

HALAL VALUE CHAIN

BISNIS ISLAM



AGENDA



Supply Chain Management

Halal Supply Chain

Halal Product

Halal Standard and Certification

X Supply chain is a sequence of processes (decision making and execution) and flows (material, money, and information) that aim to meet final customer requirements and take place within and between different supply stages (van der Vorst and Beulens, 2002).

- ✗ Includes: manufacturer and suppliers, transporters, warehouses, retailers, and consumers (depending on the logistics flows).

✘ According to Chopra and Meindl (2001), it includes, but is not limited to, new product development, marketing, operations, distribution, finance, and customer service.

Supply Chain Management Definition

Supply Chain Management (SCM) is the integrated planning, co-ordination and control of all business processes and activities in the supply chain to deliver superior consumer value at less cost to the supply chain as a whole whilst satisfying requirements of other stakeholders in the supply chain (e.g. government and NGO's) (van der Vorst and Beulens, 2002).

The term 'Supply Chain Management' first appeared as an inventory management approach with an emphasis on the supply raw materials (Oliver and Webber, 1982).

Literature on SCM stresses the need for collaboration among successive actors, from primary producer to final consumers, to better satisfy consumer demand at lower costs (Bechtel and Jayaram, 1997; Lambert and Cooper, 2000).

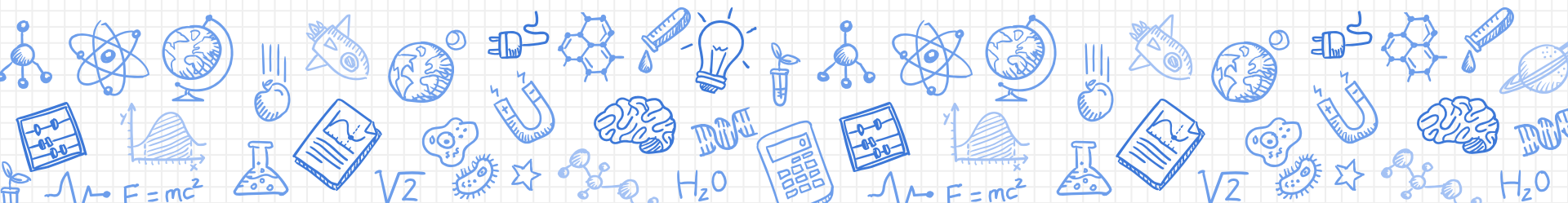


Characteristics of SCM (Cooper and Ellram, 1993)

<i>Element</i>	<i>Traditional Management</i>	<i>Supply Chain Management</i>
Inventory management approach	Independent efforts	Joint reduction in channel inventories
Total cost approach	Minimise firm costs	Channel-wide cost efficiencies
Time horizon	Short term	Long term
Amount of information sharing and monitoring	Limited to needs of current transactions	As required for planning and monitoring purposes
Amount of co-ordination of multiple levels in the channel	Single contact for the transaction between channel pairs	Multiple contacts between levels in firms and levels of channel
Joint planning	Transaction-based	On-going
Compatibility of corporate philosophies	Not relevant	Compatible at least for key relationships
Breadth of supplier base	Large to increase competition and spread risk	Small to increase co-ordination
Channel leadership	Not needed	Needed for co-ordination focus
Amount of sharing of risks & rewards	Each on its own	Risks & rewards shared over longer term
Speed of operations, information and inventory flows	'Warehouse' orientation (storage, safety stock). Interrupted by barriers to flows. Localised to channel pairs	'DC' orientation (turnover speed). Interconnecting flows; JIT, Quick Response across the channel



Halal Supply Chain



Halal Supply Chain Definition

Halal Supply Chain

- **Halal supply chain** starting from the point of origin to the point of consumption, including warehousing, sourcing, transportation, handling of products, inventory management, procurement, and order management which must follow the Sharia Islamic perspectives (Omar and Jaafar, 2011).

