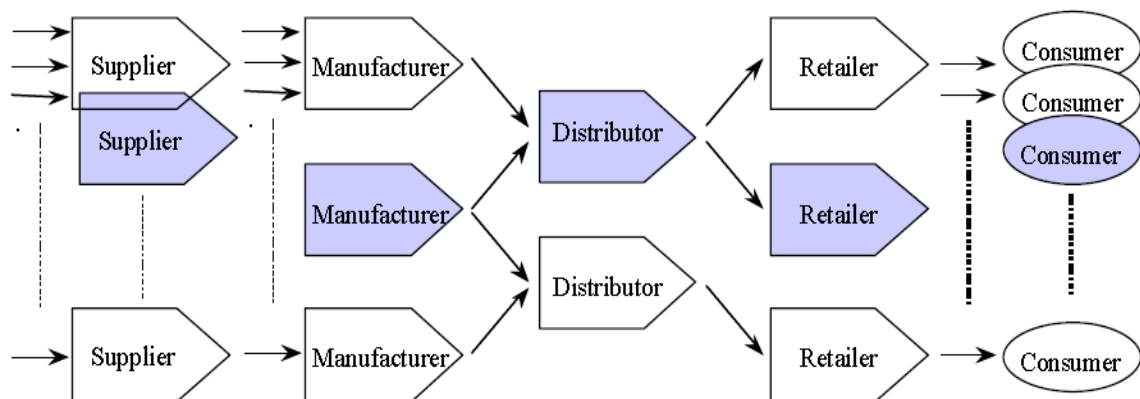


## MODUL BISNIS ISLAM

### “HALAL VALUE CHAIN”

#### Supply Chain Management

- **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).
- The supply chain not only includes the manufacturer and its suppliers, but also transporters, warehouses, retailers, and consumer themselves, depending on the logistic flows.
- According to Chapra and Meindl (2001), the supply chain also includes, but is not limited to, new product development, marketing, operations, distribution, finance, and customer service.
- Schematic diagram of a supply chain (shaded) within the total supply chain network (van der Vorst and Beulens, 2002).



The model above depicts a generic supply chain within the context of the total supply chain network. Each firm belongs to at least one supply chain (a firm could have multiple suppliers and consumers).

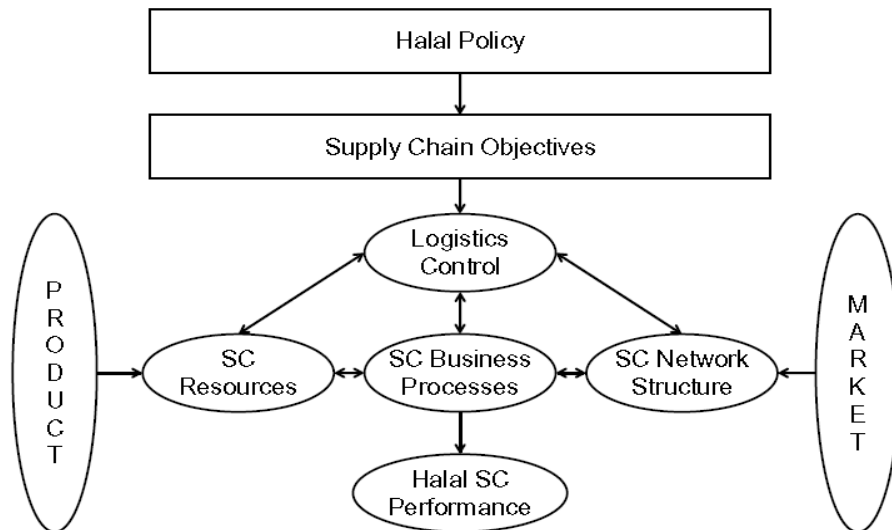
- **Supply Chain Management (SCM)** is the integrated planning, co-ordination and control of all business processes and activities in the supply chain to deliver superior consumer value at less cost to the supply chain as a whole whilst satisfying requirements of other stakeholders in the supply chain (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 according to Cooper and Ellram (1993)

Element	Traditional Management	Supply Chain Management
Inventory management approach	Independent efforts	Joint reduction in channel inventories
Total cost approach	Minimize 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 contact 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 risks and rewards	Each on its own	Risks and rewards shared over longer term
Speed of operations, information and inventory flows	‘Warehouse’ orientation (storage, safety stock). Interrupted by barriers to flows. Localized to channel pairs.	‘DC’ orientation (turnover speed). Interconnecting flows; JIT, Quick Response across the channel.

