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Stability and Change in the Representation of Business Interests in Germany

Report to the Attention of German Business Associations*

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Zusammenfassung

Das deutsche Verbandssystem erscheint auf dem ersten Blick sehr stabil. Dies gilt vor allem für den Bereich der Wirtschaft. Gemessen an der Zahl der Mitglieder haben sich die Spitzenverbände der Industrie (BDI) und auch des Handels (Groß- und Außenhandel, BGA sowie Einzelhandel, HDE) kaum verändert und auch viele Branchenverbände zeigen eine hohe Konstanz. Erst bei genauerer Untersuchung wird erkennbar, wie sehr sich die deutschen Wirtschaftsverbände seit der Jahrhundertwende gewandelt haben.

Die Studie befasst sich im ersten Teil mit den genannten Spitzenverbänden und konzentriert sich dabei insbesondere auf den BDI und die Branchenverbände des BDI. Es zeigt sich, dass der BDI große Veränderungen in der Zusammensetzung seiner Mitgliedschaft und auch einen Wandel seines Profils erlebt hat. Von den 35 Mitgliedern im Jahre 1999 waren 2015 nur 22 verblieben. Auch diese 22 sind nicht die Gleichen wie vor 15 Jahren, zumindest ein Drittel von ihnen wurde stark reformiert. Hinzukommt, dass der BDI nicht mehr ein reiner Repräsentant der Industrie ist, sondern mit der Aufnahme von fünf Verbänden der „industrienahen Dienstleistungen“ nun auch die Interessen von Wirtschaftsbereichen vertritt, die keineswegs in das klassische Bild deutscher Industrie passen wie beispielsweise die Verbände der Immobilien- oder der Tourismuswirtschaft.

Wendet man sich den Branchenverbänden mit Verbandsmitgliedschaften zu, so überwiegen auch hier die Veränderungen. Zählt man alles zusammen, so kommt man zu dem Ergebnis, dass fast die Hälfte der Verbände von Mitgliederverlusten, Fusionen aber auch Neuaufnahmen betroffen war. Aufschlussreich ist, dass das Ausscheiden eines Mitglieds aus dem Branchenverband nicht mit der Aufgabe der Interessensvertretung des entsprechenden Wirtschaftszweigs gleichzusetzen ist. Die Zahl der Fusionen, bei denen Verbände ihre Selbstständigkeit aufgegeben haben, aber im Verbund mit anderen nun die Interessen ihrer Unternehmen vertreten, sowie die Zahl Austritte, bei denen Verbände lediglich zu einem anderen Branchenverband wechselten oder allein geblieben sind, ist fast doppelt so hoch wie die Zahl der Liquidationen. Daraus lässt sich schließen, dass Verbände hart um ihre Fortexistenz kämpfen. Die Daten zeigen aber auch, dass dies nicht in allen Branchen gleichermaßen gelingt.

Sucht man nach Erklärungen für die unterschiedlichen Entwicklungen, so bietet es sich an, das wirtschaftliche Umfeld und besondere Organisationseigenschaften der Verbände in den Blick zu nehmen. Unter Wissenschaftlern und Praktikern besteht ein breiter Konsens, dass die Breite und Heterogenität des Wirtschaftsreichs, den ein Verband vertritt, sowie dessen wirtschaftliche Bedeutung und langfristige Entwicklung wichtige Einflussfaktoren sind. Dank der tatkräftigen Unterstützung der Verbände gelang es, aus den offiziellen Statistiken die Daten herauszufiltern, die den Vertretungsbereich der Verbände einigermaßen zufriedenstellend abdecken.

Die statistische Analyse ergab, dass die Zusammenhänge nicht so eindeutig sind wie erwartet. Der Tendenz nach sind Verbandsneugründungen häufiger bei Branchenverbänden, die vergleichsweise homogen und klein sind, während Fusionen und Reorganisationen zunehmen, je größer und heterogener die Verbände sind. Allerdings sind diese Zusammenhänge nicht statistisch signifikant. Auch die langfristige wirtschaftliche Entwicklung hat sehr unterschiedliche Folgen. Der Schrumpfungsprozess in der Bekleidungs- und Textilindustrie wurde durch eine Konzentrationsstrategie mit zahlreichen Fusionen aufgefangen. Der Bergbau antwortete mit einer Verbandsreorganisation und drastischen Kosteneinsparungen und die Keramikindustrie rettete sich durch Bürogemeinschaften, die den Fortbestand bestehender Verbände sicherte. Auch die wirtschaftlich positive Entwicklung einer Branche zeigt nicht die erwarteten Effekte. So hat gerade die Ernährungsindustrie, die sich in den zurückliegenden Jahrzehnten eines ungebrochenen Wachstums erfreute, einen weitreichenden Wandel ihres Verbandssystems erlebt. Es ist dann auch nicht überraschend, dass die Branchen mit ungleichmäßiger Entwicklung in Umsatz, Zahl der Unternehmen und Beschäftigten nicht in ein einheitliches Schema

passen.

Die Frage ist nun, ob unterschiedliche Organisationsmodelle der Branchenverbände einen Einfluss auf Stabilität und Wandel haben. Die Annahme ist, dass es den Verbänden des Maschinenbaus (VDMA) und der Elektroindustrie (ZVEI) sehr viel leichter fällt, die Struktur ihres Fachverbandssystems an veränderte Bedingungen anzupassen als alle anderen Branchen. Der Grund ist, dass die Fachverbände des VDMA und des ZVEI Abteilungen eines Verbandes mit direkter Unternehmensmitgliedschaft sind, während die Fachverbandsmitglieder der anderen Branchenverbände autonome Organisationen sind. VDMA und ZVEI unterscheiden sich in der Tat von den selbstständigen Fachverbänden dadurch, dass sie flexibler durch die Einrichtung neuer Abteilung auf veränderte Bedingungen reagieren. Der ZVEI betreibt die Anpassung nicht zuletzt durch eine hohe Anzahl von Fusionen und ähnelt damit eher den Branchen mit selbstständigen Fachverbänden als dem VDMA, der Stabilität und eine Ausweitung der Zahl seiner Abteilungen vorzieht.

Der zweite Teil der Studie befasst sich eingehend mit Stabilität und Wandel der Fachverbände. Die Erweiterung der Untersuchung ist sinnvoll, weil schließlich nicht alle Sektoren innerhalb einer Branche den gleichen wirtschaftlichen Bedingungen unterliegen. Außerdem kann auf diesem Weg die Zahl der Untersuchungsfälle deutlich erweitert werden, was eine differenzierte statistische Analyse erlaubt. Leider erwies es sich als noch schwieriger als bei der Branchenuntersuchung, die den Fachverbänden entsprechenden Daten aus den offiziellen Statistiken herauszuziehen. Deswegen konnten nur elf Wirtschaftszweige mit insgesamt 187 Fachverbänden berücksichtigt werden und auch dies gelang nur dank der intensiven Unterstützung der betroffenen Verbände.

Im Ergebnis bestätigt die quantitative Analyse, dass das Ausmaß der Veränderungen nach Branchen sehr unterschiedlich ist. Die Überlebensrate ist in der Bekleidungs- und Textilindustrie am niedrigsten und in der Baustoff und der Metallindustrie am höchsten. Letzteres scheint im Widerspruch zum Mitgliederschwund des Verbandes der Metallverarbeitenden Industrie WSM zu stehen. Es erklärt sich dadurch, dass viele Mitglieder zwar den WSM verlassen haben, aber trotzdem fortbestehen.

Die Ergebnisse der Regressionsanalyse, die wir mit verschiedenen Modellen durchgeführt haben, sind wieder überraschend. Wie auch die statistische Analyse der Branchen zeigen sie, dass man aus den wirtschaftlichen Ausgangsdaten, wie Umsatz und Zahl der Unternehmen in dem jeweiligen Wirtschaftszweig, nicht zwingend auf das Schicksal der jeweiligen Fachverbände schließen kann. Einen besseren Anhaltspunkt bieten die Eigenschaften der Verbände: je breiter ein Verband aufgestellt ist und je größer seine Mitgliederzahl im Jahre 1999, desto höher ist die Wahrscheinlichkeit des Überlebens bis 2015.

Die sehr aufwändige quantitative Analyse hat somit wenige verallgemeinerbare Einsichten gebracht. Deswegen wurde sie um eine qualitative Analyse ergänzt, die auf einer umfangreichen Dokumentenauswertung (Verbandsberichte, Satzungen, Internetauftritte der Verbände) und über hundert Interviews beruht. Drei Branchen, nämlich die Ernährungs-, die Metallverarbeitungs- sowie die Bekleidungs- und Textilindustrie, werden ausführlich dargestellt. Will man die sehr unterschiedliche Entwicklungsgeschichte der entsprechenden Fachverbände auf einen Nenner bringen, so lautet das Fazit, dass der persönliche Einsatz des Führungspersonals einen höheren Erklärungswert hat als wirtschaftliche Faktoren.

