THE DYNAMIC OF TECHNOLOGY, ORGANIZATION AND ENVIRONMENT MODEL IN THE HALAL CERTIFICATION ADOPTION STUDY: A CONCEPTUAL PAPER

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(NKRA) agenda towards an elevated income and improving the wellbeing of society. To meet the agenda, small and medium enterprises (SMEs) are vital in encouraging economic sustainability. To illustrate, this sector has contributed about 37.1% to Malaysia’s Gross Domestic Product (GDP) in 2017 alone. Consistent with NKRA goal, SMEs also assist the government in reducing the unemployment rate by absorbing 66% of the workforce in 2017 (www.dosm.gov.my). However, some companies are unable to achieve effective performance management. In Malaysia, the estimated failure rate of SMEs is approximately 60% (Ahmad & Seet, 2009). It shows that SMEs in Malaysia are facing plenty of obstacles and issues to stay competitive in the market. Among the problems faced by them is the lack of knowledge in terms of marketing techniques, branding, customer loyalty and also the lack of relationships with other local and international enterprises (Muhammad, Kamal, Rushdan, & Hassan, 2010).

The sustainability of the Halal food sector is heavily dependent on Halal processing competencies to establish the reliability of Halal products. Nevertheless, the challenges of SMEs with the emerging globalization concept that become easier and less costly could be seen as an obstacle for them to penetrate the global market (Toh, 2009). Compared to multinational corporations like Nestle group which has already carved a name for itself in the Halal industry, local SMEs entrepreneurs are at a disadvantage as the consumers have a more well-known product choice. This is proven when SMEs had only contributed 17.3% to the country’s export and Malaysian Halal product exports were only 0.5% (Neo, 2018).

Previous researchers agree that Halal certification is vital in ensuring the Halal status of products is safeguarded with the use of appropriate processing and management throughout the supply chain until the products are utilized. From the consumers’ standpoint, Halal processing methods are a complicated concept since they are not perceptible and cannot be endorsed by the consumer. Thus, consumers must depend on tangible features in the chain to establish the products’ Halal status, such as the use of Halal logo. Halal accreditation demonstrated by the Halal logo is the only means to balance consumers’ minimal knowledge on products’ processing (Andersen, 1994). In short, Halal food certification is an essential component of the Halal food industry since this component strongly impacts consumer preference (Mohayidin & Kamarulzaman, 2014) and assurance (Mohamed, Shamsudin, & Rezai, 2013). Therefore, the adoption of Halal certification has become the source of sustainable competitive advantages for SMEs to increase their business performance.

Even though Halal awareness has grown among SMEs entrepreneurs, the intention to adopt Halal certification, especially amongst food producers in east coast states is still relatively low. The overview of the distribution of halal-certified company application in Malaysia in 2016 is depicted in Figure 1. Based on the figure, SMEs in Terengganu has the lowest application for halal certification (2%), followed by Kelantan (2.4%) and Negeri Sembilan (3.1%). Therefore, it is important to investigate why SMEs manufacturers in Terengganu and Kelantan are still reluctant to commit to an improved Halal certification process. Addressing the consumers’ demand in the assurance of product integrity crucial in assuring that the Malaysian Halal industry continuously develop. However, SMEs’ limited intention to incorporate Halal certification implies a critical need to determine the challenges and enables that impact the incorporation of Halal certification.
Although the industry has witnessed a significant increase in the demand for Halal products, minimal research has investigated the challenges in Halal certification. A majority of previous research has concentrated on behaviour among Halal consumer, Halal orientation, and not many have been done on SMEs and Halal food certification (Aziz & Chok, 2013). The findings from this study which aims to identify the factors that influence the intention to adopt Halal certification among food manufacturers, will assist Malaysia to become a regional Halal-hub. Therefore, further studies are vital (Talib, Hamid, & Zulfakar, 2015b). For this reason, it is essential to examine the driving factors which can increase SMEs’ intention to adopt the certification of Halal food. Variables from technology, organisation and environment (TOE) framework were employed in this conceptual paper to examine the influencing factors in Halal certification adoption. The literature has highlighted that no studies have examined the intention to adopt Halal certification among SMEs food manufacturer in Terengganu and Kelantan; thus, this study attempts to bridge the gap.

