

The Effect of Institutional Pressures in the Malaysian Halal Food Industry

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Abstract: It is argued that regulatory, social and cultural pressures that have been imposed on organizations play significant roles in determining the internal practices and structures. These mechanisms created and spread common set of values, norms as well as rules, which produced similar practices and structures across organizations that shared similar field. The elements of institutional isomorphism within the halal food industry started to emerge, when the Malaysian government decided to regulate the industry. This need to be done in order to ensure the quality of halal food products is maintained. Due to the increment in the adoption of halal logo, authorities should have a clear understanding of the underlying reasons behind such interest. Therefore, the objectives of this small-scale study are to provide greater understanding of the current situation related to the effect of institutional pressures on the inter-organizational imitation within the halal food industry. Findings showed that respondents perceived their companies to face high mimetic ($m = 3.783$) as well as normative pressures ($m = 3.733$). This implied that respondents seemed to believe that institutional pressures do exist within the Malaysian halal food industry.

Key words: Norms, organization, industry, mimetic, Malaysia

INTRODUCTION

According to Scott (1992), regulatory, social as well as cultural pressures that have been imposed on organizations play significant roles in determining the internal practices and structures. This notion lends a strong support for the ideas promoted by DiMaggio and Powell (1983). They argued that organizational decisions were strongly influenced by three institutional mechanisms, the coercive, mimetic and normative isomorphism. These mechanisms created and spread common set of values, norms as well as rules, which produced similar practices and structures across organizations that shared similar field. Jennings and Zandbergen (1995) found that coercive isomorphism such as regulations and also regulatory enforcement have been proven to be the main reasons for adoption of environmental management practices. Their study showed that companies throughout each different industry have implemented similar practices. Thus, evidence of homogeneity in operations of the companies within similar industry was seen and documented, especially when most of them were seeking for legitimacy of operations.

In general, studies in the past have managed to show that organizations within a particular industry are likely to engage in operational and structural isomorphism and that various modes of imitation do occur (Davis and Greve, 1997; Galaskiewicz and Wasserman, 1989; Guillén, 2002; Haunschild, 1993; Haunschild and Miner, 1997;

Haveman, 1993; Martin *et al.*, 1998). In fact, these studies found that organizations tend to imitate the actions most widely adopted by others, the actions of firms with similar characteristics or those of high performances. Thus, the tendency to get involve with industrial isomorphism is likely to increase with higher levels of social pressures and mounted operational uncertainty. According to Haunschild and Miner (1997), their study observed that all three categories of imitation are likely to occur independently and that uncertainty enhances such occurrence. Similarly, Henisz and Delios (2001) found that Japanese firms operating in higher firm-specific uncertainty are more likely to imitate the plant location decisions of other Japanese firms within that industry.

The elements of institutional isomorphism within the halal food industry started to emerge when the Malaysian government decided to regulate the halal food industry. Prior to 1970s, the food industry in Malaysia did not have any specific guidelines in producing halal food ([Http://www.halaljakim.gov.my](http://www.halaljakim.gov.my)). Therefore, manufacturers produced halal food based on their own understanding of halal food production. Furthermore, each food manufacturers highlighted their own claims that the products produced by their companies were halal and thus, indicated that syari'ah requirements were fully met. However, it was not clear whether these companies adopted similar rigors, when producing the halal food. Due to strong demands from consumers, the government have decided to introduce some forms of regulations to

monitor the halal food industry by introducing the Trade Description Act 1972 and also Trademark act 1975. In 1982, the Malaysian Government established a committee on evaluation of food, drinks and goods utilized by Muslims under the Islamic Affairs Division in the Prime Minister's Department (now known as the Department of Islamic Development Malaysia, JAKIM). The main task of the committee is to check and instil Halal awareness amongst food producers, distributors and importers and the division is responsible for the issuance of halal certificates.

In 2004, the movement towards industry isomorphism or homogeneity was further strengthened, when the Malaysian Prime Minister Datuk Seri Abdullah Ahmad Badawi launched the MS (Halal Food: Production, Preparation, Handling and Storage-General Guidelines) Halal food standard. MS was developed under the Malaysian Standard Development System by the Department of Standards Malaysia of the Ministry of Science, Technology and Innovation with the involvement and co-operation of JAKIM, relevant government agencies, non-governmental organizations, universities and industries. MS incorporated compliance with international standards of Good Manufacturing Practices and Good Hygiene Practices and prescribes practical guidelines for the food industry on the preparation and handling of halal food (including nutrient supplements) based on quality, sanitary and safety considerations (Malaysian Standard, 2004). It also served as a basic requirement for food products and food trade or business in Malaysia to apply for the JAKIM halal logo.

