

The Influence of Human factors in Halal Certification Process on Organizational Performance

Mohd Rizal Razalli*, Suzzaini Abdullah** and Rushami Zien Yusoff***

This study aims to explore the influence of human factors namely management responsibility, staff characteristics and staff policy on EDC-UUM performance. The overall responses rate for this study was 90 percent. Each variable was measured from developed instrument using 5-point Likert scale which was grouped into four (4) variables; management responsibility, staff characteristics, staff policy and EDC-UUM performance. The data were tested using SPSS software. The instrument was validated and determined using exploratory factor analysis (EFA) and reliability analysis. The data were then analyzed using multiple regression analysis to test the hypotheses. The result showed that management responsibility and staff policy had positive and significant influence on the EDC-UUM performance. Meanwhile, staff characteristics had no significant influence on the EDC-UUM performance. The findings of this study are hoped to provide a better understanding to hoteliers in Malaysia on the importance of Halal certification process to the hotels performance. The findings can be used by other hoteliers to make some changes and set a new plan in order to obtain the Halal certification for its kitchen and premise.

Field of Research: Islamic Management System

1. Introduction

Today, Islam is the World's fastest growing religion (Essoo & Dibb, 2004). Based on the report in PEW Forum on Religion and Public Life (2011), the world's Muslim population is expected to increase by about 35 per cent in the next 20 years, rising from 1.6 billion in 2010 to 2.2 billion by 2030. The Muslim population is forecast to grow at about twice the rate of the non-Muslim population over the next two decades – an average annual growth rate of 1.5 per cent for Muslims, compared to 0.7 per cent for non-Muslims. If current trends continue, Muslims will make up 26.4 per cent of the world's total projected population of 8.3 billion in 2030, up from 23.4 per cent of the estimated 2010 world population of 6.9 billion.

With the global Muslim population is expected to grow at the faster rate than the non-Muslim population, the demand for Halal products and services are growing solidly and quickly. The global Halal market is currently estimated at USD2.3 trillion covering both food and non-food sectors such as health products, cosmetics and toiletries, as well as hotel and catering services (Pew Forum on Religion and Public Life, 2011). In Malaysia, the global market demand for Halal products and services also gives significant impact to the growth of the domestic

*Mohd Rizal Razalli, School of Technology and Management Logistic (STML), Universiti Utara Malaysia. Email: rizal@uum.edu.my.

**Suzzaini Abdullah, College of Business (COB), Universiti Utara Malaysia.
Email: suzzaini@uum.edu.my.

***Rushami Zien Yusoff, College of Business (COB), Universiti Utara Malaysia.
Email: rzy278@uum.edu.my.

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Halal food industry. In reality, the huge demand of Halal food will lead to increase in supply for Halal certification and logo, making Halal certification far more important than before. In general, the use of Halal logo and certification system is merely to guide the Muslim in making choice for certain products on the market without doubt. Halal certification tells Muslims that they can lawfully consume a company's products and services based on Shariah principles. This provides consumer confidence and prevents any confusion about the Halal status of a product (Sadek, 2006).

Besides that, the growing of Muslim population also increases the tourism industry (Tourism Malaysia, 2011). Muslim travelers around the world cause the demand for the Shariah compliant hotel has increased over the years. Most of hotels need to ensure Muslim travelers are provided with maximum convenience during their trip and are able to fulfil religious obligations whilst on holiday. One way to entice these Muslim tourists is by serving a Halal-based service operation practices in the hotels. These hotels should have restaurants which serve Halal food, in accordance to the teachings of Shariah law and is free of any forbidden products such as pork and alcohol. Ching, Gun and Yong (2005) found that the factors of Halal food and beverages play an important role in determining the overall satisfaction level for Asian traveler especially Muslims. Based on the condition above, it is necessary for hotel in Malaysia to take a holistic approach in obtaining the Halal certification for their services operation practice.

EDC-UUM hotel (Universiti Utara Malaysia) was selected as a case study in this study. EDC-UUM is a hotel that has been aggressively preparing the required documents for Halal certification for its kitchen. The standards of procedures for the hotel have also been practiced to comply with the Halal certification. Hence, this research used a case study approach to explain Halal certification initiative in term of human factors implemented at EDC-UUM. In fact, research towards Halal certification process that relate to the human factors has rarely been studied. Most of the previous studies completed by scholars concentrated on issues among the consumers and traders, perceptions of Halal definitions and certifications on Halal food products. So, this study aims to access the influence of human factors in Halal certification process towards EDC-UUM performance. The findings would be able to give more empirical studies to support the previous study in explaining the effect of Halal certification process to the hotels performance.