This study aims to model the relationships among perceived benefits, customer pressure, organizational readiness, and Halal awareness towards SMEs’ intention to adopt a Halal certificate in Terengganu and Kelantan. Based on the primary objective, two specific goals are postulated as follows:

1. To identify the predicting factors of Perceived Benefits, Organisational Readiness, Customer Pressure and Halal Awareness on SMEs’ intention to adopt Halal Certificate.
2. To investigate the mediating role of Halal awareness on the relationship between Perceived Benefits and SMEs’ intention to adopt the Halal Certificate.

2. LITERATURE REVIEW

Department of Islamic Development (JAKIM) (www.halal.gov.my) is an agency responsible for issuing the Halal certification document in Malaysia. This document endorses whether the products have followed and covered Islamic dietary guidelines. The validity of this certification is two years, and food manufacturers must renew the certificate once the document has expired. A competent halal certification system can assist consumers in selecting products that adhere to halal conditions. Recent years have witnessed research investigating halal certification, yet minimal research has examined the halal certification adoption (Rahman, Mohamed, Rezai, Shamsudin, & Sharifuddin, 2014).

Previously, most of the Halal certification research focused on consumer research. This indicates the wide use of two prominent theories which are the Theory of Planned Behaviour (TPB) and Theory of Reasoned Action (TRA). Despite TPB andTRA are leading theories, they are only suitable to be applied for individual level and are unable to signify the actual conception of why SMEs adopt Halal food certification in comparison with technology, organisation and environment (TOE) framework.
TOE framework has identified three facets that impact the innovation adoption process (Khan, Khan, & Haleem, 2019). The three elements of company innovations are technology, organisation, and the environment. In this study, technology refers to the perceived benefits of technological innovation which include the estimated benefits to the organisation. The organisation, on the other hand, describes the characteristics of an organisation in terms of Halal awareness and organisational readiness towards halal certification adoption. Meanwhile, the environment element in this context refers to customer pressure.

The adoption of innovations is affected by the technological, organizational, and environmental aspects within a firm. Therefore, it is suitable to be applied for studies on organizations that practice innovation (Baker, 2000) and to identify factors that may impact SMEs’ behaviour in their decision-making process.

2.1. Why Halal Certification Adoption Intention?

Adoption is usually examined as a dependent variable (AlAwadhi, 2019). It is an element of the diffusion process that describes the assessment of the results of trial use of the innovation and decision to continue utilising the innovation (Pradhan, Arvin, Nair, Bennett, & Hall, 2019). This happens when an organisation elected to invest and maximise an innovation (Chen, Brem, Viardot, & Wong, 2019) in a recap of organizational innovation studies. Duradoni and Fabio (2019) pointed out that the adoption of innovations is understood to encompass the creation, advancement, and application of new ideas or behaviours. Innovation can be in the form of new products or services or a novel production of process technology (Pradhan et al., 2019). Halal certification adoption refers to a situation where manufacturers use Halal certification to ensure that the halal production structure is transparent, hence, establishing the Halal integrity of their products (Ngah, Zainuddin, & Thurasamy, 2014). Talib et al. (2015b) identified motivating factors in Halal certificate adoption, which include consumer pressure, quality and safety, competitive advantage and market expansion. Factors such as minimal support from the management and government is a critical obstacle in Halal certificate adoption.

2.2. Perceived Benefits

Perceived benefits are associated with positive beliefs on a behaviour (Hallmann & Zehrer, 2019). Perceived benefits are a dimension of technological innovation that is related to the expected advantages to the organisation (Brown & Russell, 2007). The previous researcher used it as a perceived relative advantage, but the definition is similar (Ghobakhloo, Arias-Aranda, & Benitez-Amado, 2011). Hallmann and Zehrer (2019) found that perceived benefits are one of the characteristics that explain the best behaviour for the adoption of innovation. In this study, perceived benefits describe the magnitude of the firms’ acknowledgement of the relative advantage that Halal certificate could offer to organisations. The perceived benefit was identified to have a strong relationship with new technology adoption (Khan et al., 2019). With the exposure to halal certification information, SME’s awareness of the certification may be influenced (Kusumastuti, 2017). Previous research reported that perceived benefits would function as an enabler for the intention to adopt Halal certificate. Hence, H1 and H2 were developed.

