VIEWPOINTS

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

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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.

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

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