The following sections will discuss the halal certification process, the relationship between halal certification and organizational performance, the EDC-UUM, the methodology, the findings, and finally the conclusion and limitation of the study.

2.1 Halal Certification Process

Halal Malaysia (2012) defines Halal as a description of things or actions permitted by Shariah law without punishment imposed on the doer. Halal food means food permitted under the Shariah law and fulfils the following conditions:

- Does not contain any parts or products of animals that are non-Halal to Muslims or products of animals which are not slaughtered according to Shariah law.
- Does not contain any ingredients that are *najis* according to Shariah law.
- Safe and not harmful.

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- Has not been prepared, processed or manufactured using equipment that is contaminated with things that are *najis* according to Shariah law.
- The food or its ingredients do not contain any human parts or its derivatives that are not permitted by Shariah law.
- During its preparation, processing, packaging, storage or transportation, the food is physically separated from any other food that does not meet the requirements stated above, or any other things that have been decreed as *najis* by Shariah law.

Meanwhile Halal certification can be viewed as a common marketing tool used by manufacturers and businesses to inform and reassure their consumers that their products are Halal and Shariah-compliant (Wan Hassan & Awang, 2009). To Riaz (1999), Halal certification is a document issued by an Islamic Organization, certifying the products it covers meet the Islamic dietary guidelines. These include that the product does not contain pork or it's by products, the product does not contain alcohol, the product does not contain prohibited food ingredients of animal origin, and the product has been prepared and manufactured on clean equipment.

In Malaysia, the Halal certification is carried out by agencies that are conducted by the Malaysian government. The Malaysian government provides full support in promoting the Halal certification process on products and services (Yusoff, 2004). Since 1970s, the Department of Islamic Development Malaysia (JAKIM) which is under the purview of the Ministry in the Prime Minister's Department is a body that plays a significant role in Halal certification effort in Malaysia. JAKIM has been appointed as an authoritative body or organization that being responsible in handling local and international Halal certification process. The responsibility of JAKIM in ascertaining the Halal status of the products involved not only on the official site inspection of plants but also on the examination on how the Halal status of the raw material is maintained and monitored at all times (Malaysia International Trade and Industry, 2009).

On April 2, 2008, the government has decided that all matters regarding Halal certification by JAKIM is taken over by the Halal Industry Development Corporation (HDC). HDC is mandated by the Cabinet of Malaysia International Trade and Industry to undertake the responsibilities in producing the Halal certification from JAKIM. The purpose of authority transformation from JAKIM to HDC is to help better coordination, to increase the efficiency of the Halal certification processes and to avoid international confusion. According to Malaysia International Trade and Industry (2009), from July 2008 to July 2009, HDC had issues a total of 1,434 approvals for Halal certification which included six international companies. However, in order to allow HDC to focus on its role as a developmental organization, the Cabinet meeting on 8 July, 2009 has decided to transfer back the Malaysian certification management from within and outside the country to JAKIM. The overall operations of the Halal certification and its improved certification system have been transferred to JAKIM on 31 July 2009 (Malaysia International Trade and Industry, 2009). In carrying out its role, JAKIM also collaborates with other government agencies such as the State Islamic Religious Department (JAIN) and the State Islamic Religious Council (MAIN). In the human factors model developed, there are three (3) factors that have been used as independent variables in this study namely management responsibility, staff characteristics and staff policy.

2.1.1 Management Responsibility

Halal Industry Development Corporation (2008) indicated a few general requirements for Halal certification in term of management responsibility factor. The requirements are as follows:

- ❖ The management shall appoint Muslim Halal executive officer or establish a committee which consists of Muslim personnel who are responsible to ensure the effectiveness in implementation of internal Halal control system. It means that company which listed as multinational and Small Medium Enterprise (SME) shall form Halal Internal Audit Committee and appoint an Islamic Affair Executive (Islamic Studies) to handle and ensure Halal procedures are complied.
- ❖ The management shall ensure that they are trained on the Halal principle and its application. The owner of Halal certificated is required to train staffs and understand the Malaysian Halal Certification Manual Procedure and required to attend training on Halal certification.
- ❖ The management shall ensure that sufficient resources (i.e. manpower, facility, financial and infrastructure) are provided in order to implement the Halal control system.

