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Why Trade Associations Matter: Exploring Function, Meaning, and Influence

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Abstract

We explore the organizational characteristics of trade associations (TAs) and suggest theoretical approaches for undertaking research into or involving TAs in management and organization studies. Through emphasizing the role of TAs within and between industries and at the interface of business and society, we consider how TAs generate meaning and influence.

Keywords

trade associations, organizational design, cultural sociology, resources and capabilities

Introduction

Trade associations (TAs) are formal, multimember organizations that represent business interests in a specific context (Aldrich & Staber, 1988; Rajwani, Lawton, & Phillips, 2015). As industry entrepreneurs, agents of collective identity, and political and social actors, TAs are an important feature of the business and social landscape that are underresearched in studies of management and organization. They can define the boundaries of their members' shared interests broadly or narrowly. For example, some TAs align with the boundaries of an industry, such as the National Association of Realtors. Other TAs represent a subsector of an industry, such as the Regional Airline Association. TAs may serve small regions, such as a city or substate, or may have geographically dispersed membership, bounded nationally or even internationally. The British and U.S. Chambers of Commerce, which represent the interests of businesses of any size, region, or sector, are examples of highly generalist TAs.

Membership in TAs is voluntary and members contribute dues and fees to underwrite the costs of association. Because TAs rely on members for the resources that enable them to act, they exist in an ongoing tension between growing membership to increase available resources, and keeping membership narrow enough to allow coordination among diverse interests (Staber & Aldrich, 1983). Research on the ecology of TA populations reveals that associations form easily to address shared problems and grow quickly, especially when the interests they serve are broad. Once formed, TAs are fairly enduring, and become the forum through which firms identify and solve new problems (Barnett, 2006). Over time, however, TAs with broadly defined interests may be replaced by, or transform into, TAs that define their boundaries around a narrower shared interest, reflecting the difficulty of coordinating

collaboration among dispersed interests (Aldrich, Staber, Beggs, & Zimmer, 1990; Barnett, Mischke, & Ocasio, 2000). Despite what would seem to be an environment in which associations strategically compete for members, this body of research suggests that associations have norms discouraging overt competition over members and interest domains (Aldrich et al., 1990).

Prior research suggests several reasons that firms may join TAs. A primary reason is to reduce uncertainty in their shared environment and to gain perspective on shared problems. By joining associations, firms can share information about sociopolitical issues (Barnett, 2013; Kirby, 1988) and gain access to particular services and resources that transcend organizational boundaries (May, McHugh, & Taylor, 1998). Participating in a TA provides firms access to knowledge and expertise (Lawton, Rajwani, & Doh 2013) that may help them develop individual and firm-level capabilities (Kahl, 2014; Minto, 2016). Consequently, these associations may also provide a form of shelter for interorganizational coordination by facilitating the sharing of nonmarket information and resources without triggering antitrust concerns (Rajwani et al., 2015; Vives, 1990). Scholars also note that firms choose membership in TAs through a social matching process during which firms search until they find a TA with which they have sufficient strategic fit (Barnett et al., 2000). But do the positives outweigh the negatives? TAs may often

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exert either too much or too little influence on the public policy-making process, resulting in a disconnect with the needs and expectations of member firms.

Role and Function

As member-driven organizations, TAs function follows from the reasons members participate. TAs seek to improve the conditions of members' business environment by pursuing policy initiatives and managing issues of reputation and legitimacy. From a sociological perspective, TAs provide an arena for social construction of meaning and to allow members to build a shared perspective on their market activities. Despite their members' presumed shared interest, research finds that TA activity is driven primarily by the interests of the largest firms in an industry, suggesting that the social environment TAs create may be conducive to social coercion, allowing large, influential firms to push their own agendas on the collective (Barnett, 2013).

