



RESEARCH ARTICLE

AN EMPIRICAL ANALYSIS OF HALAL PRACTICES ON ORGANIZATIONAL PERFORMANCE  
AMONG FOOD INDUSTRIES

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ABSTRACT

The aim of this study is to investigate the influence of dietary halal practices to organizational performance among the halal food industry 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 241 of them are usable for analysis at an organizational level. Respondents who participated in this study are internal committee members who are specially appointed for halal dietary management control within the organization. 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 is positive. In addition, the inference test results prove that there is a significant correlation between all the variables studied. However, based on the regression analysis, the halal and *thoyyib* dimensions majorly influence the performance of the organization as compared to internal dimensions of process, halal assurance, and staff. In this research, few limitations have been identified. The first limitation is that there was limited number of respondents (241 companies) due to time constraint. Furthermore, some respondents were quite hesitant in giving their cooperation due to company's confidentiality. If the return rate is higher then, the possibility to obtain more accurate results is higher. Secondly, the research was more focused on 'halal' food while the term 'halal' is now globally known not only in food industry but also in pharmaceutical, logistic etc. The standards used are only limited to the management of food. The implication towards theory and literature - 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. Moreover, this research showed that other factors must be studied in order to produce a working halal model. Besides, the 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. For the government on the other hand, it will be easy for them to make assessment on halal food industry in Malaysia aside from preparing an effective plan especially in the effort to draw a clear picture on the industry in relation to the real halal management including the understanding on standard acts or all the guidelines that have been introduced. For users, it gives the assurance that a product must undergo a few steps which are not only controlled by the industry, but the competent authorities as well in halal certification. In addition to the existence of a few acts, the rules and standards which binds the industry to always be responsible and practice integrity in halal implementation

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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.

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Therefore, 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 is not only a central agenda, but is also gains the cooperation and attention from the state government. This is proved in 2012 alone, the Malaysian government managed to export 32 billion range of halal products abroad (HDC, 2013). This is consistent with Budget 2013, which provides working capital of 200 million

for small and medium entrepreneurs in the halal products to provide encouragement for the development of halal food industry in Malaysia (Brothers, 2013). Additionally, the government, through the Department of Islamic Development Malaysia (Jakim) and the Islamic Council of State and State Religious Department has taken several measures to ensure the continuous coordination and harmonization between the states, including the establishment of a monitoring mechanism for the production, certification, and logo. Through this standardization, Jakim and MAIN / JAIN will only adopt a uniformed logo, standard, work, and system only (Ibrahim, 2011).

## PROBLEM STATEMENT AND OBJECTIVES

Performing the halal requirement stated by the 'halal competent authority' is required by all industries. At the same time, they have to make sure the halal status should 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 by Jakim as well has shown that there is a failure in the industry to maintain certification through non-compliance notice issued. 126 of the 1,437 inspections conducted by Jakim for the period January to December 2013 found mistakes whether small, large or serious (A report on Monitoring and Enforcement Activities, Malaysian Halal Certification 2013).

Therefore, consistent implementation in halal dietary practices is necessary even though in the concept of halal certification, any company who does not comply are given the opportunity to reapply for certification after fulfilling the conditions set out by the certification body. 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 proof, in Malaysia there are products from factories for small and medium categories which have good management control and consistently in compliance with halal standards such as the Syarikat Ambang Dorongan Sdn. Bhd. They were given the Innovation Award in 2010 for Muslim halal product category (<http://www.halal.gov.my/v3/index.php/ms/direktori-halal-malaysia/126>. Retrieved 23rd September 2013). On the other hand, the company Ma Boo Sdn. Bhd.'s halal certification has been withdrawn due to their non-conformity in halal dietary management (<http://www.islam.gov.my/en/agenda-inovasi-negara-harus-lebih-praktikal-pm>. Retrieved October 18, 2013).

In light to 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 the concept of '*halalan thoyyiban*' by deed, standards, procedures, and guidelines prepared. In addition, this needs to be supported as well by effective management, including the development of halal assurance system in which the appropriate application is based on the operational objectives of the organization.

