



# Halal Purchasing: A Qualitative In-depth Interview Towards Small and Medium Food Enterprises (SMFEs)

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**Abstract.** The sourcing of raw materials poses a consistent obstacle for the majority of small and medium-sized food enterprises, primarily due to their inability to make purchases in large quantities compared to larger organizations. It encompasses a set of principles and guidelines designed to ensure the integrity and authenticity of halal products and services throughout the entirety of the value chain, a responsibility mandated for Muslims. This exploratory research paper is based on in-depth interviews to better understand the process of purchasing in Halal. A qualitative approach to data collection was undertaken using semi-structured in-depth interviews via case study. In addition to contending with a limited pool of suppliers for their products, these enterprises must also ensure that their chosen suppliers possess halal certification to fulfil the essential requirements. The findings provide insights into small and medium-sized food enterprises regarding the importance of engaging larger suppliers as sources for raw materials in the halal market. This approach ensures compliance with the highest standards of halal certification, potentially affording a competitive advantage within the global halal market.

**Keywords:** Halal Purchasing and Procurement, Small and Medium Food Enterprises, Qualitative research.

## 1. Introduction

Halal purchasing in value chain management refers to the comprehensive management of the entire supply chain involved in the production and distribution of halal products and services, encompassing the journey from the procurement of raw materials to the ultimate consumption by end-users [1]. This process adheres to a set of principles and guidelines aimed at upholding the integrity and authenticity of halal products and services across every stage of the value chain. By implementing robust halal purchasing practices, organizations can ensure the reliabil-

ity and compliance of their offerings, instilling consumer trust and satisfaction in the market [2].

The process of halal value chain management commences with meticulous supplier selection, wherein the focus lies on identifying and engaging with suppliers who offer halal raw materials and ingredients. These suppliers must possess certifications from reputable halal certification bodies, attesting to their compliance with stringent halal standards. In order to maintain the halal integrity, the handling, storage, transportation, and processing of these materials and ingredients necessitate adherence to halal-compliant protocols within dedicated facilities. Additionally, comprehensive labeling and documentation practices are implemented to facilitate traceability and ensure transparency throughout the value chain ([2]; [3]; [4]). As posited by Azmi et al. (2020), the subsequent stage in the halal value chain management is the manufacturing and processing of halal products. It necessitates meticulous attention to ensure that all equipment, processes, and personnel engaged in the production of halal products possess halal certification and conform to the established halal standards.

Additionally, the involvement of halal inspectors may be required to validate the adherence to halal requirements throughout the manufacturing process. Once the manufacturing phase is completed, meticulous packaging and labeling practices become paramount. Halal products must be packaged and labeled accurately, incorporating the appropriate halal certification symbols and labels. These labels must provide comprehensive information regarding the product's halal status, ingredients, and other relevant details, such as storage and handling instructions. This meticulous approach aims to uphold transparency, instill consumer confidence, and ensure compliance with halal requirements in the value chain management process [5]. Marzuki (2014) emphasizes that the ultimate stage of halal value chain management revolves around the distribution and sale of halal products. This critical phase entails meticulous attention to detail, ensuring that halal products are handled in a manner consistent with halal-compliant practices during transportation, storage, and display. To achieve this, it is imperative to employ appropriate labeling and documentation methods that accurately represent the halal status of the products. Retailers shoulder the responsibility of ensuring that their premises and operational practices align with established halal standards, maintaining an environment that upholds the integrity of halal products. Furthermore, comprehensive training in halal requirements must be provided to all staff members, enabling them to adhere to the prescribed guidelines and effectively cater to the needs of halal-conscious consumers. By implementing these measures, organizations can successfully navigate the final stage of the halal value chain, bolstering consumer confidence and reinforcing the principles of halal value chain management [6-7]. Al-Qaradawi (2007) underscores the significance of halal value chain management as a pivotal process in safeguarding the integrity and genuineness of halal products and services.

