

The Role of Quality Services in the Integrated Export Delivered by Regional Export Centers. Study Case for Romania

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Abstract

Regional exports centers are considered a new body of experience developed by trade support organizations in different countries and regions. The literature related to these centers indicate that they are consistent for initials or even developed exporters in a certain region, unable to reach a level of market knowledge and intelligence to be successful on the foreign markets.

Since 2017, under the Romania-Swiss Cooperation program there were created two export centers, one in Ploiesti and the other one in Bacau, both operating besides the Chamber of Commerce and Industry. From the beginning of the center activity, a number of 40 companies from the furniture industry as well as from the organic products area have been assisted in the elaboration of export strategies and in supporting promotional events.

From all integrated services where the program was active, one of the most important aspects was related to the quality Management infrastructure and certification, as a major market access obstacle on the foreign markets. In this regard, most of the managers in the group identified that certification and the quality issues may be a major barrier to export.

This paper examines the evolution of these centers and their importance in terms of quality management based on the findings through the interests of managers of these two fields organic farming and furniture.

The main conclusion of the study indicates that companies under the program understood better the aspects of quality management and certification as an essential access market issue. On the other hand, capacity building in terms of management control and the complex relation between quality certification, standards and branding will remain for most of the managers a crucial issue where the EBC will have to deliver more quality services.

Keywords: *export; export centers; quality management; certification; standards*

JEL Classification: *F10; M10; R10*

Literature Review

International experience on the export centers got momentum in the last twenty years and has been developed by trade support organizations in different countries and regions. Most of arguments related to these export centers came from the fact that there is a lack of capacities and abilities by companies at the regional level to do export. The literature related to these centers indicate that they are consistent for initials or even developed exporters in a certain region, unable to reach a level of market knowledge and intelligence to be successful on the foreign markets. In the last twenty years major export-oriented economies have developed a variety of instruments and schemes of local support under different concepts like regional export centers, export hubs, internationalisation community networks etc.

An example of this is the WTO's Aid-for-Trade Initiative, which yearly have funded developing countries to overcome "trade-related constraints". In the last decades, the number of national export promotion agencies that helped firms to match with foreign buyers has tripled (Lederman et al., 2010). The main objective of these programs is the fact that export improves firms' productivity, a mechanism called *learning-by-export* which generates efficiency gains (Clerides et al., 1998, Harrison and Rodriguez-Clare, 2010).

The presence of market failures, such as externalities and asymmetric information, could also support some mechanisms to promote and support exports by export business centers or government. A high entry cost for learning foreign markets, and uncertainty due to incomplete information can discourage potential exporters from entering other markets (Allen, 2014). The uncertainty faced by SMEs about their chances to export can lead to risk-averse behaviour if they avoid the costs of accessing an external market despite their competitive potential in this type of markets (Cruz, Lederman and Zoratto, 2018).

Through their activities, export business centers can help promote new exporters, increase export value and facilitate diversification of exports (Atkin et al., 2016). Basically, all these constructions are acting as "passport to export" schemes to create through training and coaching a pool of well "certified" exporters which will be the future actors of trade missions abroad either in permanent exhibition centers, or temporary ones. For the export business centers, their priorities should be the increase in SMEs overall exports and diversification, and the inclusion in global supply chains or clusters.

Also, in the international practice there are some evidence regarding export business centers such as:

- *U.S. Export Assistance Centers (USEACs)* – organized by commercial departments. These centers provide consulting services front-line outreach and service operations for U.S. exporters. There are International Trade specialists based in more than 100 USEACs located across the United States and Puerto Rico. The centers assist U.S. businesses that are new to exporting, want to expand to additional export markets, or want to increase their market share in existing markets. The specificity of American model is the interconnectivity of trade consultants with other regional network like SMEs networks and export-import bank consultants. In this respect in the centers along with trade consultants, members of these networks are also fully present. These specialised teams are organizing and executing trade missions to foreign markets or are attracting importers in inner trade missions in their region.
- *"Passport to export" – the UK model.* In the UK model, the agency for trade promotion is taking the lead in organizing activities of the regional trade centers for each development region of UK. In this model, the agency is organizing tenders and for consortia of companies which will manage regional centers. Every five years, the management of these centers is subject to new budget lines. The centers are identifying potential exporters and there are forms of training and coaching to be able to introduce on the foreign markets innovative products.

