

Evaluation of Business Excellence among Halal Certified Food Manufacturers in Malaysia

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Abstract. Business excellence is a key tool to improve the efficiency of the company. Through the business excellence model, the organization can execute their strategies to determine, forecast and survive in highly competitive market. This paper presents on identifying those elements in business excellence model (leadership, strategy and planning, customer focus, measurement, analysis, and knowledge management, operation focus) this paper provides empirical support for halal food certified companies reviewing and improvement. Survey has been done and analyzed among halal food certified manufacturers in Malaysia. Thus, seven categories with 35 key elements regarding American MBNQA and eight equations are examined. The main conclusions are that, strategy and measurement, analysis and knowledge management are the main weakness of the halal food certified manufacturers in Malaysia. Overall, halal food certified manufacturers in Malaysia is at the silver level of excellence based on the calculation.

1 Introduction

Worldwide, the halal product industry is highly in demand because Islam is the world's second largest religion (Hill, 2008). In the year 2010, the world's Muslim population is approximately around 1.6 billion, and this number is expected to increase by 19.8% to 20% in 2050 (DeSilver, D and Masci D,2017). The global Halal food market is currently one of the fastest growing market segments. Halal food refers to items that are allowed for consumption by Sharia law. Currently, halal food and beverages on the market are worth US\$1.2 trillion, and this is expected to rise to US\$1.9 trillion in 2021 (Asia Pacific Food Industry, 2016). Although numerous halal food manufacturers are available worldwide, the current supply of Halal food is still insufficient to cater the ever-increasing demand (HDC, 2014).

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This scenario of high demand and lack of supply provides prospective opportunities to venture into this industry, thus, resulting in countries all over the world including the non-Muslim countries showing their interest for the halal industry. The promising profit in this industry has resulted in many food companies venturing into halal food.

MS1500 is the standard developed to enable businesses to have a clear view of halal food production and quality maintenance. Positive image of halal food has been increased as to product safety, quality, and hygiene because of the spread of contagious infections such as birds' flu or prion disease (Muhammad et al. 2009). Systems and processes of an organization, which further leads to the improvement of performance, thus, creating value for investors.

Besides the increasing of awareness for wellness and hygiene, the awareness about animal welfare and taste has contributed to the increasing attention given towards halal and kosher products (Treena, 2008). Business Excellence (BE) focuses on developing and strengthening the management Apart from setting up a quality system, BE emphasizes on attaining excellence in all aspects of an organization which includes leadership, strategy, customer focus, information management, people, and processes. Additionally, achieving superior business results is the ultimate goal.

The Malcolm Baldrige National Quality Award (MBNQA) functioned to recognise companies that show outstanding performances. Its excellence framework is the most comprehensive quality framework. The MBNQA model which is the basis of US quality award now functions as a foundation for quality awards in many countries including Malaysia. It continuously concentrates on the improvement of all components of the organization, which includes tasks and activities at any level (Nabitz and Klazinga, 1999).

Productivity in Malaysia is low when compared with other countries like Singapore, United States, Taiwan, and South Korea. Reports by the Malaysia Productivity Corporation (2016) identified huge disparities between productivity and business efficiency in Malaysia. A great deal of work is required to overcome the existing barrier between business efficiency and productivity in Malaysia

Our main aim is to provide empirical support for the Quality Management review and, where possible, suggest ways to improve it. To do so, two questions were formulated as follows:

- To find the strongest and weakest of quality management in halal certified food manufacturers in Malaysia
- To find the level of excellence 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 will discuss the importance of the research, survey design, data collection, method used to carry out the assessment, some key results and critical lessons learned, suggestions, conclusions and implications for future research.

2 Literature Review

This section discusses three important topics: halal food industry, halal food certification (MS1500) and quality management.

2.1 Halal Food Industry

Muslims represent an estimated 23% of the global population or about 1.8 billion consumers with an average growth rate of 3% per annum. If the trend continues, Muslims will be 26% of the world's total projected population of 2.2 billion in 2030. Halal market is not limit to Muslim only but it has been accepting by the non-Muslim. The demand for the halal certified products has gain popularity among them due to high quality, safe and ethical products. Halal food market has been estimated around USD667 million and represents 20 % of the entire global food industry. Many economists believe that based on four prevalent trends. Firstly, Islam is now the fastest growing religion in the world thus it will make big global demand for halal products. The annual growth in consumption of halal food is estimated at 16%. Secondly, the growing trend of consuming. Next the halal consumer power has been increasing because of the increasing number of Muslim and rising of their disposable income. Lastly, the increasing of awareness of consuming halal food among Muslims Halal food is becoming an increasing part of the Western diet and has become a multi-billion-dollar global industry involving multinationals like Tesco, Unilever and Nestle who have aggressively expanded their halal-certified product lines. Halal is originated from Arabic word which means lawful and permissible according to Islamic Sharia law which refers to the teachings of Al-Quran and exemplary conduct of Prophet Muhammad (Peace and blessings of Allah be upon Him) as quoted in Hadith. The opposite of Halal is Haram which means forbidden, Roland (1996).

