

**The “Voice of Industry”:
Why Management Researchers Should Pay More Attention to Trade Associations**

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**Forthcoming in Strategic Organization*

Introduction

The Obama administration's \$900 billion healthcare reform bill was forged against a backdrop of intense political and societal debate and acrimonious ideological differences. During this process, the input of trade associations such as the Pharmaceutical Research and Manufacturers of America (PhRMA) was discreet but highly influential. Aware of the legislation's long-term implications for the industry, PhRMA worked diligently on behalf of its member companies by deeply engaging with the government on the bill's design and implementation and ensuring the interests of its members were represented during the proceedings.

But the role of PhRMA went far beyond simply informing public policy. In fact, PhRMA worked strategically to ensure maximum impact on the legislative process. Memos released in 2012 by the U.S. House of Representatives Energy and Commerce Committee revealed that the Obama administration coordinated a \$150 million advertising campaign, funded by PhRMA and its members, in support of the 2010 Affordable Care Act.¹ More troublingly, an investigation launched by a Subcommittee on Oversight and Investigations confirmed that PhRMA was so influential that the Obama White House felt compelled to "cut a deal" with PhRMA to promote and ultimately pass the controversial healthcare bill.²

So why are trade associations interesting and worthy of more attention from management and organization researchers? The U.S. healthcare example highlights the critical political role that trade associations have assumed in modern economies. Trade associations like PhRMA play an ever-increasing role in the policy-making process in many countries and have significant influence over regulation and policy. They range in size and nature from the niche Fine Chocolate Industry Association with annual corporate membership fees of \$350, to the U.S. Aerospace Industries Association with 158 full and 219 associate members paying annual membership dues ranging from \$3,000 to \$400,000

depending on total sales. Despite their differences, they are united in their efforts to serve their industries by influencing regulation and government policy, and sometimes public opinion, on behalf of the collective needs and objectives of their members.

In addition to this visible external role, they also serve as agents for disseminating and exchanging information within a given industry (Vives, 1990), and often act as informal regulators of industry activity by setting voluntary standards of behavior for industry members. They also often play an important role in determining the boundary of an industry with membership in an industry association acting as an important marker of industry membership. As such they are active agents of industry configuration and self-regulation, and often act as “the voice of an industry” by unifying disparate companies around a single message.

Yet, despite the obvious influence and importance of trade associations for firms, industries and societies more broadly, management and organization researchers have devoted surprisingly little attention to understanding them (Reveley & Ville, 2010). We will argue here that trade associations are influential organizations that deserve sustained attention from anyone interested in the inner workings of industries and in the influence of companies on society. We believe management and organization researchers must develop a clear understanding their purpose, sources of influence, and impact on companies, industries and society more broadly that reflects their unique role and special characteristics.

More specifically, in this short essay we draw on work from adjacent disciplines such as economics and political science, as well as the limited research that has been done in management and organization theory on trade associations, to begin to explore their nature and role. We then discuss three examples of areas of management research where we believe trade associations are of particular relevance and where existing theoretical perspectives remain limited without an explicit consideration of these organizations. We close with a

general appeal for management researchers to pay more attention to these important and influential organizations.

What is a trade association?

Unlike trade unions, charities, alliances, terrorist groups, religious associations, political parties, business communities or other similar meta-organizations that use similar collective practices, there is good reason to believe that trade associations have a unique role in modern societies due to the level of resources and expertise at their disposal, as well as the special nature of their constituents (Ahrne and Brunsson 2005). Building on Lyon & Maxwell (2004), we define trade associations as multi-member meta-organizations to which member companies donate money or pay a membership subscription to sustain the association for the greater benefit of the members, the industry, and society more broadly. This definition is purposefully broad in order to cover the diversity of trade associations that exist, such as the American Car Rental Association, the European Steel Association, Canada's Venture Capital and Private Equity Association, and the Australian Retailers Association.

Boléat (2003) argues that trade associations share three common characteristics. First, they are member-based organizations whose members are other organizations (for profit, non-profit or non-governmental), not individuals. Second, they exhibit a governance and decision-making structure that is representative of their members. Third, they act in the common interest of their members. Boléat (1996, 2003) also identifies a fourth characteristic that is predominantly seen in larger associations: they act as a representative or collective body, engaging with government regulators and policy makers, the media and other opinion formers. Boléat's first three characteristics are commonly observable and generic features of trade associations. The fourth may or may not be present as it begins to capture not only nature or form, but also activity and influence. While we believe that all trade associations

are of interest, it is obviously ones with this latter characteristic that are of particular importance.

What types of trade association exist?

It is clear that many different kinds of trade associations exist. But one thing that is missing from the literature is an explicit focus on the connection between trade association characteristics and their role and impact within their industry and more broadly in society (Barnett, Mischke & Ocasio, 2010). Building on Boléat (2003), we observe that different types of trade associations develop very different influencing strategies with diverging impacts.

