

THE INFLUENCE OF HALAL PRACTICES ON ORGANIZATIONAL PERFORMANCE AMONG FOOD INDUSTRIES (SMEs) IN MALAYSIA

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Abstract

The aim of this study is to investigate the influence of halal practices on organizational performance among the halal food industries (Small and Medium Enterprises — SMEs) in Malaysia. In this study, four key elements have been identified as performance predictors which are; halal and thoyyib, internal process, halal assurance, and staff. A cross-sectional study design has been adopted in this study through quantitative methods using closed-ended questions. Questionnaires were distributed to the halal food industry in Malaysia, and 172 of them are usable for analysis at an organizational level. Respondents who participated in this study are internal committee members specially appointed for halal control management within the organisation. Data were analyzed by using SPSS version 21. Descriptive analysis showed that the level of halal practices and the performance of the halal food industry in Malaysia were positive. In addition, the inference test results proved that there is a significant correlation between all the variables studied. However, based on the regression analysis, the halal and thoyyib; and halal assurance dimensions majorly influence the performance of the organization as compared to internal dimensions of the process and staff. This research gives the implications toward government, industry and consumers.

Keywords: halal, halal practices, food industries, SMEs, organizational performance

1. Introduction

Looking back on the *halal* certification bodies around the world, it began with Muslim minorities' community awareness of the *halal* food and consumer goods, in line with their survival needs. Such needs then urge the Muslim minorities to create effort and initiatives to implement the element of control on food production and consumer goods for Muslims. Therefore, the Department of Islamic Development Malaysia (JAKIM) seeks to establish collaboration with various agencies and parties responsible in striving to streamline the

efforts of *halal* certification through the concept of '*halalan thoyyiban*' in *halal* implementation.

Thus, efforts to make Malaysia a production hub for *halal* products are not only a central agenda but have also gained the cooperation and attention from the state governments. This has been proven in 2012, when the Malaysian government managed to export 32 billion range of *halal* products abroad (*Halal* Industry Development Corporation [HDC], 2013). This is consistent with Budget 2013 as the starting point which provides a working capital of 200 million for small and medium entrepreneurs in the *halal* products to provide encouragement for the development of the *halal* food industry in Malaysia (HDC, 2013). Additionally, the government, through JAKIM, State Islamic Religious Council (MAIN) and State Department of Islamic Religious Affairs (JAIN) has taken several measures to ensure the continuous coordination and harmonisation between the states, including the establishment of a monitoring mechanism for the production, certification and logo. Through this standardisation, JAKIM and MAIN/JAIN will adopt uniformity in terms of logo, standards, work regulation, and system (Mohd Yusri Ibrahim, 2011).

2. Problem Statement and Objectives

Performing the *halal* requirements stated by the '*halal* competent authority' is required by all industries. At the same time, they have to make sure the *halal* status can be sustainable at every time and level in the organization. However, there are industries that are unable to achieve an effective performance management. This is evidenced by the 3,828 successful Malaysian *Halal* Certificate (SPHM) applications out of the 4,396 received from across the country during the year 2012 (A report on Malaysian *Halal* Certification for Year 2012). Monitoring and enforcement done by JAKIM have shown that there are failures in the industries to maintain the certification based on the non-compliance notice issued. A total of 126 cases from the 1,437 inspections conducted by JAKIM from the period of January to December 2013 had found mistakes whether small, large or serious (A report on Monitoring and Enforcement Activities, Malaysian *Halal* Certification, 2012).

Nevertheless, the industries that failed to acquire *halal* certificate are highly recommended to consistently observe the implementation of *halal* practices and attempt to reapply for the certification. In this case, the certification body will not hesitate to take action based on existing provisions towards any company's irresponsibility even though they previously acquired the certificates. As a proof, in Malaysia, there are products from small and medium enterprises which have good control management and are consistent in compliance with *halal* standards such as Syarikat Ambang Dorongan Sdn. Bhd. They were given the Innovation Award in 2010 for Muslim *halal* product category (direktori halal malaysia, 2013). On the other hand, the company Ma Boo Sdn. Bhd.'s *halal* certification has been withdrawn due to their non-conformity in *halal* management (islam.gov.my, 2014).

In light of the aforementioned matter, the Malaysian *Halal* Certification Procedure Manual 2014 (Third Revision) has outlined the establishment of internal committees as a requirement. This is to meet the legitimate aspirations of '*halalan thoyyiban*' by the deed, standards, procedures, and guidelines prepared. In addition, this needs to be supported by effective management, including the development of *halal* assurance system which standards should be complied by industries.

Therefore, the aim of this study focuses on the effect of *halal* practices on organizational performance in the Malaysian *halal* food industry. In this study, the *halal*

practices consist of *halal* and *thoyyib*, internal process, *halal* assurance, and staff as the predictor of organizational performance.