2.2 Halal Food Certification (MS1500)

According to Department of Standard 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 their products. In light of Clause (g) of Item 8, Federal List, Ninth Schedule of the Federal Constitution expresses that trade, commerce and industry additionally include foundation of measures of quality of products made in or sent out from the Federation. MS 1500 was developed which The Minister of Science, Technology and Innovation is responsible for the approval of the draft Malaysian Standards (MS). Malaysian Standards (MS) are consensus documents developed by Standards Development Committees (SDC) within the Malaysian Standards Development System and approved by the Minister of Science, Technology and Innovation in accordance with Act 549. Malaysian Standards (MS) specifies the optimum requirements of quality and safety for voluntary use by the public. A standard becomes mandatory when a regulatory agency enforces its use through the relevant Acts or Regulations.

2.3 Business Excellence

MBNQA is a system that manage the organization and key activities processes to get results. There are seven criteria categories that are designed to endow organizations with an integrated approach to performance excellence. These criteria categories are (1) leadership, (2) strategic planning, (3) customer and market focus, (4) measurement, analysis, and knowledge management, (5) workforce focus, (6) operation focus, and (7) results.

MBNQA is a useful indicator of successful TQM implementation (Bailey, 2011). Lau *et al.* (2004) found out that firms that implemented quality systems according to the MBNQA criteria actually practiced TQM. In addition, Prajogo (2005) used the MBNQA

criteria to evaluate the relationship between QM and quality performance and agreed that the MBNQA content was a valid and good representation of TQM constructs. Sila and Ebrahimpour (2003) further added that the MBNQA criteria served as helpful guidelines for quality management implementation. National productivity organization of Malaysia introduce Prime Minister Quality Award (PMQA) based on MBNQA. Since the 1930s, QM has gotten the consideration of scientists and experts (Abrunhosa and Moura E Sa, 2008). QM and business excellence turned out to be exceptionally well known point and has been utilized for picking up and managing an aggressive edge in the worldwide market (Quazi and Padibjo, 1998; Yusof and Aspinwall, 2000; Lakhali et al., 2006; Sharma and Kodali, 2008; Pinho, 2008). QM as key device to enhance hierarchical execution in both substantial and private companies in any piece of the world as said in Fenning et al. (2008).

3 Methodology

The survey was done by distributing it among 200 halal certified food manufacturers. a response rate of 132 is required. However, due to few constraints, the useable response 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 as a self-assessment survey. The respondents assessed the components of their organizations concerning each questionnaire item in five level with 1 being very bad and 5 very good. The key elements are focused on seven major categories leadership, strategic planning, customer focus, measurement, analysis and knowledge management (MAKM), operation focus, workforce focus and operational performance of MBNQA 2015 criteria.

This research is using IBM® SPSS® Statistics 22 (SPSS) to find the weakness and strengths of the companies and to find the level of excellence, the calculation developed by Gomes d SJ, et al (2002) as follows:

$$\text{Leadership} = (L_1 + \dots + L_5) \cdot CV_L / 5 \cdot \Delta_{keL} \quad (1)$$

$$\text{Strategic} = (S_1 + \dots + S_5) \cdot CV_S / 5 \cdot \Delta_{keS} \quad (2)$$

$$\text{Customer} = (C_1 + \dots + C_5) \cdot CV_C / 5 \cdot \Delta_{keC} \quad (3)$$

$$\text{MAKM} = (M_1 + \dots + M_5) \cdot CV_M / 5 \cdot \Delta_{keM} \quad (4)$$

$$\text{Workforce} = (W_1 + \dots + W_5) \cdot CV_W / 5 \cdot \Delta_{keW} \quad (5)$$

$$\text{Operation} = (O_1 + \dots + O_4) \cdot CV_O / 5 \cdot \Delta_{keO} \quad (6)$$

$$\text{Operational Performance} = (OP_1 + \dots + OP_5) \cdot CV_{OP} / 5 \cdot \Delta_{keOP} \quad (7)$$

Above equation is to find each categories achievement, L₁ and S₁ are the key elements of leadership that the total of number 5 that the respondent answered at question L₁ and elements of strategic planning that the total of number 5 that the respondent answered at question S₁ respectively. They were the independent variables and these principles are applicable to all the equations. The scoring of criteria is based on MBNQA, CV_L=120,

$CV_s=85, CV_c=85, CV_m=90, CV_w=85, CV_o=85, CV_{op}=450$, which will bring total of 1000.

For normalization, $5 * \frac{keL}{5}$, is the maximum value can be allowed in leadership, where 5 represent excellent. (1 is being very bad and 5 is excellent), keL represent the leadership's number of key elements (which is all the independent variables with 5 multiply by independent variables) and this formula is also applicable to all the criteria. For performance of the halal certified food manufacturers, $f(Pi(c)) = Leadership + Strategy + Customer + MAKM + Operation + Operational Performance$.

4 Results and Discussions

Among the seven criteria, respondents of the study have the propensity in emphasizing 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 the greatest importance in the company. Conversely, strategy and MAKM criteria has the lowest mean.

For performance of the halal certified food manufacturers is 823.7 Halal certified food manufacturers performance is at the silver level of excellence based on AT&T Co with permission. The Level of excellence applied from George, S. and Weimerskirch, A. (1998) as following table.

Table 1. Level of excellence

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 in many categories and outstanding in some. A good prevention-based process. Further deployment and results needed to demonstrate continuity

5 Conclusions

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 happens. 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.

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