DEVELOPMENT AS INNOVATION OF STANDARDS IN THE MARKET PLACE

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This presentation brings forward a slight different approach to the dominant philosophies of development. Its purpose is to go beyond the limitation of dominant philosophies of development that consider development as either economic growth or as an improvement of freedom, liberty and human rights. The philosophy that links development as innovation of standards recognizes the work of all technicians and technocrats working in the business world. This means that development is seen not only as the reduction of poverty, famine, unemployment, gender inequality and government oppression, but also it embraces the outcome of the labor of every technicians and technocrats related to the improvement of standards of products, services and quality of human life. Hence, the focus is on those standards that improve condition, processes, products and services utilized in the society with the aim of bringing satisfaction to the users and improving the quality of human life. The quality of human life refers to all multifaceted dynamic conditions of living that signal an advancement of wellbeing of people and their societies.This presentation will be divided into three parts: 1) definition of the term 'development', 2) importance of innovation of standards, 3) link between development and innovation of standards.

Keyword - Development standards innovation wellbeing human life

I. DEFINITION OF 'DEVELOPMENT'

The definition of the term Development as it is brought forward in this article synchronizes the common interest behind most of the definitions given by different scholars. This is because the ultimate aim that most scholars have in mind when comes to development is to see there is an improvement in the quality of life in the society. Hence, whether it is the income creation[1] or employment creation[2]or poverty reduction[3]or rights[4] or freedom[5], and so on, all these may mean nothing if they do not improve the quality of life of individual persons and their societies in general.

This article defines development as an improvement of the qualities that individuals and their society experience over time. Development can be divided into quality of standards and quality of human life. Quality of standards refers to those standards created by technicians and technocrats of different specialization with the aim of improving the quality of human life. In other words, an improvement of quality of standards is expected to produce a visible impact to the quality of human life, especially when they are appropriately enforced. On the other hand, a quality of human life refers to the degree of conditions which individuals and their societies at large live in and is universally acceptable to be so. Hence, the improvement of quality of standards and that of human life are related and are not only referring to income, employment and wealth as it is commonly used in traditional neoclassical economics, but also to all other multifaceted dynamic conditions of life that signal advancement in development including advancement in the wellbeing of individuals and their societies from a physical, mental, socioeconomic and political point of view. This makes development to be a complex phenomenon of dynamic improvement of qualities of standards and human life. These qualities are found not only to the increasing of income and wealth of people but also to the achievement of mass education, safe water, family planning, health services, infrastructure, andalike, that together in their combination do improve the quality of life of people as they live in their societies. And it is the examination of the dynamics of these standards in practical terms that development of individuals and their societies should be judged upon.

II. IMPORTANCE OF INNOVATION OF STANDARDS

Standards sets the means and ends of the development.[6]The rationale of standards as the means of development depends to a greater extent to who is the architecture of it, its means of enforcement, the type of standard and its intrinsic values expected to be achieved.

2.1 Who is the architecture?

Within the business world, various people are working hard for their person goals to produce goods and services that are consumed by other people. It is the self-interest argued in Smithian[7] tradition to make producers of goods and services improve the quality of goods and services they offer inthe market through

[1] This is the goal of most scholars belonging to the neoclassical school of thoughts.
[2] This belong to Keynesian school of thoughts.
[3]Written extensively by JeffreySachs (2005).
[4]Written extensively by William Easterly (2013).
[5]Written extensively by Amartya Sen (1999)

[6] The discussion of the means and ends of development was already discussed by Paul Streeten in (1994). In this article I have just modify the approach so that it can fit my discussion of standardization.
[7]Stigler (1976)

specialization. Through these processes of improvement, the innovation of standards occurs.

It is easy to argue that most standards are not set by private business companies. This is true but in a very narrow sense. In the broader sense the standard setting organization (SSO) can be either purely private or public or may involve varying degrees of interaction between them, from which standards produced on the goods and services by the private business companies must meet certain values. There are many businesses not known to specialize directly in standards setting, yet do intuitively produce standards in uncoordinated fashion. For example, in the market where each company is designing astandard that fits its operations and that brings needed returns to the company, some companies may find themselves setting de facto standards in the markets. They intuitively producedifferent standards that are adopted by the society as they perform their daily duties, without formally declaring such standards as it is done by the SSOs. Such standards may be seen in the daily operation of the business, the decisions on the quality of products and services to be offered by organizations and the overall process of production and certification. For example, Microsoft operating systems (Windows) has gradually became a standard for programmers creating applications for personal computers. Adobe, as another example, has created a common standard for computer readable documents with its PDF file system. These two examples gives a clear hint of how individual innovations in the business world are sometimes adopted with such universality that they become standards.

