

## **ORGANIZATIONAL INNOVATIVENESS AMONG SMES IN MALAYSIA HALAL INDUSTRY**

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Achievement in today's dynamic business environment requires innovation as it is said to be one of the most important factors in economic competition. It is also been considered as a fundamental organizational competency to sustain in the long run as suggested by Khalifa, Yu, & Shen (2007). Meanwhile Hult, Hurley, & Knight (2004) proposed that innovativeness is a key factor for competitive advantage towards superior performance. This growing recognition has created a sense of interest among the scholars to discover methods and factors that influence innovativeness in the organization. Innovativeness is thought to be an antecedent of organizational performance (Hurley & Hult, 1998) but what drives innovativeness and key drivers is still under explored (Hult, et al., 2004). Research has revealed that market orientation (Narver & Slater, 1990), learning orientation (Calantone, et al., 2002) and entrepreneurial orientation (Lumpkin & Dess, 1996) as antecedents to innovativeness. Therefore, understanding the drivers of organizational innovativeness is necessary to enhance business performance especially among SMEs in Malaysia halal industry. Halal industry, distinctively, product innovation becomes the most challenging factor to ensure long term sustainability in Malaysia. With the competitive environment and market turbulence, halal products begin to be the preferred choice from the customers. This is due to the cleanliness, safety and quality of halal products which can be consumed by all walks of people. Nevertheless, consumers' preference is dynamic and they demand innovative products. Due to this, there is urgency for the halal industry players to innovate products to fulfil their needs. One of the challenges of Malaysia halal industry is lack of product innovation. As explained by Halal Industry Development Corporation HDC (2009) the main problem faced is 70% of new brands vanish after three years as they are incapable to contend with the brand value, innovation capability and financial strength of multinational companies. With hostile growth aims, demand and competition, there is a need for those organizations to possess innovativeness but there is no rule to answer how to organize sustainable innovativeness. Due to this, organizations are finding ways to establish innovative structures. Based on IMP 3 (2006-2020), one of the objectives is Malaysia becoming the global halal hub for the production and trade in halal goods and services. In 2005, the contribution of halal industry to Malaysia GDP was RM28 billion which accounts for 5.8% (HDC, 2009). Furthermore, its market value for halal food and non-food products is estimated at US\$2.1 trillion annually (Industry, 2006). It is imprudent if the entrepreneurs do not grab this opportunity to compete either domestically or globally.

Muslims should aware and consume only halal food products that have JAKIM' Halal Certification. Only Malaysia government give full support in producing and promoting products with Halal Certification while others are either developed by individual provinces or states or backed by their non-governmental organizations (NGOs). According to Syariah law, consume halal products is compulsory to all Muslim while, for non-Muslims, products with halal certifications are quality products due to the concept of halalan thoyyiban. Meanwhile HDC play important roles to advise all manufacturers in getting Halal certification which comply with Good

Manufacturing Practice (GMP) and Hazard Analysis Critical Control Point (HACCP) requirements. In Malaysia two departments are appointed as competent authorities to certify halal products; the two departments are Department of Islamic Development Malaysia (JAKIM) and the Islamic Religious Council (MAIN) in the respective States. This study contributes to the literature on organizational innovativeness in two respects. First, adding to the measurement of organizational innovativeness by empirically validating a multi-dimensional measure of innovative organizations. Second and most important, it is aimed to improve understanding of the antecedents of organizational innovativeness by investigating the drivers of organizational innovativeness in Malaysia Halal Industry. Besides that this research will generate knowledge that enable manufacturing company to produce halal product that meet quality standards requirement, reduce cost, time and maximize company profit. While the purpose of the research is to examine whether the drivers of organizational innovativeness possess significant relationship with performance in halal industry. This quantitative and qualitative method research intends to:

- a) Investigate the relationship of market orientation and organizational innovativeness
- b) Investigate the relationship of entrepreneurial orientation and organizational innovativeness
- c) Investigate the relationship of learning orientation and organizational innovativeness
- d) Investigate the relationship of self-leadership and organizational innovativeness
- e) Investigate the relationship of organizational innovativeness and performance
- f) Determine other drivers of organizational innovativeness

Field survey and qualitative method is used to gather primary data from a sample of SMEs in Malaysia that engage in halal industry. Key informants in the survey will be the owners or managers since they are knowledgeable about their organizations' orientations, innovativeness and business performance. The study's population of interest is small and medium-sized Malaysia organizations which are the players in Malaysia Halal Industry. The sampling frame will be taken from a directory published by JAKIM and Halal Development Corporation. Based on the sampling frame, firms which engage in food industry, pharmaceutical/ personal care and cosmetics will be selected to obtain the data. The food industry was chosen as it accounts for 67% for potential global halal market and food as the main concern of all Muslims. Comparison among the three types of industries will be done.