THE ANTECEDENTS OF HALAL COMPETENCY MODEL: TOWARDS IMPROVEMENT OF HALAL CERTIFICATION FOR SMFEs' PRODUCTS

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ABSTRACT

Malaysia has one of the most comprehensive Halal ecosystems as compared to many other Islamic nations worldwide. Rising worldwide demands for Halal food products, together with Malaysia's aspiration to be world's premier Halal hub had put the pressure on Malaysian-based MNCs[1] and SMFEs[2] as the main producer of sufficient supplies of high quality, Halal-certifed foods for global needs. Alas, many SMFEs faced the predicament of getting their products amply competent to be Halal certified due to reasons such as lack of Halal technical knowledge, lack of Halal training, lack of specific standards for complex variance of products, lack of regulatory forces, in short of proper resources, as well as lack of integration between the organization itself and government bodies involved. Thus, this research was initiated to investigate the factors influencing the Halal competency of SMFEs' products, towards a more solid and proficient Halal certification of SMFEs' products. An exploratory-sequential mix-method approach will be employed, utilizing qualitative and then quantitative method to get a clearer picture of this issue, apart from gaining needed data. The qualitative approach will be realized in the form of preliminary interview, and together with literature reviews, would be the basis for the construction of the research framework. This framework would then be used as the guideline for the development of a structured questionnaire; the instrument for the quantitative approach. Population and sample will be derived from the list provided by JAKIM[3] and HDC[4]. Proper data analysis will be conducted and the results will be translated into a model of Halal competency.

Keywords: *Halal* Competency, *Halal* Product, *Halal* Foods, Small Medium Food Enterprises, Mixed Method.

1. INTRODUCTION

In *Islam*, the consumption of *Halal* foods, products and services is compulsory to all *Muslims*. It is every *Muslim* nation's obligation to ensure the source, production, processes, transformation, cooking, serving, packaging, selling and buying of *Halal* foods are right to the appropriate standard. These activities catalyze the rise and expansion of *Halal* food industry, globally and locally. Consequently, at worldwide scale, the greatly demanding *Halal* food industry is growing in size each year. These in turn stimulate improvements in each and every aspect of the massive industry to meet the market expectations. Certainly, the entire concepts of *Halal* are fundamental to *Islam*. Interestingly, non-*Muslim* also began to accept and appreciate *Halal* foods and embracing *Halal* standards as one of the most comprehensive and brilliant food quality standards available to date, which indirectly means promising global market potential of *Halal* foods.

According to Lipka and Hackett (2015), while the world's population is projected to grow 35% in the coming decades, the number of *Muslims* is expected to increase by 73% – from 1.6 billion in 2010 to 2.8 billion in 2050. In fact, in 2010 alone, *Muslims* made up 23.2% of the global population. These numbers signify the global market potential of *Halal* food products, even outside *Islamic* nations. In other case, as reported by Euromonitor International (2015), although there is no official consensus regarding the value size of *Halal* market in Europe, several associations and certification bodies do provide different estimations, varying between €40 and €100 billion. It is, in any case, indisputable that the *Halal* food market is a multibillion contributor to the European economy as well as the world. This situation proved to be true, especially in Malaysia.

Year / Focus	2012	2013	2014
Total *Halal* Export Value	**↑ 34.1% RM 31,990,638,903**	**↑ 2.7% RM 32,842,002,120**	**↑ 14.8% RM 37,691,265,705**

[1] Multi-National Companies, which in this context, are the ones involved in the production, processing, packaging, manufacturing and preparation of foods and beverages.

[2] Small-Medium Food Enterprises

[3] Jabatan Kemajuan *Islam* Malaysia

[4] *Halal* Development Council Malaysia

	No.	Country	Value (RM)	No.	Country	Value (RM)	No.	Country	Value (RM)
Top 5 Export Destination	1	China	3.9 billion	1	China	4.4 billion	1	China	4.6 billion
	2	Singapore	3.1 billion	2	Singapore	3.1 billion	2	Singapore	3.6 billion
	3	USA	2.7 billion	3	USA	2.7 billion	3	USA	3.4 billion
	4	Indonesia	2.1 billion	4	Indonesia	2.2 billion	4	Indonesia	2.3 billion
	5	Netherlands	1.8 billion	5	Japan	1.9 billion	5	Japan	2.2 billion

Table 1: Malaysia *Halal* Exports 2012-2014 (HDC, 2016a)

In 2012, Malaysia's total *Halal* export value reached a staggering amount of RM31.990 billions, which was a 34.1% increase from the previous year. In 2014, the amount has further increased 14.8%, totaling to RM37.691 billions. Each year until 2014, the biggest importers for our *Halal* exports were China (RM4.6 billions), Singapore (RM3.6 billions), followed by USA (RM3.4 billions). Indonesia, Japan, and Netherlands were also notable importers, while the rest were mostly Middle Eastern and European countries, where the high demands for *Halal* foods often unmatched by production shortages and low availability. Table 1 above verifies that there are massive potentials for *Halal* products in countries like USA, Netherlands and Japan, where *Islam* is not a major religion and *Muslims* is among the minorities. This notion proved that; (i) there is a high level of product confidence among *Muslim* and non-*Muslim* consumers alike, even in non-*Islamic* countries, and (ii) there is also a high level of trust in *Halal* certified products.

