

White Paper

Standardization as a business investment

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Foreword

UK businesses are operating in a fiercely competitive global environment. Innovation, efficiency and agility are critical to delivering a competitive edge and standardization can play an important part in ensuring their success.

Drawing on research and using case studies of best practice standardization from leading companies including BT, Arup and Tesco, this paper makes a strong case for the strategic use of standards and dispels a number of myths about standardization with regard to cost, complexity, application and innovation.

I believe that standards should form part of any organisation's strategic weaponry, and that is why the CBI continues to work with the British Standards Institution, the Department of Trade and Industry and UKAS to deliver the principles set out in the National Standardization Strategic Framework (NSSF).

This paper is part of that delivery process. I hope that if you don't already use standards strategically, you soon will.

Sir Digby Jones

Director-General, Confederation of British Industry

Standardization: proven business benefits

More and more businesses are realising the benefits of strategic use of standards to achieve measurable improvements to their competitiveness. This is providing them with:

Foundation for growth – efficient and secure operations enable a sustainable base for development

Market access – competition is stimulated through knowledge capture, shared insight and reduced risk

Innovation – NPD is supported by knowledge transfer and accelerated speed to market

Customer confidence – standards assure and reassure on quality, safety, and reliability

Brand building – consumer confidence strengthens the brand

This is demonstrated by a recent survey of 100 decision-makers in FTSE250 companies¹. For example, 100% of respondents believed that consumers view businesses that apply standards more favourably than those that don't. 78% of businesses who adopt standards feel prepared to deal with IT failure, compared with 28% who don't adopt standards. And, 71% of businesses that use standards feel ready to deal with failure in the supply chain, compared to 43% who don't.

There is also strong empirical evidence of the benefits of standards to the UK economy as a whole.

A 2005 study by DTI* of British Standards Institution's (BSI's) portfolio of formal standards demonstrated that standards are:

- Contributing £2.5 billion a year to the UK economy
- Accounting for 13% of growth in UK labour productivity
- Enabling innovation and international technology transfer
- Providing a framework for sustainable growth and profitability through streamlining business efficiency

Not only this, but more and more case studies of market-leading businesses are emerging that demonstrate how the strategic use of standards is helping in their market differentiation, cost management, effective innovation, supply chain management and much more.

¹ The research by Populus was commissioned for the BSI Business Barometer published on World Standards Day 14 October 2005.

*The Empirical Economics of Standards, DTI Economics Paper No.12, June 2005.

Standardization: proven business benefits *cont.*

Standards simply encapsulate best practice in a set of guidelines. Without them there would be no chip-and-pin function so that credit and debit cards can be used safely worldwide. Nor would there be a Global System for Mobile Communication (GSM) with phone connectivity and international roaming almost anywhere in the world.

Standards can describe:

- How two items of disparate technology can inter-operate through a common interface
- How companies can meet regulators' demands
- The level of accomplishment or knowledge for external certification
- The quality of a service, management system, or product
- Specific business processes

Standards are voluntary and are created in response to a demand with the active involvement of a wide range of stakeholders: whether purchasers, vendors, consumers, producers, academics and indeed regulators. They can be developed privately or publicly, at company, consortium, sector, national, european or international level and can be applied to products, services, management systems and technologies.

Standard myths

'Standards aren't relevant to my business'

Standards improve quality, efficiency and best practice, and are therefore important to start-ups and early-life enterprises as well as established firms. For businesses at the cutting edge of new processes and technologies commissioned or 'informal' standards can give early competitive advantage. For those in more mature sectors providing goods and services worldwide, they can ease the regulatory burden, disseminate best practice and improve market access.

'Standards inhibit innovation'

The opposite is true. Standards actually promote innovation because they define performance rather than design, operation or technology. Innovators can then be left free to use standards without diluting their own intellectual property. For some applications, products are required to work together, in which case there are prescriptive standards that define interfaces.

'Standards only apply to products'

It is true that standards ensure the quality, compatibility and safety of thousands of manufactured products, but there are also many standards that do the same for management systems and services. Harmonisation of business processes is as much a standardization activity as is the specification for a material or its application.

'We don't need standards – we already have the best solution'

Having the best technological solution is not always enough to prevail in the market place. Standardization can create sufficient order to develop customer confidence, manage market growth and support technological evolution. And, by working with people experienced in harmonising business processes to achieve greater efficiencies, all the implicit knowledge your organisation might hold can be made transformed into practical solutions.

Standard myths *cont.*

'I don't have a say in the content of standards'

Anybody who is affected by a standard can have a say in its contents. Formal British, European and international standards are written in response to the needs of those who will use them, and representatives from businesses of all sizes, alongside government and society at large agree the framing and updating of standards. Informal standards are designed to meet the specific business need of the commissioning company and can be kept for internal private use or made public to leverage market leadership.

'Standardization is expensive'

Buying or commissioning a standard is an investment that can pay for itself many times over. You can also become a BSI subscribing member, which entitles you to discounts on British, European and international formal standards.

'Introducing a standard takes a lot of time and trouble'

Not necessarily, it varies from standard to standard and identifying, purchasing and applying a standard is usually very straightforward, even if you don't know which standards are most common to your sector or business. A good starting-point is BSI's business information consultancy (020 8996 7474) or the online directory (www.bsonline.bsi-global.com).

Efficiency improvements

Tesco: standardization drives down costs and speeds time to market

“We rely on our operational skills and operational efficiency.”

