Institutionalization of Halal Industry in Malaysia and Thailand: A Preliminary Study

MOHD ZUFR MAMAT  
University of Malaya

NOOR ZULAIAKA MUSA  
University of Malaya

MAISARAH HASBULLAH  
University of Malaya

ABSTRACT

INSTITUTIONALIZATION process gives us an overview about how an organization in a society can be developed and improved from time to time. The level of institutionalization that was exposed to the society can be measured by some characteristics such as standard of living, behavior, and moral values, ideologies that creates evolution, homogenization and reformation. What if these are applied to the institutionalization process in the Halal industry? Do they exhibit the same process like society does? This paper will discuss about the evolution and progress of halal industry in Malaysia and Thailand. A comparative study approach had been used and the data were collected through library research and interview from selected experts. The main findings indicate that the institutionalization of the halal industry shows improvement in terms of the organization, functions, halal standard, law and regulation, laboratory and research center and community acceptance. Furthermore, it also affects the evolution and transformation in the halal industry. 

Keywords: institutionalization, halal industry, evolution, Malaysia, Thailand

INTRODUCTION

Today, the competitiveness market in the halal industry are rising progressively because of the development of the institution in bringing the halal market known throughout the world in response to the public demands. Institutionalization of the halal industry is going to be a competitive market force organization that able to understand changes in their institution environment, adapt innovations, achieve continuous improvement and apply strategic thinking with an effective knowledge to survive in this challenging market. For the halal industry to survive through the extreme global market and compete with other industries, they need to have a strong, systemized and structured process that are compatible with the operational and strategic implementation in all areas of institutions. Thus, the halal industry must undergo institutionalizations theory as a key role to success and become more robust and consistence.

Institutionalization generally refers to the “the emergence of distinctive forms, process, strategies, outlook, and competences” (Selznick, 1996). These elements are interrelated with both internal and external environment. It is a theory that usually explain institutionalization between an organization and its environment. Generally, institutionalization refers to the process of changes throughout the structuring of its proses and management within a set of target compatible with its mission, vision, principles and values. According to Zucker and Tolbert (1996) institutionalization is both a process and a property variable.

The objectives of this paper is to make a comparison of the halal institution between Malaysia and Thailand and to determine the factors that influence the institutionalization of the halal industry in Malaysia and Thailand. Our research questions are, how does the role of institution affect the halal industry and what are the factors that influence the institutionalization of the halal industry in Malaysia and Thailand.

LITERATURE REVIEW

This section emphasizes the definition and concept of halal and the institutionalization theory. The halal concept is generally about foods and drinks that must not contain unlawful ingredients and any impure substances that are forbidden by Islamic law. It should be good and bring no harm to human. The food must be prepared, processed and manufactured using instruments or ingredients that were confirmed to be pure by the Shariah law. In addition, for animals to be
categorized as halal it must be slaughtered in accordance by Shariah Law before consumed. (Abdul Raufu Ambali and Ahmad Naqiyuddin Bakar, 2014).

Halal related matters have a strong connection with the halal concept. The halal related matters not only focus on foods and drinks, but it also includes politics, social and economy. The consumables halal related matters are categories as pharmaceuticals, animal welfare, logistics, hygiene, presentation and storage, cosmetic and services. Meanwhile, the non-consumable halal matters are finance, education, laboratory analysis and friendly hospitality services and any other area of life for human being (Che Rosnawati Che Mohd Zaina et al, 2015).

There are several definitions of institutionalization in previous studies. According to Zucker (1977) institutionalization is both a process and a property variable. The process includes acts that mean more or less that taken for granted part of social reality. Institutionalized act then can be defined as objective and exterior where the act objectives are when they are potentially repeatable by other actors without changing the common understanding of the act. Meanwhile the exterior is when subjective understanding of acts is reconstructed as intersubjective understanding so that the act is seen as part of the external world. Zucker (1977) proposed a set of sequence process of institutionalization—habitualization, objectification and sedimentation. Habitualization refers to the formation of such arrangement in the policies and procedures of a given organization in order to response to a specific problem. Objectification is the movement towards a permanent next process which accompanies the diffusion of structure. At this stage, objectification involves the development of some degree of social consensus among organization decision makers. The concerns are about value of structure and the adoption of consensus. The adoption of consensus is the result from the evidences gathered by news media, first hand observation, stock prices and so on. Thus, the objectification is partially consequences of organization monitoring of competitors and efforts to enhance relative competitiveness.

