

A new look at industry associations as effective enterprise networks

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Objectives: Much of the advocacy of business cluster promotion assumes that they provide unique opportunities for business to engage in collaboration. This paper will argue that such a view can overlook that participation in a national industry association has been an option for many enterprises. This paper shows that the business development benefits of trade associations have tended to have been given little attention.

Prior Work: Past research has encouraged a view that industry association membership is driven either by the logic of collective influence or the logic of service both of which have an inherent tendency to weaken the capacity of trade associations. It has further been argued that it is difficult for associations to sustain both roles and that concentrating on only means that it is hard for associations to retain high levels of membership.

Approach: This investigation of industry associations in New Zealand is based on an interview survey of the directors of 100 industrial associations. The survey was designed to match a survey completed in 1990 that encouraged a view that New Zealand industry associations were ineffective in supporting business development. Using the same indicators and with additional information collected through the face-to-face interviews, this study provides a robust information base for assessing how far the perception of industry associations continues to apply and the reasons for change in association activity and role in enterprise development.

Results: The role of industry associations in supporting business networks is reviewed through a profile of association activity. A new logic for trade association membership is identified that combines elements of service and collective influence and it is suggested that it assists associations overcome past constraints on membership recruitment and retention. The outcome is that a significant number of trade associations in New Zealand are now playing significant roles in business and economic development.

Implications: The paper explains the rise of a new class of trade associations and presents new survey evidence on membership density and association effectiveness. The paper concludes by recommending that public policy makes further use of trade associations for delivering business development support.

Value: The contribution of the paper is considered significant in the context of the present prioritizing of clusters to the neglect of national industry associations.

Key Words: industry association – New Zealand – membership – enterprise - networks

A new look at industry associations as effective enterprise networks

Encouraging enterprise owners to recognize their existing or potential membership of a business cluster has been one of the most influential business development ideas of the last decade (Isaksen and Hauge, 2002; Raines, 2002; Martin and Sunley, 2003). This is frequently attributed to the influence of Michael Porter whose claims about business clusters suggest that they create near perfect conditions for business growth.

A concentration of visible rivals encourages the search for ways of competing that are not head on. Niche opportunities overlooked by others can reveal themselves. Ready access to suppliers and partners provides flexibility to configure the value chain in a variety of ways. A more positive-sum form of competition can result when customer choice is widened and different customers are served most efficiently (Porter, 2000:265-6).

In contrast to the optimism of cluster advocates such as Porter, the outcomes of public agency efforts to encourage business participation in cluster groups are frequently disappointing (Kotval and Mullin, 1998; Schmitz, 1999; Huggins, 2000; Perry, 2004a; Tarnbunan, 2005). Indeed, there is evidence that clusters have no necessary impact on business performance (Malmberg et al., 2000; Beaudry and Breschi, 2003; Braunerhjelm and Johansson, 2003; Cingano, 2003) or that they have significance for independent firms only (Beardsell and Henderson, 1999) or that they encourage enterprise start up but not survival (Sorenson and Audia, 2000; Stuart and Sorenson, 2003).

Much of the advocacy of cluster advantage assumes that they provide unique opportunities for businesses to engage in collaboration with other businesses. Such a view can overlook that participation in a national industry association has been an option for many enterprises (Bennett, 1998; Traxler, 2000). Cluster promotion increases the opportunity for collective activity but small businesses have limited resources to devote to discretionary activities. Providing support for localised collaboration may result in reduced involvement in other collective associations. This implies a need to consider net outcomes rather than examining cluster participation in isolation. Such information may correct the implicit assumption that enterprises outside a cluster operate in a starkly different environment to those within a cluster.

In New Zealand, business development policy has invested effort in seeking to promote participation in business clusters and other related forms of business networks while largely ignoring the contribution that is and could be made by trade associations (Perry, 2001; 2006). One justification for this was survey evidence collected in the late 1980s indicating that trade associations were too fragmented and lacked resources to support industry or business development (Enderwick and Wilson, 1992). Since that verdict was delivered there has been no systematic effort to review the role of trade associations. This lack of attention has existed despite the effort to encourage participation in alternative forms of collective association having been largely unsuccessful (Perry, 2006) and membership penetration of trade associations having remained high.

Against the context of widespread support for the benefits of some form of collective association, this paper take a fresh look at the role played by trade associations in New Zealand. A survey of 101 trade associations representing businesses in the service and manufacturing economies is reported. Prior to reporting the main findings, further comment is first made on the potential differences between trade associations and business clusters.