### Halal Supply Chain

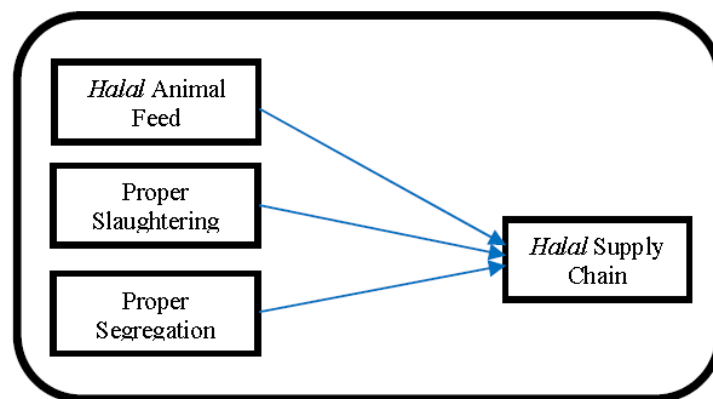
- **Halal supply chain** starting from the point of origin to the point of consumption, including warehousing, sourcing, transportation, handling of products, inventory management, procurement, and order management which must follow the Sharia Islamic perspectives (Omar and Jaafar, 2011).
- **Halal Supply Chain Management** 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 SCM Foundations:** direct contact with haraam (prohibited), risk of contamination, and perception of the Muslim consumer (Tieman, 2011).
- In Tieman’s model, **risk** is based on the product characteristics (e.g. dry versus wet products, bulk versus unitized products), while **perception** is based on the market requirements, such as Islamic school of thoughts, local fatwas and rules.



Source: Tieman, et al. (2012)

- This model was developed by van der Vorst and Beulens (2002) based on Cooper's supply chain model framework (Cooper et al., 1997) and provides a sound basis that has been further enhanced for the halal supply chain model.
- **Halal Policy** addresses the responsibility of an organization in protecting the halal integrity along the supply chain, scope of halal certification of the organization, the assurance to the consumer or customer, and the method of assurance (control mechanisms; halal committee, halal compliance officer and inspections).
- **Supply chain objectives** (logistics and customer service objectives) are in line with the framework for chain/network development for food supply chains (van der Vorst and Beulens, 2002) and are being formulated that direct the design parameters (Schnetzler et al., 2007) of halal food supply chains.
- **Logistics control** provides the foundation for effective decision-making and management of a supply chain (van Damme, 2000). According to van der Vorst (2000), important elements in logistic control are: hierarchy in decision levels, type of decision-making, positions of the customer order decoupling point, and level of coordination.
- **Supply chain resources** describe the organization and information management. For instance, a halal committee is required by a halal certified organization and responsible for the compliance of the management and practices according to a halal standard. A halal committee preferably has a halal compliance officer acting as an internal auditor; however it could also be outsourced to an independent party.
- **Supply chain network structure**, according to Aitken (1998), is a network of connected and interdependent organizations mutually and co-operatively working together to manage, controls, and improves the flow of materials and information. It is crucial for the parties evolving in a halal supply chain to be halal certified (preferred) or understand and comply with the requirements of halal supply chains.
- Halal food supply chains have particular **supply chain business processes**. These include customer order fulfilment, manufacturing flow management, and procurement.

- **Halal supply chain performance** is measured from the effectiveness perspective of a supply chain. Its important aspects to be measured are *process quality* and *waste*. Process quality addresses the strength/trust of a brand, the credibility of a halal certificate and the consumer complaints received regarding the halal status of a product; while waste addresses the physical waste in a supply chain, carbon footprint, and resources used.
- **7 Halal SCM Critical Success Factors** (Talib et al., 2015):
  1. **Government support**; government intervention and agencies support. It includes planning and controlling, development and support, regulating, promoting, and educating.
  2. **Dedicated assets**; complete segregation/dedicated fleet during transport operation. It includes logistics efficiency, reduce operation costs, enhance service quality, value-added services, maintaining integrity and controlling and monitoring.
  3. **Information technology**; applying technology for Halal monitoring, tracking, tracing, and identification. It includes integrating, improving efficiency and effectiveness, accurate information, better utilization of resources, measuring performance, controlling or monitoring operation, tracking and tracing.
  4. **Human resource management**; educating and training human capital. It includes training, evaluation, employee skills, creating awareness and understanding, better handling and higher education.
  5. **Collaborative relationship**; vertical and horizontal collaboration. It emphasizes trust and visibility, mutuality, information exchange (information technology), openness and communication, enhancing efficiency and effectiveness.
  6. **Halal certification**; halal standards and guidelines. It emphasizes assurance, safe for consumption, trust, clean and healthy, gaining global market shares, retaining consumers and transparency.
  7. **Halal traceability**; maintaining Halal status along the supply chain. It includes tracking, tracing, product safety, product quality, communication, monitoring system, supply chain transparency, information technology and certification.
- **Example**: a *proposed* conceptual framework of the Halal supply chain of the food industry in Malaysia (Omar and Jaafar, 2011), choosing Halal poultry meat supply chain as the example.



