

THE IMPACT OF INNOVATION IN PROCESS OF TECHNOLOGY IN HALAL
INDUSTRY: THE CASE OF MADINAH FOOD

NORSUHADA BINTI MOHD YUNUS

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FACULTY OF TECHNOLOGY MANAGEMENT AND TECHNOPRENEURSHIP
(FPTT),

UNIVERSITI TEKNIKAL MALAYSIA MELAKA

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VERIFICATION BY SUPERVISOR

I hereby declare that have read this thesis and in my opinion, this thesis is adequate in term of scope and quality for the award Bachelor of Technology Management
(Marketing High Technology)

Signature: 

Name Of Supervisor : DR. AMIRUDDIN AHAMA

Date : 23.06.2014

Signature: 

Name Of Panel : AZRINA OTHMAN

Date : 23 JUNE 2014

DECLARATION OF ORIGINAL WORK

I, NORSUHADA BINTI MOHD YUNUS, (I/C Number: 890718065258)

“ I hereby declare that the work of this exercise is mine except for the quotation and summaries that have been duly acknowledged”

Signature : 

Name : NORSUHADA BINTI MOHD YUNUS

Date : 12 JUNE 2014

DEDICATION

This Research Paper is lovingly dedicated to my respective parents who have been my constant source of inspiration. They have given me the drive and discipline to tackle any task with enthusiasm and determination. Without their love and support this project would not have been made possible.

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Abstract

Innovation is the application of better solutions that meet new requirements, in articulated needs, or existing market needs. This is accomplished through more effective products, processes, services, technologies, or ideas that are readily available to markets, governments and society. In this research the researcher highlighter several themes that related with the impact of innovation the case of Madinah food. There are some of the impact that face when use the innovation such increase the production of product, reduce dependency of labor, increase profit and short cycle time. Based on the research that I have done, most of respondents are agree that the innovation give impact to company especially in packaging of product. The respondents also agree with all three themes. The qualitative method was chosen which survey, observation and interview will prove in the end of the study about how the innovations give impact to halal industry the case of Madinah Food. I have chosen three respondents which are respondents X, Y and Z. Selection respondents is made based on the position and expertise on Madinah food. Respondents X as a company manager to control all business and financial activities. While, respondents Y as a operations manager that important to control the operation of a system transforms inputs into outputs that of greater value. Next, respondents Z as a executive marketing important to manage the element of marketing such as identification, selection and development the product. Based on the interview session, all respondents are accepted with all the themes that i have chosen. The most impact that has been said by the respondents from all three themes is increase production of product. For the limitation of this research, I only focus on one case halal industry in Bandar Tun Abdul Razak Jengka, Maran , Pahang. In future research part, I hope I can do this research depth about innovation in other aspect such as marketing or management.

Keywords: Innovation, innovation impact, halal industry

Abstrak

Inovasi adalah aplikasi penyelesaian yang lebih baik yang memenuhi keperluan baru terutamanya dalam industri halal. Melalui inovasi banyak kejayaan dicapai melalui produk yang lebih berkesan, proses, perkhidmatan, dan pengurusan. Dalam kajian ini, penyelidik menyatakan beberapa tema yang berkaitan dengan kesan inovasi terhadap aktiviti pembungkusan produk di Madinah food. Terdapat beberapa kesan yang dihadapi apabila menggunakan inovasi baru iaitu peningkatan pengeluaran produk, mengurangkan kebergantungan tenaga pekerja, meningkatkan keuntungan dan memendekkan kitaran penghasilan produk. Berdasarkan kajian, kebanyakan responden bersetuju bahawa inovasi memberi kesan kepada syarikat terutama dalam pembungkusan produk. Responden juga bersetuju dengan semua tiga tema yang dinyatakan oleh penyelidik. Penyelidik telah memilih kaedah kualitatif yang melibatkan pemerhatian dan temu bual bagi membuktikan ketepatan maklumat mengenai kajian. Penyelidik telah memilih tiga responden iaitu responden X, Y dan Z berdasarkan jawatan dan kepakaran di Madinah food. Responden X merupakan pengurus syarikat untuk mengawal semua aktiviti perniagaan dan kewangan. Manakala, responden Y sebagai pengurus operasi yang penting untuk mengawal operasi sistem bagi mengubah input ke output. Seterusnya, responden Z sebagai eksekutif pemasaran penting untuk menguruskan unsur pemasaran seperti pengenalan, pemilihan dan pembangunan produk. Berdasarkan sesi temu bual, semua responden menerima dan bersetuju terhadap kesemua tema yang dinyatakan dan bersetuju kesan inovasi paling ketara ialah meningkatkan pengeluaran produk. Kekangan bagi kajian ini, penyelidik hanya memberi tumpuan kepada satu kes industri halal di Bandar Tun Abdul Razak Jengka, Maran, Pahang. Bagi kajian akan datang, saya berharap saya boleh membuat kajian lebih mendalam berkaitan inovasi dalam aspek yang lain seperti pemasaran atau pengurusan.

