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## THE ROLE OF RELIGIOUS ORIENTATION IN THE BUSINESS PERFORMANCE OF WOMEN OWNED FIRMS: A PRELIMINARY STUDY IN MALAYSIA HALAL FOOD INDUSTRY

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### Abstract

*This paper examines the relationship between religious orientation and firm performance for women and men-owned small medium firms in the Malaysia halal food industry. In this preliminary study, results indicate that religious orientation variable had a positive impact on the business performance of men and women-owned firms. The relationship was investigated using Pearson product-moment correlation coefficient. There was a weak, positive correlation between the two variables. An independent samples t-test was conducted to compare the religious orientation scores for males and females. There was a significant difference in scores for males and females. These findings suggest that the growth aspirations for women-owned firms may be driven by factor other than religious orientation as compared to men-owned firms.*

Keywords: *religious orientation, halal food, women entrepreneurs*

### 1. INTRODUCTION

The Halal Industry has been one of the lucrative and profitable areas of business. It is regarded as one of the engines of growth for Malaysia's economy as visualized under the third Industrial Master Plan to promote the country as a global halal hub. It is anticipated that halal industry to add 5.8% to the country's gross domestic product by 2020 from less than 2% in 2011 (Seong, 2011).

In 2009, the Malaysia halal food market is worth RM 41.5 billion or contributed 6.3% of its nominal gross domestic products (Media, 2011). Malaysia Halal Food Industry is no longer simply an industry that conforms to religious obligations, yet it is becoming one of the significant contributors to economic performance (Corporation, n.d). Recent data stated that the market size of the halal industry is estimated to be RM15 billion and ninety percent is contributed by the food industry that is worth RM13.5 billion (Halalfocus, 2011).

The increasing awareness to select halal products has created a great demand for halal products and services (Industry, 2006). Malaysia is in a unique spot to become a global halal hub

due to its outstanding infrastructure, favourable business atmosphere and well established policies and institutions that support initiatives engaged by the Malaysian Government.

While Malaysia is having power over one percent of the global market for halal food which is approximately RM2 billion (Online, 2011), Malaysia food entrepreneurs possess a huge prospect to fill in some of the import gap as Malaysia is a net food importer of food products with annual import of more than RM28 billion (Food Industry Division, 2009) while in 2010 total imported food is worth RM30.3 billion.

### *1.2 Women Entrepreneurs in Malaysia*

According to the **Department of Statistics in 2011 the women population of Malaysia** represented 49.1% or 14.03 million people of Malaysia's total population. This data also tells us that about 19.7 percent of all Malaysian SMEs are owned by women. This indicates that women's contribution to economic performance is undeniable. (Tambunan, 2009) in a review of literature asserts that cultural values and social expectations appeared to be the main constraints in business ventures which are manifested through lack of career opportunities and education. As a result, Asian women are usually involved in low-technology business which needs lesser skills and capital.

Even the data shows the small number of women entrepreneurs but their participation increased tremendously as compared to in 2009, the women entrepreneurs represented only by 15% of Malaysian SMEs. The increasing number has triggered the attention of many agencies to develop and design appropriate programmes to assist and enhance their capabilities and competencies.

## **2. LITERATURE REVIEW**

### *2.1 Religious Orientation*

In psychology and sociology, researchers have dealt with the relationship between religion and diverse behavioural, emotional and cognitive phenomenon. Religious orientation has been defined by Krauss, Hamzah, & Idris (2007) as the appearance of one's religious world-view in virtuous works (good deeds) or a person adapts to various situations which are guided by Islamic teachings and stimulated by the existence of God. In another definition by McDaniel & Burnett (1990), they proposed that religious orientation as a belief in God come along with a commitment to pursue doctrines established by God.

Previous empirical studies have revealed a mixture of relationship of religious orientation with various behaviors. Barrett, Patock-Peckham, Hutchinson, & Nagoshi (2005) investigated the relationship of cognitive motivation and religious orientation among 527 undergraduates of different religious affiliations. They found that cognitive motivation is significantly related to religious orientation.

In a different setting, Vitell, Singh, & Paolillo (2007) examined the roles of money, religiosity and attitude towards business in determining consumer ethical belief. With two dimensions of religious orientation, intrinsic and extrinsic religiousness, they found that religiosity have significant relationship with consumer ethical belief. Another study which related to behavioural attitude was done by Brammer, Williams, & Zinkin (2007). They examined the relationship between religious orientation and attitude towards corporate social responsibility

within the context of 17,000 individuals from 20 countries and both constructs are significantly related.

The result is consistent with the study by Angelidis & Ibrahim (2004). Using a survey among 473 Christian business students from five universities in United States the result indicated that the level of religious orientation is related significantly with attitude toward the economics and ethical components of corporate social responsibility. To fill the gap, this research is intended to investigate whether religious orientation plays a role as a significant determinant of business performance in women owned firms.