2.1.2 Staff Policy and Staff Characteristics

An organization's effectiveness depends on the knowledge and skill of staff that develops and delivers it services. Starling (1996) stressed that highly successful organizations have been utilizing the unique skills and ingenuity of their staff, particularly their managerial staff, to maintain and enhance their leadership status from their competitors. However, this drive for success makes it imperative for organizations to institute major modifications in policies and management practices, which are inducing changes in traditional institutional practices including: (a) staff stability, (b) traditional career patterns, and (c) the commitment of staff to a single organization (Snape & Redman, 2003). The relationship between the organization and staff must be one of understanding in order for the staff to identify himself/herself with his/her work and with the business he/she is working for. A number of symptoms may point to low morale: declining productivity; high staff turnover; increasing number of grievances; higher incidence of absenteeism and tardiness; increasing number of defective products; higher number of accidents or a higher level of waste materials (Herselman, 2001).

Staff characteristics are a term used to describe the personal qualities and ability a person brings to the job. These are the quality of skills that enables a person task, and give him/her the capacity to cope with the demands of the job. Therefore, performance of an individual depends on his/her willingness and drive to complete the task, which is his/her commitment. Guest (1999) also indicated that staff help establish a mechanism for evaluating the effectiveness of organizational plans. Staff generally highly appreciate good management practices such as better communication between staff and management; staff involvement in decision-making in the workplace and teamwork. Such factors are conducive to improve organizational performance.

2.2 Halal Certification and Organizational Performance

The effect of Halal certification on organizational performance has not been subjected to many empirical studies in Malaysia. Lately, there are several researchers have started to relate their studies on effect of Halal certification process. For example, a study by Razalli, Abdullah and Yusoff (2012), managed to relate Halal certification with green performance. This survey was done in EDC-UUM. In this research, the concept of green performance was measured using thirteen (13) variable, namely energy saving, environmentally conscious, environment accident, society, waste management, coordination activities, efficiency, cost saving, interaction buyers and customers, personnel qualification, employee motivation, multi-skilfulness of employees and tenders. The results showed the strong relationship between Halal certification and personnel qualification, employee motivation, multi-skilfulness of employees, efficiency, environmentally conscious, and cost saving. Thus they concluded that the Halal certification is closely related to the human resource issue particularly on their training about the Halal certification.

Another study of the relationship between Halal certification and performance was carried out by Marzuki, Hall, and William (2012). Effect of Halal certification was evaluated using the manager's perception of a 33 restaurant in Malaysia. They found that marketing benefits gained in operating a Halal certified restaurant, and it is definitely an indication that the certificate is perceived to have an impact on customer trust and return visits. They also revealed that Halal certification is very prevalent in the hospitality industry. In order to remain competitive in the Halal food service industry, it is imperative that restaurant managers consistently work towards promoting the Halal certification and Halal foods. In this view, however the previous studies has shown that most of organization, hotel or restaurant are reluctant to share in depth information on how they perform Halal practices in the organization and there is no historical data from scholars to refer upon.

2.3 EDC-UUM

EDC-UUM, an 8-storey building, is located at a stone throw away from the main entrance of the Universiti Utara Malaysia (UUM) campus in Sintok. The EDC-UUM is ideally located close to the business areas such as C-Mart and various business establishments. Not only that, EDC-UUM is also strategically located close to duty free complex in Bukit Kayu Hitam and Padang Besar for good bargain items. This town is the main entrance into Malaysia from the north through Thailand.

The EDC-UUM formally starts its operation on September 2006 as a strategic business unit (SBU), with the concept to provide hotel standard products and services and move forward to fulfill its market needs. The 88 guestrooms at this three star hotel provide all the essential amenities needed by the business and leisure pursuit. This hotel is characterized by a combination of modern comfort and traditional element of Sintok, making it a distinct accommodation. Guest can look forward to affordable accommodation highlights such as a prayer room, a meeting room, a laundry service, a restaurant and a small convenience store. EDC-UUM is committed to providing the highest standards in hotel services and facilities in keeping with its tagline "Your Smile, Our Joy".

