet together once every six months and develop a forecast of colour, material and design for the next period.

Consultancy Services

In the introduction it was said that one of the main aims of a trade association was to keep its members in business. One of the ways that this can be done is by the provision of highly targeted consultancy services, for example, helping companies that are planning to expand avoid the usual financial and organisational mistakes. Specialized consultants retained by an association are often able

to provide much quicker assistance to companies in the industry because unlike normal general consultants they do not have to go up a learning curve about the industry.

A trade association is in a good position to take a broader and more detailed view of the competitiveness of the industry and if it sees weaknesses which threaten the survival of its members to try and persuade companies to do something about them. This obviously requires great tact and confidentiality.

One area which a number of associations are looking at is the problem of succession in many businesses. Where there are a lot of first generation businesses there is often a big problem in owners knowing how to hand on their businesses particularly when the next generation is not interested or not particularly competent.

Bulk Purchasing

Many associations negotiate bulk contracts for their members in such areas as insurance, freight etc.

Best Practice

1. *Lobbying is one of the key activities* of a trade association and needs to be done well. It is normal for the director to be a skilled lobbyist. The elected president and vice presidents should allow the director to lead in this area.
2. Lobbying is frequently best conducted on a supranational level because that is where the key policy decisions are made. Lobby with other groups that have similar interests. Lobbying failures have had a catastrophic effect on the industry in some countries (even though the problem may have really been total deafness on the part of the authorities).
3. Trade associations should develop *long term contacts* with officials in the various ministries they have to deal with on a long term basis. Contacts with ministers and members of Parliament are useful but less important.
4. Good and *honest statistics* are a vital tool for lobbying. *Never provide doubtful information.* Associations should aim to provide a good statistical service at the lowest cost.
5. The *director* must have the *authority* to speak firmly on behalf of the industry at short notice. Late weak statements are useless.
6. Complaining too often can bring the industry a bad reputation with the government and with the public. *Concentrate on positive issues* where the government is likely to have some sympathy.
7. *Environmental issues* are crucial to the future chances of success of the industry but do not defend the indefensible. Recognize that cleaner safer processes are bound to be demanded, the lobbying job is to see that new requirements are based on sound evidence and that the industry has adequate time to implement change.
8. Trade associations should *act as the eyes and ears of the members* on new concerns and

enthusiasm in the environmental and health areas. They can then educate their members in how best to comply with new regulations.

9. *Marketing* is an important activity and a well run export marketing activity can contribute a lot to the success of the industry. Background overseas marketing information should be provided to members. If the association has a good computer *data base* this can be highly sophisticated and provide a very wide range of useful information.
10. If a trade association is involved in employers federation work and negotiates wage agreements it should also provide a *full labour relations advisory service*.
11. If membership of trade unions is not universal it is better not to try and force a union agreement on all members. The best solution is to *have parallel organisations for trade and employment* so that companies can choose if they want to belong to one or both.
12. Associations must *ensure that there are suitable training organizations* providing training courses at all levels which are relevant to the needs of their industry. This requires constant attention. Training organizations can be fully independent of the association or they can be parallel or daughter organizations. They should not be a fully integrated part of the association as this makes funding difficult.
13. Similarly with *research and development* if there are independent institutes then the association should see that it has an effective technical committee to see that the work of the research organisation is relevant.
14. Trade associations particularly among tanners should ensure that the industry has an effective and authoritative *fashion advisory panel*.
15. Trade associations can provide *consultancy services* which deal with sensitive issues more effectively than general consultancy firms. Association staff can often take a more balanced view of the weaknesses and strengths of the industry and should try and correct the problems that they find.

*Chapter IV***STRATEGIC PLANNING**

This report has already indicated that having a *good long term plan* for the industry is a very great help in presenting an industry's case to the government. From the study that has been carried out of the various trade associations it is clear that there is a very great variation between associations in this area. Some associations have a formally set out strategic plan allied to a work plan for the next one to two years. These associations usually have a clearly laid down method for preparing a new plan and presenting it to a representative body of the members for ratification.

