S. Joe Bhatia President and CEO American National Standards Institute	**2007 ASQ World Conference** Orlando, Florida Introductory Remarks – 8:30 am April 30, 2007 *838 words – approximately 6.75 minutes speaking time*

Conference title: Fueling Innovation through People and Quality
Joe Bhatia will introduce Alan Bryden and explain the ISO/ANSI/ASQ connection.
(8:30 – 8:37 am)

Good morning everyone.

In 1999, the *Economist* reported that more than half of America's economic growth was from industries that barely existed a decade earlier. Editors predicted that the current industrial cycle – powered by digital networks, software and new media – would run its course within five to six years.

Their prediction held true. We ARE in a new cycle . . . one that is driven <u>less</u> by hi-tech innovation and more by the development of innovations that promote a sustainable service economy.

<u>People</u> and <u>systems</u> support such an economy.

(*pause*)

ASQ is an organization that showcases a profession dedicated to the advancement of knowledge, learning and quality improvement. Your efforts cut across an incredibly broad spectrum of products, services and industries, helping to enhance business competitiveness and improve society.

The relationship between our organizations is a very special one:

- In October, we will celebrate ASQ's 50th anniversary as an ANSI member.
- In 1977, you were accredited by ANSI as a developer of American National Standards.
- In 1991, our organizations came together in a commitment to quality with the formation of the ANSI-RAB National Accreditation Program.
- And two years ago, we formally joined together as business partners when we transformed this program by creating A.N.A.B., the ANSI-ASQ National Accreditation Board.

ANSI is proud to work with ASQ as a business partner. Together, we've accredited more than 120 certification programs for quality and environmental management systems such as ISO 9000 and ISO 14000.

ANAB has become the preeminent mark for accredited certificates issued to these standards.

The programs that we accredit facilitate the cross-border recognition of organizations that produce the products and services needed for global trade and the betterment of society.

(*pause)*

Before turning the program over to this morning's keynote speaker, let me also explain how the ANSI-ASQ relationship extends to ISO . . .

The International Organization for Standardization is a worldwide federation of nearly 160 national standards bodies. ANSI is the U.S. member body for the United States – and we've been there since the beginning . . . helping to form ISO in 1946.

ANSI is one of the most active member bodies, participating on nearly 80% of all ISO technical committees and subcommittees and all the major policy committees.

Much like ANSI accredits standards developing bodies, we also accredit Technical Advisory Groups – also known as TAGs – to develop U.S. positions for matters coming before ISO technical committees. These positions are then submitted via ANSI to ISO.

(*pause)*

One of ASQ's first forays into the world of ISO came in 1973 when you became involved in the work of ISO Technical Committee 69, *Application of Statistical Methods*.

Just a few years later, ASQ assumed responsibility for the U.S. TAG to ISO TC 176, *Quality Assurance*, and direct administration of one of the international subcommittees of the technical committee itself. As most of you know, TC 176 is responsible for the development and maintenance of the ISO 9000 family of quality standards, as well as the first international standard on social responsibility.

And more than a decade ago, ASQ also took on administrator duties for the TAG to TC 207, which is responsible for the ISO 14000 family of environmental management system standards.

Today, the ISO 9000 and ISO 14000 series are the most well known standards anywhere in the world. They have been implemented by well over a half-million organizations in more than 160 countries. And

they have provided the foundation for numerous sector-specific implementations – from the aerospace, telecom and automotive industries to hospitals and educational institutions.

What management systems standards will come next? The future is always hard to predict. But this morning's keynote speaker has his finger on the pulse of global standardization trends and he'll be sharing his insights with us . . .

 (pause)

Alan Bryden is Secretary General of the International Organization for Standardization.

Since his arrival in March 2003, Alan has helped ISO forge innovative standards and conformity assessment work in new and existing areas such as safety, security and social responsibility.

Before relocating to Geneva, Alan served for four years as Director General of the French national standards body, AFNOR, and for nearly 20 years as Director General of the French national testing laboratory (LNE). He founded the European Federation of Measurement, Testing and Analytical Laboratories and chaired the Laboratories Committee of the International Laboratory Accreditation Cooperation (ILAC). He was also Vice-President of the first Committee on Technical Barriers to Trade in GATT (now the World Trade Organization).

