Holistic Perspective of Standardization Strategies

Neeta Baporikar, HP-GSB, Namibia & Doctoral Guide, University of Pune, India

ABSTRACT

Industry has become increasingly interested in assessing its economic efficiency, and thus is more interested in the role of standardization. Standardization is a premise of international communication improvement and the information transfer increase directly connected with the results of technological development. Standardization represents a way to confer superior value to product through price, quality, and distribution. Standardization brings confidence to consumer regarding certain producer’s offer. Globalization has dramatically changed the international business environment. Systematic and reliable results can only be attained on a common basis. Since there is greater pressure on industry to rationalize, the costs and benefits of standardization must be examined from both economic and strategic viewpoint. This paper through grounded theory approach aims to analyze not only the economic benefits to the various stakeholders but also develop a holistic perspective of standardization strategies in the current environment.

Keywords: Business, Economic, Efficiency, Emergent, Industry, Internationalization, Standardization, Strategies, Value

BACKGROUND

Standards provide individuals, businesses and all kinds of organizations with a common basis for mutual understanding. They are especially useful for communication, measurement, commerce and manufacturing. Standards make trade easier by ensuring compatibility and interoperability of components, products and services. They bring benefits to businesses and consumers in terms of reducing costs, enhancing performance and improving safety. Standards are voluntary, which means that businesses and other organizations are not legally obliged to apply them. However, in certain cases standards may facilitate compliance with legal requirements. The primary objective of standardization is the definition of voluntary technical or quality specifications with which current or future products, production processes or services may comply. Standardization can cover various issues, such as standardization of different grades or sizes of a particular product or technical specifications in product or services markets where compatibility and interoperability with other products or systems are essential (EU, 2012). Millions of businesses are applying and using standards every day. Standards are valuable tools that can help your business to: access

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markets and sell to customers in other countries, achieve compatibility between products and/or components, comply with relevant legislation and regulations, ensure the quality and safety of products and/or services, gain knowledge about new technologies and innovations, reduce costs, eliminate waste and improve efficiency and satisfy your customers’ expectations and requirements. However, knowing which standards to use, and how to apply them in the correct way, is vital for the success of any business. It is also important to understand how standards are made, so as to design effective strategies (Andrews, 1980) and contribute to the standardization process.

Though, it means that for business enterprises, the primary objectives for taking advantage of standardization include “market creation and expansion” and “cost reduction and improvement of production efficiency”, yet, due to the nature of standardization as public goods, each player is equally able to capitalize on the standardized technology and enjoy its merits. In other words, while standardization expands profit-making opportunities for businesses, it does not necessarily promise a competitive advantage or ensure profits for individual companies. For businesses to eventually earn profits through standardization, the key lies in integrating standardization with corporate strategy or business strategy (Mintzberg, H. 1987), in accordance with the respective conditions for profit-making, while taking into account the nature and impact of standardization. This leads to the fundamental significance of understanding the need and relevance of standardization strategies. Through in depth content analysis and grounded theory approach, the paper intends to do that. After a brief introduction, it deals with why standards are necessary for business and how companies of all sizes would benefit from standardization. The focus however, is to analyze not only the economic benefits to the main partners in standardization: businesses, private households, the state and the standards body; but also develop a holistic perspective of standardization strategies in current environment. However, the paper is restricted to standardization strategies of business organizations.

**INTRODUCTION**

Industry has become increasingly interested in assessing its economic efficiency, and thus is more interested in the role of standardization. Standardization is a premise of international communication improvement and the information transfer increase rhythm, directly connected with the results of technological development with main objective of needs and consumer behaviour homogenization form all over the world (Madar, A. and Neacşu, A. N. 2010). Standardization represents a way to confer superior value to product through price, quality, and distribution. Standardization brings confidence to consumer regarding certain producer’s offer. But then what is a standard? A standard is a document that sets out requirements for a specific item, material, component, system or service, or describes in detail a particular method or procedure. Standards are established by consensus and approved by recognized standardization bodies. There are several different types of standards. Some of the most commonly-used standards set out the requirements that a particular kind of product, service or process must fulfill, in order to establish that it is ‘fit for purpose’. Other types of standard relate to methods of testing, terminology and definitions, information requirements, or the compatibility of connections. The imperative for sustainable economic growth has attracted an impressive body of economic research to better understand its determinants. Driving much of this research has been the neoclassical view of outputs as a function of physical and human capital as well as productivity OECD (2001). The relationships between capital, labour and economic growth are typified by diminishing marginal returns, meaning that as the stocks of capital increase, the return from the deployment of that capital decreases. To counter this effect, productivity is identified as a third central contributor to economic growth.
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