This multifaceted undertaking encompasses a range of intricate requirements, spanning supplier selection, manufacturing and processing, packaging, and labeling, as well as distribution and sale. By diligently adhering to these guidelines, businesses can cultivate trust among halal consumers and capitalize on the burgeoning halal market. From an Islamic perspective, the concept of halal and haram

is lucid and unambiguous, constituting integral components of the comprehensive legal system of Islam, namely Sharia. This system is fundamentally oriented towards promoting the welfare and benefit of humanity [8].

This research will be discussed about the main objective as follows:

The objective of this study is to provide a clear understanding of the existing halal purchasing challenges encountered by SMFEs in Malaysia.

The research question is what are the issues of the existing halal purchasing challenges encountered by SMFEs in Malaysia?

## **2. Literature Review**

### **2.1 Small and Medium Food Enterprises (SMFEs) in Malaysia**

SMFEs (Small and Medium Food Enterprises) play a significant role in the Malaysian economy. These enterprises are involved in the manufacturing of food products and beverages, as classified under the Standard Malaysian Industry Code (SMIC) 2000 divisions and description. In Malaysia, SMFEs hold great importance, accounting for a substantial portion of the business landscape. They make up a staggering 99.2 percent of all businesses in the country. This demonstrates the prevalence and significance of SMFEs within the Malaysian economy. Notably, SMFEs contribute significantly to various economic indicators. They contribute around 32 percent to the country's Gross Domestic Product (GDP), indicating their substantial economic impact.

This contribution is a testament to the role SMFEs play in driving economic growth and development in Malaysia. Moreover, SMFEs are instrumental in generating employment opportunities. They provide jobs to a significant portion of the Malaysian workforce, employing approximately 59 percent of the total workforce. This highlights their role in reducing unemployment rates and supporting livelihoods. Furthermore, SMFEs have a notable presence in the export sector. They contribute around 19 percent to Malaysia's total exports, showcasing their role in enhancing international trade and promoting Malaysian products globally. Their participation in the export market reflects the quality and competitiveness of their food products and beverages. Although SMFEs comprise a significant portion of the business landscape in Malaysia, their overall contribution to the total number of businesses and exports is relatively lower. They represent 1.1 percent of the total number of businesses and contribute 4.2 percent to the country's exports. These figures highlight the potential for further growth and development within the SMFE sector. SMFEs in Malaysia are vital components of the economy, comprising a vast majority of businesses and making substantial contributions to GDP, employment, and exports.

Their significance lies in their ability to drive economic growth, create job opportunities, and showcase Malaysian products globally. As Malaysia continues to

support and nurture SMFEs, they are expected to play an increasingly influential role in shaping the country's economic landscape [9-10]. The food sector in Malaysia is falling behind in all aspects when compared to the industrial crops, manufacturing, and services sectors due to policy bias and neglect. When it comes to trade, Malaysia predominantly imports major food items like cereals, fruits and vegetables, beef and mutton, dairy products, sugar, food and beverages, and feedstuff for livestock [10]. The food trade deficit of Malaysia has expanded significantly from RM1 billion in 1990 to RM 13 billion in 2011 [11]. Despite the presence of deficits, the food manufacturing sector is experiencing growth and has recently garnered increased attention in the country's industrial plan. This is primarily due to its export potential, especially in the lucrative halal market, as well as its role in generating employment opportunities.

The food manufacturing sector predominantly comprises small and medium food enterprises (SMFE), which face numerous challenges in comparison to their counterparts, such as large-scale commercialized firms and other types of SMFEs. In general, SMFEs have exhibited remarkable growth between 2004 and 2010, with an average annual growth rate of 6.8 percent, surpassing the overall growth rate of 4.9 percent [12]. The SMFE sector exhibited a productivity growth rate of 3.4 percent per year, surpassing the overall economy's growth rate of 2.3 percent. According to the National Small and Medium Enterprises Development Council (NSDC) in 2005, SMFEs are defined as companies engaged in the production of food products and beverages, categorized under the Standard Malaysian Industry Code (SMIC) 2000 divisions and description.