In order to categorize this variation, we focus on two dimensions – size and function – to categorize the different types of trade associations that can be observed in different industries. Our trade association matrix (Figure 1) can help scholars to identify different functional choices, like design and boundary conditions, and better understand the different collective actions available to trade associations. Therefore, we categorize trade associations from small to large in relation to functional features, i.e. internal engagement with members and external engagement with socio-political actors.

---Insert Figure 1 here---

As Figure 1 implies, collective reputation management is one key reason why companies form or join a trade association, as it helps to create impact (Tucker, 2008). Figure 1 allows scholars to explain the usefulness of trust and legitimacy with socio-political actors. Streeck & Schmitter (1985) describe it as an attempt to maximize the overlap between the specific interests of particular groups such as business lobbies and the broader interests of society.

In Figure 1 we suggest that due to their large size and associated resource, *Fast Follower* trade associations develop some bargaining roles between private and public interests and establish a certain amount of trust, status and reputation through information exchange. However, these types of associations tend to focus more on internal industry activities such as community building, training and development, and sharing new standards and governance knowledge. *Fast Followers* engage with public relations and the media (although less frequently than *Powerhouses*) and they place less emphasis on leveraging research outputs to lobby political actors. They may lag behind their *Powerhouse* peers in terms of public profile and policy access but they follow fast and engage swiftly on any issues or initiatives that emerge in the public domain.

Powerhouse trade associations, as the name implies, are large, heavily resourced organizations that arbitrate between private and public interests and create significant trust, status and reputation through robust and reliable information exchanges. Inherently, these types of associations develop close relationships with governmental or regulatory authorities and have significant levels of policy input (Streeck & Schmitter, 1985). They are typically the “go-to” associations for government and policy makers seeking a collective input and a representative voice of industry.

The trade associations that we classify as *Orators* tend to be small in size and focus mainly on communicating effectively with their members. They place much less emphasis on engaging directly and frequently with political and regulatory agents or society at large. *Orators* tend to be driven by their members’ needs and interests and focus mainly on online engagement, event management and intra industry co-ordination. These trade associations usually have low budgets, minimal staffing and low external impact in terms of trust and reputation. Internal to the association, they are effective at speaking directly to the objectives and intent of members.

This contrasts with the trade associations that we label *Campaigners*, which focus largely on external campaigning and communication. The agendas of *Campaigners* tend to be driven by member demands and expectations but they usually have a small central administrative team that may take independent decisions, particularly on tactical matters. *Campaigner* trade associations tend to be small and lack resources to influence policy makers. They occasionally leverage research findings and outputs to advocate on behalf of members but tend to focus on communication rather than explicit lobbying. In this way, they can achieve some policy and public opinion impact and create a certain amount of trust and reputation through the use of reliable evidence and data.

Industry associations as a research area in strategic organization

Our discussion so far has focused on why trade associations are interesting and important organizational forms and has emphasized the need for more research focus from management scholars. In this section, we advance three examples of areas of research where we believe industry associations are of particular importance. We are not, of course, suggesting that there are not other important areas of research such as co-opetition, business groups and community building amongst rival organizations (Gulati, Puranam and Tushman 2012), but we provide these as specific examples of the sort of engagement with the topic of trade associations that we hope this essay will initiate.

Institutional theory and industry associations

From an institutional perspective, trade associations are an important and understudied form of institutional entrepreneur (Maguire, Hardy & Lawrence, 2004). These institutional entrepreneurs carry out extensive institutional work (Lawrence, Suddany & Leca, 2011) both within their organizational field and between their field and the broader societal context. They are also an important convener of field configuring events (Anand &

Jones, 2008) that lead to the rapid development of the field. Both externally and internally, the over-riding purpose of trade organizations is to attempt to change the “rules of the game” in the collective’s favor (DiMaggio, 1988) and they are therefore an important phenomenon for institutional researchers.

Internally, these institutional entrepreneurs play a key role in the structuration of the field. They are a form of industry collective action through which the industry manages the self-regulation that can act to shape the field in important ways (King & Lenox, 2000; Lawton & McGuire, 2003). For example, Tucker (2008) notes that trade associations often have a self-regulatory function, embodying shared values, articulating common norms and coalescing around common interests such as lighter regulation, easier market access or more positive media coverage. Yet, there has been almost no consideration of how trade associations function in the structuration of fields and this important mechanism remains largely unstudied.

Externally, we can extend Barley’s (2010) argument that corporations systematically build an institutional field to exert greater influence on government and see trade associations as proxies that fulfill this need. As Barley notes, the construction of what he terms “*an institutional field to corral government*” (2010: 777) serves to build and channel collective corporate political influence, while at the same time deflecting accusations of corporations directly influencing government. Similarly, trade associations can, in specific industry contexts, influence the institutional field to affect government decisions and actions. Also, trade associations leverage their influence on institutional field formation to affect the perceived collective reputation of their members (Tucker, 2008). Intended outcomes include favorable rules and norms on tax, employment practices, environmental impact, and research and development subsidies (Lawrence, 1999). Again, while this is obviously a very important

institutional mechanism we have little research and theorizing to understand the important role of these organizations at the interface of institutional fields and societies more broadly.