3. The Concept of *Halal*

The Arabic word '*halal*' means allowed or lawful. In the holy al-Quran contains many passages that give Muslims advice about healthful eating habits and nutrition as Allah (SWT) prescribes in Surah *al-An'am*, verse 145; *al-'Araf*, verse 157; *al-Maidah* verses 1, 4, 5 and 88. The Prophet Muhammad (Peace be upon him; PBUH) also ordered his followers to always emphasise matters related to *halal* nutrition as in a hadith narrated by Anas bin Malik, the Prophet (PBUH) said: "*It is the duty of Muslims to seek halal.*" These passages not only relate to the preservation of a human being's physical well-being, but also to his spiritual health. Encouragement to eat only good and pure foods is combined with warnings to remember Allah (SWT).

Moreover, in several verses, the Arabic word '*thoyyib*' is used to describe healthful food. *Thoyyib* is translated as 'good' and it means pleasing to the taste as well as pure, clean, wholesome and nourishing. Foods which are not *thoyyib* and cause one to lose control of the body and mind will not help one to prosper. Moreover, Anisah Ab. Ghani (2008) and Asmak Ab Rahman (2009) found that *halal* needs to be seen in a wider scope, which covers the quality and safety of food as well. It is consistent with the concept of '*halalan thoyyiban*' practised by JAKIM which the various system and certificate used include *halal*, clean, safe, and quality (Baharudin *et al.*, 2016) as outlined by the Trade Description (Definition of *Halal*) Order 2011 and Trade Description (Definition of *Halal*) (Amendment) Order 2012, Malaysian standard MS1500: 2009, Procedure Manual for Malaysian *Halal* Certification (Third Revision) 2014 as;

- a. neither is nor consist of or contains any part or matter of an animal that is prohibited by Shariah law for a Muslim to consume or that has not been slaughtered in accordance with Shariah law and *fatwa*; P.U.(A)53/2012
- b. does not contain anything which is impure/najs according to Shariah law and *fatwa*; P.U.(A)53/2012
- c. does not intoxicate according to Shariah law and *fatwa*; P.U.(A)53/2012
- d. does not contain any part of a human being or its yield which is not allowed by Shariah law and *fatwa*; P.U.(A)53/2012
- e. is safe to be used or consumed, not poisonous, or hazardous to the health;
- f. has not been prepared, processed or manufactured using any instrument that is contaminated with najs according to Shariah law and *fatwa*; P.U.(A)53/2012 and
- g. has not in the course of preparing, processing or storage been in contact with, mixed, or in close proximity to any food that fails to satisfy paragraphs a) and b).

4. *Halal* Food Certification Procedure

Malaysian Halal Certification Requirements

To ensure Malaysian products are marketable competitively strong at the international level, inter-agency cooperation is fully exploited through relevant provisions (Jafri Abdullah, 2006). This is because each agency has its own role in each sector allocation based on the functional organization. Additionally, Malaysia is among the countries where *halal*

certification is supervised by the government compared to some countries where it is managed by a statutory or voluntary body (Baharudin *et al.*, 2016). Thus, a number of reevaluation regarding the act, standards, and guidelines need to be done. As a result, through the standardisation of *halal* certification, it now adopts only one act, one standard, one guideline, one system and one certification.

For the management of *halal* certification in Malaysia, the Department of Islamic Development Malaysia (JAKIM) and State Islamic Religious Council (MAIN) were appointed by the government through the Trade Description Act 2011. These two bodies play important roles as '*competent authority*'.

In the implementation of *halal* standards of practice among Malaysian *halal* food industry, some *halal* standards are used as the basis for the production of *halal* certificates; Manual Procedure for Malaysian *Halal* Certification (Third Revision) 2014 which was launched on 15th December 2014 and began to be fully practised starting 1st January 2015, MS1500: 2009 *Halal* Food-Production, Preparation, Handling and Storage — General Guidelines (Second Revision), Guidelines for *Halal* Assurance Management System of Malaysia *Halal* Certification 2012, the Food Act 1983 and its regulations, and Results of the National Council for Fatwa Committee of Religious Affairs Islam or *fatwa* proclaimed by the country. Meanwhile, for surveillance, the Trade Description Act 2011 and other related acts by agencies are also used in determining *halal*.

5. Literature Review

5.1 Theory of Resource-Based View

Effective and efficient management of resources with the aim of achieving organizational goals can definitely determine the performance of an organization. According to Neely *et al.* (1995), an organization's performance will be evaluated based on effectiveness and efficiency in its operations.

Thus, the 'resource-based view' is compatible as the core of the study. The approach focuses on internal control which consists of materials, methods, including *halal* food standards, quality and safety, mechanical, and human. The use of 'resource-based theory' is expected to fill the gap in existing research and models based on existing studies as guides. According to Fahy (2000), Barney (1991) and Ellinger *et. al* (2008), the resource-based theory has considerable influence especially in understanding the competitive advantage of the organization. It is described by Penrose (1972) that in this theory, an organization contains within it a number of physical resources; factories, equipment, land, and natural resources; raw material; semi-finished goods and stocks of finished goods.

5.2 Organizational Performance and *Halal* Practices

Performance refers to the multidimensional aspects built to achieve the goals of the organization and it has a strong connection with the strategic goals of the organization (Mwita, 2000). Studies on the quality of performance are often associated with the ISO quality certification. For example, Psomas *et al.* (2013) have evaluated the effectiveness of ISO through the standard objectives' achievement level; namely, the prevention of non-compliance, continuous improvement, and focus on customer satisfaction.

