

Chapter 5

Strategic Development and Implementation of Company Standards

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ABSTRACT

This chapter provides a thorough introduction to the development of company standards for strategic purposes with specific focus on the use of company standards in the manufacturing sector. It gives an overview of the different types of company standards that are implemented by a company and its supply chain partners. By highlighting similarities with and distinctions from formal standards, this chapter carves out different economic effects of company standards. This allows the authors to develop different strategies a company can follow with the development of company standards. These strategies, however, are not confined for internal aspects. They also include the impacts of company standards on others, such as suppliers. This book chapter aims to aid companies and their supply chain partners to optimally use company standards for economic optimization.

INTRODUCTION

[Company standards] can de facto affect one, a few or many enterprises in a branch (Blind, 2004, p. 66)

This chapter provides companies with a toolbox of possible strategies for the development and implementation of company standards. The main aim is to aid strategic management by using company standards, to achieve economic optimization within the own company but also from passing them to supply chain partners, such as suppliers or cooperation partners. We will consider how company standards can affect

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both the standard-setting company but also standard-receiving supply-chain partners. We outline the different types of company standards that can be implemented within a company and consider how they can support the strategic management of the company for maximum benefit.

We evaluate numerous aspects that are covered in company standards as well as their economic effects for the firm. The first aim of this chapter is to distinguish company standards from formal standards. Although often similar aspects are covered in company standards as opposed to formal standards, we will specifically highlight their differences by considering the economic effects respectively. We support this analysis with data from a survey of German companies as well as numerous specific company insights. The focus of this chapter rests on firms from the manufacturing sector, but parts of our analysis may also extend to firms within the service sector, which we discuss later.

We proceed by explaining the use of company standards within a company in detail. Although the main aim is the optimal development and application of company standards within the own company, we also consider how company standards can be passed to suppliers in order to govern their activities for mutual benefit. This chapter therefore does not only help general or standardization managers within standard-setting companies, but also suppliers to efficiently implement company standards. The joint acceptance of company standards can enable the optimization of procedures from the development onwards, so that for example cost reductions can be realized.

The chapter is built as follows: A review of the definitions as well as a short overview of the characteristics and the development process of both formal and company standards allows a clear delineation of the two types. Different types of standards are considered and we show which of these types are actually developed and implemented within exemplary companies. This sets the scene for a review of the purposes for and the economic effects of company standards. Particular attention is paid to impacts on the company-standard-setting company but also on the company-standard-receiving company, such as the supplier. The final section of this chapter reviews the strategic potential for company standards to be implemented, such as internal optimization, supply-chain optimization and strategic positioning.

BACKGROUND

Company standardization can be viewed as the positioning of a company towards external standardization (de Vries & Slob 2007; de Vries, 2007). We, however, would like to add to the definition of company standards the specific standards that a company develops independent of formal external standards. The differences between the effects of company and external (such as formal or consortium) standards to date have obtained little attention (Riillo, 2013). This section describes the difference between formal standards and company standards, starting with the definitions and theoretical descriptions that are followed by the types of standards.

Shin et al. (2015) highlight how standards allow making the specific difference in the success of innovations. Standards have an impact by establishing the rules of the game and creating a shared framework for innovation. They point out that standards define common vocabularies and set the essential characteristics of a product or service. These aspects also apply to the use of company standards with regard to company internal innovation efforts. Therefore, company standards can be a catalyst and help to ensure fruitful results (Shin et al., 2015).

Before a standard can be implemented it has to be developed. The standard DIN EN 45020 of the German Institute for Standardization (DIN) defines the standardization process as an “activity of es-

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