Apart from public and private organizations within the country there are also internationally known organizations that produces standards for the business world. A good example of a standard setting organization is the World Trade Organization (WTO), which is international organization dealing with the rules of trade between nations. This organization is not trading any merchandise product, however it sets standards for international merchandise trade between member nations. This makes the WTO to define standards by its specific characteristics of a merchandise product— such as its size, shape, design, functions and performance, or the way it is labeled or packaged before it is put on sale on international market.[8]This means that the standard ofa product as set by the WTO offers that bottom line or theminimum requirement of the quality of a product to be acceptedfor trade between member nations.

2.2 Means of enforcement

We must remember that when experts innovate a standard of a product orservice, they technically do nothing to impact our lives, unless that product or service is delivered to the customers and it is utilized. This means that, although in many cases innovation of standardsby interested parties may be seen to be a voluntary act, there is a great risk of a standard to remain a document or a sample product and service that is there to be shelved. This is one among many weaknesses of standards. Standards may be ignored by interested parties just because of the fact that they lack enforcement mechanisms especially when such standards are based on voluntary consensus and hence continue to be assumed for voluntary use. Until when the laws and regulations of a country refer to and make compliance mandatory, interested parties may continue to ignore these standards without facing any legal sanctions. However, for reasons such as safety, health, environmental, and trade malpractice many countries do make compliance to certain standards mandatory, backing them up by the force of law and administrative regulations. It is until when these standards become mandatory, sanction to wrongdoers cannot be effectively enforced.

2.3 Types of standards

For the purpose of this article, I will mention different types of standards that act as the means to development by grouping them in four categories: (1) standards on products, (2) standards on producers, (3) standards on consumers, (4) standards on professional certifiers and certification. In their combination especially when appropriately enforced all of these categories of standards act as the means to development.

1. Standards on products

The aim of these standards is to categorize products of differentclasses, quantity or quality. They are often set to limit negativeconsequences that can be caused by the utility of that product. Inmost cases, an appropriate check and control of these standardsis expected to help organizations identify and controlpossibilities of having inefficient performance, and otherundesirable outcomes that might be generated from the product.

Standards on product can be set along its value chain or for other purposes such as uniformity, comparability,conformity.As different products from different companies are entering themarket, standards are needed to ensure the safety of not only consumers, but also producers and all those who are involved inother product logistics such as transportation, storage and sales. Think about acidic or explosive products. A particular handling is needed from when the product is still a raw material to whenit is consumed. Or think about the quality of food entering the market. Which standards should be adhered to for the food to be considered safe for human use? This is why there is the ISO 22000. This is the family of standards for global food safety

[8]http://www.wto.org/english/tratop_e/tbt_e/tbt_info_e.htm

published from 2005 intending to ensure that there are no weak links that may cause hazards along the entire food supply chains within and outside national boundaries.

Example of uniformity and comparability may be the level of alcohol found in a bottle. If it is not uniform then it cannot be compared, and hence there is high risk of customers' dissatisfaction.

Standards on products which focus on the comparability of products are designed to ensure that two or more related products or processes will fit, operate or communicate with one another. Farrell and Saloner (1986) onceargued that there are three benefits on standardized products based on their comparability. The first regards theinterchangeability of complementary products such as computersoftware, VCR tapes, phonographic records, cassette tapes, andcamera lenses even when are produced by different companiesfrom different economies or sectors. The Second is ease ofcommunication (between people or between people and machines). The most important example is that oftelecommunications networks: the value to each telephone subscriber depends on the number of other people on the network. The third is cost savings: standardization especially interchangeability of parts, facilitates mass production.

2. Standards on producers

In order to prevent negative consequences from the use of products we produce, we must also focus on the setting of standards for those who are engaged in the process of production. The quality of human resources engaged in the process of production is one of the key preliminary factors to determine the standard of goods and services offered in the market and portrays those qualities producers must possess during the entire process of production and in after sales services. Such standards on producers are expressed in terms of codes of practice or guidelines or ethical codes issued by an official body or a professional association or a company itself and offer those guidelines outlining the responsibilities of, or proper practices for, specific individuals, teams and the entire organization from ethical point of view.

In the family of ISO 22000, for example, there is ISO 22004-2014 which contains specific guidance from which, among many others, the top management is required to provide evidence of engagement to the food safety management system including the setting of awareness and leadership initiatives linked to the development and implementation of the system.

