

# The Success of Halal Supply Chain Management Practices in Malaysia

*Nik Alif Amri Nik Hashim, Faculty of Hospitality, Tourism & Wellness, Universiti Malaysia Kelantan.*

*Roslizawati Che Aziz, Faculty of Hospitality, Tourism & Wellness, Universiti Malaysia Kelantan.*

*Abdullah Muhamed Yusoff, Faculty of Hospitality, Tourism & Wellness, Universiti Malaysia Kelantan.*

*Shah Iskandar Fahmie Ramlee, Faculty of Entrepreneurship & Business, Universiti Malaysia Kelantan.*

*Wan Farha Wan Zulkiffli, Faculty of Entrepreneurship & Business, Universiti Malaysia Kelantan.*

*Zaimatul Awang, Faculty of Hospitality, Tourism & Wellness, Universiti Malaysia Kelantan.*

*Nor Maizana Mat Nawi, Faculty of Hospitality, Tourism & Wellness, Universiti Malaysia Kelantan.*

*Marlisa Abdul Rahim, Faculty of Hospitality, Tourism & Wellness, Universiti Malaysia Kelantan.*

**Abstract---** There is presently a high level of attention of being paid to halal supply chain management by academics in Malaysia as part of an overall increase in research into Supply Chain Management (SCM). There are currently massive prospects in the worldwide halal sector. This area of business is quickly growing and Malaysia is riding the wave to become a main halal centre (better known as Halal-hub) globally. The research carried in this paper is aimed at the identification of factors which govern the success of halal supply chain management practices. Malaysian-based companies employing halal supply chain practices will act as the respondents in this research. This proposed study will apply the quantitative technique with self-administered questionnaire distribution. While the data gathered will be analysed using IBM SPSS version 23. The results of this work are anticipated to be instrumental in increasing the body of published works on halal supply chain management generally and from the Malaysian perspective particularly. Fundamental information concerning matters and problems in the contribution of Supply Chain Management and Halal Supply Chain Management (HSCM) is also likely to be a product of this study. At the same time practitioners can use the study's results in their marketing strategic planning for future business.

**Keywords---** Supply Chain Management (SCM), Halal Supply Chain Management (HSCM), Firm, Performance, Malaysia.

## I. Introduction

The philosophy of modern marketing has shifted significantly where businesses have now turned to an approach that is value-based instead of one that is consumer-centred approach, elevating the idea of marketing to consider human aspirations, values, and morals (Kotler, Kartajaya & Setiawan, 2010). Consumers are now empowered by advanced information technology usage in all life aspects which has led to the advent of a knowledge economy, subsequently appearing to result in a demand for high-quality goods & services (Annabi & Ibadapo-Obe, 2017; Hashim, Ramlee, Yusoff, Nawi, Awang, Zainuddin, Abdullah, Ahmad, Rahim & Fatt, 2019). Supply Chain Management (SCM) has also been the subject of intense study over the preceding twenty years (Abdallah, Obeidat, & Aqqad, 2014), while Malaysia academicians in the preceding few years have focused on Halal SCM. James and Mbang (2012) found that Supply Chain (SC) and Supply Chain Management (SCM) have significantly influenced corporate efficiency. SC is defined as a complete system of distributing and adding value to products that start from raw materials to finished products and from companies to end buyers while SCM covers the activities over the breadth of the SC. The process of combining raw materials or resources, adding value to them and then selling the finished merchandise to end users is the SC, whereas SCM is concerned with examining and managing supply chain networks (James & Mbang, 2012). Most of the businesses are focusing on providing Halal products and services in Muslim countries, providing more value as compared to their competitors. Halal product demand has significantly grown globally along with the increase in the number of Muslims and their observation of Islamic tenets. Simultaneously, there has also been a rapid growth and development of the halal industry. The difference between halal and conventional SCM is Halal SCM requires Halal guidelines and stipulations for designing the particular aims of the supply chain, supply chain network structure, logistics control, supply chain resources, supply chain business processes, and supply chain performance metrics (Tieman, Vorst, & Ghazali, 2012).