In other associations there is no such process and yet there is a clear understanding of what the principle goals of the association are. Again in some other associations the professional management would like to establish a formally agreed strategy but the members are just not interested in the idea.

At the extreme there may well be or may have been associations where the objectives of the membership are so diverse that it is impossible to agree on a plan. If this is the case there must be serious questions as to why the association exists at all. Certainly such an organisation has no lobbying credibility.

The Importance of Strategies

The key fact to note is that where an association has clear goals which are established with an eye to the future development of the industry rather than just the current situation then the association is likely to be able to have a big influence on the future success of the industry. *The study has produced clear evidence that certain trade associations with far sighted objectives and policies have significantly increased the long term chance of success of the membership.* This is probably the most important lesson of this report. In other words trade associations need not only be passive service organisations, they can be instigators of beneficial change.

The job of a trade association is to look further into the future than most companies are prepared to look and to look into the future with an open mind and a full understanding of the strengths and weaknesses of the industry. If weaknesses are disregarded then they may well prove fatal but if they are faced up to then a way may be found around them.

There is a classical example of this. During the 1970s it was becoming increasingly obvious that high wage cost European countries with full employment were becoming difficult places to make shoes, particularly as customers seemed to want shoes with high stitching content. One of the ways out of this problem as to make the uppers in low labour cost countries, either relatively close at hand or much further away when labour costs would be even lower.

For very large companies deciding where to go and sorting out the legal and other problems of setting up upper making factories was not an enormous problem though for many groups it took five to seven years to sort out the difficulties. For medium and smaller companies the problems were so large that many companies either decided not to make the attempt or if they did had an expensive failure.

The HDS (GERMAN SHOE FEDERATION) took a different view. It correctly anticipated what was going to happen and understood the difficulties that would be faced by its medium and small members. It therefore set about providing a whole series of services to help companies set up stitching operations successfully abroad, in spite of the fact that this would mean a decline in the work force in Germany. Its own subscriptions structure was designed to deal with these changes and as the HDS was providing services abroad as well as in Germany it was not financially affected.

The current strength of many German branded companies and wholesalers owes a great deal to this policy. There are other good examples among the associations interviewed.

In order to achieve the necessary degree of detachment in looking at the future of the industry there appear to be a number of *actions* which are helpful.

1. Employ external consultants to help draw up a long term plan. This need not involve the costs of an expensive strategic consultancy firm, an association could usefully build up a contact with a university.
2. The director of an association should be fully aware of what is going on in the world outside his own country and outside his own industry. In particular directors ought to be aware of what is going on in new manufacturing areas to assess what kind of threat or opportunity this presents to his own industry.

It may be helpful to discuss the development of the strategy with the government during the preparatory period so that when they are presented with the final version there are no great surprises.

The strategy needs to be developed by a relatively small group and then presented to a wider group of the membership for agreement. It may well be better to present the strategy to a special review group at a special meeting rather than to the annual general assembly. A large diverse meeting such as a general assembly is not likely to provide much considered or detailed comment on the plans.

Even if it is not possible to persuade the board and members of an association to have a publicly agreed strategy an effort should be made to have an organised work plan because it is regrettable that many trade associations fail to operate effectively because the members cannot agree anything except on a few very weak and minor proposals.

Good Practice

1. Associations should have a *formal procedure* for developing and agreeing a long term strategy. It is often useful to have some external input into this strategy.
2. *A trade association should look at the future* prospects and problems of the industry in a detached way and develop innovative programmes for dealing with the problems and opportunities identified.
3. Trade associations with *clear strategies* have a framework which provides credibility to its lobby programme. Associations with no strategy or a minimal strategy rarely receive much attention from government.
4. Imaginative and long sighted strategies have in the past made substantial differences to the *long term chances* of success in an industry. The same is likely to apply in the future.

Chapter V

THE GOVERNANCE AND ORGANIZATION OF ASSOCIATION

Organizational Structures

It is important that the management and governing bodies of trade associations are responsive to the wishes and needs of the membership. On the other hand trying to run a trade association through a large representative council may be inefficient. It is necessary to find a structure which meets the needs of both democracy and efficiency.

