WHITE PAPER

# Pandemic Paradox: How Trade Associations Have Adapted

Analysis conducted by FTI Consulting has found that while the COVID-19 pandemic has presented its fair share of challenges for trade associations it has also created unexpected opportunities in the sector for leadership and organizational change. Drawing upon interviews with the chief executives of trade associations across industries in the United Kingdom, United States, Continental Europe, and Australia, our analysis found political, economic, and logistical complexity continues to impact the role and operations of trade associations.
Trade associations have adapted their business models to meet these challenges, but some organizations have actually enhanced their role and importance during this crisis.

*"FTI found that where prompt decision-making is required, organizations that effectively represent their industry have proven to be a valuable asset to members and policymakers as they navigate the fundamental impacts and effects of the pandemic."*

**Leaders interviewed for this Paper**

**Anna Bligh**, Chief Executive Officer, Australian Banking Association (Australia)

**Tony Danker**, Director General, Confederation of British Industry (UK)

**Janine Hirt**, Chief Executive Officer of Innovate Finance (UK)

**Darilyn V. Moyer**, MD, Executive Vice President and Chief Executive Officer, American College of Physicians (US)

**Tanguy van de Werve**, Director General, European Fund and Asset Management Association (Europe)

**Scott Whitaker**, President and Chief Executive Officer, AdvaMed (US)

Before the pandemic, the growing popularity of specialized coalitions and the increasing fragmentation of political processes raised questions about the ongoing effectiveness and influence of trade associations. It is often said, however, that one should never waste a crisis and successful trade groups have established themselves - and the members they represent – with greater influence and standing than before.

The pandemic response and experience has been different around the world but we have found common themes that traverse industry and geography. As recovery towards a post-COVID world continues at different speeds across the globe, this paper explores best practice to ensure trade associations consolidate and build on the impact they have been able to create.

The challenges and opportunities that are facing the leadership of trade associations reflect uncertain environment in which they are operating as they contend with new political trends and changes to operations, including membership and funding.

## Political context

Political volatility is the new normal, be it Brexit, the Trump phenomenon, the war in Ukraine, or the rise of China. As a result pressure on governments and political institutions is testing resilience and it is in this context that trade associations need to represent their members most effectively. Exerting influence has become more challenging, however.

The interests of business cannot be taken for granted, particularly at a time of rising populism. From consumers to policymakers to investors, diverse stakeholders are holding business and industry to account like never before. In the past, promising new investment and jobs may have been sufficient to influence public policy, but heightened expectations for corporate social responsibility in the modern era means advocating for a more comprehensive approach that includes genuine environment, social and governance (ESG) commitments and plans.

Around the world, business now has more competition for share of voice and many interest groups have the capability, resources, and access to decision makers to challenge the corporate narrative. Even if they are not at odds with business, the role of these interest groups competes with the capacity of commercial interests to be heard.

The public health emergency and, latterly, the supply chain crisis and cost of living pressures exacerbated by the war in Ukraine has put government finances, regulatory frameworks, and the tax base required to support increased spending, under extreme pressure. With these added stresses, trade associations are confronting existential issues for business and their members.

Before the pandemic, there were some who sought to write-off the enduring influence and relevance of trade associations. Critics argued that individual companies could lobby better than industry groups, that businesses were out-growing trade associations, that new industries - such as technology - did not lend themselves to the traditional structure; they said trade associations were losing their edge.

In reality, the pandemic has provided trade associations with an opportunity to evolve and consolidate their influence.

*Tony Danker, Director General of the Confederation of British Industry (CBI) in the UK, says that "the pandemic has brought the CBI closer to Government as a trusted conduit and barometer of business opinion."*

In a crisis, trade associations provide a single, trusted source of intelligence and feedback for and about the industry they represent. As Danker says: "CBI people have never worked harder, and the work has never been more important."

## Structural challenges

Trade associations have always faced significant structural issues, some pre-date the pandemic while others are greatly exacerbated by it. These issues include ongoing pressure on fee revenue, industry disruption, greater influence of voices challenging their license to operate, and shifting power sources within and between governments and imperatives associated with diversity and inclusion.

The pandemic, however, has been the ultimate external shock and became the number one priority for individuals, business, and government, and an existential crisis for trade associations. How could they run their organizations and continue advocacy, negotiations, and consultations with key decision makers while addressing the significant impact on their own day-to-day operations?

Successful trade associations maintained a relentless focus on member service throughout the early waves of the pandemic, even while working to stabilize their own organizations. Many trade associations found they became more productive and effective even while addressing their own structural challenges.

*President and Chief Executive Officer (CEO) of AdvaMed Scott Whitaker says: "Value creation for your members during a time like this and then stabilizing your own organization is critical to ensuring that you weather the difficult times and come out stronger on the other side of it."*

The pandemic has provided opportunities for trade associations to innovate as they address their own structure and operations. The most successful trade associations strategize beyond the immediate, setting themselves up to better serve their members into the future. The CBI, for instance, has changed the format of its annual conference. Instead of a single event with more than 1,500 attendees, it is now held in six regional centers, allowing for greater localized engagement.

This transition to virtual meetings and remote working does present challenges given the traditional reliance on personal relationships and direct engagement through travel, conferences, and events. Recognizing this, the American College of Physicians (ACP) moved to introduce more routine in-office work as soon as it was practical. ACP Executive Vice President and CEO Darilyn V. Moyer, MD noted: "Where people brainstorm about things and

connect with each other, network and talk through problems. You can't really replicate that in the virtual world. There are some things you really need to do face to face."