Kata kunci: Inovasi, kesan inovasi, industri halal.

TABLE OF CONTENT

	Page
TITLE PAGE	i
VERIFICATION BY SUPERVISOR	ii
DECLARATION OF WORK	iii
DEDICATION	iv
ACKNOWLEDGEMENT	v
ABSTRACT	vi
TABLE OF CONTENT	viii-x
LIST OF FIGURES	xi
LIST OF TABLE	xii
LIST OF APPENDICS	xiii
CHAPTER	
1. INTRODUCTION	1
1.1 Introduction	1
1.2 Background of the study	2
1.3 Problem statements/Research Questions	4
1.4 Research Objectives	4
1.5 Scope and limitation of study	5
1.5.1 Scope	5
1.5.2 Limitation	5
1.6 Significant of study	5
1.7 Summary	6
2. LITERATURE REVIEW	6

2.1	Introduction	6
2.2	Innovation	6
2.4	The impact of innovation	7
	2.4.1 increase production of product	7
	2.4.2 Reduce dependency of product	9
	2.4.3 increase profit	10
2.5	Theoretical framework	11
2.6	Themes	12
2.7	Summary	14
3.	RESEARCH METHODOLOGY	15
3.1	Introduction	15
3.2	Research Design	17
3.3	Qualitative Research	18
3.4	Exploratory Research	19
3.5	Primary and Secondary Data Sources	20
3.6	Location Of Research	21
3.7	Method of primary data collection (research strategy)	22
3.8	Sample	23
	3.8.1 Sampling Size	23
3.9	Validity and Reliability	24
	3.9.1 Construct Validity	25
	3.9.2 External Validity	26
3.10	Summary	26
4.	ANALYSIS/DISCUSSION	27
4.1	Introduction	27
4.2	Analysis Data	28
4.3	Themes	28
4.4	The impact of innovation	30

		X
4.4	Increase production of product	30
4.3	Reduce Dependency of labor	34
4.4	Increase profit	39
4.5	Short cycle time of product	43
4.6	Discussion	45
	4.6.1 Pattern for increase the production of product	45
	4.6.2 Pattern for reduce dependency of labor	47
	4.6.3 Pattern for increase profit	50
5.0	CONCLUSION AND RECOMMENDATIONS	53
5.1	Introduction	53
5.2	Contribution	53
5.3	Limitations	54
5.4	Future Research/Recommendations	55
5.5	Conclusion	56
	REFERENCES	57
	APPENDICES	59

LIST OF FIGURE

NO	TITLE	PAGE
1	Figure 1:Theoretical Framework	11
2	Figure 2: Themes	12
3	Figure 3: Themes	13
4	Figure 4: Scientific Canons	23
5	Figure 5: Themes	28
6	Figure 6: Invoice	40
7	Figure 7: Excel monthly sale report	40
8	Figure 8: Madinah Food expand their market in Peninsular Malaysia	42

LIST OF TABLE

NO	TITLE	PAGE
1	Table 1: Themes 1 (Effective production)	31
2	Table 2: Cost production of product	33
3	Table 3: Number of employees needed	35
4	Table 4: Payroll cost	37
5	Table 5: Notice	38
6	Table 6: Total monthly sale	39
7	Table 7: Pattern production of product	45
8	Table 8: Pattern reduce dependency of labor	47
9	Table 9: Pattern payroll cost	48
10	Table 10: Pattern increase the profit	50
11	Table 11: Pattern market	51
12	Table 12: Pattern Short cycle time of product	52
13	Table 13: Pattern shorten working hour	52

LIST OF APPENDICES

NO	TITLE	PAGE
1	Sample of Questionnaire	61-66
2	Transcript Interview	67-70
3	Slide Presentation	71

Chapter 1

Introduction

1.1 Introduction

Innovation is the application of better solutions that meet new requirements, in articulated needs, or existing market needs. This is accomplished through more effective products, processes, services, technologies, or ideas that are readily available to markets, governments and society. The term innovation can be defined as something original and, as consequence, new that "breaks in to" the market or into society.