The institutional theory often contributed by Selznick (1966). He classified the institutional theory traces the emergence of distinctive forms, process, strategies, outlooks and competence as they emerge from patterns of organizations interactions and adaption. Organization can adapt and develop values that suit them in accordance with the environment thus become legal and achieving stability. Mark Hanson (2001) point of view regarding Scott definition: “Institutions consist of cognitive, normative, and regulative structures and activities that provide stability and meaning to social behavior. Institutions are transported by various carriers—cultures, structures, and routines—and they operate at multiple levels of jurisdiction” are divided into three pillars. They are regulative, normative and cognitive. Regulative pillar of institution is the stabilize action of monitor and sanction activities through informal or formal activities. Normative pillar emphasizes that values and norms should pursue the value end through legitimate means. While cognitive pillar filter through which people view reality, and gives meaning to them as they interpret their world.

Mark Hanson (2001) comes out with a conceptual framework which comprises of three segments (organization memory, organizational learning and institutions learning) from previous study that lead to three progressive comprehensive changes that are homogenization, evolution and reform. According to Ozer Uygen et al (2015), the characteristics of institutionalization theory is the interaction between the organization and their environment.

In this study, our subject matter is to see the concept of institutionalization in the halal industry in Malaysia and Thailand. Institutionalization has broad dimension in various field such as education and society. To narrow down the concept of institutionalization in halal industry, we have taken the model of the previous studies. When this theory is applied to halal industry we can see that roughly the changes and evolution do follow the institution theory. There are characteristics to be concerned in the evolution of the halal industry. In short, the institutionalization in halal industry undergoes a few phases as proposed by Mark Hanson (2001) especially in environmental change.

Firstly, institution or organization of halal industry begins or develop after they face problems from the environment especially with the Islamic community. This includes the interaction between the society and organization, proliferation of knowledge and strategic management. Second, the institutionalization of halal industry develops after the organization successfully learn these changes and they manage to stand with it. Knowledge management is the main criteria because it will control the technology process and performance of the institution. We call this stage as evolution phase because there are a lot of changes and improvement to be done (Ozer et al, 2015). Third, the institution will take action and start new standards or policies as a result of the interaction between the environment and circumstances.

FINDINGS

This section emphasizes on how institutionalization affects the halal industry in Malaysia and Thailand in respond to research question one. To explain the effects, we will first describe the Evolution of the Halal Industry and the Institutionalization of the Halal Industry. The evolution of the halal industry in Malaysia and Thailand shows that

17-18 August 2017 | Sejong University, South Korea
institutionalization take place based on several factors such as the role of the institution, policy, research and development and public participation.

**EVOLUTION OF THE HALAL INDUSTRY**

The evolution of the halal industry in Malaysia started in 1968 when an organization called National Council for Islamic Religious Affairs Malaysia (MK1) was formed with the permission of the King Councils. MK1 started give certifications of halal status to food products and other services that are related to Islamic law in 1974. After a few years, MK1 was upgraded and added to the religion department in the Prime Ministers Department and given a new name that is Bahagian Hal Ehwal Islam (BAHEIS) (Jakim Sabah, 2016).

BAHEIS is a new transformation in accordance with the development and Islamic community demands that change throughout the years. Later BAHEIS became the Department of Islamic Development Malaysia (JAKIM) after the Cabinet meeting agreed that BAHEIS should restructure. On the 1st January 1997, JAKIM was officially formed. They started giving halal certificates with logo. This new changes help people to easily detect halal food in the market. From 30th September 1998 onwards, halal inspection was given to one private company Ilham Daya which was appointed by the Government.

On the 1st September 2002, the Malaysian government decided to give the halal certification and logo to the Division of food studies and Islamic Consumer Goods, JAKIM which at that time had 28 positions. Later, with further additions and the development of the halal industry, the number of positions rose to 165 with various schemes and grades. Not only that, the name of the division was changed to the Halal Hub Division on 17th November 2005.