(*pause*)

I think it's worth noting that Alan began his career in standards and metrology, here in the U.S. at the National Bureau of Standards – known today as the National Institute of Standards and Technology, or NIST.

[*turn to Alan Bryden*]   Alan, I'm sure you'll agree that it was your time here in the States that laid the foundation for your successful career in standards and conformity assessment.

Ladies and gentlemen, please help me welcome my colleague and friend, Alan Bryden.

(lead applause)

END

Standards: Limiting or Driving Innovation
A panel discussion of emerging concepts related to standards and innovation within the United States
(Panel: 4:15 – 5:00 pm – Bhatia remarks: 20 minutes)

Thank you for the introduction, Paul.   Good afternoon everyone.

(*pause*)

For many, a discussion of innovation brings to mind the IT sector and the incredibly fast development of technology in that area. For others, it might be healthcare and the medical research that is unlocking the secrets of disease. Or it could be energy and the push for alternative and renewable sources as we try to move away from dependence on foreign oil.

Innovation is today's hot topic and everyone is talking about it.

Some of you may be familiar with the series that *BusinessWeek* magazine has created to give ongoing attention to the business of innovation and design.

About a year ago, the editor of that section, Bruce Nussbaum, wrote an article that compared the "Innovation Movement" to the "Quality Movement." Bruce predicted that corporate America will take 20+ years to embrace innovation . . . just like it took 20 years to embrace quality.[1]

One of the comments posted in response to that article suggested that it was a mistake to imply that the innovation movement is separate from the quality movement.   I thought that was a very interesting perspective, and a great way to introduce what I want to talk about this afternoon . . . . the relationship between innovation, standards and quality.

(*pause*)

---

[1] Bruce Nussbaum, assistant managing editor in charge of innovation and design coverage, *BusinessWeek*, June 28, 2006

Let's think of <u>innovation</u> as a good idea that takes hold and is embraced for widespread use.

Renowned innovators – from Thomas Edison to the guys at Google – were always able to convince others of the power of their good ideas and the benefits that would come with acceptance and implementation.[2]

Standardization must be approached in the same way. Standards are good ideas that take hold and are embraced for widespread use. The issue today, however, is awareness and understanding.

We must convince business and government leaders that market-driven, voluntary consensus standards are good ideas to be embraced and implemented. The benefit of acceptance will be the enhancement of our national prosperity and the betterment of society.

(*pause*)

In a February 2007 op-ed piece published in the *Washington Post*, Bill Gates wrote, "Innovation is the source of U.S. economic leadership and the foundation for our competitiveness in the global economy." He went on to credit the government's investment in research and development as one of the three primary reasons why America has been so successful at transforming new ideas into successful businesses.[3]

The power of new knowledge to generate economic growth has helped wake up Washington to the importance of science and technology. From the Internet to biofuels, many of society's most recent advancements are the result of federal government investment. But support from <u>both</u> the public <u>and</u> the private sectors is necessary to develop new products and services, deliver them to market, and support their acceptance.

Innovation is the fuel of economic engines. Standards are a critical element of the formula. They are well-suited partners because one builds upon the other:

▪ In some cases, a standard will precede innovation by establishing a baseline for design and performance that will satisfy user requirements. That standard must provide enough flexibility that suppliers or manufacturers can vary features, function or price to establish a niche that positions them with a marketplace advantage. These variances help to elevate user expectations and raise the bar for the next edition of the standard.

---

[2] Robert I. Sutton, Professor- Management Science and Engineering, Stanford
[3] Three reasons cited in Bill Gates op-ed: (1) government investment in research and development, (2) the role of strong intellectual property laws, and (3) efficient capital markets.

- Other times, an innovative idea that finds its place in the market becomes the foundation of a new standard, which then becomes the physical documentation of an agreed-upon solution that has already been time-tested and proven.

Taken together, innovation and standardization create new opportunities for growth and reshape familiar landscapes.

But let's be fair in our assessment – there are competitive forces at play in the world of standards, too. The incorporation of a particular technology in a standard has the potential to shut competing technologies out of a market.

