CHALLENGES IN INCORPORATING MALAYSIA STANDARDS IN HALAL LOGISTICS INDUSTRY

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Abstract

This paper strives to examine challenges and issues throughout the adoption of Malaysia Standard on the current halal logistic practices implemented by logistics providers in Malaysia. The logistics practice is covering the entire supply chain process involving MS 1500 and MS 2400 which focuses on handling, warehousing, transportations, and retailing. Qualitative approach was adopted for this research paper by carrying out in-depth interviews and, observations with regards to the relevant logistics providers and government authorities. The collected data are then thoroughly be analyzed to produce findings of this research. The outcomes obtained from this research pointed out several issues and challenges especially on the requirements, applications and implementations matters that currently happen in the context of certified halal logistic providers' attempts to adopt the Malaysian Standard into their standard operating procedure (SOP). In fact, the MS 1500 and MS 2400 can be accommodated according to their niches of business. However, the current framework, centralization and enforcement of halal logistics must be reinforced holistically by governmentauthorities and players in the industry.

Keywords: Halal logistic providers; challenges; incorporating; Malaysia Standards; Halal supply.

Introduction

Halal is no longer a religious issue, but has become a model for business among global communities including non-Muslims. This is because of the consumer 's perspective that halal- certified items are perceived to have met the healthiness, hygiene and product safety criteria [1].

Accordingly, halal has developed into a huge industry that is profitable and contributes

significantly to the economy of a country. Halal industry is now a worldwide icon of quality assurance and lifestyle preference in the market and trade spheres. Therefore, the Malaysian government targets the growth of the halal industry to continue to grow rapidly and contribute to the country's economy with anticipated profit gains of more than RM 7.4 Trillion annually [2]. Hence, the halal industry has undergone tremendous transformation and is no longer focusing on the food and beverages sector but has covered the broader sectors such as its appearance, pharmaceuticals, cosmetics, personal care, logistics and so on. In fact, any kind of business that involves halal will directly involve the logistics sector to ensure the principles of Shariah law and Halalan Toyyiban applied throughout the supply chain process. Therefore, logistic halal has begun to come as a requirement in this halal business model especially in Malaysia. Therefore, this logistic halal comprises the entire supply chain process, beginning from the source of the materials or products to the customer.

Halal logistics practices are ranging from handling, warehousing, transportations, and retailing. Thus, according to Elasrag [3], reported the halal industry has expanded not only its pharmaceutical, health care, hygiene products, and cosmetics segments but also in-services areas of the economy such as advertisement, supply chain, logistics, packaging, production, labelling, and finance. Halal industry requires logistics providers integrating the halal logistics practices with the Malaysian halal system as part of the logistic best management. It is crucial because the entire supply chain process involving MS 1500 and MS 2400 to help Malaysia Halal growth process structure. Hence this paper is consisting of five main parts. Earlier halal logistics studies are discussed in subsequent section, and research methodologies are addressed in the third section. The findings of this study are in segment four that will highlight the logistics practices in Malaysia that use Malaysia Standard as the standard of procedures for halal logistic providers. Moreover, many challenges and issues remain unresolved when the logistic providers in the adoption of Malaysia Standard, MS1500 and MS 2400 that are briefly discussed in this segment. Subsequently, the conclusion presented in segment five.

Literature Review

Halal has become a big industry and is a business area that brings great benefits to firms and countries. Aziz et al. [4] claimed that Halal logistics portrays a relatively new supply chain management environment. There are however very few studies on Halal logistics published [5] [6] and according to Tieman [7], more academic studies should be conducted in focusing logistic halal. Logistics plays a vital role in preserving halal products' integrity by effective delivery, storage, and handling across the supply chain before they arrive at the destination [8]. Therefore, the logistics activities can be referring to the activities of handling, warehousing, transportations and retailing. Soon

et al. [9] can also fully articulate halal logistic, in the supply chain, the logistics service provider plays a pivotal role in guaranteeing that the raw materials, products, packaging, transportation and storage of halal goods are undertaken in such a manner that they are not contaminated with haram materials. This is supported by Tieman's (2011) [10] assertion that a key priority in the supply chain should be to ensure the integrity of halal products at the end consumer. It has also shown that halal logistic is able to ensure transparency over the whole supply chain cycle. This is because conventional logistic activities are vulnerable and are capable of raising doubts throughout the process, especially based on Zailani, Kanapathy, Iranmanesh, & Tieman [11] that product could lose its halalness if it is polluted before retailing during transport and storage. However, this incident can be avoided by logistic providers enforcing halal practice. This is because, halal logistics itself is a numerous sharia compliant process involving the reporting, procurement, transportation, handling and storage of services and products in the supply chain [10]. This is discussed more deeply by Wilson and Liu [12], Alserhan [13], Ibrahim and Mokhtarudin [14] stressed that Halal requires an appropriate process to the supply chain. Therefore, it is necessary to ensure logistics activities are based on the halal standards.