3. Standards on customers

The idea behind standards on customers is that customer's satisfaction and eventually the success of customers, either directly or indirectly, adds value to goods and services offered in the market. Products that meet the expectations of customers and make them successful deserve a higher rate of return. Serious negative consequences may occur in long run and may sometimes add extra costs to producers if a product is used by wrong customers. It is for this reason that producers must keenly set standards that segment and classify customers in relation to the nature of their products, to give customers the right information on the utility of such products and to design appropriate customer care services that make customers successful. However, the types of standards that must be referred to customers depend on the mission and other expectations of the organization that is setting it. Most companies do set standards based on the marketability of their goods and services, while the government is more likely to set standards that are based on fair competition and that guarantee peace and security in the country. In the same way, the nonprofit organizations will set their own standards based on their purpose of existence. Customer associations will also set standards which aim to protect customers' interests. This makes it even harder to have a universal accepted standard on customers. A particular attention should be given to those standards that classify and segment customers (for example, only18+years old can consume a particular product), standards that state how customers should be informed about a particular product (for example, 'Smoke kills' words on all cigarette boxes), and standards on customer care service (a very sick person should be attended first, or a rich customer should be given priority).

4. Professional Certifier and Certification Standards

The professional certifier and certification standards definecriteria of performance for certifiers by setting the minimum requirement of compliance they must have and modality of certification they are supposed to abide to. Most certifiers such as those in finance, procurement, environmental, and pharmaceutics are supposed to have certain qualifications and experiences for them to be acceptable within their field of specialization. Such qualifications, when met, do signal to the society important information that builds confidence of interested parties. The entire process of certification of a products, services and processes must be conducted by a person who is reliable and whose qualifications are well known by correct technocratic institutions. Such technocratic institutions must be made up of most prominent technicians and technocratsof related specialization. All those who are not recognized bythese technocratic institutions must be seen as non-certified experts and their work becomes alien to the technocratic authority. Hence, being recognized by technocratic authority means that the certifier's work is in accordance to certain competence standards accepted professionally. Such specific competence

standards should portray ethics of a standard certifier1. from which his minimum competence, knowledge and skills can be predetermined.

2.4 Innovation of standardsand intrinsic values of goods and services

It is an argument among advocates of standards that standards are a source of information that helps, instead of preventing, innovation activities in many companies[9]. This is an antithesis of a belief that regulations prevent innovation activities. Actually, Swann (2010) found that most innovative firms are good at finding information in standards, and, because they are 'pushing the boundary', they also find that certain regulations constrain their innovative activities - but do not prevent.

The idea to be considered here is the fact that innovation of standards has an impact to the intrinsic values of goods and services.This idea has already been discussed by DeMunck (2011) when observing the early modern guilds' regulations related to product quality.[10] In his research De Munck recognized the relation between product standardization and its intrinsic value. Intrinsic value in this sense was the quality of raw material used rather than design, decoration or the shape of a product. For example, in textiles, the quality of fibers used was essential to determine the intrinsic value of a product. So the quality of raw material and its standardization had an impact to the intrinsic value of a product.

Today, we know the fact that all other types of standards can influence the intrinsic value of a product. Product of low quality can be valued basing on the quality of its producers (are they in the market for a long time or they are startup?), quality of certifiers and certification procedures of that product (is the product coming from a country with strong regulation procedures or not?) and the quality of customers known to have used the product (how successful or happy are the customers?). This explains why certainproducts from a certain country may fail tocompete with productsof other countries due to a predetermined perception of the market on the quality of goods and services from that country. And if that country is not upgrading its standards, the market will continue to consider its products of a poor quality.