Most associations have annual assemblies which all members are entitled to attend. It is usual for this assembly to elect a council of the Association. This council is quite often rather a large body with up to 100 members. Often the total membership is not so large that any body who wants to be a member of council can be.

This council normally meets twice per year though in some associations it meets once a quarter. It is not a suitable body for controlling the day to day operations of the association but it can have considerable importance in reviewing longer term strategy.

Most associations have an executive committee or *Board of Directors* which is responsible for the actual management of the association. This is usually elected by the council from among its members. This group can be from 5-20 members and usually meets at least every 3 months and in one case every 2 weeks (though this is only possible where the industry is very close together).

Getting the *right membership of the executive committee* or board can be quite a problem. In theory it should be elected by the council but in practice it is necessary to achieve a balance between different interests, ie large versus small shoemakers women, versus mens shoemakers etc. If total reliance is placed on an election process it often happens that the committee or board is not ideal. Often the candidate list is preplanned to make sure that a reasonable balance is achieved.

Another problem is that these positions mean quite a lot of work and the ideal people may not be available. In quite a lot of associations it is a question of using anyone who is prepared to give their time.

In some associations there may also be a *Presidency* or *President's Advisory Committee*, a small group who are responsible for the actual day to day operation of the association. This might consist of the president/chairman, the vice president (future president), the immediate past president and treasurer. It is unlikely to be more than five people.

Election of Officers of Association

The president or chairman of an association is usually elected or re-elected every two years. In a few leather and shoe associations a one year term is used. In the general trade association field in the UK one year terms are more common.

Many trade associations have a rule that the president is elected for two years and may be re-elected for a further two. The same therefore tends to apply to the vice president and past president. CONFININDUSTRIA the Italian national manufacturing association sets out model rules for its member associations which are based on the 2+2 maximum 4 years rule.

There are some trade associations which have no official upper limit on the time that a president can

serve and it is not uncommon to find presidents who have been in office for 10 years. Having too long a period for a president's position or no real limit can create two problems:

- a) loss of democratic power to bring about change;
- b) difficulty in finding good busy people who are prepared to take the job.

In the past there has been a tradition of quite a long period of preparation for the president's office as a vice president. Today it may be better to avoid this so as to be able to attract more people and in any case in professionally managed companies (as opposed to owner managed) there is less and less certainty in being able to predict that someone will be available for a total of say eight years.

There is a counter argument which says that longer terms of office are an advantage as it means the association can manage a change in director more easily. In addition in many industries there are few people capable of taking those positions and it is better to use those that are willing for as long as possible.

It is usual also for them to be a treasurer of the association who oversees the accounting function and may also watch over the association's investments. It is normal for the treasurer to be elected on a 2 year term but quite often treasurers are allowed to serve longer. Even so there may be a case for the treasurer's total term of office being limited just in case there are any irregularities.

The Professional Staff of the Association

It is normal for an association of any reasonable size to have a professional head. This person can be called the *secretary*, the *director*, the *secretary general* or the *director general*. Under this person will be various members of staff. If it is a small association there may be only 3-4 people. Bigger associations in the leather and footwear sectors can have up to 40 employees.

In a bigger association there will be heads of department to cover areas such as marketing, training, labour relations. It is usual for the director to handle the lobbying function himself. (The necessary qualifications and abilities of a successful director/secretary are dealt with in a later chapter.)

Relationship between the Elected President/Chairman and the Secretary/Director

There appears to be an enormous variation in the levels of contact between presidents and their professional directors. In some associations phone contact is every two or three days, in others it is ten times a day. Face to face meetings seem to average around once every two weeks. In some very successful associations the contact is only once every two weeks.

If there is a competent director it is obviously highly inefficient for a chairman to be in contact more than once or twice a day and then only at times of crisis. If the director is incompetent then he should be changed. The general view is that heavy intervention by chairmen, some of whom spend up to 13 days a month on trade association affairs, is bad.