In context the need of creating halal standard into the conventional logistic already pointed outby some scholars who discuss the relationship, principles, and application of halal [10] [15] [16] [17] [18]. In Malaysia, the law regards to Halal is the gazette of the Ministry of Home Trade and Consumer Affairs (KPDNHEP) under the jurisdiction of the Trade Description Act 2011. Moreover, the enforcement power on halal matters has been awarded to the Department of Islamic Development Malaysia (JAKIM) under the Religious Division, Prime Minister's Department Malaysia. In the other hand, all the halal standards and procedures are accredited by Department of Standard Malaysia (DSM) under the Ministry of International Trade and Industry (MITI). Therefore, this research discusses on the halal standard that produced by DSM to sync with halal logistic that involves Malaysian Standard (MS) MS 1500 and MS 2400. Mostly in Malaysia, MS 1500 created in 2009 is the famous standard of procedures that applied by many firms because halal is majority involving in the food segment that the standards focusing on the production, preparation, handling, and storage of halal food. Therefore, a lot of logistic providers are providing their services that regards to the food products need to comply with the MS 1500. In addition, halal logistic also related to MS 2400 created in 2010 that has three categories. First, MS 2400-1 focuses on the integrity of the products and cargo chain services managed by transportation networks. Second, MS 2400-2 emphasizes the efficiency of warehousing operations across the whole process from receiving the order to the point of distribution. Third, MS 2400-3 is embracing on the integrity at the retailing stage. Therefore, halal logistic providers in Malaysia supposed to have four accreditations of Malaysian Standards MS 1500, MS 2400-1, MS 2400-2, and MS 2400-3 in order to carter the halal logistic

business. Unfortunately, under the Malaysia Trade Description Act 2011, halal activities, certifications and accreditations are a voluntarily basis and not compulsory to having the halal standard accreditation from DSM in order logistic providers to operate and handling the halal products. By this situation, various practices were created and applied by logistic providers based on their niches of business and needs. Therefore, this paper discussing crucial issues and challenges of real scenario incorporating the Malaysian Standards among the halal logistics providers in Malaysia.

Methodology

The purpose of this research is to cope with the challenges and issues that logistics providers in Malaysia experience in applying logistic halal based on Malaysian Standard comprising MS 1500 and MS 2400. Since lack of studies done addressing Malaysian Standard that applied in Halal Logistics Industry, a qualitative study conducted to uncover the issues happening in halal logistics firms. The data gathered from primary sources that in-depth interviews on focus groups are done to get better understanding of the Malaysian Standard application by halal logistics providers. Indepth interviews are one of the most efficient methods of collecting primary data [19]. According to Sekaran and Bougie [20] Islam et al [21] Ikhsan et al [22] Husin et al [23]. focus group is a qualitative research method evaluation in order to discover phenomenon such as issues and challenges. In addition, focus groups also allow for free-flow, open, in-depth conversation within the members this could provide more knowledge and data while collecting more Halal logistics challenges and issues.

The semi structured interviews and visits were applied in this research like researches initiated by Mustafa [24] Jaganathan et al [25] Yatiban et al [26]. Semistructured interviews are excellently designed for a number of important purposes, especially if more than some few open-ended questions demand follow-up answers (Adam ,2015) [27] Mohd Udin et al [28] Anuar et al [29]. According to R. Rutakumwa et al. (2019) [30], Ahmad et al [31] Loke et al [32] Azman et al [33], through use of voice recordings is already a part of constructing transcripts from in-depth interviews and group interviews. The correspondents for this focus group are six parties with strong background in Halal and logistics practices and respectable positions. Three major government authorities such as KPDNHEP, JAKIM and DSM were interviewed that involved directors and senior officials to get a complete insight of the Halal application on the logistics industry. Plus, the correspondents were nominated by JAKIM as the best halal logistic providers in Malaysia as total of three major player for halal logistic providers such as Cold ChainNetwork Sdn Bhd, Priority Bonded Sdn Bhd and TASCO Sdn Bhd were interviewed and observed on the implementation of the MS 1500 and MS 2400 as their company's standard of procedures in catering the halal products that involved the Chief Operation Officers, Directors and Senior Staffs. Some datas