Comparing cluster and national industry groups

An industry or trade association (these terms are used interchangeably) can be distinguished as inter-firm networks that are coordinated by a third party established independently of any one company, with powers to aid, abet, guide and cajole participating businesses (Provan, 1983; Sayer and Walker 1992: 136). Excepting those cases where the association is required by regulation, two preconditions are generally required for the formation of an association: the recognition of a collective interest and a relatively large number of participant organisations. As membership expands, the savings in organisational effort potentially increase where the alternative is that individual members must maintain links to a large number of other industry

parties to achieve the same objectives. In an association, organisations can interact indirectly through the network's management and reduce those external relations which are delegated to this body. Two other influences that stimulate the formation of associations have been identified (Provan, 1983:81).

1. There is a relatively large discrepancy between the prime expertise and activity focus of potential affiliates and the anticipated role of the network coordinating body. For example, three prime functions for associations have been envisaged in the context of advocacy for their establishment in New Zealand: (i) improving the human resource base, for example by identifying skill needs and coordinating training provision; (ii) improving the industry knowledge base, for example by the collection and dissemination of information on market trends, opportunities and technology; (iii) setting and enforcing industry standards, to help ensure that industry development is not impaired by sales of substandard output and to maximise technology and product compatibility.
2. External pressure exists for the establishment of an industry-wide association. Frequently the need for industry to government communication and negotiation is a prime reason for establishing an association.

The distinguishing feature of an association from other types of network is the delegation of at least partial control over certain decisions to the authority of the association's management. Three main types of association have been differentiated (Provan 1983).

In a *participatory association*, affiliates maintain an active role in the association, both in their support of the association's management body and through direct interaction with other members on matters of concern to the association. The participatory association can function without such member involvement, retaining its distinctiveness from other forms of network, but participation gives some control to individual members whilst also reducing the linkages each must retain for coordinated action. The formation of such an association therefore relies on circumstances where organisations are unable or unwilling to manage the activities of the linkage network themselves but do want to influence its operation. Producer cartels such as the Organisation of Petroleum Exporting Countries (OPEC) are an example of such networks. On a smaller scale, participatory networks may be formed to develop export marketing initiatives where they can address the needs for general market education.

In the *independent association*, the central coordinating body functions autonomously from the influence of individual members with a remit that excludes the promotion of individual member interests. The delegation of control results in limited direct interaction amongst affiliates, at least in respect of the matters attended to by the association. A large membership may encourage this structure and will certainly help its survival as at any point in time some affiliates may be resistant to its actions. An advantage to members is that the relative independence of the association from its memberships confers status compared with the participatory association which can be viewed externally as merely a creature of individual member interests. Participation can provide legitimacy to its members to the extent that the independent association has authority to monitor and discipline member activity.

The *mandated association* obtains its membership through force of regulation or because the costs of being an outsider would be too high. This type of association is likely to tend toward the characteristics of the independent association because the mandatory function leaves its members with limited scope to influence its activity. Also because exit is not an option for members, the coordinating body can be relatively autonomous of its membership.

Whatever the precise type of association, there has been an influential view that industry associations are primarily to be viewed as predatory lobbies that exert political pressure to maintain regulatory protection (Sabel, 1994). A tendency not to address matters of immediate significance to enterprise development has been a further reason for dismissing the role of industry associations (Granovetter, 1994). These assessments can be linked to the organisational basis of industry associations as networks coordinated by a third party that has limited capacity to control the behaviour of members or prevent the diffusion of benefits to non members (Bennett, 1997). As a result, it has been assumed that associations will find it difficult

to raise resources and are constrained in the range of activities that they can pursue. Excluding mandated associations, participation depends on attracting members through the provision of services to individual members (the logic of services) or through the provision of collective services (the logic of influence) or some combination (Bennett, 1998). Whatever the mix, it has been argued that associations tend to attract a small proportion of all who might join because much activity is of a public good nature that does require membership to gain benefit from. Consequently, it has been argued that industry representative in associations tends to fragment across competing groups whereas fewer, better resourced groups are needed to promote business development (Bennett, 1998).

In contrast, clusters can be presented as inclusive grouping. A 'marshallian' conception of clusters envisages that cluster membership is purely a product of geographical location within the cluster 'ecosystem' (McCann, 2001). This implies that clusters exist without any formal membership. Some go further and suggest that clusters are self-organizing entities that do not require and are largely unresponsive to efforts to deliberately mould the behaviour of individual participants such as through a membership association (Porter, 2000). Similarly, the untraded dependencies that promote localized learning through informal channels and the operation of external labour markets have been thought of as the basis for cluster 'membership' (Malmberg et al., 2000; Leamer and Storper, 2001; Pinch et al., 2003). On the other hand, long term development of a cluster is generally thought to involve more than geographical proximity. Porter (1998) has, for example, identified a cluster of 400 medical device companies in Massachusetts, employing close to 40,000 workers that lay dormant until revealed through a search for potential clusters. Once revealed, he reports that business executives came together to consciously exploit the advantage of belonging to a cluster. The Schmitz (1995) model of business cluster development proposes that deliberate planned action by selective groups of cluster firms is necessary to sustain the advantages of a cluster. One important form of deliberate planned action is membership of a trade association that assists technology transfer or collective investment in shared infrastructure (Schmitz and Nadvi, 1999).