Innovation is a key part of raising workplace productivity. Creating new products or services or just doing things better are vital ways to achieve firm growth. Innovation can be incremental, such as doing things slightly differently, or it can be more radical, such as incorporating new technology or introducing entirely new products into a firm's business.

This function involves retardation of deterioration, extension of shelf life, and maintenance of quality and safety of packaged food. Packaging protect food from environmental influences such as heat, light, the presence or absence of moisture, oxygen, pressure, enzymes, spurious odors, microorganisms, insects, dirt and dust particles, gaseous emissions, and so on. All of these cause deterioration of foods and beverages (Marsh and Bugusu, 2007)

1.2 Research Background

Madinah Food is a factory wholly owned of Madinah Binti Abdul Hamid. Madinah Food founded in 2003, starting with the single ownership of Madinah Binti Abd Hamid in 1995, then became an Enterprise 8 years later under the name of Madinah Food, has a partnership with Mr. Md. Shah Bin Sudiran. Currently, the company has been taken by her husband Md Shah Bin Sudiran as a manager of company. The main activities in Madinah Food is packing the chips. There are more 50 types of chip available to packing and market the product to end user. Moreover, Madinah food not produce the chip but supply the chip from outsource.

Madinah Food has a strong business relationship when gets contracts from Petronas Dagangan Berhad (PDB). PDB offers a contract which, allows madinah food market their products in a friendly stores in Peninsular Malaysia. Entrepreneurs not really expose about opportunity but only focus around the state Pahang, Terengganu, Kelantan and Perak. This is because, the manual machines sealer influence the quantity production of chips. So the lack of production difficulty to market the product around the Peninsula Malaysia.

Hounshell (1984), posits that the major problem ceased to be the challenge of how to produce enough good to meet an ever growing demand and became.

In challenging world today, the companies have to prefer to improve of technology process in packaging of chips. This kind of approaches can lower the cost to develop new technology and at the same time can improve the business. When using this machine, can improve the production of chip, companies are no longer faced with a shortage of production. When the company is able to produce in large quantities, then the company can market the product throughout Peninsular Malaysia.

So this research wants to study the potential on the innovation of process in packaging to improve the production of product that can give big effect to in Halal Industry in case Madinah Food.

1.3 Research Questions

The objectives of this research can be determined by this research questions:

- 1) What are the new innovation implications of packaging for Madinah Food?
- 2) How effective new innovation to improve the production of product in Madinah Food industry?
- 3) How the new innovation influences the performance in Madinah Food.

1.4 Research Objective

There are three objectives for this study which is:

- 1) To investigate how new innovation give impact to developing of operations in Madinah Food industry;
- 2) To identify the opportunity that will explore by Madinah Food industry in new innovation;
- 3) To examine the new innovation influence to Madinah Food industry in Malaysian context.

1.5 Scope of study

Basically, in this study, the researchers focus on the impact of innovation in process technology for packaging in Madinah Food industry. Packaging is the most important activity in the Madinah food. As we know the manual machines sealer influences the quantity of production of product per day. So, through new technology can solve the problem by increase productivity of chips. So the element that we were touch are increase the production of product, increase profit, reduce dependency of labor and short cycle time of product.

1.5.1 Limitation

The researcher focuses on the impact of innovation in Madinah Food. So that, the researcher not explore and research about the process of innovation or each step in operation of product. It is because researcher did not have much knowledge in the field. Besides that, this machine has the latest machines, so not many people who have experience and expertise on the use of the machine.

1.6 Significant of the study

Innovation can be defined as a process of translating an idea or invention into a process that create value to improve the quality or operation of product. The importance of this study, the researcher learn on developing knowledge and skill, understanding of how an innovative idea, process can be used to form a new and successful business. Besides that, the significant of the study learn how Madinah Food organizes their activities and operation to grow into successful and profitable business.

Chapter 2

Literature Review

2.1 Introduction.

A literature review is a text written by someone to consider the critical points of current knowledge including substantive finding. A literature review is an evaluative report of information found in the literature related to selected area of study. The review should describe, summarize, evaluate and clarify this literature. It should give a theoretical base for the research and help to determine the nature of research. A literature review is more than the search for information, but relationships between the literature must also be identified and articulated, in relation to your field of research.