Therefore, the aim of this study focuses on the effect of halal dietary practices on organizational performance in Malaysian halal food industry. In this study, the halal dietary practices consist of halal and thoyyib, internal process, halal assurance, and staff as the predictor of organizational performance.

## 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 prescribes in Surah Al ' An'am, verse 145; Al'Araf, verse 157; Al – Maidah verses 1, 4, 5 and 88. The Prophet Muhammad (PBUH) also ordered his followers to always emphasize matters related to halal nutrition as hadith narrated by Anas bin Malik, the Prophet 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. 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 which cause one to lose control of the body and mind will not help one to prosper. Moreover, Ghani (2008) and Rahman (2009) found that halal needs to be seen in a wider scope, in which covers the quality and safety of food as well. It is consistent with the concept of '*halalan thoyyiban*' practiced by Jakim which the various system and certificate used includes halal, clean, safe, and quality (Othman, Md. Shaarani and Bahron, 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;

- Neither is nor consist of or nor contains any part or matter of an animal that is prohibited by *Hukum Syarak* for a Muslim to consume or that has not been slaughtered in accordance with *Hukum syarak* and *fatwa*; P.U.(A)53/2012
- Does not contain anything which is impure according to *Hukum syarak* and *fatwa*; P.U.(A)53/2012
- Does not intoxicate according to *Hukum syarak* and *fatwa*; P.U.(A)53/2012
- Does not contain any part of a human being or its yield which are not allowed by *Hukum syarak* and *fatwa*; P.U.(A)53/2012
- Is safe to be used or consumed, not poisonous, or hazardous to the health;
- Has not been prepared, processed or manufactured using any instruments that is contaminated with impure according to *Hukum syarak* and *fatwa*; P.U.(A)53/2012 and
- Has not in the course of preparing, processing or storing been in contact with, mixed, or in close proximity to any food that fails to satisfy paragraphs i) and ii).

## HALAL FOOD CERTIFICATION PROCEDURE

### Malaysian Halal Certification Requirements

To ensure Malaysian products are competitive and strong competitive at international level, inter-agency cooperation is

fully exploited through relevant provisions (Abdullah, 2006). This is because each agency has their 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 (Othman, Md. Shaarani and Bahron 2016). Thus, a number of reevaluation regarding the act, standards, and guidelines needs to be done. As a result, through the standardization of halal certification halal certification now adopts only 1 act, 1 standard, 1 guidelines, 1 system and 1 certification.

For the management of halal certification in Malaysia, the Department of Islamic Development Malaysia (Jakim) and the Islamic Religious Council of the States (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 in 15 December 2014 and began to be fully practiced starting 1 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 country. Meanwhile, for surveillance Trade Description Act 2011 and other related acts by agencies are also used in determining halal.

## LITERATURE REVIEW

### 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, Gregory and Platts (1995), an organization's performance will be evaluated based on effectiveness and efficiency in its operations and it is important for each employee and the organization. Thus, the 'resource based view' is compatible as the core of the study with the internal control highlighted by the researchers. These internal control consists of materials, methods, including halal food standards, quality and safety, mechanical, and human. Usage 'resource based theory' are 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 while maintaining those advantages compared to other organizations. 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.

### Organizational Performance and Halal Practices

Performance refers to the multidimensional built to achieve the goals of the organization and it has a strong connection with

the strategic goals of the organization (Mwita, 2000). While studies on the quality of performance is often associated with the ISO quality certification. For example, Psomas, Pantauvaski, and Kafetzopoulos (2013) have evaluated the effectiveness of ISO through the standard objectives achievement level; namely the prevention of non-compliance, continuous improvement, and a focus on customer satisfaction. The next study was further evidenced by Ruzevicius, and Zilinskaite (2011). They adopted the ISO 9001 Quality Assurance System as the basis for studies on Halal Product Quality Assurance System on a plant in Lithuania. Comparative analysis of needs method was used in halal certification which needs to be fulfilled and guidelines of Quality Certification from various countries as well to see the motive, challenges, and advantages of halal certification.