The integration of a company with its suppliers, manufacturers, and buyers is vital in the context of supply chain. The company together with its suppliers and manufacturers need to practise the Halal SCM principles to ensure the quality and standard of Halal are adhered to particularly for those companies intentionally serving Halal products or services to the company. The supply chains of halal food are susceptible to disruptions because of their high quality of trust (Bonne & Verbeke, 2007), the necessity for conserving Halal integrity across the supply chain (Tieman, 2011), the principle of eliminating uncertainties in Halal food (Kamali, 2010). Many companies nowadays regardless of whether they have obtained the Halal certificate from Jabatan Kemajuan Islam Malaysia (JAKIM) or not try to convince their consumers by stating that their products are Halal. However, consumers face a problem as they are not aware of the right processes to produce a product according to the Standard Operating Procedure (SOP) for maintaining the Halal status without combining the product with non-Halal and doubtful things. The level of consumer confidence can be increased by the adoption of Halal certification in quality management practices. Therefore, it can lead to a higher consumer satisfaction level (Abdul, Ismail, Hashim, & Johari, 2009). Products such as food and beverage, cosmetics, and medicine are some of the products that require Halal certification, but some companies have been caught for misusing the Halal logo by fixing a fake logo on their products. The question that arises here is whether Halal SCM is still new in Malaysia. Given these issues, it is vital to know the factors that make SCM Halal a success factor in the company's performance. In addition, company managers need to ensure that the sources for their products are Halal without combining halal goods with non-Halal goods to serve the Muslim customers as they put their trust in the Halal certificate used by the companies.

## II. Literature Review

### *Supply Chain Management Concept*

The supply chain is defined as a complete system of distributing and adding value to products that start from raw materials to finished products and from companies to end buyers. Conversely, supply chain management covers the activities over the breadth of the SC i.e. the value-added activities of extracting resources, transforming them to products and delivering them to end consumers (Wisner & Tan, 2000). SCM was first introduced in 1982 by Keith Oliver (Heckmann, Shorten, & Engel, 2003). SCM is complex and involves multiple departments of the company such as procurement which acquires the resources, logistics which transports materials and products, manufacturing, inventory (warehousing), and distribution (Heckmann et al., 2003).

### *The Practices of Halal Supply Chain Management*

Avoiding the Haram, eliminating or reducing the risk of contamination, and making that every aspect of it respects the perceptions of Muslims consumers are the foundations of Halal SCM. The product and market features are important in Halal SCM (Tieman, 2011). The firm's success is influenced by the factor of a Halal SCM practice which comprises strategic supplier practices, customer relationship, and information sharing. These are going to be the study's independent variables. Halal SCM consists of three elements, that is (i) Strategic Provider Partnership, (ii) Relationships of Customer and (iii) Sharing of Information. Therefore, a deeper discussion of each element in the contributing factors of halal supply chain management success in Malaysia is vital.

The first contributing factor is supply chain partnership. Supply chain partnership is when two companies or more in the supply chain strategically combine and embark on joint ventures and collaborations to create value in their primary business activities. These are activities like research, product development, production, marketing, sales, and distribution that are aimed towards profit increases for all partners through minimising the total cost of procurement, ownership, and goods and services disposal (Maheshwari, Kumar, & Kumar, 2006). Gilaninia, Chirani, Ramezani, and Mousavian (2011) found strategic supplier partnership to be a long-term partnership that involves a company and its supplier, demonstrating that SCM means manufacturers invite their suppliers to be involved in planning, purposing, and developing a product which assists them in product quality improvement and problem solving.

The second factor that will be further discussed is customer relationship. Businesses use this strategy to nurture emotional relationships with customers by using different methods and skills, usually by employing the latest communication technologies that result in fast and accurate performance (Unhanandana, 2012; Musa, Muhayiddin, Yusoff, Ismail, & Muhamad, 2019; Hashim, Zulkiffli, Aziz, Nawi, Awang, Muhammad, & Yusoff, 2020). Customer relationship can also be defined as methods for managing customer complaints, long-term customer relationship, and customer satisfaction (Gilaninia et al., 2011). The third contributing factor to successful halal supply chain management practices is information sharing, which is considered as a relationship marketing strategy. This strategy is employed to build a close relationship with business partners, which acts as switching barriers discouraging

clients from moving to their rivals (Tai & Ho, 2010). Information sharing also assists businesses in safeguarding their future as it improves forecast accuracy, ensures that information flows efficiently in the supply chain, and enhances the management of inventory and production planning processes. (Petrovic-lazarevic, Sohal, & Baihaqi, 2007).

