EXPLORING THE IMPLEMENTATION OF ISLAMIC FRIENDLY HOTEL PRACTICES IN MALAYSIA

NOR ZAFIR BINTI MD SALLEH

A thesis submitted in fulfilment of the requirements for the award of the degree of Doctor of Philosophy (Management)

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Universiti Teknologi Malaysia

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DEDICATIONS

To my beloved husband, parents, sons, family and friends:

Kamil Zahiri bin Hamzah
Emak, Mak and Bah
Ibrahim bin Kamil Zahiri
Imran bin Kamil Zahiri
My siblings: Hidayat, Hidayah, Taufiq and Halid
Kak Nina, Kak Min, Aunties
Friends: Handbag group, Melor group, Retailers group, brothers and sisters of Haji Banuar and beloved friends

Thank you for always be there through the tough and ugly times. Thank you for being understanding on my change of behaviour and attitude while I complete this journey. Thank you for being patient, kind and friendly. Thank you for accepting me for who I am and thank you for believing in me.
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My deepest thanks to my friends for staying positive, provide full encouragement, support, motivation and empathy when I need it throughout this journey. I hope our friendship will last and appreciate it very much, thank you for believing in me.

My heartfelt thanks go to my beloved parents and siblings for their unconditional love, encouragement and understanding. Finally, I would like to express my gratitude to my husband for being my shoulder to cry on, my two sons and families.
The increasing demand on Islamic products and services has led hoteliers in Malaysia to provide more Islamic friendly hotel services to fulfil the Muslim tourists’ needs. Therefore, this study examined the implementation of the concept of Islamic friendly hotel at selected hotels in Malaysia. Despite many attempts to study Islamic friendly hotel, previous studies focused on concept and characteristics while a limited number of studies explored how hotels implemented the concept of Islamic friendly services. This study applied the diffusion of innovation theory as a guiding theory and used the qualitative approach via in-depth interview, expert interview and non-participatory observation at ten hotels in Kuala Lumpur, Shah Alam, Malacca and Johor Bahru. The findings of the interviews and observations were analyzed using the thematic analysis technique. The role of the top management as champion, organizational context, and marketing strategies were found to be the organizational drivers, while the role of government as change agent, government policy, change in travel behaviour among Muslim travellers were identified as the environmental factors leading to the adoption of the concept of Islamic friendly hotel. Implementation wise, these Islamic friendly hotels faced challenges such as the short-term consequence of conversion to an Islamic friendly hotel, compliance with Halal certification standards, varied practices of Islamic friendly hotel and capacity management in peak seasons. This study found that room amenities, availability of prayer room for guests and Halal food were the most popular features while Islamic akad, Islamic snacks, guest facilities, and community activities were the least popular services provided by the Islamic friendly hotels. Academically, this study adds to the existing literature on service innovation and Islamic friendly hotel. Incorporating the diffusion of innovation, this study is able to explain the implementation of the concept of Islamic friendly hotel from the perspective of supply. From the managerial perspective, this study raises the issues and highlights the challenges faced by Islamic friendly hotels for the benefit of other hotels intending to implement Islamic friendly hotel.
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<tr>
<td>ASEAN</td>
<td>Association of Southeast Asian Nations</td>
</tr>
<tr>
<td>COMCEC</td>
<td>Standing Committee for Economic and Commercial Cooperation</td>
</tr>
<tr>
<td>DOI</td>
<td>Diffusion of Innovation</td>
</tr>
<tr>
<td>IFH</td>
<td>Islamic-Friendly Hotel</td>
</tr>
<tr>
<td>JAIN</td>
<td>Jabatan Agama Islam Negeri</td>
</tr>
<tr>
<td>JAKIM</td>
<td>Jabatan Agama Kemajuan Islam Malaysia</td>
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<tr>
<td>MFHS</td>
<td>Muslim-Friendly Hospitality Services</td>
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<tr>
<td>MHTC</td>
<td>Malaysia Healthcare Travel Council</td>
</tr>
<tr>
<td>MICE</td>
<td>Meeting, incentive, convention and exhibition</td>
</tr>
<tr>
<td>MM2H</td>
<td>Malaysia My Second Home</td>
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<tr>
<td>MOTOUR</td>
<td>Ministry of Tourism</td>
</tr>
<tr>
<td>OECD</td>
<td>Organization for Economic Co-operation and Development</td>
</tr>
<tr>
<td>SCH</td>
<td>Sharia-Compliant Hotel</td>
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<td>UNWTO</td>
<td>United Nations World Tourism Organization</td>
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CHAPTER 1

