

## SUPERVISOR VERIFICATION

‘I acknowledge that have read this research project and in my opinion this research project is sufficient in terms of scope and quality for the award of Bachelor of Technology Management (Innovation Technology)

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ENHANCING ORGANIZATION PERFORMANCE THROUGH THE  
IMPLEMENTATION OF MS1900:2005

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This report is submitted to  
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## DECLARATION

“I declare that all parts of this report are the results of my own work except for the quotations and references, the sources of which have been acknowledge in the bibliography”

Signature :

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Date : 23 JUNE 2014

*“For my beloved parents, family and friends. Hopefully, this thesis will contribute on developing Islam”.*

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## ABSTRACT

MS 1900 is a holistic Islamic quality management system that incorporates its principles and requirements. The main purpose of this research is (1) to identify the organization factors towards the implementation of MS1900:2005, (2) to determine the best requirements of MS1900:2005 in enhancing the organizational performance and (3) to analyze the best requirements of MS1900:2005 in enhancing the organization performance. The research utilized five requirements on MS1900:2005 that can enhance the organization performance advocated by Malik (2009). The system does not only help organization to improve their management system, but also enables organization to practice management system that complies with Shariah and Islamic obligations. Complying Shariah obligations will lead to many benefits to organizations such as market growth, increasing public trust, increasing confidence of Muslim customers, enhancing Islamic quality culture and improving organization management at large. To explore all the factors, the researcher uses the survey method which consists of 35 quantitative questionnaires that relate to the research objective and also the research questions. The quantitative questionnaires have been distributed among the organizations that have been certified with MS 1900:2005. As a conclusion, MS1900:2005 have being the standard that based on Islamic guidelines on work quality by becoming the yardstick to evaluate the efficiency of activities held by the particular organisation according to quality management systems, management responsibility, resources management, product realization and lastly, measurement, analysis and improvement.

## ABSTRAK

*MS1900:2005 adalah satu sistem pengurusan kualiti Islam yang holistik dan telah menggabungkan prinsip dan keperluan Islam di dalamnya. Objektif utama kajian ini adalah (1) untuk mengenalpasti faktor organisasi kearah pelaksanaan MS1900:2005, (2) untuk menentukan keperluan terbaik dalam MS1900:2005 dalam meningkatkan prestasi organisasi dan (3) untuk menganalisa keperluan terbaik dalam MS1900:2005 dalam meningkatkan prestasi organisasi. Kajian ini telah menggunakan lima keperluan yang terkandung dalam MS1900:2005 ke arah peningkatan prestasi organisasi seperti yang disokong oleh Malik (2009). Sistem ini tidak hanya membantu organisasi dalam memperbaiki sistem pengurusan mereka, tetapi juga membolehkan organisasi mempraktikkan sistem pengurusan yang mematuhi kehendak Syariah dan kewajipan dalam Islam. Dengan mematuhi kewajipan Syariah, ia akan membawa organisasi menjurus kepada pelbagai faedah seperti pertumbuhan pasaran, peningkatan kepada kepercayaan masyarakat, keyakinan yang bertambah dalam kalangan pelanggan Islam, mempertingkatkan budaya kualiti berdasarkan Islam dan memperbaiki pengurusan organisasi dengan luas.. Bagi mengkaji keperluan yang terkandung dalam MS 1900:2005, penyelidik telah menggunakan kaedah soal selidik yang terdiri daripada 35 soalan soal selidik kuantitatif yang berkaitan tentang objektif kajian dan juga soalan kajian. Sampel kajian adalah sebanyak 100 sampel dan telah diedarkan dalam kalangan organisasi yang telah diiktiraf MS 1900:2005. Konklusinya, MS1900:2005 akan menjadi suatu standard berdasarkan garis panduan Islam dalam kualiti pekerjaan dengan menjadi kayu pengukur dalam menilai kecekapan aktiviti yang dilaksanakan oleh sesebuah organisasi berdasarkan lima keperluan dalam MS 1900:2005, iaitu sistem pengurusan kualiti, tanggungjawab pengurusan, pengurusan sumber, realisasi barang keluaran dan akhir sekali, pengukuran, analisa dan penambahbaikkan.*

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## NOMENCLATURES

TQM	Total Quality Management
QCC	Quality Control Circle
QMS	Quality Management System



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## CHAPTER 1

### INTRODUCTION

#### 1.1 Background of the Study

Malaysia is acknowledged by other Islamic countries and referred to as being the most developed and progressive Islamic country in regards to administration, economics and social development. Malaysia is also known internationally as being among the few Islamic countries that have introduced and established an Islamic financial system (Basir & Azmi, 2011). In 2005, Malaysia had been established the first ever Islamic quality management system MS1900. MS 1900 is a holistic Islamic quality management system, which incorporates its principles and requirements.

