PROFIT
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Complying with standards

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1. Introduction

Businesses are often to be heard talking about standards and quality – but what are standards and what does quality really mean? And, more importantly, what is their impact on your business?

The Oxford English Dictionary defines a standard as "a definite degree of any quality, viewed as a prescribed object of endeavour or as the measure of what is adequate for some purpose" and quality as "the standard or nature of something as measured against other things of a similar kind" so is not exactly helpful. In business, a standard is a specification of a product or a service. This may be specified by reference to national or international standards. For example, *ISO 21049:2004 pumps – shaft sealing systems for centrifugal and rotary pumps* specifies the requirements for sealing systems for pumps mainly used in hazardous conditions. Standards may be specified by self-appointed interest groups and these can become quite influential. Think Fairtrade Labelling Organisation and the Forest Stewardship Council or, in technology, the Global System for Mobile Communications or, in agriculture, good agricultural practice (GAP – which started in Europe and has been widely replicated). Standards may also be specified by your customers though, more likely than not, customers will reference national or international standards, but some companies (such as the large multinational retail chains and the oil industry) insist on using their own standards. In some cases, standards are set by governments and observing them is a legal requirement.

The word 'quality' is used in several different ways. Firstly, it is used to describe a product that meets a standard or, sometimes, to imply that the product meets a standard higher than that specified by the customer. Secondly, it is frequently used by businesses who have introduced a 'quality management system' such as ISO 9000. All this means is that the businesses have in place procedures intended to ensure that the quality of their products and services consistently meet customers' expectations or, in other words, they have a system in place to ensure that they meet the specified standard.

As well as specifying the final product, standards can specify the processes of production. For example, *ISO 22000 food safety management* sets out procedures to help businesses identify and control food safety hazards.

Businesses need to understand, therefore, the expectations of their customers and, moreover, need to understand how to demonstrate to their customer that they have achieved the required standards. This is usually done through combinations of testing, inspection and certification.

It is also worth noting that expectations rise over time, so customers' expectations may increase – but businesses often work closely with their customers or their suppliers to improve the quality of their products. Look for example at how Microsoft and Intel worked together to improve the speed and reliability of personal computers and how our expectations have risen over the last 30 years.

2. Quality standards

A formal standard may only cover the specification of the product, but it is likely that customers will want to go rather further in specifying their expectations. David Garvin[1] suggests that businesses need to compete on eight dimensions of quality:

- Performance, which refers to a product's key characteristics, but could be considered as the benefits conferred (whether it be speed, or resolution, or longevity, or inter-operability, or whatever);
- Features, which are extras that deliver and supplement the characteristics;
- Reliability, which reflects the probability of a product malfunctioning or failing within a specified period;
- Conformance, which describes the degree to which a product's design and operating characteristics meet established (often now, international) standards;
- Durability, a measure of product life, and is effectively the amount of use before the product deteriorates;
- Serviceability, which is dependent on the ease with which a product can be repaired but also on the service team's speed, courtesy and competence;
- Aesthetics, admittedly subjective, which is linked to appearance and impression;
- Perceived quality, also subjective, and often linked to the reputation of the brand since consumers do not always have enough information on which to base buying decisions.

It is quite likely that you already make products or deliver services according to third party specifications and it is quite likely that you already have quality management systems in place to ensure that you always deliver to the specification. However, as you start to explore foreign markets, you need to determine what standards will be required of you and, if these are different to your current standards, how you will be able to do that. Are you able, for example, simply to change the specification of everything you make – or will you need to make different versions of the same product for different markets? Will this have a cost implication?

[1] Garvin, D (1987), Competing on the eight dimensions of quality, *Harvard Business Review* (Nov)

India, Cambodia, Thailand and Vietnam all have a national standards agency and all are members of the International Standards Organisation and, whilst many standards are aligned to international standards, not all are. It should be noted also that some standards are defined by other international bodies such as the International Electrotechnical Commission and the International Telecommunication Union.

In most cases, the need to adhere to a standard is not a legal requirement but is a requirement imposed on you by a customer or by the way that a market operates. To sell an app to consumers via Apple, for example, you have to abide by their very specific requirements. On the other hand, being able to demonstrate that you meet specified standards may give you a competitive edge when pitching to potential customers.

Next steps

Check customer requirements for standards in your target country.

Consider what changes, if any, will be required to deliver those standards, both in terms of product specification and the processes by which you create and deliver the product.

3. Technical & health regulations

Standards, for the most part, are voluntary, at least in principle, though you will find that customers are likely to insist on you complying. In some cases, where governments are worried about health and safety or the environment or that consumers may be deceived or national security requirements, they impose so-called technical regulations. These may be completely standalone or may reference standards. Collectively they are known as technical barriers to trade.

