

Halal logistics in Brunei: Current constraints and future potentials

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ARTICLE INFO

Article history:

Received 1 November 2019

Accepted 21 December 2019

Published 31 January 2020

Keywords:

Halal logistics
Halal business
Halal economy

ABSTRACT

Identifying and understanding the constraints and potentials of halal logistics in Brunei Darussalam is integral towards the development of Brunei's halal economy. Relevant extant literature was analysed using an inductive reasoning approach, where five issues were identified to have had constrained halal logistics in Brunei Darussalam. Three areas that have the potential to stimulate halal logistics were also identified. It is hoped that the findings could benefit future research, as well as academics and practitioners alike, both in the halal logistics sector and the halal research domain, particularly the logistics body of knowledge.

1. Introduction

The multi-trillion global halal economy has shown continuous rapid growth. The latest Global Islamic Economy Indicator (GIEI) has identified Brunei to be among the top ten countries in the Islamic economy (Thomson Reuters, 2018). Specifically, this accomplishment has been credited to and encompasses the halal food industry, halal media and recreation, halal pharmaceuticals and cosmetics, and halal travel sectors. Subsequently, the Brunei government has been actively attempting to capitalise on this promising economic prospect.

Evidently, arrays of logistics businesses and operations, along with the industry's rapid development and innovations, have contributed towards national growths across Asia (Wu *et al.*, 2017). With the emergence of the halal economy, halal logistics has since been founded and continue to thrive, playing a key role and creating a sustainable foundation for the halal supply chain integrity (Talib & Hamid, 2014; Talib *et al.*, 2015a). Similarly, the careful and strategic function of logistics management is pivotal to Brunei's standing across multiple halal sectors. This was also supported by Karia and Assari (2016), where logistics has played a vital role in the planning, operation and sustainability of the halal supply chain.

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Halal logistics is relatively new and with its undeniable potential, requires extensive research and understanding to assist its progression. However, published data on halal-related studies is limited and in Brunei, no known investigations have been conducted to understand the state of halal logistics in the country. Additionally, despite Brunei's achievements in the halal industry, halal logistics has not been given similar attention and investments remain sparse. There seems to be inadequate explanations to suggest the paucity of halal logistics studies and investments in Brunei, when the performance of halal logistics determine the success of the halal economy.

Therefore, given the positive industry outlook and the limitations, this paper aims to identify the constraints and potentials of halal logistics in Brunei Darussalam. Identifying the halal logistics constraints and potentials in Brunei is essential towards understanding the country's capabilities in the halal industry thoroughly. Additionally, it contributes to the ever-expanding and complex global halal supply chain. Moreover, such an undertaking could reaffirm stakeholders on the potential opportunities and challenges that persist in the country.

2. Literature Review

Innovation in logistics is generally defined as the capacity to develop new and valuable logistics services which could offer benefits to service providers and users (Chu *et al.*, 2018), and thus halal logistics has been regarded as such (Jaafar *et al.*, 2011). Halal logistics has benefited both service providers and customers whereby, service providers have had the opportunity to enter new markets, improve services and boost their corporate image (Talib *et al.*, 2017). Whereas, customers could enjoy prime logistics services that adhere to Islamic principles (Zailani *et al.*, 2018).

Research on halal logistics covers a wide range of issues ranging from customer studies (Fathi *et al.*, 2016) to standards adoption (Talib *et al.*, 2017). Moreover, extant halal logistics literature examines various logistical activities such as packaging (Talib & Johan, 2012), transportation (Karia, 2019), warehousing (Ngah *et al.*, 2015), and purchasing (Tieman & Ghazali, 2013).