In this case, 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 compared to a certificate ownership factor. 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 (Elias, 2009). It is in line with Aramyan, Oude Lansink, Van Der Vost and van Kooten (2007) the practice should be evaluated by measuring the quality of either monetary, compliance with applicable standards, and so on.

Most previous studies related to halal food is focused on the user's perspective, policies on lawful, model food chain and the concept of '*halalan thoyyiban*'. Qualitative research has been highlighted by 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 Hasan, Arif and Sidek (2015) on halal food industry and aspects of the measurement is based on the knowledge and practice of halal assurance without emphasizing the holistic aspects of the halal certification body measurements. It differs from the study by Razali, Yusoff and Roslan (2013) which measures performance based on six dimensions, namely the qualification of personnel, motivation, skills 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 labeling, packaging, and transport are taken into account as well. In addition, Razali, Abdullah, and Yusoff (2013) emphasized the elements of management responsibility, staff policy, and staff characteristics of halal standard practices in the hotel industry. Based on previous studies, it is found that the practice of halal standards are synonymous with quality certification. What distinguishes it are the main concentrations, which is based on practical field besides the documentation management and internal control. Past studies also outlined the central aspects of the certification without deep 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 for the other elements in the evaluation so that it is lawful in accordance with the organization function or company. Othman *et al.* (2015) 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; 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.

## Aspects of Halal Food Requirement Practices

### Halal and Toyyib

#### Food hygiene and Safety

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

In Malaysia's, 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, Food Hygiene Regulation 2009 may impose any actions such as the closing of premises and so on if convicted.

#### Ingredient

In determining halal compliance, the ingredients used are the primary basis for determining halal and thoyyib. According to Kolovoes (2006), raw materials refers 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 a lawful or unlawful material is by ensuring the material is not something that has been declared illegal by Islamic law, such as feces or even mixed with it, and harmful toxic substances.

#### Equipment and Utensils

In addition, the compliance of a product is halal is also closely associated with the use of equipment and utensil. Department of Standards Malaysia (2009) through the 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 Rahman and Masran (2008) that if a machine or processing equipment is involved with one of the things that have been outlined in the Malaysian Standard, the 'ritual cleaning' should be made in advance in accordance with Islamic law.

### Packaging

Packaging is the art of using something to cover any material. Prendergast (1995) defines packaging as products made of any materials that will be used to protect, manage, send, starting from raw materials to processed goods to consumers. It is recognized by 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. It is sometimes questionable in terms of confirmed halal status although clean and safe by taking basic construction materials such as oil, fat and gelatin (Talib, Zailani and Zainuddin, 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 is 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 labeled with the information in accordance with the rules of the Act and the related standard with the following information;

- Malaysian Halal logo and company standard and reference number; labeling and advertising shall not contravene the principles of Islamic law, and does not highlight elements disrespectful contrary to Islamic law;
- 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
- Each package shall be clearly marked and clear 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 labeling by manufacturers on the packaging is seen as a convincing element for users to make purchases and to ensure products made are really halal even consumers feel it more significant than the ISO (Shafie and Othman, 2006).

## Storage

Determination or verification of halal and thoyyib also emphasized how a substance either in the raw materials, semi-finished, or finished products are stored. This is to ensure that no mixing of the material 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. 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 when a 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 elements according to Islamic law and fatwa. Even MS1500: 2009 (3.4.2) (c) explain that dangerous chemicals must be placed in an appropriate place and far from halal food.

## Processing

Confirmation of a product is halal and thoyyib or otherwise in an organization or the premises starts from where they receive the raw materials to the finished product stage. At the stage of processing, inspectors involved in examinations will ensure that the materials used are really halal, clean, safe to use, and there are no significant mixing with the processing of materials or products that are not halal. At this stage, even if illegal substances are not claimed by the owner of the premises used in the preparation, the products are not permitted in the processing area such as putting bottles of liquor near the former processing. In addition, in Malaysia's halal certification, element or tool of worship is not allowed to be placed in the area of processing. Failure to do could lead to the revocation of halal certificate and can lead to action by the authority in the certification of halal (Malaysia Halal For Procedure Manual Certification (Third Revision), 2014).