Knowing the huge market potential of *Halal* foods, Malaysia as one of the modern *Islamic* country should be one of the leaders in the production of *Halal* commodities. As a matter of fact, currently the overall worth of the global *Halal* industry was estimated to be USD2.3 trillion per annum, according to Malaysia's Third Industrial Master Plan 2006-2020, which was presented during World *Halal* Week 2012. The monetary size alone already could justify why Malaysia should increase our input in this industry. Though the overall contribution is not massive, but the significance on the development and expansion of the *Halal* industry is great. In 2011, Malaysia's overall exports were reported to be RM694.5 billions. 5.1% of these or RM35.397 billions were of *Halal* exports. Breaking it down further, RM24.229 or 70.43% of these *Halal* exports were classified as foods and beverages, as well as food ingredients (HDC, 2012). By 2014, total *Halal* exports were valued at RM37.68 billions. From the lot, foods and beverages sector, as well as food ingredients, contribute RM27.64 billions, or 73.36% (HDC, 2016a). Clearly the numbers keep increasing each year, signifying constant support and demand for *Halal* food products worldwide.

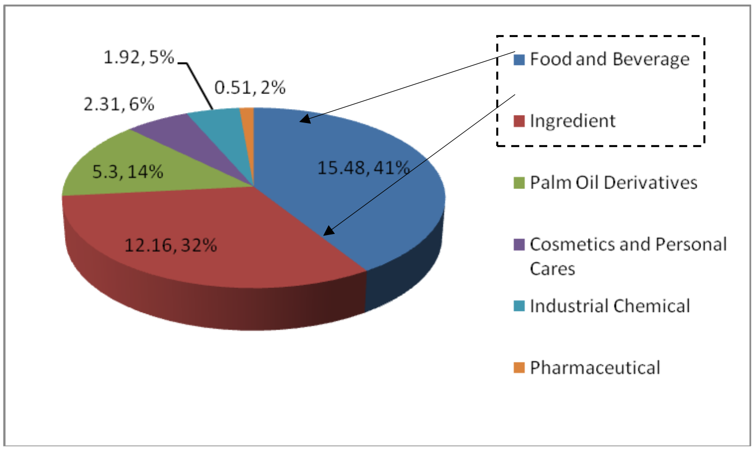
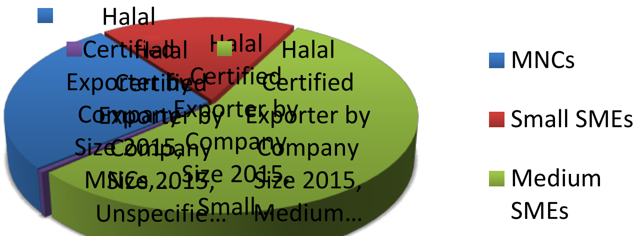


Figure 1: *Halal* Export Value 2014 (RM billions) by Product Clusters (HDC, 2016a)

HDC (2016a) further broke it down; of all *Halal* products and services being exported from Malaysia in 2014, food and beverage products constitute the largest portion, approximately 41%. Second largest contributor was the food ingredients industry (32%), trailed by palm oil derivatives (14%). Other main sectors were listed as cosmetics and personal cares, industrial chemicals, and pharmaceuticals. Figure 1 above illustrates the RM value and sector percentage of *Halal* exports by product cluster for the year 2014. All in all, the above reviews are evident proof that; (i) *Halal* foods offers a vast and lucrative business potential, (ii) *Halal* had been accepted internationally as an excellent standard for regulating the quality, cleanliness, wholesomeness, as well as the integrity of food products, (iii) *Halal* foods are not only the preferred foods of *Muslims*, but also had incessantly grown into the likings of consumers at large as well, and (iv) it is imperative that any pillar sector running and supporting the *Halal* industry must be further improved to achieve international standard and to be competitive.

1.1 Domestic *Halal* Foods Industry

Looking at the context of Malaysian *Halal* foods industry, a large majority of its contributors are MNCs, whereas SMFEs contributed the rest. Figure 2 showed the numbers of Malaysia's *Halal* certified exporters by company size. Albeit the numbers of Medium SMEs looked promising, in terms of monetary contribution (RM), MNCs dominated the larger part of it. Though MNCs plays integral part on the frontline, most of day-to-day basic food necessities especially local *Halal* food products and produce are championed by the much humble SMFEs. Therefore, the contribution of SMFEs for the *Halal* sector must be recognized. Any improvisation to enhance the SMFEs might as well be central to the betterment of *Halal* industry in general. However, it is bitterly known that the rates of *Halal* certification for Malaysia SMFEs' products are still unsatisfactory, thus raising the main issue for this research.