**Table 1:** SMFEs Contribution to Employment and Labor Income (2003)

Item	Employment (*000)	Labour- Output Ra- tio (RM mn)	Salaries and Wages (RM mn)	Wage Rate (RM *000)	Labour Productivity (RM *000)
(1)	(2)	(3)	(4)	(5)	
Total economy	5,038,000	5.08	86,075	17.09	76.69
Non-SMEs	1,815,000	2.97	44,175	24.34	125.05
Total SMEs	3,223,000	8.45	41,900	13.00	49.46
Manufacturing	760,459	4.91	11,220	14.75	60.17
SMEs	115,626	2.80	1,495	12.93	65.85
SMFEs	13,667	18.32	n.a.	n.a.	20.93
Micro	55,038	5.02	n.a.	n.a.	41.50
Small	46,921	1.58	n.a.	n.a.	107.50
Medium					

Source: Department of Statistics Malaysia (2006)

Notes: n.a. = not available

Table 1 shows that a major concern about wages or labour compensations is whether they are consistent with the level of productivity. Productivity and wages are key determinants of the standard of living for the employed population, as well as the distribution of income between labour and income. In items (4) and (5), it is shown that the wages paid by SMFEs are below the level of productivity in rela-

tive measures. For example, labour productivity shows 65.85 for SMFEs compared to 60.17 for Manufacturing SMFEs, but their wages show that manufacturing SMFEs are 14.75 higher than SMFEs, or a difference of 12.93 by 12 per cent.

### **SMFEs towards Enhancing Halal Purchasing Structure**

SMFEs (Small and Medium Food Enterprises) in Malaysia play a crucial role in the production and distribution of halal products. Halal refers to food and beverages that are permissible and comply with Islamic dietary laws and principles [13]. In Malaysia, SMFEs are actively involved in the manufacturing, processing, and distribution of halal products. They cater to the diverse needs of the Muslim population, which constitutes a significant portion of the country's demographics. SMFEs focus on ensuring that their products adhere to strict halal guidelines and meet the requirements set by certifying bodies such as JAKIM (Department of Islamic Development Malaysia).

SMFEs producing halal products prioritize obtaining halal certification for their offerings. This certification serves as a guarantee to consumers that the products have undergone rigorous inspections and adhere to halal standards. It involves verifying the sourcing of ingredients, the manufacturing processes, and the storage and transportation practices [14].

These SMFEs are aware of the importance of halal certification in gaining consumer trust and expanding their market reach. With halal certification, they can tap into not only the local Muslim market but also the global halal market, which is rapidly growing and presents lucrative opportunities. SMFEs manufacturing halal products contribute significantly to the overall halal industry in Malaysia.

#### *Challenges for SMFEs in facing the Halal Purchasing process*

The challenges for most of the SMFEs in the food industry typically source their raw materials and ingredients from a combination of suppliers. These supplies may include local farmers and producers, distributors, wholesalers, and manufacturers of food ingredients. The purchasing structure of SMFEs can vary depending on the nature of their business, their products offering, and their target market. Some SMFEs may rely on a few key suppliers for their raw materials and ingredients, while others may work with a larger number of suppliers to ensure a consistent supply of high-quality ingredients [15].

According to Baharudin et al., (2016), the main challenges faced by most players in the food industry in Malaysia are the lack of knowledge in halal certification and the implementation of halal quality assurance. To address these challenges, a special committee has been established to ensure the production of halal food products in accordance with the outlined halal standards, increasing the level of confidence among consumers [16]. It was supported by Sahlan et al., (2019) adding that small firms are at a higher risk of failure due to the lack of economies of scale.

Smaller firms face a disadvantage that hinders them from offering competitive prices similar to larger companies, which ultimately poses a challenge in attracting more business [17]. The number of halal certificate holders is significantly lower among Muslim-owned and non-Muslim-owned small and medium-sized enter-

prises (SMFEs). The Indonesian Ulema Council (MUI) requires that all halal products must obtain their consent before being released. According to a study conducted by Lestari et al., (2023), the Indonesian Government's Good Manufacturing Practice (GMP) serves as a measure to assess the implementation level of the halal process.

The study focused on SMFEs that were halal certified but not owned by Muslims, operating under the guidance of MUI in specific regions [18]. Research conducted by Silalahi et al., (2022) argued that consumer demand and competition intensity do not significantly influence the intention to adopt halal practices. Instead, the significance of religiosity, government support, and expectations for higher revenue play a crucial role in policy formulation [19]. It concludes at Table 2 below.

