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## Creating a bigger pie



## Risks and opportunities for international industry associations

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*As a contribution to the 2010 annual meeting of the ASAE (American Society of Association Executives) in Los Angeles, we would like to stress the importance of internationalization for industry associations and business federations. We argue that it requires a global scale to tackle challenges like global governance, scarcity of commons, climate change and financial stability in an integral way. Only with united efforts it will be possible to create a bigger pie. We will use The Netherlands as an example.*

## **Change and uncertainty**

The world is constantly changing. Again and again, companies and other organizations find themselves confronted with – sometimes sudden – changes in their environment. Risk management is a way of dealing with these changes and fortunately, a lot of companies actively work on risk management. But too often they are focused on short term risks, operational risks, quantifiable risks and risks in their own limited local business environment – whereas the real danger is in the unexpected, in the risks that are hard to quantify and that are found outside management's field of vision.

Of course some developments *can* be predicted up to certain point. Europeanization and globalization for example are trends that are likely to carry on, at least in the medium term. In the integrated European market the importance of national borders decreases every day. Fast internationalization causes a shift from the importance of national organizations to European and even global

organizations. The European Union gains more power every day, both by European legislation and by setting the tone for regulation outside Europe. And as internationalization continues, risks become ever more connected. The eruption of a volcano in Greenland might lead to higher prices for Nigerian flowers. Events on the US house market might impact the temporary agency market in the Netherlands. Fires in Russia might result in higher grain prices and thus in higher beer prices in Germany. In this way, global developments have a direct impact on local businesses, which is often hard to oversee for these businesses.

## **From struggling for a share of the pie to creating a bigger pie together: competing versus cooperating**

Not only politics and regulation, also economy and finance are globalizing. The fact that national economies get more interconnected everyday means that competition grows, prices go down and profit margins decrease. In the short term, companies compete and they often play a zero-sum game. In the long term however they often have common interests. This applies not only to companies, but also to labor unions and public institutions. Therefore, instead of short-sightedly struggling for a bigger share of the pie, we can also try to take the long view and join hands to create a bigger pie. We need to prevent that competition leads to a race to the bottom. Instead, we aim for a race to the top, respecting the triple bottom line for all stakeholders.

The classic American Dream preaches the pursuit of freedom, success and wealth by and for each individual. It expresses the possibility

for every single individual to reach the top. We would like to broaden this dream by reconciling two scenarios Shell made for 1995-2002: *Just Do It*, describing the American individualistic, entrepreneurial culture and *Da Wo* ('Big Me'), the Asian culture of the collective and of cooperation. A combination of *DaWo* collectivism and *Just Do It* entrepreneurship is often found in Europe and can be brought to practice in self chosen communities, of which industry associations and public private partnerships are examples. These are groups in which every member both raises its own growth and works together.

The fact that the authors of this article prefer a combination of *Just Do It* and *Da Wo* is not merely inspired by idealism. As a company or as an association it is simply ineffective to act just by yourself, pursuing only your own gain. If companies and associations keep the results of risk analyses and future explorations just to themselves and if they act single-handedly, this will lead to both ineffectiveness and inefficiency. Ineffectiveness, for example because knowledge is not shared, companies cannot overlook the playing field outside their own market and there is not enough critical mass. Inefficiency, because it is more expensive to act single-handedly than to act jointly. Thus to avoid a situation in which a policy divide and rule applies, it is important to join forces. However paradoxical it may sound, an important reason for a company or association to seek international cooperation is to be able to compete better. This is a perfect reconciliation of the classic dilemma cooperation-competition.

The importance of working together and joining forces does not only apply to companies and associations between themselves. It also applies to the classical divide between private and public which needs to be bridged, because in reality the private and public sector are getting ever

more interwoven. Just a few examples: as a result of the credit crunch, we have witnessed the nationalization of banks. Global regulation regarding sustainable development and sustainable use of the global commons is designed. More people start to see the upside of state capitalism. All of these developments can be summarized in the observation that market and government are no longer opposites. We can try to turn this antithesis into a synthesis.

### **An important mission for industry associations**

Companies value the membership of international industry associations for different reasons. For example, they see it as a useful medium for making and meeting agreements with labor unions and (supranational) authorities, as a lobby platform or as a means to jointly approach the media. From a legal point of view, an industry association is the appropriate platform for business contacts and for sharing information and knowledge about, among other things, markets, business, technologies, management, trainings and legislation.

There is yet another reason why membership of an international industry association can be very rewarding for companies. In this ever moving world, where changes frequently come unexpectedly and risks are often hard to identify, (international) industry associations can be of great value in linking cooperation and competition, thus making the pie bigger for everyone. We have seen that risks are high, but industry associations can turn them into opportunities by identifying, managing and mitigating them.

