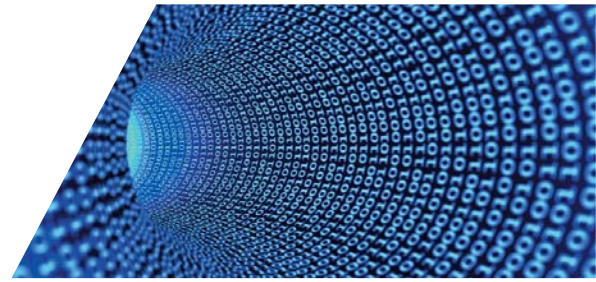


Rising standards



Can adopting management practice and other standards be an investment rather than a cost? Wendy M Grossman tries to measure.

These are tough times for small-to-medium-sized enterprises. The state of the economy means access to credit is a continuing struggle to present a compelling business case. At the same time, the business out there to grab is limited, and the competition is fierce. The complex regulatory environment makes it hard to know which regulations a company needs to comply with, how to do it, and what the risks are if they get it wrong. Finally, simply gaining access to the market can be a challenge; SMEs must find ways to demonstrate that they are credible suppliers just to get on the supply chain list. At the same time, SMEs must work to retain the confidence of stakeholders such as shareholders, financial lenders, customers, and employees or lose out to the competition.

All of these issues, taken together, create a confusing and complex environment in which to operate, especially given the limited resources most SMEs have. One way of tackling these problems, particularly new regulations whose impact is uncertain, is to adopt standards. Many SMEs think of standards compliance and auditing as expensive exercises designed primarily for large enterprises. The reality is quite different.

Adding value

"A lot of people think standards are just for big companies because they're complex, expensive tools. Nothing could be further from the truth," says Howard Kerr, Chief Executive of the British Standards Institution.

Four countries lead the world in writing standards: Britain, Germany, France, and the US – with Britain leading the way. Based in Chiswick, BSI maintains more than 35,000 standards, and is author of some of the most widely used standards worldwide. It was the originator of ISO 9001 (quality), ISO 14001 (environment), ISO 27001 (information security), ISO 20000-1 (IT services management), ISO 10002 (complaints), OHSAS 18001 (health and safety), and ISO 22301 (business continuity management). Of its 64,000+ customers worldwide, says Kerr, while many are indeed large global organisations, a large number are SMEs.

"Don't look at it as a cost, look at it as an investment in your business." Howard Kerr

"Even small companies may be complex enough to benefit from our tools," he says. "BSI certification is hard to get, and it adds real value, though we're not the cheapest organisation at what we do." He likes to cite the case of the customer that implemented an energy management system standard and showed up to present the results carrying a suitcase that turned out to be full of cash – approximately £200,000 – representing the amount the business had saved as a result.

Kerr, whose background includes a stint in the shipping industry, points to shipping as an example of the benefits that standards bring – and of the continual challenge to find the next source of innovation. "Somebody in the 1950s or 1960s decided on a standard size of container, and every ship, truck, railway, and port is designed around that standard. Now it's a fraction of the cost to ship goods that it was 20 to 30 years ago." He adds, "Those benefits are now locked in. What do we do next?"

Creating knowledge

"The best standards are created by consensus," says Dr Scott Steedman, BSI's Director of Standards.

The job of developing each of the 2,500 or so new standards BSI publishes every year begins with pulling together a range of experts with a variety of viewpoints, typically including representatives from academia, the public sector, and business. The process takes six to 24 months, and requires participants to reach a consensus. The effect is much like peer-review in scientific journals.

What may seem odd to outsiders, Steedman explains, is that competing businesses will send representatives to collaborate. But it's logical to do this, he says, because cooperating to agree on standards benefits all sides. As an example, he points to the first standard BSI ever wrote, an engineering standard for UK trams, which allowed everyone's trams to run on each other's rails. Today's standards are more about business processes and intangibles than physical engineering, but the principle is the same.

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Steedman believes that standards are especially important in driving innovation and the adoption of emerging technology. "If you're making products out of new materials," he says, "unless you involve the standards community at the beginning you may be using chemicals that are hard to get past public safety and you need to understand them to avoid downstream problems. Or you're making a new widget, but unless when you're doing research you have some idea how the widget might be tested in a manufacturing situation you're likely to end up designing it in ways that cannot be easily tested and then you can't get it to market. Then you've reinvented the wheel and added years to the innovation cycle."