- *Regional Export Center at Aurora Innovation, Uppsala, Sweden.* Regional Export Center is a collaboration that enables meetings with companies to ensure that companies reach the right information in joint activities such as knowledge and inspiration seminars. Region Uppsala is Regional Development Officer and has taken the operational responsibility to drive cooperation at the Regional Export Center at Almi. One of Aurora Innovations goals is to expand on the international market. Both Business Sweden and Almi, who are a part of the Regional Export Center in Uppsala, have assisted with great support and expertise.

History of Export Business Centers and the Training Modules

It has been acknowledged that since 2005, small and medium-sized enterprises in Romania have had serious difficulties in entering the international markets in terms of both the development of internal export organization capacity (exportable quantities, quality, managerial abilities, communication and branding) and the constraints and exigencies of external markets related to standards and certifications, market access conditions and regulations. Numerous studies indicate that Romanian firms face such constraints. There is a complex of barriers inside the firms, but also from the external environment that affects the interest towards export.

According to the study related to the needs of organic farmers and wooden furniture producers from the South-Muntenia and North-East regions, the Romanian companies want to export. 180 firms located in the South-Muntenia and North-East regions responded to the study, and only 27% of the agricultural producers and 49% of the wood furniture producers have consistent export strategies.

Since 2017, under the Romania-Swiss Cooperation program there were created two export centers, one in Ploiesti and the other one in Bacau, both operating besides the Chamber of Commerce and Industry. In parallel, other entities like USH ProBusiness Center has taken similar initiatives under the name Export Business Centers (EBC).

The emergence of such centers can be traced in the first national export strategy exercises (NES) developed in Romania since 2005, but real steps towards these goals were taken only in the recent years. The concept was used in the context of Romanian managers needing an integrated export service system delivered by specialised persons or experts through training and coaching modules. The central idea is to send them abroad after developing a strategy on the market, to smooth or to pave their access to target markets.

The two export business centers that have appeared in the framework of “Integrated export services for Romania SMEs” project financed by Romanian-Swiss Cooperation Program.

The program comprises two stages:

- training of SMEs to create high-value, internationally competitive products and dedicated to the needs of consumers in target markets in EU and non-EU regions,
- and participation in international events.

The project aims as objectives the following:

- supporting the increasing export capacity of SMEs which are active in the fields of organic farming and furniture production by organizing training courses and specialized training sessions;
- promoting access to foreign markets through participation in fairs and exhibitions and matchmaking sessions;
- consultancy for creating an efficient export strategy;
- access to design (packaging and labeling), quality control, and certification services.

The training modules were focused on the capacity of the exporters to select from a wide range of target market 2-3 more attractive markets for “soft landing”, that is to be able to enter easier

on these 2-3 markets. In this regard, going to the market was organized like a simulation of the steps to prepare a market strategy with following pillars:

1. how to build a strategy and choose among different options;
2. how to choose a product and select 2-3 markets among many others;
3. which are the barriers to trade and how important is quality control and certification;
4. distribution channels;
5. branding;
6. clusters;
7. financing.

If we look at the logic of training like a funnel of knowledge or an arrow, simulation of the export strategy on one market should follow a route, as shown in the figure below, where after the last module of financing, the managers have enough knowledge to test their strategy on the market.

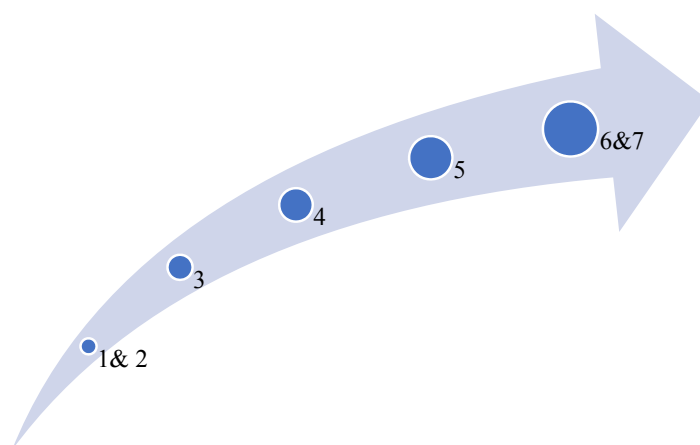


Fig. 1. Logic scheme of training modules

Source: Author own conception

In this process, module 3, dealing with quality and certification to overcome by the managers, was of high importance because the targeted group of exporters identified before the training as a major obstacle in organic farming and furniture, the following issues:

- The lack of knowledge regarding certification bodies in important markets and the way certification got in Romania will make them capable to export on foreign markets;
- The lack of understanding regarding CE marking and its meaning and effects;
- The confusion between brands and trademarks;
- The lack of understanding about quality standards and the importance of ISO quality certification;
- The complex relation between brands and quality control.

The Issues of Quality and Certification in the Modules of Export Business Centers

From all integrated services where the program was active, one of the most important aspects was related to the quality Management infrastructure and certification, as a major market access obstacle on the foreign markets. In this regard, most of the managers in the group identified that certification and the quality issues may be a major barrier to export. Even more, there was no clear understanding if a certification given by a body in the import country can act as a barrier to trade in a discriminatory manner or an incentive for a better quality.

During the training courses they benefited from expert's presence and an effective transfer of knowledge occurred. For example, in the bio group major issue was to explain to the farmers and the producers what a bio certification is and what is the meaning of "bio", "organic" and "ecologic". Even more, confusion persisted related to the meaning of "traditional" and "natural" concept.

Other issues were to explain to the farmers the importance of the high certification system granted by DEMETER, BIO SWISS, BIO GARANTIE, USDA and others. In the other group, most of the participants considered that being ISO certified is enough to get export access. On contrary, it has been explained to them the complexity of the certification for furniture export target markets like ecological furniture standards, forest certification and others.

The main goal of the transfer of knowledge and of the training modules was to give to the managers practical motivation, advantages and know-how related to quality management. Lecturers insisted on the purposes of the existence of quality certification systems which are various in the case of bio products:

- provides consumers the certainty that products offered on the market meet the quality requirements imposed on organic products through different quality standards;
- provides support to organic operators (manufacturers / processors / traders) and policy makers in the organic product market to ensure compliance with the different standards;
- ensure the use of organic products anywhere in the world - due to the equivalence of standards;
- the references of the standards are applied by environmental operators and verified in practice by the Inspection and Certification Bodies (OIC);
- validate the equivalence of the terms used: ecological = organic = bio.

In the furniture section, the lecturers insisted on standards used in the furniture industry:

- product standards: wood raw materials, chemicals (adhesives, paints, lacquers, waxes, oils, thinners), hardware, connectors, accessories, auxiliary materials (abrasives), machinery, tools, cardboard, plastic, steel);
- test standards;
- process technology standards;
- service, packaging, transport, and assembly standards.

In both sections, lecturers insisted also on the advantages of standardization for businesses:

- adapting to globalization of markets;
- rationalizes different types of products and services;
- speeds up the order management process;
- facilitates the export and marketing of products;
- savings by avoiding repetition of studies and experiments;
- common criteria for evaluating products / processes / activities;
- increasing business efficiency;
- ensures dimensional and functional compatibility and interchangeability;
- eliminating elements that complicate, hinder and increase production;
- compliance with national and Community legislation;
- easier and quicker identification of customer requirements;
- simplification of specifications by reference to standards;
- improving working and living conditions by prescribing the safe operation of machinery and equipment;
- environmental protection;
- prevent the occurrence of litigation or technical barriers to trade because the standard highlights its quality as a reference document.

Special attention was given to the advantages of drawing designs, models and trademarks:

- provides protection as it confers on its holder an exclusive right to property and capitalization and the right to prohibit third parties from carrying out any act that adversely affects its rights without its authorization;
- combat counterfeiting of original and commercially successful products;
- adds commercial value to products and facilitates their marketing, preservation of markets and expansion to other national or international markets;
- discourages competition;
- it is a way of defending rights in case of counterfeiting or unfair competition actions;
- it is a source of information in the field after its publication in official bulletins;
- reward designers for their original creations.