Contents

1. Introduction: surviving under adverse context conditions.....	5
1.1 Challenges German business is facing	5
1.2 The research focus	5
1.3 Data source.....	5
2. Stability and change of German peak and branch associations of business	6
2.1 The apparent stability in the population of German business associations	6
2.2 The changing profile and composition of the BDI	6
2.3 Changes in the membership of peak and branch associations of industry and trade	9
3. Explaining change in the composition of branch associations.....	10
3.1 Factors influencing change in membership	10
3.2 Problems with data availability.....	10
3.3 The importance of scope and size	11
3.4 The influence of profitability and growth	13
3.5 The mode of organisation making a difference.....	15
4. Describing and explaining the fate of sector associations	16
4.1. The focus of the investigation.....	16
4.2 Variations in the survival of sector associations.....	17
4.3 Testing the explanatory potential of context conditions and organisational properties	17
5. Survival and exit in an institutional perspective	18
5.1 The enduring existence of small sector associations	18
5.2 Case studies in change and persistence of sector associations.....	19
a. The food and drink industry	19
b. The Steel and Metal Processing Industry.....	21
c. The garment and textile industry	22
5.3 Common patterns when coping with change	22
6. Conclusions.....	23
Appendix	24
References.....	27

1. Introduction: surviving under adverse context conditions

1.1 *Challenges German business is facing*

German business people agree that context conditions have changed dramatically since the 1990s. When asked what they consider the main challenges, they all name the same: Companies have to adjust to a constant stream of deep-cutting regulations. At the same time they face an ever more complex political environment due to the growing importance of the EU which not always has the capacity to act swiftly. They meet an increasingly critical public and many deplore a widespread negative attitude towards industry fuelled by NGOs and the media. At the same time, they have to put up with growing competition at home and abroad and are forced to make the best use of rapid technological innovation. Economic insecurities and lower returns on investments make companies more cost-sensitive. Thus, there are many reasons why associations feel the pressure to reform. The German umbrella association of industry, the Bundesverband der Deutschen Industrie (BDI), has launched an internal discussion and, in early 2014, commissioned a study to find ways and means of reinforcing its position at home and in the EU. Leading representatives of branch and sector associations confirm the view that the need for change has never been more pressing than in the past two decades.

1.2 *The research focus*

The present research is focused on change in the population and in the organisational properties of German business associations since the turn of the century². It covers associations of industry and trade at peak, branch, and sector level³ which existed in 1999 and examines their fate up to the end of 2015. The following section 2 deals with the Federal Association of German Industries (BDI). Section 3 investigates the fate of the branch associations constituting the BDI. Here the focus is on the change in membership of federated organisations and why it happens. Section 4 and section 5 turn to sector associations and explore, first in a quantitative approach and then in a qualitative analysis, the patterns and reasons for persistence and change.

When scrutinizing membership change with respect to the BDI and its branch associations we defined change broadly. It covers the founding of organizations and the creation of new ones through mergers. Equally it differentiates between exit by liquidation and merger. Further, it includes changes in the affiliation to higher-order associations in terms of entrance and quitting. For the statistical analysis of the fate of sector associations we concentrated on survival, liquidation and merger.

1.3 *Data source*

First information has been gained from the yearly editions of Oeckl, the Directory of Public Life. The data base has been extended and validated by analysing BIAs' statutes, annual reports and BIAs' websites. 107 semi-structures interviews were undertaken in 2014 and 2015 with representatives of German business associations (most often CEOs or equivalent) giving more detailed information on reasons for and the implementation of organizational change. Great care has been taken to assess the BIA's immediate organisational environment both in terms of the number of enterprises, the socio-economic importance (number of employees)

² The reference year is 1999 because in that year we did a large survey (EUROLOB I) which was replicated in 2012/2015 (EUROLOB II). Both surveys provides us with supplementary data on German business associations in European interest representation. For further information on the EUROLOB project see Kohler-Koch/Quittkat 2016.

³ The terminology is adjusted to the German use: "peak association" corresponds to the German "Spitzenverband" such as the BDI, it is often used synonymously with "umbrella association" ("Dachverband"); "branch association" corresponds to "Branchenverband", mostly embracing several sectors like in the chemical industry; "sector association" is the equivalent of "Fachverband", in general representing a very specific and small sector of the economy.

and the economic capability (turnover) of the economic field represented, and in terms of scope, which indicates the diversity of economic activities and thus the heterogeneity of the branch or sector. What sounds like an easy exercise in collecting statistical data turned out to be a nightmare. First, the statistical classification of economic activities does not correspond at all to the domain demarcation of the German business associations⁴. Secondly, the official classification system valid in 1999 has been reformed twice and the conversion key often does not help to find the corresponding data because the delineation of the correspondence tables has been altered, too. Hence, most BIAs had to be consulted to get an approximately correct definition of the domain and match it with the available statistical data.

2. Stability and change of German peak and branch associations of business

2.1 *The apparent stability in the population of German business associations*

When comparing today's population of German business associations with the population fifteen years ago, the first impression is stability. This holds true not just for the BDI members but also for the larger population of German business associations in trade, banking, insurance, etc. When we compare the number of entries in the leading German directory, Oeckl, for 2015 with those for 1999 (Oeckl 2015 and 2000 respectively), we find little change at the level of branch associations and only a small reduction in the number of sector associations. In 1999 a total of 325 business associations is listed. By early 2015 the number has declined to 301 organisations, which is a reduction of just 7.38 per cent. A more limited number of associations now represent sectors of the retail trade and parts of industry whereas the wholesale trade had exactly the same number of member associations in 2015 as it had in 1999. According to numbers, also associations in the banking and the insurance industry enjoy a high level of stability. The BDI fits well with this general trend. In terms of numbers, membership has been extraordinarily stable with 35 members in 1999 as compared to 36 in 2015. Also with regard to branch level associations deep cutting changes seem to be the exception.⁵ Since the turn of the century we only find a few cases where branch associations of related industries merged (plastic converters; steel and metal processing; textile and fashion) or were put on a new footing as in mining (VRB). It needs closer scrutiny to see that reality is far more fluid.

2.2 *The changing profile and composition of the BDI*

The stability in aggregated numbers conceals profound change. This is apparent when we look at the composition of the BDI. The BDI is not any longer exclusively the peak association for the manufacturing industry. After a lengthy discussion the BDI decided at the end of the 1990s to also invite industry affiliated service providers to become members. It has been a decision on principles and one can argue that the BDI has adjusted to a fundamental change in industry. Already at that time, the production of components became increasingly complemented by providing system know-how. Companies which used to be industrial products and equipment manufacturers started to also provide services. Further, the change in membership criteria was a tribute to the long-term shift from industry to services. Another reason for reaching out to different categories of members was to get access to additional funding sources. By 2015 five service providing associations have joined.⁶ Some of them are indeed close to industry such as the association of the Technical Inspections

⁴ The study covers industry and trade which are part of the EUROSTAT NACE codes B (mining and quarrying), C (manufacturing), D/E (energy and water supply as well as waste management), F (construction), G (trade), and H (transportation and storage); see METADATA, Statistical Classification of Economic Activities in the European Community, Rev. 2 (2008). For more details see chapter 3.2.

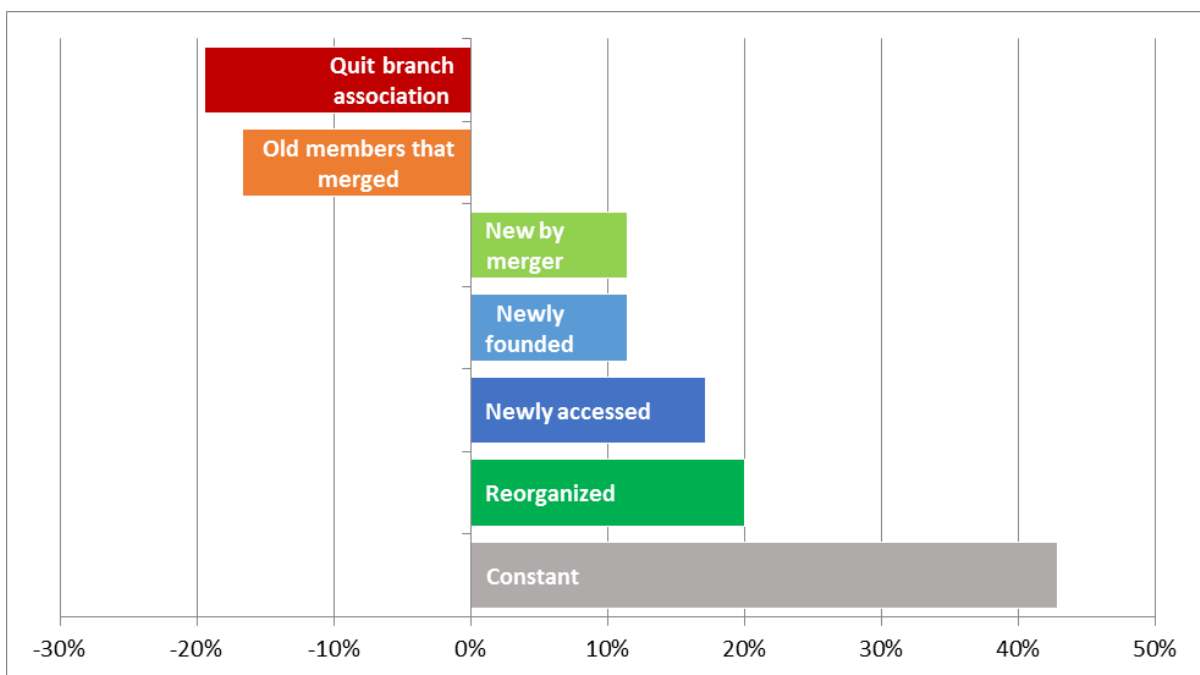
⁵ The split in the representation of the pharma industry already happened before 1999.

⁶ The associations of the Tourism Industry (Bundesverband der Deutschen Tourismuswirtschaft e.V., BTW) joined in 2003, the Consulting Engineers (Verband Beratender Ingenieure, VBI) in 2007, the Property Federation (Zentraler Immobilien Report 05/2016

Organizations (VdTÜV), of Consulting Engineers (VBI), and of the Mobility and Transport Providers (AgvMoVe). Others are only vaguely related to industry such as the Association of the Tourism Industry (BTW) and the Property Federation (ZIA).

