



SHORT COMMUNICATION

RISK MANAGEMENT IN THE HALAL INDUSTRY: A COMPREHENSIVE ANALYSIS

^{1,*} Roziatul Akmam Osman

¹ CPA(M), Halal Subject Matter Expert, Malaysia

*Corresponding author. E-mail: ihalalconf@gmail.com

ABSTRACT

This summarizes presentations at International Halal Conferences, which examines the critical role of risk management in the rapidly expanding global Halal industry. It explores the evolution from traditional product-focused approaches to comprehensive, process-oriented risk management strategies in ensuring Halal integrity. The study analyzes the "Halal built-in, not tested for" concept and its integration into certification processes, highlighting the shift towards proactive risk mitigation. It investigates the implementation of Halal Assurance Systems (HAS) and their risk management components, including decision trees and material analysis worksheets. The research addresses the impact of global crises, exemplified by the COVID-19 pandemic, on Halal supply chains, emphasizing the need for robust, adaptable risk management frameworks. The paper proposes the adoption of Enterprise Risk Management (ERM) principles in national Halal management plans and advocates for increased strategic collaboration among industry stakeholders. Furthermore, it discusses the integration of risk-based thinking into Halal quality management standards. This comprehensive analysis contributes to the growing body of literature on Halal industry management by providing insights into the development of resilient, sustainable Halal value chains in an increasingly complex global market environment.

Keywords: *Halal Risk Management, Halal Assurance Systems, Enterprise Risk Management, Halal Certification, Strategic Collaboration*



Introduction

The Halal industry has experienced significant growth globally, extending beyond food products to encompass various sectors including pharmaceuticals, cosmetics, and Islamic finance. This expansion has necessitated a more comprehensive approach to risk management to ensure the integrity and sustainability of Halal products and services. This paper aims to analyze the concept of risk management in the Halal industry, identify key challenges, and propose strategies for effective implementation.

Conceptual Framework

Halal and Toyyiban

The paper begins by establishing the foundational concepts of Halal and Toyyiban as derived from Islamic teachings. Halal refers to what is lawful or permissible in Islam, while Toyyiban encompasses the notion of wholesomeness and goodness. These concepts extend beyond food and beverages to include pharmaceuticals, cosmetics, and other products and services.

Risk vs. Crisis

A clear distinction is made between risk and crisis in the context of the Halal industry. Risk is defined as a potential future event that may hinder an organization's ability to achieve its objectives, while a crisis is an immediate situation requiring urgent attention and action. This differentiation is crucial for developing appropriate management strategies.

Risk Management in Halal Certification:

a) The "Halal Built-in" Concept

The paper discusses the "Halal built-in, not tested for" concept, which has been incorporated into Malaysia's Halal standard and certification process. This approach emphasizes the integration of Halal requirements throughout the entire product development and production process, rather than merely testing the final product.

b) Halal Assurance System

The implementation of a Halal Assurance System (HAS) is explored, with particular focus on the risk management component. The paper outlines key elements of HAS documentation, including decision trees, material analysis worksheets, and Halal risk management plans.

Global Challenges and Risk Mitigation:

a) Impact of COVID-19

The paper examines the impact of the COVID-19 pandemic on global Halal supply chains, particularly in the beef industry. This case study highlights the need for robust risk management strategies in the face of global crises.



b) Strategic Collaboration

The importance of strategic collaboration among industry stakeholders is emphasized as a key risk mitigation strategy. The paper proposes the establishment of national working groups and Halal trading houses to facilitate collaboration in purchasing and distribution.

Towards a Comprehensive Risk Management Approach

a) Enterprise Risk Management in Halal Industry

The paper advocates for the adoption of Enterprise Risk Management (ERM) principles in national Halal management plans. This approach involves a top-down and bottom-up strategy, engaging all stakeholders in the risk management process.

b) Risk-Based Thinking in Halal Standards

The need for incorporating risk-based thinking into Halal quality management standards is discussed, with reference to ongoing revisions of standards such as MS 1900 in Malaysia.

Conclusion

The paper concludes by emphasizing the critical importance of risk management in ensuring both compliance and sustainability in the Halal industry. It calls for greater strategic collaboration among stakeholders and the adoption of comprehensive risk management approaches to address the complex challenges facing the global Halal value chain.

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