**Table 2:** Challenges for SMFEs Adopting Halal Food Standards

Year	Author(s)	Title	Challenges
2015	Baharudin et al.	Evolution of knowledge, halal quality assurance practices and commitment among food industries in Malaysia	<ul style="list-style-type: none"> <li>• Lack of knowledge in halal certification</li> <li>• Lack of commitment from the organisation and practiced halal quality assurance.</li> </ul>
2018	Sahlan et al.	Market competition Implications of religious identity in creating value added partnership within halal mart retailers	<ul style="list-style-type: none"> <li>• Small firms are susceptible to failure and large firms benefit from economies of scale to offer.</li> <li>• Halal retailers need new strategy in dealing with internal and external environments.</li> <li>• Limited in resources and product differentiation strategy under scrutiny.</li> <li>• Halal certificate low compared to non-Muslim SMFE.</li> </ul>
2021	Lestari et al.	An integrated framework for the measurement of halal good manufacturing practices on the case of SMFEs in the food sector	<ul style="list-style-type: none"> <li>• Halal product under control of the Indonesian Ulema Council (MUI)</li> <li>• Indonesian Government's GMP (Good Manufacturing Practice) to measure the level of execution in halal certification process.</li> </ul>
2022	Silalahi et al.	Factor affecting intention to adopt halal practices: case study of Indonesia small and medium enterprises	<ul style="list-style-type: none"> <li>• No significant effects on the intention to adopt halal practice.</li> <li>• the significance of religiosity, government support and expectations for higher revenue</li> </ul>

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provide a frame for policy formulation.

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### 3. Research Methodology

The qualitative research on halal purchasing is employed using case study research. Qualitative case studies have been employed in this study to uncover meaning and understanding. The researcher acts as the primary instrument for data collection and analysis. This type of research employs an inductive investigative strategy, with the end result being richly descriptive. According to Yin (2012), a case study is an empirical inquiry that investigates contemporary phenomena within their real-life context, especially when the boundaries between the phenomenon and its context are not clearly defined [20].

Based on a qualitative study, five interviews were conducted from four companies in Webex online form. The companies were selected during the MAHA 2022 Expo at MAEPS (Ministry of Agriculture & Food Industry) Serdang, which took place from August 4 to August 14, 2022. Many companies were approached for participation in the research; however, only these five companies showed interest in the interview.

Informants were from the top and middle management of the company. The details profile of the companies is shown in Table 3. In this qualitative study, data were obtained by interviewing respondents. The data were collected and recorded in audio form. The interviews were conducted for about one hour with the top and middle management of the company. Four SMFEs companies were selected, and five respondents agreed to be interviewed.

**Table 3:** Company Profile Information

Company	Company Profile and Brand Product
Company A	Company A has implemented Halal Assurance System (HAS) and the MESTI certificate. In 2017, the company was awarded the Best Grains-Based Product at the Asia Halal Brand Awards. The company specializes in the manufacturing of healthy foods and beverages and has established itself as the leading multi-grain brand.
Company B	Company B is a company that produces various rice dishes such as premium Mendi, Kabsah Arabian rice with Halal certification. They offer a variety of marinade spices including Mendhi, extra spicy, and Kabsah.
Company C	Company C was officially registered in 2020 as a processing and manufacturing factory for rice dishes. The original business commenced operations in 2018 as a catering and street food company and operated for nearly 2 years. Currently, they have 34 halal-certified products and have applied for halal certification from JAKIM for approximately 900 more raw materials.

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Company D      Company D is engaged in the business of food products based on fermented fish (pekasam). Their operations are carried out in a shop-house building where they process various types of fermented fish products. They have received guidance and support beside JAKIM for halal certification, such as from other government departments such as MARDI, MATRADE, and other government agencies.

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Meanwhile, the criteria for selecting participants should be addressed, as it influences various factors related to the implementation of halal certification for SMFEs in the companies. All respondents were contacted via Webex video conference and confirmed as informants for this study. One representative was selected from Company A, Company C, and Company D, whereas Company B was represented by two individuals. Company B sent two representatives because one of them, Halal Executive, had recently joined the department and needed backup from the QC Supervisor.