Moving forward, the Malaysian government formed the Malaysia Halal Council (MHH) so that every agency that are related to halal matters can carry out their role accordingly. JAKIM focuses on the halal certificates and Islamic law while HDC is tasked in transforming Malaysia to be the global halal hub. MHH consists of great leaders with various background such as religious leaders, academics, corporate leaders and non-governmental organizations. These leaders are to generate ideas and proposals to the government based on Islamic law in order to boost the halal industry. There are seven clusters that discuss and brainstorm on many issues regarding the halal industry in the future (JAKIM, 2017).

Meanwhile in Thailand, it is an open society and a country which maintains stability and unity despite differences in beliefs and religion. Buddhist is the official religion in Thailand and Muslims are the minorities in the country. However, the Thailand government supports all religions and freedom of worship is allowed. There are about 4000 mosques throughout the country and 180 in Bangkok. 600 Muslim schools offer secular as well as religious instructions. Thus, Muslim enjoy full support and there is no objection for them to teach, learn and practice Islamic teachings.

In Thailand, the evolution of the halal industry can be divided into four phases namely Halal 1.0, Halal 2.0 Halal 3.0, and Halal 4.0. Halal 1.0 began before 1949 when a Thai company decided to export chicken to Kuwait but the client asked for halal food. The company approached the Advisor to HM King on Islamic Affairs who led them through the entire process and this task continued for many years to come. At that time the Central Islamic Council of Thailand (CICOT) was founded under HM' advisor and was conducted by Sheikhul Islam. The halal status of products and services at that time was judged by Islamic scholar without halal authentication process and certification paper as quoted by Pakorn Priyakorn (2017) in the interview session.

Not until 1997 halal certificate papers were published and got approval from Sheikhul Islam. This period was known as Halal 2.0. Meanwhile, Halal 3.0 started in 1997 to 2016 under the Ministry of Industry which adopted the Codex Halal Standards as Thailand’s halal standards. An institute that control this standard was also established under the name, The Halal Standards Institute of Thailand (HSIT).

**INSTITUTIONALIZATION OF HALAL INDUSTRY**

Institutionalization does occur in the halal industry. As we studied the previous journals, halal industry does exhibit similar characteristic in institutionalization theory as explained earlier in the previous section. In this paper we will look at a few characteristics on several factors that influence the development of the halal industry in both countries. These factors show how these institutions develop and improve from time to time in order to expand the halal industry towards global market.

---

1 Interview session with Director of Halal Standard Institute of Thailand, Assc. Prof. Dr. Pakorn Priyakorn on 16 Mei 2017.

17-18 August 2017 | Sejong University, South Korea

142
ROLES OF INSTITUTION

Institution has a very big influence in the institutionalization of the halal industry. These institutions are established because of the interaction with environment that forced them to change and solve the problems they faced. As a result, institutions were developed and started to play their roles according to the functions what they are built for.

The role of institutions in halal industry are to maintain and to ensure that halal industry in each country is competitive and keep moving forward. It is not easy to develop the concept of halal by the way halal industry look today, because it requires a lot of planning, strategies, key factor that driven halal industry go beyond and sustainable. With the aim to become the global halal hub, Malaysia and Thailand established one institution that is focused on bringing the halal industry into international level. Some of the roles and responsibilities of HDC are to lead the development of Halal standards, audit and certification procedures in order to protect the integrity of halal, to direct and coordinate the development of Malaysia's Halal industry amongst all stake holders in both public and private sectors, to manage capacity building for Halal producers and related service providers, to support investment into Malaysia's Halal industry, to facilitate the growth and participation of Malaysian companies in the global Halal market, to develop, promote and market the Malaysian Halal brands and to promote the concept of Halal and related goods and services (HDC, 2017).

In the halal industry, the most important element is to ensure the sustainability of the halal standard. Halal standard must be known around the world and accepted by the shariah law and corresponded to the international standard. By aiming this The Halal Standard Institute of Thailand (HSIT) was formed by the Thailand government on 11 August 2003. This an exclusive statutory religious organization governed by CICOT that helps ensure the development of the halal standard follows Islamic law in order to gain customer trust and get accepted by the local and international community. Therefore, the halal food industry in Thailand will be expanded and promoted not only to the Muslim customers, but also to the-non-Muslim as well (HSIT, 2017).

