



## EVALUATION OF THE BUSINESS EXCELLENT IMPLEMENTATION AMONG HALAL CERTIFIED FOOD MANUFACTURERS IN MALAYSIA

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### Abstract

**Purpose of the study:** The aim of this study is to highlight the strongest and the weakest aspects of Halal food manufacturing industries in Malaysia based on AT&T criteria.

**Methodology:** This research used survey strategy. Based on this research choice, the data was collected through questionnaire.

**Main findings:** Achievement of the halal certified food manufacturers is 823.7. Halal certified food manufacturers' performance is at the silver level.

**Applications of this study:** Top management of the halal sector will be able to grasp their strongest point and set goals and strategic plans to improve the key elements that need attention. Use of a self-reported questionnaire in the study can serve as a benchmark for future research in other countries of the world.

**Novelty/Originality of this study:** The study provides new insights in the area of Business Excellence, especially related to halal manufacturing.

**Keywords:** Halal Food, Quality, Level of Excellence, Strategy, Manufacturer

### INTRODUCTION

Currently, halal based products are highly competitive and demanding due to growing population of Muslims across the world. Islam is the world's second largest religion after Christianity. Reported by Asia Pacific Food Industry, 2016, halal food and beverages on the market are worth about US\$1.2 trillion, and it may go up to US\$1.9 trillion in 2021 [Rarick, \(2012\)](#); [Norafni Farlina, Zurina, and Syahidawati, \(2013\)](#). Therefore, many countries including the non-Muslim countries are involving themselves in the halal business. The consumers, who are also from other religion, prefer halal food due to the positive image of halal food standard that portrays it to be of good quality and hygienic [Hassan, Arif, and Sidek, \(2017\)](#); [Haziq Hassan, Arif, and Sidek, \(2015\)](#). In order to meet consumer expectations, the companies have to be very efficient and competitive. The implementation of various business tools like Business Excellence really helps companies to be viable. Business Excellence (BE) aids in developing and firming the management systems and processes of an organization resulting in better performance in terms of financial and non-financial aspects [Mann, Mohammad, and Agustin, \(2012\)](#); [Ilieş, Sălăgean, Gal, and Bâlc, \(2015\)](#). BE highlights achieving superiority in business in all features including leadership, strategy, customer focus, information management, people, and processes. Moreover, the main goal is to achieve excellent outcomes.

The level of productivity in Malaysia is lower as compared with other countries like Singapore, United States, Taiwan, and South Korea, as testified by the Malaysia Productivity Corporation (2016). With the help of the results of the current study, halal food manufacturing industries will be able to identify their strengths and weaknesses. The industries can also find out what are the actions that need to be taken to increase their level of productivity.

Our main aim is to provide empirical support for quality management review and, where possible, suggest ways to improve it. In order to do so, two questions were formulated as follows:

- To find the level of excellence in halal certified food manufacturers in Malaysia
- To find the strongest and weakest aspects of the quality management in halal certified food manufacturers in Malaysia

By answering these questions, we also sought to test the validity of a business self-assessment questionnaire.

This paper sheds light on the strongest and weakest points of halal food manufacturing industries in Malaysia. The top management will therefore be able to grasp their strongest point and set goals and strategic plans for the improvement of those key elements that need attention. Moreover, use of self-assessment questionnaire in the current study can serve as a benchmark for future research between Malaysia and other countries in the world.

## LITERATURE REVIEW

This section discusses three important topics: halal food industry, halal food certification standard (MS1500) and business excellence.

### Halal Food Industry

Muslims represent 23% of the global population. In other words, it has been estimated that about 1.8 billion people with an average growth rate of 3% per annum consume halal food [Rarick, \(2012\); Gayatri and Chew, \(2013\)](#). Halal food is not only consumed by Muslims but also by other non-Muslims too. The demand for halal certified products has gain popularity among these consumers due to the high quality and safety of these ethical products [Omar, Omar, and Karim, 2014; Zannierah, et al. \(2012\)](#). Thus, the halal market is promising new trends. Firstly, Islamism is now the fastest growing religion in the world that has resulted in a big market for venture capital. In addition, the buying power of the Muslims has also been growing along with the increasing number of Muslims and their income. Lastly, the growing awareness among the Muslim as well as non-Muslim consumers for consuming halal food has also promised an increase in its market growth.