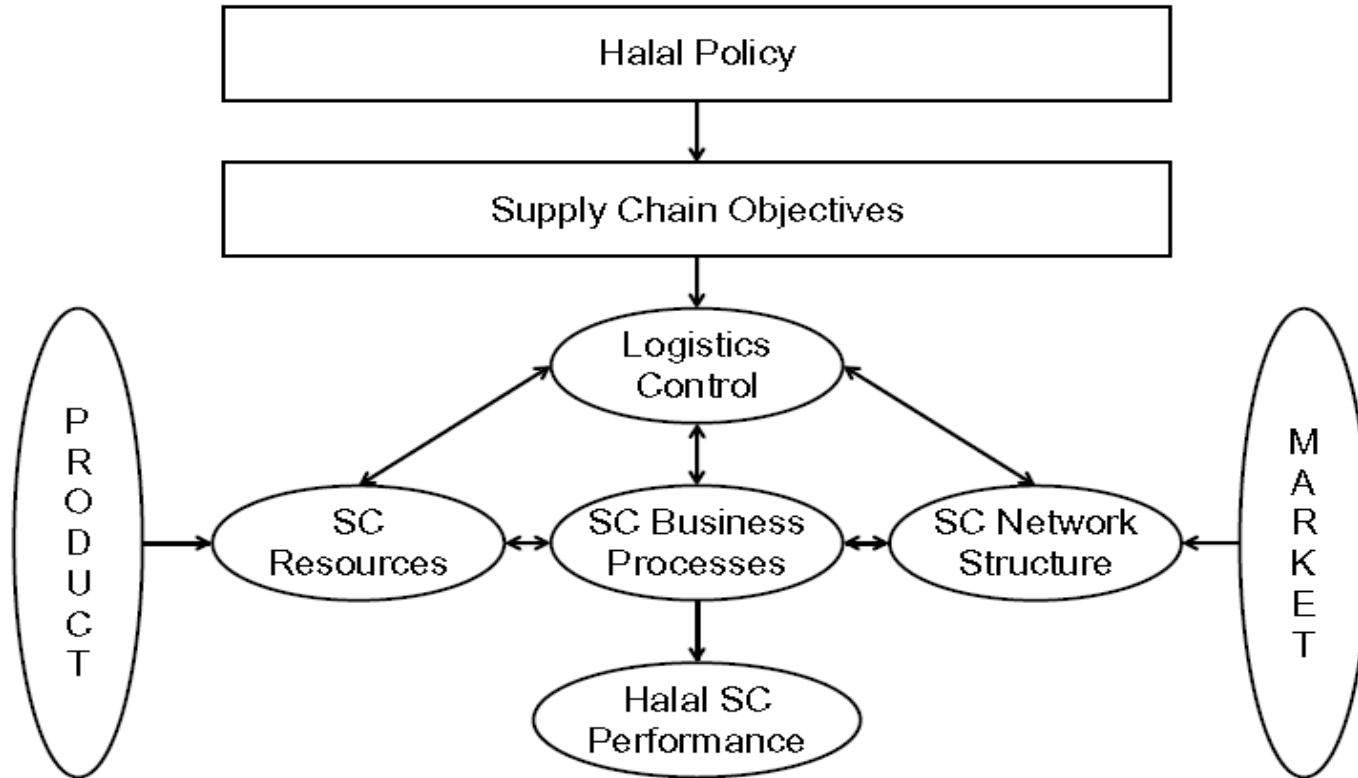
Halal Supply Chain Management

- **Halal Supply Chain Management** can be defined as the management of a halal network with the objective to extend the halal integrity from source to the point of consumer purchase (Tieman et al., 2012).

3 Halal SC Foundation

- Direct contact with haraam (prohibited)
- Risk of contamination
- Perception of the Muslim consumer (Tieman, 2011)

Halal Supply Chain Model



Tieman, et al.
2012.

*Principles in
Halal Supply
Chain
Management.*

*Journal of
Islamic
Marketing,
Vol. 3 Iss 3
pp. 217-243*

Halal Supply Chain Model

Halal policy and supply chain objectives

- Halal policy → protecting halal integrity along the SC, scope of halal certification of the organization, the assurance to consumer or customer, method of assurance
- Supply chain objectives → the design parameters of halal food SC

Logistics control

- Provides the foundation for effective decision-making and a management of a supply chain

Supply chain resources

- Organization and information management
- Requires a halal committee

Halal Supply Chain Model

Supply chain network structure

- A network of connected and interdependent organizations mutually and co-operatively working together to manage, control, and improve the flow of materials and information (Aitken, 1998).