The roles of HSIT towards halal evolution are to educate, research, and develop halal standard in accordance corresponding to Islamic law, analyzed problems, challengers, resolution of halal standard to be accepted and trusted by suppliers, consumers, and other organizations in the local and global government sectors as well as local private sectors, develop knowledgeable workforce with halal standard to support production and export of halal food, a follow-up, checking the quality of halal products as a benchmark with the international standards, increase the range of knowledge and understanding of the Halal Standard and Halal certification for accountability and acceptance of the person concerned, to conduct public relations activities regarding certification and permits for Halal Logo, to promote and develop the capability of Halal Consultant, Halal Special Consultant, Halal Auditor, Monitoring Halal Officer and Halal Slaughtering Supervisor, to promote marketing to build credibility in the standard of Halal products, to prepare reports for the Halal Executive Committee performance at mid-year, to perform other job-related given by the Halal Executive Committee (Wawarah Saidpudin et al, 2015).

Furthermore, the institution in the halal industry does play a role to approve halal certificates and halal logos. JAKIM is the responsible body to manage certificate and halal logos in Malaysia. In Thailand, CICOT is responsible to decide and to announce the uses of halal standard so that the products meet the requirements of Islamic law and global standard which do not contradict with the syariah law. CICOT is the only institution that was given authority to approve halal logo and certificate, manage the other units that are related to halal issues and do inspection for halal product standard (Ghazali, M.A & Danial Sawari,S.S, 2014).

POLICY

There are several guidelines or standard organization worldwide to make halal production more unambiguous and to assure the production of halal food. Several standardization and certification organization have been established around the world resulting into diverse certificates and labels. In many countries, the authorized Muslim certification has been set up with the aim to monitor and inspect the abattoirs, manufactures and distribution outlets in their handling of the animal and halal products. Halal standard is a standard that essential characteristic that produce to make a better understanding where it contains technical or principles clearly stated as a guideline or rules that must be comply (Ghazali, M. A.-I., & Md. Sawari, S. S. 2014).

The halal standard in Malaysia certified by JAKIM has developed a traceability system that included guidelines for the preparation and handling of halal food industry including nutrient supplements and serves as a basic requirement for food products and food trade in Malaysia. Thailand developed the Global Halal Management System (GHMS) which describe products, process and system in a detailed framework to meet current demand of the halal industry. GHMS was formed to 17-18 August 2017 | Sejong University, South Korea
cover five major elements: Halal Fundamental Requirement, Quality Management System, Food Safety Assurance Plans, Corporate Social Responsibility and Environmental Management and Sustainability. This system is made based on Thailand standard halal THS24000:2552 that was developed by CICOT. The Thailand government also implemented the traceability systems. The system is a combination of the halal standards and food safety systems that link the halal information in the whole supply (M. Van der Spiegel et al, 2012).

Indirectly HSC help employers implement Halal Standards applicable in their factories. This is the biggest challenge that must be faced and it is implemented in tandem with HAL-Q system. HAL-Q is also supported with ICT programs for users to check the status of halal on a product only through mobile phones, using the associated application. In addition, e-commerce also helps halal industry because most of the entrepreneurs do not have a strategy and expertise in marketing halal products that have been produced (Marliana Abdullah et al, 2015).

RESEARCH AND DEVELOPMENT

Halal industry has a wide range of products in the marketplace so research and development (R&D) play an important factor that could impact significantly on the future of the halal market trends. To enhance product, research process and development will help to expand the halal industry into the global market. Research and development is needed by the halal institution to trace any haram substances possibly adulterated in foods products.

In Malaysia, there are institutions that performed laboratory analysis in their halal science center. For example, Halal Product Research Institute (HPRI) at University Putra Malaysia. Meanwhile in Thailand, the halal laboratory was initiated at Chulalongkorn University in 1994 and uplifted to be the Halal Science Centre in 2004. According to Winai Dahan (2017) HSC doing laboratory experiment that involved biochemical methodology development forensic laboratory analyses. In addition, HSC activities are doing research and development for innovative product like halal cleansing products and alternatives for replacing haram raw materials. Halal forensic science laboratory screening for halal authentication of raw materials or products like alcohol, fatty acids, porcine gelatin, animal DNA and hormones.