**Table 4: Profile of the Respondents**

Company	Position	Length of Experience	Brand Owner
Company A	Halal Executive cum QC	2 years	Chinese
Company B	QC Supervisor	3 years	Bumiputera
	Halal Executive	2 years	
Company C	Halal Supervisor	5 years	Bumiputera
Company D	CEO / Marketing Director	8 years	Bumiputera

Referring to the data presented in Table 4, most respondents held positions in middle management, with only one respondent in an upper management position. These individuals were responsible for daily operational activities and decision-making, and they possessed relevant experience in halal purchasing and its associated processes. To effectively navigate the current business landscape and handle dynamic decision-making scenarios, companies often empower these middle managers and experts to engage in operational and tactical planning activities [21].

#### 4. Data Analysis

The study was conducted by adopting phenomenology research which means describes the structure of experience as the participant will present themselves to consciousness, without recourse of theory, deduction, or assumptions from other disciplines [22]. The overall aim of phenomenology is to derive an understanding of essential meanings as constructed through interpretation of people's lived experience.



rience. The interview was conducted approximately from 60 to 90 minutes and in a small number of participants. The study comprises of data transcribing, coding and analysis. Each research has a different approach to the data analysis and there is no single or best way to analyze and interpret data [23]. It is also unique in the sense that the data analysis occurs as soon as the data is collected [24].

Based on the research question, the objective of the purchasing is to obtain the right materials, in the right quantity, to delivery at the right time and the right place, from the right supplier, with the right service and at the right price [25]. Halal refers to anything that is lawful or permissible according to Islamic law, while haram refers to anything that is forbidden or prohibited [26]. Halal purchasing refers to the act of buying products and services that comply with Islamic dietary and ethical guidelines. This includes ensuring that the products and services are halal-certified and meet the requirement of Islamic law [27].

**Table 5:** The Challenges facing by SMFEs.

SMFEs	Products	Issues
Company A	Grains based products	<ul style="list-style-type: none"> <li>• Lack of suppliers</li> <li>• Halal certification</li> <li>• Cost of ingredients</li> <li>• Process of control measures of halal transportation</li> <li>• Backup suppliers</li> <li>• Lack of stock keeping due to low demand</li> </ul>
Company B	Rice and dishes	<ul style="list-style-type: none"> <li>• Lack of suppliers</li> <li>• Cost of ingredients</li> <li>• Lack of quality raw materials with halal certification</li> </ul>
Company C	Pes ingredients with various flavour.	<ul style="list-style-type: none"> <li>• Lack of suppliers</li> <li>• Lack of raw material with halal certification</li> <li>• Cost of ingredients</li> <li>• Halal certification too complicated</li> <li>• Backup suppliers</li> </ul>
Company D	Fragmented fish (pekasam)	<ul style="list-style-type: none"> <li>• Halal certification issue</li> <li>• Ingredient issues</li> <li>• Backup supplier</li> <li>• Lack of supplier with halal suppliers</li> <li>• Logistics issue, must arrange own self</li> </ul>

Based on Table 5, the results from the interviews show that three main themes were identified related to the challenges in halal purchasing for the small medium food enterprises, namely halal certification, lack of suppliers, and cost of ingredients.

#### 4.1 Status of Halal Certification

Most informants have expressed their concern that every supplier must possess halal certification for each raw material. The procurement department must ensure that the quality of raw materials meets satisfactory standards before making any purchases. While the cost of the raw material is important to them, the status of the halal certification is their primary concern when proceeding with the purchase. Quality assurance and food safety must meet hygienic standards for human consumption. This is supported by the following statements from the informants below:

*Company A*

*“R&D will conduct a search for suppliers and provide the information to the purchasing department. Subsequently, the purchasing department will contact the suppliers again to verify if they meet the required criteria, such as possessing a halal certificate for the raw materials. If the requirements are met, samples will be sent back to R&D to ensure that the flavour aligns with their planning”.*

