Small firm membership in national trade associations

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- Business associations play a significant role in private–public interactions by aggregating company interests and relating these to political decision makers. Associations are particularly important for smaller firms, which generally do not have the resources to pursue political strategies independently. This paper discusses the question of what the motives are for small and medium-sized firms to maintain their membership in national trade associations at a time when the European business environment is undergoing profound changes. Using the example of the Netherlands, it is argued that associational membership is determined foremost by political considerations. The implication of this conclusion is that national business associations continue to perform an important function in mediating business–government relations. Despite the internationalization of public decision making, these organizations remain important intermediaries for corporate public affairs.1

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Introduction

As the development of the European Union (EU) progresses, corporate political action is becoming more important for competitive success in Europe. The build-up of the Single European Market is creating new opportunities for companies to gain economic benefits through influencing political decision making. Firms may, for example, strive to have trade barriers removed, thus supporting their market strategies through political action (Baron, 1995). Alternatively, firms may follow the opposite goal and support greater political binding, if that is in line with their business interests (Weber and Hallerberg, 2001). Political strategies are then aimed at establishing or maintaining barriers in order to prevent increasing economic competition (Johansson and Elg, 2002).

The internationalization of public affairs within the EU produces a greater political awareness of private companies, and in many ways stimulates them to engage in forms of corporate political action. Such action traditionally is channelled through trade associations—or business interest associations. These organizations offer firms a resource base for pursuing political strategies (Hillman and Hitt, 1999). They are specifically designed to represent business interests towards third parties such as government agencies and trade unions. Because associations mediate the interests of firms and companies, and speak on behalf of the business community, they are important intermediaries in business–government relations.
actors in various systems of interest politics (Wilt and Quittkat, 2004).

This paper discusses the question of what the motives are for small and medium-sized firms to maintain their membership in national trade associations at a time when the European business environment is undergoing profound changes. This is an important question because there is little empirical evidence available about the impact of Europeanization on national arrangements of interest politics (Lehmkuhl, 2000). Most studies have focused on European-level developments—for example, analysing the role of large firms in EU policy networks (Coen, 1997). Yet, the majority of firms, particularly smaller ones, do not interact directly with EU institutions. Small and medium-sized companies necessarily rely on collective forms of business action when approaching their public policy environment (Cook and Barry, 1995). This means that questions of the associability between firms and of the conditions for collective action within industries at national level are of central concern to understanding changes in the European business system and their consequences for corporate public affairs.

This paper presents data that indicate that national sectoral associations continue to provide an important resource base for corporate political action, particularly for small and medium-sized firms. It is argued that these firms maintain their membership in national trade associations to acquire information about the public policy process and as a way to interact with political institutions. That is, in the case of national sectoral associations, in contrast to large, inter-sectoral ones (Jordan and Halpin, 2003), selective benefits seem to be less important than collective considerations for firms to maintain their membership in business interest organizations. Therefore, so the paper argues, despite the ongoing internationalization of the European business system, national associations have not lost their function in organizing collective business action towards the policy process. These associations remain important intermediaries for corporate public affairs.

In order to set out its argument, the paper subsequently discusses the characteristics of associational systems, addresses empirical developments within national business associations and—using the example of the Netherlands—presents the results of a survey among the membership of a number of these organizations. In conclusion, the paper specifies three questions for further research that follow from the analysis of the survey results, and which are of both academic and practical interest.

**Business interests in the EU**

The way in which business interests are brought to bear on political decision making is profoundly complicated by the development of the EU. EU policies emerge in a multi-level governance system characterized by complex interactions between local and national governments, heterogeneous sets of interest groups and a great number of different EU agencies (Falkner, 2000). Given the fragmented character of the EU bureaucracy and the often untransparent nature of its decision-making process, it is very difficult for firms to establish contacts through which they can noticeably influence political decision making (Saurugger, 2001). Because there are many entry points to the EU decision-making process, access may be easy to achieve but actual influence difficult to demonstrate (Beyers, 2004).