Note: excluding palm oil (crude and primary processed products)

Figure 2: Malaysia's *Halal* Certified Exporters by Company Size (HDC, 2016a)

In 2011, a total of 4,785 companies (MNCs and SMEs) were accredited with *Halal*, with products ranging from food and beverages, healthcares, food ingredients, cosmetics and personal cares, chemicals, premises, abattoir, and others. Out of them, only around 700 companies manage to export their products overseas, with export values of RM35.397 billions. Intriguingly, 75% of these 700 companies are SMEs, which further proved the vital contribution of SMEs in the *Halal* sector. Table 2 breaks down the exports by sector, making it clear that foods and beverages, as well as food ingredients, two sectors which most likely represent SMFEs, contributed a combined amount of RM24.229 billions worth of *Halal* exports. This number translates to 70.43% of total 2011 *Halal* exports, adding to the importance of SMFEs in the whole equation. However, once compared to Malaysia's 2011 overall exports of RM694.5 billions (HDC, 2012), total *Halal* exports (RM35.397 billions) accounted to only 5.1%. Accordingly, vigorous attention should be given to *Halal* sector, especially to the SMFEs to increase its contribution.

Sector	Description of Exported *Halal* Products	Value (RM billions)
Ingredients	Food and non-food ingredients (e.g. fats, additives, salts, emulsifiers, colorings etc.)	**12.312**
Foods & Beverages	Processed foods, cocoa, margarine, beverages, meat, seafood, and other edible products	**11.917**
Palm Oil Derivatives	Downstream palm oil products for oleo chemical industry (e.g. palm olein, stearin etc.)	**7.005**
Industrial Chemicals	Organic, inorganic chemicals used in as processing aids (e.g. solvent, catalyst, freezing compounds etc.)	**2.062**
Cosmetics & Personal Cares	Essential oils, perfumery, toiletries & cleansing preparations	**1.815**
Pharmaceuticals	Medicinal and pharmaceutical products	**0.286**
TOTAL		**35.397**

Table 2: 2011 *Halal* Exports Value (RM billions) by Sector (HDC, 2012)

On paper, Malaysia boasts a quite comprehensive *Halal* development profile, but so far only large firms (were and still) reaping the benefits. MNCs would most probably have trivial or no problems in preparing the resources needed for *Halal* accreditation and certification. These big firms employed their own quality assurance or *Halal* executive to document and manage the whole accreditation and certification process, or even hire top consultants to do the job. It is mostly the unfortunate SMFEs (particularly *Bumiputera* owned) who might face many obstacles in setting up the conditions necessary for the accreditation and certification. With limited resources, manpower, knowledge and many other factors, those who are willing and able, strive hard to achieve *Halal* status. The truth is there were many issues at play, especially domestic, which hamper the progress of this sector.

For example, the contribution of *Bumiputeras* towards total *Halal* exports in still trivial as compared to Non-*Bumiputeras*, and was actually dwindled during 2014-2015 period. *Halal* exports by *Bumiputera* owned firms has declined 24.8% from the year 2014 to 2015, as opposed to an increment of 7.5% by Non-*Bumiputera* owned firms. Furthermore, the same issue is lingering around in term of ownership. Year 2011 witnessed 4,785 companies accredited with *Halal*, with uneven distribution of ownership. Only 32% of them owned by *Bumiputeras*, while the majority 68% reside with Non-*Bumiputeras* (HDC, 2012). Five years later in the year 2016, 39.5% of a total 5,834 *Halal* accredited firms are owned by *Bumiputeras*, as opposed to 60.5% owned by Non-*Bumiputeras*. In a nutshell, after 5 years, there was a 7.5% boost in term of *Bumiputera* ownership, which is still quite far-fetched from national target of 50% *Bumiputera* ownership by the year 2020 (Bidin, 2016).

Paradoxically, Malaysian government had prepared countless incentives, loans, tax exemptions, and many other encouraging schemes to increase the number of *Bumiputera*'s involvement in the sector. These efforts were gradually fruitful, but the pace just can't keep up with the national desired outcome, as well as demand pull from global market. Following above notions and discussions, SMFEs was deliberately chosen to be the populace of the research as they were more captivating as research subject in perspective of their products' *Halal* certification performance. In other words, MNCs face less tricky challenges, simply because they have significantly better resources and play by the volume, thus any setback can be absorbed by many ways. MNCs also almost certainly could afford to implement various excellent systems as quality assurance and quality control tools, such as HACCP[5], ISO[6], GFSI[7], FSSC[8] and GMP[9]. On the other hand, while being the backbone of Malaysia's *Halal* food industry, SMFEs are quite vulnerable and lacking in resources to fully integrate the latest quality assurance system. This situation hinders the expansion of the sector despite of all the opportunities mentioned beforehand. Other internal issues worsen the problem, expressly to the *Bumiputera* owned SMFEs, consequently hampering their progress towards *Halal* accreditation and product certification.