*Informant 1.*

*Company B*

*“Firstly, we will search for suppliers with reasonable prices, and if we agree, we will proceed with the purchase. We will also compare prices and the quality of raw materials before making a final purchase. If everything is satisfactory, we will proceed with the purchase. We will utilize a halal website to facilitate the search for raw materials with JAKIM halal certification. If the desired supplier is not listed on the JAKIM website, we will search elsewhere, but they must have a valid Halal certificate because the Halal process requires suppliers to have a halal certification”.* Informant 1

*Company C*

*“The Halal Executive is responsible for monitoring the purchase of halal goods, including raw materials for our products. For the procurement of raw materials, I, as the Halal Executive, will provide a list of required items that are certified halal, which can be shared with the purchasing department. Once the purchasing department receives the list, they will proceed to purchase the specified items as determined by the company. The QATC (Quality Assurance and Technical Compliance) team will then double-check whether the purchased items meet the set criteria.”.* Informant 1

*Company D*

*“We find suppliers easily through our network of friends or through research. We look for suppliers who can provide competitive prices and have halal certification. It is important that the suppliers possess both halal certification and offer competitive prices.”.* Informant 1

### **Restricted Supplier Options**

Another primary concern for SMFEs is the search for halal suppliers. Because of the limited availability of such suppliers, the company has to rely on a single sup-

plier who already possesses complete halal documentation and is deemed trustworthy. At one point, when facing a shortage of raw materials from the same supplier, the company has to seek alternative sources that can provide the same materials. However, they often find themselves paying almost the same price as the end user due to the smaller quantities they purchase. Some informants have also noted that the price may vary depending on the quantity purchased.

#### *Company A*

*“R&D will seek multiple suppliers rather than relying on a single supplier. The purchasing department will prioritize finding the supplier offering the lowest price while ensuring they possess complete halal documentation. If a supplier has the desired product but lacks a complete halal certificate, they will be put on hold (KIV) temporarily. The department will give priority to suppliers with complete documents, proceeding with them as the primary choice for their supply needs.”.*  
*Informant 1*

#### *Company B*

*“We will only purchase the quantity of materials required for the specific manufacturing process. Once purchased, we will process, prepare, and package the materials immediately. They will be used directly without being stored. We provide a list of suppliers, at least 2-3 suppliers, with varying purchase prices. If the purchase price becomes higher, we are forced to buy as there are no suppliers who can provide the raw materials. This results in us having to purchase at a higher price in order to complete the production process. The selling price remains the same, which leads to thinner profit margins and lower profitability.”.*  
*Informant 2*

#### *Company C*

*In order to find suppliers, we need to identify the required items first. If the items are critical, such as raw materials like chicken, beef, and lamb, the company will ensure to determine the suppliers and verify whether they have the required halal certification. This includes confirming if the animals were slaughtered at facilities with halal certification from JAKIM and following the proper procedures (as per the SOP). The list of dry goods must also be included. The JAKIM logo and apps are convenient resources for easily sourcing halal products”.*  
*Informant 1*

#### *Company D*

*“My husband has a wide network of contacts in the food industry through friends and delivery connections. Through these contacts, he has access to various raw materials such as chili and meat in large quantities and at affordable prices. As a starting point, we initially purchase the meat from different suppliers. This allows us to assess and select the most suitable suppliers for our needs. Regardless, we need to make the initial purchase of the meat first. It is difficult to obtain direct price quotes, so we have to make the purchase first, and then we can negotiate and obtain pricing information”.*  
*Informant 1*

*Insufficiency in Raw Material Procurement*

Based on interviews with SMFEs, most of them have not entered into any yearly contracts to secure cost prices because they are unable to commit to specific quantities with suppliers. In the event of higher stock demands, they are forced to seek backup suppliers, often resulting in higher costs due to last-minute demands. This situation is exacerbated by a lack of established relationships with suppliers, preventing the company from negotiating stable prices and stock demands. Consequently, there is a recurring situation where stock is limited, and prices remain unstable, negatively impacting the company's profit stability.