The enlargement has significantly changed the BDI's profile. The membership of service providers does not just add a different type of economic activity but also a different kind of organization. Manufacturing industry and services differ in organizational characteristics and in their approach to political interest representation. First, due to the small size of individual enterprises and a lack of associational tradition the degree of organization in the service industry is very low. In contrast, the manufacturing industry has, on average, a very high level of organizational representation which mostly is above 80 per cent and sometimes even close to 100 per cent of turnover. This is an asset in the manufacturing industry's most favorite approach to interest representation. In order to exert influence at an early stage of legislation their associations prefer to address the working level of ministries. To be a respected partner in negotiations with the administration they have to represent the expert knowledge of business and they have to prove that they have a valid judgement of the companies' readiness to comply with new economic policies. Service providers tend to be at the bottom end of the scale of organisational strength.⁷ In order to have an impact, they prefer to go public and address political decision-makers, claiming to speak in "the general interest" of a huge number of stakeholders even though they are not members.

Figure 1: Change in BDI membership from 1999 to 2015 (in per cent)



The composition of the BDI also changed in regard to its core membership (Figure 1). From the 35 members in 1999 only 22 are still members of the BDI.⁸ Even those did not remain unchanged; seven of them were

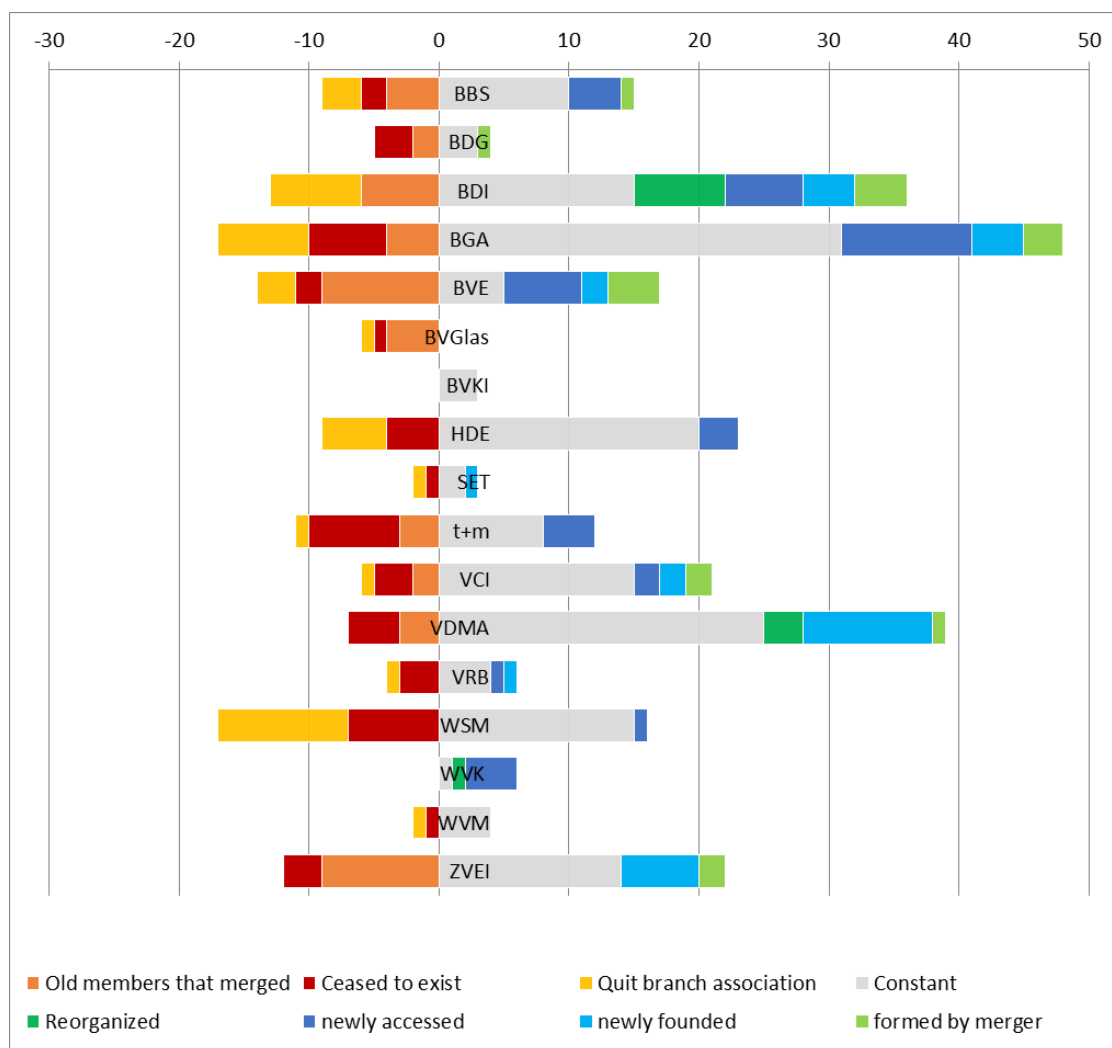
Ausschuss, ZIA) in 2008, the Technical Inspections Organizations (Verband der TÜV e.V, VdTÜV) and the Mobility and Transport Providers (Arbeitgeber- und Wirtschaftsverband der Mobilitäts- und Verkehrsdienstleister e.V., AgvMoVe) in 2011.

⁷ For example the degree of organisation of the VBI in terms of enterprises is about 8%; in terms of turnover it is slightly higher as the relatively larger consultancy offices are more inclined to join the association. The TÜV association is different as it consists of the six large companies with a broad international presence.

⁸ If we include the members of the BDI's 'industrial working group' in our count, the ratio of initial members in 1999 in relation to 2015 is 25%. (Report 05/2016)

thoroughly reorganised by redesigning membership rules or the scope of membership and/or the association's field of action. The number of exits amounts to 13 cases but this number, again, has to be qualified. Seven associations only gave up membership and opted for a stand-alone position and the other six associations gave up their independent existence by merging with other organisations. As compared to 1999 the BDI has 14 new members in 2015; only four of them are newly founded associations.⁹ Four new members sprang up from mergers and six are organisations that have existed before but had not been ready or eligible to join. Among them are the industry affiliated service providers. All in all, 49 associations have been full members of the BDI in the past fifteen years and incidents of change (in relation to all cases) amount to 69.4 per cent.

Figure 2: Population change in industry and trade (1999 – 2015)



tion to exits and newcomers differs slightly. The group grew from four to five. Among the four organisations that constituted the working group in 1999, three stayed on (gaming machines; jewellery and watch making; leather and shoe manufacturing), one withdrew (book selling), and two new associations joined the group, one resulting from a merger (plastic converters) and the other one a long established organisation which wanted to have a closer affiliation to the BDI (dental industry).

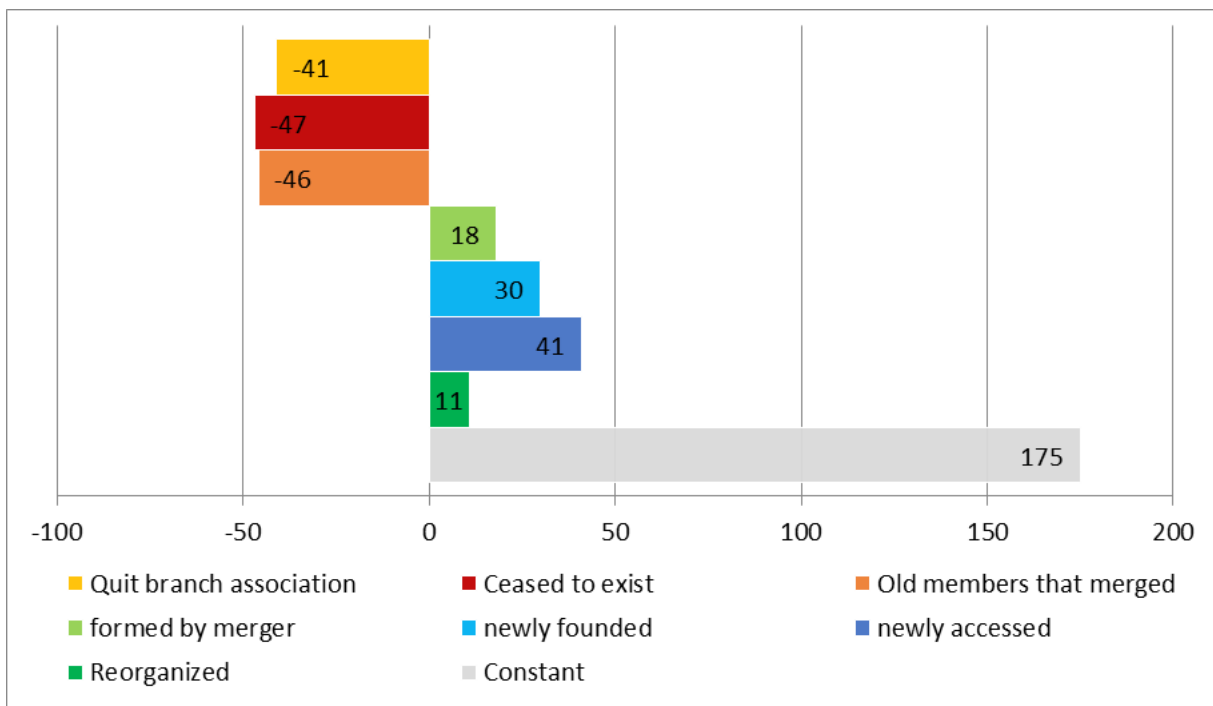
⁹ Arbeitgeber- und Wirtschaftsverband der Mobilitäts- und Verkehrsdienstleister e.V. (Agv MoVe); Bundesverband der Deutschen Luftverkehrswirtschaft e.V. (BDL); Bundesverband der Deutschen Sicherheits- und Verteidigungsindustrie e.V. (BDSV); Verband Forschender Arzneimittelhersteller e.V. (vfa).