The development of EU policy arrangements meant the emergence of new structures in business-government relations, adding a supranational layer of interest politics and affecting the functioning of business associations in the member states (Greenwood, 1997). At European level, firms and their representatives must act as private interest groups, and in doing so have to compete with other groups for access to the EU institutions (Bouwen, 2002). The EU system, therefore, requires other than very large firms to join forces and try to act collectively towards the EU bureaucracy. For this reason, questions of associability are of central concern for understanding...
developments in business-government relations in a European context.

Firms that try to articulate their interests towards the EU decision-making system are faced with the management question of how to devise effective political strategies and integrate these with their market activities (Rehbein and Schuler, 1999). To overcome this problem, large firms may establish specialist lobbying departments in Brussels and allocate considerable resources to their integration in the company’s management structure. Examples are multinational corporations in the car and oil industry (Taminiau, 2001), chemicals and pharmaceuticals. Companies such as BP, Volkswagen and Akzo Nobel have a self-evident interest in maintaining a clear EU presence. Because of their economic importance, leading European firms are able to maintain very close contacts with high levels of the EU bureaucracy, and in many ways have become an integrated part of the EU policy network (Coen, 1997). Small and medium-sized firms, however, generally do not have the resources to pursue political strategies at EU level and are more likely to act collectively to bring their interests to bear on political decision making (Hillman and Hitt, 1999).

Business associations play an important role in aggregating company interests and relating these to political decision makers (Figure 1). Associations coordinate collective business action by bringing firms in contact with their competitors, supplying information to them and helping them to recognize what exactly their political interests are. On the intermediate level, associations organize collective business action by coordinating the political actions of firms, aggregating their interests and building coalitions and alliances with other associations or large firms that have the resources to pursue political strategies of their own (Bennett, 1997a). At the political decision-making level, business associations need to become part of policy networks in order to realize influence.

Achieving privileged access to political decision making requires associations to adopt an insider style, operating according to the parameters set within a certain policy community. This may enforce the professionalization of the management of associations and could produce significant tensions between the need to realize influence on political decision making on the one hand and the need to continue to meet membership demand on the other (Jordan and Halpin, 2003). The more associations are involved in policy networks, therefore, the more difficult it becomes to balance the logics of influence and membership that structure their functioning as collective interest organizations (Schmitter and Streeck, 1999). This holds, in particular, for larger associations that organize interests across industries or sectors (Jordan and Halpin, 2003). Smaller, single-industry associations can more easily organize their constituencies

![Figure 1](https://example.com/figure1.png)

**Figure 1.** Exchange relations between three levels in associational systems.
In these smaller associations, there is less tension between the task to represent collective interests and the need to meet individual membership demand than in larger, inter-sectoral associations in which collective business action is more difficult to organize.

A similar dynamic occurs when associations try to become part of EU policy networks. Engaging in European activities, such as by direct lobbying or through membership in EU peak federations, requires associations to keep up the resources necessary for representational activities in both the national and the European arena. Many national business associations are too small to be able to become active European players on their own. Most associations need to join forces and associate themselves in European trade federations (Greenwood, 1997). These national associations, therefore, are faced with a double tension between the need to realize political influence and the need to meet membership demand for information and representation (Barnett et al., 2000). That is, national associations are arenas for both aggregating interests and organizing collective business action and actors who, at a higher level of interest aggregation, are engaging in collective action themselves.

In this paper, the focus is on small-firm membership in national trade associations and the conditions for collective business action at the basis of the associational system. Associational membership is voluntary and firms will exit the organization unless the benefits of membership outweigh its costs (Schmitter and Streeck, 1999). This puts pressure on the functioning of associations. A substantial loss of members or the loss of certain membership groups would affect the comprehensiveness of associations, eventually eroding the resource base of these organizations and, in the long run, undermining their legitimacy as the collective voice of business interests (Van Waarden, 1995). Associations can counteract this by continuing to meet membership demand for representation and information, thereby balancing the logics of influence and membership that structure their functioning. Firms, then, will be motivated to maintain their association membership under two general conditions. First, they will have to value the way in which their association represents their collective interests. Secondly, firms will have to approve of the way in which associations support their individual performance.