## 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 use.

## 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 steps to effectively manage wastes (Department of Standards Malaysia, 2009).

## Internal Processes in Organization

Internal processes of the department is a movement working towards fulfilling the procedures set out in the Malaysian halal certification application. It includes the documentation and record required by new companies that wants to acquire halal and created in a special file for the application of halal

(Hamzah, 2013; Noordin, Noor and Samicho, 2009). Guidelines for Halal Assurance Management System of Malaysia Halal Certification 2013 has determined that each member of the Committee on Internal Halal appointed are responsible for creating a special file which are 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 threats halal and halal critical point parameters and instructions on monitoring procedures and corrective actions. All old records shall be kept at least a year for review and audit purposes and shall remain, legible, identifiable, and retrievable (Malaysia For Halal Certification Procedure Manual (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 which are notified to the certification body should be kept as evidence during the audit. In this study, in addition to 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 programs attended by laboratory analysis records (if any), the periodic monitoring records by manufacturers, and monitoring records by the certification body.

## 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 (Nasran and Norhalina (2009); Abdullah and Yusuf (2012). Even in Malaysian Manual for Halal Certification Procedure (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.

## 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).

## MATERIALS AND METHODS

The model developed are 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 standardization 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:

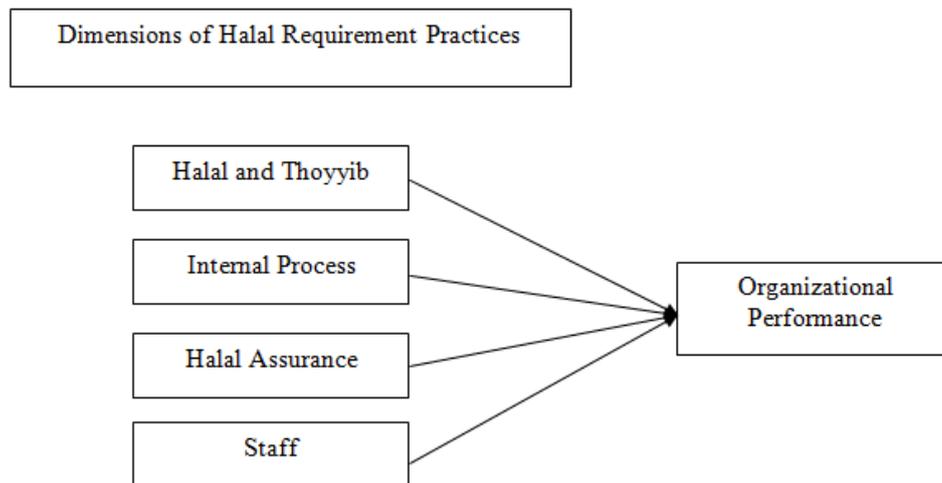


Figure 1. Research framework

Table 1. Variables and Indicator Halal Requirement Practices

Variables	Indicators	Number of items	Sample Questions	Reliability Cronbach Alpha
Halal and Thoyyib	<ul style="list-style-type: none"> <li>•Halal, hygiene and food safety</li> <li>•Equipment and utensils</li> <li>•Labeling and packaging</li> <li>•Storage</li> <li>•Processing</li> <li>•Transportation</li> <li>•Waste management</li> <li>•Documentation and Record</li> </ul>	31 items	Q.Premise location is suitable and located from risk of contamination. Q. Packaging that has been used from safe substances	0.935
Internal Halal Process	<ul style="list-style-type: none"> <li>•Halal Assurance Control</li> <li>•Verification</li> <li>•Product Recall</li> <li>•Laboratory Analysis</li> <li>•Control Point</li> </ul>	7 items	<i>Q.All critical ingredients have their own certificate of analysis (COA) / product specification.</i>	0.712
Halal Assurance	<ul style="list-style-type: none"> <li>•Staff Policy</li> <li>•Staff Responsibility</li> </ul>	4 items	<i>The staffs have attended courses related to halal food handling</i>	0.718

Table 2. Distribution of the respondents according to demography n=241 (620 The Internal Halal Committee Members)