Useful instruments for industry associations to help their members deal with change and uncertainty and to enlarge the pie for the industry are scenario planning and

environmental analyses. Scenario planning helps to imagine the unexpected, which raises awareness of developments in the environment and helps to be prepared for sudden changes. It helps not only to manage risks, but also to seize opportunities in an early stage. In short, it is a tool for better decision making. Explorations of the environment, which form a part of scenario planning, are useful to provide deeper, integral insight in future developments, to monitor legislation, to map qualitative factors et cetera.

The World Business Council for Sustainable Development (WBCSD) is an example of an international industry association that, by means of global future scenarios, thought about the future. In their case they focused on the future of sustainable development. Three scenarios were developed. The *FROG!* scenario is comparable to Shell's *Just Do It* scenario: it describes a world in which everyone tries to raise their own growth. In the *GEOpolity* scenario, to a certain extent similar to Shell's *Da Wo* scenario, business does not respond to society's need and (governmental) institutions take over. The third scenario, called *Jazz*, describes a world in which diverse players, companies as well as individuals, operate in self chosen ad hoc communities and networks, at the same time cooperating and pursuing their own goals. The scenarios helped the WBCSD realize that a well functioning and collaborating industry can be a major driving force in improving public-private cooperation and achieving common goals.

In addition, industry associations can also fulfill a part in the phase that comes after decision making: the phase of action. An industry association can coordinate joint action to manage risks, for example by sharing risks or by lobbying to influence new legislation.

### Competences for international association leaders

A well functioning international industry association needs leaders. To be a manager of an international industry association is different from being a captain of industry or a civil servant. As we all know, association management is a separate profession. Important values in the field of association management are knowledge of the sector, independency, discretion and the ability to align people. Furthermore, an association manager needs to speak the language of business, governmental institutions and other stakeholders and he or she needs to tackle both business and social challenges.

International association managers dedicated to making a bigger pie and reducing (global) risks for their members must have some special skills in addition to the ones mentioned above. Understanding of intercultural management is one of the key competencies when managing an international industry association. And finally, to be an international association manager you should literally master several languages and cultures.

### The Netherlands as a center of knowledge

As a matter of fact in the Netherlands, we have a history of working together to create bigger pies. As early as in the 11<sup>th</sup> century, we reclaimed land for our farmers by creating polders; we literally created *more* land. This was not done by an institution, but by freely chosen collectives of farmers, investors, government and other stakeholders: public private partnerships *avant la lettre*. And since a large part of the country consists of polders below sea-level, cooperation is a necessity; dikes to protect the land from flooding can

only be built when a large group of people is committed.

Maybe it was this need to cooperate that gave rise to the popularity of the association as a form of administrative organization in the Netherlands. This popularity already existed in the 17<sup>th</sup> century – the famous Dutch East India Company was organized as an association – and still persists. Polder Model is a term we nowadays use to describe the Dutch policy model of consensus decision-making, in which employers' organizations, labor unions and government negotiate until reaching agreement. Collective management and entrepreneurship are in our blood, so to say. The Netherlands have a deeply rooted culture of associations and our country worldwide has a reputation for creatively organizing complex structures. These days, a lot of organizations are still organized as cooperatives, for example Rabobank.

The Netherlands combines this communitarian approach, including the association as a popular form of organization, with a commercial spirit and respect for individualism. This spirit has contributed to the success of the European Union as the economic and the political viability of the EU has been built upon a close relationship with business associations. A relationship that originated in the late 1950s and early 1960s when European businesses were faced with the elimination of national trade barriers. This prospect brought many companies to lobby their interests with European parliamentarians. To manage this process, industry representatives were advised to organize themselves sector-wise at European level. As one of the founding members of the European Community, and from our deeply rooted association culture, Dutch association

professionals have been closely involved in setting up and maintaining European trade organizations from the start.

As a small country with major commercial interests in and outside Europe, we have no other choice than to be open to internationalization. The blend of openness to internationalization and the popularity of the association as a form of organization has led to the fact that the Netherlands has become a center of knowledge with regards to international association management.

Today, the International Association of Dredging Companies IADC is an example of an industry association that uses cooperation to be able to compete better. Originated from Dutch and Belgian dredging contractors, the IADC now comprises maritime infrastructure contractors from Asia, the Middle East and the Americas who are focused to work together with clients, civil contractors, engineers and governmental institutions for port and maritime infrastructure development, land reclamation and coastal protection. In a way, IADC carries on the tradition that began with the first polders in the 11<sup>th</sup> century, realized through public private partnerships.

We believe that better functioning international industry associations will help create a bigger pie for their industries and thus improve the world. For it is not governments that fight poverty and unemployment, produce food or develop and install solar panels: business does. Better cooperation among companies and between businesses, government and other stakeholders, by using a long term orientation to discover shared interests, is essential to make the world a better place!

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***In cooperation with:***



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