Advantages of certification was also a focal point in the modules:

- provides evidence of compliance with the standards of reference: ISO 9001, ISO 14001, OHSAS 18001;
- represents a guarantee for the customer that the certified economic operator complies with the requirements set out for the products and the activities or services provided by them;
- ensures the customer that the economic operator - the manufacturer - has established a documented system of factory production control and product quality at the level of the requirements established by the reference document;
- provides confidence in the competitive market of products and services, maintaining the quality level imposed by the market. It ensures the control of technological processes, the quality of products and services;
- it takes place a selection of suppliers of raw materials and materials through specific selection systems to ensure their quality of origin under legal conditions;
- establishes protection measures against clients by harmonizing documents accompanying the products with the provisions of the European legislation and by issuing declarations of conformity at the level established by the standards in force SR EN ISO / CEI 17050/1/2;
- gives access to the new outlets markets by ensuring compatibility of products and services;
- facilitates participation in internal or external auctions;
- ensures increased credibility of declared product performance.

Advantages of certification of the ISO 9001 quality management system:

- increasing confidence in the quality of offered products/services;
- increasing customer and business partners satisfaction;
- meeting the conditions for participation in auctions and other legal requirements;
- more efficient use of resources and diminished costs of non-compliance;
- firm involvement of the management in company processes, and improved internal and external communication;
- keeping and improving the company's image on the market and diminishing customer dissatisfaction;
- increased customer portfolio.

Advantages of ISO 14001 environmental management system certification:

- improvement of environmental performance and mitigating the negative environmental impact by using integrated environmental management procedures;
- creation of products to reduce their impact on the environment both in production and in use and disposal;
- prevention and reduction of pollution, reduction of waste and consumption of resources and raw materials;
- education and training for the environment protection of the entire staff of the organization as well as of the clients;
- gaining and maintaining market share by promoting a "green" organizational image;
- efficient use of resources and reduction the risk of environmental accidents;
- security of participation in "green" public auctions;

- achievement and demonstration of real environmental performance of local and national environmental authorities through technical and economic management of environmental issues;
- providing the premises for sustainable development.

Post modules questionnaire

After the training courses the managers were asked to comment on the seminars content and on the results of the knowledge transfer.

The questionnaires were focused on the need to certify products and to implement this process and the answers can be combined into the following main perceptions.

Furniture industry

To *Question 1: Are certifications/standards an entry barrier or a necessity in the markets you are targeting?* Most of the companies consider that certification and standards can be considered as a necessity for doing business abroad and see their importance. However, some companies, even after teaching session, seem not to understand clearly when and how a certification and standard rule may become a discriminatory barrier to trade. Some companies do not understand clearly the advantage of getting certifications and they claim as being too costly for them.

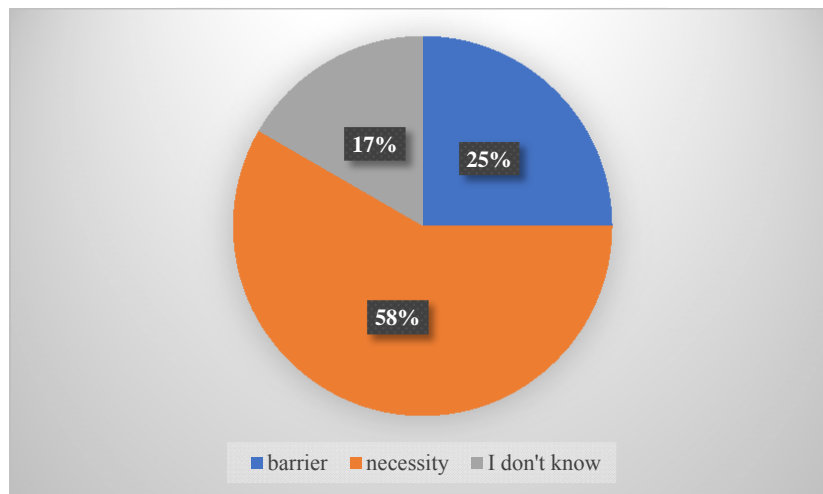


Fig. 2. Certification - barrier or necessity for foreign markets?