PUBLIC PARTICIPATION

The acceptance of Muslim and non-Muslim towards halal products is well accepted in Malaysia as well as in Thailand. Even though the Muslim population in Thailand is the minority, the community has no obligation or skeptical view towards Islam. The demand for the halal food is because of the increase number of the Muslims population worldwide and the Muslims nowadays are more affluent and better educated than their parents and preceding generations. The lifestyle of society today shapes the halal market making it bigger because they accept that the halal food product is healthy, good and safe to consume. (E, Izberk-Bilgin & C. C Nakata, 2016)

The situation is slightly different in Malaysia compared to Thailand. Malaysia is a Muslim country while Thailand is not. Malaysia has the advantages and priorities to market the halal products. In the halal industry in Malaysia, almost all the food in the market are labelled as halal. The Muslim consumer do not hesitate to choose whatever product they want because they trust JAKIM and the Malaysian government. Furthermore, in a shopping complex, there are signs if the food is not halal like alcohol and pork and these haram food are separated from halal food. But in Thailand almost all the products in the shopping complex is doubted halal and there are not so many stalls or shopping complexes that sell halal products. So, Muslim consumer in Thailand must be more careful in selecting what they eat. In Malaysia, Muslim consumer can choose what they want to eat because halal product is easier to get.

DISCUSSION

There are three main factors that influence the institutionalization of the halal industry in Malaysia and Thailand; government support, economy, and society. The government has a lot of contribution in the institutionalization of the halal industry in Malaysia. The institutionalization that occurs in Malaysia and Thailand are presented by comparing each other institutionalization process throughout the halal industry started to develop.

---

14 Interview session with Assc. Prof Dr Winai Dahan Founding Director of Halal Science Center, Chulalongkorn University on 16 Mei 2017.
17-18 August 2017 | Sejong University, South Korea

144
COMPARISON INSTITUTIONALIZATION OF HALAL INDUSTRY IN MALAYSIA AND THAILAND

Mostly halal industry is driven by government and with the help of other agencies. A holistic approach towards the development of halal industry and creating a halal ecosystem is undertaken by the government. Malaysia aims to be positioned as a global halal hub by 2020 thus, there are 11 strategic thrusts that had been aligned: Enhancing the awareness on Malaysia as the center for halal products and services; Managing the increasing competition from countries in the region; Leveraging upon outward investments to gain access to raw materials and enhance competitiveness; Enhancing R&D in product and process developments and leveraging upon latest technological developments to expand the product range; Developing halal-compliant services; Utilizing and leveraging upon the Malaysian Halal Standard to differentiate Malaysia’s halal products; Ensuring product quality and food safety; Undertaking systemic development of halal parks; Harmonizing the halal certification process; Enhancing the coordination among agencies involved in the development and promotion of the industry; Strengthening the institutional capacity of organizations involved in the development and promotion of halal products and services (Global Islamic Finance Report, 2013).

Other federal agencies that take part in promoting the halal industry are the Ministry of Domestic Trade, Cooperatives & Consumerism (MTDCC) that provides enforcement and monitoring program to protect halal integrity and consumer's interest. Ministry of Trade and Industry (MITI) helps to formulate strategies and provide incentives to encourage trade and investment in halal products and services. Malaysian Industrial Development Authority (MIDA) is responsible in promoting investments in the manufacturing and services sectors as well as coordinating the industrial development in Malaysia. Other than that, Malaysia Productivity Corporation also identifies potentials in the halal industry as well as provides training and consultancy. Standards Malaysia develops Malaysia Halal Standards and plays an active role in helping industry leaders in development and promotion of Malaysia's Halal Standards and SME Corporation Malaysia that provides matching grants to SMEs for halal product development and product formulation, sample testing, acquisition of machinery and equipment, renovation expenditure for compliance to certification requirements and other costs related to the compliance on halal certification and promotional activities (Che Rosmawati et al, 2015).