Consequently, industry networks and business clusters have been viewed as variations on a theme rather than being wholly different species (Rosenfeld, 2005). Both have been linked to the 'associative economy' in which businesses are thought to gain by making more use of the resources of other businesses and support agencies than in the past. For both types of organisation, the nature of the constitute enterprises, the mix of enterprise types and the status granted collective associations by government agencies will affect their operation (Bennett, 1998; Perry, 2004). At the extreme, for example, a national industry may be concentrated entirely within a single regional cluster. In this context, clusters and industry associations might be mutually supportive. A cluster may not require membership of a formal association but it might be an outcome that enables a geographic concentration of enterprises to improve the services obtained from a national association. Indeed one survey of business clusters around the world found that 89 percent of all cluster initiatives have a facilitator to manage activity, most of which do this at least part time from an office (Sölvell et al., 2003). Once organised into some form of membership association, pressures to balance activity and participation will exist for national associations and cluster groups.

The capacity to incorporate value chain representation may be identified as a point of difference between clusters and industry associations. The ability to induce co-location of different components of a value chain is sometimes identified as the particular strength of an enterprise cluster. Indeed the incentive for specialist suppliers to join a cluster was identified among Marshall's original advantages accruing to a cluster (McCann, 2001: 57). Modern day cluster mapping uses input-output linkages to delineate clusters as well as the concentration of same industry activity (Feser and Luger, 2003; Porter, 2003). In contrast, industry associations can be limited to a single activity and may exist expressly to support the interests of one stage of the industry against another. Nonetheless, there is no necessary point of difference between clusters and national industry associations with respect to their value chain inclusiveness.

Many enterprise clusters are based on final assembly rather than complete value chains. For example, industry districts in Italy frequently comprise concentrations of near identical types of enterprise. Those districts based on an industry specialisation and associated ancillary activities are a sub category rather than the norm (Paniccia, 2002). In the USA, it has been shown that

concentrations of footwear production are independent of the location of raw material or equipment suppliers and of the distribution of buyers (Sorenson and Audia, 2000). At the same time, industry associations may facilitate participation from supporting sectors through mechanisms such as associate memberships or by setting up pan industry groups. For example, in New Zealand a recent development has been the establishment of such a pan industry group in the forestry sector ('WoodCo') to integrate the marketing strategies of individual national associations.

There is much, therefore, to support the contention that clusters and national industry associations are variants rather than wholly different species. Nonetheless, differences may develop from the national versus local focus (Table 1). To the extent that government actions tend to have nationwide impact and are potentially more susceptible to influence by a national than local group, lobbying may be a more significant function of national rather than local groups. Countervailing influences may be that national regulation has a regional dimension and that agreement over preferred actions is easier to obtain among a local than national group. Assuming that lobbying is more a function of national associations than regional clusters, this may mean that the public good nature of collective activity is more of a constraint on national associations than cluster groups.

Table 1 Comparing the network attributes of clusters and industry associations

Group attributes	Cluster	Industry association
Membership interaction	Localised memberships supports interaction	Interaction limited in favour of third party coordination
Ability to influence activity	High in a small group	Large, dispersed membership and weak attachment limit influence
Development of collective resources	Representation of only part of the national industry limits ability to promote collective resources	National coverage supports investment in collective resources
Information dissemination	Small groups have limited capacity to collect information on industry wide developments	Industry wide networks and third party coordination facilitate information collection and dissemination
Group cohesion	High with shared interests focused on regional specialisation and common business environment, weak with mix of large and small enterprise with differing resources and challenges	Low with diverse population of weakly attached enterprises, high among an 'in group' sharing common political outlook
Ability to lobby and influence regulation	Primarily effective for regional government relations	Primarily effective for national government relations
Membership commitment	High because of visibility of low commitment	Low because of ability to free ride and rely on third party administration

As well as lobbying, national associations may be better placed to supply specialised business services to members than is a cluster group. National associations can be better placed than cluster groups to collect industry wide data and use this as the basis for informed advice or other services to individual members. Similarly, the development of product standards, codes of conduct and industry marketing programmes that target all industry members are tasks that are potentially more suited to a national than local group. As well, to the extent that a national association is larger and better resourced than a local group, it may have capacity to employ full time business advisers and project officers. On the other hand, the possibility of addressing industry wide issues may bring greater difficulty in obtaining agreement over priorities. In this

sense, the more restricted agenda open to a local cluster group may be an advantage in focussing attention on issues where there is broad agreement among enterprises at least share a common regional situation.

