



PDHonline Course G150 (2 PDH)

Why Standards Matter

Instructor: Pamela Suett, B.S.

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PDH Online | PDH Center

5272 Meadow Estates Drive
Fairfax, VA 22030-6658
Phone & Fax: 703-988-0088
www.PDHonline.org
www.PDHcenter.com

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WHY STANDARDS MATTER

Lesson 5 – The Business of Standards

Topic: Lesson Overview

In this lesson, you will learn why standards are critical to establishing and maintaining a business and a strong economy. This lesson will demonstrate how standards, when properly implemented:

- help to expand national, regional and international markets;
- reduce costs and time to market for products and services;
- achieve competitive advantage.

Although you may believe that standards development is a technical issue and not directly related to you or your function and is “handled somewhere in engineering,” you will understand why standards development is also a business, marketing, and customer service issue.



When you complete this section, you will be able to:

- Recognize how standards are an integral part of every business;
- Recognize the role of standards in U.S. business and the global marketplace;
- Understand how standards improve efficiency and economy;
- Recognize how standards provide access to global markets for U.S. industry.

Key Terms and Acronyms for this Section – You can find a complete list of terms and Acronyms in the Glossary for this course, but here are ones you will need to know for this section.

- Standardization
- Technical barriers to trade
- International trade

Topic: It's Good Business - Standards Promote Efficiency and Economy in Business



By ensuring that standards are an integral part of their corporate business strategy, companies realize many benefits. Standardization improves efficiency in design, development, and material acquisition. It also conserves money, manpower, time, facilities, and natural resources by minimizing the number of sizes, the variety of processes, the amount of stock, and the paperwork that largely accounts for the overhead costs of manufacturing and selling.

Using standards, designers can be confident that they are designing products that embody recognized practices and approved levels of safety. Technical risks are minimized by using components that are proven to work for the intended application. By making possible large-scale productions of standard designs, standards encourage better tooling, more careful design, and more precise controls, thereby reducing the production of defective and surplus pieces.

Efficiencies in manufacturing are achieved using standards. By using standardized parts, manufacturers are able to reduce their costs by being able to choose from multiple sources of supply, rather than having to rely on custom materials or parts. Having multiple suppliers means that prices for standardized parts and materials remain competitive. Multiple buying sources for high volume items, use of a wider range of vendors, fewer shipments to check, fewer transactions, and improved delivery times all contribute to the bottom line.

Standards make mass production possible, lower the cost of research and development, and speed up manufacturing. Standards reduce product costs and

improve competition. When specifications for materials, fit, safety, performance, and dimensions have been standardized, manufacturers use them - it is good business.

Topic: Why All the Parts Fit - Standards Affect Interchangeability and Interoperability in Business



Products built using standards facilitate interchangeability and compatibility. This results in an increase in the number of sources of supply, increased competition, reduced risk, reduced inventories, increased worker productivity and economies of large-scale operation. Standards to promote interchangeability and compatibility can increase the technical efficiency of the economy by increasing the ease with which products of one firm can be substituted for and combined with products of another.

Topic: The World Is Getting Smaller and Markets Are Getting Bigger - Standards Provide U.S. Business Access to Global Markets



What benefits does international standardization bring to businesses?

International standards help to establish widely accepted common specifications for products, processes and services. As such, global standards facilitate international trade by, effectively, removing technical barriers to trade, leading to new markets and economic growth. For businesses, the widespread adoption of international standards means that suppliers can base the development of their products and services on reference documents that have broad market relevance. This, in turn, means that they are increasingly free to compete in many more markets around the world.

What benefits does international standardization bring to customers?

For customers, the worldwide compatibility of technology, which is achieved when products and services are based on international standards, brings them an increasingly wide choice of offers. They also benefit from the effects of competition among suppliers.

Topic: Lesson Activity

For more information on the strategic advantages of corporate involvement in the development and use of standards, see [Company Profiles of Standards Strategies](#).