### Membership Incentives

Following the economic and political changes in Europe in recent years, business associations in the member states have come under pressure to review established ways of interest representation and to reassess the significance of the national contacts and affiliations through which they traditionally represent their members’ interests (Lehmkuhl, 2000). This can be observed empirically throughout the EU, for example in its three largest members France (Quittkat, 2002), Germany and the UK (Bennett, 1997b), but also in smaller countries such as Spain or Austria (Vatta, 1999).

Business associations are introducing new information tools, while diversifying the way in which they meet membership demand. This can be observed in countries such as Denmark, where the Confederation of Danish Industries supports the international activities of Danish firms through its division for international business development; Ireland, where the leading association IBEC offers management consultancy and legal aid; or the UK, where the Confederation of British Industry offers best practice tools and forms of management support. Examples from below the inter-sectoral level abound as well. In the Netherlands, associations in such diverse sectors as transport, road haulage, chemicals and agriculture have established separate divisions for management support and consultancy. Organizational changes such as these enable the establishment of new forms of cooperation with the membership. Through its consultancy division, the main association in the Dutch chemicals sector VNCI, for example, cooperates with the knowledge centres of large companies such
as DSM and Akzo Nobel—companies which are themselves active EU lobbyists.

In addition to addressing individual information needs and management questions, associations are increasingly able to offer their members direct economic benefits. As associations often represent the largest part of the companies in their respective sectors, they become commercially interesting for suppliers and financial organizations such as credit card companies. In liaison with commercial service providers, business associations can offer their membership, for example, discounts on sector-specific purchases or credit transactions. This opens up the opportunity for associations to develop ways of making membership in the associations financially interesting. This means that associations themselves may differ in entrepreneurial success, as shown by differences in the development of advanced communication channels, new services and selective membership incentives through special benefits (Grant, 2001).

Arguably, these developments reflect a gradual change in the functioning of national trade associations. In addition to established forms of collective interest representation, many of these organizations now offer individualized and, at times, retributive services to their members. Realizing selective membership incentives is a way of binding members, especially when the potential membership of an association considers collective purposes to be less relevant (Jordan and Halpin, 2003). However, this may not be the case in smaller, sectoral or single-industry associations that can more easily organize collective business action (Olson, 1965). The empirical question, therefore, is, what are the motives of firms to maintain their association membership?

The example of The Netherlands

Dutch companies traditionally have been well organized and most tend to be a member in one or more business associations (Visser, 1992). The interests of the Dutch business community today are represented by well over 800 national business associations—not counting regional associations, chambers of commerce and bodies under public law (Schmidt et al., 2003). That is, Dutch companies, although operating in an open economy and in geographical and political proximity to Brussels, choose to maintain their membership in established business interest associations.

To learn more about the motives for firm membership in national trade associations, a mail survey was sent out to a selected number of Dutch companies. The sample for the survey was formed by the membership of eight small associations in the manufacturing sector.2 At the time of the survey, the membership of these associations varied from 20 to 179. In December 2002, the questionnaire was sent out to 460 companies. A total of 103 companies sent back the completed questionnaire. This represents a response rate of 22%. Two-thirds of the respondents are smaller companies, employing no more than 50 personnel. With few exceptions, respondents employ no more than 100 workers. Only 6% are large companies, employing more than 500. In terms of their annual turnover, almost half of the respondents indicated to have an annual turnover of less than €10m. The respondents, therefore, are predominantly small and medium-sized firms.

A mail survey is an adequate instrument for obtaining empirical information about the reasons for firms to maintain their associational membership. However, given the nature of a survey, the results need to be interpreted carefully. Moreover, given the specificity of national systems of interest politics, research results from the Netherlands cannot be generalized without caution. However, the survey results do provide empirically grounded insight into the conditions for firm associability. In presenting the survey data, this paper contributes to making empirical evidence available

2Association of Dutch Brick Manufacturers; Dutch Precast Concrete Manufacturers Association; Dutch Association for the Water Treatment Industry; Association of Producers of Bakery Products; Association of the Dutch Meat Industry; Association of Coffee Roasters and Tea Packers in the Netherlands; Dutch Association of Soap Manufacturers; Association of Dutch Waste Companies.
concerning the impact of Europeanization on national systems of interest politics. This will therefore help to raise questions for further research into the dynamics of change in organized business interests and their relevance to corporate public affairs.

