

Chapter XIII

Developing a Standardization Best Practice by Cooperation Between Multinationals

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ABSTRACT

This chapter presents a case of knowledge sharing between multinational companies. The companies cooperated to develop a common best practice for the development of company standards through sharing their practices. The chapter describes how this best practice was developed and tested. Experiences in this successful project may help other multinationals also profit from knowledge sharing. Critical success factors are the willingness to be open, the culture of cooperation, and the involvement of academia.

INTRODUCTION

Knowledge sharing between multinationals in order to learn from each other is not practiced very often. Corporations may want to protect their proprietary corporate knowledge and restrict sharing anything with others. This chapter, however, shows a case from The Netherlands where six multinational companies managed to develop a common best practice for the development of company standards through sharing their practices.

BACKGROUND FOR STARTING THE KNOWLEDGE SHARING PROJECT

Large parts of The Netherlands are below sea level. Windmills and nowadays electric pumps are used to keep the polders dry, and all dikes and watercourses have to be in good shape. It was and is a common effort to achieve this. Due to these circumstances, the Dutch developed a tradition of cooperating for common goals, the so-called ‘polder model’. This tradition of coop-

eration applies to the business world as well. This chapter describes a case of cooperation between Dutch multinationals in the area of technical standards.

In 1916, The Netherlands was the first country in the world to establish an independent national standardization organization to develop technical standards for common use—a joint initiative of the national organization of industrialists and the national organization of engineers. Nowadays, 7,000 experts cooperate in committees of this private institute, NEN, to develop national standards and to provide the Dutch input in standards development at the European and international levels. Inherent to this is that NEN functions as a platform for business people to meet in a rather informal setting and to discuss issues of common interest. For standards officers of big chemical and petrochemical industries, such an issue appeared to be the development of standards for their installations.

For companies in process industries, standards for the installations are primarily engineering solutions that define how to design, construct, and maintain manufacturing facilities (Simpkins, 2001). In general, the companies prefer external standards, for example from the ISO (International Organization for Standardization) and API (American Petroleum Institute) (Qin, 2004; Thomas, 2004). However, these do not meet all their needs and, therefore, the companies complement these with their own standards, so-called company standards. A company standard may have the form of: (1) a reference to one or more external standards officially adopted by the company; (2) a company modification of an external standard; (3) a subset of an external standard (for instance, a description of the company's choice of competing possibilities offered in an external standard, or a subset of the topics covered in the external standard); (4) a standard reproduced from (parts of) other external documents, for instance, suppliers' documents; or (5) a self-written standard.

Company standards can improve business performance in terms of efficiency and quality. In the process industry, benefits such as reduction of design and construction costs, procurement costs, training costs, and minimization of design errors and rework have been reported (Simpkins, 2001). The issue raised by the standards officers was how to shape the production of these company standards (standardization activities) in order to maximize the benefits of company standardization.

The Dutch tradition of cooperation includes ties between industry and academia. The standards officers of the process industries expressed their wish to improve company standardization to the chair of standardization at Erasmus University's Rotterdam School of Management. The latter was enthusiastic for a common research project because the question was interesting from a scientific point of view as little research had been done on company standardization. Exceptions include Adolphi (1997), Hesser and Inklaar (1997, Section. 5), Rada and Craparo (2001), Schacht (1991), and Susanto (1988). Professional publications on company standardization include AFNOR (1967), Barnes et al. (1988), Bouma and Winter (1982), British Standards Society (1995), Cargill (1997, pp. 139-146), Nakamura (1993), Ollner (1974), Österreichisches Normungsinstitut (1988), Teal (1990), Toth (1990), Verman (1973, Chapter 7), Verity Consulting (1995), and Wenström, Ollner, and Wenström (2000). The university took the lead in starting the best practice project. The best practice in company standardization should be developed by making an inventory of company practices and relevant literature.

Process industries in The Netherlands include several medium-sized companies and a few large multinational companies. All companies that decided to participate in the project belong to the latter category and include both petrochemical (oil and gas) and chemical industries. Later, a sixth company joined: a U.S.-based chemical industry with a large plant in The Netherlands. All of these

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