H1: Perceived benefits will have a positive effect on Halal Awareness.

H2: Perceived benefits will have a positive effect on SMEs’ intention to adopt Halal Certificate.

2.3. Halal Awareness

Awareness is defined as the ability to perceive, to feel, and to be conscious of events and objects (Latif, 2019). This is the most crucial element in determining the intention to choose (Kusumastuti, 2017). From the consumers’ perspective, they have different levels of awareness based on their background, religion (devout), culture, education and social interaction (Latif, 2019). In this case, the awareness of organizations can be described as the level of attentiveness or realization among SMEs entrepreneur’s behaviour towards adopting Halal Certificate. A study in Malaysia has disclosed that the level of awareness among SMEs towards the granting of halal certification is at a
low level (Lada, Tanakinjal, & Amin, 2009). Numerous studies have examined the role of awareness as the mediating factor. For example, Alzubi, Farea, and Al-Dubai (2017) found that brand awareness plays a mediating role in the intention to use internet banking among SMEs in Yemen. In the context of education, Choy, Street, Roukema, and Yim (2017) found that Learners’ Awareness has a mediating effect on Malaysian and American students’ approaches to learning. Therefore, H3 was developed.

\[ H3: \text{Halal awareness has a positive effect on SMEs' intention to adopt Halal Certificate.}\]

2.4. Organizational Readiness

Organizational readiness is another crucial variable in technology adoption (Khan et al., 2019) and it is essential in the decision-making process of adopting an innovation (Talib et al., 2015b). For example, Ngah et al. (2014) characterised organizational readiness as the ability of operation management to adopt Halal transportation services with regards to financial and human resources. Correspondingly, Iacovou, Benbasat, and Dexter (1995) indicated that the availability of financial resources in terms of human resource, expertise, and technology is a primary factor in the decision to adopt electronic data interchange. Based on the halal food setting, the previous study found that organizational readiness has led to an increase in the firm’s awareness. In the study, awareness literally reflects a condition in which SME’s have an interest, special attention, or have experience and good information about food that is allowed by Islam (Ambali & Bakar, 2014). Hence, this research refers to organisational readiness as the competence of an organisation’s management to incorporate a Halal certificate with good information. Based on the previous study, the hypothesis can be formulated as follows:

\[ H4: \text{Organizational readiness has a positive effect on SMEs’ intention to adopt a Halal certificate.}\]

2.5. Customer Pressure

Customer pressure refers to the external pressure, which could influence the decision to adopt (Ngah et al., 2014). An organisation must possess a high level of awareness of customers’ demands needs since customers are the most critical pillar in a business. A business would not be able to gain revenue without customers, despite the superiority of their services or products. The literature has established the connection between customer pressure and the decision to adopt (Namagembe, Ryan, & Sridharan, 2019). In fact, Ab. Talib, Sawari, Abdul Hamid, and Ai Chin (2016a) identified that the food and beverage sector has responded to consumers’ needs by demonstrating the commitment to assure that the products are Halal certified. Therefore, the hypotheses are:

\[ H5: \text{Customer pressure has a positive effect on SMEs' intention to adopt Halal certificate.}\]

\[ H6: \text{Halal awareness mediates the relationship between perceived benefits and SMEs' intention to adopt Halal certificate.}\]

This conceptual paper adapts the TOE framework in the halal certification adoption study. Figure 2 illustrates a conceptual model which describes the relationships among the independent variables and the dependent variable. This study categorised the independent variables into three groups, namely, technology (perceived benefit), organisation (Halal awareness, organisational readiness) and environment (customer pressure). In contrast, the dependent variable is the intention to adopt Halal certification.
3. METHODOLOGY

Data of interest for this research will be collected using self-administered questionnaires from consented respondents. The aim of the study will be briefed to future respondents during the data collection stage. The respondents will also be assured about the confidentiality of the information collected from the respondents. The respondents will also receive the instructions and sufficient time to complete the questionnaire. In addition, researchers and well-trained research assistants will be available to assist respondents when necessary.