The respondents in the survey were smaller firms, which generally do not manifest themselves at EU level and which, as a consequence, are often overlooked in studies of business-government interactions in Europe. Theoretically, there are two general motives for these firms to become members of trade associations. Companies can try to exert influence on political developments by joining forces with their competitors and engaging in collective business action. Alternatively, firms may join an association to help to improve their individual performance by drawing on the expertise and information being offered by the association. Empirically, firms will be motivated both by collective and individual considerations. To establish the extent to which these two motives underlie the association membership of small firms, respondents were asked to indicate why they are members of their respective trade associations.

The survey found that more than 80% of the respondents claimed that considerations of collective interest representation are the most important motive for association membership (Figure 2). The second most often mentioned motive was having the opportunity to influence political decision making. Individual motives, such as information needs and individual support, were not mentioned as often by the respondents. The associations' expertise in negotiating collective wage agreements with trade unions was considered to be an important motive for membership by less than half of the respondents. These findings suggest that for small firms, membership in national trade associations indeed constitutes a channel for collective business action towards the policy process, as suggested in the literature (Cook and Barry, 1995).

The survey results indicated that—from the perspective of small and medium-sized firms—national associations are an important arena for collective business action towards the policy decision-making process. It seems that associations have not lost this function following the internationalization of economic and public affairs in Europe in recent years. A possible explanation for this, already referred to earlier in this paper, is that the trade associations included in the survey generally draw their membership from a relatively small, industry-specific constituency. The small scale of associations, the possibility of direct contacts with large parts of an industry and the visibility among competitors stimulate the emergence of collective business action (Olson, 1965). This is reflected by the data, which indicate that, for smaller firms, considerations of interest representation and collective action

Figure 2. Motives for associational membership.
are more prominent motives for maintaining associational membership than the information supply of the associations and the support of individual firm performance. This explanation suggests that the conditions for firm associability differ across industries—and may, indeed, be more difficult to achieve in large, inter-sectoral associations (Jordan and Halpin, 2003). The survey results thus point to the question of the extent to which institutional features of industries and organizational characteristics of firms and associations together structure firm associability.

Given their role in associational systems, national business associations are important information intermediaries. According to the survey, providing information to the membership runs parallel to the political activities of associations. A majority of 69% of the respondents indicated that the most important information received through their membership concerns new legislation. This is often in regard to the implementation of European regulations and their consequences—such as regulations on the terrain of labour law and environmental policy. Marketing information from the associations generally was considered to be less relevant by the respondents, and consultancy and financial discounts were mentioned less frequently as being important.

These findings suggest that selective membership incentives such as financial benefits are not particularly important to the decision by small and medium-sized firms to maintain their associational membership. An explanation for this suggested by the literature is that managers from smaller firms are more likely to use association membership as a way to gain information about the European political system and the implications of EU regulations (Hadjikhani and Ghauri, 2001). That is, managers and public affairs officials in smaller firms are likely to see association membership in political terms, related to the representation of firms’ interests. Managers can have a significant impact upon the political behaviour of small firms (Cook and Barry, 1993). The survey results thus point to the question of the role that the political outlook of managers and public affairs officials plays in decisions by smaller firms to engage in forms of collective business action.

The survey further aimed to gain insight into the respondents’ assessment of their association’s functioning. This was done by asking respondents their opinions on a total of 35 propositions. These propositions were grouped around five general themes, such as the general assessment of collective interest representation, the associations’ expertise in reaching collective wage agreements and the quality of the information being offered.