2.3 Changes in the membership of peak and branch associations of industry and trade

At first sight it looks as if changes in the membership of business associations in industry and trade have remained within limits¹⁰. Among the associations with associations as members we counted in 1999 a total of 323 member BIAs and for 2015 a total of 276 member BIAs which amounts to a reduction of 14.1%. But, again, these two figures do not reflect what has happened. When we take account of all associations that persisted in these fifteen years, joined or left higher-order associations, merged, ceased to exist or were newly founded, we arrive at a total of 409 cases. Only 175 BIAs lived on which amounts to just above half (54.7%) of the original population. Eleven associations stayed on, but have been reorganised. A total of 93 associations ceased to exist. 41 BIAs cancelled their membership in a higher-order association and most of them opted for standing on their own, but a few joined another association. Finally, also new BIAs showed up, though in smaller numbers. In most cases newcomers are not really new: 41 BIAs, the majority, had already existed before and 18 BIAs originated from a merger; only 30 BIAs are newly founded associations (Figure 2).

The data show a high level of fluctuation within peak and branch associations. But in many cases the loss of members which ceased to exist, merged or quit membership in the higher-order association was offset by new members, be they newly founded or formed by merger, and new accessions. Despite the high level of fluctuation it is apparent that associations strive for survival and joining forces. More associations decided to merge with another associations or to join a higher-order association than to leave and stay on their own. Among the 134 associations which left a higher-order association only 47 definitely ceased to exist (Figure 3).

Figure 3: Patterns of membership change in peak and branch associations (1999 – 2015)



¹⁰ The figures include the two peak associations of trade, namely the Federation of German Wholesale, Foreign Trade and Services (Bundesverband Großhandel, Außenhandel, Dienstleistungen e. V. BGA) and the German Retail Association (Handelsverband Deutschland HDE), as well as the peak association of industry, BDI and the BDI members of industry with associations as members or a mixed membership.

3. Explaining change in the composition of branch associations

3.1 Factors influencing change in membership

Scholars and practitioners agree that economic context conditions as well as organisational characteristics have a strong impact on the fate of business associations. A large and important sector of the economy has a greater reservoir of companies able to pay for an association. Further, companies in a thriving economy with steady growth and high profitability are more inclined to spend financial resources and time on associations than companies faced with economic decline. When a branch association represents a large and heterogeneous part of the economy, it is most likely that numerous sector associations will emerge. Accordingly we explored whether or not we find a meaningful relationship between patterns of change and, first, the scope of an association's domain, indicating the size and heterogeneity of the economic field represented and the economic importance, measured in turnover and employment in the field. Secondly, we calculated the potential impact of varying growth trajectories since the turn of the century. Finally, we examined the influence of different modes of associational organisation. We expect that sector associations which are not legally autonomous entities but divisions of a branch association will be more subject to change.

3.2 Problems with data availability

The results of the statistical analyses have to be taken with a grain of salt. One caveat is on methodological grounds. First, the classification of economic activities in official statistics does not correspond to the domain of associations.¹¹ In some cases there is a perfect match between statistical classification and the sectors represented by a branch association like in the manufacture of glass.¹² In other cases the associations confirmed our findings that the official statistics do not correspond to the economic reality of their industry. This equally refers to large associations such as the (ZVEI) whose activities spread over many more classifications than officially proposed (Gontermann/ Giehl 2012) and to small ones that just do not find an adequate correspondence between the official statistical nomenclature and their activities.¹³ Further, some industry sectors escape the official business statistics because the majority of their enterprises are too small.¹⁴

The second problem is the change in the classification system. Since 1999 the statistical demarcation of the national German (WZ) and the EUROSTAT (NACE) codes classifying economic activities have been changed twice. It has the effect that sometimes formerly separated sections are now lumped together or vice versa so that matching data cannot be found.¹⁵

Thirdly, we find a structural change in industry with the effect of economic activities shifting from the sole manufacture of machinery to the supply of a full-range services. Companies which in former times sold a product now offer a full range of affiliated services from plant engineering up to final inspection. This expansion of economic activities covering the whole value chain is not reflected in the classification system.

¹¹ Only few encompassing branch associations correspond more or less to the two-digit numerical codes (the automobile, the chemical, and the mechanical engineering industry) whereas the domains of most other branch associations cross the statistical boundaries. The four-digit numerical codes were used to find statistical data that would match the domains of sector associations. Finding a suitable degree of congruence is the exception.

¹² Bundesverband Glasindustrie e.V. (BVGlas).

¹³ This affects the aviation industry (Bundesverband der Deutschen Luftverkehrswirtschaft e.V. BDL) as well as the security and defence industry (Bundesverband der Deutschen Sicherheits- und Verteidigungsindustrie e.V. BDSV).

¹⁴ For example in the case of the jewellery and watch making industry (Bundesverband Schmuck, Uhren, Silberwaren und verwandte Industrien e. V.)

¹⁵ This applies among others to the tobacco industry.

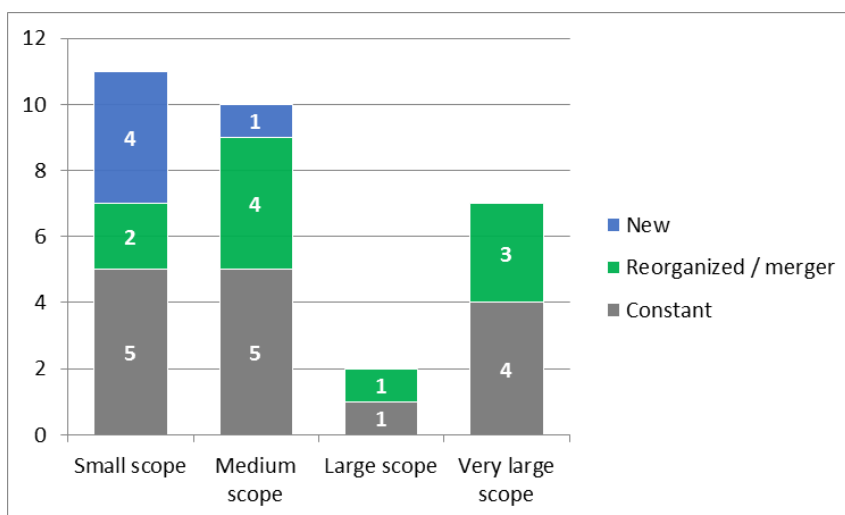
The data base for the following section are all 30 BDI member associations from industry.¹⁶ Because of the limited number of cases we opted for simple statistical descriptions and bivariate analyses.

3.3 The importance of scope and size

When we focus on the function of BIAs as intermediaries between state and business, we should expect that homogeneity corresponds with common concerns and, accordingly, companies will find it easy to gather under one roof. Heterogeneity will make it more difficult to find a common denominator and will favour a multitude of sector associations within a branch association. A valid indicator for homogeneity or heterogeneity is the scope of economic activities covered by the association's domain. It can be measured best by the number of NACE categories relating to the respective field of industry.¹⁷

When examining the BDI's member association from industry, we find that homogeneity (small scope of economic activities) favours the emergence of new organisations whereas the larger the scope the more likely is it that associations invest in reorganisation (figure 4).

Figure 4: Scope characteristics of BDI members of industry



$$Chi^2 = 5.6922, df = 6, p = 0.459$$

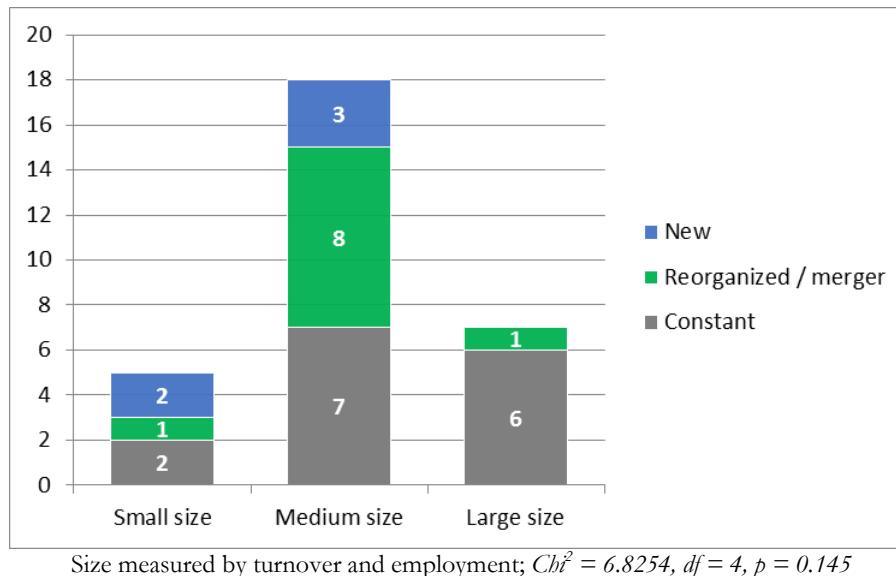
Also when differentiated by size the groups differ though, again, the relation is not statistically significant. Stability increases with size whereas associations of medium sized industries are more ready to reorganise than associations representing either a small or a large sector of the economy (figure 5).