INTRODUCTION

1.1 Introduction

Hotels face huge challenges in remaining profitable while sustaining their market share in the hospitality industry. Increasing consumer demands, high business operating costs, a lack of skilled employees, price wars and high competition are some of the challenges (Howells, 2000; Lawlor et al., 2013). To maintain profits and remain competitive in the service industry, hotels must obtain a competitive advantage by offering innovative services, thus increasing revenue and market share (Berry et al., 2006, An, 2008, Lawlor et al., 2013). Innovation has long been a competitive tool in the manufacturing industry, but there is lack of evidence regarding its application in the service industry (Drejer, 2004, Berry et al., 2006, An, 2008, Djellal and Gallouj, 2010).

Studies of innovation in the hospitality industry often focus on technological innovation, including diffusion and development of new innovations, such as electronic customer relationship management systems, knowledge management systems and information systems (Miles, 2010). Few studies have been conducted on service innovation, such as new service development, service improvement and innovation in marketing hotel services (Bharwani and Mathews, 2016). This study will fill this gap by investigating service innovation that focuses on fulfilling customers’ religious needs when using hospitality services. Islamic-friendly hotel (IFH) and Muslim tours are new tourism services that are becoming popular in Muslim
and non-Muslim tourist destinations, in response to the growing demands of Muslim tourists (Stephenson, 2014). In general, Islamic product and services are increasing in demand for several reasons including Halal revolution that created awareness among Muslims to consume Halal products or services (Siddiqui, 2011). However, little is known about how hotels implement IFH standards and what factors affect such implementation. This research explores the service innovation relating to Islamic hotel practices in Malaysia.

This chapter reviews the international and local tourism industry. It draws attention to the growing demand for Islamic products and services, such as Islamic tourism and Islamic hotel services. Several gaps are highlighted, relating to religious type of service, service innovation and IFH.

1.2 Tourism Industry

Tourism is one of the largest and fastest growing economic sectors in the world (Weaver and Lauton, 2006). Despite events that could make people reluctant to travel (earthquakes, terrorist attacks, economic crises and political unrest), statistics show that world international tourist arrivals have had uninterrupted growth. For the past six decades, the number of world international tourist arrivals has increased from 25 million in 1950 to 1.1 billion in 2014 (UNWTO, 2012b, UNWTO, 2015). The United Nation World of Tourism Organization (UNWTO) expected that by 2020, world international tourist arrivals will reach 1.6 billion.

<table>
<thead>
<tr>
<th>Year</th>
<th>Tourist Arrivals (Million)</th>
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<tbody>
<tr>
<td>1950</td>
<td>25</td>
</tr>
<tr>
<td>1980</td>
<td>277</td>
</tr>
<tr>
<td>1990</td>
<td>438</td>
</tr>
<tr>
<td>2000</td>
<td>684</td>
</tr>
<tr>
<td>2015</td>
<td>1.1 billion</td>
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Source: UNWTO (2015)
UNWTO recognized tourism as a driver for job creation, economy recovery and economy development (UNWTO, 2015). In most countries tourism is a major contributor of foreign exchange earnings and inward investment (UNWTO, 2012a). For example, tourism attract greater investment for infrastructure and improve overall living standard for the developing countries such as Turkey, China and Myanmar, (Barrowclough, Miroux and Mirza, 2007, Abdul Rahman, 2010). Several factors contribute to the rapid development of tourism, such as strong economic growth. This results in more disposable income for travel, changing lifestyles and the expansion of the transportation industry, which leads to cheaper travel costs and an increased demand for tourism products and services (Verma et al., 2008, Nieves and Segarra-Ciprés, 2015).