Link between development and innovation of standards

Although economists have long assumed that standardization might have important benefits, it was argued by Haimowitz and Warren (2007) that economic literature that theoretically and empirically study the role of standards is a relatively recent phenomenon. In the research based on an extensive number of keywords in the scientific domains of management, environment, economics, computer and information systems, chemistry and telecommunication and electro-technology, Blind (2013) found that there are an increasing number of publication of literature on standards and standardization in relation to management, economics and business. However, the presence of few publications on standards within development economics may be due to the fact that most researchers on this subject are from developed countries and they have shown a limited or a completely no interest to treat separately standards for developed world from those of developing world.[11]The link between standards and development as it is defined in this article aim to remind technicians and technocrats to take aparticular interest in examining different conditions ofdeveloping countries when setting standards for their products and services andthat an enforcement of any standard in practical terms may have eitherdirect or indirect impact on the quality of life of people and theirsocieties. However, when approaching this subject we mustunderstand that there is no single standard that can tackle allproblems of a developing country. Actually most organizations produce standards that are not the ends of development per se, but rather the means to be used to achieve 'restricted' objectives and goals of their organizations, forgetting the fact that sometimes aggregate benefits of standards may offset individual organization's benefits. Development, in its broader terms, needs a holistic approach. It requires us to pay attention to vital synergies of standards, if we want to improve the quality of human life. Most technicians and technocrats will continue to fail to bring development to the people if they continue torestrict their efforts to their respective areas of specialization, without opening up to other related specializations where the pool of other standards is found.

[9]This is well discussed in the article of Peter G.M Swann (2010) downloadable at http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.618.5922&rep=rep1&type=pdf

[10]This was a research on the 'economics of convention' from which De Munck argues that convention theorists have shown that economic choices and actions are based upon conventions, which may be defined as implicit (common) rules or knowledge, collective representations, shared models of judgement or common interpretative contexts.

[11] I do understand there are macroeconomics studies in Europe that have even concluded that Standards contribute to economic growth at a rate of about one percent per annum and that the macroeconomic benefits of standardization exceed the benefits to companies alone (DIN (2000) report). But the report was not talking about developing countries. The document can be downloaded at:https://www.din.de/blob/89552/68849fab0eeeaafb56c5a3ffee9959c5/economic-benefits-of-standardization-en-data.pdf

As mentioned above, some problems related to innovation ofstandards must also be observed from the horizons of an extended macro-economic policy of the country. Since 1980s we know that most of developing countries have been under pressure to free their economy to allow the business of a country to be driven by the market forces. As the result, the market is seen as the main driver of socio-economic, cultural and political policies of many developing countries today. This causes problems that demand solution of its own kind when comes to innovation of standards. By the nature of free market, competition between individualistic private companies becomes the backbone of the economy of a country and the dominant theory that foster free market sees market can clear when left on its own and that when market clears, development occurs. This free market approach restricts government intervention in the economy to allow private sector flourishing hoping development of a country will also occur. In this context, most standards are set by the private sector and continue to be guided by selfish ambitions of maximizing profit of most business organizations. As we can remember, private sector may either form de facto or de jure standards. The former has noformally-knowninnovator of it and in most cases its standard isnot written and its origin may not be easily detected, and even when it is detected, the innovator may have no rights of ownership to them. For example, the innovator may build a new house using certain materials on the walls, after a time he mayfind that all of his neighbors have admired his house and they havedecided to copy all the materials on their houses. At the end, the standard type of material used to build a house may be similar to all houses in that street. Thanks to free market policies, innovation and creativity of new standards may be encouraged, but its benefits may not be attributed to its innovator.This means that there is the possibility of the rest of the people to benefit something out of the sweating of the few innovators. On the other hand, this is not true to the other types of standards from which we expect a standard to have a formally recognized innovator of it. In some cases, innovators— such as organizations for suppliers, producers and consumers— do retain legal ownership of the right. In such case, they can restrict others from using particular technical specifications in their businesses even when the use without restriction brings more aggregate benefits to the society compared to with restriction. Ethics in free market is very complicated, to the extent that sometimes market may tend to be seen as ethics-free. When standards are left to be set by the market, there is a high risk of technicians and technocrats in such market to propose standards that would give certain companies a competitive advantage over others, at the expense of the development of the entire society. Hence inappropriate setting of standards can have negative impact on not only economic values such as productivity through reducing choice, reducing competition and creating technical barriers to trade but also noneconomic values such as peace and security, misery and underdevelopment of people in general. It is therefore important to consider that the contribution of standards to the wellbeing of people must be checked and controlled by third parties, not only to provide greater insights into drivers of development led by free market but also to provide an internationally comparable development metrics which benchmark the influence of standardization activities and the development of people and their societies. This should however engage all other for-profit and non-profit stakeholders including the public sector.

Hence, standard innovators must understand that free market left on its own may lead to economic stagnation or a slow pace of development and mayrestrict improvement the quality of life of all people. Many scholars todayagree that we need market economy, but unchecked and uncontrolled market may have a cost to the development of a country. The government intervention in certain areas of market is necessary in order to reduce unethical competition and antitrust between different companies in the private sector that may lead to instability of the economy, misery, poverty and slow pace of development.

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