Meanwhile, Sitky Ilkay and Aslan (2012) studied the effect on the performance of the quality management system among the services and manufacturing industry in Turkey based on the ownership certificate of quality which focuses on financial, internal business criteria, customer and innovation and learning. The study found that quality operational practices can improve overall performance.

Seeing this, the aspects of quality in the implementation of *halal* certification practices are also considered. Additionally, *halal* certification is regarded as a national-level quality assurance certificate (Zainudin Elias, 2009). It is in line with Aramyan *et al.* (2007) who explained that the practice should be evaluated by measuring the quality of either monetary, compliance with applicable standards, and so on.

Most of the previous studies related to *halal* food are focused on the user's perspective, policies on the lawful, model food chain and the concept of '*halalan thoyyiban*'. Qualitative research has been highlighted by Mohamad Nasran Mohamad and Norhalina (2009) by focusing on the *halal* certification body as a subject of study and research to identify central key aspects to *halal* auditing in Malaysia. A quantitative study was conducted by Muhammad Haziq Hassan *et al.* (2015) on the *halal* food industry and the sole focus of this study measures the knowledge and practice of *halal* assurance which is in contrast with JAKIM that emphasises the more holistically comprehensive aspects of the *halal* certification. It differs from the study by Mohd Rizal Razalli *et al.* (2013a) which measures performance based on six dimensions, namely the qualification of personnel, motivation, skills of many workers, effectiveness, environmental awareness, and cost. The study looked at the relationship between performance and *halal* certification practices adopted by the organization. The study also suggested that elements such as labelling, packaging, and transportation are taken into account as well. In addition, Mohd Rizal Razalli *et al.* (2013b) emphasised the elements of management responsibility, staff policy, and staff characteristics of *halal* standard practices in the hotel industry.

Based on previous studies, it was found that the practice of *halal* standards is synonymous with quality certification. What distinguishes them from others are the main concentrations, which is based on the practical field besides the documentation management and internal control. Past studies also outlined the central aspects of the certification without deeper details. Meanwhile, the standard acts and regulations have undergone several revisions to meet the requirements of *halal* standards based on the concept of '*halalan thoyyiban*'. The results of the empirical study also found the need to include other elements in the evaluation so that it is lawful in accordance with the organization function or company. Baharudin Othman *et al.* (2016) have made a classification based on the current standards used by a *halal* certification body in Malaysia which focuses on the items that are central to meet the needs of *halal* requirements. Here, *halal* and *thoyyib* includes — hygiene and food safety, ingredients, equipment and utensil, packing, storage, processing, transport and waste management; the *halal* internal process includes — documentation and records; and a *halal* assurance covers — *halal* assurance control, traceability, product recall, laboratory analysis, critical point; and workers include the police, the police needs, training and responsibility.

5.3 Aspects of *Halal* Food Requirement Practices

a. *Halal* and *Toyyib*

i. Food hygiene and Safety

In accordance with the concept of *halalan toyyiban*, hygiene and safety are prioritised. It is also supported by Mariam Abdul Latif (2008) who found safety and food cannot be taken lightly in the production process. This is stressed particularly in the processing of high quality food products. In addition, it is related to the compliance, consolidation of knowledge, and thorough implementation of a certain appropriate standard.

In Malaysia, it could lead to the suspension of certificates held by the company (Department of Islamic Development Malaysia, 2014). In fact, the Ministry of Health (MOH) through the Food Act 1983, Food Regulations 1985, and Food Hygiene Regulation 2009 may impose any actions such as the closing of premises and so on if convicted.

ii. Ingredients

In determining *halal* compliance, the ingredients used are the primary basis for determining *halal* and *thoyyib*. According to Kolovoes (2006), raw materials refer to a base material (modified natural state or semi-processed) which has been used for manufacturers as an input to the production process for the modification or the subsequent to the finished product. Therefore, to determine the lawful or unlawful material used is by ensuring the material is not something that has been declared illegal by Islamic law, such as faeces or even mixed with it and harmful toxic substances.

iii. Equipment and Utensils

In addition, *halal* compliant products are also closely associated with the use of equipment and utensils. The Department of Standards Malaysia (2009) through MS 1500: 2009, clause 3.3.1 has underlined that the equipment, tools, machinery and processing aids used to process *halal* food must be designed and constructed to facilitate the cleaning process. It should not be made out or not contain any ingredients that have been confirmed as unclean by Islamic law and shall be used only for *halal* food. It is reinforced by clause 3.3.2 which states that the equipment, machine tools and processing aids that have been used or come into contact with the *najs mughallazah*, shall apply '*sertu*' or ritual cleansing according to Islamic law.