Demography	Category	Number of respondents	Percentage (%)
Organization profile			
Firm Categories	Multinasional	172	71.4
	Small Medium Enterprise	69	28.6
Operation Period of the Firm	1-10 years	41	17.0
	11-20 years	90	37.3
	21-30 years	61	25.3
	31-40 years	27	11.2
	>41 years	22	9.1
Types of Firm	Bumiputera	77	32
	Non Bumiputera	164	68
Zone	Zone 1 (Middle)	91	37.8
	Zone 2 (Region)	26	10.8
	Zone 3 (East)	21	8.7
	Zone 4 (North)	31	12.9
	Zone 5 (South)	43	17.8
	Zone 6(Sabah&Sarawak)	29	12.0

**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 has a positive and significant influence on organizational performance.

H<sub>2a</sub> : Halal and *thoyyib* have a positive and significant influence on organizational performance.

H<sub>2b</sub> : Internal process has a positive and significant influence on organizational performance.

- H<sub>2c</sub> : Halal assurance has a positive and significant influence on organizational performance.  
 H<sub>2d</sub> : Staff has a positive and significant influence on organizational performance.

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<sub>n</sub> = Independent variable

α = Constant (intercept)

β<sub>n</sub> = Regression coefficient

λ = Residual

## 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 was collected from a representative sample of the population at a certain time, thus it applied the cross-sectional surveys method. Researchers concluded that this type of research data is suitable to be analyzed using appropriate statistical procedures and questionnaires as research instrument. Standardized questionnaire by Othman, Md. Shaarani and Bahron (2015) related to the practice of halal standards and Elias (2009) relating to the performance of the organization have been applied in this study.

## Sample

The sample consisted of 620 members of the 241 committee internally halal companies (small and medium enterprises = 172 and multi-national = 69). The samples are from those who are responsible and directly involved in ensuring the implementation of halal meet halal standards set by halal certification body. The sample selection was also based on the Malaysian Halal Certification Procedure Manual 2014 (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 in the category of medium and small enterprises and four persons were chosen to represent the multinational 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.

## Sample Procedure

Choosing the sample is referring to the process of selecting the organization from the target population. Two category were selected which were the Small Medium Enterprises and Multinational because the two categories are a major source of halal food chain in Malaysia which has a similar functional and application of the acts, standards, procedures and guidelines. The sampling frame was acquired from 474 companies in Malaysia based on 6selected location. The sample was then determined by using purposive design. In a study, 241 (50.84 %) of the sample are useable sample for analysis. The rate of return is received more than 50%.

According to Dissanayaka *et al.* (2001), 38% of questionnaire that were returned were completed and were reasonable for research in the field of quality. The present research was conducted in six zones in Malaysia. The site was chosen based on the criteria used by the Monitoring and Enforcement Branch, Halal Hab 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.

## Instruments

The instrument for this study contains of standardized 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 eight (49) items of the dietary requirement 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 Othman *et. al* (2015) 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 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 consist of Organizational Performance and Zainuddin (2009) found a 15-item scale for measuring organizational performances and the respondent were asked to express their opinion on the point Likert scale with a Cronbach's alpha value was achieved by 0.932. Table 1 shows the variables and indicators halal requirement for food industries;

## Procedure

At the beginning of the study, permission was obtained from the relevant authority mainly in population studies and relevant information related to halal certification in Malaysia. After that, a letter with an email were sent to the selected organization. Researchers have contacted the organization to ensure that the acceptance of the letter and the email and then to make an appointment with a member of the internal halal. Information was given regarding on the objectives to the respondent. At the same time, the form was distributed to the respondents. Forms that had been filled were reviewed by the researchers in order to meet the required criteria. For organizations that were unable to complete the form at that time for the reasons that cannot be avoided, the researchers had provided express envelope for the respondent to return the form back to them.

## Data Analysis

Data were analyzed using SPSS version 21.0. Descriptive statistics were used to analyze 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.