The halal logistics discipline has been gaining recognition from academic scholars and practitioners. Scholars (Haleem & Khan, 2017; Karia & Asaari, 2016; Talib *et al.*, 2015a) believe that the need for halal logistics will continue to grow as there is a continuous demand for halal goods and services, particularly due to the rapidly expanding global halal industry. Moreover, other factors such as the growing Muslim population (Abdul-Talib & Abd-Razak, 2013), halal as a symbol of premium value (Karia & Asaari, 2016), rising consumer awareness and acceptance (Fathi *et al.*, 2016), and the lucrative halal market (Zailani *et al.*, 2017) further explain the rising need for halal logistics.

Despite the positive outlook, halal logistics also faces challenges that could impede growth. In order for halal logistics to perform at its full potential, extensive research should be conducted to identify these challenges. For instance, Zailani *et al.* (2017) highlighted that institutional issues pose a critical challenge for firms to adopt halal logistics. Additionally, Talib *et al.* (2015b) identified the lack of talent and capabilities as among the significant issues surrounding halal logistics.

Although the research by Zailani *et al.* (2017) and Talib *et al.* (2015b) revealed pertinent issues and challenges in halal logistics, the concerns are based on a single country and may not represent other markets. Therefore, the constraining factors enveloping halal logistics in Brunei could be different. Hence, a dedicated study on revealing the constraining factors unique to Brunei is necessary.

3. Methodology

Kovács and Spens (2005) have called for more inductive research in logistics, because logistics research is often deductively based (Kovács & Spens, 2005), and as the knowledge progresses, the field needs more inductive research and reasoning (Arlbjørn & Halldórsson, 2002). Spens and Kovács (2006) defined

inductive reasoning as a process that probes a specific phenomenon in the logistics field to establish a universal and comprehensive understanding. Hence in this paper, the inductive reasoning approach was applied to identify the halal logistics constraints in Brunei Darussalam.

A study by Ketokivi and Mantere (2010) offered two strategies for implementing inductive reasoning – the idealisation and contextualisation approach. According to Ketokivi and Mantere (2010), an idealisation approach simplifies a complicated situation through inter-subjective reasoning to allow understanding, with the goal to create a standardised direction for justifying inductive arguments. Meanwhile, a contextualisation approach attempts to provide real context-based reasonings supported by existing data and evidence. Ketokivi and Mantere (2010) then further categorised the contextualisation approach into three distinct categories – subjective, empirical, and theoretical contextualisation.

A subjective contextualisation refers to the individual idiosyncratic backgrounds and knowledge to determine a person's reasoning style. Meanwhile, an empirical contextualisation is a reasoning approach through valid and contextual evidence, generated from relevant and authentic empirical knowledge. As for theoretical contextualisation, it contributes to theoretical discourse and establishes relevant assertions, with support from appropriate concepts.

A combined empirical-theoretical contextualisation reasoning approach was applied in this study. There were two reasons to justify the selection. Firstly, the abstract nature of the idealisation approach was insufficient to explain the actual halal logistics situation in Brunei substantially. Secondly, because of a lack of the number of studies and limited information on halal logistics in Brunei, contextual evidence was drawn from relevant published halal logistics literature.

An inductive and contextualised reasoning approach allowed the challenges within the logistics phenomenon under investigation to emerge, and therefore, gave a thorough understanding of the halal logistics constraints and potentials in Brunei Darussalam. Furthermore, through an inductive reasoning process, a general inference of a situation, in this case the halal logistics business in Brunei, could be identified by applying a theoretical understanding and observing the constraining factors.

4. Results

4.1 Halal logistics constraints

4.1.1 Expert deficiency

The lack of professionally trained logisticians has been reported as a prevalent issue across the logistics industry, such as in humanitarian logistics (Overstreet *et al.*, 2011) and green logistics (Dubey & Gunasekaran, 2015). Similarly, this has also prevailed within halal logistics, as highlighted by scholars (Haleem & Khan, 2017; Talib *et al.*, 2015b, Talib & Hamid, 2014). Talib *et al.* (2015b) emphasised that the lack of professionally trained halal logisticians has been causing complications, which has prevented logistics operations from performing at its full potential. Additionally, Haleem and Khan (2017) suggested that the lack of halal logistics experts could have been caused by the absence of structured training.