Associations which invest in reorganisation are mostly active in industries of medium size covering a medium scope of economic activities. However, also small associations are sometimes forced to reorganise as it happened to the association of the cigarette industry when the company with the largest market share (Philip Morris) decided to leave. In general, direct company membership does not protect from pressures to change, as the data show: Five of the seven associations which left the BDI between 1999 and 2015 had direct company membership.

¹⁶ The five service providing associations and the members of the "Arbeitsgemeinschaft Industriengruppe", five small associations with collective membership are not included.

¹⁷ The realm of activity matching a four-digit category in the NACE classification is equated with a scope of one.

Figure 5: Size characteristics of BDI members of industry



When we concentrate on the likelihood of exit, be it that member associations go into liquidation or become part of a larger association by merger, we find that heterogeneity is not a reliable predictor for exit. We see no clear trend and also the statistical analysis does not confirm a significant relation (Table1).

Table 1: Mean differences of exit by degree of heterogeneity

	Average % ceased to exist	Average % exit by merger	Average % combined exit
Scope 1-6	18,75	12,5	36,46
Scope 7-16	21,65	5,26	26,91
Scope 17-22	18,52	17,13	35,65
Scope > 22	9,21	18,21	27,42

As to the relevance of number of enterprises, the data suggest that BIAs in industries with a small number of enterprises are more vulnerable to go into liquidation and are less likely to merge (Table 2). But, again, the relation is not statistically significant.

Table 2: Mean differences of exit by number of enterprises

Number of Enterprises	Average % ceased to exist	Average % exit by merger	Average % combined exit
< 1,000	23,33	5	37,5
1000 - 5000	19,01	16,2	29,34
> 5000	12,06	16,07	28,13

When we differentiate industries according to turnover we find that stability is more pronounced in large industries where, in particular, the rate of exits is markedly lower than everywhere else (Table 3).

Table 3: The relevance of turnover for member change (means)

	Turnover less than 35 BN EUR	Turnover between 35 BN and 200 BN EUR	Turnover more than 200 BN EUR
Change of MN in % of MN 99	-33,2	18,2	-1,3
Constant % of MN 99	45,6	48,7	63,9
Constant % of MN 15	68,8	60,7	65,7
Reorganized in % of MN 99	0	10	5,7
New in % of MN 15	31,2	36	28,8
Exit % of MN 99	54,4	41,3	30,4
All incidents of change in % of cases	62,6	62,8	49,9

3.4 The influence of profitability and growth

All interview partners agree that economic development has a direct effect on business associations. The argument that the long-term decline of an industry puts pressure on associations is particularly convincing in the German case because membership fees are the main source of income. Furthermore, empirical research confirms that even a short term economic crisis makes companies think twice if it is worthwhile spending money on collective interest representation (Nicklich/Helfen 2013). Accordingly, we analysed whether the industrial development since 1999 has had an impact on the frequency of change be it in terms of exit, reorganisation or new acquisitions.

Our sample includes the 14 industry associations of the BDI with associational members and the two associations of wholesale¹⁸ and retail trade¹⁹. Among those three industries are in decline with a downturn in employment, turnover, and number of enterprises. Three others are on the winning side with an increase in all three categories. The remaining ten BIAs have a mixed record which needs a more differentiated examination. An expansion of industry, manifest in an increase in turnover and in enterprises, is more likely to benefit an association than a concentration process where turnover rises but the number of enterprises decreases. Furthermore, it remains unclear whether changes in employment have an effect.

When we compare the fate of all associations it is apparent that associations in the declining industries differ

¹⁸ The Federation of German Wholesale, Foreign Trade, and Services (Bundesverband Großhandel, Außenhandel, Dienstleistungen e. V. BGA).

¹⁹ The German Retail Association (Handelsverband Deutschland e. V. HDE).

from the more prosperous ones (see table 4). The drastic downturn in some parts of the economy has had a notable impact. Associations representing declining industries have been far more exposed to exit than all the others. The comparison of mean values is significant both in relation to associations in the most prosperous industries and those which only suffered a decline in employment but flourished in terms of turnover and number of enterprises.

Table 4: Average percentage of expansion, concentration, and contraction in branch associations in relation to industrial development in the respective industries (mean values)

	Expansion		Concentration			Contraction	
	Newly founded	Newly accessed	Reorga-nized	Exit by merger	New by merger	Ceased to exist	Quit branch association
Branch associations in declining industries:	0	4	0	15,8	0	36,8	5,3
Mixed industries: ...decline in employees and enterprises	1,8	1,7	4	23,2	5,4	13,4	15,7
Increase in turnover... ..decline in enterprises, increase in employees	3,3	1,3	19,5	11,2	9,2	16,3	0
...decline in employees, increase in enterprises	1	1,5	0	4,8	4,8	18,1	18
Branch associations in growth industries:	2	6,3	0	18,6	9,9	12,3	15,9

A more detailed analysis shows that economic context conditions are important but not always decisive. This even holds true in the case of a dramatic decline in industry. The three industries which have been losing out – ceramics, textile/garment, and mining – already did so for a long time. Accordingly, efforts to adjust to shrinking resources started before the turn of the century. Still, economic difficulties continued to get worse and the decline in turnover in recent years has been dramatic: a loss of 41.5 per cent in the ceramic industry, 33.2 per cent in mining, and 25.7 per cent in textile. In the case of textile and garment (t+m)²⁰ as well as in mining (VRB)²¹ the branch associations were directly affected. The present day t+m emerged from the joining together (in 2002) of the two formerly independent branch associations of the textile and the garment industries.²² The VRB is the successor organisation²³ of the former Trade Federation Mining²³ which had to be reorganised (in 2007) after the withdrawal of one important member association. What used to be a prosperous association built on the strength of the hard coal industry is nowadays only a shadow of its former heydays. Before the turn of the century it still had a staff of 30 people; in 2015 only 4 people were left. The reorganisation has opened membership to companies but response has been reluctant and did not solve the financial problems. In the case of the ceramics industry²⁴ the concentration under one roof and office partnership replaced an intended merger of associations. In view of the on-going economic weakness a further

²⁰ Gesamtverband der deutschen Textil- und Modeindustrie e.V. (t+m).

²¹ Vereinigung Rohstoffe und Bergbau e.V. (VRB).

²² Gesamtverband der Textilindustrie in der Bundesrepublik Deutschland - Gesamttextil - e.V. and Bundesverband Bekleidungsindustrie (BBI).

²³ Wirtschaftsvereinigung Bergbau e.V. (WVB).

²⁴ Bundesverband Keramische Industrie e.V. (BVKI).

reorganisation had been under consideration but did not materialise. Thus, at branch level the declining industries are perfect illustrations that economic impact is directly felt but does not have the same outcome.

Variations in associational developments are also manifest among the three associations representing the most prosperous industries. Among them are the two peak associations of trade and the Federation of German Food and Drink Industries (BVE)²⁵. The development of associations in trade confirms the theoretical assumption: Economic success corresponds with a high rate of stability. But in contrast to expectations the BVE has the highest rate of member change among all branch associations of industry despite persistent economic growth.

When we turn to the industries with a mixed economic record, which includes 10 branch associations, the picture is blurred. The statistical analysis indicates trends but the economic variables (turnover, employment, and number of enterprises) representing growth relating to associational domains at branch level are no reliable predictors of organizational change. The ambiguous results are a strong reminder that the economic performance of individual sectors within an industry is not at all uniform.

3.5 The mode of organisation making a difference

An additional question is whether the mode of organisation makes a difference. In most cases sector associations are endowed with legal personality. Their membership in higher-order associations does not restrict their autonomy but it also does not provide a safety belt. In times of crises they stand on their own and have to fight for their institutional survival. The situation is different in the German Electrical and Electronic Manufacturers' Association (ZVEI)²⁶ and in the German Engineering Federation (VDMA)²⁷ because here the respective industrial sections are organised under one roof. In public appearance they figure as sector associations and enjoy a high degree of autonomy but legally they are divisions of the ZVEI and the VDMA, respectively, and as such an integrated part of the management structure of the two branch association. Accordingly, it can be argued that in both industries it is easier to adjust to changing context conditions. Both the ZVEI and the VDMA should be more flexible in responding to industrial change because shifting resources from a sector in decline to newly emerging industries and thus redefining the boundaries of a domain is an in-house affair. Reform can be managed in a soft way without a change in the formal organisation and, thus, would be hardly visible from the outside. On the other hand, an association which wants to be attractive to long-standing and new members has to publicly demonstrate that it is forward looking and this is done by the creation of new divisions. Accordingly, it is worthwhile to check whether change is more frequent within the VDMA and the ZVEI than among independent sector associations.

The data show that the two types of organisations differ quite clearly in one respect: VDMA and the ZVEI are more flexible in setting up new divisions in response to changing context conditions (figure 6). However, when it comes to reduce the number of sector associations by merger, the mode of organisation is no valid predictor. Both ZVEI and the autonomous sector associations are equally prepared to push for mergers whereas the VDMA was more ready to add new divisions and, in contrast to all others, enlarged the number of divisions²⁸. Thus, in one respect the VDMA and the ZVEI differ from independent organisations and in another one they differ from each other.