In this study, cluster sampling will be applied. Cluster sampling will be employed in this study. Cluster sampling is selected as a small-scale representation of the population is offered by each cluster. The elements in the population will be categorised into different groups referred to as ‘clusters’. Each element of the population is associated with only one cluster. Simple random sampling technique is utilised to extract elements from each cluster to be finalised as the sample. A total of 500 respondents will be randomly selected amongst SMEs Halal manufacturer which are involved in the Food and Beverage businesses in Kelantan and Terengganu.

The collected data will be subjected to several statistical analyses using the Statistical Package for Social Science program (SPSS) and AMOS, one of the popular packages for conducting structural equation modelling (SEM). Descriptive statistics, reliability analysis, exploratory factor analysis, and confirmatory factor analysis, and also structural equation modelling will be employed for data analysis and interpretation.

Descriptive statistics such as mean and frequency will be referred to examine the characteristics of the respondents and gather the descriptive data of respondents’ opinions (Mao, 2008). Besides assessing the respondents’ profile, descriptive statistics also will be used to summarize the overall level of independent and dependent variables.

Reliability will be used to measure the research instruments to make sure they are free from random error or without bias (Sekaran & Bougie, 2016). Exploratory factor analysis (EFA) will be used to reduce the measure items and explore how many factors are needed to represent the data. Meanwhile, confirmatory factor analysis (CFA) will be used to validate the factor structure that was established during the exploratory factor analysis. Besides,
exploratory factor analysis confirms since the researchers possess full control in terms of the indicators for each variable (Chi, 2005).

SEM will be employed to test the postulated hypotheses. Universally accepted statistical indexes such as Goodness-of-Fit Index (GFI), Adjusted Goodness-of-Fit Index (AGFI) and Root Mean Square Residual (RMR) will be employed to evaluate the goodness-of-fit of the proposed model. Another set of goodness-of-fit statistics identified as baseline comparisons indexes, including Normed Fit Index (NFI), Tucker–Lewis Index (TLI) and Comparative Fit Index (CFI), will be employed to strengthen the fitness of the hypothesized model. In addition, the value of Root Mean Square Error of the Approximation (RMSEA) will also be used to support the hypothesized model goodness-of-fit.

4. CONCLUSION AND FUTURE RESEARCH

Previous research has concentrated on behaviours among Halal consumers and Halal orientation. To date, there have been no studies that empirically assessed the issue of low adoption of Halal certificate among SMEs manufacturer in the east coast states, especially in Terengganu and Kelantan. Most of the previous studies on Halal certificate only have covered on the consumer level. Halal certification is vital in assuring the Halal status of products with the practice of suitable processing and management until the end of the supply chain.

Therefore, this conceptual paper has proposed a model where perceived benefits, Halal awareness, organizational readiness, customer pressure and intention to adopt Halal certification among SMEs entrepreneurs are the variables. There are potential benefits of this research, especially in the form of new knowledge. First, the study will discover a model of perceived benefits, Halal awareness, organizational readiness, customer pressure and intention to adopt Halal certification among SMEs entrepreneurs in Kelantan and Terengganu. Second, the study will enrich the knowledge of the significant factors influencing the adoption of halal certification that requires more focus by the entrepreneurs, especially to encourage non-certified firms to become Halal-certified.

For future research, it is suggested to expend the study by developing a company innovation index based on the TOE framework, hence determine the level of company innovative practice towards adopting Halal certification. Index development is critical in assessing an issue by considering numerous essential aspects that possess substantial value to the cases. The company innovation index will be able to generate scale categories which range from excellent to very poor to indicate the level of company innovation index among the respondents. Therefore, appropriate actions based on the scale categories could be planned by the government as an effort to encourage company innovation practice towards Halal adoption.

Funding: This study received no specific financial support.
Competing Interests: The authors declare that they have no competing interests.
Acknowledgement: All authors contributed equally to the conception and design of the study.

REFERENCES


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