It sounds odd at first to think of standards – a world many people assume is stuffy and rigid – as a way of accelerating the future. But then Steedman tells you what he's working on: getting ahead on developing best practices for smart cities driven by instruments, sensors, and data analytics.

"We're looking to integrate standardization earlier in the cycle so we can accelerate it," he says. "I feel that the world today is full of information, but not very much knowledge," he says, adding that knowledge is exactly what businesses need when they're trying to innovate. "Standards are the fundamental architecture that supports accelerating organisations to realise their ambitions," he says.



Dr Scott Steedman



Howard Kerr



Investing in innovation

BSI cites figures from its 2011 customer research to quantify benefits to its customers from adopting ISO 9001: 75% improved their levels of customer satisfaction and loyalty, 74% acquired new customers and retained existing clients, 44% achieved cost savings. Cost savings were (logically) higher from the environmental standard – 63%. From adopting the infosecurity standard, 38% realised cost savings, 48% increased sales revenues, and 59% increased their recovery speed.

Besides that, Kerr believes that adopting standards is an important way for UK businesses to gain access to international markets, inline with David Cameron's stated goal of creating a better balanced British economy that is less dependent on financial services.

"Standards are the fundamental architecture that supports accelerating organisations to realise their ambitions." Scott Steedman

"Our role is to help SMEs gain access to international markets," he says. "We are an innovator in standards to help these businesses gain credibility." At the same time, Kerr believes that adopting standards can help businesses improve their resilience.

"Getting the basics right gives a framework and a frame of reference so that as you grow you don't lose sight of what's really important," he says. Tough times and changing markets force businesses to reinvent themselves on a regular basis. Standards, he argues, ensure that when those reinventions take place the business continues to adhere to its core principles. "That's what makes you strong and enables you to remain the same throughout those changes."

Kerr concludes, "Don't look at it as a cost, look at it as an investment in your business."

Cleardata

The 40-person company Cleardata scans and securely archives more than three million documents per month for businesses throughout the UK. Much of this work involves managing and caring for highly sensitive and business-critical information, requiring customers to place a great deal of trust in Cleardata's systems. In addition, the series of well-publicised data breaches over the last few years have raised awareness of the risks inherent in large data stores. Accordingly, Cleardata needs to be able to demonstrate its trustworthiness to both existing and prospective customers. In 2010, the company added ISO 27001 (information security management) to its existing ISO 9001 (quality management) certification.

The company credits certification with increasing its business confidence by helping to validate its efforts, and also with improving its



employees' understanding of what's expected of them in terms of quality and security awareness.

Cleardata sees the independent auditing by BSI involved in both certifications as a logical investment in the interests of reassuring customers that their data would be safe. Not long after completing ISO 27001, Cleardata was awarded a £90,000 contract over six other companies to scan large-format documents for a utility company. Significantly, the utility company noted that its choice of Cleardata was not based on price but on the quality and security of its business.

Anti-Bribery

The UK's Anti-Bribery Act, which passed in 2010 and created a new offence of "failure of a commercial organisation to prevent bribery", raised new concerns for British businesses. Adapting to this new regulatory regime, Howard Kerr explains, requires businesses to change their mindset significantly.

"From an HR perspective, we're all trained within businesses to trust our people - we coach them, mentor them, and give them responsibility so they can show how well they can perform," he says. "Then in contrast, a number of regulations say, don't trust anybody, have checks and controls in place."

The uncertainties around what the new legislation would mean delayed the Act by six months while businesses pushed back seeking answers to their questions about how businesses could demonstrate compliance, since failure would mean directors could potentially go to jail.

BSI launched its anti-bribery management system standard (BSI 10500) in December 2011 to solve this conundrum and enable trust while still protecting companies from rogue individuals.

"Our standard provides an industry agreed benchmark to demonstrate compliance to the act and then if there is ever a rogue individual a company can show that as a corporation it takes it extremely seriously and did everything possible to prevent it from happening," says Howard Kerr.

Adds Howard Kerr, "It's written so businesses of any size can adopt it in a pragmatic way."