1.2 Problem Statement

Malaysia's *Halal* food industry is expanding, parallel to the ever increasing global market for reliable *Halal* foods. In Malaysia's context, MNCs and SMFEs play major roles of manufacturing, producing, packaging and exporting these *Halal* commodities to the demanding countries. To comply with the high standards of importing countries, both MNCs and SMFEs must adhere to Malaysia's Standards of *Halal* Accreditation and Certification, imposed by JAKIM. Regretfully, the contribution of *Halal* certified SMFEs' products in total exports is insufficient to be impactful, nevertheless necessary towards fulfilling the global demand, following massive expansion of worldwide *Halal* market.

Among many deficiencies in the context of *Halal* certification, one in particular was deemed the most important and central to this research's intent, which is the lack of SMFE's contribution towards *Halal* export value. To be exact, *Halal* product certification is vital for *Halal* food exports and international competitiveness. However, low rates of *Halal* certification achievement of SMFEs' products impeding the progress of Malaysia's total *Halal* exports. Hence, this research was intended to investigate the influential factors (antecedents) forming the *Halal* competency construct, towards the betterment of *Halal* certification for SMFEs' products.

1.3 Research Significance

Since empirical research correlating SMFEs and *Halal* accreditation and certification were not exactly in abundance, this research could provide closer insights on the related topic. Industry players, government officials, policy makers, as well as academicians might benefit from this research, as a source of reference or additional information for their future plans, actions or research. Explicitly, this research would add to the numbers of empirical literatures correlating *Halal* certification with SMFEs. Much of the literatures available, especially local, were largely conceptual, tapping *Halal* issues at the surface. This would not be very beneficial to researchers whom were searching for in-depth discussions and concrete evidence for their investigation. At the very least, this research would assist future researchers to generate ideas and comparing research results towards the improvement of *Halal* industry in general, and towards improvement of *Halal* certification's aspects and processes.

Ideally, this research was leaning more towards helping to solve a real world problem in existing, non-contrived setting. By incorporating factors needed for a certain SMFEs product to be '*Halal* competent', SMFEs can be better prepared in achieving *Halal* certification, and also be able to maintain it. SMFEs can equipped themselves with necessary information, understanding, measures as well as familiarizing themselves with expectations from the certification and legislative bodies.

Moreover, this research will help the government to better comprehend, and in future invest much more interest to the *Halal* certification of SMFEs' products. This is done by highlighting the issues at hand pertaining to the constraints and challenges faced by (and from the perspectives of) SMFEs, which might have been overlooked all this while. This effort will help elevate

[5] Hazard Analysis Critical Control Point

[6] International Organization for Standardization

[7] Global Food Safety Initiatives

[8] Food Safety Certification

[9] Good Manufacturing Practices

Malaysia's *Halal* food industry into world standard by; (i) assessing, understanding, and documenting the problems, (ii) identify the factors and attributes needed for a solid *Halal* product certification, (iii) helping the SMFEs achieving competency, (iv) raising the number of *Halal*-certified SMFEs products, and (v) ultimately, establish a firm base of *Halal* hub and becoming a respectful producer of *Halal* foods for global consumption.

Finally, the proposed model could be the basis of guidance to SMFEs in efforts towards *Halal* accreditation of the firm. The model might serve as a framework for a thorough *Halal* accreditation. By combining feedbacks from industry players, auditors, as well as regulatory representatives, this model certainly can be utilized to increase SMFEs' competency upon implementation. This effort is deemed necessary to raise the numbers of *Halal*-accredited SMFEs, hence making them fit to compete in the promising international market.

2. LITERATURE REVIEW

At present, the foodservice industry is defined in its broadest sense to mean "all establishments where foods are regularly served outside the home" (Payne-Palacio & Theis, 2012). As further explained by Kittler, Sucher, and Nelms (2011), the political, economic and social management of food at the local level is typically directed towards assuring a reliable and affordable source of nourishment. Moreover, advances of food production, storage, logistics and distribution are the closest examples, and the complexity of the food supply system has been examined by many disciplinary approaches.

In relation to that, industrial era catalyze the mass production of foods, aided by the advancement in food production equipments and packaging technology. Innovation and discoveries in microbe sciences modernize the preservation techniques of foods, prolonging its shelf-life. This fundamental science and technological breakthrough occurred over a century ago, and have been revolutionary to the food industry. Today, food industry is one of the prime economic contributors to most of the world's countries, implementing some of the most state-of-the-art, avant-garde equipments, biochemistry science practices, ingredients and procedures available. As a result, apart from pull factor of market demands, the food industry in Malaysia (MNCs, SMEs, and SMFEs) is mushrooming, parallel to the progression and stability of its support system.