The advancement of the tourism industry is reflected in the evolution of tourism products and services, from traditional and leisure tourism (e.g., mass tourism), to thematic and in-depth tourism (e.g., Islamic tourism) (Chen et al., 2009). The world tourism market is highly segmented due to the changing of tourist expectations and interest (Inman, 1996, Bharwani and Mathews, 2016). As each tourist has different needs, wants and demand, mass tourism is incapable to satisfy each tourist needs. Segmentation is a tool for an organization to acquire competitive advantage with strategic allocation of limited resources to targeted segment (Dolnicar, 2008). Several segmentations in tourism include sports tourism, health tourism, eco-tourism, nature tourism and spiritual tourism (Dolnicar, 2008). Recent trends show an increasing demand for thematic or personalized tourism such as Islamic tourism.

1.3 Islamic Tourism: The promising trend

“Islamic Tourism covers all product development and marketing efforts designed for and directed at Muslim” (Henderson, 2010, p. 246)

Islamic Tourism adheres to the values of Islam (Hassan, 2007). It became popular after the September 11, 2001 tragedy in America, which resulted in restrictions on Muslims’ travel in the West (Al-Hamarneh and Steiner, 2004, Hashim, Murphy and

Islamic tourism is a promising market that is in high demand, especially given the size of the world’s fastest-growing Muslim community (Walker et al., 2007, Kalesar, 2010, Mohsin, Ramli and Alkhulayfi, 2016). The fact that Islam is the second largest religion (with approximately 1.5 to 1.8 billion Muslims worldwide and the current value of the Muslim lifestyle market is estimated at US$2 trillion), Muslim tourists’ expenditure is estimated to rise to more than 13 per cent of global tourism expenditure by 2020. Islamic tourism has great potential as a tourism product in Muslim countries and around the world (Dinar Standard and Crescent Rating, 2012, COMCEC, 2016a).

Among Muslim tourists, Malaysia has been selected as the top Halal destination for five years in a row since 2011 (www.iskandarmalaysia.com.my). Although Malaysia has no locations sacred to Muslims, it offers comfort and excellent facilities for Muslim tourists to perform their Islamic routines while travelling (Shafaei and Mohamed, 2015). For instance, Malaysia provides a variety of Halal food and prayer facilities at most shopping complexes and tourist destinations (Mohamad Taiyab, 2009, Shafaei and Mohamed, 2015). There are many hotels that provide Halal food and Islamic-friendly services to Muslim tourists.
1.4 Hotel: The backbone of tourism industry

The hospitality sector, which is one of the world’s largest service sector, is the backbone of tourism industry (Ottenbacher, Gnoth and Jones, 2005, Walker, 2016). Hospitality is related and interdependent with other tourism suppliers such as transportation, entertainment, food and tourist destination (Weaver and Lauton, 2006). Studies on spending pattern of tourists in Malaysia indicated that tourists spend 35 per cent of their travel budget on accommodation (Poon and Low, 2005, Zailani, Omar and Kopeng, 2011, Abdullah, Ishak and Bustamam, 2012). Hotels are important because they are the place in which tourists relax at night after participating in tourist activities in a day. In relating hotel services and Muslim travelers behavior on religion practice, studies indicated that seventy per cent of the Muslims tourists would keep religious sensitivity while travelling. Studies show that 70 per cent of Muslim tourists retain their religious sensitivity while travelling (Duman, 2011). For Muslim tourists, staying at a hotel that accommodate their religious needs will probably increase their satisfaction level (Battour, Ismail and Battor, 2011).

Previous study also show that high customer satisfaction is important for tourists to repeat purchase, increase trust and instill loyalty (Mey, Akbar and Fie, 2006, Albayrak, Caber and Aksoy, 2010). Despite all this, there is a lack of academic information and research on the Islamic services provided by Malaysian hotels. Given the importance of hospitality in tourism, and the potential of Islamic tourism, this study seeks to explore hotel practices when providing Islamic services in Malaysia.