This is explained thoroughly by Lokman Abul Rahman and Masran (2008) that if a machine or processing equipment is involved with one of the things that have been identified as *haram*, the 'ritual cleaning (*sertu*)' should be made in advance in accordance with Islamic law.

iv. Packaging

Packaging is the art of using something to cover any material. Prendergast (1995) defined packaging as products made of any materials that will be used to protect and manage, starting from raw materials to processed goods to consumers. It is recognized by Asyraf Abdul Rahman *et al.* (2011) who found that packaging is an important aspect of logistic elements but it focuses on the issue of *halal* to ensure that no cross-contamination occurs. This is given

either in the form of a packing box, container, or the like. The cleanliness and safety of a product does not guarantee that it is *halal*. One should take into account the basic ingredients such as oil, fat and gelatin (Zunirah Talib *et al.* 2010).

In the context of Malaysia's *halal* certification, the role of packaging is more than that. It does not only act as a protective material or cover but also the element used in its manufacture, *thoyyib* is *halal* and free from any substances that are classified as unclean by legislation. It is also in accordance with the *halal* standards used in Malaysia, which also stipulates that each package shall be marked in a way that is easy to read, durable and labelled with the information in accordance with the rules of the Act and the related standard with the following information;

- a. The Malaysian *Halal* logo and company standard and reference number; labelling and advertising shall not contravene the principles of Islamic law, and does not highlight elements disrespectful contrary to Islamic law;
- b. The name does not use the word *halal* products and the names of mainly religious and divine; *Halal* products shall not use the name or names that are synonymous with the term misleading or refers to food not *halal* such as beer and so on; and
- c. Each package shall be clearly marked and not easily erased or to be placed on the packaging label with information such as product name, Number Malaysian Standard (MS) and a file reference number (10 digits), net content expressed in metric measure (SI units), the name and address of the manufacturer, importer and/or distributor and trademarks, table of contents; the code number indicating the date and /or production batch number and expiry date and country of origin of the product.

Therefore, the *halal* logo is one form of *halal* labelling by manufacturers on the packaging which is seen as a convincing element for users to make purchases and to ensure products made are really *halal* Shahidan Shafie & Md Nor Othman, 2006).

v. Storage

Determination or verification of *halal* and *thoyyib* also emphasises on a substance either in the raw materials, semi-finished, or finished products are stored. This is to ensure that no mixing of the material is used for the storage of a product with other substances either as 'temporary transit point' or for research purposes. Among the main purpose is to avoid cross-contamination of *halal* and *haram*, in addition to prevent food contamination by other substances such as plastic, glass or metal fragments and dust from the engine.

The Trade Description Act 2011 through the Trade Description (Definition of *Halal*) Order 2011 and Trade Description (Definition of *Halal*) 2011 section 3 (1) (b), (g) and Procedure Manual For Malaysian *Halal* Certification (Third Revision) (2014) has outlined that once the food or goods described as *halal* or described in any other expressions that indicate food or items that are edible are used by the current supply, processing and storage are not in contact, mixed or adjacent to any foods that contain any unlawful elements according to Islamic law and *fatwa*. Even MS1500: 2009 (3.4.2) (c) explains that dangerous chemicals must be placed in an appropriate place and far from *halal* food.

h. Processing

The products are considered *halal* and *thoyyib* or otherwise in an organization or the premises start from where they receive the raw materials to the finished product stage. At the stage of processing, inspectors involved will ensure that the materials used are really *halal*, clean, safe to use and not contaminated by the non-*halal* processing of materials or ingredients.

In addition, in Malaysia's *halal* certification, an element or tool of worship is not allowed to be placed in the area of processing. Failure to do so could lead to the revocation of the *halal* certificate, and the authority has the right to take action for the fallacy (Manual Procedure for Malaysia Halal Certification (Third Revision) 2014).

i. Transportation

Transportation used by organizations or owners or any other party involved in the certification must be physically clean and free from impurities. This is to ensure the products are in good condition and safe to be used.

j. Waste Management

Apart from these aspects, waste management also focuses on the technical aspects of ensuring the premises are free from contaminants and impurities that may affect the product. Operators must take the steps to effectively manage wastes (Department of Standards Malaysia, 2009).

b. Internal Processes in Organization

Internal processes of the department are a working regulation to fulfil any procedures set out in the Malaysian *halal* certification application. It includes the documentation and record required by new companies that apply to acquire *halal* (Norain Hamzah, 2013).

The guidelines for *Halal* Assurance Management System of Malaysia *Halal* Certification 2013 has determined that each member of the Committee on Internal *Halal* appointed is responsible for creating a special file which is signed as evidence of conformity to requirements and implementation of *Halal* Assurance Management System. It contains the following information; manual *halal* assurance system, the role and responsibilities of internal *Halal* Committee and the staff responsible for the Critical Point *Halal*, *Halal* Audit Committee meeting minutes, list of *halal* threats and *halal* critical point parameters and instructions on monitoring procedures and corrective actions. All records shall be kept at least a year for review and audit purposes and shall remain, legible, identifiable, and retrievable Manual Procedure for Malaysia Halal Certification (Third Revision) 2014.

Files and records should also be established in line with what was stated in the application on-line in terms of company information and content of the materials used. Any changes such as adding content, changing the company's address, and so on shall be notified to the certification body and shall be kept as evidence during the audit.