### Halal Food Certification (MS1500)

According to the Department of Standards Malaysia, ‘standards are required by industry, government and consumers to facilitate both domestic and international trade; enhance industrial efficiency and technological development; enforce regulations for public safety, health, environment protection and prevention of deceptive practices.’

This means that halal certified food manufacturers have to follow the standard of MS 1500 in order to produce halal products [Mohammad Ijaz, Bin, Mohiyaddin, \(2006\)](#). The Minister of Science, Technology and Innovation is responsible for the approval of the MS 1500. Malaysian Standards (MS) specifies the best requirements of quality and safety for voluntary use by the public. A standard becomes compulsory when a regulatory agency enforces its use through the relevant Acts or Regulations.

### Business Excellence

Business excellence [Mann, Mohammad, and Agustin, \(2012\); Karimi, Safari, Hamid Hashemi, and Kalantar, 2013](#) can be defined as an exceptional practice in managing an organization in order to achieve excellent results. There are six criteria/ categories that are designed to grant organizations with an integrated approach to for Business Excellence. These criteria/ categories are (1) leadership, (2) strategic planning, (3) customer and market focus, (4) information process, (5) workforce focus, and (6) operation focus.

BE is an indicator of successful quality management implementation [Lee and Ooi, \(2014\); Mokhtar and Yusof, \(2010\)](#). They were further added so that the BE criteria served as helpful guidelines for quality management implementation. Since the 1930s, quality management has caught the attention of scientists and experts. BE is known to pick up and manage an aggressive superiority in the international market [Karimi, Safari, Hamid Hashemi, and Kalantar, 2013; Kern Pipan, Gomišček, and Kljajić, 2014](#). BE is observed as one of the approaches to improve quality and promote efficiency.

## METHODOLOGY

The survey was done by distributing questionnaires among halal certified food manufacturing managers in Malaysia. The usable responses obtained was 100. Although it is not 100% representative of the population, it is acceptable for the purpose of exploratory research.

The degree of each indicator was determined by the respondents using a 5-point Likert scale, with 1 being very bad and 5 very good, as a self-assessment survey. The respondents assessed the various components of their organizations provided in the questionnaire. The key elements are focused on seven major categories, namely, leadership, strategic planning, customer focus, measurement, information process, operation focus, workforce focus and operational performance. The calculation was developed by [Jonas, Kikuo, and Tadashi, 2002](#) as follows:

$$\text{leadership} = (L1 + \dots + L6) * V_L / (5 * \Delta k_{e_L}) \quad (1)$$

$$\text{Strategy} = (S1 + \dots + S5) * V_S / (5 * \Delta k_{e_S}) \quad (2)$$

$$\text{Customer} = (C1 + \dots + C5) * V_C / (5 * \Delta k_{e_C}) \quad (3)$$

$$\text{Information} = (M1 + \dots + M5) * V_M / (5 * \Delta k_{e_M}) \quad (4)$$

$$\text{Workforce} = (W1 + \dots + W6) * V_W / (5 * \Delta k_{e_W}) \quad (5)$$

$$\text{Operation} = (O1 + \dots + O4) * V_O / (5 * \Delta k_{e_O}) \quad (6)$$

$$\text{operational performance} = (OP1 + \dots + OP6) * V_{OP} / (5 * \Delta k_{e_{OP}}) \quad (7)$$

The above equation is to find the achievement in each category. L1 and S1 are the key elements of leadership that the total of number 5 that the respondent answered question L1 and elements of strategic planning that the total of number 5 that the respondent answered question S1 respectively. They are the independent variables and these principles are applicable to all the equations. The scoring of criteria is based on [Jonas, Kikuo, and Tadashi, 2002](#).  $V_L=120$ ,  $V_S=85$ ,  $V_C=85$ ,  $V_M=90$ ,  $V_W=85$ ,  $V_O=85$ ,  $V_{OP}=450$ , which will bring a total of 1000. The allocation mark is based on [Jonas, Kikuo, and Tadashi, \(2002\)](#) specific marks allocation.