Thailand has developed several key strategies particularly in meeting world standards, promoting competitiveness of entrepreneurs, increasing capability in halal certificate and formulating standards and upgrading research and development. The Thailand government has also established a halal food industrial estate located in Thailand’s Southern Province of Pattani. Thailand establishment of HSIT and HSC showed the government commitment to recognize halal center as center of excellence in science and testing with the aim to empower Thailand’s competitiveness as a halal food hub. Thailand also introduced the slogan “Thailand Kitchen of World” to promote the halal industry. With the collaboration between HSIT and CICOT, Thailand managed to organize Thailand Halal Assembly 2015 at Bangkok, Thailand. With the theme “Thailand Diamond Halal” there were seminars, halal trade and business, halal Expo and halal standard convention and halal market. It can be said that both Malaysia and Thailand have greatly benefited from the full government support on the halal industry even though Thailand is not Muslim country.

In the economic sector, according to Wini Dahlan (2017) Thailand is one of the biggest food exporting countries and is also one of the ten biggest countries exporting halal products to the world. The growth of the halal industry shows that halal concept is readily appreciated and recognized in the global market. These developments produce new market and commercial paradigm that incorporate other sectors such as tourism and travel strengthening the growth of the market. By promoting those initiatives on halal industry Malaysia and Thailand had significant economic impacts that triggered the halal industry. Aggressive economic progress by Thailand successfully propel halal Thailand forward.

The greater awareness of society about halal food becomes one of the factors that influences the institutionalization of halal. Society is aware of the needs of healthy food and the necessity to consume halal food. Moreover, there is a wave of religious fervor amongst the rising social class of young, highly educated, savvy and affluent Muslims that make Islam contemporary with the global lifestyle. It has inspired the society as a generation of Muslims who integrated the modern western-style products and aspired integration to global economy as consumers, employees, travelers, investor, retailer and traders.

With this awareness, Thailand’s Muslim society has successfully managed to bring/develop an institution that is responsible in ensuring that the Muslim population can get halal food. Because of their minority, the Thailand government decided to establish an institution that is trusted by the Muslim society. This institution is CICOT lead by the Islamic Scholar known as Sheikhul Islam. In Malaysia, the approach of expanding the halal industry is because of the efforts of the Malaysian government. We concluded that the approach of institutionalization process is different. In Malaysia, the approach used was top-bottom while in Thailand is bottom-up. The bottom-up represents society that gives full support in 17-18 August 2017 | Sejong University, South Korea
strengthening the halal movement in their country because they are not Muslim country. In Malaysia, the top-bottom approach was used because it is the government who established many institutions and created many events for their Islamic community. Malaysia government also has a good policy and standard that were followed and well known to the world.

CONCLUSION

In this paper, an attempt was made to investigate the institutionalization of halal industry in Malaysia and Thailand from the experts’ view. Furthermore, the research tried to highlight the factors that influenced the institutionalization of the halal industry. In answering the two research questions, this research conducted an interview with selected experts and library research. The key findings lead to answering the first research question which is the role of institution which affects the halal industry. These are discussed and presented under the topic of evolution of the halal industry in Malaysia and Thailand. To understand the role of the institution better, the progress of the institutions were both compared. It showed that the level of institution in halal industry exhibits similar characteristics like society but in different aspects and terms. For example, in roles, policy, research and development and public participant. Then, discussion regarding the factors that influenced institutionalization indicates that economy, government support and society gives a big contribution to the development of halal industry. Both country shows different movement which the most important factor for Thailand is society while in Malaysia the government support. Meanwhile in the economic sector Thailand tops Malaysia thus boosting Thailand’s economic sector in the halal industry. The halal institution in Malaysia is more focused on policy and standard than economy. Finally, there are a lot of improvements in the halal industry since institutionalization occurs both in Malaysia and Thailand.

REFERENCES


**Interview:**

Interview with Associate Professor Dr Winai Dahlan, Founder Director of Halal Science Center Chalongkorn University, 16 Mei 2017.

Interview with Associate Professor Dr Pakorn Priyakorn Director of The Halal Standards Institute, 16 Mei 2017.

Interview with Dr Somchai Deejaroen, The Assistant Secretary of Halal Affairs, The Central Islamic Council of Thailand (CICOT), 17 Mei 2017.