2.1 SMEs and SMFEs

SMEs[10] are little companies which are defined by; (i) sales turnover, and (ii) number of employees. In Malaysia, this definition covers all sectors comprised of services, manufacturing, agriculture, construction, mining and quarrying. As an extension to the definition, SMFEs are SMEs whom focus is on the processing, production, manufacturing and packaging of food products and produce, as well as food ingredients. Since 2005, there have been many economic developments influencing the very definition of SMEs, such as price inflation, structural changes and changes in business trends (SME Corp., 2016). Accordingly, the new definition of SMEs was endorsed at the 14th NSDC[11] Meeting in July 2013. The definitions, and their percentages of micro, small and medium industry against the total number of SMEs in Malaysia for the year 2013, are simplified in Table 3:

Category	Manufacturing	Services & Other Sectors	Percentage
Micro	Sales turnover **less than RM300,000** OR full-time employees from **less than 5**	Sales turnover **less than RM300,000** OR full-time employees from **less than 5**	77%
Small	Sales turnover from **RM300,000 to less than RM15 million** OR full-time employees from **5 to less than 75**	Sales turnover from **RM300,000 to less than RM3 million** OR full-time employees from **5 to less than 30**	20%
Medium	Sales turnover from **RM15 million to not exceeding RM50 million** OR full-time employees from **75 to not exceeding 200**	Sales turnover from **RM3 million to not exceeding RM20 million** OR full-time employees from **30 to not exceeding 75**	3%

Table 3: Definitions of SMEs based on Size of Operation (SME Corp., 2016)

2.2 SMFEs' Contribution towards Malaysian's GDP

Presently in 2013 alone, food-related industries contributed RM40.416 billions to Malaysia's GDP[12], which RM10.891 billion from it granted by food processing industries (Department of Statistics Malaysia, 2014).According to the SME Census 2011, quite a fragment of these food processing industries are categorized in the Small Medium Food Enterprises (SMFEs), totaling up to 6,016 registered companies which employed approximately 3,669,259 workers (SME Corp., 2011). Table 4 enlists some of

[10] Small Medium Enterprises

[11] National SME Development Council

[12] Gross Domestic Product

SMEs' contributions towards the country's economic growth. Additionally, as revealed by SME Census 2011, SMEs account for 97.3% or 645,136 of total business establishments in 2010. A total of 90% or 580,985 establishments are within the service sector, including the food and beverage sector. Regardless of all the positive influence brought by the flourishing of SMEs, its 17.8% economic input to the nation's total exports is still considered trivial once compared to the impact of their counterparts in advanced countries.

Year	Beneficiary	Contribution
2004	Malaysian GDP	CAGR[13] of SMEs was **7.1%,** higher than **4.9%** CAGR of the whole economy.
2005 until 2014	Malaysian GDP	Higher CAGR results in increase of SMEs contribution to GDP, from **29.6%** in 2004 to **35.9%** in 2014
2011	Total Business Growth	SMEs account for **97.3%** or **645,136** of total business establishments.
	Service Sector	Most SMEs found to be concentrated within the service sector; **90%** of the total SME population, or **580,985** establishments.
	Local Business	**33%** of total SME located in Selangor and Kuala Lumpur, **10.7%** in Johor and **9.3%** in Perak.
	Women's Economy	**19.7%** of total SMEs are women-controlled.
2014	Employment	SMEs contribute **65%** of country's total employment.
	Exports	SMEs contribute **17.8%** of country's total exports.

Table 4: SMEs Contribution towards Malaysia's Economic Growth
(SME Corp., 2011)

Indeed, rising demands of food products (especially *Halal* certified) causing escalated numbers of SMFEs each year, and this sector's contribution to the GDP kept growing, strengthening its significance. Malaysian government has long realized the potentials. Consequently in 2012, a master plan was launched, with the aim to chart SME's development in correspondence with Malaysia's plan to become a high-income country by 2020. This signifies the imperative input of SMEs as well as SMFEs towards the nation's economic gain, therefore indicate its worth to be maintained, improved and expanded. One of the best ways to achieve this is through continuous improvement via the implementation of solid quality management programs, including and ultimately, *Halal* certification.

2.3 Insights from *Halal* Literatures

Abdul Majid, Zainal Abidin, Mohd Abd. Majid, and Tamby Chik (2015) presented several issues and challenges of *Halal* food implementation in Malaysia, especially on the validity and traceability of *Halal* certification. Using qualitative approach, the researchers targeted food processing industry, food premises (cooked foods), and small and medium food enterprises as their respondents. The embodiments of their findings are presented in the following Table 5. Likewise, Ismail, Islam, and Wan Bakar (2013) said that majority of SMFEs in Malaysia faced more or less the same export barriers; (i) internal export barriers, (ii) external export barriers, and (iii) procedural export barriers, which the last one being the most obstructive. On the basis of this evidence, it seems fair to suggest that much of the problems came from within.