For normalization,  $5 * \Delta k_{e_L}$  is the maximum value that can be allowed in leadership (5 represents excellent and 1 represents very bad).  $\Delta k_{e_L}$  represents the number of key elements of leadership which are nothing but all the independent variables. This formula is also applicable to all the criteria.

The performance of halal certified food manufacturers is calculated using the formula,  $f(Pi(c)) = \text{Leadership} + \text{Strategy} + \text{Customer} + \text{Information} + \text{Workforce} + \text{Operation} + \text{Operational Performance}$ .

**Table 1:** Award /point score based on AT&T Achievement Award

Award/point score	Description
Gold (876-1000 points)	Outstanding effort result in all categories. Effective integration and sustained results. National and world leaders
Silver (751-875 points)	Effective efforts in all categories and outstanding in many. Good integration and good to excellent results in all areas. Many industry leaders
Bronze (600-750 points)	Evidence of effective efforts in most categories and outstanding in several. Deployment and result show strength, but some efforts may lack maturity. Clear areas for further attention
Crystal (500-600 points)	Evidence of effective efforts in many categories and outstanding in some. A good prevention-based process. Further deployment and results needed to demonstrate continuity

## RESULTS

Achievement score for the halal certified food manufacturers has been found to be 823.7. Halal certified food manufacturers performance is at the silver level of excellence based on AT&T Co criteria. The level of excellence applied from AT&T is shown in Table 1.

Among the seven criteria, the respondents of the study have the propensity in emphasizing operation criteria, followed by leadership; thereby, indicating that operation criteria and leadership criteria are the two main areas which were perceived by the respondents to be of the greatest importance in the company. Conversely, strategy and information process criteria have the lowest mean.

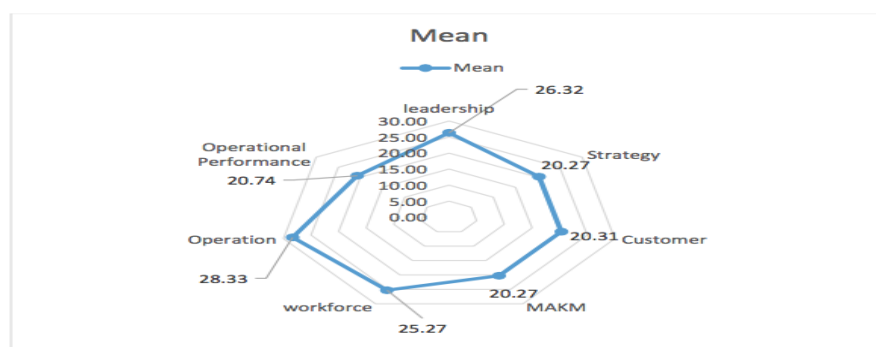


Figure 1. Mean

## DISCUSSION / ANALYSIS

### Implementation of BE

Business Excellence “provides a safe workplace and cares about the workforce” has the highest score, followed by “our employees are recognized for their work” (Mean = 4.26). On the other hand, the operational force criteria (“Our employees have control over their personal work processes”) has the lowest mean score of 3.89.

In terms of leadership criterion, more than eighty percent of the respondents agreed or strongly agreed on the statement related to providing a work environment that helps employees do their jobs. This item has the highest mean compared with other leadership criterion. “The employees are provided with a work environment” (Mean = 4.19) has the highest mean, followed by “Our leadership team asks employees what they think” with a mean of 4.15. This finding implies that their company provides a good working environment that has food premises, workplace and ask workers opinion. In fact, asking the opinion of the employees is an indispensable communication tool. Referring to the strategic planning criteria, the respondents stated that knew that their company encourages innovation and that the employees are aware of the plans of the company that will affect them and their work (Mean = 4.17). In contrast, more than eight percent of respondents declared that their employees know how to tell if they are making progress on their work group’s part of the plan.

