

How can standardization strengthen competitiveness

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Standards & competition – a good couple?

- Competitiveness
 - Differentiate; or: Be better at the same
 - Condition for a sustainable business
 - A dynamic scene frequently requires innovation
- Innovation
 - New ways to generate and / or capture value
 - Knowledge is an asset
 - Driven by opportunity to capture a return on investment
- Standardization
 - Pre-competitive collaboration
 - Sharing knowledge, aligning ways to do things
 - Foster uniformity by making choices and eliminating alternatives



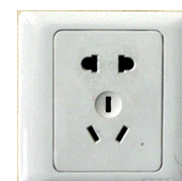
Past evidence suggests a fine marriage

Tremendous value

- WiFi wireless Internet access 
- GSM cell phones
- CD, DVD, Blu-ray  
- Metrical units: metre, litre, volt, ...
- Car controls symbols 
- Nuts and bolts (metric screw thread: ..., M6, M7, ...) 
- Bicycle and car tires: sizes and their notation 
- Digital photo formats (.jpg)
- Built-in kitchen gear dimensions
- Sea containers 

Unused potential

- Power systems, plugs and sockets (need an adapter plug on travel)
- Electronic equipment chargers (how many discards at home?)
- Railway width (a daily burden at borders, like France – Spain)
- Road side conventions (car design and supply chain – mirror images)



Innovation comes in many flavours

- Domain
 - Process – how does a company do things
 - Marketing and sales
 - Technology – Manufacture, Product, Tools, ...
- Minimally required collaboration
 - One (paper clip, post-it sticky notes)
 - Few (Car: ABS, air bag)
 - Broad community / “eco-system” (Internet, smart grid, containers)
- Nature
 - Micro steps / evolutionary
 - Technology waves
 - Break-through
- Phases – progress along the time line



Options for co-operation and alignment

- In-company only
- Small group of complementing partners
- Explicit standardization
 - Formal standards organization: international, regional, national
 - Consortium: small, broad
 - Ad-hoc / one-off versus ongoing
- De-facto standardization
 - Creating a non-ignorable reality in the market place
 - Leadership based: technology, brand, knowledge, market share
 - Can be deliberate or evolve spontaneously
- What is best?
 - **It depends:** on type of innovation, industry, ...



How do standards help for all?

- Encourage investment
 - Reduced complexity and uncertainty
 - Economy of scale
 - Shared development efforts
- Encourage demand
 - Reduced complexity and uncertainty
 - Broader choice at lower cost
 - No vendor lock-in
- Broaden choice
 - Enable multi-vendor solutions by interoperability
 - Create horizontal markets for enabling elements
 - Redirect innovation efforts to value adding differentiators



What about the standardization process?

- Speeds up development and innovation
 - Sharing knowledge
 - Sharing tools, common elements
- Optimizes outcomes and returns on investment
 - Confronting competing options early and explicitly
 - Multi-stakeholder comparison of alternatives
 - Discouraging prolonged investments in low-momentum options
- Helps create a healthy industry structure
 - Negotiation is inherent to the process
 - ensures there is something in it for all types of players
 - Tests and logo's to underpin interoperability promise
 - Bandwagon effect, often supported by active PR / branding



Where's the competitive advantage?

- Many flavours! Depends intimately on
 - Industry structure
 - Nature of the innovation / standardization
 - Business model and strategy
- Often a meaningful market proposition can only be supported jointly by many sorts of players (“eco-system”)
 - Complex symbiosis of competitors, complementers, ...
 - Technology, applications, infrastructure and market intimacy are equally indispensable
 - No returns without rivalry, but no business without collaboration
 - Fierce competition between similar players
 - Fierce power balance games between complementors



Typical strategies related to standards

- Price / performance leader in high volume horizontal markets
- Innovation leader: winning applications or services on top of commodities
- Niche player: differentiate on top of the standard, serving selected sub-segments
- Infrastructure provider: control an infrastructure and provide services on top of it
- Technology provider: perform R&D, collect license fees
- Typically most of these co-exist to the benefit of all
 - Though competition always creates winners and losers
 - And any strategy requires control points to succeed



Challenges to make it work

- Initially orchestrate purpose and action
(In the beginning there is chaos...)
 - Rivalry in the industry
 - Rivalry between regions and nations
 - Competing initiatives
 - Narrow sight
- Maximize the pie (value creation)
 - Create meaningful solutions and supportive momentum: attract and focus knowledge, resources, technology; bridge gaps
- Share the pie (fair value distribution)
 - Relative powers of players
 - Legal framework for horizontal cooperation, standardization
 - Industry politics – region, nation



Boundary conditions for success

- Companies must use standardization as a **tool** of business and innovation, **not** as a goal or routine
 - Start from business objectives and strategy
 - Work towards a viable market proposition
 - Identify financial return model at an early stage
 - Engage all player types needed in the value chain, with fair revenue opportunity for all
 - Match standardization mode to purpose: one size does **not** fit all
- Public authorities must **not** unduly steer or restrict the freedom to standardize in suitable ways, e.g. by
 - Overly strict application of competition law
 - Steering choice of standards organization or process
 - Limiting choice of contractual modes for technology sharing



What can public authorities do?

- In support of initial orchestration of purpose and action
 - Organize workshops, round tables; create white papers
 - Align regional industry and innovation spearheads
 - Leverage demand side effect of public procurement
- In support of maximizing the pie (value creation)
 - Set clear industry and innovation priorities
 - Provide matching support (subsidies, ...)
 - Allow and enable various standardization bodies and processes
 - Encourage standardization (education, infrastructure support, ...)
- In support of sharing the pie (fair value distribution)
 - Ensure level playing field
 - Ensure fair outlooks on reward for investment for all
 - E.g. IPR regime with up-front declaration of FRAND terms to balance needs of technology providers versus implementers



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Thank you for your attention