A technical regulation sets out product characteristics or their related processes and production methods. A technical regulation may include or deal exclusively with terminology, symbols, packaging, marking or labelling requirements as they apply to a product, process or production method. Technical regulations include the administrative measures required for implementation including testing, inspection and sanctions for non-compliance.

Sanitary and phytosanitary (SPS) measures are mandatory requirements imposed by governments on animal and agricultural produce to control risks to human, animal or plant life and health. Most measures are concerned with food safety and the protection of animal and plant health against pests and diseases. Sanitary measures deal with the protection of life or health of humans and animals; phytosanitary measures deal with the protection of life or health of plants. The function of keeping out animal and plant pests and diseases of plants and animals is often called biosecurity.

There is no real difference between technical regulations and SPS measures except in their objectives. SPS measures are intended solely to protect human, animal and plant life and

health. Technical regulations, however, can be imposed by governments aiming to deliver specific policy objectives.

4. Social, environmental & ethical

Although not a legal requirement anywhere, social, environmental and ethical concerns of consumers are driving the need to demonstrate proper consideration. Social accountability, for example, is covered by SA 8000:2014, a private standard published by the New York based Social Accountability International. ISO has published ISO 26000:2010 guidance on social responsibility, though this provides guidance rather than requirements and so cannot be certified. Ethical concerns are often covered through the Fairtrade standards though there are others such as the Global Organic Textile Standard and ethics are covered to some extent in ISO 26000. Environmental standards are covered through ISO 14000.

5. Requirements by sector

Most sectors will have their own requirements. Here are just a couple of examples.

5.1 Food and agricultural produce

For some products, and food and agricultural produce are high on the list, exporters will need not only to meet the buyer's specification bit also to conform to mandatory requirements imposed by the government of the importing country. Produce may, for example, be subject to sanitary and phytosanitary controls and technical regulations and standards. Countries are encouraged, by the World Trade Organisation, to base their requirements on international standards, such as those of the Codex Alimentarius Commission, created by FAO and WHO to develop food standards, guidelines and related codes of practice. These standards are intended to protect the health of consumers, to ensure fair trade practices and to promote coordination of food standards. Many countries also require food producers to demonstrate that they have adopted HACCP (hazards and critical control points) procedures.

5.2 Textiles and apparel

There are standards covering all stages in the supply chain including (i) growing and harvesting; (ii) ginning or other preparation of the fibres to prepare for spinning; (iii) spinning the fibres into yarn; (iv) dyeing the yarn; (v) weaving the yarns into fabric; (vi) manufacture of final product, such as clothes; and (vii) labelling and packaging. If you are using synthetic fibres, then you may find that additional standards apply. At each stage, the outputs may have to comply with technical requirements and have to be tested and certified. Many public

and private textile and clothing standards have evolved, but only a few, mostly related to textiles, have become mandatory.

Next steps

Look again at the standards required for your target country. Expand your review to consider whether there are technical regulations to be observed in addition to customer standards. Have you considered whether your raw materials meet the standards and, if so, how this can be tested and certified? Have you considered whether there are additional requirements such as labelling or packaging? Do you need to observe sanitary or phytosanitary requirements?

6. Meeting the requirements

Whilst the requirement to meet standards and technical regulations is often seen as imposing a non-tariff barrier, the World Trade Organisation has worked hard with countries to minimise the impact on trade by allowing legitimate restrictions while deterring the imposition of arbitrary or unjustified ones. Occasionally countries will impose a barrier that is impossible to overcome, such as prohibiting the import of specified products to protect their biosecurity, but on the whole businesses can meet the requirements if they closely follow the standards and technical regulation requirements. Indeed, in many cases, the requirements will be the same across countries within a region and thus unlikely to make trading with one country any harder than trading with another. If you find standards or technical regulations that you think are unfair or are an unnecessary barrier to trade, there is little that you can do in the short term beyond complaining to the local trade association and asking them to take it up at government level. Many countries have 'trade facilitation' committees where issues can be raised and potentially addressed.

Each country has a *Technical Barrier to Trade* enquiry point which will be able to answer questions about regulations. Similarly, each country has a national enquiry point to provide information on sanitary and phytosanitary measures.

Standards can be obtained from your national standards organisation or, possibly, from a potential customer.

A key part of meeting the requirements, however, is that your product or service is subject to inspection, testing and certification.

6.1 Inspection

There are several definitions of inspection, but all include information gathering (testing, measuring), observation (of conditions) and forming judgements on suitability for use or compliance with requirements. As judgement is an essential element of the process, inspection is prone to some variability of outcome. It is thus crucial that inspectors are

properly trained for the sectors in which they work. You may perform your own inspection and keep appropriate records but it is almost certain that at some point you will be subject to inspection by third parties, possibly including inspectors appointed by customers but almost certainly including inspectors appointed by government agencies. This is most common in businesses that make products where there is a need for a high level of safety compliance or in businesses concerned with the processing or selling of food and agricultural produce.

