Lessons from the Past:
Public Standardization in the Spotlight

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ABSTRACT

This study considers the developments in international standardization over the last 20 years, particularly the status of public standardization as compared with consortium-based industrial standardization. The report shows that the radical reform of the global public standardization system in 2008, prompted by the loss of interest in public standardization on the part of large corporations and the sometimes less-than-satisfactory outcomes from consortium-based industrial standardization in terms of competition and antitrust considerations, has helped to compensate for the declining significance of national public standardization, particularly for national governments, and is to be regarded as a clearly positive development, from both the economic and the institutional and political points of view. Global public interests are now catered for by Internet-supported information markets; in particular, online documentation has also enhanced the transparency of the public standardization process and provided freedom of access for small- and medium-sized companies in particular, irrespective of geographical region. Finally, the study shows that the debate that took place in and around the year 2004 between Europe and the USA regarding the path towards the internationalization of public standardization processes was superfluous, incomplete and even counterproductive, owing to the hardening of the political divisions between the two sides.

Keywords: intellectual property rights; GlobalNorms; standardization; WTO

THE PARADIGM OF
STANDARDIZATION

Terminology

The lack of uniformity in the terminology used in the area of standardization makes it necessary to lay down a set of clearly defined terms, as illustrated in the diagram on the following page: The standardization process as a whole is divided into public standardization on the one hand, which can be organized at the national, state level (e.g., DIN in Germany) or based on the activities of sector associations with significant state support (e.g., ANSI in the USA), and industry standardization on the other. Within industry standardization, a distinction is made between consortium-based standards and company standards. In the case of consortium-based standards, a
number of companies come together to formulate a common solution, whereas company standards almost always relate to a solution arrived at within the company in question. Both forms of industry standards may either be offered to competitors as open standards or treated as closed industry standards.

Retrospective: Economic Expectations

From the perspective of 2004, what were the expectations placed on companies and society in 2020 in terms of standardization? In particular, industry’s increasing preference for formulating its standards in consortia of companies rather than in the context of the public standardization organizations that had existed up to that time had raised the issue of what institutional arrangements – that is to say, organizations and rules – could best satisfy (in the long run) the expectations placed on a public standardization system that would address competition and timeliness considerations appropriately. To answer these questions, two scenarios were run at that time, and considered in the light of the hypothesis of economic rationality:

- It was assumed that there would be no public standardization organization – economists call this a “no-budget” situation – thus, everything could be reinvented from the ground up in line with the anticipated future expectations.
- The parties involved in public standardization would consist solely of entities subject to a risk vs. return calculation, in order to ensure the rationality of actions and outcomes, and thus avoid “free-riding.”

For this purpose, it was necessary to formulate an image of the economy in the year 2020, to determine the general constraints within which public standardization would be successfully established as a competitive and socially desirable approach in comparison with consortium-based solutions. The scenario formulated as a realistic vision at that time was restricted (using the terminology in Figure 1) to the following standardization arrangements:

1. Standardization as a public standardization operation meeting the expectations placed on a public process: The goal in this case would be to create an open, generally available system that would
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www.igi-global.com/chapter/evolution-practices-case-renault-nissan/75031?camid=4v1a