Supply chain business process

- For halal food SC → customer order fulfilment, manufacturing flow management, procurement

Halal supply chain performance

- Measure the effectiveness perspective of a SC → *process quality* and *waste*.
- Process quality: strength/trust of a brand, credibility of a halal certificate, consumer complaints received regarding the halal status of product.
- Waste: minimized by using re-usable transport packaging, environment control

Halal SCM Critical Success Factor



Government Support

- Involves planning, developing, implementing, regulating, promoting and educating Halal industrial players and Halal consumers (Samsi et al., 2011).

Dedicated Assets

- Complete segregation between Halal and non-Halal products during distribution, and assets vary from transportation, warehousing or equipment (Talib et al., 2015).

Information Technology

- Technologies such as Transportation Management System (TMS), Warehouse Management System (WMS), Electronic Data Interchange (EDI) dan Global Positioning System (GPS) (Tan et al., 2012).

- The need for training in Halal logistics industry is undeniable as it is important to ensure that customers experience a total Halal supply chain (Pahim et al., 2012).

- Divided into 2 categories Barratt (2004)
- **Vertical:** external collaboration with suppliers and customers.
- **Horizontal:** external collaboration with competitors or non-competitors from other organizations.

Halal SCM Critical Success Factor

Halal Certification

- Symbolizes trust, satisfaction, clean healthy and promotes good lifestyle (Burgman, 2007; Abdul et al., 2009).
- Will increase market share and improve competitiveness (Abdul et al., 2009).

Halal Traceability

- Prevent revocation of Halal certification and recall of products (Shafi et al., 2013).
- Will protect a company's reputation and increase customers' confidence (Khar et al., 2010).



Example: Halal SC in Malaysia's Food Industry

✕ From that model, the Halal SC will start from the farm, and the slaughter house, to transporting and storing of the poultry products before they reach customers (Omar and Jaafar, 2011). The 3 aspects from the model are:

1. **Halal Animal Feed**; anything that is fed to the poultry, cattle, and sheep must be halal and the feed mill should not contain animal hormone such as pork enzyme even if the main reason is to stimulate animal growth.
2. **Proper Slaughtering Process**; the process of slaughtering poultry (for this case) needs to be done in a proper way according to Sharia principles.
3. **Proper Segregation**; all activities such as handling, packaging, transporting, and storing need to be segregated and dedicated in ensuring a Halal SC will be achieved and provided to customer.

The diagram consists of four speech bubbles on a grid background. A large red bubble on the left contains the text 'Lawful food; food of animal and plant origin, drink, food additives'. To its right is a yellow bubble containing 'Slaughtering method'. Below the yellow bubble is a large blue bubble containing 'Preparation, processing, packaging, transportation, and storage'. A small blue bubble is positioned at the top center, pointing towards the other three bubbles.

Lawful food; food of animal and plant origin, drink, food additives

Slaughtering method

Preparation, processing, packaging, transportation, and storage

Lawful food; food of animal and plant origin, drink, food additives

Slaughtering method

**Preparation,
processing, packaging,
transportation, and
storage**

Halal Product

Lawful Food

NO: pigs, dogs, snakes, monkeys, donkeys, carnivorous animals, birds of prey, pests, *animals not slaughtered according to sharia*, intoxicating plants, alcoholic drinks, all food additives derived from prohibited ingredients e.g. pork gelatine

Slaughtering

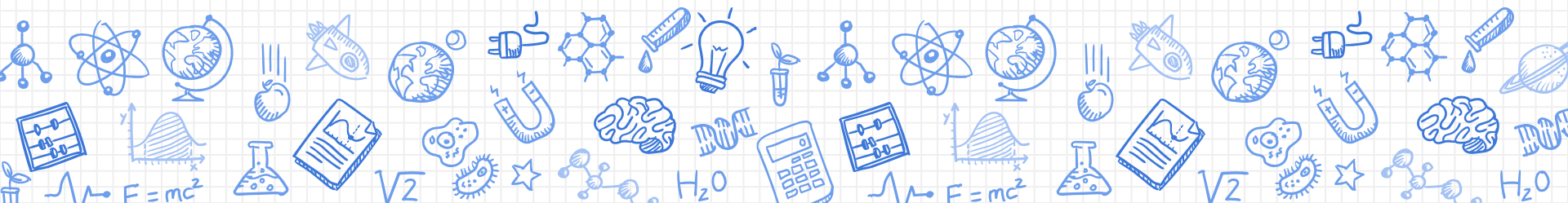
Should be muslim, animals are alive, state “Bismillah”, sharp devices, lawful according to Sharia