The ability to sustain member participation can offset some of the opportunities existing for national associations. Partly for practical reasons, a locally based group may have a more actively engaged membership than a national association. Given that participation is generally a voluntary commitment on top of full time management responsibilities, savings in time and cost attending local meetings over this required to participate in a national group may of itself encourage involvement. At the extreme, national associations may operate with one-way communication from association staff and little member input into the direction that the association chooses to take in its activities (Enderwick and Wilson, 1992). Alternatively, involvement can be limited to large, well resourced organisations motivated by an agenda that differs from the priorities of small enterprise (Semlinger, 1995: 23-24). Countervailing possibilities may complicate whether national associations are distinguished by their relative lack of participation. Having a restricted range of active participants may bring greater agreement among those who do participate and with this greater effectiveness and incentive to maintain support. Consequently, while local groups may in theory have a more diversified membership than a national group this can be offset by the difficulty in obtaining agreement around priorities among a diverse group of enterprises. In New Zealand, this has resulted in some cluster groups setting membership rules to limit participation to a like group of organisations (Perry, 2004).

This discussion suggests a number of attributes that potentially differentiate how enterprise managers perceive the relative effectiveness of national and local associations.

1. Clusters may be seen as providing more opportunity for interaction with other business members than are national associations. This possibility arises from a cluster's localised membership, which may mean that other members are known and that active participation is less demanding than with a national group.
2. The ability to influence group activity may be higher in the case of a cluster than national association. This possibility follows from the ability to maintain participation. It may also result from it being easier to obtain agreement about group activity in the case of local initiatives than a national group which potentially has a wide range of issues to address.
3. An industry association may be better placed than a cluster to develop collective resources such as industry standards, marketing campaigns and industry development strategies. Non members are hard to exclude from the benefits of collective service and this is a disincentive for their production. Given that clusters may involve only part of the national industry, they potentially have the greater disincentive to invest in collective services.
4. Industry associations may be viewed as the more effective vehicle for informing managers about industry regulation and support programmes. This follows from the national focus of an industry association. Conversely, clusters may be perceived as more effective in engaging with local government.
5. Industry associations may be perceived as political organisations whereas business clusters are viewed as more focussed on business development rather than industry politics. This would follow from an industrial association's involvement in lobbying activity, their possible capture by particularly motivated or well resourced members and from having a longer history than most cluster groups.
6. Membership of a cluster may be seen as implying more commitment to the group than industry association membership. National association membership may involve little more than an annual subscription where as the pressure to 'join in' may be strong with a locally based cluster group.

Survey of New Zealand trade associations

This investigation of industry associations in New Zealand is based on an interview survey of the executive officers of 100 associations. These associations are linked to activity in the industrial and service sectors of the economy, excluding those in the agricultural and fishing industries. This concentration was made as associations in the primary sector are funded frequently

through compulsory levies whereas the study wished to investigate associations that are required to attract members on the basis of the activities undertaken. As well, it was considered important to examine the alleged fragmentation of industry associations and this indicated an advantage in concentrating the sample among associations that were potentially competitors for support. Eligible associations were those joined primarily or exclusively by business organisations. This focus excludes professional associations where the membership primarily comprises individuals and 'peak' associations with a membership of other associations and industry bodies. It was not a requirement that the association had an executive staff but practically this was likely to be the case. Associations without at least a part time official were less likely to promote their presence through a website and be less willing to participate in research.

The study was carried out through face-to-face interviews so as to provide the possibility for an open-ended discussion about the individual association beyond the information gathered through the structured questionnaire. As well, compared with a postal survey the interview approach ensured a high level of response and enabled responses to be checked and clarified to provide confidence in the reliability of the information collected. This was assisted where associations supplied annual reports and other published profiles of their association augmenting the basic information in the survey responses. In addition, as most associations are incorporated societies annual accounts are accessible through the company's office as a further check on some aspects of the interview responses.