Furthermore, the issue of *Halal* certification can also be viewed from the perspective of consumerism. Abdul Khalek (2014) did a research on young *Muslim*'s attitude towards *Halal* food outlets and JAKIM's *Halal* certification, applying the TPB[14]. It was found that all three variables of TPB produce positive results towards *Halal* food outlets and JAKIM's certification, with 'attitude' being the strongest variable. As a variation, Abdul, Ismail, Hashim, and Johari (2009) used Audit Risk Model to determine factors involved in decision making towards the purchase of *Halal* food products, regardless of the certification gained by the food producer (symbolized by the *Halal* logo on the labelling). Mixed method was employed; quantitative for the 1st stage, and qualitative for the 2nd stage. It was found that there was significant relationship between ethnic background, religion, and consumers' perception towards *Halal* logo and ingredients. It was also found that there were doubts on the certification, enforcement and public understanding of *Halal.* As a result, it was agreed between respondents that the core features in selection of *Halal* foods are simply and mainly; (i) trust, and (ii) confidence. It was firmly believed that brand image, together with *Halal* logo (hence, *Halal* certification) was the key towards achieving these.

***Halal* Issues**	***Halal* Challenges**
Non-*Halal* additives	Establishing Malaysia as *Halal* hub
Genetically modified foods	Establishing comprehensive *Halal* supply chain
Livestock slaughtering	Food producers' effort to meet *Halal* standards
Fake *Halal* logo	Lack of supply for *Halal* raw materials

[13] Compounded Annual Growth

[14] Theory of Planned Behavior

Lack of *Halal* knowledge and awareness	Monitoring *Halal* logo and certification
Operational efficiency and governance	Lack of regulatory manpower
Authenticity of *Halal* food ingredients	Non-existence of a finite global *Halal* standards

Table 5: Summary of *Halal* Issues and Challenges (Abdul Majid et al., 2015)

Domestically, although the potential is tempting, the execution is rather inadequate. The huge universal *Halal* market demand does not met by ample supply forces. In Malaysia alone, there are 7,377 companies, 30,796 products, 3,015 premises, and 113 abattoirs, all certified with *Halal* and still unable to meet the demand equilibrium (HDC, 2013). Frankly, Malaysia is the pioneer, and the only country in the world that possess the most comprehensive *Halal* ecosystem. According to the Ministry of International Trade and Industry Malaysia (MITI), *Halal* ecosystems in other countries are barely started, limited, or incomplete. The difficulties of harmonization of *Halal* standards worldwide had resulted in loss in billions of RM in potential international business trades. *Halal* certification bodies, the discretion of whether or not to accept products certified by these bodies was set to the consumers and the consuming countries. Some of the certifications were often rejected because these organizations were not recognized by the consumers or the consuming countries (Abd Latif, Mohamed, Sharifuddin, Abdullah, & Ismail, 2014). Although some countries claimed that their current *Halal* certification body is adequate, the exponential growth of demand for *Halal* products will outpace the existing supply in a few short years. Table 6 summarizes the status of *Halal* development in several countries:

Subject / Nation	Certification	Industrial Development	*Halal* Exports	Government Support	Ecosystem
Singapore	*Majlis Agama Islam Singapura* (MUIS)	SPRING – enterprise development	No information	No specific support	Limited
Thailand	Central *Islamic* Committee of Thailand (CICOT)	Chulalongkorn University (R&D), CICOT (standards development)	RM23 billion exports to *Muslim* countries	*Halal* Development & Promotional Committee under Deputy Prime Minister, USD337 million budget for 5 years period (2016-2020)	Incomplete
UAE	Emirates Authority for Standardization and Metrology (ESMA)	DIEDC (*Halal* economy promotion)	No information	"Centre of *Islamic* and *Halal* Economy"	Limited
Turkey	Turkish Standards Institution (TSE), Association for the Inspection and Certification of Food and Supplies	GIMDES (promotion)	No information	"Gateway to Mina"	Barely started
Japan	Japan *Halal* Association (JHA), Japan *Muslim* Association (JMA)	No information	No information	*Halal* development to support Olympic Games 2020	Very limited
Australia	8 *Halal* certification bodies approved by JAKIM	No information	No information	Focuses on the production of high quality beef	Limited
Malaysia	*Jabatan Kemajuan Islam Malaysia* (JAKIM)	HDC (industrial development)	RM42 billion exports of *Halal* products	"Malaysia as World *Halal* Hub"	Almost complete

Table 6: *Halal* Development Statuses in 7 *Halal* Producing Nations (Bidin, 2016)

Though Table 6 looks promising for Malaysia, there were tribulations such as the non-existence of standard global *Halal* certification (Fischer, 2012), the usage of country-specific *Halal* standards, self-certification by irresponsible organizations and individuals, violations of *Halal* principles, internal organizational conflicts, ineffective regulatory, and non-supportive government, has demoralize the integrity of the certification. In other case, the variations of *Islamic* practices and school of thoughts between nations had currently impeded the universal standardization of *Halal* accreditation and certification. For instance, while there have been efforts to create organizations such as *Muslim* Consumer Group to certify food products as *Halal*, up to date, there is not one global *Halal* standards which *Muslim* consumers could hold on to (Abdul, Ismail, Hashim, & Johari, 2008). On the positive note, the establishment of World *Halal* Council, which is comprised of *Halal* Certification Bodies worldwide, had catalyze some harmonization efforts. Still, until today, most *Halal* endorsement for food products in many countries worldwide were bestowed by third party organization, which is usually an *Islamic* body.