Tesco’s purpose is “To create value for customers to earn their lifelong loyalty”. Central to Tesco’s strategy is the standardization and simplification of its stores. Construction, layouts, even fixtures and fittings, are the same, so making it easier for customers to find products. Employees find layouts simpler to learn, and so are freed to spend more time on customer service. Planning and design are more efficient and costs are easier to forecast. Internal standardization makes it possible for Tesco to build stores more quickly, while saving 40% on design and construction costs. Cost reduction is saving Tesco ‘tens of millions of pounds’, enabling huge investment in price and range, which in turn create competitive advantage. Since Tesco’s aim is to add value through convenience and lower prices, the supermarket group is effectively using internal standardization to simplify shopping, provide more convenient store locations, and pass on to customers its lower operating costs.

Innovation

Arup: driving differentiation through standardization

“Standards provide the platform of information that then allows time for innovation and creativity – Arup could not be so creative without them”

Arup is a global information company with over 7,000 staff in 32 countries. The group employs standardization as a key management tool to achieve differentiation through the provision of high-quality information and consultancy. Experts from around the world are brought together to provide technical solutions through the design of business solutions, project management, multidisciplinary design, and engineering consultancy. Arup uses standardization to promote freedom of information and quality transfer, believing that intellectual property has a finite life and should not be an artificial brake on competition. Arup maintains competitive advantage by setting standards in:

- Hiring and training intelligent, experienced and qualified staff
- Maintaining and managing an impeccable knowledge base
- Communicating internally and externally to ensure that the knowledge base is accessed and accessible to relevant staff

For further details of this and other case studies, visit www.raisingstandards.com

Value generation

BT: delivering value through interoperable solutions

“Standards are essential to BT – our future survival depends on them”

BT, one of the world’s largest communications companies, serves over 20 million UK residential and business customers and provides network services to other licensed telecoms operators. The group reports a “significant” return on its investment in standardization, for example in e-commerce where £20 million savings have been realized. Just in raising invoices alone, BT has reduced its cost from £100 to £2 by using the web rather than manual means. The company sees standardization as a means to creating industry standards before the establishment of a market. Standardization reduces waste in R&D for products that will not be accepted, as well as avoiding costly market battles over preferred technologies. BT looks to standardization to fulfil the following needs:

- Protecting current services
- Supporting planned projects and services
- Creating opportunities for future services
- Keeping abreast of latest developments, where standards are at the leading edge of technology

BT strategically manages its standards activities in all areas, including the types of standards bodies it works with, as well as the nature and level of its participation. The group promotes cooperation on standardization and competition on implementation, gaining competitive advantages through price, design, quality, services and brand reputation. BT’s standardization strategy model includes:

- Tracking fundamental research
- Assessing potential product possibilities of future technology
- Instigating programmes to capture and exploit product possibilities
- Determining the need for standards to shape the future market
- Assessing the need for formal or informal standards
- Initiating standards development with other parties
- Tracking, managing, reporting, and refining these developments

Cost reduction

Ministry of Defence: systematic standardization strategy lowers costs and improves quality

“The intelligent application of standardization is essential to achieving the benefits of smart acquisition”

The UK Ministry of Defence (MoD) accomplishes “smart acquisition” through its standardization strategy, which is to ensure quality, efficiency, and reliability as well as the interoperability essential to performance and global collaboration with the armed forces of other countries. Although the MoD at one time relied upon internal standards alone, the ministry now works with BSI British Standards to develop and adopt externally-created standards. These reduce costs by allowing the MoD to buy industry-standardized components and to take advantage of competition between suppliers. The supply-chain standard developed for the MoD by BSI British Standards has since become the global quality standard, ISO 9000.

New product development

John Deere: globalisation with local customisation

“Standards play a critical role in the success of all new John Deere products, as well as of our environmental and safety management processes”

Deere & Company develops, manufactures and sells agricultural and forest equipment to customers worldwide, and it is a core business objective to standardize products globally. Customers benefit, and the company lowers the cost of meeting local regulations in 160 countries: multiple tests can drive up product prices by as much as \$10,000. On the other hand, products of high quality can be customised for a local market to meet both specific regulations and local customers' preferences. Deere established a council of internal experts to co-ordinate standardization strategy worldwide, tasked with:

- Co-ordinating response to standards-setting bodies
- Focussing participation in standards-setting bodies on a single vision: one standard, one test, one globally-acceptable standard
- Managing Deere's commitments to voluntary standards

Customer confidence

MCS Medical: reaching new markets by adopting industry specific standards

“Standards give confidence in MCS Medical. They allow anyone who buys from us to see an audit trail that shows where each part has come from.”

MCS Medical has repositioned its business and achieved new sales to high value customers through standardization. During a period of diversification by its parent company, Machined Component Systems, market research revealed that adoption of the relevant standards would shift the SME's profile and enable it to attract an improved range and quality of customers. The company reports that as result of embedding standardization into their business systems they have engendered customer confidence, and established transparency of their supply chain allowing anyone who buys from them to know how and where they sourced their components. It has also enabled them to trace and resolve any problems with particular parts thereby improving their customer service.

For further details of this and other case studies, visit www.raisingstandards.com

Standard advice

If you want to find out more or you need help with standards – British, European or international, commissioned or consensus – then your first contact point should be British Standards Institution (BSI). BSI British Standards is the UK's national standards-making body. It leads a comprehensive standardization programme that involves a host of stakeholders including UK businesses, trade associations, policy makers, regulators and consumer groups.

BSI Group Headquarters

389 Chiswick High Road,
London W4 4AL

Tel: 0208 996 9000

Fax: 0208 996 7001

Email: cservices@bsi-global.com

www.bsi-global.com