Similarly, innovation can bring down an entire industry . . . . transistor technology disrupted the vacuum-tube industry and CDs killed the needle in the groove. One technology is replaced by new opportunity. This constant state of "creative destruction" had become the hallmark of technological innovation and a healthy, vibrant economy[4].

(*pause*)

Innovation and standardization bring everyone along on the journey: business, government, science and engineering, research and education . . . and quality professionals.

In fact, your engagement in the process of innovation is probably greater than others because you have such a direct involvement in the science of measurement across a broad spectrum of industries.

You help to demonstrate the quality of an innovative product, service, system or person by identifying its measurable components. You may also be involved in conducting the assessment of compliance.

You have a hands-on involvement in the business of innovation.

And so does ANSI.

As the umbrella organization for the U.S. standards and conformity assessment community, ANSI invites all affected stakeholders to engage in the development of the voluntary standards that will carry innovations to the market. We rely on organizations like ASQ and the hundreds of other ANSI-accredited standards developers and conformity assessment bodies for assistance.

---

[4] "Rule-breaking" theory of economics; Joseph Schumpeter, Austrian economist, 1942.

(*pause*)

We must also be realistic in our expectations of ourselves. If we are to objectively view whether we, as traditional standards bodies, are evolving fast enough to keep pace with innovation, then the answer is . . . probably not.

But then again, standardizing every new idea is not practical, necessary or cost effective. In most cases, voluntary standards document what the marketplace has accepted. Innovation precedes marketplace acceptance.

Some industries have turned to non-traditional groups such as consortia and other forums to become more involved in standards-setting activities because they are perceived to move more quickly.

The *United States Standards Strategy* supports this approach – encouraging each sector to select the standards-development method that best supports its needs. The Strategy offers a framework that advances trade issues in the global marketplace, enhances consumer health and safety, meets stakeholder needs and promotes U.S. viewpoints in the regional and international arena.

Recent trends point to an increasing number of partnerships between consortia groups and traditional standards-setting bodies. This collaboration combines the speed of development that is often associated with non-traditional groups with the consensus and due process requirements that are the hallmarks of more formal standards-development bodies.

(*pause*)

What happens when a standard is set too quickly? Does it stifle or otherwise inhibit innovation? . . . .
No more than any other type of competition.

In the development of American National Standards, for example, we always try to avoid the conflict that can arise from duplicative or overlapping standards. But we also recognize that conflict can and will exist when innovative ideas are being presented to the marketplace.

There has to be room within the system to allow new standards to emerge that may overlap or be inconsistent with existing documents. There has to be some flexibility.

(*pause*)

When I started my career, the approach to standards was very "nuts and bolts." Generally the work that we did was in the scope of one's own company, and often domestic in focus.

That's not the way standards operate anymore. Over the years, industries have begun to leverage standards, technical regulations and the related compliance programs to boost their competitive position in the marketplace, domestically <u>and</u> globally.

The tide has shifted from a vast majority of design-specific standards to performance standards and, as you know so well, a growing library of management system standards that are applicable across industry sectors.

The pace of change is rapid. I mentioned in my remarks this morning that <u>more than half</u> of America's economic growth comes from industries that barely existed in the early 1990's.[5] As a result, the newest standards and conformity assessment activities are showing up in non-traditional areas.

So we see that we have made the shift to a service economy.

- Services account for nearly three quarters of our U.S. GDP and roughly 30 percent of the total value of America's exports.
- Service workers dominate in our workforce . . . . holding 8 out of 10 U.S. jobs. The numbers apply globally.

Today, the most talented and highly skilled workers in every country comprise a global and mobile workforce. They either gravitate to where the best jobs are located or leverage information technologies to make it possible for them to stay home and yet work abroad.

This phenomenon created a new need: an international standard – and a corresponding accreditation program – for bodies that certify personnel. We were quick to respond. The need was satisfied with the publication of ISO/IEC 17024 in 2003.

(*pause*)

Getting onboard and involved in emerging areas of standardization is essential to instilling consumer confidence and using innovation for competitive advantage.

