

Chapter I

Challenges for Formal Standardization: The Institutional Reforms of 2008–2010 Reconsidered¹

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ABSTRACT

This study considers the developments in international standardization over the last 20 years, particularly the status of formal standardization as compared with consortium-based industrial standardization. The report shows that the radical reform of the global formal standardization system that started in 2008, prompted by the loss of interest in formal 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 formal standardization. This specifically relates to 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 formal 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 toward the internationalization of formal standardization processes was superfluous, incomplete, and even counterproductive, owing to the hardening of the political divisions between the two sides.

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 Figure 1. The standardization process as a whole is divided into formal standardization on the one hand, which can be either organized at the national or state level (e.g., DIN [Deutsches Institut für Normung] in Germany), or based on the activities of sector associations with significant state support (e.g., ANSI [American National Standards Institute] 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. Standardization in fora may be considered

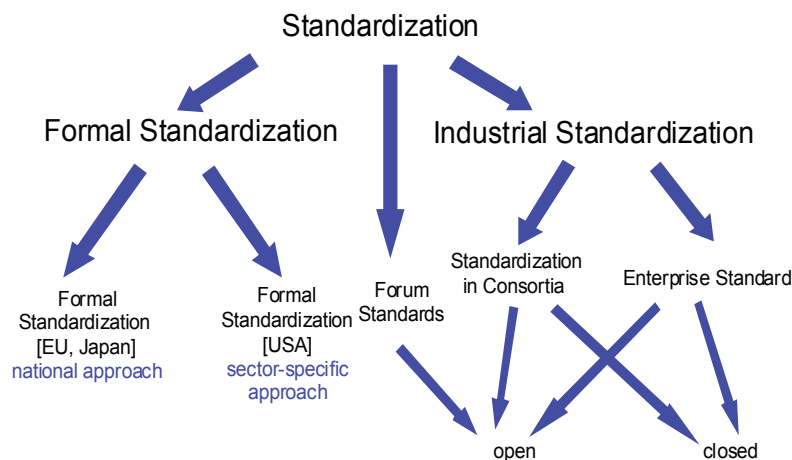
as a mixture of both worlds: It combines a priori openness typical for formal standardization with an entirely industry-driven process.

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 fora or consortia of companies rather than in the context of the formal 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 term the expectations placed on a formal 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 formal standardization organization—economists call this a “no-budget” situation—thus,

Figure 1. Glossary of standardization



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