Chapter VI
Perceived Relation between ICT Standards' Sources and their Success in the Market

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ABSTRACT

This chapter briefly outlines a study that looked at potential links between ICT / e-business standards' origins and their subsequent success in the market (or lack thereof). The outcome of the study suggests that companies who need to either implement or set standards do not distinguish between 'formal' standards setting bodies (SSBs) and consortia. Rather, specifics of the individual bodies are of interets, including, among others, their processes, IPR rules, and membership.

1 INTRODUCTION

Standards emerge from very different sources, ranging from sufficiently powerful individual companies to voluntary global standards developing organisations. Each of these entities has its own rules and bylaws, works in a specific environment, attracts a certain group of stakeholders, and can be described by a unique set of attribute types and values.

It could be hypothesised that stakeholders select a specific Standards Setting Body[1] (SSB) for (some of) their future standardisation activities based on best matches between an SSBs

characteristics and their own business models, strategies, and/or technical needs. Likewise, it could be assumed that a stakeholder's selection of a specific standard (out of a set of competing ones) will be based on similarly objective criteria (such as, for instance, functionality, technical fit, performance, etc).

On the other hand, one could also suspect that other, less tangible reasons may also play a role in such selection processes. For example, aspects like individual preferences and prejudices of working group members, reputations of a technology's source, technologies that are considered 'hot', even media hype, may have considerable impact.

One typical example here is the common wisdom that the outcome of the formal Standards Developing Organisations' (SDO) process is of 'higher value' than the outcome of an industry standards consortium (recently, the number of those who subscribe to the opposed view has been increasing, though (see, for example, [Cargill, 2005], [Kamlani, 2005], [Krechmer, 2003]).

In this chapter, the impact of an SSB's perceived 'credibility', or reputation, on the success of its products in the market will be studied. That is, the more 'intangible' factors that may have an impact in the process of selecting either a platform for standards setting, or a standard for implementation, will be analysed.

2 SOME BACKGROUND

According to [Cash et al., 2002], "*Legitimacy refers to whether an actor perceives the process in a system as unbiased and meeting standards of political and procedural fairness.*" Along similar lines, [Orlikowski & Robey, 1991] note that *"… human action is guided by cultural notions of legitimacy, …"*. Obviously, (perceived) 'legitimacy' also plays a role in the selection of an SSB, or of one of its products.

For SSBs, this implies that they need to establish an adequate level of legitimacy to become (or remain) relevant. At least for formal SDOs, this is typically based on government endorsement which, in turn, requires that a "*… voluntary consensus standards body is defined by the following attributes: (i) Openness; (ii) Balance of interest; (iii) Due process; (vi) An appeals process.; (v) Consensus, …*" (Office of Management and Budget Circular A-119; quoted in [Bukowski, 2003]).

Somewhat strangely, the 'old' international SDOs, i.e., ISO and IEC[2], did not enjoy any governmental endorsement when they were founded[3]. Even today, an 'authoritative' source of their legitimacy (i.e., why they are referred to

as 'formal') seems to be missing[4]. A widely held belief is that this status was 'earned' basically by tradition – i.e., by having done beneficial standardisation work over decades[5]. People now seem to trust these institutions (which may be to a lesser degree the case in the ICT sector, which is comparably young and where many SDOs were not really fully fit for the job at hand).

Typically, consortia do not enjoy the benefit of government endorsement. Thus, they need to explore other routes towards legitimacy. Van Wegberg notes that popular means to establish an SSB's legitimacy include (among others; see [van Wegberg, 1999]).

- Participation of key players.
- A track record in a certain field.
- IPR assets.
- Co-operation with other SSBs.

Once established, there is obviously the possibility that SSBs, especially formal SDOs, eventually undermine their legitimacy. This may, for instance, be achieved by allowing members to incorporate company standards into international, regional or national standards [Grebe, 1997]. Likewise, an excess of unresolved disputes and disagreements undermine the legitimacy of the standards setting process, both in the opinion of its members and in the eyes of the rest of the world [Freeman, 1996].

Not only SSBs need to achieve an adequate level of legitimacy. Also, both organisations and individuals participating in the standards setting process need such legitimacy, or reputation, in order to be able to push their ideas and views, and to influence the process accordingly.

Recent studies have shown that in standards setting an individual's reputation is frequently more important than that of the respective employer. This holds at least for the working level, i.e., for the technical work that is done within an SSB's committees or working groups. Here,

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