



International Agribusiness Marketing Conference 2013, IAMC 2013, 22-23 October 2013, Kuala Lumpur, Selangor, Malaysia

Factors influencing readiness towards *halal* logistics among food-based logistics players in Malaysia

Hazwani Ahmad Tarmizi^a, Nitty Hirawaty Kamarulzaman^{a,*}, Ismail Abd Latiff^a and Azmawani Abd Rahman^b

^aDepartment of Agribusiness and Information Systems, Faculty of Agriculture, Universiti Putra Malaysia, Malaysia

^bDepartment of Marketing and Management, Faculty of Economics and Management, Universiti Putra Malaysia, Malaysia

Abstract

Logistics is part of supply chain which involves many business entities such as suppliers, manufacturers, distributors and retailers. All these entities will work together to acquire raw materials and transform them into final products. *Halal* logistics is an approach to avoid contamination of perishable, raw materials and food products during transportation or distribution activities. It is also to avoid products missed information and to ensure that Muslim consumers will receive and consume only the *Halalan Toyibban* products. In Malaysian Standard for *Halal* Logistics (MS 2400:2010), *halal* logistics requirements according to Shariah law are including the requirement of logistics providers for transportation, warehousing and retailing. The requirement usually involved from processing to handling, distribution, storage, display, serving, packaging and labeling. There are few concerns regarding the implementation of *halal* logistics among logistics players. First, there is concern whether these players follow all guidelines and standards for *halal* logistics. Second, there is concern whether these players segregate their workers and facilities in producing and distributing activities for *halal* and *non-halal* products. This study seeks to investigate factors that influence readiness towards *halal* logistics among food-based logistics players. Face-to-face interviews were carried out with 156 managers representing logistics companies located in Peninsular Malaysia. Factor analysis was carried out to analyze the data obtained from the managers. The results revealed that support from management, enforcement of Halal Assurance System (HAS), environments controls, employee acceptance and company vision to change were the factors that influenced readiness towards *halal* logistics.

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Peer-review under responsibility of Universiti Malaysia Kelantan.

Keywords: *Halal* logistics; logistics provider; *Halalan-Toyibban*

*Corresponding author: nitty@upm.edu.my

1. Introduction

The word '*Halal*' is originated from an Arabic word meaning permitted or allowable (JAKIM). *Halal* are things or actions that permitted by Shariah Law/Islamic Law and it should be performed to show an obligation towards Islamic faith. *Halal* aspect is not only restricted for ingredients of food products only. Based on the 5th principle of *Halal* (HDC, 2012), anything related to the *Halal* food or/and non-food products should be complied with Islamic rules including the logistics activities for the *Halal* products. Logistics activities are one of the entities in supply chain of products. In a way to serve *Halalan-Toyibban* products to end consumers, all part in *halal* supply chain for *halal* products should be conducted according to *Halal* best practices including logistics activities. *Halal* logistics activities involved *halal* transport, *halal* warehouse and *halal retail* (SIRIM, 2010). As reported by (Malaysia International Halal Showcase [MIHAS], 2013), *halal* demands for *halal* products are increasing due to fast growing of *halal* industry. About USD580 billion is needed to fulfil the growing demand for *Halalan-Toyibban* products.

To be ready towards an innovation of operation from conventional logistics operation to *halal* logistics operation, food-based logistics players in Malaysia should be prepared in few aspects in implementing *halal* logistics. This is to ensure that the food-based logistics players able to maintain and sustain with *halal* logistics operations for a long period. In 2012, Malaysia *Halal* Industry Development Corporation (HDC) had listed five logistics operators certified by JAKIM *Halal* certification and there is only one company was listed for early quarter of 2013. This statistics showed that logistics companies that involve in *halal* industry are small and they are not able to sustain their logistics operations according to JAKIM requirements for a long time. This problem might be a result from lack preparation among logistics companies on their managements aspects and others factors.

Halal logistics is considered as an innovation in logistics operations for logistics players. To ensure *Halalan-Toyibban* of food products, some improvement need to be done along the chain of supply chain for *halal* products. Upgrading from conventional logistics operations to *halal* logistics operations can be considered as an improvement. Apart from logistics players provided good logistics service, they also provided better logistics service for *halal* products. However, to provide good logistics service for *halal* products, few factors need to be considered. As an organization, logistics players need to be ready for various aspects. Technology factors, environmental factors, management's factors, and government factors by Tan *et al.* (2012) need to be considered in order to adopt the *halal* transportation for *halal* logistics in Malaysia. In addition, other factors that need to be considered if a company would like to change are organizational members' beliefs, attitudes and intention to change (Weiner, 2009).

Other than factors mentioned, perception towards change, vision to change, mutual respect and trust, change initiatives, management support, acceptance and how the organization manage the change also need to put into consideration (Susanto, 2008). Organizational culture, policies and procedure, past experienced, organization resources and structure also may be the factor that may influence the logistics players to be ready towards implementing *halal* logistics. Holt *et al.* (2007) however stated that, the readiness of organization are influenced by employees that capable to implement change, proposed changes is appropriate for the organization, leader who committed towards the changes, managements support and proposed the changes is beneficial to the organization. Although there are many factors that might influence readiness of organization to change from conventional logistics services to *halal* logistics service, but not all factors are affecting the logistics players. Thus, the objective of this study is to investigate factors that influence readiness towards *halal* logistics among food-based logistics players.

2. Literature review

Halalan-Toyibban supply chain is part of *halal* integrity to ensure the status of *halal* products. Logistics is part of supply chain involves three main type activities such as transportation, warehouse and retail which classified according to the Malaysia Standard for *Halal* Logistics (MS 2400:2010) (SIRIM, 2010). For instance, Ellram *et al.* (1999) stated that retail activities is more like customers' service activities which provide value-added benefits to

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