In terms of customer focus, the respondents stated that they knew their most important customers (Mean = 4.20). On the other hand, for the measurement, analysis and knowledge management criteria, the findings in this study showed that the respondents knew what the company is doing collectively. This item has the highest mean score of 4.17 in the measurement criteria. Relatively, workforce focus criteria has the third highest mean score of all the criteria with the mean value of 4.14. More than ninety percent of the respondents agreed and strongly agreed upon the item, “They cooperate and work as a team.”

In terms of workforce criteria, this criterion has the highest mean score of all the criteria with the mean value of 4.27. More than ninety percent of the respondents agreed and strongly agreed with the item that their company has a safe workplace and care about workforce. Pertaining to the operational force criteria, respondents of the study admitted that they have control over their personal work processes with the mean value of 3.89, which is the lowest mean.

The findings, in general, imply that workforce focus and leadership criteria were the most preferred categories in BE among the halal certified food manufacturers. On the other hand, the findings of this study indicate that customer force, measurement, analysis and knowledge management and strategic planning criteria were the least preferred criteria. The findings show that two salient criteria in making progress as leaders are the acknowledgement of important workers in the company and the awareness of an organization’s mission (leadership criteria). These findings showed that the respondents of the study preferred a few salient criteria in making progress as leaders such as below:

1. Our company has a safe workplace and our managers and our company care about our workforce (Mean = 4.27).
2. Our employees are recognized for their work (Mean = 4.26).
3. Our employees cooperate and work as a team (Mean = 4.21).
4. Our employees know who their most important customers are (Mean = 4.20).
5. Our leadership team creates a work environment that helps our employees do their jobs (Mean = 4.19)
6. Our company encourages totally new ideas (innovation), and our employees know the parts of our company’s plans that will affect them and their work and our employees know how our company as a whole is doing (Mean = 4.17).
7. Our leadership team asks employees what they think (Mean = 4.15).

This study has used seven indicators to track BE. Among the seven criteria, the respondents of the study showed propensity in emphasizing the operation focus criteria, followed by leadership. Thus, this indicates that operation focus criteria and leadership criteria are the two areas which were perceived by the respondents to be of great importance in BE. Conversely, strategy and information process criteria has the lowest mean. However, strategy is also a vital element towards an organization’s success. By holding people accountable, insisting that they deal with tough issues and helping them manage dissent, leaders can help make leadership happen. Organizations and teams that learn to harness conflict and use it constructively come up with more creative ideas and innovative solutions to fulfill customer needs. Healthy conflict and debate are the essential precursors for organizational learning and growth. Sadly, in most organizations, this adaptive work is usually avoided, more dirt is swept under the carpet, and hence the organizations suffer ([Souba, 2007](#)).

## CONCLUSION

Strategy is a vital element towards an organization's success. By holding people accountable, insisting that they deal with tough issues and helping them manage dissent, leaders can help make leadership happen. Organizations and teams that learn to harness conflict and use it constructively come up with more creative ideas and innovative solutions to fulfil the customer needs. Healthy conflict and debate are essential precursors for organizational learning and growth. Sadly, in most organizations, this adaptive work is usually avoided, more dirt is swept under the carpet, and the organization suffers.

## LIMITATIONS AND STUDY FORWARD

The study was carried out among the halal food manufacturers in Malaysia. Therefore, the generalizability of the results is limited. There is a clear need for further studies in other contexts and among other customer-oriented companies to cover Business Excellence adoption more broadly. Additionally, the distribution of questionnaire for collecting data further limits the generalizability of the findings as it depends on respondents' perceptions. The researcher asked a few respondents to verify their answer to validate the results. In order to reduce the misperception, the questionnaire has been validated among expertise before distributing the questionnaire. In addition, the research setting did not enable the researcher to see the impact of Business Excellence on financial performance. Hence, future research should also examine the impact of BE implementation on the financial outcomes of the company. The Business Excellence model has been adopted entirely from MBNQA; hence, future research should model the new Business Excellence based on halal sector. New tools should be developed to make this method adaptable by the companies to assess their level of Business Excellence with respect to halal sector so that they can determine the actions that can be taken for their successful operation. Regardless of the limitations, this study is a good starting point for further research on Business Excellence practices in halal sector. Varied case companies and research methods can be used in future for validating the results of the current study.

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