In this study, the relevant information, basic information on the application level will also be covered such as company profiles, company registration, standard operating procedures and processes, training programmes attended by laboratory analysis records (if

any), the periodic monitoring records by manufacturers, and monitoring records by the certification body.

c. Staff

Companies must have Malaysian Muslim workers with a certain number according to the size or category of the companies and their role. Employees are evaluated in terms of training requirements such as courses, food handlers, and injection TY2 (Mohamad Nasran Mohamad & Norhalina, 2009; Mohamad Amri Abdullah & Suhami, 2012). Even in the Manual Procedure for Malaysia Halal Certification (Third Revision) 2014 also describes the responsibility of management in providing exposure to employees in connection with any lawful right courses. In addition, efforts to meet the needs of workers involving *halal* standards of integrity and accountability are also examined.

d. Halal Assurance

Halal assurance refers to the Guidelines on *Halal* Assurance System issued by JAKIM. This includes control points, product development and verification flow chart, the implementation of control measures, records, corrective actions, system documentation and verification process, the dietary reference and detection system (traceability).

6. Research Model and Hypothesis

The model developed is based on an objective assessment study, groups of subjects, *halal* dietary practices, and the use of the Act, standards and guidelines of the latest after the standardisation of *halal* certification in Malaysia by adopting 1 act, 1 standard, 1 guideline, 1 logo, 1 certificate and 1 system.

Based on the framework presented in Figure 1, the following hypotheses were developed for this research:

H1: There is a positive and significant relationship between *Halal* Requirements Practices of *halal* and *thoyyib*, internal process, *halal* assurance, staff, and organizational performance

H2: *Halal* requirement practices have a positive and significant influence on organizational performance.

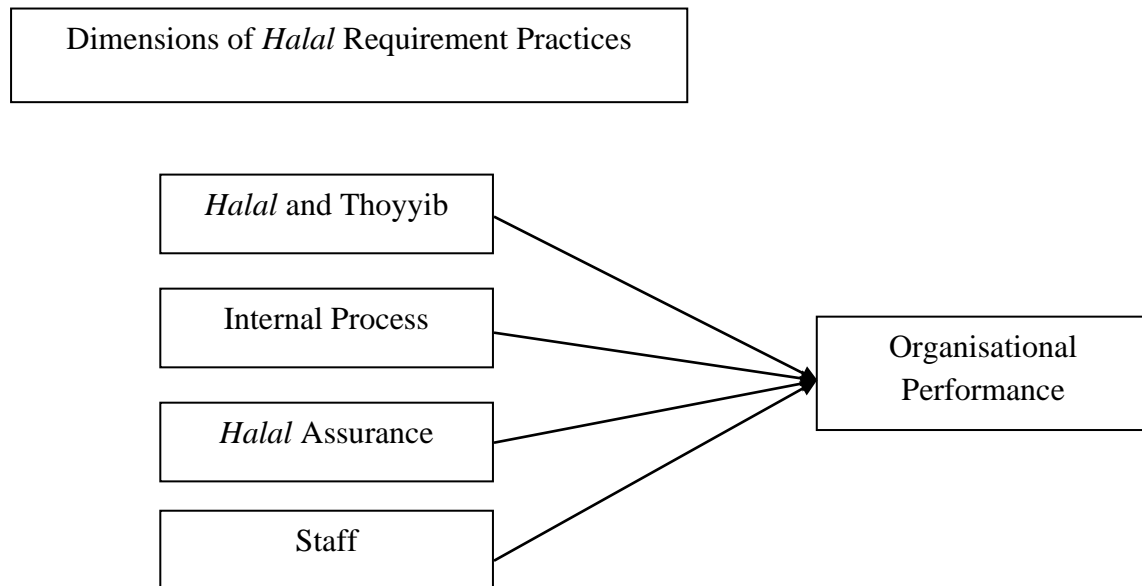
H_{2a} : *Halal* and *Thoyyib* have a positive and significant influence on organizational performance.

H_{2b} : The internal process has a positive and significant influence on organizational performance.

H_{2c} : *Halal* assurance has a positive and significant influence on organizational performance.

H_{2d} : The staff has a positive and significant influence on organizational performance.

Figure 1
Research framework



Regression model of the following formulation is employed in this study.

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \dots + \beta_n X_n + \lambda$$

Where Y = Dependent variable
 X_n = Independent variable
 α = Constant (intercept)
 β_n = Regression coefficient
 λ = Residual

7. Methodology

The quantitative research was used to put the analysis of the study unit at the organizational level. Given that the data of this study were collected from a representative sample of the population at a certain time, thus it applied the cross-sectional surveys method. Standardised questionnaires by Baharudin Othman *et al.* (2016) related to the practice of *halal* standards and Zainidin Elias (2009) relating to the performance of the organization have been applied in this study.