Despite the considerable number of halal experts in the food sciences and legislative fields in Brunei, the number of experts in shariah-compliant logistics remain lacking. Without these halal logistics experts, logistics services such as transportation, warehousing, packaging and order processing would not be able to perform and operate well. This talent deficiency also signals a need for knowledge and skills relevant to halal-oriented operations such as handling and storage segregation, tracking and traceability, and contamination awareness.

4.1.2 *Standard and certification issues*

A halal standard represents a trust mark and a symbol of quality that signifies uncompromising halal logistics services (Talib *et al.*, 2017; Tieman, 2011). Following which, halal standard has become integral to halal logistics and has become a priority in the logistics industry (Zailani *et al.*, 2017; Talib & Hamid, 2014). Zailani *et al.* (2017) expressed that the absence of an internationally recognised halal logistics standard has led to vague guidelines and misalignment in halal logistics operations. Furthermore, Talib and Hamid (2014) argued that the absence of standardised halal logistics guidelines may jeopardise the integrity of halal logistics and contaminate the halal supply chain.

Brunei has a series of halal standards, such as for food (PBD 24:2007), medicines (GD 24:2010) and cosmetics (PBD 26:2016). However, the country has yet to develop its own dedicated halal logistics standard. A dedicated halal logistics standard is essential in setting the guidelines for best practices and an essential aspect for Shariah-compliant logistics operations (Talib *et al.*, 2015a, 2015b). A specialised halal logistics standard could elevate the importance of halal logistics in Brunei. Additionally, it acts as a guideline and eliminates potential ambiguity and loopholes in the logistics chain.

4.1.3 *Inadequate infrastructure*

Adequate infrastructure is crucial for halal logistics, specifically halal logistics infrastructure. Brunei has undergone substantial expansion and modification to accommodate increasing operations and throughputs at its international airport and seaports. Brunei also has a desirable transport network connecting the entire country and introduced free trade zones and industrial areas to further support logistics functions and operations.

Despite this, Brunei's halal logistics infrastructure does not have the capacity and capability to accommodate for halal logistics. Halal logistics infrastructure would require halal transport carriers, dedicated warehouses and storage units, and ports and terminals, which are all essential components in the halal supply chain (Karia, 2019; Ngah *et al.*, 2015; Tieman *et al.*, 2012). Unfortunately, these infrastructures are non-existent in Brunei. Dedicated halal logistics infrastructures are required to facilitate the country's growing halal imports and exports, and encourage potential investors, while preserving halal integrity and enhancing the halal value chain.

4.1.4 *Weak demand*

The demand for halal logistics services from both the consumers and businesses is low and due to this, there has been no urgency to push for halal logistics. Furthermore, it is thought that halal logistics only work in the background and does not directly concern the consumers (Supian, 2018).

Presumably, this low demand for halal logistics has been caused by the public perception whereby 'all is halal, unless indicated otherwise', which was also stated by Wilson and Liu (2010). Furthermore, businesses in the supply chain (i.e suppliers, manufacturers, wholesalers and retailers) have only been concerned with product certification and neglects the logistical aspects.

Firms are of the understanding that if the products have been halal-certified, then there would be no need to have the logistics processes certified as well. Such understanding undermines the importance of halal logistics, resulting in its low demand; this lack of demand for halal logistics amongst consumers and businesses could further hinder the growth of halal logistics in Brunei.

4.1.5 Intense competition

Malaysia, Indonesia and Singapore have been regarded as Southeast Asia's halal industry's 'powerhouse'; thus, Brunei faces intense regional competition in the halal industry. Furthermore, these countries have been supported by renowned halal governing bodies and have among them, the leading halal standards in the world. Moreover, the countries have broader halal markets, handle more halal demands, and have advanced logistics infrastructures that serve a broader halal supply chain network. This would appeal to potential firms, where they would be more inclined to establish their businesses in Malaysia, Indonesia and Singapore, further hindering the growth of halal logistics in Brunei.