Source: Author own calculation based on questionnaires

To *Question 2: Which certifications/standards do you want or need to be implemented?* many companies do not know exactly what type of systems they should implement, or they simply consider a sufficient CE marking. Only few see the importance of ISO or FCS or SREN.

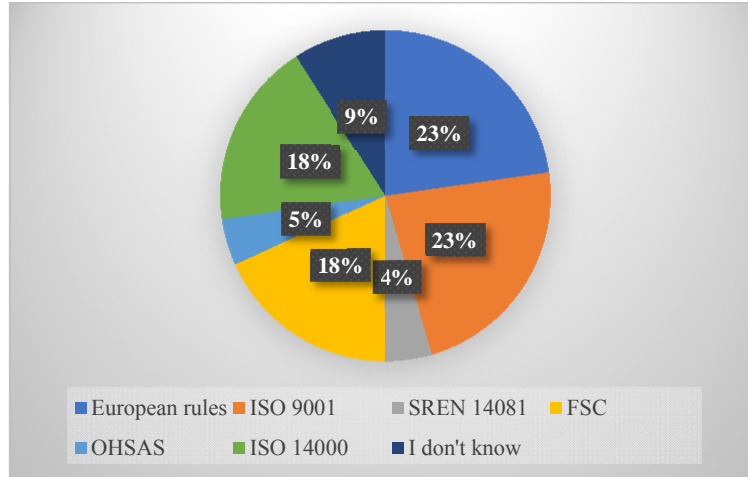


Fig. 3. Types of certifications required to be implemented

Source: Author own calculation based on questionnaires

To *Question 3: If you want to implement the certification / standardization process, is there any impediment to the process?* Companies see as major impediments costs and lack of testing facilities. Some of them claim as an impediment the lack of information about certification norms on target markets. Still, there are companies unable to identify clear impediments.

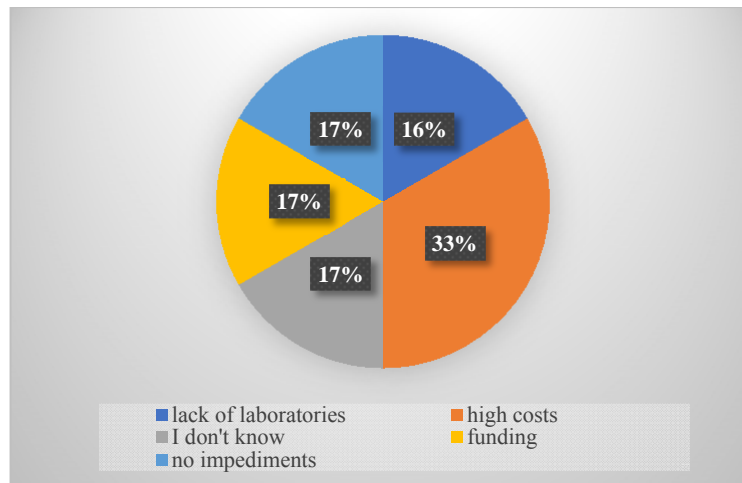


Fig. 4. Impediments to the certification implementation process

Source: Author own calculation based on questionnaires

To *Question 4: If there are no barriers to certification/standardization, what external resources do you need to implement the process?* Most of the companies simply do not know what kind of external resources they need to cope with the certification requirement. Only few of them recognize lack of information or access to expertise.