JAKIM also has published a manual to be used by interested companies. The manual published by JAKIM is a guideline to co-ordinate the implementation of Halal certification activities in Malaysia. The manual provided basic principles to be adopted by every halal logo holder in Malaysia and covered areas such as application procedure, inspection, monitoring and enforcement. The manual is a complementary document to MS and any issuance of halal logo by JAKIM is subject to compliance with MS and the manual. Thus, the production of halal food among certified halal food manufacturers in Malaysia has been homogenized in order to ensure the quality of halal food products are maintained at all times. To further harmonize the industry, the Malaysian Prime Minister announced that all state governments in Malaysia are to use the standard halal logo issued by JAKIM thus, making the logo, a national halal logo of Malaysia. Due to the strong demand from consumers (Halal Food Manufacturers, 2004; Othman *et al.*, 2006) and the clear as well as easy to

Table 1: Jakim Halal logo and certificate application

Category	Multinational		Small medium industry		Total (MNC and SME)	
	Sept. 2006	Sept. 2007	Sept. 2006	Sept. 2007	Sept. 2006	Sept. 2007
Bumiputera	60	96	323	513	383	609
Non bumiputera	182	258	752	956	934	1214
Total	242	354	1075	1469	1317	1823

understand guidelines made available by the government, the number of halal logo has increased gradually each year as shown in the Table 1. Even though, there were some increments in the adoption of halal logo over the years, authorities should have a clear understanding of the underlying reasons behind such interest to be certified with the logo.

This is because, to a certain extent, it is also alarming to observe that even though JAKIM has published a comprehensive manual as guidelines on the certification requirements, the number of reported cases related to halal logo abuse still exist (JAKIM Kesan, 2004; Othman *et al.*, 2007). Therefore, there is a pressing need to understand the fundamental issue behind this situation.

Objectives: The objectives of this small-scale study are to provide greater understanding of the current situation with regards to the effect of institutional pressures on the inter-organizational imitation within the halal food industry. Details of the objectives are as follow:

- To investigate the existence of institutional pressures in halal food industry
- To identify the institutional pressures that play the most significant role in influencing homogeneity of the halal food industry

MATERIALS AND METHODS

Respondents profile: Data for this study was obtained through a survey method. The sample consisted of 24 respondents from various halal food manufacturers in Malaysia. These respondents were randomly selected from a list issued by the Federation of Malaysian Manufacturers (FMM) published in the FMM-MATRADE Industry Directory 2005/2006 (Food and Beverages, 2005). The demographic details of the respondents were provided in Table 1-3.

In relation to their academic background, male and female participants did not vary greatly. Both genders did not have any representatives for certificate holders as well as postgraduate holders. A total of 5 male respondents have degree qualification whereas 7 female respondents were having the same qualification. Few of

the participants hold degree in food science and related disciplines and majority of them have business related degree qualification.

Instrument: The researchers have developed a checklist to gauge the respondents' perceptions of the roles of institutional pressures as well as the various types of organizational imitation that might be in practice within the halal food industry.

The checklist was developed based on the perspectives of institutional theory. Due to the lack of study has been conducted in the past with regards to the roles of institutional pressures in halal food industry (Ahmad and Abdul Latif, 2003; Othman *et al.*, 2007). The researchers also could not identify any suitable instruments to be used within the Malaysian context of halal food industry.

Items in the checklist were written by the researchers in both English as well as Malay language. This was to ensure that the respondents have clear understandings of the items in the checklist. As stated earlier, the checklist was based in the perspectives of the institutional theory and thus areas such as the elements of the coercive pressures, mimetic pressures as well as normative pressures were included for proper investigation.

There were 15 items in the Perceived Institutional Pressure checklist (PIP), 5 items for the coercive pressures, 5 items for the mimetic pressures and another 5 items for the normative pressures. Responses were made on a 5 point Likert scale ranging from strongly agree (Sangat Setuju) to strongly disagree (Sangat Tidak Setuju). Experts related to the institutional theory have confirmed the checklist's validity. The data were analyzed descriptively to get the frequency, percentage and mean score and was presented in the table form. The level of perception was interpreted arbitrarily based on the mean score value as stated in Table 4.