1.5 Problem Statement

Religion is one of the powerful segmentation for business (Bonne, Vermeir and Verbeke, 2009). Previous studies on how religion affects consumptions have shown that religion is the important force that shapes belief and influences their consumption decisions (Sahin, 2005, Atteq-ur-Rehman and Shabbir, 2010, Nazlida and Mizerski, 2010). Atteq-ur-Rehman and Shabbir (2010) argued that religiosity has been identified as a significant factor that gives impact on the new products adoption among Muslims.
The study suggested that since religion affects Muslim attitude in new product adoption, businesses must develop products or services compatible with the religious and spiritual requirements of the Muslim customers (Atteq-ur-Rehman and Shabbir, 2010).

Some scholars have argued that Muslims prefer to receive Islamic hospitality and to stay within familiar environments while travelling (Syed, 2001, Al-Hamarneh and Steiner, 2004, Battour, Ismail and Battor, 2011, COMCEC, 2016a). A study on Muslim travellers’ needs in Malaysia found that Muslim travellers are concerned on several issues such as the availability of Halal food, prayer facilities, Islamic entertainment, Islamic dress codes and Islamic call for prayer at the travelling destination at the destination (Battour, Ismail and Battor, 2011). At international level, Muslim tourists considered availability of Halal food, bidet in the toilet, no alcoholic drink in the room, food for iftar and sahoor, no adult entertainment, family entertainment room, moderate staff attire, separate recreational facilities and a copy of Quran in the room are important at the hotel (COMCEC, 2016a). Therefore, it is important for Islamic service providers, such as hotels, to address Muslim travellers’ needs in an effort to develop a loyal Muslim customer base (Mohsin, Ramli and Alkhulayfi, 2016).

Research on faith base products have focused on demand side in the area of product adoption and consumer consumption behavior. There is a dearth of studies that address the supply side of managing and producing religious services (Karijin et al., 2007, Bonne, Vermeir and Verbeke, 2009, Issa et al., 2009). For Islamic services, studies on supply side are important due to strict rules or special requirements that hotel must fulfil in order to provide Islamic services, such as a requirement to prepare and store Halal food. Additionally, limited studies have examined the organizational and expert perspectives on the implementation of innovative religious services (Wisdom et al., 2013). Despite the important role of religion towards consumer in consumption, there is lack of academic research that relating to religion and hotel services from the supply side view such as on hotels or industry experts.

Previous literature on IFH are descriptive and still developing (Henderson, 2010, Siddiqui, 2011, Md Salleh, 2014). Different types of Islamic services provided by hoteliers due to many versions of Islamic hotel standard, creating confusion among
hoteliers and potential customers (Henderson, 2010). This confusion hampered the development of IFH, giving unclear direction for hoteliers to adopt IFH and confuse the potential customers on the Islamic services provided by IFH (Rosenberg and Choufany, 2009, Henderson, 2010, Siddiqui, 2011, Md Salleh and Md Nor, 2015, COMCEC, 2016b). For example, Zailani et al. (2011) state that after the Halal revolution, as most of Muslim customers have good awareness of what they purchase, various versions of IFH standard are causing inconvenience to hoteliers and consumers.

A review of published literature shows that, to date, several models of IFH concepts have been proposed by scholars (Din, 1982; Hashim et al., 2006; Rosenberg and Choufany, 2009; Henderson, 2010; Okasha, 2010; Stephenson, Russel and Edgar, 2010). However, these models are conceptual and non-empirical. The IFH concepts proposed by scholars were based on Western accommodation services rather than address Islamic values and Muslim needs (Din, 1982; Hashim et al., 2006). Additionally, most models are developed based on observations in Middle Eastern countries, which apply shariah law strictly in their business operations (Al-Hamarneh and Steiner, 2004; Henderson, 2009; Zamani-Farahani and Henderson, 2009). There is insufficient knowledge of how to apply the IFH model in a moderate country like Malaysia (Razalli, Abdullah and Hassan, 2012, Md Salleh, 2014). Therefore, this study will address this gap by investigating IFH practice by hotels in Malaysia, as well as key drivers and implementation issues.