a. Sample

The sample consisted of 344 members of the 172 committee internally *halal* companies. The samples were from those who are responsible and directly involved in ensuring the implementation of *halal* fulfils the *halal* standards set by the certification body. The sample selection was also based on the Manual Procedure for Malaysia Halal Certification (Third Revision) clause 6.1.2 which requires the establishment of an internal *halal* committee. In this study, two persons were chosen to represent each company. Given that any decision

made is simultaneously, thus an analysis unit at the organizational level is well-suited for the analysis of the study.

b. Sample Procedure

Choosing the sample is referring to the process of selecting the organization from the target population. Small Medium Enterprises was selected because this category is a major source of the *halal* food chain in Malaysia. The sampling frame was acquired from 306 companies in Malaysia based on 6 selected locations. The sample was then determined by using purposive design. In a study, 172 (56.21%) of the samples are useable samples for analysis. The rate of return is received more than 50%. According to Dissanayaka *et al.* (2001), 38% of the questionnaires that were returned were completed and were reasonable for research in the field of quality.

c. Location

The research was conducted in six zones in Malaysia. The site was chosen based on the criteria used by the Monitoring and Enforcement Branch, *Halal* Hub Division, Department of Islamic Development Malaysia. The branch was responsible for ensuring that *halal* standards in Malaysia have been followed in accordance with the Trade Description Act 2011.

d. Instruments

The instrument for this study contains standardised self-report questionnaires. Part A of the questionnaire has - items related to the demographic information of the company including the category of the company, the period of operation, type of company, whether natural or non-natural. Part B contains forty-nine (49) items of the *halal* practices, arranged into four (4) subscales i.e. *Halal* and *thoyyib* (31 items), Internal Process (7 items), *Halal* Assurance (7 items) and staff (4 items). According to Baharudin Othman *et al.* (2016) Cronbach's Alpha, the reliability for *halal* food requirement for practices is 0.940. As for the subscales, they found that *halal* and *thoyyib* has Cronbach's Alpha value of 0.916, Internal process Cronbach's Alpha value of 0.701, *halal* assurance Cronbach's Alpha value of 0.762, while for staff Cronbach's Alpha value was found to be 0.650. Part C consists of Organisational Performance and Zainuddin Elias (2009) found a 15-item scale for measuring organizational performances and the respondents were asked to express their opinion on the Likert scale point with a Cronbach's Alpha value was achieved by 0.932. Table 1 shows the result of reliability for variables and indicators of *halal* practices among SMEs food industries;

Table 1*Variables and Indicators of Halal Practices*

Variables	Indicators	Number of items	Sample Questions	Reliability Cronbach's Alpha
<i>Halal and Thoyyib</i>	<ul style="list-style-type: none"> • <i>Halal</i>, hygiene and food safety • Equipment and utensils • Labelling and packaging • Storage • Processing • Transportation • Waste management 	31 items	Q. Premise location is suitable and located far from risk of contamination. Q. Packaging that has been used from safe substances	0.933
Internal <i>Halal</i> Process	<ul style="list-style-type: none"> • Documentation and Record 	7 items	Q. All critical ingredients have their own certificate of analysis (COA)/product specification.	
<i>Halal</i> Assurance	<ul style="list-style-type: none"> • <i>Halal</i> Assurance Control • Verification • Product Recall • Laboratory Analysis • Control Point 	7 items	Q. <i>Halal</i> assurance through internal <i>halal</i> control is done by organization from receiving raw material to the end of product.	
Staff	<ul style="list-style-type: none"> • Staff Policy • Staff Responsibility 	4 items	The staff have attended courses related to <i>halal</i> food handling	

e. Data Analysis

Data were analysed using SPSS version 21.0. Descriptive statistics were used to analyse demographic information such as category, duration and type of company operations. While inferential statistics such as correlation and regression were used in order to determine the relationship and influence practices dietary requirement of the organization.

8. Results

a. Profile of Respondents

A total of 184 subjects consisting of the organization of small and medium industries had been distributed among food industries. Out of the 184 companies, these 12 companies were rejected because they did not meet the criteria required by the researchers. This makes only 172 companies as a subject of study for the next stage of analysis. The distributions of the respondents are shown in Table 2.

Table 2*Distributions of the Respondents According to Demography*

Demography	Category	Number of respondents	Percentage (%)
Organization profile			
Firm Categories	Small Medium Enterprise	172	
Operation Period of the Firm	1-10 years	38	22.1
	11-20 years	78	45.3
	21-30 years	46	26.7
	31-40 years	7	4.1
	>41 years	3	1.7
Types of Firm	Bumiputera	68	39.5
	Non-Bumiputera	104	60.5
Zone	Zone 1 (Middle)	61	35.5
	Zone 2 (Region)	16	9.3
	Zone 3 (East)	16	9.3
	Zone 4 (North)	24	14.0
	Zone 5 (South)	33	19.2
	Zone 6 (Sabah & Sarawak)	22	12.8

N = 172 (344 The Internal *Halal* Committee Members)**b. Descriptive Statistical**

Means and standard deviations were obtained from five variables. Based on Table 3 below, it was clear that the means for all five variables were close to the range of 3.047 to 4.287. The variable staff aspect was the highest with the mean of 4.287, followed by the *halal* assurance with the mean of 4.273, *halal* and *thoyyib* with the mean value of 4.250, an internal process with the mean of 4.185 and the mean of organizational performance, 3.047.