For products being exported, there may be additional inspection at the point of shipping, often known as 'cargo superintending' and involves not only inspection of the product itself but also of its packaging, handling, quantity and documentation. The cargo superintending company acts as the customer's agent. Additionally, the customer may impose inspection at the point of receipt.

6.2 Testing

Testing, according to ITC's *Export Quality Management* (see further information below) is simply a 'technical operation that consists of determination of one or more characteristics of an object of conformity according to a procedure'. Typical tests involve measurement of dimensions and determination of chemical composition, microbiological purity and strength or other physical characteristics of materials or structures such as freedom from defects. The results of testing should provide sufficient information to permit a competent person to conclude whether a product or service meets the specified requirements.

A prudent manufacturer will have had their product designed and tested to comply with the requirements of the foreign market and will ensure that a non-compliant product is not shipped. Any delay in entry reduces the product's competitive advantages by increasing costs (for instance, for retesting) and delaying payment, to the benefit of competitors and suppliers in the target country. If testing in the exporting country is carried out competently, this greatly reduces the need for any retesting prior to release in the importing market.

Testing and inspection are common means of determining conformance but, in some cases, may be regarded as insufficient and thus certification by a third-party may be required. The ultimate objective is to have your product tested and certified once and then accepted everywhere. However, there is no single system to ensure that test reports from an exporting country will be accepted in the importing market and it is thus the responsibility of the exporter, manufacturer or importing agent to ensure that you have met the rules of the market for your particular product.

Many products and foodstuffs require testing in a laboratory and so easy access to a laboratory could be important. Most businesses are too small to set up their own laboratory and so you will need to rely on commercial laboratories. But you will almost certainly have your own instruments and test gear that you use within the business. Typically, these may include weighing equipment as well as other forms of measurement. You may find that your

testing and measuring equipment has to be regularly calibrated to ensure consistency, reliability and confidence in testing and measurement.

6.3 Certification

Product certification, according to Martin Kellerman (see further information below) “is the mechanism whereby a certification organization attests that products, either a batch or the continuous production thereof, have been inspected and tested by it and that the products collectively comply with specified requirements, usually contained in a standard”. He continues, “the attestation by the certification body is in the form of a certificate supported by a product certification mark that the manufacturer is entitled to affix on the product after being licensed to do so. The certification body therefore visibly endorses the quality of the product.”

As well as certifying product quality, processes can also be certified as for example with ISO 9000 or with ‘good agricultural practices’. Certification is usually valid for a specified period after which the certification body will undertake a review and reissue the certificate.

In general, the acceptance of product certification is limited to the country of the certification body, though some schemes have begun to expand internationally though some certificates, for example ISO 9001 and ISO 14001, are widely accepted.

Next steps

Explore whether your product or processes will require any form of inspection, testing or certification? If so, what is required? Will you need your own testing or measuring equipment? Will testing, inspection and certification undertaken in your own country be valid in your target country?

7. Further information

International trade Centre has good explanations of standards and technical barriers to trade on their website, www.intracen.org.

Bureau of Indian Standards, https://bis.gov.in/; (TBT enquiry point is available at enquirypoint@bis.gov.in)

Institute of Standards of Cambodia, https://www.isc.gov.kh/en/; (TBT is available at camtbt-info@isc.gov.kh)

Thai Industrial Standards Institute, https://www.tisi.go.th/; (TBT for industrial products is available at thaitbt@tisi.mail.go.th and for food and agricultural produce is available at spsthailand@gmail.com)

Vietnam Standard and Quality Institute, http://www.vsqi.gov.vn/en/ or tcvn.gov.vn; (TBT enquiries: tbtvn@tcvn.gov.vn)

A full list of TBT enquiry points with addresses and phone numbers is available at http://tbtims.wto.org/en/NationalEnquiryPoints/Search

For SPS enquiry points, see https://www.wto.org/english/tratop_e/sps_e/spslinks_e.htm

The International Trade Centre's book, *Export Quality Management: a guide for small and medium sized exporters*, may be helpful. Available as a free download from https://www.intracen.org/uploadedFiles/intracenorg/Content/Publications/Export%20Quality%20Management_web.pdf

Martin Kellerman's book, *Ensuring Quality to Gain Access to Global Markets: A Reform Toolkit*, provides a comprehensive overview to accessing global markets. Available as a free download from https://openknowledge.worldbank.org/handle/10986/31334

David Garvin's article on Competing on the eight dimensions of quality, published in the Harvard Business Review is worth reading for general insights into quality

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