**Firm Performance**

This proposed study intends to measure firm performance by using the competitive edge. Examples of competitive edge are price, quality, delivery dependence, time to market, and product innovation. According to Li, Ragu-Nathan, Ragu-Nathan and Rao Subba (2006), competitive pricing advantage is when organisations are able to compete with their main rivals on the basis of low prices. Quality in competitiveness is when organisations can supply products and performance of high quality which gives consumers higher value (Koufteros, 1995). Li et al. (2006) also asserted that delivery dependability is when organisations are able to supply consumers with the required products in sufficient quantity in a timely manner while product innovation is when an organisation can put new products to market quicker than its main rivals. The competitive edge of time to market is when a company is able to deliver novel products and features for sale (Koufteros, 1995).

**III. Proposed Conceptual Framework**

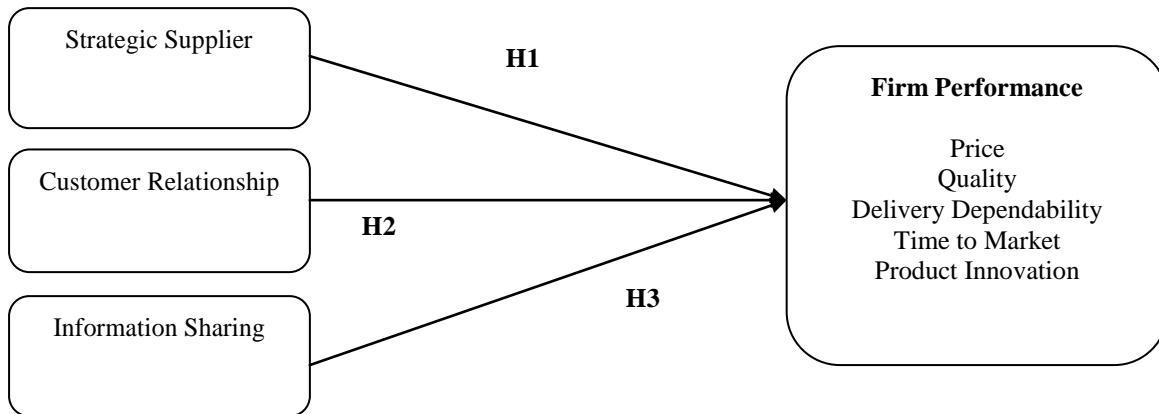


Figure 1: A Proposed Conceptual Framework for Halal Supply Chain Management Practices

Having its origin in the literature, the conceptual framework as shown in Figure 1 was proposed. This research intends to evaluate the success factors of Halal SCM in the context of the company's performance. Thus, the following hypotheses are proposed:

- H1: Strategic supplier partnership have a positive relationship with Halal supply chain management practices.
- H2: Customer relationship has a positive relationship with Halal supply chain management practices.
- H3: Information sharing has a positive relationship with Halal supply chain management practices.

**IV. Research Methodology**

**Research Design**

The research design is basic planning that consists of collecting, measuring, and analysing data. Since this study empirically investigates the determinant factors that make Halal SCM success in firm performance, the quantitative method is the most preferable way to be adopted for this study. The population of this study will comprise companies that implement the Halal supply chain practices in Malaysia. The list of companies that have received the Halal certificates will be obtained from JAKIM.

**Plan for Data Collection**

This study will employ both primary and secondary data. A survey will be used to gather the primary data while the secondary data will be gleaned from information in media such as magazines, articles, the Internet, and news outlets. The respondents will be selected using convenience sampling, and a self-administered questionnaire distribution approach will be used because the cost is cheaper and the researcher will obtain more accurate information.

### Plan for Data Analysis

The researcher will employ IBM SPSS version 23 to analyse the primary data. Prior to the actual data collection process, a reliability and validity test will be conducted for this study. The extent of the items' interrelatedness to each other will be determined by performing a reliability analysis. Cronbach's alpha will be calculated to evaluate the model for internal consistency based on the average correlation between items used to determine item homogeneity.

Table 1: Procedure of Data Collection

<b>Sampling</b>	Halal supply chain companies
<b>Method of sampling</b>	Convenience Sampling
<b>Research Method</b>	Quantitative Technique
<b>Data collection technique</b>	Self-Administered questionnaire distribution
<b>Plan for Data Analysis</b>	IBM SPSS version 23

### V. Conclusions

This research aims to discover the influential factors in the success of practices in Halal supply chain management. There are three objectives proposed in this work. As the subject area of the research is still being investigated, the research is projected to substantially contribute to the present academic understanding the supply chain management field. In addition, the study's findings would help to potentially increase and update the current literature in connected areas. From a practical perspective, this study will contribute to various companies in ensuring that their products are Halal. The performance of firms will be improved by strategic supplier partnership, customer relationship, and information sharing.

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