Again, collective interest representation was most often mentioned in a positive way by the respondents (Figure 3). Most firms—almost two-thirds—are positive about their associations’ representation of collective interests, identified earlier as the most important motive for being a member. These firms positively value the conditions for collective business

![Figure 3. Assessment of associations' activities.](image-url)
action realized through association membership. A very large majority of 90% of the respondents indicated that they will continue their association membership in the near future and are not thinking of using their exit option. In addition, two-thirds of the respondents indicated that they are prepared to voice their interests when they feel that their association is not functioning properly, while 60% actively participate in work committees and association meetings. These firms are important stakeholders in their associations, joining forces with competitors through their membership and engaging in collective business action towards the policy process. For these companies, national business associations perform an important function by offering a resource base for political action, serving as intermediaries for corporate public affairs.

The survey results suggest that association members have a relatively strong sense of organizational loyalty. This can partly be explained by the importance of routine and stability in the Dutch system of interest politics, where existing corporatist structures allow firms to be part of the public policy process through collective bodies, such as trade associations (Visser and Wilts, 2005). Therefore, in the situation of The Netherlands, association membership can indeed serve the political interests of firms. An additional explanation suggested by the literature is that for most firms there is no viable alternative to association membership, other than to 'go it alone' and interact with the policy process independently (Cook and Barry, 1995). In other words, for many firms, exit is not an option and this induces loyalty while reducing the relative costs of voice (Hirschman, 1970). Membership of EU associations, for example, does not appear to be an alternative that would create exit options and change the dynamic of membership within national associations.

The survey shows that, despite the internationalization of public decision making, many firms remain orientated towards nationally operating business interest organizations. The empirical outcomes of the survey support the argument that national structures mediate the impact of Europeanization processes on the political behaviour of firms and organized interests (Lehmkuhl, 2000). Therefore, an important question for further research is how firm associability is institutionally embedded within national systems of interest politics and how this embeddedness structures their responses to the internationalization of economic and political affairs.

Conclusion

The data presented here suggest that political considerations remain paramount to the decision by smaller firms to maintain their membership in national trade associations. The respondents in the survey indicated that they primarily see their association as representing collective business interests and this is a main motive for them to maintain their membership. Because the scope of the survey presented in this paper was relatively limited, these observations cannot be generalized as such. However, the interpretation of the survey results did suggest a number of plausible explanations for the lasting orientation of firms towards nationally operating business interest organizations. Institutional features of industries, the role of public affairs officials within companies and the structures of national systems of interest politics were highlighted.

The survey data raise three basic questions for further research into firm associability. It was suggested that smaller, single-industry associations experience less tension between collective interest representation and the need to meet individual membership demand. The survey results, therefore, point to the question of how institutional features of industries and organizational characteristics of firms and trade associations are structuring factors in firm associability. This is a relevant research question because there is very little empirical evidence available concerning these institutional conditions at the bottom of the associational system. Yet, these conditions are important for corporate public affairs while they structure the effectiveness
of different — individual and collective — strategies through which firms can represent their policy interests.

Given the potential impact of individual managers on the strategies of small firms, the second question that followed from the analysis of the survey results concerns the role played by the political outlook of public affairs officials in decisions by firms to associate themselves and engage in collective forms of business action. Again, this is an important aspect of firm associability that has received little attention in the literature, as most studies focus on large companies and their representatives, which are able to interact directly with high levels of government bureaucracies and political institutions. Finally, the third issue identified in the paper as an important question for further research concerns the embeddedness of firm associability in national structures of interest politics. The survey presented here supports the argument that, despite the internationalization of economic and political affairs in Europe, national trade associations remain an important channel for corporate political action. These organizations continue to perform an important function in mediating business-government relations, aggregating business interests and coordinating the political activities of firms.

The main conclusion of this paper, then, is that associations remain important intermediaries for corporate public affairs, despite the ongoing internationalization of public policy processes. Secondly, the analysis of the results presented here suggests that national associations will continue to have a steady membership base, provided that they can demonstrate the effectiveness of their strategies towards a policy decision-making process that is becoming increasingly complex as the EU develops further. Although these developments occur rapidly, there is much stability at the bottom of the associational system, and any changes can necessarily follow only in a path-dependent manner. An increasing orientation towards European issues and developments should not divert attention away from this basic dimension of corporate public affairs.

Biographical notes

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