**Table 3. Results for the Variables Study of the Descriptive Statistics**

Variables	N	Minimum	Masimum	Mean	S.D
Halal Requirements Practices	241	1.00	4.50	2.956	0.698
Halan and Thoyyib	241	3.62	4.99	4.301	0.611
Internal Process	241	3.15	5.00	4.236	0.377
Halal Assurance	241	3.50	5.00	4.301	0.315
Staff	241	3.25	5.00	4.329	0.559
Performance	241	1.50	4.50	3.134	0.595

**Table 4. Correlation between Halal Requirement Practices of Halal and Thoyyib, Internal Process, Halal Assurance Staff and Organizational Performance**

Dimension	Work performance
Halal and Thoyyib	0.350(**)
Internal Process	0.307(**)
Halal Assurance	0.262 (**)
Staff	0.220 (**)

N= 241, \*\* significant  $p < .01$

**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
Variables in the Equation				Variables not in the Equation			
Halal and Thoyyib	.319**	2.194	0.029	Internal Process	.056	.527	.599
				Halal assurance	.019	.212	.832
				Staff	-.041	-.469	.640
R							
R <sup>2</sup>							
Adjusted R <sup>2</sup>							
Significance F							

Note : \* $p < 0.05$

## RESULTS

### Pofile of Respondents

A total of 253 subjects consisted of the organization of small and medium companies (184 companies) and multinational corporations (69 companies) had been distributed. Out of the 184 companies, these 12 companies from the organization of small and medium enterprise category were rejected because they do not meet the criteria required by the researchers. This makes only 241 companies as a subject of study for the next stage of analysis. The distribution of the respondents were shown in Table 2.

### Descriptive Statistical

Means and standard deviations were obtained for five variables. Based on the table 2 below, it was clear that the means for all five variables which are close to the range of 3.13 to 4.33. The variable staff aspect was the highest with the mean of 4.33, followed by the mean halal and halal assurance thoyyib with the same mean value of 30.4, an internal process with the mean of 4.24 and the mean of organizational performance, 3.13.

### Level of Halal Requirements Practices

The result of the analysis also shown that the internal Halal Committee Members agreed that the organization was giving serious consideration to meet the needs of halal standards

outlined by the authority in halal certification in Malaysia. Results showed that the mean value was 2.956 and standard deviation was 0.698. In addition, the findings showed that the variable 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 4.99. For the variables of internal process, the mean was in the range of 3.15 to 5.00. For the variables of halal assurance, the mean was in the range of 3.50 to 5.00. While the variable of the staff was also had the mean in the range of 3.25 to 5.00. The values of the mean were derived from the responses of the selected organization's internal halal committee members either agree or disagree with the statement given in the questionnaire.

### Level of organizational performance

Likert- scale was used to measure the independent variables that starts with 'strongly disagree' to 'strongly agree'. The criteria used to determine the response of the Committee on Internal Halal either agree or disagree with the statement is based on this method. The mean value that less than or equal to 2.99 were 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, 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 3.134 and a standard deviation of 0.595. Summary for the descriptive statistics of variables in this study can be found on Table 3.

## Inference Analysis

The relationship between the practice of dietary needs (halal and *thoyyib*, internal process, halal assurance and staff) and organizational performance.

Correlation is a measure of the strength of the relationship between two variables that has been studied. In other words, the Pearson correlation was used to measure the linear relationship between two continuous variables (continuous variables). In this study, two variables were measured is a dietary requirement relations practices and organizational performance. The results in Table 4 shows a significant relationship between all the variables namely halal and thoyyib ( $r=0.350$ ;  $p<0.01$ ), internal process ( $r=0.307$ ;  $p<0.01$ ), halal assurance and staff ( $r=0.220$ ;  $p<0.01$ ) with organizational performance. The results obtained is in line with the previous research that showed halal requirement practices do positively affect the organizational performance. (Razali *et al.*, 2013; Mohamad and Norhalina, 2009). Although numerous researchers look at halal practices from different angles, the results obtained shows that emphasis on process is vital in improving the performance of an organization.