According to (Schumpeter, 1997, p.28) shown that innovation can be defined as the application of new ideas to the product, processes or any other aspect of a firm's activities. He defined have types of innovation such as introduction of a new or a qualitative change in an existing product, process innovation new to an industry, the opening of a new market, development of new sources of supply for raw materials or other inputs and changes in industrial organization

2.2 Impact the innovation of process technology in packaging

2.2.1 High production

To overcome this difficulty, we shall assume that innovational activities take place in units engaged in production. We shall also assume, that this production addresses a definite set of users and that innovations are oriented towards the needs of a subset within this set. The product might be tangible, a machine tool for packaging the chips. Production is a routine process resulting in a regular flow of products from producers to users.

According to Vinding (2002), has shown production and innovation are interdependent. Information obtained in relation to production and in relation to the flow of products, feed the innovational process.

Productivity refers to how efficiently and effectively a firm of any shape or size can turn its inputs, such as operation of chips per days. Increased productivity where properly assessed, increased production, through efficiency and better planning, can also result from the introduction of new technology. Production efficiency is an advantage. As technology improves on existing processes and showcases new ways to accomplish tasks, machines are able to produce productivity more than humans in industries.

Recent research on Examiner (2012), has shown companies are using technology solutions to improve their organizations productivity in certain business functions to gain a competitive advantage against other corporations that produce similar products. If companies can produce similar products at cheaper prices because of increased productivity due to technology upgrades in the corporate infrastructure then this is a big win for technology.

The objective of any business is to maximize returns within the constraints of the environment it operates in, and in seeking to maximize returns, firms will have incentives to do things that raise productivity, for example, by raising product quality, adding desirable features, improving product technology or boosting production efficiency. Increased productivity enables a firm to produce things for less and/or to produce more or better things at the same cost. Both effects can increase the expected returns to the firm and provide it with an advantage over its competitors.

2.2.2 Reduce dependency of labor

At the same time, consumption of human workers should be reduced, which is a advantage to company. It is because the company does not have to pay employee salaries with the new technology that can match the capabilities of the human. On the other hand, machines automate processes and do the work a few people with one machines packaging, companies don't need to employ as many people to get the job done.

According to Pianta (2005), has shown the relationship between innovation and employment is a complex one and has long been a topical issue in economic theory. First, the perspectives, scope, and types of innovations are considered, identifying the different employment effects they may have. Second, the effects on the quantity of employment are reviewed at the firm, industry, and macroeconomic level. Third, changes in the quality of employment are examined, considering the effects on skills and wages, and the impact of organizational innovation, again at different levels of analysis.

The author states that however only a few firms reduce off employees because their jobs were eliminated by technological improvements. (Reich and Abraham, 1994) Recent research on Chron (2013), has shown Unfortunately, implementing new technology could mean the loss of jobs, especially when automated processes can perform the same work more cheaply and efficiently than humans.

However, when a company uses technology in packaging operations, the employee must improve skills in handling machines, and able to overcome the problem of the machine when experiencing technical difficulties.

The knowledge and skills of employees at all levels provide a platform for further innovation and the ability to adopt and adapt ideas from elsewhere.

The authors posit that “The effect of new technology on employment and training, for the most part involved the retraining of employees to meet the requirement for higher job skills” (Reich and Abraham, 1994).

2.2.3 Increase profit

When use the new technology in packaging the production of product will increase. Now, product is available to produce in market. The efficiency of machines packaging afford to lower the price of our product, without lowering our standards. Through machine packaging enable increased efficiency the product which produces in less costs. It may also be that new technology allows jobs to be completed quicker so that cash flow is more fluid. A higher profit can be if the business is making more profit.

Recent research on Examiner (2012), has shown we use technology to improve the productivity of business which means that we can do more work with less resource which equates to more profit for a corporation

2.3 Theoretical Framework

Theoretical frameworks and models are essential to the long term credibility and viability of a field of practice. The theoretical framework is the structure that can hold or support a theory of a research study. The theoretical framework introduces and describes the theory which explains why the research problem under study exists. In researcher, theoretical frameworks make it possible to explain phenomena, to frame questions and to test them empirically.

This section was highlighted the several of other literature, which is related to the progress of this study. This study explored about the issue or problem packaging that arise in Madinah Food. This research includes the impact of innovation of process technology as a independent variable such as increase the production of product, save time, reduce consumption of labor and high profit. After that, the technology as a Mediator Variable for this research. Next the dependent variable for this research represent by Halal Food Industry : the case of Madinah Food Sdn Bhd.