In 2014, a total of 2,205,333 *Halal* certification applications for products were recorded across the country by all firms (MNCs and SMEs). A rate of 60.5% of those applications succeeded and certified, which were products of MNCs. SMEs registered a much lower rate of product certification (24.1%) while small industries achieved an even lower success, at 15.4% from total applications. The statistics for *Halal* accredited premises were also not on the side of the SMEs. HDC (2014) stated that out of 142,290 premises applications for *Halal* accreditation, only 6.0% of them were of SMEs, and 4.1% of small industry. This is farfetched when compared to whopping 89.9% certified MNCs' premises in the same year. In a nutshell, SMEs and small industry were still unable to raise a respectable number of certified and accredited applications for both products and premises. These numbers provides confirmatory evidence that Malaysian SMEs were having difficulties in getting *Halal* accreditations, as compared to the well-resourced MNCs.

For the record, Malaysia is the only country in the world where certification is done, controlled, authorizes and regulated by the government and its official agencies (Bidin, 2016). As can be seen previously in Table 6, the responsibility of *Halal* certifications and regulations in countries other than Malaysia is carried by third party *Islamic* body, literally because *Islam* is not the main religion. However, in the case of Indonesia, even though *Islam* is the main religion, the business of *Halal* certification is bounded by their constitution. This has fostered debate on the issue, since other *Islamic* countries especially the ones in Middle East, many of which *Islam* is the main religion, did not established a good *Halal* standards to be followed and modeled by other *Islamic* nations. This responsibility was laid even more on their shoulder because those lands were the birthplace of *Islam*, where prophets lived and flourished *Islam* with their teachings and legacies, as well as the locations of *Islam*'s holy ground, Mecca. Resting on the fact that all *Muslim*s need *Halal* foods regardless of where they're dwell in the world, therefore a universal and integrated *Halal* standard should've been established. This is both a problem and an opportunity, especially to Malaysia whom aspire to be the *Halal* hub.

Under the 2006's Third Industrial Master Plan, Malaysia's aspiration is to become a modern *Islamic* country, which is the global hub for the production and trade of *Halal* products and services. Among other *Islamic* countries, Malaysia has unique advantages and great competency in developing and promoting *Halal* products and services on major factors, such as; (i) consistent economic growth, (ii) respectable global competitiveness, (iii) political stability, (iv) progressive standard of living, (v) business friendly, free market, (vi) government full support, (vii) strategically located within Asia Pacific, (viii) good infrastructure and facilities. Even so, with growing markets, comes great responsibility for *Halal* foods producers. Additionally, despite the increasing number of *Halal* business opportunities, knowledge about whether SMFEs realized the huge prospects of such phenomenon is scant (Soltanian, Zailani, Iranmanesh, & Aziz, 2016). Based on this notion, *Halal* foods producers, the regulatory agencies and the policy makers must constantly integrate and improve their actions and documentations, for the benefits of the industry.

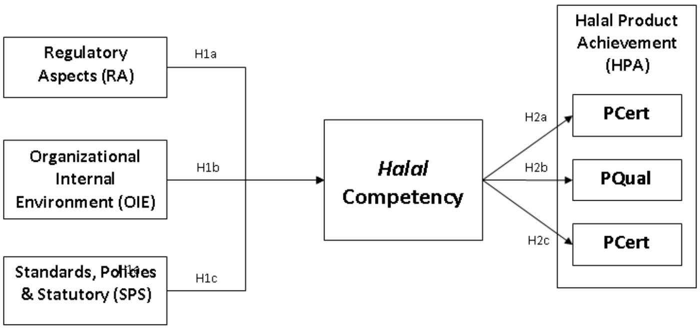
Unfortunately, there are always loopholes in any system. With the absence of globally certified scheme for *Halal* produce, country-specific *Halal* standards would be used to regulate production, which could be bias on so many levels. On top of that, there are domestic issues such as bureaucracies, inefficient procedures, lack of manpower, miscommunication, knowledge and language barriers, and several others. This adds to the perplexity already exists and truly represents a challenge for the expanding *Halal* market. As shown by above discussions, Malaysia as a nation has a good competency in becoming *Halal* hub. Great supports from other *Islamic* nation and from the Malaysian government itself further strengthen Malaysia's intention. Still, in attempts to boost Malaysia's *Halal* profile, the SMFEs must not be forgotten. By acquiring *Halal* certifications for their products, the SMFEs can attain and maintain a crucial core competency, forthwith contributing towards the nation's aspiration.