Collective identity and industry associations

Another related area where the role and functions of trade associations has obvious relevance is around the notion of a collective identity. Scholars have defined collective identities “as groups of actors ... organized around a shared purpose and similar outputs” (Wry, Lounsbury and Glynn, 2011: 449). These identities are socially constructed and negotiated on an ongoing basis (Patvardhan, Goia and Hamilton, 2014). A collective identity emerges when a set of organizations become understood as being organizations of the same kind in the sense that they do the same thing and share important characteristics. Examples include industrial versus craft brewers (Carroll and Swaminathan, 2000), classical versus nouvelle cuisine chefs (Rao et al. 2003), and Boston trustees versus New York money managers (Lounsbury 2007).

Trade associations have an obvious relevance to these discussions. While collective identities emerge through complex social processes, industry associations can play a central role in these processes by negotiating definitions that both reflect understandings but also stabilize and solidify them. Their role as guardians of the interests of members of an industry requires an understanding of what a member is and therefore a formalization of the collective identity. Their role in industry self-governance is also a further attempt to formalize and define what is legitimate activity for a member of the organization and what organizational members must do. All in all, trade associations are at the heart of the development of collective identities in many industries yet they have received surprisingly little attention from scholars in this area.

Nonmarket strategy and industry associations

The third area of research where we believe industry associations can be important is nonmarket strategy, where trade organizations are recognized as social and political actors, not just economic agents (Bach and Allen 2010; Lawton et al., 2014). Scholars investigating business lobbying should look in more detail at trade associations, especially those in highly regulated industries where there is greater incentive to participate in political action.

Investigating trade association responses to defend against new entrants, or opposition to new or potential regulations, can enable an understanding of nonmarket competition between different interest groups.

Also, using a resource-based view, political resources matter in trade associations, as nonmarket strategy is likely to produce little payoff unless there are tangible policy outcomes for member firms (Lawton, Doh and Rajwani 2014). We find that larger trade associations take a long-term orientation of their nonmarket strategy as they encounter higher coordination costs and must therefore adopt a more sustained approach to responsible lobbying. Using political networks, they reduce uncertainties and costs establishing ongoing ties with government and regulatory agencies to capture information about intended or forthcoming public policy that may impact on their member firms strategic objectives or outcomes.

Building on nonmarket strategy research (Baron 1995; Doh, Lawton and Rajwani 2012), we argue that future research on political networks should consider relationships, targets and levels used by trade associations. In particular, the interpersonal rewards that attach to ongoing participation in specific issues at different institutional levels (regional, national and international) with key political actors. The targets and intensity of these relationships can be instructive in explaining trade association effectiveness. In general, this approach rests on the argument that trade associations are embedded within political and

social networks, and more or less formal political and social structures, all of which are likely to influence decisions to engage in collective action.

Concluding thoughts

In an influential and thought-provoking article, Stern and Barley (1996: 148) argue that while the importance of organizations in society has increased dramatically over time, the interest in the societal impact of organizations among management and organization scholars has ironically declined:

[T]he sociologically crucial point is that organizations have not only become prominent actors in society, they may have become the only kind of actor with significant cultural and political influence. Yet recent organizational theory has surprisingly little to say about how organizations affect the society.

While we agree wholeheartedly with this sentiment, we would go further and argue that trade associations are one of these prominent actors writ large. They therefore deserve much more attention from management and organization researchers and we hope our fellow researchers will take on the task.

In order to highlight this point, we have argued that trade associations are critically important organizations that work at the interface of society and industry. On the positive side, they enable the construction of mutually beneficial public-private policy partnerships and the development of more effective self-regulatory regimes (Schaefer & Kerrigan, 2008). But these associations also command huge influence in policy making processes through lobbying and the allocation of resources as well as playing a central role in the development and maintenance of industries where they perform critically important functions including coordination, information exchange and the management of industry membership. Our intention here is to contribute to an increased awareness of the theoretical and practical importance of trade associations and a heightened interest among management researchers in exploring their functioning and effect. We hope we have succeeded.

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Figure 1: Trade Association Matrix

Size	Large	Fast Followers	Powerhouses
	Small	Orators	Campaigners
		Internal	Internal and External

Function

Endnotes

¹ ABC News, 'Memos unveil how White House worked with PhRMA to sell Obamacare', June 8, 2012, <http://abcnews.go.com/blogs/politics/2012/06/memos-unveil-how-white-house-worked-with-phrma-to-sell-obamacare/>

² Energy and Commerce Committee, United States House of Representatives, 'Committee investigation outlines White House's role in backroom health care negotiations', May 16, 2012, <http://energycommerce.house.gov/brand/committee-investigation-outlines-wh-role-backroom-health-care-negotiations>