were gained from the interviews such as halal certificates obtained, Malaysian Halal Standards, Company's Standard Operations Procedures and Quality Manuals to figure out the current halal logistic practices, issues, and the challenges in adopting the Malaysian Standards in the firm. Table 1 shows that all samples are appropriately selected to be represented properly in Halal logistics industry in Malaysia.

No.	Organization	Category
1	Ministry of Domestic Trade and Consumer Affairs	Government
	(KPDNHEP)	Authority
2	Department of Islamic Development Malaysia (JAKIM)	Government
		Authority
3	Department of Standard Malaysia (DSM)	Government
		Authority
4	Cold Chain Network Sdn Bhd	Logistic Provider
5	Priority Bonded Sdn Bhd	Logistic Provider
6	TASCO Sdn Bhd	Logistic Provider

Table 1. List of Respondents

Results and Discussion

This research resulted several crucial issues and challenges incorporating Malaysian Standard MS1500 or MS 2400 among halal logistic providers. There are still lack of implementation of halal standard. The data shows some issues pointed out regards to requirements, application and implementations of halal towards halal logistic activities. Plus, the several huge challenges happen in the halal logistic industry such as high cost, lack of demand and less halal executive personnel in the firms. Therefore, one of the major findings of this research is most of halal logistic providers in Malaysia constructed their Halal Standard Operating Procedures that tally with their core of business that they catered. Then, the halal logistic firms did not use 100% of MS 1500 or MS 2400 to accommodate their halal logistic activities throughout the supply chain such as some aspects that needed and cheaper to apply on the aspects of warehousing, transportation, and retailing.

Unfortunately, the current framework of halal logistic practice, centralization and enforcement of MS 1500 and MS 2400 are at the minimum level. This is because, the real fact is halal still referred as religious issue. In addition, most of the major players of halal logistic providers are owned by non-Muslims. The understanding and intervention on halal logistic by applying the halal Malaysian Standard is still at low. Therefore, some halal logistic providers applying only some parts of the halal standard in catering their halal logistic activities. In fact, the result from this research found that, no halal logistic providers in Malaysia that apply full MS 1500 and all the three segments of MS

2400 into their halal logistic standard operating procedures. This due to the voluntary basis of halal certification by the industry according to the Trade Description Act 2011. In other hand, Sungkar & Hashim [34] stressed that the inconsistencies and no uni fi ed standards may hugely lead to the two major issues that contamination and abuse or known as the integrity of halal potentially breach. This can be supported by the discussion among the scholars [35] that the huge challenges in the halal supply chain is the integration.

There is no integration between MS 1500 and MS 2400 by the halal logistic providers activities. In fact, MS 2400 itself does not integrate into single Malaysian Standard for halal logistic that separated as MS 2400-1 focusing on transportation, MS 2400-2 is regards to the warehousing activities and MS 2400-3 is on the retailing stage. Therefore, the real scenario found out from this research, most of the halal logistic providers applying MS 2400-1 only and abandoning the MS 2400-2 and MS 2400-3 due to some reasons. The reasons are the model of voluntary basis, high operating cost and low demand of the integrated halal certification that combining all the MS 1500 and MS 2400. In addition, there are some skeptical views and less understanding among the logistic providers on MS 1500 where mainly based on food handling. They are assuming obtaining MS 1500 certification is enough to consider they are operating halal logistic activities. This misunderstanding leads to break the integrity of halal practice in logistic activities because according to Tieman [36], halal logistics as a mechanism for managing the procurement, transport, storage and management of raw material components, products, semi-finished orfinished food and non-food inventory management, and associated relevant information flows across the company and the supply chain in compliance with the basic principles of Shariah (Islamic Law). This shows that it is a must in obtaining and applying halal logistic certification on MS 1500, MS 2400-1, MS 2400-2, and MS 2400-3, then incorporating it as their standard operating procedures on halal logistic activities.