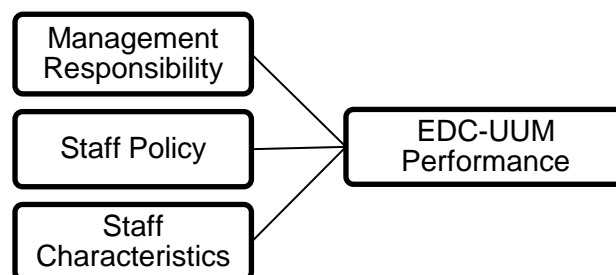
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EDC-UUM has been aggressively preparing the required documents for Halal certification for its kitchen. For the period of 2007-2011, revenues of EDC-UUM is positive for all years, with the highest revenues achieved in 2011. In 2007 the total revenue was RM1.8 million, increased to RM3.3 million and RM3.4 million in 2008 and 2009 respectively. EDC-UUM also was able to sustain its revenue during the next year in 2010 and 2011 with the total revenue of RM3.5 million and RM4.1 million. Apparently, food & beverage section is one of the major contributor to the EDC-UUM earning. For the period 2008 until 2011, food & beverage was able to contribute more than RM9.2 million of total revenue to EDC-UUM, with the highest revenue achieved in 2011. Hence, to stay competitive especially in the food & beverage area, EDC-UUM has been aggressively preparing the requirements needed in order to achieve the Halal certification for the hotel. The standard of procedures for the hotel has also been practiced to comply with the Halal certification.

3. The Methodology

Based on the review of the literature, the following research framework was developed for the study. In building the model, three human factors were identified as independent variables, namely; management responsibility, staff policy and staff characteristics. The dependent variable was EDC-UUM performance. The framework presented is a first steps towards a more model and theory-based approach to understanding the link between management responsibility, staff policy, staff characteristics and hotel performance. This framework also is designed to add the related literature on the relationship between Halal certification process and effects on hotels performance, so it can be used as one of the references or guidance for future research in this area. The model is depicted in Figure 1.

Figure 1: Research Framework



This study was designed to examine the influence of human factors in Halal certification process on performance. The sample of the study was the staff in EDC-UUM. Quantitative method was used in order to achieve the objective of the study. Questionnaire was chosen as the main technique to collect data because it offered an easy way to obtain the raw data for further analysis and it can be self-administered. A total of 60 set of questionnaires were distributed to all staffs who worked in EDC-UUM. 54 questionnaires were returned from the respondents providing a response rate of 90%. Participation was voluntary and confidential.

The questionnaires consisted of three main parts: Part A, Part B and Part C. The first part of the questionnaire contained the background of the respondents, such as their role in the organization, their tenure with EDC-UUM and their experience

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working in hospitality industry. The second part measured the three components of human factors, where four (4) items were used to measure management responsibilities, five (5) items for staff characteristics and six (6) items for staff policy. In addition, nineteen (19) items were used to measure EDC-UUM performance. Responses to these items or questions were made on 5-point Likert scale format, which required the respondents to circle the most appropriate answer. The questionnaire was written in dual languages, Malay and English. The 54 data set were tested using SPSS. To test the convergent validity, exploratory factor analysis (EFA) was conducted. Meanwhile, reliability analysis was used to measure the consistency and repeatability of the questionnaire. For the purpose of testing hypotheses, multiple regression analysis was done.

4. The Findings

An exploratory factor analysis was performed on all 34 items to determine the underlying constructs in this study. The main objective of using the EFA was to summarize the identified (retained) items into a new and smaller set of uncorrelated dimensions with a minimum loss of information (Ngai, Cheng & Ho, 2004). Table 1 shows the KMO and total of variance for each extracted factor. To interpret results from the factor analysis, several key statistics were examined such as Kaise-Meyer-Olkin (KMO) measure, Barlett's Sphericity test, percent of variance explained and loading factor.

Table 1: Factor Analysis

Factor	KMO	% Variance
1	.925	84.58
2	.782	86.63
3	.848	85.89
4	.892	77.71

All of the items loading on factor 1 were EDC-UUM performance. The items that load on factor 2 were related to management responsibility. Factor 3 was made up of items that all related to the staff characteristics and factor 4 was interpreted as staff policy. The total variance for the four factors was 84.58% for factor 1, 86.63% for factor 2, 85.89% for factor 3 and 77.71% for factor 4. The results of factor analysis also showed that the factor loadings of all observed items were adequate ranging from 0.77 to 0.96. This result indicated that all the human factors constructs were acceptable for further analysis.