### 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 as set of predictors (Halal and Thoyyib, Internal Process, Halal Assurance and Staff). The R square value indicated that 12.5% of variance in Organizational performance can be explained by the four variables ( $R^2=0.125$ ;  $F = 8.408$ ;  $p<0.05$ ). The regression results in Table 5 also showed that only halal and thoyyib aspects ( $\beta = 0.319$ ;  $p< 0.05$ ) is significant determinant organizational performance. On the other hand, internal process ( $\beta = 0.056$ ;  $p>0.05$ ), halal assurance ( $\beta = 0.019$ ;  $p>0.05$ ) and staff ( $\beta = -0.041$ ;  $p>0.05$ ) do not have impact on organizational performance. Thus only  $H_{2a}$  is supported. Based on the beta values, on halal and thoyyib (0.319) seemed to have the strongest effect on organizational performance.

## DISCUSSION AND IMPLICATIONS

Descriptive analysis showed that the level of 'halal' certification and the performance of 'halal' industry organizations in Malaysia fall under 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 aspect compared to internal process, halal assurance and staff. The results is in line with previous findings obtained by Huo, Han and Prajogo (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 dan 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, 2002; Mohd Rizal, 2008).

However, this finding was different from the findings obtained by Zuraini *et al.* (2009) that looked on the level of manufacturers' practice in relation to 'halal' products and found that compliance of elements on 'halal' labelling does not have a relationship with organizational practice. However, 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 out of twelve dimensions that were tested namely policy practiced by staff and premise's condition. Besides that, the findings obtained in this research done on 'halal' food industry was not comparable and did not manage to support the findings obtained by Hasan, Arif and Sidek (2015) in relation to halal assurance system in which it was found that the reasearch has overlooked some important components that is the core to the internal halal guarantee by the industry which includes 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 have also given an answer in which 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 has 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 my the mass media all the time. For instance, 38 premises in Kelantan were closed after 12 operations done by Kelantan Health Department on January 2008 (Sinar Harian, 2013).

In other words, there are elements or gap that needs to be filled in order to complete the halal food chain such as human capital factor, halal supply chain, etc. As a prove, findings of the research done by Hasan *et al.* (2015) on 39 halal executives in Melaka in relation to the knowledge and practice in executing the internal halal system guarantee 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 besides stabilizing strategies that have been established. Furthermore, Muhammad, Isa and Kifli (2009) stated that in the effort towards producing competitive advantages, integration between halal system guarantee and the effectiveness of food chain that satisfies the customers' needs must exist.

At the same time, it is undeniable that this could probably be due to the revisions of few acts, standards and procedures by Halal Certification Body in Malaysia. Furthermore, in the period of halal certification standardization in Malaysia involving all of the states, actions are taken gradually to ensure the uniformity of 1 act, 1 standard, 1 procedure, 1 system, 1 logo and 1 certificate (Ibrahim, 2011). This took a lot of time and affected a few changes that happened in the overall implementation of halal certification compliance.

## CONCLUSION AND RECOMMENDATIONS

In conclusion, research showed that based on predictors that have been studied, halal requirement practices has a significant relationship and effect on organizational performance. However, dimensional analysis stated that only halal and *thoyyib* affects the organizational performance. This gives a wakeup call to Malaysian 'Halal' Certification Body that the effort to highlight acts, standards and guidelines must be done. This is because most of '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 prioritized. This study has also found that other aspects must be studied in the 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 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. However, this research showed that other factors must be studied in order to produce a working halal model. 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. For the government on the other hand, it will be easy for them to make assessment on halal food industry in Malaysia aside from preparing an effective plan especially in the effort to draw a clear picture on the industry in relation to the real halal management including the understanding on standard acts or all the guidelines that have been introduced.

While in this research also, few limitations have been identified. The first limitation is that there was limited number of respondents (241 companies) due to time constraint. Furthermore, some respondents were quite hesitant in giving their cooperation due to company's confidentiality. If the return rate is higher then, the possibility to obtain more accurate results is higher. Secondly, the research was more focused on 'halal' food while the term 'halal' is now globally

known not only in food industry but also in pharmaceutical, logistic etc. The standardized use of the term is only limited to the management of food. Thirdly, the number of respondents in certain groups of the demographics variables were not even (e.g. under the types of industries, there are only 77 respondents are bumiputera). This in turn may result in the misrepresentation of certain groups and lead to less accurate results.

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