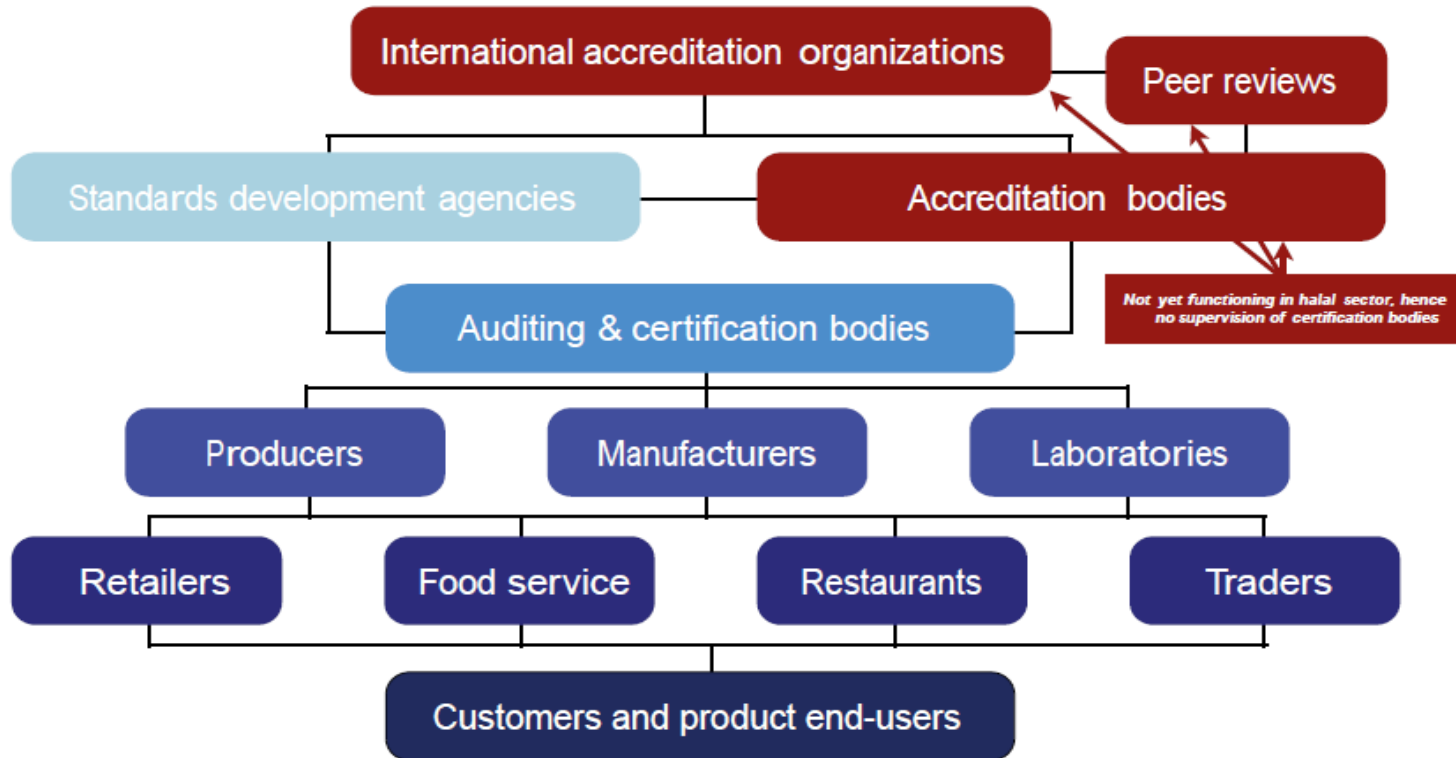
Preparation, processing, packaging, transportation, and storage