As providing comprehensive Islamic services in hotel is still a new practice among hoteliers in Malaysia, IFH could be considered as an innovation in hotel industry. Rogers (2003) defined innovation as any practice, new idea, or object that is new to an organization. For example, the adoption of Halal certificate and the conversion to an Islamic hotel are considered as a new practice. In this study, IFH is categorized as service innovation because IFH is a new service concept in Malaysia. As the development of IFH in the hotel industry is still nascent, the adoption of IFH practices is an innovative process for accommodation service provider (Hjalager, 2010, Carlborg, Kindström and Kowalkowski, 2014).
Innovation helps hotel to stay competitive, sustain the market share and stay relevant in the industry (Orfila-Sintes and Mattson, 2009, Bharwani and Mathews, 2016). In coping with the challenges such as high competition, advancement of technology development and rapid changes in customer needs, hotels look for ways to improve their services by adopting innovation (Jinzhao and Jing, 2009, Abdul Rahman, 2010, Md Salleh et al., 2010). Adoption of innovation is a catalyst to improve service quality, enhancing hotel reputation and competitive advantage (Orfila-Sintes, Crespi-Cladera and Martinez-Ros, 2005, Ottenbacher and Gnoth, 2005).

Studies on service innovation in the hotel industry is less comprehensive than product innovation in manufacturing industry (Stevens and Dimitriadis, 2005). Studies in this area focus on the adoption and impact of service innovation at hotels, such as the practice of green hotel (Orfila-Sintes, Crespi-Cladera and Martinez-Ros, 2005, Ottenbacher and Gnoth, 2005, Victorino et al., 2005, Verma et al., 2008). Limited studies have been conducted on the adoption of service innovation (namely IFH) in Malaysia, this study will develop insights and understandings of the key drivers of service innovation adoption and implementation among hotels in Malaysia.

The diffusion of innovation (DOI) theory has been widely applied in adoption and implementation of innovation research in various science and academic fields (Frambach et al., 1998, Tether and Howels, 2007, Mohamad Hsollah and Md. Idris, 2009, Hashim et al., 2010). Rogers’ (2003), DOI theory suggested that organization innovativeness influence adoption and implementation of a new innovation. There are three elements including leader characteristics, internal and external characteristics of organization that effect organization innovativeness (Rogers, 2003). Due to the nature of this study, to provide supply view of IFH implementation, DOI theory provide related explanation on elements that influence hotel to implement IFH from the organizational perspectives.

In brief, to the best of my knowledge, there is no comprehensive framework or model has been found for implementing IFH practices in Malaysia. Given the importance of hospitality industry and prospect of Islamic tourism market in Malaysia, few studies have been conducted on the Islamic services provided by hotels. Moreover, little attention has been paid to the implementation of innovation in
Malaysian service industry, particularly hospitality industry. To understand the IFH practices, this exploratory qualitative study was conducted to investigate the influencing factors for hotels to implement IFH and its challenges in Malaysia.

1.6 Research Aims

The purpose of this study was to explore the IFH practices in the Malaysian hotels industry. This study aims to understand the implementation of IFH. IFH implementation is defined as the Islamic values applied to a hotel’s business functions and discussion of the study’s findings is according to the practice of IFH.

1.7 Objectives of the Study

This research is driven by the following objectives:

1. To investigate the factors influencing hotels’ implementation of service innovation, such as IFH in Malaysia.
2. To determine the challenges or barriers to implementation of IFH in Malaysia.
3. To explore the features of IFH in Malaysia.