*Company A*

*"We do not have a yearly contract. The issue of insufficient stock arises, but we have a backup supplier. We contact the backup supplier and request a sample for testing by R&D to assess any differences. If the item is in short supply, we proceed with what is available. We adjust the product planning to accommodate the absence of the particular product. Depending on the urgency of the item, production will continue using the existing product. If the raw material is necessary but in limited quantity, we utilize the available stock. Prices will be negotiated with the suppliers. Stock cannot be stored. The supplier will deliver one ton per week, which will be kept in stock. The quality of the goods is controlled within specified parameters". Informant 1*

*Company B*

*"When it comes to the quality of raw materials, we face difficulties in finding suppliers who can provide the best raw materials. We must ensure that the materials are of high quality and have Halal certification. Finding the right suppliers is crucial because there are suppliers who do not meet the requirements for Halal quality, so we have to ensure that each supplier adheres to JAKIM's Halal guidelines. It is quite challenging to find the appropriate suppliers, especially those with Halal certification. We do not receive any assistance from agencies. Staff meetings are held to identify the correct suppliers". Informant 2*

*Company C*

*"Suppliers are obtained through intermediaries rather than directly due to the complex process involved. The company currently does not have plans to establish direct relationships with main suppliers, but future plans will be considered. In terms of supplier-related issues, there are instances where suppliers provide certificates that are not accepted by the state religious department (JAKIM). We advise suppliers to obtain a Halal certificate or else we may have to switch to alternative suppliers". Informant 1*

*Company D*

*"We will turn to alternative suppliers, and usually, there will be price negotiations with the suppliers. So, we already know that in the F&B (food and beverages) industry, prices are never static. The prices of all raw materials fluctuate. There is no price stability. We are aware of this and understand that suppliers cannot provide the materials if there is no guarantee of supply for us. There is an issue with*

*cartel or limited suppliers or significant barriers to entry, allowing them to exert control over the market. Many raw meat products are stuck at the port due to cartel issues. Suppliers also cannot guarantee how long we can source from them or how long they can supply us. Therefore, for quality control in raw materials, so far, when we find a supplier, they will provide a Halal certificate. If JAKIM wants to check the Halal status, they only need to verify the Halal certificate from the supplier". Informant 1*

## 5. Discussion

Strategic sourcing is of paramount importance in entrepreneurship, particularly for small and medium-sized halal food enterprises. It serves as a crucial method for cost reduction while enhancing the business's strategic focus. Small and medium-sized food enterprises (SMFEs) must adhere to JAKIM standards when outsourcing from other suppliers. Sourcing halal suppliers presents a challenge for SMFEs due to the lack of sufficient information about the halal certification application process. Failure to competently apply for halal certification in the food industry may result in penalties enforced by JAKIM [28].

If not effectively managed, the issues identified in this study could pose a threat to the organization's performance. SMFEs typically conduct their own research for their products and cater to the local demand. However, these SMFEs face inherent structural issues that necessitate more than just institutional support. They require assistance in areas such as research and development, innovation, infrastructure development, and specific policies tailored to address their unique challenges [10].

Most of the informants were of the opinion that it was important to procure raw materials from approved suppliers, particularly those that followed the halal certification process and adhered to Halal Assurance System (HAS). The selected suppliers must comply with all the requirements including halal documentations as required by JAKIM. Halal certification holds great significance for all players in the halal food industry, particularly for small and medium-sized enterprises (SMFEs).

Certification of halal status is required for a product, encompassing its raw materials, processing, and distribution. Additionally, the internal systems of the company should be in place to ensure the consistent maintenance of the product's halal status [29]. To obtain Halal certification during the process, several cumbersome procedures were implemented.

Nonetheless, a viable enhancement would be to establish a streamlined and efficient communication protocol between the R&D and purchasing departments. Instead of the purchasing department independently contacting suppliers for criteria verification, R&D can provide comprehensive information about the suppliers that meet the required criteria directly to the purchasing department. This approach would minimize redundant efforts and expedite the supplier selection process.

Differences in supplier management are believed to be influenced by the bargaining power and resources associated with the size of the enterprises. The bargaining power also influences the adoption of risk mitigation strategies. In terms

of monitoring distributors, small enterprise entrepreneurs tend to adopt a cooperation strategy, while large enterprises lean towards a control strategy.