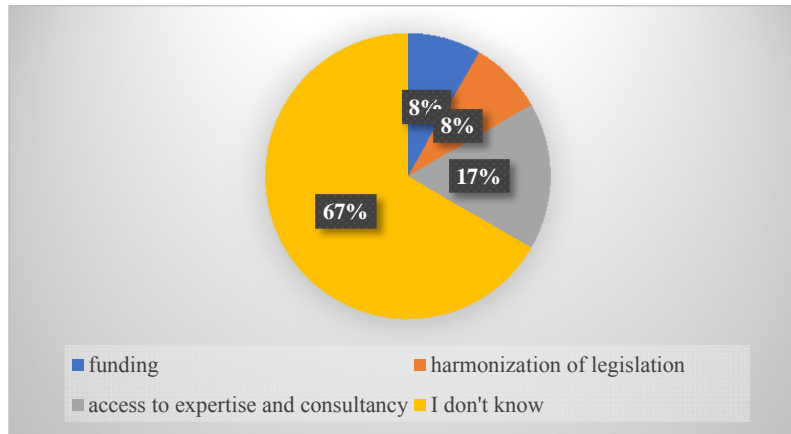


Fig. 5. External resources required to implement the certification system

Source: Author own calculation based on questionnaires

Organic farming

To *Question 1: Are certifications/standards an entry barrier or a necessity in the markets you are targeting?* Most of the managers consider certification and standards as a necessity and not a barrier to entry on the market. Their perceptions of the concept barrier not related to the challenges they face to get certifications but only about these standards applies to all, being non-discriminatory in nature.

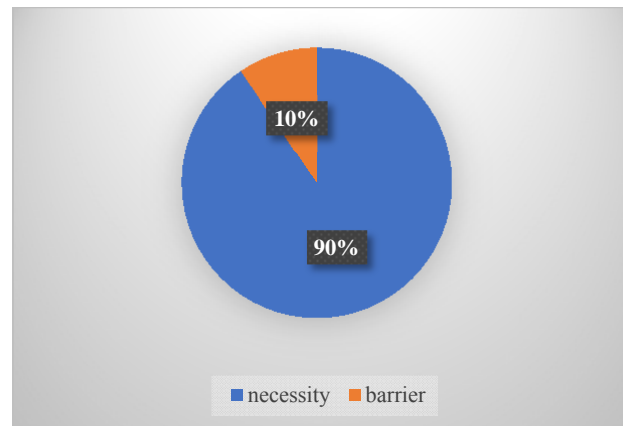


Fig. 6. Certification - barrier or necessity for foreign markets?

Source: Author own calculation based on questionnaires

To *Question 2: Which certifications/standards do you want or need to be implemented?* Managers split their answers to a wide range of options depending on European, Asiatic or US target. However, an important number of answers indicated equivalent systems which mean their target market strategies were not accurate enough to decide a certification option.

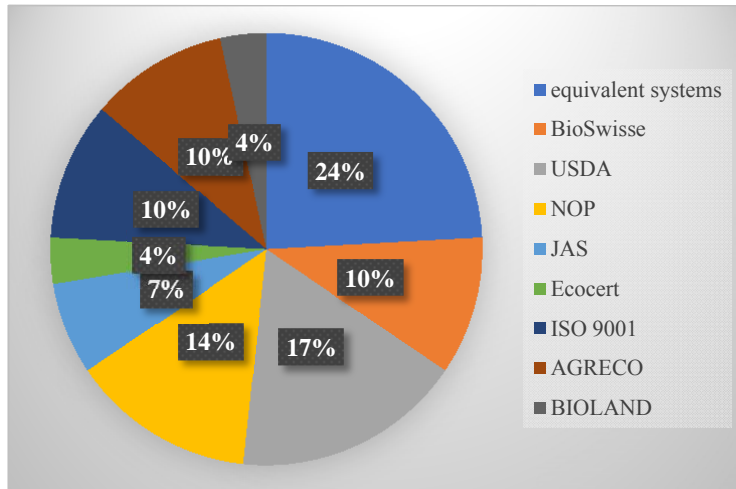


Fig. 7. Types of certifications required to be implemented

Source: Author own calculation based on questionnaires

There is a variety of answers to *Question 3: If you want to implement the certification / standardization process, is there any impediment to the process?* It seems that many managers accession through foreign certification is smoother. However, majority is still facing difficulties related to funding the process, lack of information, legal obligations, managerial skills etc.