1.8 Research Questions

1. What are the key drivers for hotels to implement service innovation such as IFH?
2. What are the issues faced by the hotels in providing Islamic services?
3. What are the barriers for hotels to adopt IFH in Malaysia?
4. What are the Islamic hotel features provided by hotels in Malaysia?
5. How would hotels describe their Islamic services to Muslim guests?
1.9 Significance of the Study

There are lack of empirical studies focusing on the Islamic services provided by hotels in Malaysia and in the world. The available of IFH models are based on observations made in the Middle East. Further, they are conceptual, not tested and validated (Yusuf, 2009, Abdullah, 2010, Siddiqui, 2011). Therefore, there is a need for empirical research on IFH practice. IFH is practiced differently in Middle East and Malaysia because of different target market, government regulation, culture and societies. This study offers insights on IFH’ characteristics and increases managers’ understanding on factors that influence IFH practice prior to adoption and implementation of IFH. Moreover, the research on current IFH practice provides information for Malaysian government to improvise the existing policy and enhance promotion on IFH in Malaysia.

From an academic perspective, this study is important because of the lack of information on service innovation in high contact service industry such as hotels. Studies of DOI have focused on consumer adoption rather than organization adoption in hospitality industry (Bradley and Steward, 2002). Therefore, this study investigates managers’ perception of factor influential to the adoption and practice of IFH by hotels in Malaysia. The information on innovation field plays a crucial role in economic progress because innovation is at the heart of knowledge-based economy (Colecchia, 2008). Sophisticated understanding of the adoption and implementation of service innovation provides better knowledge on how service organization, such as hotels, evolve to meet the challenges of change for fulfilling the expectations of internal as well as external stakeholders. On that account, the understanding of hotel managers’ perception on attributes of service innovation will provide valuable contribution on how the hotel in Malaysia adopt and implement new services.

While the issue of shariah-compliance when creating products and services is important for Muslims, academic research regarding shariah-compliance in service industry is lacking (Sadi and Henderson, 2005, Zamani-Farahani and Henderson, 2009, Henderson, 2010, Samori, Md Salleh and Khalid, 2016). Research on supply side of IFH is important because in providing Islamic services, hotel must follow shariah law (Birchall, 2009, Yusuf, 2009, Henderson, 2010). Moreover, few studies
has addressed the complexities of managing shariah-compliance services in the hospitality industry. The results of this study will provide major contribution to the current literature on service innovation and IFH’s theoretical development. This is important to help promote Islamic tourism in Malaysia.

1.10 Scope of the Study

This study is confined to hotel industry in Malaysia. The area of Islamic friendly services in hospitality industry is new in Malaysia. Thus, there is lack of relevant statistics and reports on the adoption and implementation of IFHs. This situation limits the study to being an exploratory study, given the dearth of information available. This study is an exploratory qualitative study that comprises in-depth interviews, expert interviews and non-participant observations. The interview respondents are the top management of hotels rated four and five stars. As this study is qualitative, the results cannot be generalised to portray IFH practices of all accommodation services in Malaysia.

1.11 Operational Definitions

**Shariah-compliant hotel (SCH)**
SCH is a hotel that provides extensive or full shariah-compliant services, such as Halal food, recreation facilities and room entertainment. SCH embrace Islamic values in the area of finance, management, hotel operation, interior design and decoration.

**Dry hotel**
A dry hotel is a hotel without a bar and that does not serve alcoholic drinks in the room or in any food outlet in the hotel. Hotels in this category do not necessarily provide full shariah-compliant services. Dry hotels offer limited and basic Islamic services, such as a Kiblah sign in the hotel room and list of Halal restaurants nearby.
**IFH**
An Islamic hotel provides a few more Islamic services than dry hotels, such as Halal food, prayer rooms, Quran and prayer rugs, separate recreational facilities for men and women and no alcohol.

**Islamic tourism**
Islamic tourism refers to tourism activities that follow Islamic principles. This tourism concept includes the provision of Muslim facilities at hotels, Halal food, entertainment, shopping centres and tourist attractions for Muslim tourists.

**Service innovation**
Service innovation refers to any new service that includes a new service concept, new service business models and new ways to deliver a benefit. These could be achieved through continuous operational improvement, the introduction or adoption of new technology, investment in employee performance or management of customer experience.

**Diffusion of Innovation (DOI)**
DOI is the process of an innovation being communicated through certain channels over time among members of a social system. This process could lead to the adoption and implementation of an innovation. The diffusion process is affected by four drivers, including the innovation, time, communication of innovation and the social system.
REFERENCES