c. Level of *Halal* Requirements Practices

The result showed the internal *Halal* Committee Members agreed that the organization was giving serious consideration to meet the needs of *halal* standards outlined by the authority. The results stated that the mean value was 2.869 and the standard deviation was 0.728. In addition, the findings showed that the variables of the *halal* and *thoyyib*, internal process, *halal* assurance and staff were in different ranges. For *halal* and *thoyyib*, the mean was in the range of 3.62 to 4.91. For the variable of the internal process, the mean was in the range of 3.15 to 5.00. For the variable of *halal* assurance, the mean was in the range of 3.50 to 5.00. For variable of the 'staff', the mean was in the range of 1.50 to 5.00.

The values of the mean were derived from the responses of the selected organization's internal *halal* committee members to which they either agreed or disagreed with the statement given in the questionnaire.

d. Level of Organizational Performance

The Likert-scale was used to measure the independent variables that start with 'strongly disagree' to 'strongly agree'. The criteria used to determine the response of the Committee on Internal *Halal* to either agree or disagree with the statement are based on this method. The mean value that was less than or equal to 2.99 was considered low, while the corresponding min of 3.00 to 3.99 was good and 4.00 or above was considered high as adopted by Magd and Curry (2003) as the benchmark in the study of the quality management.

Thus, for the dependent variable of organizational performance, the *Halal* Committee members agreed that the performance of the internal organization was well-represented. The analysis showed that the mean value of the organization's performance was 3.047 and a standard deviation of 0.615. The summary for the descriptive statistics of variables in this study can be found in Table 3.

Table 3

Results for the Variables Study of the Descriptive Statistics

Variables	N	Minimum	Maximum	Mean	S.D
Halal Requirements Practices	172	1.00	4.50	2.869	0.728
<i>Halal</i> and Thoyyib	172	3.62	4.91	4.250	0.320
Internal Process	172	3.15	5.00	4.185	0.391
<i>Halal</i> Assurance	172	3.50	5.00	4.273	0.318
Staff	172	1.50	4.50	4.287	0.362
Performance	241	1.50	4.50	3.047	0.615

e. Inference Analysis

The relationship between the practice of *halal* needs (*halal* and *thoyyib*; internal process, *halal* assurance and staff) and organizational performance among food industries (SMEs) in Malaysia

Correlation is a measure of the strength of the relationship between two variables that have been studied. In other words, the Pearson correlation was used to measure the linear relationship between two continuous variables (continuous variables). In this study, the two variables measured are *halal* requirement relations practices and organizational performance. The results in Table 4 shows a significant relationship between all the variables namely *halal* and thoyyib ($r = 0.583$; $p < 0.01$), *halal* assurance ($r = 0.502$; $p < 0.01$), internal process ($r = 0.444$; $p < 0.01$), and staff ($r = 0.370$; $p < 0.01$) with organizational performance. The results for this study are related to the previous research that showed *halal* requirement practices do positively affect the organizational performance (Mohd Rizal Razalli *et al.*, 2013a; Mohamad Nasran Mohamad & Norhalina, 2009). Although numerous researchers look at *halal* practices

from different angles, the results obtained show that emphasis on the process is vital in improving the performance of an organization.

Table 4

Correlation between Halal Requirement Practices of Halal and Thoyyib, Internal Process, Halal Assurance, Staff and Organizational Performance

Dimension	Work performance
<i>Halal and Thoyyib</i>	0.583(**)
Internal Process	0.444(**)
<i>Halal Assurance</i>	0.502 (**)
Staff	0.370(**)

N = 172, ** significant $p < .01$

f. The Effect of *Halal Requirement Practices* on Organizational Performance

Multiple regression analysis was used to understand how much variance in the dependent variable (organizational performance) is explained by a set of predictors (*Halal and Thoyyib*, Internal Process, *Halal Assurance* and Staff).

The R square value indicated that 36.6% of variance in Organizational performance can be explained by the four variables ($R^2 = 0.366$; $F = 49.019$; $p < 0.05$). The regression results in Table 5 also show that *halal and thoyyib* ($\beta = 0.415$; $p < 0.05$) and *halal assurance* ($\beta = 0.213$; $p < 0.05$) aspects are significant determinants of organizational performance. On the other hand, internal process ($\beta = 0.038$; $p > 0.05$) and staff ($\beta = -0.002$; $p > 0.05$) do not have impact on organizational performance. Thus, only H_{2a} and H_{2c} are supported. Based on the beta values, only *halal and thoyyib* (0.415) seemed to have the strongest effect on organizational performance.