In seeking to shape public policy in their members' interest, TAs create influence (Schaefer & Kerrigan, 2008) and reputational trust with political actors (Tucker, 2008). TAs develop strong political resources and specialized political capabilities to generate access to policy makers and allow them to engage in lobbying and other forms of political activity (Minto, 2016). Research suggests that key industry factors such as competition, concentration, size, and government procurement influence TAs attempts to lobby government and improve industry conditions (Drope & Hansen, 2009; Reveley & Ville, 2010). They also generate influence within their industry by facilitating the sharing of standards and governance structures and by educating members on regulatory requirements and opportunities (Lawton, Doh, & Rajwani, 2014). Both within and outside membership, TAs help manage members' reputational interdependence to protect and enhance the reputation of members and the legitimacy of their business activities (Barnett & Hoffman, 2008; Tucker, 2008).

In addition to building influence to impact policy, TAs help construct shared understanding of the purpose and function of the area of business they represent. By constructing shared meaning, TAs influence how firms understand their market activities, shaping their strategies and even the nature of market competition. By specializing in narrow interest domains, TAs generate categories and divide a broad group of firms (an industry) into separate special interest organizations, and help members reduce uncertainty by focusing the lens through which members identify the scope of their shared environment. TAs thus reconstruct, adapt, or reinforce the nature of the collective interest, defining what interests are shared and the meaning behind shared problems. As part of this process of cultural production, TAs create norms, standards, and collective identity (Spillman, 2012). Therefore, this collective process by which TAs

construct shared meaning and shared problems are important areas for researchers to explore.

We argue that scholars have a timely and important opportunity to contribute knowledge on how collective action through TAs impacts business and society more broadly. Researcher should explore how the functions of TAs as identified above influence the behavior of members and the nature of the public policy arena. Scholars should also attempt to uncover how associations' interest domains influence the scope and targets of their actions. Finally, scholars should look at how TAs exert both positive and negative influence on society more broadly, through their influence on public policy, industry structure, and the nature of competition.

A 360-Degree Approach to TAs

To generate a robust understanding of TAs, researchers can approach the collective phenomena from various levels of analysis. In particular, we suggest researchers should study TAs from the member-firm level of analysis, from the level of the TA itself as an organization, and at the collective level composed of both members and the TA organization. Research at the firm level can explore whether and how firms attempt to shape the shared interest of the TA in their favor, how firms' operational and strategic behaviors are influenced by TAs, and how firms generate private benefit through collective resource deployment in TAs. At the TA organizational level, researchers should build theory on TAs as strategic organizations in their own right, study TAs from the perspective of organizational design, and further explore the extent to which norms of noncompetition shape and constrain TA functions. Finally, at the collective levels, researchers should continue to study how TAs help construct meaning and define shared issues and interests.

Emerging Theories for TA Research

In the following section, we suggest three theoretical approaches for scholars interested in undertaking research into or involving TAs. These approaches include taking a strategic view of organizational design, exploring cultural sociology, and applying various resource-focused theories of management and organization. We provide a brief summary of the questions each theory addresses and identify important constructs. We highlight examples of work in each domain that has direct application to TA research and offer suggestions on ways the theory might be particularly useful for building our understanding of TAs.

Organizational Design

TAs are meta-organizations made up of multiple individuals and organizations working toward a shared purpose. Gulati,

Puranam, and Tushman (2012) highlighted the growing importance of meta-organizational designs as a means of coordinating production beyond the boundaries of the individual firm. They define meta-organizations as “networks of firms or individuals not bound by authority based on employment relationships, but characterized by a system-level goal” (Gulati et al., 2012). Adopting this model can give fresh perspective on TAs, encouraging us to view TAs as productive entities and their members as agents and suppliers rather than the other way around.

Gulati et al.’s meta-organizational design perspective emphasizes the degree of openness in the collective and decision-making stratification in determining the design of organization through meta-organizational forms. TA researchers can draw on research on generalist and specialist approaches as a starting point and should build theory to explain variation in TA governance systems and collective identity as a mechanism for organizing outside a firm. The theoretical perspective also points out the need to study whether governance mechanisms such as roles, ownership, or decision-making stratification affect the types of functions TAs pursue.