There is no listing of trade associations from which to design a sampling strategy. A number of partial listings exist from industry groups that solicit membership from trade associations and other industry groups. These were a principal source of guidance for the study as well as acting on suggestions made by initial respondents. The basic strategy was to contact all associations within the scope of the study until information from 100 associations had been collected. In terms of the number of relevant associations identified during the research, the final sample of 101 associations covers two thirds of the known associations. The balance is divided between those that were contacted and did not participate and those identified but not contacted prior to the sample being filled. The primary reasons for not participating were either a lack of time or availability or that the association was inactive. One association described itself as a 'private' organisation and declined to participate for this reason but otherwise it appears that comparatively small, poorly resourced associations may be under represented. Among the associations not contacted around a third are managed by an executive who was interviewed in relation to one or more other associations for which they were responsible. In these situations, the respondent was asked to identify the most active associations among those they managed so that again the study under represents inactive associations with limited resources.

The scope of the structured part of the interviews was designed to match the earlier and only other known survey of trade associations in New Zealand (Enderwick and Wilson, 1992). Using the same indicators and with additional information collected through the face-to-face interviews, the aim was to build an information base that was reliable and valid. As with the earlier survey, the investigation focuses on the present activities of trade associations, membership penetration and the potential contribution in promoting individual business and industry wide development. The summary below concentrates on those features that can be contrasted with the perceived contribution of business clusters as outlined at the end of the previous section, with less attention paid to the evolution of associations since 1990.

Trade associations in 2007

The 101 associations had a combined membership of 39,294 organisations of which the overwhelming proportion comprises individual businesses. The number of enterprises participating in a trade association is somewhat lower than this figure suggests as some businesses belong to multiple associations. Even so, from the number of enterprises and membership lists examined there are few medium to large sized enterprises with manufacturing or service sector activities that do not belong to at least one trade association. Trade association support is further underscored by the high level of recruitment from the individual business populations that are targeted. The average membership penetration is two thirds of the potential but a fifth claim to have a penetration of at least 90 percent. Estimates can be

verified where associations limit membership to a specific business activity identifiable in official statistics. In other cases, a judgement is based on an incomplete understanding of the potential membership or the recruitment priorities among businesses with varying degrees of involvement in the core activity.

Having important potential members remain outside the association is another measure of the support being obtained. The sample was evenly split on the significance of some potential members remaining as outsiders. For most respondents (53), outsiders are not seen as an issue or constraint on association activity. Among the other 48 respondents, 31 acknowledged a minor issue and 17 that a problem existed.

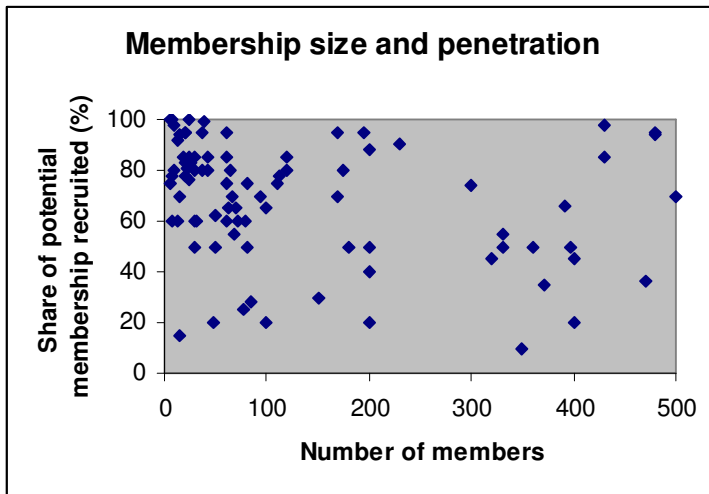
As well as high levels of participation, the tendency to engage with non members influences the comparative lack of concern with outsiders. For 40 associations, the engagement with non members is said to be frequent while a similar number indicate that engagement occurs from time to time. This engagement goes beyond membership promotion although unsurprisingly this is frequently a motive for much of the contact with potential recruits. Beyond this, it is typical for associations to open their activities such as conferences or professional development workshops to non members although usually with a differential registration fee. There may also be consultation with non members on industry strategy and public policy submissions. Associations recognise, for example, that the effectiveness of their political lobbying can be increased the more it can be claimed that they speak for all industry participants irrespective of whether or not they are association members. Such industry wide engagement is particularly a feature of those associations with relatively small memberships of large organisations and a few non members. Conversely, associations with large memberships of predominantly small enterprises and a large population of outside small enterprises are the more likely type of association to restrict their engagement with non members.

The openness of associations is assisted by the lack of direct competition for members. Three associations report a problem of membership loss to another association while 12 indicate a minor instance of this. There are a larger number of associations (35) that identify the existence of another association that their members might join but this rarely results in head-on competition. Rather than membership loss, associations are more likely to report having members that belong to two or more associations. The absence of competition among associations is assisted by mergers between overlapping associations and cooperation between them. Almost half the sample (49) report having at least discussed amalgamation with another association in the recent past. In sectors with a particularly high density of associations, such as construction, transport and tourism umbrella associations exist. These provide coordination between associations on common issues, generate economies in administration and add to the resources that can be devoted to industry projects. It appears that the proliferation of associations has more impact in on the involvement in individual association rather than reducing recruitment. Overall, 83 respondents indicated that their current membership gave the association representation of the business activity that they seek to represent.

