VIEWPOINTS

‘Licence to Operate’ in the Halal Market: A Matter of Alignment

Marco Tieman *

The Middle East and Southeast Asia are amongst today’s leading consumer markets for food, cosmetics and pharmaceuticals. All major brand owners want to serve these Muslim markets. However, Muslim markets have stringent requirements regarding halal, demanding not only halal compliance for ingredients and production, but increasingly for the end-to-end supply and value chains. When doing business in Muslim markets, corporate halal reputation is therefore an important strategic asset.

A corporate halal reputation is the collective representation of a firm’s past actions and halal performance, including the firm’s future ability to meet halal requirements. Halal reputation is undoubtedly valuable for corporations, but at the same time an intangible asset. Although intangible, the corporate halal reputation is important to measure and track. Muslim societies are less prepared to tolerate risks (whether real or perceived), meaning Muslims want a near zero-risk halal environment.

Companies serving Muslim markets need to earn their licences to operate. The key drivers for a licence to operate are the ability to anticipate halal market requirements, addressing them through a solid halal authenticity, trustworthy halal certification body (HCB), right messaging by both companies and supply chain partners, and positive messages by external stakeholders. This relationship is shown in figure 1.

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Halal Market Requirements

Figure 1: Licence to Operate
1. **Halal** authenticity is the **halal** character or DNA of a company. **Halal** authenticity is the most valuable asset for **halal** reputation. The likelihood of companies being targeted by whistle-blowers has increased significantly. The only way companies can truly protect themselves from **halal** reputation risks is by having solid **halal** authenticity through an evident contribution to Islamic resources, Muslim obligations and Muslim lifestyle.

2. Based on the ingredients used, the manufacturing process employed, and organisation, a HCB certifies a production facility and its products as **halal**. There is a grand spectrum of HCBs—in total, an estimated 500—ranging from absolutely untrustworthy to highly trustworthy. Choosing the right HCB for a particular Muslim market is therefore of the utmost importance.

3. Messages by the company and its supply chain partners are a third factor in corporate **halal** reputation. Internal alignment within the organisation and supply chain is at this moment essential for an excellent **halal** reputation.

4. Messages by external stakeholders, the fourth factor, are a result of the level of connectivity with Muslim communities, current media coverage, and the company track record with **halal** issues.

**Halal** market requirements are a critical denominator in the formula of the licence to operate in Muslim markets. Hence, effective alignment between the **halal** market requirements and the above four factors should be in place.

**Internal and External Alignment**

**Halal** alignment has two dimensions, internal and external, thus:

Internal alignment within an organisation and supply chain requires intelligence, information sharing, training, and monitoring. Intelligence is required regarding existing **halal** practices and **halal** awareness so that gaps are mapped and analysed. Staff and supply chain partners are to be informed on the corporate **halal** strategy, its intent (*niyyah*), and implications for their operations. Training enables a company’s staff and supply chain partners to develop the right skills and ensure consistent **halal** practices within the end-to-end supply chain. Monitoring is necessary to track the progress of alignment and make adjustment where needed. **Halal** audits are not only important within an organisation but throughout the supply chain.
External alignment with external stakeholders requires market intelligence and a mix of strategies and tactics to achieve total stakeholder support. Emerging halal market requirements, in particular changes in public opinion regarding Islamic values and expected changes in halal standards, must be monitored. This intelligence can be complemented by the benchmarking of a corporate halal reputation with its competitors. Hence, systematic scanning of halal market requirements is important for brand owners in order to identify gaps between (emerging) market requirements and their own practices, and thereby proactively address any shortfalls to ensure a sustainably high halal reputation.

External alignment strategies and tactics must, amongst other things, involve informing (Muslim) consumers, lobbying HCBs, advocating activities with the media, taking part in halal forums and conferences, participating in halal industry research and societies, and horizontal collaboration with competitors in the industry.

Conclusion

In recent years, high-profile halal crises involving top brands have shown that the world is getting smaller and that people are far more aware of how the economy is interlinked. Companies need to deal with international expectations in a local context and local halal requirements in an international context.

Muslim society’s diminishing risk tolerance is related to declining trust in that Muslims are less prepared to tolerate risks (whether real or perceived). The licence to operate in Muslim markets needs to be earned and is a function of halal authenticity, trustworthiness of HCB, messages by company & supply chain partners, messages by external stakeholders and halal market requirements.

Halal authenticity, choice of HCB, halal management of company & supply chain, and management of external stakeholders need to be aligned with the halal market requirements. An imbalance with the halal market requirements affects the licence to operate in Muslim markets.

A good halal reputation comes from living authentic Islamic values; making good decisions; meeting and exceeding halal standards; and demonstrating halal behaviour across the supply and value chains. Building a strong halal reputation that is trusted by Muslim consumers is the result of an on-going, steady stream of consistent small efforts, not a series of one-off huge pushes.

HCBs should educate halal certified manufacturing and exporting companies about the importance of maintaining their corporate halal reputation and seeking internal and external alignment.
Notes

* Marco Tieman is Professor in ELM Graduate School at HELP University, Malaysia. He conducts research on halal supply chain management and halal risk & reputation management. He obtained his Master’s degree in industrial engineering & management science [logistics] with the University of Twente (the Netherlands) in 1997 and his PhD in business management [halal supply chain management] with Universiti Teknologi MARA (Malaysia) in 2013. He is also the CEO of LBB International, a supply chain strategy consultancy & research firm with a specialisation in purchasing, production, and supply chain management. He chaired the development of the international halal logistics standard (IHIAS, 0100:2010) under ICCI-IHI Alliance between 2008 and 2010. Dr. Marco Tieman is the corresponding author and can be contacted at: marco.tieman@help.edu.my.