*Janine Hirt, CEO of Innovate Finance agrees, believing face-to-face contact will still be vital for successful trade associations in the future, but that the pandemic has resulted in a renewed focus on the fintech sector, saying "The organization is relying more on digital outreach with its members, with subscriptions rising sharply".*

Trade associations should take a strategic approach to capitalizing on the contacts and results gained through virtual meetings while again transitioning to more face-to-face engagement. This will improve their overall level of representation.

*Indeed, Tanguy van de Werve, Director General, of the European Fund and Asset Management Association (EFAMA) says: "Video conferencing is here to stay. The future will have a mix of video conferences and meetings in person."*

Capitalizing on this dichotomy will require a new agile approach to engagement that embraces technology within a new strategy. Tanguy van de Werve, of EFAMA, says "Virtual meetings are shorter which is a good thing, it brings agility."

Those trade associations that responded to, and capitalized on, the opportunities that this new environment has created have seen membership remain robust and members pay promptly.

## Advocacy

As trade associations make this pivot to include more face-to-face interaction, some organizations indicate that there may be issues to resolve in the interim period.

Scott Whitaker, CEO of Adva Med says, "As we all move back to normal, I think it's going to be a challenge for all of us. Which is how do you get back to the original advocacy models that you had in place? Or do you ever get back to those models? Do you have to go to something completely different going forward? The virtual meetings, the virtual fundraisers, the virtual meet-and-greets, all those things. It is just very different. One side of it is, it gives you more access. The other side of it, it gives you less personal access."

In many instances the role of trade associations has become more important during the pandemic, particularly in relation to government. While individual members will have excellent data on their own operations, trade associations are best placed to gather and analyze data on the sector as a whole and this information is vital for both understanding the sector and for providing proof-points for advocacy and policy positions to government.

The CEO of the Australian Banking Association (ABA), Anna Bligh says the crisis has reinforced the importance of trade associations as a source of information, data, and analysis: "COVID put government back at the center of everything. Governments are filling a void that we have not seen since wartime. Yes, governments are important for trade associations, but what we have seen recently is the recognition that trade associations are important for government."

Tony Danker, the Director General of the Confederation of British Industry (CBI) shares this view: "COVID has definitely increased the relevance of the CBI to Government." He says his organization has been more government facing in the past 18 months than any other time in the past. "We were in contact with Government on a daily basis and acting as a sounding board."

## Partnerships

Just as the pandemic has shown the importance of providing a singular voice in advocacy on behalf of members to government, it has also provided trade associations with an opportunity to partner with associations in related industries to analyze future trends and make joint submissions to the government on policy reform.

Providing a whole-of-industry or whole-of-supply chain position to government on crucial issues has proven to be effective in expanding the reach and influence of trade associations on core topics.

## Looking Ahead

There is no 'one size fits all' approach for effective trade associations as they continue to navigate the ongoing phases of the pandemic. What is common, however, is that effective organizations have dealt with core issues such as governance and goals in similar ways and have taken a more 'fit for purpose' approach to secondary issues such as funding and services.

Issues that should form the core of future strategy for trade associations include:

- *Reason for being:* effective organizations have arrived at their 'reason for being' differently, yet all need to have real clarity about their mandate and objectives and how they are set up to meet them.
- *Governance and reputation:* having senior executives in the industry on their boards, while also ensuring diversity, is crucial. Some organizations are willing to have larger boards to achieve better representation. While the reputation of organizations evolve, the most effective organizations pride themselves on being a source of trusted advice and input.
- *Membership engagement:* trade associations need to have a laser focus on what their membership wants and, while they need to influence stakeholders, they must be cautious of ever 'leading too far ahead' of their members.
- *Financial stability:* financial stability is critical and how organizations secure funding differs. Some organizations rely heavily on events and others have fees for service.

Based on our interviews, client work, and our past experience working in the sector, we believe a highly effective trade association:

- never forgets that its primary purpose is to represent its members
- has clear objectives that are supported by its membership
- provides unique, high-value services to its members
- has the credibility and authority to negotiate on behalf of its members
- encourages membership participation and engagement
- has effective governance and structures to facilitate member input while allowing operational flexibility
- finds the right balance between the long-term and the short-term, and
- has a strong reputation among internal and external stakeholders, including government.

## Conclusion

Trade associations continue to face structural and operational challenges through the pandemic, and, for many, the crisis has been an existential one. Successful organizations, however, have responded to the challenges in ways that have resulted in their influence, relevance, and importance in the creation of government policy increasing.

The pandemic has provided trade associations with an opportunity to evolve and consolidate their influence. Those that restructured their operations to meet more than just the challenges of the immediate found that their output and effectiveness actually grew.

By setting a medium-to-long term strategy to ensure they could support and advocate for members as the different phases of the pandemic unfolded, they became indispensable to members, stakeholders, and government.

The pandemic is not over - with the long term, sustained recovery proceeding at different rates across the world - and the challenge for trade associations now is to ensure that this agility and responsiveness is embedded in their ongoing work and build on the increasing recognition that they are crucial to government.

*As Anna Bligh concludes, "This form of representation is more beneficial in this environment. When there is a crisis, time pressures and an inability to move around, trade associations are very valuable to governments."*

**SIMON LEWIS**
Senior Managing Director
Simon.Lewis@fticonsulting.com

**CHARLENE MACDONALD**
Senior Managing Director
Charlene.Macdonald@fticonsulting.com

**ROBERT SKEFFINGTON**
Senior Managing Director
Robert.Skeffington@fticonsulting.com

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