- 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.

## Halal Product

- FAO (Food and Agriculture Organization) in *General Guidelines for Use of the Term "Halal"* stated 3 criteria for use of the term Halal for food and beverage.
  1. **Lawful food**; food that is permissible according to Sharia Law. It is then divided into 4 particular aspects which are **food of animal origin, food of plant origin, drink, and food additives**. In Islam, all sources of food are lawful except the following sources, including their products and derivatives which are considered **unlawful**:
    - a. **Food of Animal Origin**
      - Pigs, boars, dogs, snakes, monkeys, mules, domestic donkeys
      - Carnivorous animals with claws and fangs; lions, tigers, bears, and other similar animals
      - Birds of prey with claws; eagles, vultures, and other similar birds
      - Pests; rats, centipedes, scorpions, and other similar animals
      - Animals forbidden to be killed in Islam; ants, bees, woodpecker birds
      - Animals which are considered repulsive generally like lice, flies, maggots, and other similar animals
      - Animals that live both on land and in water; frogs, crocodiles, and other similar animals
      - All poisonous and hazardous aquatic animals
      - Any other animals not slaughtered according to Sharia law
      - Blood
    - b. **Food of Plant Origin**  
Intoxicating and hazardous plants except where the toxin or hazard can be eliminated during processing
    - c. **Drink**
      - Alcoholic drinks
      - All forms of intoxicating and hazardous drinks

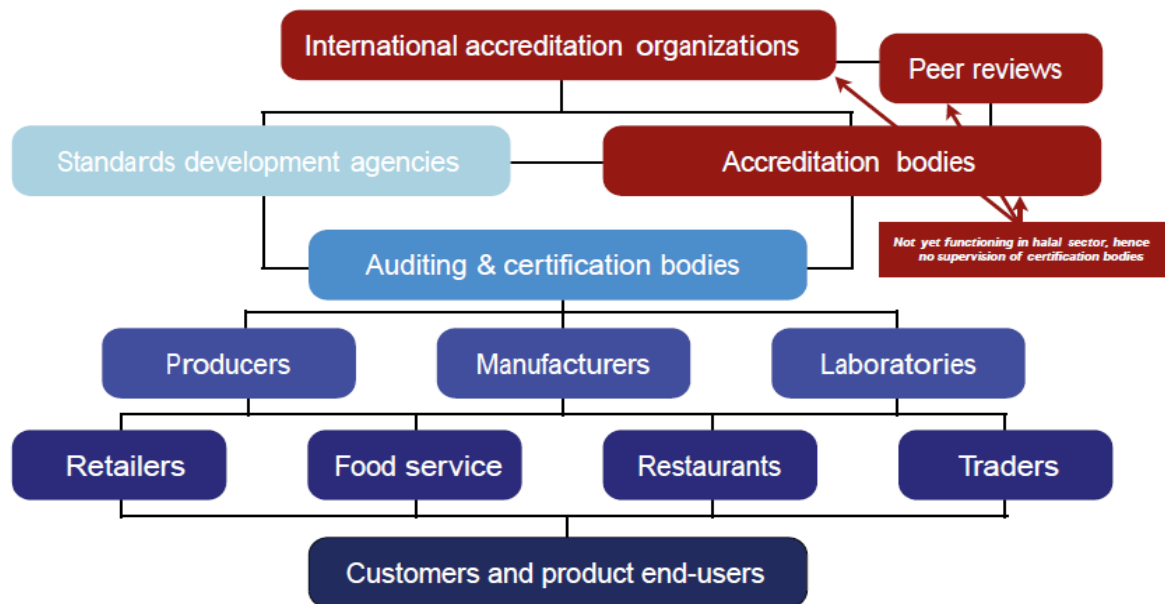
#### **d. Food Additives**

All food additives derived from items **a**, **b**, and **c** above. Example: pork gelatine