The number of members is an important differentiating attribute of associations. A small association of ten or fewer members can function as a network in which every member is known to each other and with direct communication among members. In a large association of 1,000 or more members communication is primarily with the executive of the association. In these associations, the extent to which direct connections between individual members are fostered will depend on participation in the formal activities of the association such as regional branch meetings, executive committees or seminars.

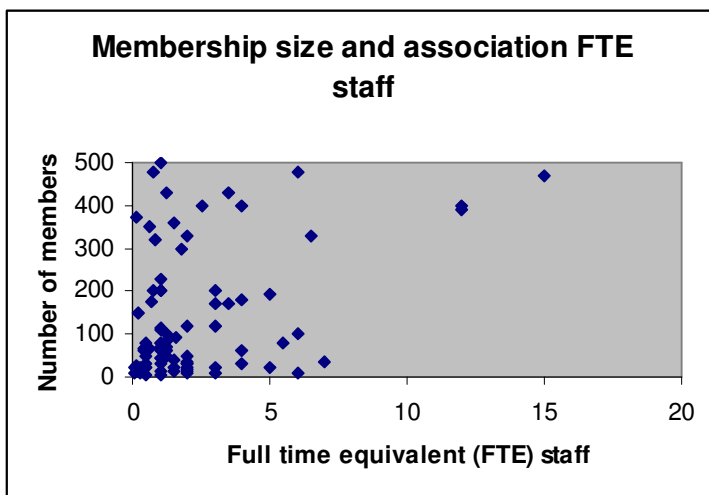
The average membership is slightly over 390 but this is affected by the inclusion of nine associations with over 1,000 members. Slightly over half (53) have 100 or fewer members and among these associations it is typical for membership penetration to be over two thirds of the total potential membership (Figure 1).

Figure 1



A trade off between membership size and association resources is not a substantial disadvantage of being a small association, although this is partly because few associations employ more than three FTE staff (Figure 2). Excluding the small number of 1,000 plus member associations, the size of individual member businesses and their willingness to support the work of the association are an influence on the resources possessed by an association. Where support to the association is high, the largest organisations may pay an annual membership fee of over \$NZ100,000 (£26,000). Similar sized organisations may pay a fee of less than \$NZ5,000 (£2,000) to an association that they give less support to. Moreover, large organisations are significant for their ability to support the association’s work through volunteer staff time as well as from their ability to fund the association through their annual fees.

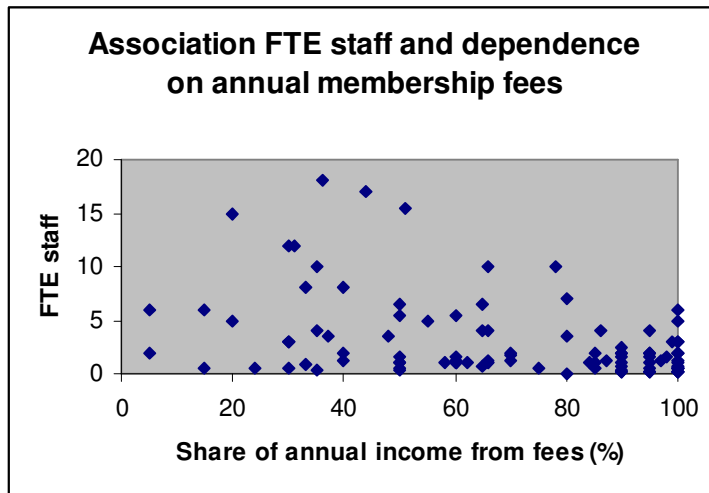
Figure 2



Member ability and willingness to fund the association through their annual subscription has lost some of its significance from the extent of independent income obtained by associations. A third of association (36) obtain at least 40 percent of their annual income from sources other than a membership fee. The additional sources of income come from three main sources: surplus income from running conferences, seminars and other industry events; commissions on income generated for third party suppliers of goods and services to member businesses; commercial activities such as voucher schemes, merchandise sales and the provision of secretariat services

to other associations. The significance of non fee income is especially apparent for associations with comparatively large memberships. A consequence is that income diversity is reflected in a tendency for the association to employ more staff (Figure 3).