Actually, MS1900 is a structured system that assists organization to deliver products and services that meet customers' requirements, comply with regulatory requirements as well as with the requirements of Shariah. According to Che Pa et al (2008), this standard requires organization to had a comprehensive quality management system in order to accommodate the customer needs, to fulfil the requirement of a quality product/service, to enhance the effectiveness and productivity as well as to reduce the operational costs. Besides that, the MS 1900 enables organizations to practice management systems in accordance with Shariah and Islamic obligations. These requirements are value added from the ISO 9001 and are aligned to the shariah perspectives.

Based on ISO 9001, the MS1900:2005 standard provides a framework for a comprehensive management system. The organization will benefit not

only from a certification of its values but also of all its processes; from halal and non-halal aspects of production and delivery, right through to whether this is clearly communicated to every personnel in the organization.

## **1.2 Statement of the Problem.**

Islam is progressive religion. Its worldwide, principles and values are relevant and dynamic towards creating a quality and productive society. One of the objectives of MS 1900:2005 is to upsurge the practice of Shariah compliance and increase the confidence level among the Muslims and stakeholders. But, in this research, the researcher wants to identify the correlation between the adoption of MS 1900: 2005 and the enhancement of the organization performance. Some problems are shown in the form of specific question which are:

1. Why organizations have chosen to implement MS 1900 in their organization?
2. What are the best requirements of MS 1900 that enhance the organization performance?
3. How the best requirements of MS 1900 enhance the organization performance?

## **1.3 Objectives**

The aim for this study is to clarify the enhancements that have been brought by implementation of MS 1900:2005 towards the organization performance. The researcher also wants to get some fresh idea about the reasons and the feedback of the customer toward the implementation of MS 1900: 2005. The objectives of the research as follows:

1. To identify the organization factor towards the implementation of MS 1900 in the organization.

2. To determine the best requirements of MS 1900 in enhancing the organization performance.
3. To analyse the best requirements of MS 1900 in enhancing the organization performance

#### **1.4 Scope, Limitation and Key Assumption of the Study**

The scope of this research is focusing on the enhancement of the organization performance towards the implementation of MS 1900:2005. The researcher focuses on how the organization performance will be enhance through the implementation of MS1900:2005. This study will define the improvement that have bring by MS1900:2005 towards the organization performance. Then, the researcher will know what will be the element that have in the MS 1900: 2005 that brings the organization to achieving it.

This research will carry out in the organization in Malaysia that has been accreditation by MS 1900 from 2005 until today. Currently, there are 27 organization in Malaysia that have received the MS 1900: 2005 from SIRIM Berhad (Malaysian Certified,2013).The area of the research involve the organization that have in southern and central part in Malaysia include Melaka, Johor, Negeri Sembilan, Selangor and Kuala Lumpur. The sample size of the research is about 100 samples.

They are several limitations states for this study. Firstly, the study is to define the enhancements that have been brought through the implementation of MS 1900: 2005 towards the performance of the organization in Malaysia. Therefore, the research will be done towards the organizations that have been certified with MS 1900: 2005. Secondly, this research only does a research on certification of MS 1900:2005 by SIRIM Berhad. Therefore, the other sources that bring the enhancement of the performance in the organization will not be included. Then, the survey of quantitative questionnaire will be distributed towards the organization that has been certified by MS 1900:2005. So, the respondent of this research is from executive and non-executive position.

## 1.5 Significance of the Study

The importance of the research is to define the relationship between the variable in the research. The relationship between the element in MS 1900:2005 and the enhancement of the organization performance will be examined. The researcher is investigating the main dimension that contributes to the enhancement of the organization performance and the research focuses into the element that have in MS 1900 that help on improving the organization performance. Previous study conducted by Sarji, A. agreed that, with the creation of MS1900: 2005, it can be made as the yardstick or gauge to evaluate the efficiency of activities held by the particular organization based on Islamic guidelines. MS 1900 is a holistic Islamic quality management system, which incorporates its principles and requirement. It is not only helps organization to improve their management system, but also enables organizations to practice management system in accordance with Shariah and Islamic obligations.