Nevertheless, Brunei's comparatively small halal industry has been reported to be among the most developed and evolved halal chain in the industry, along with Malaysia (Tieman, 2011). Tieman describes the country's halal supply chain to be responsive and robust, which offers better halal integrity and protection. Such recognition reflects that, albeit the intense competition, Brunei has the potential to grow and expand. Therefore, it is thought that Brunei should focus on harnessing its potential areas rather than lamenting on the challenges.

4.2 Halal logistics potentials

4.2.1 Industry growth

The halal industry is constantly diversifying and the emergence of halal food, travel, cosmetics, pharmaceutical, and fashion sectors, signify the increasing demand for halal-certified products and services (Thomson Reuters, 2018). Undeniably, the need for halal logistics has increased with the growth of the halal industry and this offers a promising opportunity for halal logistics, particularly in Brunei.

For instance, the growth of halal tourism in Brunei could generate more demand for the halal food logistics chain, while the inflow of imported halal goods from Muslim and non-Muslim countries creates the need for halal packaging, containerisation, warehousing, and transportation. The domino effect which comes with the growth of the halal industry will continue to materialise because halal logistics is needed for both the distribution and protection of the halal status and integrity.

4.2.2 Intergovernmental organisations

Brunei Darussalam has long been part of regional and global intergovernmental organisations, such as the Organisation of Islamic Cooperation (OIC) and the Association of Southeast Asian Nations (ASEAN). Naturally, the OIC has been continuously supporting the trading of halal good and services (Majeed *et al.*, 2019), and the GIEI revealed that the halal commodity trading among OIC members has consistently reached new heights (Thomson Reuters, 2018).

Meanwhile, the halal industry in the Southeast Asian region, backed by the ASEAN coalition, has been thriving with calls for a unified ASEAN halal standard (Othman *et al.*, 2016). Initiatives such as the ASEAN Cooperation in Halal Food (2017-2020) signifies strategic halal initiatives to enhance international competitiveness within the region. Brunei should capitalise the opportunity to collaborate and expand its halal and logistics businesses through the platform laid out by the OIC and ASEAN. Furthermore, Brunei could benefit from a strategic knowledge transfer from the likes of Malaysia, Singapore and Indonesia towards developing its halal logistics business.

4.2.3 Government backing

As Brunei is an Islamic nation, its government has long prioritised halal as the most ideal approach to achieve the country's agenda and concurrently leveraging on the growing global halal markets. The strong and continuous support from the government is apparent, particularly in the halal related decrees and policies.

With Islamic fundamentals set in Brunei's business scene and the halal doctrine ingrained, and backed by a strong governmental support, there should be no surprise that logistics operations would also abide by halal principles and practices.

5. Conclusion

This study aimed to identify the halal logistics constraints and potentials in Brunei Darussalam, by utilising constraint-based and inductive reasoning approaches. The study satisfied the intended objectives by identifying five constraining factors that have impeded the growth of halal logistics in the country. Three factors that could potentially alleviate Brunei's halal industry and its halal logistics business were also highlighted.

Findings from this study could provide insight for practitioners, the public sector, as well as academic scholars; this study has attempted to lay the groundwork for future halal logistics research in Brunei and potentially the surrounding region. As a preliminary assessment on halal logistics in Brunei was conducted in this study, practitioners could further understand the region's halal business ecosystem. Additionally, the potential opportunities and challenges highlighted in this study could also be useful for managers when making strategic decisions.

However, the validity and reliability of this qualitative piece are contentious. Additionally, being limited to Brunei, the nature of this paper limits the generalisability because the highlighted constraints may vary between other countries. Therefore, future research should undertake a more pragmatic and quantitative approach to overcome the stated limitations. Nevertheless, the study positively contributes to the understanding of the halal logistics constraints and potentials in Brunei. It is also the author's hope that the study adds to the growing body of halal logistics literature and enriches the halal research field.

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