Culture and Interest

Scholars of organizational culture have sounded the call to further understand the social conditions under which interest-oriented action is generated (Spillman & Strand, 2013) and how culture is shared and interpreted across organizational boundaries (Weber & Dacin, 2011). We suggest that TA scholars are especially well situated to pursue this research. TAs act as loci of interactions between firms, providing an arena for interest and meaning to be constructed and serving as the primary mechanism through which business firms pursue action in their collective interests.

A particularly promising theoretical perspective is on TAs as a site of cultural production in which member organizations make meaning of their market pursuits (Spillman, 2012). Greater understanding of the process of meaning making may offer important insight into how firms organize around niche interests and how generalist associations reconstruct meaning to become specialist associations. In addition to exploring how meaning is made within a TA, scholars might consider whether TAs as organizations themselves act as curators of meaning (Mitnick & Ryan, 2015), and the extent to which such actions may constitute strategic agency.

Resource-Based Approaches

Resource mobilization theory and the resource-based view (RBV) of the firm, as well as related theory on capabilities, offer complementary approaches to studies of TAs. There is limited research on resource and capabilities perspectives on TAs and other forms of meta-organization (Gulati et al., 2012).

The central logic of the RBV is that firms have differential abilities to access, control, and organize productive resources and that these differences can explain heterogeneity of firm strategies, structures, and performance (Leiblein, 2011). The capabilities perspective emphasizes firms’ abilities to perform functions that contribute to a specific organizational purpose using different resource combinations (Helfat & Peteraf, 2003; Teece, Pisano, & Shuen, 1997). A capabilities perspective can help explain how firms use externally located resources to enhance their own productive efforts. In doing so, scholars could unpack whether and how firms can extract proprietary benefit from TA resources and capacities to which all members have access. A promising approach to this may be in understanding how firms can incorporate external resources through asset orchestration and co-specialization (Teece, 2007). Another promising approach is exploring TAs as an external source through which firms engage in learning routines and build proprietary capabilities (Kahl, 2014; Minto, 2016). Although dynamic capabilities cannot be purchased (Helfat & Peteraf, 2003), scholars could explore whether and how a TA’s core functions of scanning and altering its members’ environment can substitute or complement firms’ higher order capabilities.

RBV and capability-based theories primarily seek to explain the creation and maintenance of competitive advantage, which makes their application to TAs problematic. Because associations are implicitly noncompetitive at the population level (Staber & Aldrich, 1983), applying the assumptions that underlie resource-based theories to the study of TAs can be challenging, and assessing the effectiveness of capabilities approaches is difficult. This is because the value generation of TAs can be subjective and implicit and the observable elements such as policy outcomes may be common across different sectors and associations. The resource mobilization theory of social movements balances this approach and offers a complementary theoretical lens through which to focus on TAs. The social movement theory of resource mobilization (McCarthy & Zald, 1977) looks at how social movement organizations exert coordination and strategic effort to aggregate, produce, and appropriate resources and convert them into collective resources that support collective action pursued outside institutional and organizational channels (Edwards & McCarthy, 2004). Although unlike most social movements, TAs as interest groups (Snow, Soule, & Kriesi, 2008) normally act *within* institutional channels. Scholars using this approach can build on existing research that suggests TAs allow firms to create socio-political legitimacy to exploit political opportunities (Aldrich & Fiol, 1994), actively manage organizational legitimacy (Elsbach, 1994), and help manage reputational risks (King & Lenox, 2000).

Final Thoughts

In this article, we highlight features of collective action through TAs that we believe offer exciting potential for further research. We point out that TAs are complex and diverse organizations, and we encourage scholars to consider multiple approaches to and theoretical lenses on TA research. We identify one particular paradox—that although we assume TAs act in members shared interests, TA actions can reflect the interests of the association's largest firms—to encourage scholars to take another look at, and challenge implicit assumption about, collective action through TAs. In doing so, we set up the following dialog on TA research to encourage more research on the function and meaning of TAs to help management and organization scholars gain insight into how TAs influence member firms market and nonmarket strategies and exert wider societal impact.

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