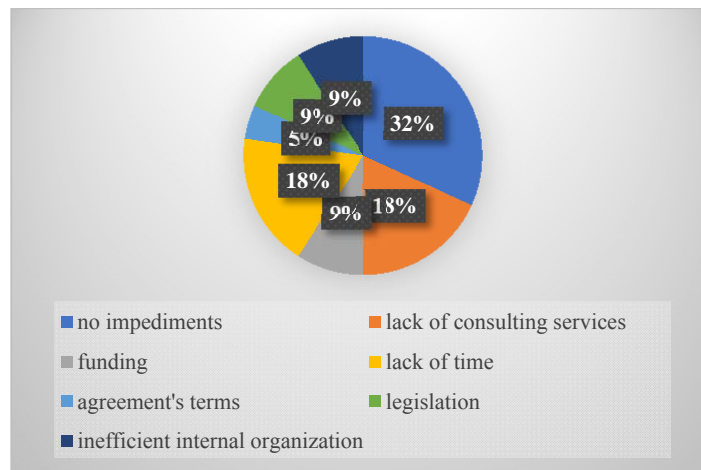


Fig. 8. Impediments to the certification implementation process

Source: Author own calculation based on questionnaires

To *Question 4: If there are no barriers to certification/standardization, what external resources do you need to implement the process?* Most managers claim they further need external resources to manage the process, after the training, in terms of information, consultancy, good prioritization, fact findings in international events etc.

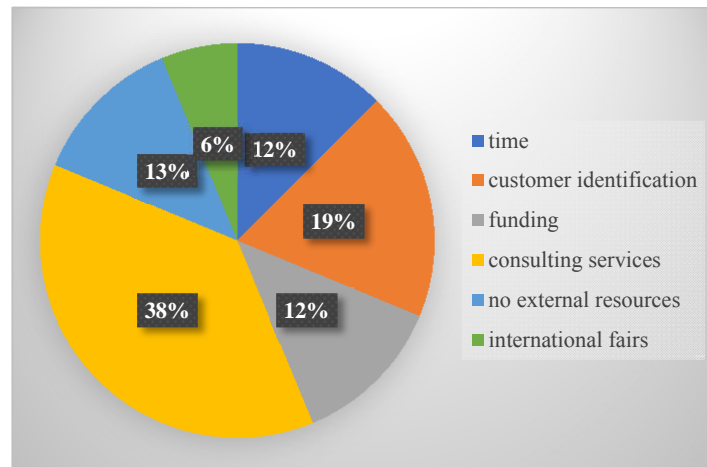


Fig. 9. External resources required to implement the certification system

Source: Author own calculation based on questionnaires

Conclusions

With the expansion of globalization and economic integration among countries, exporting has become an important internationalization strategy for companies and national economies, especially for developing countries. Export business centers represent an important support tool for exporters that could boost the competitiveness of SMEs by inducing them to add more layers of different skills and competencies to their workforces. EBCs are focusing on small and medium firms, instead of large ones; are spending more on new/occasional exporters or non-exporters; and spend more on the provision of marketing services (e.g. trade missions) and export support services (e.g. training, technical assistance), relative to other services.

Because of the training modules, there was an increase in the trust of the companies in the EBC concept and in their ability to help them overcome barriers to export on foreign markets. Regarding the certification process, many managers consider that certification and standards can be considered as a necessity for doing business on foreign markets. Still, some companies do not realize the advantage of certification or they do not understand the fact that the lack of this could be a barrier in international trade.

Looking into the way managers perceived problems of standards, certification, quality management and their importance in developing exports before and after the sessions of training one can say that they are better fit for exports but many of their problems mentioned in chapter 2 persisted after initial training. Based on the study but also on the active participation of the authors in the modules of training, we may draw the following conclusions:

- The study indicates that trained managers under the program understood better the aspects of quality management and certification as an essential access market issue. Also, during the sessions, active debates showed the growing importance managers attached to these issues;
- However, confusion is persisting among managers between ISO standards, and quality management developed by these standards and other product specific certification standards;
- The knowledge of the managers about wide spectrum of certification rules applied in different export markets improved but their ability to evaluate and to choose among different certification organization is still modest;
- Confusion persists about the role of the CE marking;

- Finally, capacity building in terms of management control and the complex relation between quality certification, standards and branding will remain for most of the managers a crucial issue.

In terms of future activities of EBC, quality, standards and certification must be a permanent concern for the experts which are working on these centers. Since they will have to deliver more quality services it is important:

- To organize special training for the experts on the center (train the trainer's rule);
- To create a special procedure to be in constant touch to the managers willing to export;
- To create special packages of coaching and consultancy above the minimum set of knowledge to be offered to the managers willing to improve in this area;
- To network with other suppliers of services in quality management (certification bodies, legal advisors, financial consultants, universities and technological centers, clusters etc.) to better serve as one stop shop local exporters.

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