2.4 Research Framework and Hypotheses

By integrating both Institutional Isomorphism Theory and Core Competency Theory, the reflective-formative research framework was conceived, as pictured by Figure 3. In a nutshell, institutional pressures motivated SMFEs to achieve *Halal* Competency, and *Halal* Competency became the core competency or competitive advantage for SMFEs towards *Halal* Product Achievement (HPA). The variables of *Halal* competency and HPA were derived from both preliminary interview and literature review, and the framework will further be supported by quantitative analysis. The definitions of the terms used within the concepts of the framework are:

(i) Organizational Internal Environment (OIE) – the elements within the organization's environment influencing *Halal* Competency.
(ii) Regulatory Aspects (RA) – the elements within regulatory forces, law provisions and the integration of agencies influencing *Halal* Competency.
(iii) Standards, Policies and Statutory (SPS) – the elements of predetermined *Halal* standards, government policies, and statutory influencing *Halal* Competency.
(iv) *Halal* Competency – refers to the ability of a certain SMFE's product to achieve *Halal* certification.
(v) *Halal* Product Achievement (HPA) – refers to the perks and advantages gained by a particular SMFE's product after being certified with *Halal,* defined in the framework by PCert, PQual and PCon.

(vi) Product Certification (PCrt) – the *Halal* certification acquired by the product.
(vii) Product Quality (PQual) – the assurance of quality by adherence to the determined *Halal* standards.
(viii) Product Consistency (PCon) – the assurance of control, reliability, and stability of the product's conformation to the *Halal* standards, as well as the output.



lization

Referring to the research framework, the formed hypotheses are:

H1: The Antecedents have positive effects on *Halal* Competency.
H1a: Regulatory Aspects (RA) has a positive effect on Halal Competency.
H1b: Organizational Internal Environment (OIE) has a positive effect on Halal Competency.
H1c: Standards, Policies and Statutory (SPS) has a positive effect on Halal Competency.
H2: *Halal* Competency have positive effects on *Halal* Product Achievement (HPA).
H2a: Halal Competency has a positive effect on Product Certification (PCrt).
H2b: Halal Competency has a positive effect on Product Quality (PQual).
H2c: Halal Competency has a positive effect on Product Consistency (PCon).

3. METHODOLOGY

In accordance with Sekaran and Bougie (2016), an exploratory study is undertaken when not much is known about the situation at hand, or no information is available on how similar problems or research issue have been solved in the past. Parallel to this statement, this research's purpose is deemed to be exploratory. To support this:
(i) There were not many literatures on the exact topic, which correlates SMFEs competency and *Halal* accreditations and certifications, as well as exploring the impact on *Halal* product performance.
(ii) Therefore, extensive preliminary work needs to be done to gain familiarity to the phenomenon. In this case, extensive interview need to be conducted with purposively selected key individuals from the *Halal* food industry. Feedbacks from these individuals are vital to understand what is really occurring in the industry, since no unerringly similar research has been done before.
(iii) Some of the facts are known through literature reviews, but more information is needed for developing a viable conceptual framework. In this case, more information from key personnel in the industry is needed to form the constructs, which will be combined to form the research framework.

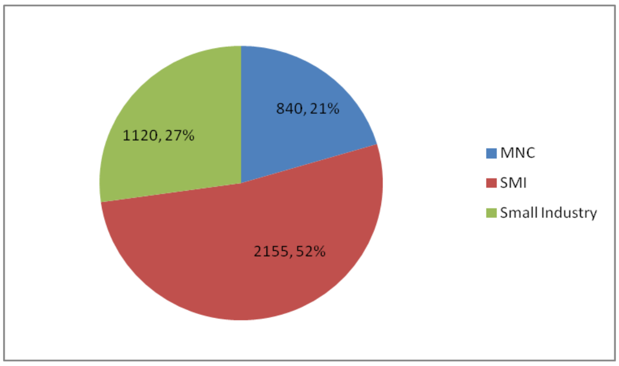


Figure 4: *Halal* Certifed Products by Category of Industry (HDC, 2016b)

The research will employ the sequential exploratory mix-method design. Data collection will commence in two stages; qualitative followed by quantitative. Since the unit of analysis for quantitative stage is the managers/owners of the SMFEs, therefore the population must be the SMFEs which successfully attained *Halal* certification for their products. Figure 4 above display *Halal* certified products by category of industry (HDC, 2016b), last updated by February 2016. From this figure, it can be seen that total number of successful applications are covering all three categories of industries. As this research only engage small and medium industries, therefore only product applications from SMI and Small Industry will be taken into count. This would very well be the number of populations, and the sampling frame for this research would be the SMFEs whom successfully attained *Halal* certification for their products. Adapting probability sampling into the design, the next step would be determining sample size. Referring to Krejcie and Morgan (1970), the sample size will be directly deduced based on the number of population.

4. CONCLUSION

To recapitulate, this research focuses on the quandary faced by Malaysian's SMFEs, where in effort to be significant contributors to the *Halal* export markets, they have to get their products *Halal* certified from JAKIM or equivalent certification as recognized by JAKIM. However, previous data shown that the success rates of *Halal* certification for these products were still behind national desired target. Therefore, this research proposes to investigate the influential factors determining the *Halal* competency of the SMFEs' products. Finally, a model could be proposed to be implemented towards improving the *Halal* certification of SMFEs' products specifically, and towards the betterment of Malaysian's *Halal* industry in general.

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