Due to its small size, the company lacks sufficient bargaining power with its distributors. As a result, small enterprise entrepreneurs often make frequent visits to their distributors to establish a closer relationship. Conversely, large enterprise companies have a greater scale and possess more bargaining power [30].

The procurement of raw materials plays a crucial role in supply chains as it has a direct impact on revenue growth through more efficient decision-making. Raw materials are fundamental substances used in the production of goods, finished products, energy, or intermediate materials that serve as feedstock for future production [31].

Halal food products form a significant part of Malaysia's thriving Halal industry. The industry continues to experience steady growth, making a substantial contribution to Malaysia's economic development. However, food industry operators encounter various issues and challenges when incorporating the Halal concept into their businesses [32].

The attainment of healthy and safe food necessitates the implementation of food safety management systems across the entire food production chain, spanning from raw material sourcing and processing to the final consumption stage by the consumer [33].

## 5.1 Future Research Directions

Further qualitative studies could be undertaken involving a larger sample of small and medium food enterprises (SMFEs) across different regions of Malaysia. This would provide more extensive insights into halal purchasing practices, challenges, and supplier relationships from diverse geographic contexts. Comparative research between SMFEs and larger enterprises could also analyze differences in procurement processes, costs, supplier power dynamics, and more.

Survey research can be conducted with SMFEs to statistically quantify and rank the major obstacles faced in sourcing halal-certified raw materials. This could delineate the most critical pain points to be addressed. Evaluative studies on the impact of strategic partnerships between SMFEs and certified halal suppliers on efficiency and competitiveness would also be beneficial.

Development of decision-making frameworks or models to optimize halal purchasing and supplier selection represents another potential research avenue. These tools could be validated through field testing and pilot studies. In-depth case studies of SMFEs with proven success in halal supply chain management would provide insights into best practices that can be adopted across the industry.

Emerging technologies like blockchain for enhancing transparency and traceability in halal supply chains is a promising area for research, especially in the context of SMFEs. The role of halal certification itself in improving export competitiveness and tapping international Muslim markets for SMFE products also warrants further investigation.

Research into potential government policy interventions to assist SMFEs in compliance and adoption of halal standards would have practical value. Overall, future studies could utilize qualitative, quantitative, or mixed methods approaches

engaging with both academic and industry stakeholders to continue building knowledge in this domain.

## 6. Conclusion

This study has revealed the critical importance of sourcing halal products from certified suppliers, particularly for small and medium-sized food entrepreneurs (SMFEs). The limited options available for stock accumulation, which could lead to economies of scale, pose a significant challenge when compared to larger organizations.

The requirement for each supplier to comply with halal certification standards reduces the available options for small and medium-sized food enterprises (SMFEs) to select the highest quality products at competitive prices, thus limiting their potential for larger profits. Simultaneously, the shortage of raw materials significantly impacts revenue generation through efficient production.

This conclusion highlights the importance for practitioners in the food industry to embrace improvement in creating a more robust halal sourcing supply chain to meet the increasing demand for halal products.

### 6.1 Limitation

The small sample size of SMFEs interviewed restricts the ability to make broader generalizations and obtain diverse perspectives. Expanding the geographical scope beyond Malaysia could provide comparative insights into location-specific halal purchasing challenges. While the qualitative approach was appropriate for initial exploratory research, adopting quantitative methods in future studies could enable statistical analysis and quantitative generalizations. The sampling methodology based on convenience could introduce biases compared to randomized sampling.

The lack of comparative data from larger enterprises makes it difficult to contrast the halal purchasing processes of SMFEs versus bigger industry players. A longitudinal rather than cross-sectional design could track changes over time. Self-reported data from interviews can be prone to biases, so triangulating with other sources could prove useful. The absence of an explicit theoretical framework limits analytical depth regarding the findings. More details on the specific halal purchasing practices examined would also help interpret the practical implications.

This study did not appear to focus on or derive insights regarding potential policy interventions. Incorporating this dimension alongside addressing some of the other limitations could significantly strengthen future research on optimizing halal purchasing and procurement for SMFEs. Enhanced validity, analytical rigor, and generalizability of findings could inform both academia and practice.

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