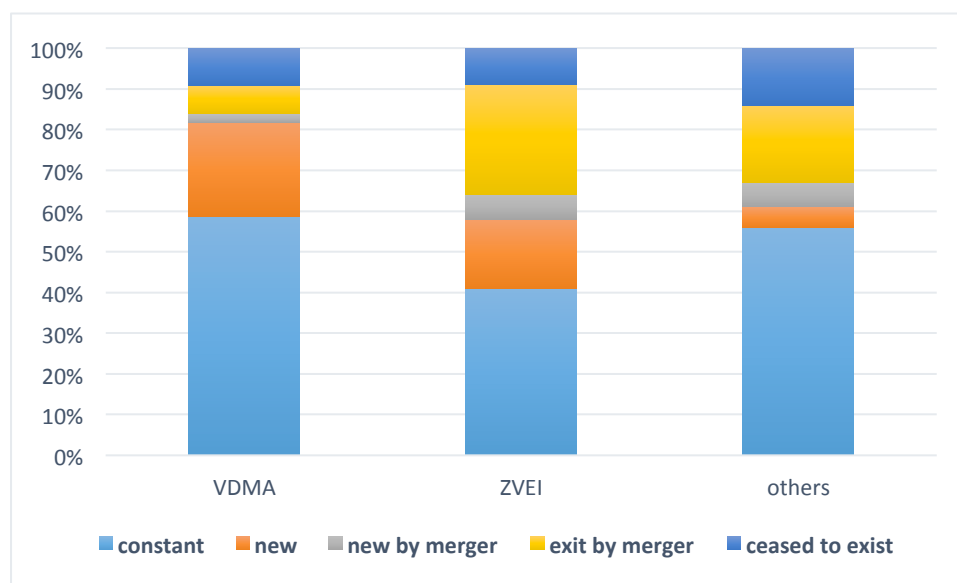
²⁵ Bundesvereinigung der Deutschen Ernährungsindustrie e. V.

²⁶ Zentralverband Elektrotechnik- und Elektronikindustrie e.V.

²⁷ Verband Deutscher Maschinen- und Anlagenbau e. V.

²⁸ The number of VDMA sector divisions grew from 35 in 1999 to 39 in 2015.

Figure 6: Patterns of change among VDMA and ZVEI divisions as compared to independent sector associations being members in higher order associations (reference base 1999)



4. Describing and explaining the fate of sector associations

4.1. The focus of the investigation

As already mentioned above, the members of a branch associations may live under quite different economic context conditions. Therefore, the following two sections aim at capturing the differences at sector level. The high number of sector associations affiliated to the branch associations promised to provide a large data pool suited to a differentiated data analysis. The following section presents a quantitative investigation linking the specific economic situation in each sector and the number of BIA members in 1999 to the fate of the individual sector organization. In a second step, I present the findings of a qualitative analysis exploring the impact of institutional and social factors.

The intention to include all sector associations of each industry dealt with in our research turned out to be overambitious. Apart from the inaccessibility of data on grounds of data protection in highly concentrated sectors, such as mining, the difficulties to find the equivalent of associational domains in the official statistics grew almost exponentially. As we needed a comprehensive representation of sector associations in each economic field, the study had to be limited to eleven business branches²⁹ comprising a total of 187 sector associations. Data gathering even for this concentrated selection would not have been possible without the untiring support of the sector associations. In order to assess the relevance of branch affiliation a further reduction was necessary to obtain a sufficient number of cases per unit.³⁰

²⁹ Ten from industry: Building materials, ceramics, food, beverages, garment, glass, metal production, metal manufacturing, textile, wood processing and, in addition, wholesale trade.

³⁰ We omitted ceramics, glass, and wood processing because of limited size, and pooled metal production and metal manufacturing as well as garment and textile, which in 1999 were represented by two separate and now by just one umbrella organisation.

4.2 Variations in the survival of sector associations

So we present here the analysis of 170 sector associations from five different branches of industry and trade: building materials, food, metal, textile, and wholesale trade. We reduced the dependent variable to three variations: Sector associations existing in 1999 either (1) ceased to exist because they were disbanded, or they (2) merged with another association or (3) survived as autonomous organization.³¹ The difference in the fate of sector associations according to branches is significant (see Table 5).

Table 5: Industry branches and status 2015, absolute and (percentage) (N = 170)

	Ceased	Merged	Survived
Building materials industry	1 (4%)	5 (22%)	17 (74%)
Food industry	2 (6%)	18 (53%)	14 (41%)
Metals industry	2 (10%)	4 (20%)	14 (70%)
Textile industry	9 (32%)	11 (39%)	8 (29%)
Wholesale trade	10 (15%)	13 (20%)	42 (65%)

$$Chi^2 = 28.064, df = 8, p < 0.001$$

We find a low survival rate in the garment and textile industry and a relatively high number of associations which survived in the building materials and in the metal industries. There is also a pronounced difference in the relative numbers of exit and of mergers. The food industry stands out with a share of 53 per cent of mergers in relation to the original population but lost only 6 per cent through liquidation. Only in the building industry fewer associations ceased to exist.

4.3 Testing the explanatory potential of context conditions and organisational properties

In order to explain variations in the survival rate we examined relevant context conditions such as the number of companies and economic turnover in the sector represented by each association in 1999.³² Further, we took into account the number of BIA members and the scope of the association's domain measured by the four-digit code according to the official German statistic classification of the time. When we examine turnover and number of enterprises we have no significant results in relation to the fate of sector associations (Table 1 and Table 6 in the Appendix). Only the numbers of BIA members in 1999 differ significantly (Table 4 in the Appendix). The multinomial logistic regression confirms these findings (Table 7 in the Appendix): The larger the membership, the greater the probability of survival. Taking the surviving sector associations as the reference group, the variable size of membership has a significant negative relationship with the likelihood of being a member of the "ceased to exist" group; this finding is significant across all three models which we tested. Put differently, the larger the membership the less likely it is for a sector association to cease its existence. In a second model we included the difference in scope³³ and see a similar trend: A larger scope facilitates survival and if, nevertheless, sector associations disappear it is more likely that it happens by way of merging.

When we added branch affiliation, the size of membership and a large scope still are significant concerning

³¹ With regard to the survivors we did not differentiate between associations remaining members or leaving higher-order associations.

³² Data are based on the 1999 tax statistics which were made available by Statistisches Bundesamt Deutschland.

³³ It is worthwhile mentioning that the variation in scope is limited. A scope of one, corresponding to one four-digit WZ/NACE category, is the reference; in 1999 no sector associations had a scope larger than three.

the probability of exit. We took the building materials industry as reference because it has the largest share of surviving sector associations. We find significant deviations in the garment and textile industry both in respect to exit and merger whereas the food industry differs significantly only in the number of mergers and wholesale trade only differs significantly in terms of exit.

The key message of the data analysis is that institutional path dependency is decisive whereas context conditions are ambivalent. To pay more tribute to the institutional and also to the personal factor, the next section turns to a qualitative analysis.

5. Survival and exit in an institutional perspective

5.1 *The enduring existence of small sector associations*

Our statistical findings confirm a trend to concentration but this trend is not inevitable, not even for small associations. It is worth noting that among the 409 instances of change in our data set only 47 associations went into liquidation. When they escaped this fate by merger, the resulting organizations are still of small size. In general, the population of small associations with or without affiliation to higher-order associations is still very large. In the following we ask where we find the multitude of small associations, why they survive and how they organise their survival in order to find out whether a sort of pattern can be observed. The empirical focus will be on three industries with, by tradition, a highly differentiated system of sector associations: the food and drink, the metal working, and the garment and textile industry.

In spite of the often heard argument in my interviews that a professional association needs a minimum staff of five and ought to represent an important sector of the economy in order to have an impact and to work efficiently, many industries obviously prefer concentrated interest representation. It is in line with business wanting to have an advocate who is focused on its specific concerns. In the case of an oligopoly with few members it obviously does not matter when the number of enterprises is limited and when also the share in economic activities is very small. Typical in this respect are the sugar, the salt, and the cigarette industries where a handful of corporations maintain a representation even at branch level. Also in gas and petroleum extraction³⁴ and in energy production and supply³⁵ the association is backed up by the few market leaders. These companies have a special case and they have the financial resources to pay for a collective appearance which complements their individual lobbying both at national and international level. Membership in higher-order associations, above all in the BDI, is the way to find allies when needed.

Less plausible is the enduring existence of associations that represent a very small sector of industry and can only employ a modest staff due to the limited resources of its membership. Three industries stand out in this regard: the food and drink, the garment and textile, and the metal working industry. They will be subject to closer scrutiny.

As demonstrated above, the food industry has been growing for decades in terms of turnover and employment and has had a roughly stable number of enterprises, whereas the metal working industry grew with a reduced number of employees. Textile experienced a heavy loss in turnover and also declined in terms of enterprises and employment. Nevertheless, all three branch associations are still constituted by many associations representing each a small section of the respective industry.

³⁴ Wirtschaftsverband Erdöl- und Erdgasgewinnung e.V. – WEG.

³⁵ Verband der Deutschen Verbundwirtschaft – VdV.