Besides that, this study will contribute the knowledge through understanding of why business organization crafting the strategy towards achieving the MS 1900:2005. The quality management system from an Islamic perspective is a new field to be explored and it might be the objective of the standard that will create another competitive advantage for them.

## 1.6 Conclusion

Shariah elements were synchronized into the existing ISO 9001 in order to establish the first ever Islamic quality management system-MS 1900. MS 1900 is a holistic Islamic quality management system that incorporates its principles and requirements. The system does not only help organizations to improve their management system, but also enables organizations to practice management systems that comply with Shariah and Islamic obligations.

## CHAPTER 2

### LITERATURE REVIEW

#### 2.1 Introduction

Literature review is a critical analysis of a segment of a published body of knowledge through summary, classification, and comparison of prior research studies, reviews of literature, and theoretical articles (University of Wisconsin Writing Centre, 2012). In this research, the literature review is really important because many ideas from other authors from book, journal, newspaper, magazine, internet etc. can be combining and we can select the best one. A lot of opinion and statement can be obtained by the researcher from this review.

On this section, the researcher will present the theories and retrospective on the previous studies related to this research. These substances can be used in order to help the researcher to understand and internalize the research. Furthermore, this section will describe the approach and findings of previous studies, either from within or outside the country associated with the study. Some interest topics of the earlier research that are closely related by this research will be taken as a references for doing this research and some of it will be discuss in this chapter. In this chapter, all the background of studies will be discuss by opting secondary data such as book, journal, article and internet. The best description and references will be selected as the researcher references for further research.

## 2.2 Quality Management System

The expansion of quality management system has internationally established for business improvement since 1980's although the origins can be tracked back to 1949, when the Japanese formed a committee in order to improve their productivity and quality of life (Powell, 1995). Organizations have sought TQM to refine their business performance (Kannan & Tan, 2005). As noted by Najmi and Kehoe (2000), the quality improvement activities, particularly TQM have beneficial effects on business performance. This is supported by an empirical investigation of TQM effects on corporate performance (Easton and Jarrell, 1998). The findings indicated that performance, measured by both accounting variables and stock returns, was improved for the firms who adopted TQM.

Quality management system has been established in Malaysia as one of the Government's agenda to provide a respectable public service. Along the way, many programs have been established such as Total Quality Management (TQM), Quality Control Circle (QCC), Quality Assurance Unit, Strategic Management and Customer Charter. Since 1996, ISO 9000 had been introduced in public service in Malaysia.

Malaysia also practices ISO 9001 which covers the public and private service introduced by International Organization Standardization (ISO Geneva). As a Muslim-majority country, Malaysia is heading further by introducing and implementing the MS 1900:2005, a Quality Management System from shariah perspective (Che Pa et al.,2010). By infusing Syariah values into its organisation, MEPS is enhancing its effectiveness and efficiency to continue providing innovative services to its member banks (Malaysian Electronics Payment System Sdn.Bhd, 2013).

### 2.3 MS 1900: 2005

This standard was developed based on ISO 9001, an international practice standard. This standard requires organization to have a comprehensive quality management system in order to accommodate the customer needs, to fulfil the requirement of a quality product/ service, to enhance the effectiveness and productivity as well as to reduce the operational costs. These requirements are value added from the ISO 9001 and are aligned to the Shariah perspectives. The objectives of MS 1900:2005 are (Departments of Standard Malaysia, 2005):

- i. To implant the Shariah in quality management system with emphasis on management through value.
- ii. To improve the effectiveness and efficiency through noble universal values in all level of organization.
- iii. To upsurge the practice of shariah compliance and increase the confidence level among the Muslims and stakeholders.

The value of MS 1900: 2005 is universal and although its compliance is from the Islamic perspective, its universal value can be accepted by all including the non-Muslims like improving work quality and performance, proper and timely delivery, all of these are not in conflict with universal values and general features of the other religions.

### 2.4 The Principles of the Malaysian Quality Management System MS 1900 from an Islamic Perspective.

#### 1. *Compliance to the principles of Halal and Haram*

There is no management program, product or service should contradict the principles of halal and haram. Haram is derived from the Arabic term, *haruma*, which means unlawful or prohibited. In Islam, Muslim cannot consume product, services of food that are considered haram. Meanwhile, halal is derived from the Arabis term,