---

[5] *Economist*, February 20, 1999

ANSI has considerable experience bringing together disparate groups for the development of standards in innovative areas. We have a successful track record of establishing and administering standards panels to:

- coordinate the efforts of the private and public sectors,
- identify existing standards and compliance programs, and
- define where gaps exist and recommend where additional work is needed.

The Homeland Security Standards Panel – ANSI's first – was created in 2003 in conjunction with our support of the 9-11 Commission; this was followed one year later by the Nanotechnology Standards Panel.

The Healthcare Information Technology Standards Panel, formed in late 2005, delivered its first set of recommendations to the U.S. Department of Health and Human Services in less than one year. This panel's work is bringing us closer and closer to realizing electronic health records for every American.

In the fall of 2006, ANSI launched a panel to address the need for standards in the area of identity theft prevention and ID management. Talk about a topic that has broad impact . . . more than 18 million Americans have been the victims of identity-related fraud over the past two years, crossing all aspects of their personal and financial life.

Next on the horizon is the topic of alternative energy resources.

Recent events have propelled biofuel-related issues to the forefront of domestic and international trade discussions. In just a few days, on May 9th, ANSI will launch our new Biofuels Standards Panel. Like its siblings before it, this Panel will bring to the table a wide range of interests: from energy suppliers and manufacturers; to government regulators and consumers, and many more.

(*pause*)

We need to act quickly and decisively when issues arise. Experience has shown us what can happen when the U.S. does not step forward in a leadership role . . .

As some of you may recall, when the work of a new ISO Technical Committee known as TC 176 was just getting underway, American industry was not actively involved. The committee eventually published a family of standards to address what an organization does to . . . <u>fulfill</u> both customer and regulatory requirements . . . . <u>enhance</u> customer satisfaction, and . . . . <u>achieve</u> continual improvement of its performance.

Very well known as the "ISO 9000" family, these standards have become reference points for quality management requirements in business-to-business dealings around the globe. They are the most widely recognized standards that ISO has ever published. And they were first created with little U.S. industry involvement.

We learned from experience.

When the proposal was made to create a new ISO TC focused on the establishment of an <u>environmental</u> management system, U.S. industry knew that it had to be at the table. ANSI and ASQ immediately stepped forward to play a leading role in the development of the ISO 14000 family.

(*long pause*)

Businesses operating in the global marketplace made it clear that they wanted to prove compliance with a single set of quality requirements . . . regardless of location. Their mantra:

"One Standard—One Test—Accepted Everywhere"

The ISO 9000 and ISO 14000 standards addressed some of the needs that had been identified by multinational companies.

And ANSI and ASQ stepped forward almost 20 years ago to promote confidence in the competence of those certifying the implementation of these management systems - when we signed the ANSI-RAB National Accreditation Program agreement. This partnership was greatly strengthened at the end of 2004 when we formally united in the creation of the ANSI-ASQ National Accreditation Board, LLC (or "A.N.A.B.").

Through A.N.A.B., we have accredited more than 120 certification programs for quality and environmental management systems. These system-wide approaches have a tremendous impact for companies doing business in the global marketplace.

The impact can be seen in dollars and cents. . . . Current estimates maintain that standards and conformity assessment influence 80% of all exports – that's more than ten trillion dollars.

The object of conformity assessment programs is to assure customer acceptance through confidence that standards requirements are fulfilled. Yet we readily acknowledge that, depending on the risks of

nonconformance and the confidence level necessary, there are several ways to assess whether products and services meet global requirements – from supplier's self-declaration to accredited third-party certification.

However, these 3rd parties provide independent verification that there is a continuous improvement process in place and a top-level commitment to quality. Such recognition leads in turn to greater mobility of skilled workers, substantiation of enterprise integrity, promotion of confidence in products and services, and enabling of innovation.

A.N.A.B.'s accreditation of a certification program provides this global assurance.

(*long pause – begin conclusion*)

To paraphrase American management theorist Peter Drucker, "*the best way to predict the future is to have a hand in shaping it*."

The U.S. standards and conformity assessment community has always focused on the evolving needs of its constituents. We facilitate – and often catalyze – innovative solutions to domestic and global priorities.

As innovation unfolds into new territories, standardization will be its partner.

Thank you.

END