5.2 Case studies in change and persistence of sector associations

The three industries are a fertile ground for examination. At the turn of the century they all started with a differentiated system of branch and sector associations. The multitude of sector associations declined over the years but in each case very small and highly specialised sector associations survived. Most sector associations are members of the corresponding branch associations but a considerable number stands on their own. As demonstrated above, the economic situation of these industries differs but they share other structural characteristics. In all three industries the level of economic concentration is low and the membership of sector associations is mainly composed of family-owned medium and small enterprises. Interviews with staff confirm that they cooperate closely with exactly this type of members. Another common feature among sector associations is the long term of office of most managing directors and often also of members of the board fostering familiarity.

a. *The food and drink industry*

The confederation of the German Food and Drink Industry BVE is one of the large associations in industrial manufacturing constituted by 17 sector associations. Further, more than a dozen one-product associations have not joined the BVE or left it in the last years.³⁶ The multitude of organisations reflect the German market structure of the industry. It is split in numerous and very distinct sub-sectors mostly of small size. For many years it has been the forth-largest manufacturing industry³⁷ measured in terms of enterprises (12.9%), employment (9.2%), and turnover (9.8%). But only two sub-sectors (meat and dairy products) hold a substantial market share of the food industry (23.3% and 15.4%, respectively). None of the other thirteen sectors listed has a share of more than ten per cent and eight have less than five per cent (see Appendix table 8). Further, small and medium sized enterprises are predominant, about 95 per cent have less than 250 employees. In only two sectors the five largest enterprises contribute more than ten per cent to the production of the respective industry (bakery products, confectionery and dry baked goods 41.1%; meat products 19.5%).

The heterogeneity of the food and drink industry as such does not explain the multitude of associations; on the contrary, the small size of the individual units would rather call for concentration. The constellation and development of the associational system demonstrates the importance of the personal factor, above all the entrepreneurial drive of individual managers. This becomes evident when we analyse the process of mergers in the past 15 years.

Since the end of the 1990s at least twelve associations of the food and drink industry – members and non-members of the BVE – joined together. In each case merging was a long protracted process and has common characteristics. Two examples illustrate this. One is the case of Kulinaria, the association of culinary food products.³⁸ It originates from 5 associations that were still independent at the end of the 1990s. Merger was a cascading process: in 1999 the first two associations merged (mustard³⁹ and vinegar⁴⁰) and in 2009 the new association has been united with three others (delicatessen⁴¹, soup⁴², baking mixes and desserts). The former

³⁶ Such as the German Egg Products Industry Association (Bundesverband der Deutschen Eiprodukten-Industrie e.V., BVEP), the Sweeteners Association (Süßstoff Verband e. V.) or the Milk Industry Association (Milchindustrie-Verband e.V.).

³⁷ All data refer to 2014, BVE 2015.

³⁸ Verband der Hersteller kulinarischer Lebensmittel e.V.

³⁹ Verband der deutschen Senfindustrie e.V.

⁴⁰ Verband der deutschen Essigindustrie e. V.

⁴¹ Bundesverband der deutschen Feinkostindustrie e. V.

⁴² Verband der Suppenindustrie e.V.

sector associations continue to exist in two specialist groups⁴³ within the new federation. Taking into account that they had co-existed already for many years in office partnership managed by one and the same secretary general, the change looks like a minor affair. Nevertheless, it took decades before the organisations merged even though a growing number of member companies extended their product range and, consequently, became members of more than one association. Office partnership made the long-term survival possible as it made representation more economical and offered companies with a broader production profile a single access point. At the same time it was the stepping stone for the later merger. Interviews confirm that the long-term secretary general acted as “political entrepreneur” bringing the associations together. The secretary general is also in charge of two other small associations which are both legally autonomous organisations. The association for the yeast industry⁴⁴ has been heavily reorganised in recent years⁴⁵ and is prone to further reorganisation. Also the other small association is destined to be the next on the list of merging. The Association of the German Spice Industry⁴⁶ is larger (with 78 member companies) and it has individual membership in the BVE. Though the office partnership dates back to the early 1990s, the spice industry is something quite special in members’ perception which makes a merger more difficult.

The story of Kulinaria points at a procedure common for successful merger: the strategy is to bring the members of the individual associations together to get to know each other and to become socialised in the larger group. Whenever possible public activities and even annual meetings are organised as a common event. This helps to foster allegiance to the larger community and according to interviews with staff and business members this is decisive for enacting change. Economic reasons such as the greater weight of a united association,⁴⁷ the consolidation of the market and the same core issues on the agenda have been valid for a long time without prompting a unification. It obviously takes a special effort to create a sense of common interests and to mobilize an image of community to overcome members’ preference for institutional independence.

The experience of the grain processing industry tells a similar story. In 2014 the German Association of Grain Processors and Stark Producers (VDGS)⁴⁸, another member of BVE, was formed by the merger of three associations.⁴⁹ Already these had been created by a merger of formerly five independent associations. Again, a long-lasting office partnership and a very active secretary general have been decisive for bringing the associations together. The six divisions of the new association takes account of the diversity of the constituting industries, each represented by a spokesperson from the respective industry.⁵⁰ Even after joining together, the new association is very small representing not more than 34 enterprises. A staff of three and a half employees manages the conglomerate of the national associations and is also in charge of Cereal Europe.

Another noticeable pattern in the strategy of small sector associations is opting for office partnership. This is usually the first step towards merger. Even then it is a long-lasting process⁵¹ which does not necessarily lead to unification as many examples such as the German Flavour Association (DVAI) and the German Associa-

⁴³ Fachgruppe (1) Feinkost, Essig und Senf; (2) Suppen, Backmischungen und Desserts

⁴⁴ Deutscher Verband der Hefeindustrie e. V.

⁴⁵ A change in competition law was the end of the molasses distillery industry that had joined the yeast associations some years before.

⁴⁶ Fachverband der Gewürzindustrie e.V.

⁴⁷ Kulinaria now represents about 130 SME with a turnover of 2 BN Euro and 10 thousand employees. As such it is a medium sized association with a staff of 8 people responsible for the three national associations and, in addition, for CULINARIA Europe.

⁴⁸ Verband der deutschen Getreideverarbeiter und Stärkehersteller e. V. (VDGS).

⁴⁹ Getreidenährmittelverbands e.V., Fachverband der Stärke-Industrie e.V., Verband der Teigwarenhersteller und Hartweizenmühlen Deutschlands e.V.

⁵⁰ Kartoffelstärke (potato starch), Maisstärke (cornstarch), Frühstückscerealien (breakfast cereals), Schäl- und Reismühlen (rice mills), Teigwarenhersteller und Hartweizenmühlen (pasta producers and durum mills), Weizenstärke (weat starch); <http://www.vdgs.org/> (12.05.2016).

⁵¹ This is manifest in the merger of the tea industry which finally came about in early 2015.

tion of Fragrance Producers (DVRH) show. To make up for a small membership base (62 and 27 companies respectively) and limited resources the two BIAs have joined forces but retained their legal autonomy. Both associations share an office in Berlin (with a staff of 3) and since 2002 also have a joined office in Brussels.

The strategy of pooling resources is widespread not just in the food and drink industry. It is very common whenever small and specialised industries are family owned and/or have a strong regional tradition. This is most obvious in industries with tiny entities such as the jewellery and watch making industry. It is also prominent in the textile industry and in the metal producing industry dealt with in the following section.

b. The Steel and Metal Processing Industry

The Association for Steel and Metal Processing (WSM)⁵² grew out of a merger of the associations of the steel forming industry⁵³ and the manufacturers of iron, sheet metal and metal ware⁵⁴ at the turn of the century. The number of pre-merger member associations (34) decreased in the years to come by half. Only sixteen sector associations retained WSM membership (in 2015). The process of concentration both in the first-stage and second-stage processing industries has dramatically reduced the number of enterprises and, consequently, the association's income. The financial constraints pushed the sector associations to pool resources so that nowadays eleven associations are concentrated on two locations where they share back-office facilities. But in contrast to the strategy of sector associations in the food industry, the sector associations in the metal processing industry shied away from merging. They all keep their distinct profile, are eager to stay autonomous and keep an individual governing structure. Even when they share a joint management, the sector associations prefer to keep their sovereignty. A good example is the umbrella organisation for iron and steel ware industries IVEST,⁵⁵ a member of WSM. The outer appearance is four individual sector associations⁵⁶ with a distinct profile and separate governing boards. A closer look at the management structure reveals that one person is in charge as secretary general of the umbrella and two associations, his colleague is responsible for the other two associations and a corresponding European association.⁵⁷ The supporting staff is just three employees. Despite longstanding collaboration a merger is not on the agenda. Other sector associations suffering from the profit squeeze in their industry also did not consider the option of merging and rather decided to withdraw from WSM membership.

Correspondingly, the branch association WSM was forced to cut costs. A newly hired secretary general pushed for deep cutting reforms including a reduction of staff, the outsourcing of services, and the implementation of the 'user pays' principle. With the decrease of membership fees he succeeded to discourage some sector associations from withdrawing which could have threatened the survival of the branch association.

The study of the associational development in the steel and metal processing industry shows that saving the identity of the individual organisation is a high good securing the survival of the small sector associations even under adverse economic conditions. Several interview partners pointed to the importance of the "personal factor". If the management, backed by a consenting president, does not take action, the sector associations will not adjust to the changing context of industry.

⁵² Wirtschaftsverband Stahl- und Metallverarbeitung e. V. (WSM).

⁵³ Wirtschaftsverband Stahlumformung e.V.

⁵⁴ EBM (Eisen-, Blech-, Metallwaren) - Wirtschaftsverband e. V.

⁵⁵ Fachverband Industrie verschiedener Eisen- und Stahlwaren e.V.

⁵⁶ Verband Tore (BVT), - Verband der Hersteller von Jagd, Sportwaffen und Munition (JSM), - Verband der pyrotechnischen Industrie (VPI), Fachverband Metallzauntechnik e.V. mit der Gütegemeinschaft Metallzauntechnik e.V.