## *2.2 The Relationship between Religious Orientation and Business Performance*

(Hoe, et al., 2012) in a study among successful women entrepreneurs in Malaysia confirmed the strong influence of religious orientation on the business success. The elements of honesty, trust, discipline and respect time punctuality are expected of all religions. Studies have shown that there is a significant relationship between religious orientation and economic performance (Barro & McCleary, 2003; Noland, 2005; Tu, Bulte, & Tan, 2011). Other research also demonstrated the relationship between religious orientation and economic growth (Galbraith & Galbraith, 2007; Nwankwo, Gbadamosi, & Ojo, 2012). A conceptual relationship is also proposed by Dodd & Gotsis (2007).

Based on these empirical and conceptual findings, the hypothesis forwarded is as follows:

H1: There is a significant relationship between religious orientation and business performance in women owned firms in Malaysia Halal Food Industry

## **3. RESEARCH METHODOLOGY**

This preliminary study utilised a field survey to gather primary data from 30 entrepreneurs of SMEs in Malaysia that engage in halal food industry. Key informants in the survey were the owners since they are knowledgeable about their organizations' orientations and business performance. Data collected was analysed using SPSS. Structured questionnaire is the primary research instrument for this particular study. The questions adopted and modified from various previous related studies in order to match the research objectives. Specifically, this research questionnaire is developed based on modification and combination of previous studies on religious orientation (Krauss, et al., 2007).

A questionnaire items are adapted and modified from (Krauss, et al., 2007) and the constructs of the study, which were from established scales, measured on a 7-point Likert-type scale anchored by "strongly disagree" to "strongly agree", "strongly unimportant" to "strongly important" which focuses on world view dimension that are related to behaviour.

Using a 7-point Likert-scale (Sekaran, 2009), business performance is measured based on subjective measures (financial and non financial measures) adopted and modified from (Gupta & Govindarajan, 1984), (Ahmad, 2007), (Hoque, 2004), (Chandler & Hanks, 1993) and (O'Regan & Ghobadian, 2004). One performance measure that is widely used among small businesses, as a subjective indicator of overall performance is the degree of owner/manager satisfaction with the business performance.

This study only adopts subjective measure as examining objective success in the context of SMEs is rather difficult because SMEs refusal to reveal their financial statement to the public. As no readily financial reports of SMEs, scholars and advocates are using the owners' self

reported data to measure success of SMEs (Chandler & Hanks, 1993). Thus, it is proposed to adopt subjective measures as they are more flexible and constructive (Covin & Slevin, 1989).

**4. FINDINGS**

Table 1 provides overall mean religious orientation of men and women entrepreneurs. The instrument is reliable as coefficient alpha for religious orientation is 0.734.

Table 1

<b>Group Statistics</b>					
	gender	N	Mean	Std. Deviation	Std. Error Mean
RO	Male	16	7.0000	.00000	.00000
	Female	14	6.9018	.17110	.04573

The results also indicate that religious orientation variable had a positive impact on the business performance of men and women-owned firms. The relationship was investigated using Pearson product-moment correlation coefficient. There was a weak, positive correlation between the two variables. This might be due to a small sample involved in the preliminary analysis. Further study should be carried out to identify whether the hypothesis developed is supported or not supported. An independent samples t-test was conducted to compare the religious orientation scores for males and females. There was a significant difference in scores for males and females as depicted in Table 2.

These findings suggest that the growth aspirations for women-owned firms may be driven by factor other than religious orientation as compared to men-owned firms. Religious orientation might be an important factor in determining success ventures in halal food industry.

Table 2

<b>Independent Samples Test</b>										
		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
RO	Equal variances assumed	39.20	0.00	2.30	28.00	0.03	0.10	0.04	0.01	0.19
	Equal variances not assumed			2.15	13.00	0.05	0.10	0.05	0.00	0.20

## 5. IMPLICATIONS FOR INVESTORS

Based on the preliminary analysis above, it provides some important implications to future investors with certain limitations. The limitations include the use of self-reported performance measures and small sample size. Firstly, the initial findings highlight the importance of religious orientation possessed by the entrepreneurs in running the business. All religion promotes good behaviour and this is very crucial to establish good relationship with the stakeholders. The entrepreneurs must practice the good ethical conducts in doing the business.

Secondly, with excellent religious orientation, the entrepreneurs are sensitive towards customers' preferences and religious requirement in consuming halal foods. The investors may easily identify global market opportunities as global Muslim population is increasing tremendously. The need for halal food is absolutely available. The opportunities are widely open for investors to invest in Malaysia halal food industry as this industry is being supported by the Malaysia government. The market value is always increasing and readily infrastructure is being improved frequently.

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