Table 5

The results of multiple regression analysis of the effect of halal requirements (halal and thoyyib, internal process, halal assurance and staff) on organizational performance

Variables	Beta	T	Sig.T	Variables	Beta	T	Sig.T
<u>Variables in the Equation</u>				<u>Variables not in the Equation</u>			
<i>Halal and Thoyyib</i>	.415**	4.977	0.000	Internal Process	.038	.590	.555
<i>Halal Assurance</i>	.213**	3.754	0.000	Staff	.002	.036	.971
<i>R</i>	.605						

R^2	.366
Adjusted R^2	.359
Significance F	.000

Note: * $p < 0.05$

9. Discussion and Implications

Descriptive analysis showed that the level of ‘*halal*’ certification and the performance of ‘*halal*’ industry organizations in Malaysia were within a good range of mean. On the other hand, the results of inferential analysis proved that all four aspects (*halal* and *thoyyib*, internal process, *halal* assurance and staff) have positive correlation. However, the results on regression showed that in the implementation of ‘*halal*’ in Malaysia, organizational performance is more affected by *halal* and *thoyyib* and *halal* assurance aspects compared to internal process and staff.

The results are in line with previous findings conducted by Huo *et al.* (2014) on 121 factories that have received the ISO 9001 certificate in Australia and New Zealand, where the organizational capability based on process flow management had a significant relationship with performance. In addition, Perez-Freije and Enkel (2007) in their research on the relationship between ability and process of innovation and control system or organizational performance, work structure, problem solving, working environment, compensation, and paradigm innovation showed that the process of innovation and control system or organizational performance is crucial in supporting the capability of a firm. It was supported by a number of empirical studies which showed that operational practice affects the organizational performance (Arias Aranda, 2003).

However, this finding was different from the findings of Zuraini Yahaya (2014) that looked at the level of manufacturers’ practice in relation to ‘*halal*’ products. This study found that compliance of elements on ‘*halal*’ labelling does not have a relationship with organizational practice. Nonetheless, the research conducted also showed that it did not represent the real practice of food manufacturers in Malaysia due to the limited number of respondents. In a similar situation, different findings were also obtained by Mohd. Rizal *et al.* (2013) that showed the ‘*halal*’ practice in hotel premises did not have a direct relationship with performance excluding two dimensions namely policy practised by staff and premise’s condition. Besides that, the findings obtained in this research done on ‘*halal*’ food industry among SMEs manage to support the findings obtained by Muhammad Haziq Hassan *et al.* (2015) in relation to *halal* assurance system in which it was found that the research has overlooked some important components that are the core to the internal *halal* guarantee by the industry. These include control point, products development and verification, procedure’s control and withdrawal of products, amendment, documents and records, process verification, traceability and *halal* database.

The findings obtained depict that the *halal* industry in Malaysia is still in the changing zone that needs a paradigm shift. The results of regression analysis have portrayed a valuable outcome which showed us that the industries in Malaysia have not reached the maximum level of the ‘*halal thoyyiban*’ concept holistically. As a result, suspensions and withdrawal of the *halal* certificate happened in the industries as shown by the mass media. For instance, 38 premises in Kelantan were closed after 12 operations done by the Kelantan Health Department in January 2008.

In other words, there are elements or gap that needs to be filled in to complete the *halal* food chain such as human capital factor, *halal* supply chain, *etc.* As a proof, findings of the research done by Muhammad Haziq Hassan *et al.* (2015) on 39 *halal* executives in Melaka in relation to the knowledge and practice in executing the internal *halal* system showed that the basic knowledge related to the religion is the core to the *halal* organization management. In this matter, the dependency on the basic knowledge in relation to the religion itself is not enough and it must be supported by the willingness to explore knowledge in different fields. Furthermore, Nik Maheran Nik Muhammad *et al.* (2009) stated that in the effort towards producing competitive advantages, integration between *halal* system guarantees and the effectiveness of the food chain that satisfies the customers’ needs must exist.

10. Conclusion and Recommendations

In conclusion, research showed that based on predictors that have been studied, *halal* requirement practices have a significant relationship and effect on organizational performance. However, the dimensional analysis stated that *halal* and *thoyyib* and *halal* assurance affect organizational performance. This gives a wakeup call to the Malaysian ‘*Halal*’ Certification Body that the effort to highlight acts, standards and guidelines must be done. This is because most of the ‘*halal*’ members are more focused on the *halal* and *thoyyib* aspect compared to additional methods that were highlighted by the Certification Body. Besides that, exposure and training must be prioritised. This study has also found that other aspects must be studied in an attempt to identify and fill research gaps such as human capital, ‘*halal*’ certification management and ‘*halal*’ food chain. Most importantly, the roles and integrity in assuring the intensity of *halal* must be built by the industry via the internal members of *halal* in the process of maintaining *halal* compliance that directly affects the organizational performance.

This study has provided a few major implications. The first one is the implication towards theory and literature. If all this while quality researches have always been linked to total quality management, this time it is the ‘Research-Based View’ approach that was actually used. With that, the number of researches using strategic management as the core theory can be increased. The second implication towards the industry is that the findings obtained have produced a new phenomenon in which the industry needs a paradigm shift and does not only stay in the secure zone but accept all the changes outlined by the government or

halal certification body. In relation to this, the industry must know its responsibilities in order to convince the customers on the practice of *halal* by the organization. As for the government, due to the industrial organization's preemptive appraisal of their own management, it has made it easier for the former to execute the real *halal* inspection.

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