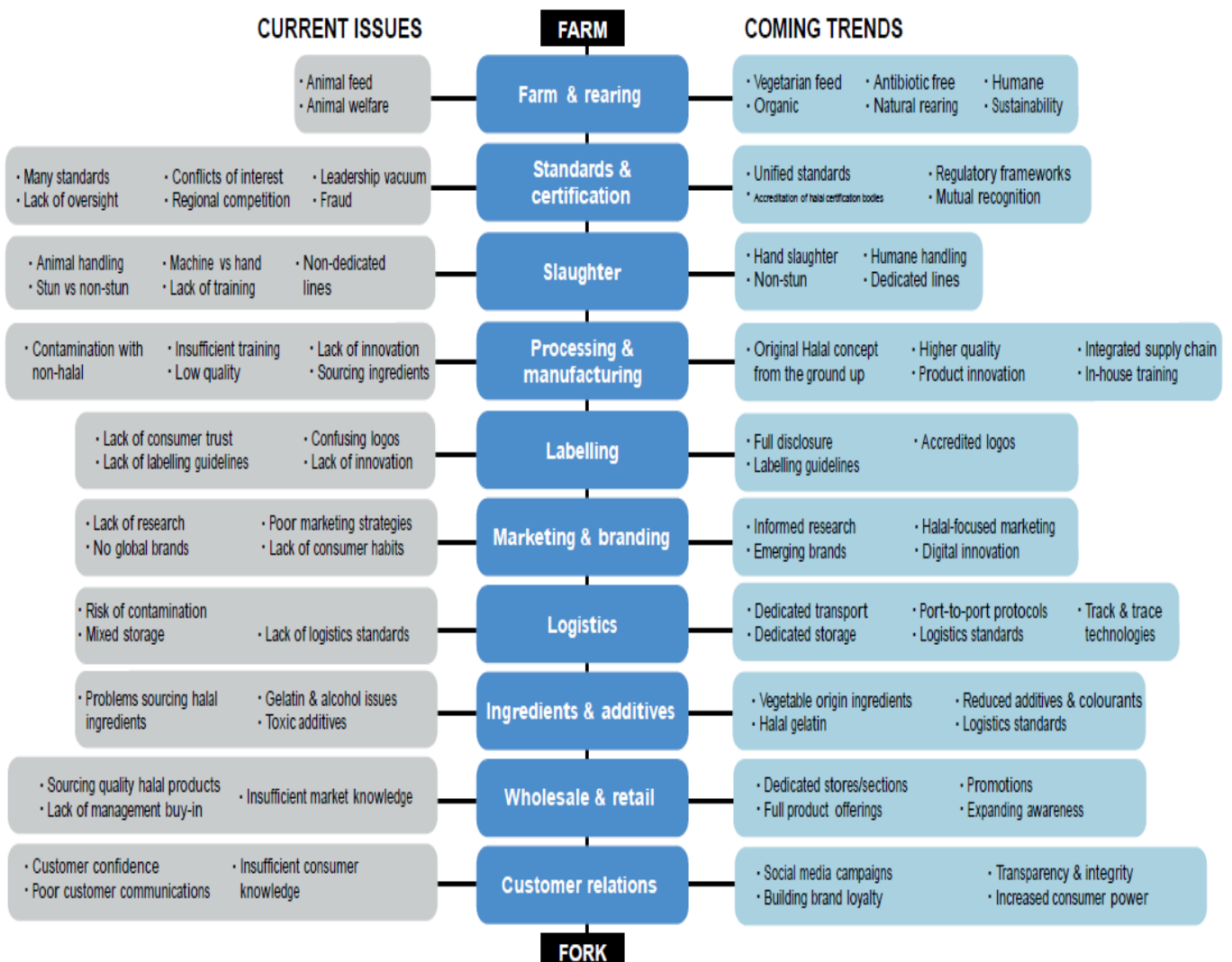
2. **Slaughtering method**; all lawful land animals should be slaughtered by following these requirements:
  - Should be a Muslim who is mentally sound and knowledgeable of the Islamic slaughtering procedures
  - Animal to be slaughtered should be lawful according to Sharia law
  - Animal to be slaughtered should be alive or deemed to be alive at the time of slaughtering
  - The phrase “Bismillah” (in the Name of Allah) should be invoked immediately before the slaughter of each animal
  - Slaughtering device should be sharp and should not be lifted off the animal during the slaughter act
  - Slaughter act should sever the trachea, esophagus, and main arteries and veins of the neck region
3. **Preparation, Processing, Packaging, Transportation and Storage**; all food should be prepared, processed, packaged, transported and stored by following these rules:
  - Does not consist or contain anything which is considered to be unlawful according to Sharia law
  - Has not been prepared, processed, packaged, transported and stored using any appliance or facility that was not free from anything unlawful according to Sharia law
  - *Halal* food can be prepared, processed, packaged, transported and stored in different sections or lines within the same premises where non-halal foods are produced, provided that necessary measures are taken to prevent any contact between halal and non-halal foods
  - *Halal* food can be prepared, processed, packaged, transported and stored using facilities which have been previously used for non-halal foods provided that proper cleaning procedures, according to Islamic requirements, have been observed

## Halal Standard and Certification

- Mainstream food sector **regulatory framework**



- **Issues: Farm-to-Fork Meat Standard**



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