⁵⁷ European Door and Shutter Federation (E.D.S.F.).

c. The garment and textile industry

The garment and textile industry is more similar to the food and drink industry than to the steel and metal processing industry but yet has distinctive features. The deep transformation of the industry has been accompanied by extensive associational reorganisation. Shortly after the turn of the century (2002) the formerly two independent branch associations of the textile⁵⁸ and of the garment⁵⁹ industry representing 29 independent sector associations and 10 regional associations merged. Five of the former ten sector association of the garment industry constituted the new association GermanFashion e. V., three ceased to exist, and two closely linked to outside associations changed membership. Today GermanFashion represents close to hundred per cent of the garment industry and is member of the new Confederation of the German Textile and Fashion Industry (t+m)⁶⁰.

Also in the textile industry the merging of smaller units became a conscious strategy and new staff was hired with the explicit mission to end associational fragmentation. Whereas in garment all sectors were threatened by decline, the textile industry is more heterogeneous and, consequently, gathering all sector associations under one roof turned out to be more difficult. Several sector associations persisted despite adverse economic conditions for very particular reasons. In some cases long-term financial liabilities provided a strong disincentive to merge, in another case a company owner rejuvenated the association. Thus the enduring persistence of even very small associations is not due to a lack of entrepreneurial skill. The formation of the Yarn, Woven Fabrics and Technical Textiles Industry (IVGT)⁶¹ is definitely the success of the managing director. IVGT now represents the interest of quite divergent sectors which formerly had been represented by seven autonomous associations; five merged and now constitute IVGT; two have been dissolved with most companies becoming individual members of the new association. In addition, IVGT takes responsibility for two other formally independent associations. The new encompassing sector association represents 60 per cent of the German textile industry, including the thriving technical textiles. Just because the latter is an innovative and rapidly growing industry with an often short life-span of companies, membership recruitment is difficult.

5.3 Common patterns when coping with change

As shown above, the patterns of change at the level of sector associations looks rather universe: It starts with a pooling of resources, sharing office facilities, a joint staff and more often than not a secretary general responsible for the management of several associations. Services such as special statistics and information on new laws and regulations are sector specific, but this does not change with a merger. Specialised departments now deliver targeted information and the exchange of expert knowledge continues in differentiated working groups.

The main difference is a new image. It is like changing a trademark and, accordingly, this may be an asset or an obstacle. For an industry in decline adapting a more fashionable name may sell the message that it is starting into a new, promising future. For an established association with good relations to politicians and the administration the recognition value of the old name may outweigh the attention gained by renaming the association.

In the end, despite numerous mergers many associations are still small and represent a distinct sector of industry of limited size; they resisted invitations to merge and retained independence. Interviews confirm that

⁵⁸ Gesamtverband der Textilindustrie in der Bundesrepublik Deutschland - Gesamttextil - e.V.

⁵⁹ Bundesverband Bekleidungsindustrie e.V.

⁶⁰ Gesamtverband Textil + Mode e. V. (t+m).

⁶¹ Industrieverband Veredlung, Garne, Gewebe, technische Textilien e. V.

economic rationalities such as high specialisation of production, proximity to the local consumers and strong links either to trade or craft associations are important but not decisive. If independence can be sustained without loss of efficiency, it is the way to go. This is manifest in the many instances of office partnership, less frequent in the outsourcing of administrative services. Some higher-order associations offer hive-off vehicles which support the independent survival of small associations. Membership in a working group of the BDI at reduced costs⁶² helps to have a foot in the door in national interest representation. The invitation of the BVE, introduced with the latest change in statutes, to take over the management of sector associations also helps to professionalise despite a lack of resources. Another safety belt for staying alive is extending activities to Europe. Many associations have taken up management responsibility for the corresponding EU association despite their own small staff. The incentive is less to gain extra revenues than to have a European hat when lobbying in Brussels. It is a way to professionalise which member companies at home appreciate.

The most common feature in the story of persistence and change of the many small sector associations is the role of the secretary general. Sometimes he (women are the absolute exception) is the main obstacle hindering institutional transformation. In nearly all cases of a successful merger, the future management responsibility was not an issue because it was already concentrated on one person. Though the idea of merging always had the backing of some important member companies, others were reluctant. Those who are less open to change are mostly small and medium size enterprises where the owner has been personally committed to the association for a long time. As associations are dependent on the voluntary activities of members and as this group is usually the most active one, personal attachment rather than economic rationalities often tip the scales. This makes the active engagement of a secretary general so essential.

6. Conclusions

The population of German business associations has changed since the turn of the century to a greater extent than generally assumed. Changing context conditions has an impact on the maintenance and survival of business associations. It is evident that the economic downturn in industries such as textile or mining has taken its toll. Associations disappeared or merged but exit happened unevenly across and within industries. It occurred in large numbers in industries suffering from long-term and dramatic decline such as in the garment and textile industry but also in more prosperous industries such as food and drink. The amazing news is that change in population does not correspond closely to economic conditions and many associations representing narrow and economically weak sectors of industry survive.

The qualitative analysis shows that often people are more important than objective economic factors. Thus, leadership makes a difference. Further, the composition of the membership has an impact. Whenever an association is mainly composed of family-owned small and medium-sized enterprises, identification and voluntary commitment are high. Active involvement in an association, in turn, has a strong socialising effect and strengthens the survivability of the organisation.

Above all, the qualitative analysis clearly shows that economic pressure and the demand for concerted action are strong incentives for reform, but it is people shaping the patterns of organisational adaptation.

⁶² The Arbeitsgemeinschaft Industriengruppe offers the five member association equal access to services but gives them only one vote.

Appendix

Table 1: Industry turnover 1999 (in millions) by survival status 2015 (N = 155)

	Min	Max	Mean	SD
Ceased	130	28886	3362.00	6489.11
Merged	10	20624	3564.65	5565.03
Survived	27	33960	4876.85	6674.93

Chi^2 (Kruskal-Wallis) = 5.351, $df = 2$, $p = 0.069$

Table 2: Industry turnover 1999 (in millions) by industry branches (N = 155)

	Min	Max	Mean	SD
Building materials industry	93	5177	1472.90	1385.72
Food industry	10	20332	3118.03	5204.93
Metals industry	296	10362	2580.90	2466.88
Textile industry	27	20624	3273.17	5298.76
Wholesale trade	46	33960	6777.05	8141.57

Chi^2 (Kruskal-Wallis) = 18.329, $df = 4$, $p = 0.001$

Table 3: Membership 1999 by industry branches (N = 166)

	Min	Max	Mean	SD
Building materials industry	7	702	158.09	204.71
Food industry	5	650	90.27	134.31
Metals industry	5	270	86.45	77.42
Textile industry	6	1129	156	280.40
Wholesale trade	5	2000	224.20	396.87

Chi^2 (Kruskal-Wallis) = 5.790, $df = 4$, $p = 0.215$

Table 4: Membership 1999 by survival status (N = 166)

	Min	Max	Mean	SD
Ceased	5	120	31.09	30.59
Merged	5	1129	146.10	236.99
Survived	6	2000	200.86	342.56

Chi^2 (Kruskal-Wallis) = 19.452, $df = 2$, $p < 0.001$

Table 5: Number of enterprises 1999 by branches (N = 155)

	Min	Max	Mean	SD
Building materials industry	13	1792	387.14	526.00
Food industry	9	17867	777.42	3183.68
Metals industry	55	4072	595.20	896.70
Textile industry	9	7028	1181.00	2098.76
Wholesale trade	20	7360	1178.85	1381.83

Chi^2 (Kruskal-Wallis) = 29.833, $df = 4$, $p < 0.001$

Table 6: Number of enterprises 1999 by survival status 2015 (N = 155)

	Min	Max	Mean	SD
Ceased	9	3629	621.86	975.15
Merged	9	17867	1101.25	2847.29
Survived	13	7360	884.99	1306.71

Chi^2 (Kruskal-Wallis) = 3.241, $df = 2$, $p = 0.198$

Table 7: Multinomial logistic regression

<i>Dependent variable: Survival status 1999 - 2015 (reference = survived)</i>		
	Ceased	Merged
Membership 1999 (log)	-1.225*** (0.312)	-0.235 (0.163)
Scope = 2	0.865 (0.714)	0.302 (0.453)
Scope = 3	-12.202*** (0.00000)	0.460 (0.852)
Branch: textile industry	2.951** -1.238	1.413* (0.723)
Branch: food industry	0.551 -1.352	1.364** (0.640)
Branch: Wholesale trade	2.159* -1.182	0.174 (0.628)
Branch: Metals industry	0.738 -1.344	-0.127 (0.770)
Constant	1.020 -1.327	-0.347 (0.792)
N =	166	166
AIC	297.487	297.487

Note: * $p < 0.1$; ** $p < 0.05$; *** $p < 0.01$

Table 8: Anteile der Branchen am Gesamtumsatz der Ernährungsindustrie 2014

Milch und Milchprodukte (ohne Speiseeis)	15,40%
Backwaren	9,20%
Süß- u. Dauerbackwaren, Speiseeis	8,40%
Alkoholische Getränke	7,60%
Obst und Gemüse (verarbeitet)	5,80%
Fertiggerichte und sonstige Nahrungsmittel	5,10%
Mineralwasser und Erfrischungsgetränke	4,50%
Öle und Fette	3,80%
Mühen und Stärke	3,40%
Würzen und Soßen	2,50%
Kaffee und Tee	2,30%
Zucker	1,70%
Fisch und Fischprodukte	1,20%
Teigwaren	0,20%

Quelle: Statistisches Bundesamt, BVE 2015

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