

# Chapter 19

## Standards Certifications and Exports Performance: Evidence from the Processed Food Industry in Colombia

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### ABSTRACT

*The integration of the world economy and the internationalization of companies have resulted in consumers' demand for high quality goods. Standards have emerged as a way of reducing the information asymmetries that consumers face when purchasing a product, and have gained importance in the processed food industry as they allow them to assess the quality of goods and may influence the export performance of certified firms (An & Maskus, 2009). Certifications may act as promoters of international trade, but they can also constitute a barrier when the costs associated with the certification process exceed the potential benefits (Jarasueiyya et al., 2006). The present study aims to compare the export performance of certified vs. non-certified firms in the Colombian processed food industry. A Mann-Whitney Test was used to analyze the difference of exports value for the selected companies, and then, non-structured interviews to the quality managers of these companies were conducted to gain greater understanding about the impact of standards certifications on their export performance.*

DOI: 10.4018/978-1-5225-0276-0.ch019

## **INTRODUCTION**

The study of the effects of standard certifications in the food industry has drawn great attention from academics and policy makers through the last decade. Especially, considering that the internationalization of the economy and fast pace of technological change has contributed to the emergence of consumers who demand more sophisticated products (Trienekens & Zuurbier, 2007).

In the case of the processed food industry, consumers now demand higher quality goods (Vieira & Traill, 2007). Scandals around the world regarding health and social issues (use of pesticides and environmental pollution, bad conditions of farmers, etc.) have caused a rising awareness about environmental and social concerns, and have modified consumers' preferences for sustainable and traceable products, an also for high quality goods with a positive impact on society (Chemnitz, 2011).

For the specific case of emerging markets, previous studies show contrasting views on the positive or negative effects of standards certifications at the market, firm or consumer levels. From one perspective, standards emerged as a mean to control quality and to guarantee welfare to consumers, producers and society, and became an essential aspect for the well-functioning of the industry (Reardon et al, 2005). But, at the same time, they created challenges for developing countries' producers when trying to reach developed countries' markets (Jongwanich, 2009). Nevertheless, empirical analysis at the company level in emerging markets is still lacking, particularly relating to the effects on export performance.

The aim of this study is to compare the export performance of certified vs. non-certified firms to determine if certified exports do perform better than non-certified ones. Through a Mann-Whitney Test, the average value of exports of the two groups will be analyzed for the case of companies holding the ISO-9001, HACCP and GMP certifications. Non-structured interviews to quality managers of the studied companies enabled gaining further insight into the perceived impact of such certifications.

The chapter is structured as follows: the first section offers a literature review offering the contrasting views of the effects of standards certifications, with a special focus on the food industry; then, a combination of quantitative and qualitative approaches were used to examine the data to find that standards certifications do contribute to improved export performance.

## **LITERATURE REVIEW**

Globalization has led to multiple changes in business practices. Through the last few decades competitiveness has augmented, resulting in an increased requirement for companies to adapt to the conditions of global markets (Masakure, Henson, & Cranfield, 2008). Supply chains have been modified, international trade has grown, and aspects such as quality and environmental issues have gained importance in international scenarios (Vieira & Traill, 2007).

In order to compete in such context, firms need to transform themselves to effectively face multiple challenges, which may pose additional barriers to organizations from emerging markets (Humphrey, Schmitz, 2004). In such context, governmental institutions and states play a key role in setting the institutional and legal framework for international trade, through measures and regional or multilateral efforts to liberalize trade and reduce barriers (UNCTAD, 2012). In 1995, The World Trade Organization (WTO) was created as a multilateral effort towards the liberalization of international trade in order to promote the free movement of goods and services, to enhance development and reduce poverty levels (Salles, 2006). Since then, significant attention has been paid to the decrease of tariff measures, as the

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