The issues of adopting all the Malaysian Standard in their present logistical practice is extremely important and complete coordination plays a key role in the halal logistics throughout the entire supply chains process. This is because, the MS 1500 and MS 2400 may function as the major guidelines in operating the halal logistic activities in Malaysia in order to manage efficient halal supply chains by preserving the halal integrity and credibility then gaining the trust of the final consumer. The challenges and issues faced by the respondents were listed. Table 2 displays the list of issues and challenges concerning halal logistics in order adopting the MS 1500 and MS 2400 in the current halal logistic practices.

Table 2. Issues and Challenges faced incorporating MS 1500 and MS 2400 by halal			
logisticsproviders			

No.	Issues and challenges	Logistic providers	
1	Voluntary basis on obtaining halal certification	KPDNHEP, JAKIM, DSM and Cold Chain Network Sdn Bhd	
2	High operating cost on halal logisitic compared to conventional logistic	Priority Bonded Sdn Bhd	
3	Low demand of halal logistic in halal market	TASCO Sdn Bhd	
4	Lack of halal executive staffs	Priority Bonded Sdn Bhd and TASCO Sdn Bhd	
5	Based on niches of business	DSM, Cold Chain Network Sdn Bhd, Priority Bonded Sdn Bhd and TASCO Sdn Bhd	
6	Various types of Halal Malaysian Standards	JAKIM, DSM, Cold Chain Network Sdn Bhd, Priority Bonded Sdn Bhd and TASCO Sdn Bhd	
7	No single intergration of Halal Standards onLogsitics	KPDNHEP, JAKIM, DSM, Cold Chain Network Sdn Bhd, Priority Bonded Sdn Bhd and TASCOSdn Bhd	

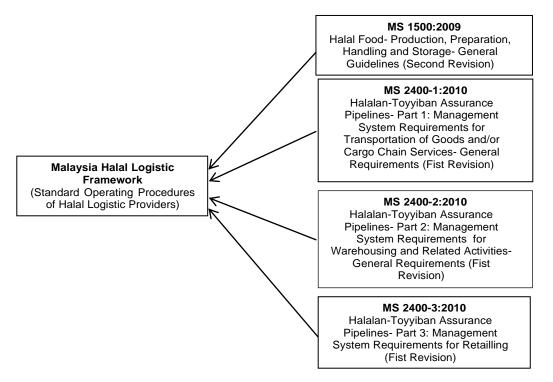
Conclusion

This paper provides a comprehensive understanding of the issues and challenges faced by the halal logistic industry in applying the halal standards of MS 1500 and MS 2400 towards the current logistic halal practice. This is involving the whole process of supply chains including, handling, transportation, warehousing, and retailing. In halal logistics practice, complete supply chain networks are sufficient to meet the end user and guarantee that the products are fully halal and in line with Islamic values [37]. The integrity of halal logistic becomes major concern throughout the supply chain. This is paramount in need, ensuring the customer with the assurance. The above issues and challenges draw on established related literature, observations, visits, and interviews.

This paper also addresses the current practical issues and challenges of incorporating Malaysia Standards into the Standard Operating Procedures for the current halal logistic providers in Malaysia. This research picturing crucial keys to exhibit the best practice of halal logistics as shown in Figure 1 that generated from this research regards to Malaysia halal logistic framework based on Malaysian Standards. However, this study highlights a research limitation that is lack of number for certified halal logistic providers that applied Malaysian Standard for their halal logistics practices throughout Malaysia. In fact, based on this research conducted found there is no halal logistic providers that fully applying the whole MS 1500 and MS 2400 as their current halal

logistic standard operating procedures. Plus, most of the notorious halal logistic players located at Selangor and Penang.

Figure 1. Malaysia halal logistics framework



There is a lack of research conducted on halal logistics in particular accommodating Malaysian halal standards. Currently, this is the first attempt in the field to study the Malaysia Standard that was adopted on the current halal logistic practices by the Malaysian logistic providers. However, this study may anticipate further quantitative and qualitative research in order to create a better framework for the effective practice of halal logistics that may contribute to the halal logistic industry and academic research. Therefore, it gives a huge academic enhancement for future.

Research on halal logistic by enhancing the holistic standard operating procedures of halallogistic activities and comprehensive model that may establish.

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