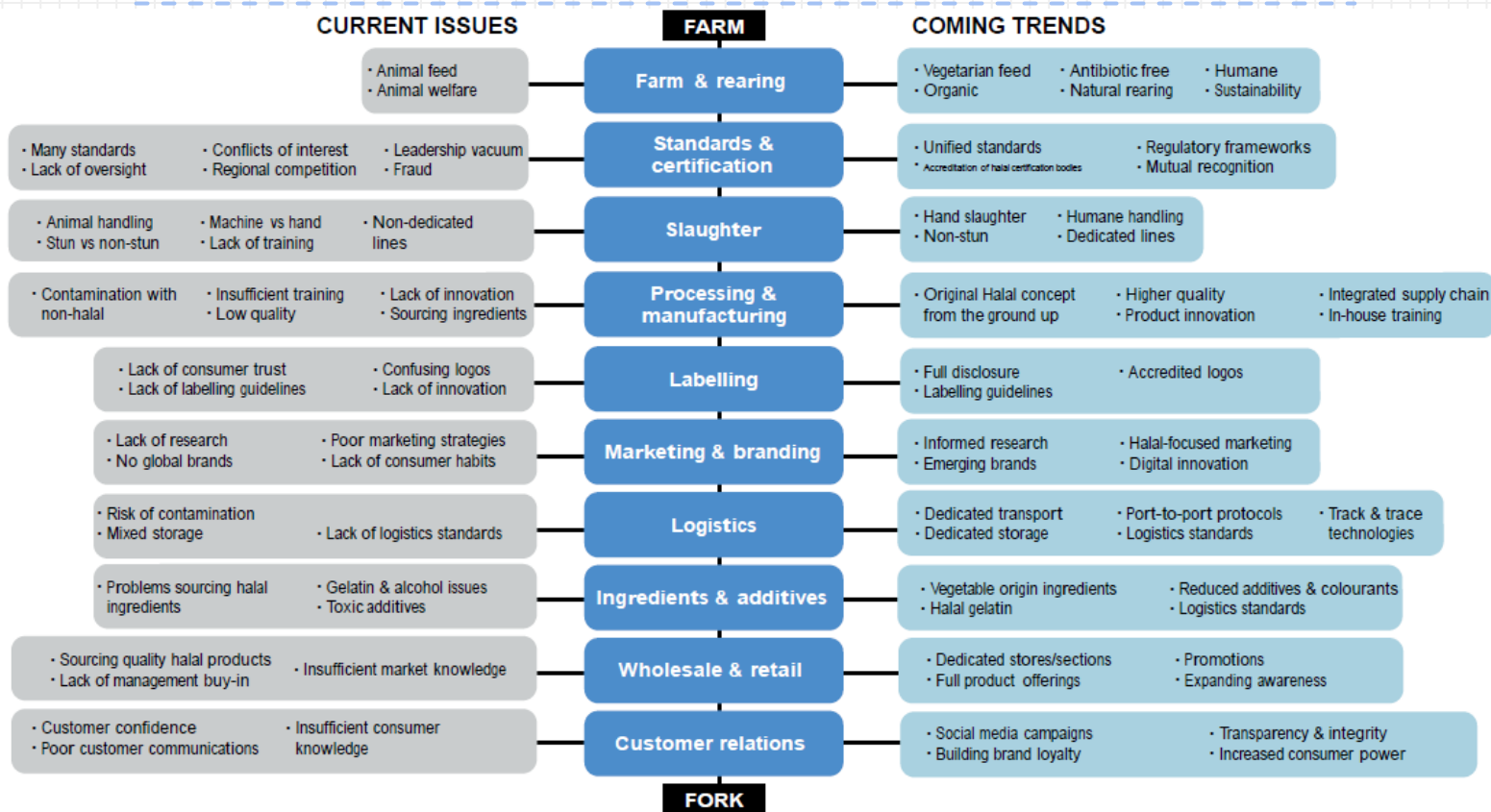
NO: contain prohibited (haraam) things, using appliance or facility that was not free from anything unlawful according to Sharia. *Should be separated from the haraam items.*



Halal Standard and Certification









"O Allah, I seek Your protection from useless knowledge, from a heart which is not disposed to fear You, from insatiable desire, from a prayer which is not answered and I seek Your protection from all the four said evils." (H.R. Abu Daud)

Sources

- ✗ Omar, E. and Jaafar, H., 2011. *Halal Supply Chain in the Food Industry – A Conceptual Model.*
- ✗ Talib et al., 2015. *Halal Supply Chain Critical Success Factors: A Literature Review.* Journal of Islamic Marketing
- ✗ Tieman, et al. 2012. *Principles in Halal Supply Chain Management.* Journal of Islamic Marketing, Vol. 3 Iss 3 pp. 217-243
- ✗ Van der Vorst, J., and Beulens, A. 2002. *Supply Chain Management; Theory and Practices.*
- ✗ General Guidelines for Use of the Term “Halal”, FAO