In a healthy association the paid staff will be initiating new activities on their own and presenting their proposals to the board. If an association keeps in touch with its membership it will not have to be pushed hard to take action. In the general world of trade associations many associations carry out regular surveys of their members views to see that they are providing the services that their members need.

Some associations deal with a whole series of issues including non routine matters without discussing them with the board or executive committee, once an overall policy has been sorted out. It is for example quite normal for a tanning association's expert on environmental policy to consult privately one or two known experts in the industry about a particular proposed new regulation and to then prepare an opinion that can be put forward to the government.

Good associations seem to know who the experts in the industry are.

Setting Long Term Strategic Policy

This is an area where full consultation with the membership is essential. Ideally a draft long term policy revision will be prepared by the association staff with some independent input (consultant or university staff). This is then something that can be discussed by the council, the general assembly or specially selected review group.

Changes in Attitudes to Participation in Association Activities

In the past the position of president of association was sometimes considered as an *honor and reward* which involved presiding over 4 or 6 meetings per year, attending some dinners and welcoming a minister at the opening of a trade fair. Being a member of the board was considered as a useful meeting point with the business of the association not very important. This has all changed and helping run serious and successful associations requires much hard work.

Committees

In the past many associations had quite a number of committees to deal with special subjects. Marketing, labour relations, technical etc. Some of these used a lot of time and did not produce much result. today it is thought more useful to set up special cluster groups to deal with a particular issue with a particular time frame.

Good Practice

1. Make sure *all members have the chance to express their opinion* at least once a year.
2. The executive council or board must in principle be *democratically elected* even though some “seeding” of the candidates may be needed to ensure that the board represent the various interests of the association.
3. *Elected officers* of the association should be *re-elected* at regular intervals every two years seems to be ideal. There are good arguments for limiting the number of times an officer can be re-elected, equally there are also arguments for longer periods of office. Perhaps a total of three years should be the minimum and six or seven years the maximum.
4. The professional staff of the association should be sufficiently competent to run the association without continuous reference to the president/chairman. Continuous intervention by the president/chairman is undesirable.
5. On specialized topics *informal contacts* between association experts and known knowledgeable specialists in the industry can save a lot of time.
6. Associations should carry out *regular formal consultations/surveys* of their members to see that they are meeting the membership’s needs.
8. *The number of permanent committees should be kept to a minimum.* Special temporary working groups should be set up to deal with specific problems in a specified time.

*Chapter VI***THE STAFFING OF TRADE ASSOCIATIONS****Numbers of Employees**

The number employed by the trade associations that were visited varied from a minimum of three equivalent full time people to a maximum of about 40. Generally it is true to say that umbrella organisations such as the two EUROPEAN CONFEDERATIONS need to employ less people to do their job because their activities are more closely focused (mainly on lobbying) and a great deal of the basic work is done by the national associations.

In the case of the national associations the size of the staff is governed by:

- a) whether the member firms are direct members or whether they are members of local associations which in turn are members of the national association;
- b) the spread of activities: some associations are active in a much larger number of fields than others;
- c) of course the overall size of the association is an important matter: in the case of many associations it is a question of how many staff the association can afford to pay.

Skills and Quality Of Staff

With trade associations as with many other activities it is better not to employ people rather than to employ people who are bad or inadequate. Similarly it is better to have 50% of a good person rather than 100% of someone less good.

For trade associations this is a very important issue. Whilst most associations are able to afford the services of a competent director many are not able to afford well qualified specialists to take charge of each other area of activity (marketing, labour relations etc). One of the main objectives of this section of the report is to consider how this problem is best dealt with.

In almost all the trade associations visited the director handled the lobbying activity personally. There is no real school for teaching people how to lobby it is something that comes from experience in the job. The most common formal qualification of the directors interviewed was law.

Other specialist heads of activity in trade associations such as marketing, labour relations etc often come from related positions in the industry.

Statistical work ideally needs some sort of formal training in statistics but a wide knowledge of where and how to obtain information about the industry can only be obtained by long experience.