Figure 3



There are clearly differences in association capacity but most associations maintain a wide range of activity. One indicator of this is the extent to which the association is based on two-way communication between the association and its members. Half the respondents (53) indicate that their association is based on a two way flow of information and a further third (32) say that communication is more from the association to members but still with a significant degree of interaction. This is reflected in the diversity of means most associations use to engage with their members:

- 89 have a newsletter, magazine or journal or some combination of these.
- 99 have an executive committee comprising elected representatives with meetings that typically are at least quarterly during the year. In the other cases, association meetings and decision making was managed by a council open to all members.
- 63 have standing committees dealing with specialised issues such as technical standards or that act as a forum for particular types of business or type of company representative (such as CEO groups).
- 34 have regional branches and in some cases the branch includes a dedicated official or a field manager with oversight of one or more regional areas.
- 68 have an annual conference.
- 56 have additional mechanisms of which the most important are seminars and other professional development events and help lines dedicated to particular areas of advice such as human resource matters.

The claim that associations attract high levels of member involvement is further suggested by the range of activity that relies on ongoing participation (Table 2). The core business for many associations remains that of monitoring the regulatory environment, keeping members informed about prospective developments and lobbying for a preferred policy regime but there is much activity beyond. In most cases this activity is guided by some form of strategic planning that has identified key activities based on identified industry needs that are best addressed through collective action. As well there is much activity designed to motivate industry participants, such as through awards that may reward companies or individuals, and help industry participants attract resources. In addition, most associations play a role in responding to day-to-day enquiries from members.

Table 2 Frequency of association activities

	Activity or resource provided (n = 101):	
	By the association alone	In collaboration with others
Mission statement	87	13
Strategy for raising membership	59	27
Strategy for industry expansion	46	44
Annual reporting on industry activity	47	39
Tools & resources to assist individual business development	59	28
Industry marketing programme/resources	47	37
Professional development & training programmes	50	27
Annual awards	50	44
Industry product/process standards	54	35
Other	14	87

Finally, it is apparent that most associations gain members for a number of motivations (Table 3). Rather than being based on a specific purpose or role, association executives tend to believe that there are multiple motives for belonging to their association. This diversity arises as different types of member can have different reasons for joining as well as because associations provide a range of services. Of particular interest is the extent to which associations are seen to be valued for providing opportunities for members to share learning. Regular member meetings, conferences and newsletters provide the means for this sharing of experience to take place.

Table 3 Association perceptions of membership motivations

	Number of associations (n = 101)			
	Very imp.	Some Imp.	Unsure	NA
Motivation for membership				
Demonstrate status in the market	34	50	2	15
Loyalty to the industry	27	54	3	17
Opportunity to learn from other members	52	42	1	6
Have representation to government	69	25	1	6
Support an industry strategy	33	35	13	20
Access to association activities/privileges	55	34	2	10
Access to individual advice	37	46	2	16
Other	6	3	0	92

Discussion

The overall results suggest that New Zealand's trade associations fulfil many of the roles that are expected of business clusters. While each potentially makes a distinctive contribution to industry development there are some functions that associations and clusters might equally perform. Returning to the starting expectations of how clusters and national associations might be differentiated, it appears that much greater overlap exists than was anticipated.

1. Many trade associations play a significant role in facilitating business interaction. One indicator of this is the proportion of associations indicating how the opportunity to learn from other members is an important motivation for membership. Another is the emphasis on activities that provide forums for member interaction such as conferences, workshops and training events. Moreover, many associations do not restrict their

- involvement to members so that associations are playing some role in integrating a broader range of activity than just their fee paying members.
2. It has not been possible to judge how members perceive their ability to influence trade association activity but there is evidence of associations being based upon a two way communication flow. It is also notable that a large number of associations have a total membership of fewer than 100 and in these cases the opportunity exists for comparatively high levels of influence.
 3. The expected importance of trade associations in developing collective resources has been confirmed although there is clearly much variation in the extent of this involvement. Around half say that they have a strategic plan designed to encourage industry expansion with a similar proportion having some form of industry marketing programme. The provision of tools to assist individual business development is a further contribution as well as involvement in training and industry standards. The high rates of membership penetration are of note as they suggest that some of the constraint on providing collective resources may not be as strong as assumed in previous studies of trade association activity. Indeed, just two associations report having non members gain from the work of the association is a problem: in comparison, 77 associations indicate that they have no issue of non members gaining from the association in the sense of this being a constraint on the association's activity.
 4. Representation to government and informing members about industry regulation were confirmed to be important activity for trade associations. This work focuses on national issues but this is partly because important regulation is national in coverage. Where relevant, associations noted their involvement in matters controlled by local government such as in industries where resource planning and consent processes are an issue. As well, a number of the larger associations have regional staff with a mandate that includes dealing with local issues. It is not, therefore, clear that clusters would be viewed as more effective networks than trade associations for addressing regional issues.
 5. Industry associations are political organisations in that much of their activity is directed to influencing the public policy environment but this no longer remains the main concern of many associations. There is significant involvement in business development issues and also engagement with government agencies in addressing industry challenges rather than simply lobbying for political change. Neither does it appear that internal politics generated through differences between member interests are a major challenge to association activity. Four associations report that their association is affected by the over influence of an unrepresentative minority but for most this problem is not said to arise. In some cases, association constitutions guarantee that there is representation from different membership classes on the national executive.
 6. The commitment felt by individual members to the association is not possible to judge from this survey although some contradictory inferences may be drawn. With high levels of membership, most associations can claim to be a representative industry body. This attribute ought to stimulate participation and commitment given that it at least implies the possibility of having significant influence. At the same time, the tendency among larger, multi activity organisations to belong to several associations indicates that commitment to individual associations might be low. As well, it should be noted that in some associations large members reserve their right to speak independently on issues and support industry association representation only to the extent that it concurs with their individual preference.