To assess the internal consistency of the factors, Cronbach's alpha was computed to measure the reliability of the measurement instrument used in this study. According to Sekaran (2006), the closer the reliability coefficient gets to 1.0 range, the better it is, and those value over 0.8 range are consider as good. Those values in the 0.7 range are considered as acceptable and those reliability values less than 0.6 range are considered to be poor. The result showed that each variable gave a Cronbach Alpha value ranged between 0.943-0.990 which indicated good reliability for the set of questionnaires. In summary, all of the factors were accepted as being reliable for the study.

4.1 Test of Hypotheses

A hypothesized model was used to analyze the effect of management responsibility, staff policy and staff characteristics on EDC-UUM performance. In testing for the influence of human factor on performance, the following hypotheses were formulated:

- H1:** Management responsibility has a significant and positive influence on EDC-UUM performance.
- H2:** Staff characteristics has a significant and positive influence on EDC-UUM performance
- H3:** Staff policy has a significant and positive influence on EDC-UUM performance.

As noted previously, multiple regression analysis was performed using the resulting factor scores. Table 2 summarizes the results for these three (3) regressions, showing two (2) significant relationships were found in the hypothesis model. The first hypothesis (H1) was supported when management responsibility had a positive significant relationship with EDC-UUM performance ($\beta=.247$; $p<0.05$). Hypothesis 3 (H3), was also supported when staff policy had a significant positive influence on EDC-UUM performance ($\beta=.479$; $p<0.05$). However, the second hypothesis (H2) was rejected. The p-value was 0.150. The staff policy had the strongest influence in EDC-UUM performance is relation to Halal certification.

Table 2: Multiple Regression Analysis

Model	B	Std. Error	Beta	t	Sig.
Management responsibility	.215	.106	.247	2.024	.048
Staff characteristics	.179	.122	.216	1.462	.150
Staff policy	.424	.107	.479	3.970	.000

In summary, the organizations that wish to pursue the Halal certification and be successful in its implementation need to develop their management responsibility and staff policy accordingly. In the management responsibility context, the organizations has to increase Halal awareness among employees, ensure Halal policy understood by everyone, avoid Haram materials to enter the premise and conduct internal Halal audit. Meanwhile, in the context of staff policy, the organizations need to ensure that the Halal policy is shown adequately for reminder, there is good record on food handler training and the staff has undergone the typhoid injection accordingly. The staff also needs to apply the Good Manufacturing Practice in their operations, they are trained adequately in understanding Halal and finally the policy that related to virus infection is available and implemented by them. Without commitment from above, the implementation of Halal certification process in the organizations might see little possibility of success .

5. Conclusions and Limitations

This study attempts to determine the influence of management responsibility, staff characteristics and staff policy on EDC-UUM performance. Generally, the results from the hypotheses testing showed that two (2) out of three (3) hypotheses were

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supported, while the remaining was rejected. This study reveals that the Halal certification process is related to the human factors. Most of the respondents have indicated their agreement about the relationship. As mentioned previously, management responsibility was found to have a strong influence to EDC-UUM performance. The finding was consistent with the previous studies by Meyer and Allen (1988) who found that management responsibility has a significant relationship with organizational performance. It means that a great performance management practice is a need in creating high performance for organization. The findings of this research are also supported by Mohr (1969), who argues that performance is positively related to the ability of management to “take the initiative and supply the leadership required of them...”.

Another important finding is related to the staff policy and performance. The results of this study show that staff policy is positively related to the EDC-UUM performance. In other words, staff that performed well in their hotel would increase the hotel performance. As argued by Salamon (2000) and Cascio (1992), employee participation is crucial in improving organizational performance. The importance of employee to organizations lie on the fact, it enhances organization performance leading to increase in productivity. The finding is also in line with the results reported by Purcell and Kinnie (2007), who assume that employee attitudes and behaviors towards organizational policy are important mechanism for explaining the organizational performance. As found by this study, Purcell and Kinnie (2007) imply of how well human resource policies help create a favourable environment for personal development of workers. As a result, opportunity for personal development is identified as a key part of the company’s competitive strategy.

The limitations of this study are that data were gathered in only one hotel. Since this study only reveals the perspective of staff in EDC-UUM on Halal certification process, it limits the scope of generalization. In future, data could be gathered from multiple sources which may involve the entire hotels in Malaysia. Besides that, other limitation of this study was the small number of the respondents. The sample size may not be representative of the hotel’s population. The generalization of the results to other organization may be also restricted.

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