As has already been said it is customary for the director of the association to carry out the lobbying function as well as handling the overall management of the association. However in many associations in the leather and footwear sectors lobbying is not the most important activity. Often for example marketing takes more time than anything else. In these circumstances it might seem sensible for the association to be led by someone with marketing skills. Against this is the fact that it is very difficult for anyone other than the director to represent the industry to the government.

In large associations there should not be a problem in attracting able and knowledgeable people to take charge of the main functions. Indeed many associations have specialised staff who are very highly regarded both within the industry and outside. This is often because they have been in the in the job for some time and have

acquired a rather unique width of knowledge.

If an association wishes to have good staff it must be prepared to pay competitive salaries. In some associations the members believe that because the association is not actually making or selling something, they do not need to pay competitive salaries, they therefore pay badly and land up with poor staff. An association should be run as tightly and efficiently as a good manufacturing business and the staff should be paid appropriately.

The Problem of Minimum Viable Size

During the survey no visits were made to associations in Europe that were so small that they did not have their own staff and organizations. Some of the European national associations represent industries that have so few firms that they cannot afford to have their own organisation. In this case the practice is often to have an association which is managed by an organisation which specialises in the provision of administrative services. However the general view is that this system does not provide a very good service and should be avoided if possible.

Some of the African associations were small but here the administration was carried out by the elected officers themselves. We shall see later on in this section that there can be quite considerable problems when an association is run by its elected members.

Even though a number of the associations visited were quite small and were somewhat worried about their ability to maintain a viable level of staffing given the small size of their membership only one of the associations was covering more than one industry except for very closely related sectors such as leather goods. However many associations ran quite a wide spread of activities either directly or through sister organizations. These activities included the management of trade fairs the operation of research and development institutes and the operation of training services.

Although this was the actual situation that was observed it would appear that it would have been better if some of the smaller organisations had operated out of an office which was catering for another trade association or similar organization. It seemed that some associations were too dependent on one person and there was little back up if that person was away. It also seemed that in some associations there may have been highly competent directors but the association could not afford competent second line people. This problem could have been solved by a somewhat larger staff serving two associations.

However it is not recommended that tanning and footwear associations should operate together as there is likely to be conflict of interests though of course the industries share many common interests. This common interest is best taken care of by having an umbrella organisation for the sector as is the case in Italy and Turkey.

Another tempting possibility is for a footwear association to join up with a whole group of associations operating in the clothing and textile sectors. Again this has to be thought about carefully because there is a risk that the interests of the footwear group will be swamped by those of the much larger textile and clothing interests.

Nonetheless there a whole number of other suitable combinations one of the more obvious ones is the protective clothing industry where there is already a link through safety footwear.

It is difficult to state what would be the ideal minimum staffing level for a trade association office but it is probably around seven people. Certainly associations with around eleven staff can provide a very complete service to their members. In the case of confederations it is possible to operate well with far less staff particularly where a decision has been taken to ask some of the bigger member federations to specialise on certain dossiers.

It is not necessary for an association to carry out all of its own administrative functions, for example it might well decide to contract out to another firm tasks such as the preparation of its accounts or even the

statistical function.

Essential Qualities of Staff

1. **Discretion and confidentiality.** A good director and his staff will know a great deal about member companies and some of this information may be highly confidential. It is essential therefore that member companies trust the association staff and know that confidential information about their company will not be passed on to other members. If this situation exists then the association is able to help members who are in trouble and can even act as a go between for potential mergers. This service cannot be provided if an association is too small to be able to employ professional staff. In addition an association without professional staff cannot collect and aggregate confidential statistics from the industry.
2. **Impartiality.** It is most important that all members whatever their size feel that they are treated equally by the association staff, this is particularly the case in such things as the passing on of export enquiries. It is also very damaging if the members think that one member of the board is being listened to more by the association staff.
3. **Judgement.** A good director will know when to act quickly on his own and when to consult and who to consult. The degree to which a director acts on his own will depend on his experience and the style of the association.
4. **Open minds.** Good association staff are very well aware of what is going on in the world outside the industry that they represent and are able to identify the things that are likely to affect their industry in the future.