Underlying these findings is the emergence of a new logic for trade association membership. Previous assessments of trade association activity have assumed that membership is driven either by the logic of collective influence or the logic of service. These motivations have an inherent tendency to weaken the capacity of trade associations. If an association emphasises collective influence it is dependent on the willingness of industry participants to support public good activity but individual businesses can benefit without joining the association. The logic of service means that associations have to respond to member's individual and specific needs and demands. Such demand is individualised so that a greater proportion of income can be raised from specific fees for service. This may suggest that the same need for a high density of membership does not exist but in practice the difference may be minor. For example, the efficient and effective provision of advice will be assisted by up-to-date industry data that is

more specific and timely than that available through official industry statistics. An association with a high density of industry membership is more likely to be in a position to collect such data so that the logic of service may also depend on a high density of membership.

New Zealand's trade associations appear to have overcome the challenges of these logics through the development of independent sources of income. This enables them to combine elements of service and collective influence without too much sensitivity to their membership penetration.

Conclusion

Discussions of business clusters can encourage a view that firms outside a cluster operate in a starkly different environment to those within a cluster. They risk being bereft of opportunities to engage in cooperation with other businesses, enmeshed in distrustful business relationships, constrained in their choice of competitive strategy and disadvantaged by their lack of access to collective resources such as training and technology learning opportunities. This type of presentation is challenged by this investigation's evidence that national industry associations offer another form of collective association. Many enterprises participated in collective action before the recent interest in business cluster promotion developed. The contribution of national industry associations as tended to be overlooked because their role is frequently interpreted as being dominated by protectionist lobbying. Clusters, in contrast, are presented as being a tool for business development and the maximisation of competitive advantage. In practice, this study has found that national associations can be rated as more effective in some areas of business development support than clusters. Four specific conclusions arise from the findings.

First, policy makers need to relate initiatives to the context in which intervention is directed rather than being driven by claims of universal applicability. The scope for cluster groups to add to business development is influenced by the extent to which alternative forms of collection association exist. Where there are active, well supported national associations there are likely to be fewer gaps in business development support than where national associations are absent or weak.

Two, a fresh assessment of the contribution to business development made by national industry associations is needed. Compared with the interest shown in regional cluster groups, national industry associations have been neglected by researchers. This may partly be explained by the acceptance of past judgements that have tended to be dominated by the perception of industry associations as protectionist lobbies without capacity to contribute to industrial development strategy. Such an assessment has certainly existed in New Zealand based on a survey of associations conducted in the early 1990s (Enderwick and Wilson, 1992). The present study has shown that national associations appear to have grown in significance and are now an effective form of collective association. This evidence suggests the need for a larger assessment of national industry associations.

Three, before supporting one form of association it is appropriate to investigate whether any existing group can be assisted to diversify its activity. Most enterprises are likely to prefer involvement in a single association over the need to maintain membership of two or more groups. This preference exists because firms have limited resources to devote to participation in collective groups. At the same time, it needs to be recognised that clusters and national industry associations can be attractive to different scales of enterprises. Small enterprises may have difficulty influencing the activity of national associations; on the other hand, large enterprises may be unwilling to support cluster groups included small enterprises that face different challenges to their own scale of enterprise.

Four, the risks of encouraging additional forms of collective association need to be assessed as well as the potential gains. Diversifying participation opportunities may maximise the number of firms engaged in some form of group, spreading the gains from joint activity, but at the expense of creating groups that are comparatively under resourced and fragmented. The option of concentrating participation within fewer large groups may reduce overall membership but bring the advantage of encouraging firms to resolve the differences that otherwise encourage

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