Table 2: Te distribution of respondents based on types of business

Respondents	No. of compary
Meat	7
Seafood	3
Meat and Seafood	2

Table 3: The working experience of the respondents based on gender

Experience	Male	Female
1-3 years	4	4
3-6 years	1	5
6-9 years	5	3
>10 years	2	0

Table 4: The level of perception based on mean score

Level	Mean score
Low	1.00-2.33
Medium	2.34-3.67
High	3.68-5.00

RESULTS AND DISCUSSION

After the Perceived Institutional Pressures checklist (PIP) was scored, the data was entered into the Statistical Package of Social Sciences, version 11.5. Results of the analysis are presented and discussed based on the research objectives stated earlier. The results were synthesized according to the respondents' perspective on the types of institutional pressures that their companies might have to face. The findings showed that respondents perceived their companies to face high mimetic as well as normative pressures to certify themselves with halal logo. As the Table 5 showed, high mean scores were found on the mimetic pressures ($m = 3.783$) and also normative pressures ($m = 3.733$). This implied that respondents seemed to believe that institutional pressures do exist within the Malaysian halal food industry and mimetic pressures as well as normative pressures play significant roles in forcing them to be certified.

A closer look at the items on mimetic pressures showed that companies in halal food industry imitate others that have some proven track records of successful business operations ($m = 4.533$). Apart from that, it was also found that these companies also made the decision to be certified so that they would not be left behind in the race for potential customers ($m = 4.819$).

High mean score on the mimetic pressures indicated that such pressures are an important aspect in the increment of the number of companies certified themselves with JAKIM halal logo. On this aspect, ensuring that these companies understand the extent of commitment need to be put forward once certified should be clearly emphasized since the beginning. Some of these companies were at the opinion that not having certified with the standard would send negative indications to the market about themselves. Delmas and Terlaak (2002) have treated low quality of implementation commitment by companies as a manipulation to show that they conform to the regulations fully. These companies usually believed that Symbolic adoption without implementing any substantive changes associated with certification would hide their shortcomings. One of the ways to achieve this was to be certified first and solve the commitment issue later.

Therefore, the bandwagon effect could still be clearly seen within the industry. Many of the companies just imitate the actions of other already successful

Table 5: The mean score on institutional pressures

Mean score	Pressures	Level
2.816	Coercive	Moderate
3.833	Mimetic	High
3.733	Normative	High

companies that managed to penetrate the Muslim halal food market in the past. These companies might not even understand the extent of commitment that they have to provide in order to fulfill the halal logo requirements.

On the coercive pressures, the study found that regulatory pressures were not considered as one of the determining factors in halal logo certification. Results indicated that the pressures were perceived to play small roles in influencing companies within the halal food industry to be certified with the halal logo ($m = 2.816$). It was also stated that there were no strong regulatory influence that could encourage the companies to be certified, as the halal logo is a voluntary efforts by the companies. The government still allowed companies to operate in the food industry even without the logo certification. It is up to the consumers to decide whether, they want to accept the food products in the market. This is mainly because, consumers in Malaysia is made up of Muslims as well as non-Muslims. Furthermore, the JAKIM halal logo is also not going to be applicable for products manufactured outside Malaysia, even though, they would be marketed in Malaysia for consumers. Also, it should be noted that having halal logo is not mandatory even though the food products are produced by Malaysian companies and intended for Muslim consumers in Malaysia. This has put halal logo certification in Malaysia as one of many voluntary regulations currently in effect in Malaysia. Thus, the industry players never felt the sense of urgency in certifying with the halal logo.

CONCLUSION

The growing number of Muslim population that is more meticulous about the food that they consumed has generated strong economic opportunities for business communities all over the world. In accordance with the trend, the Malaysian Government has showed that it has long recognized the importance of halal and has established mechanisms to secure the confidence of Muslim consumers in certifying products, food producers, slaughterhouses and food premises.

With huge number of players applying for certification and joining the halal industry every year, continuous and diligent monitoring of the halal food status is crucial for the industry. In other words, the halal food industry should be able to guarantee the halalness of food products sold to consumers. Thus, the government should be able to recognize the various underlying reasons to be certified with the halal logo in order to have better control over the implementation of the logo requirements.

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