Good Practice

1. *Good quality staff* are just as essential in trade associations as in any other business. Pay must be high enough to attract good people. Very expert long term association staff can provide a unique service to the industry.
2. Most trade associations should be able to afford a *competent director* who will usually lead the lobbying activity. But it is a problem for smaller associations to afford competent staff to head up other functions. Good directors need *good judgement* as to when they should act on their own and when they should consult the elected members.
3. Where the industry is small and it is difficult to support the minimum viable staff (probably about 7) thought should be given to *operating two trade associations out of one office*. But the partner needs to be carefully chosen to avoid conflicts of interest and other problems. Another way to get over the size problem is for the association office to manage another activity such as a trade fair or a research organisation.
4. Trade association staff must be totally *discreet* and not pass on information about one member to another. Trade associations must treat all their members completely *impartially*.

Chapter VII

THE FINANCING OF TRADE ASSOCIATIONS

The General Situation

Quite a number of the associations interviewed have an extremely strong financial position. At the other extreme are associations which are wondering how long they will be able to maintain their current level of activities given the fall in their subscription income. As a whole most of the larger leather and shoe trade national associations in Europe are comfortably financed.

Associations obtain their income from:

- a) members' subscriptions;
- b) investment income;
- c) the surplus generated on trade fairs;
- d) fees for services provided to individual companies.

No organisation that was spoken to received any government subsidy. This is why training activities are not normally run directly by trade associations because government funds for training are frequently available but need to be accounted for separately.

Subscriptions

It is generally agreed that an association should aim to *finance all its basic member services from a subscription*. Basic services include lobbying, statistical services, generally keeping members informed, general export marketing services, wage negotiation and employment law services where the association negotiates employment conditions.

The general idea is that the subscriptions should cover the services used by almost all members but not those which are optional or only used by a small proportion of the members.

In some cases the association provides a totally comprehensive service with no extra charges, in others charges are levied for special assistance, for example with overseas marketing.

Other Income

Many people believe that the normal activities of a number of important trade associations in the sector are heavily subsidised by their income from large and obviously successful trade fairs. In fact this is not the case.

In many cases the ownership of trade fairs is in several organisations' hands and therefore any use by, for example, a shoe trade association would involve payment of a "dividend" pro rata to all the parties. In some cases the association is only a sponsor very much in control of what goes on but not a receiver of income.

At this time none of the organisations interviewed was using trade fair surpluses to finance its routine activities. What was happening was as follows:

1. Where the association was almost fully in control of the fair the profits made were used to subsidise overseas marketing activities, i.e. attendance by companies in new overseas markets or other forms of promotion.
2. Where the fair was in the hands of several industry bodies then a decision would be made to use a surplus for something of benefit to the whole industry, ie new test laboratories, training initiatives,

research projects.

3. Even where the fair was operated by a professional trade fair operating company it was possible to arrange that a certain percentage of the cost of an exhibition stand could be used to fund a new training centre.

Voluntary Membership versus Parafiscal Tax

One of the problems of trade associations is that the work that they do on behalf of their membership also helps non member companies. For example lobbying governments on environmental or trade issues or lobbying the EUROPEAN COMMISSION to open overseas markets is just as useful to non members as to members. This is generally known as the problem of “free-loading”.

One of the ways round this that has been used in some countries in the past is to impose a parafiscal tax on all companies which has to be paid whether the companies are members of or use the services of the trade association or the research association. Typically this tax was raised either as a percentage of turnover or as a percentage of the labour bill. It could be used to finance a trade association, research activities and a training organisation.

However nice the idea sounds it has generally not been successful and in some cases it has been almost disastrous.

The great advantage of both trade and research associations having to collect annual subscriptions direct from the members is that it makes them responsive to the needs of the membership. If companies do not feel they are getting good value and relevant services they cease to be members. A parafiscal tax system allows institutions to pursue aims and activities which are of more interest to the institute staff than the members and not suffer any financial penalty. In this way certain institutions have become totally irrelevant to the industry’s needs and the industry has had great difficulty in remedying the situation.

Setting the Subscription Level

1. The setting of the subscription level *should not be allowed to become the subject of an annual argument*. Most associations try to arrive at a basis of calculation which moves with inflation and does not require special adjustments. *Turnover is probably the best* figure to use. The problem with using employee numbers or total salary bill is that both of these tend to decline relatively if the industry is taking steps to be more productive.

There can be problems with using turnover as a measure where companies have a mixture of manufacturing and wholesaling activities. In some cases it may be desirable to use a mixed formula involving both employees and turnover to achieve a properly balanced result. This is most likely to occur in supranational (ie EU organisations).

2. Subscription levels *should be set sufficiently high to meet the current average levels of annual expenditure*. There may for example be ups and downs between years. If subscriptions are set high to produce a surplus which can be carried forward then today’s members are being asked to subsidise tomorrow’s members.

However there are good arguments particularly in smaller associations, where there may be some doubt about future continuity, in having some reserves. Statistically small associations tend to have bigger reserves as a percentage of turnover than large ones. A medium to small association probably ought to have reserves sufficient to cover 3 months activities.

3. *Special levies* or subscriptions can be used to cover special efforts or activities and it is probably better to use these rather than keep ordinary subscription levels artificially high in case something should need to be done. Typically these are used to cover such things as major lobbying efforts which require

expensive legal services. There are some umbrella organisations which have a very small regular subscription base and rely almost entirely on special subscriptions.

4. Some smaller associations which cannot really maintain a viable structure from subscription income aim to raise up to one-third of the costs of running the association from fees for special services to members.
5. If a turnover base is used for setting the subscription then in theory it is possible to set the subscription at exactly the correct rate for each member. In fact it is common to *establish a series of steps* rather than an infinitely flexible system. There are also arguments in favour of having a minimum and maximum subscription which are not tied to a completely perfect sliding scale because there is a certain minimum cost in providing services to a small member particularly things like information and the minimum subscription ought to cover this.

At the other end of the scale there is a maximum amount of use that a big company can make of the services provided by the association. In any case big companies tend to make less use of the services provided by an association than small or medium companies. It is likely to save a lot of arguments with the larger members of any association if they effectively pay a somewhat smaller percentage of turnover (or other measure) than smaller companies.

Charging for Other Services

Associations frequently provide additional services to members and sometimes non members for which a charge is made. Frequently the charge made only recovers the direct extra cost. This is a mistake, the extra services should carry a proportion of the general overhead and a charge for any time involved by the Director and other senior association management in providing the service.

The Legal Position of Trade Associations

Quite naturally this varies from country to country. In some countries there is very favourable tax treatment for non profit making associations and in this case any profit making activities have to be carried out by a fully taxable association company.

There are a considerable number of reasons why this is a good idea in any case.

Good Practice

1. Trade associations should try and *finance regular member services out of members' subscriptions* and investment income.
2. Associations should use *surplus income from trade fairs* for either specific projects to benefit the industry or promotion of overseas businesses.
3. In spite of the problem of "Free loaders" it is better that members are able to join and leave associations according to whether they think they are getting value for money. *Parafiscal taxes as a means of finance have generally proved very unsatisfactory.*
4. Subscription levels need to be tied to a figure which automatically moves with *inflation* (like turnover). Subscription levels should not have to be the subject of annual negotiation with the membership. Occasional re-adjustment is a different matter. Mixed formulae for setting subscriptions may be appropriate in certain circumstances.
5. Subscription levels should be set at a level to *cover normal average annual running costs*. Special

activities involving extra expenses should be covered by special subscriptions.

6. It is sensible for an association to have *sufficient reserves* to cover about 3 months working. This is more necessary for small than large associations.
7. Subscription levels should not be a precise percentage of turnover (or other measure throughout the company size scale). There should be a *minimum level* which covers the minimum cost of providing services, a stepped scale, and a *maximum* which is not as high as the straight scale would indicate. This better reflects the cost of servicing members and the benefits to members.
8. Additional *services should recover all the costs* incurred not just the direct costs.
9. Associations may wish to *split* their *activities* into a non-profit making members group plus a tax paying trading company. It depends on the legal arrangements in the country.

Annex

