

Collaborative Relationships Development Process in Halal Supply Chain – A Case Study

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Abstract

The purpose of this paper is to examine the collaborative relationships development process in halal supply chain in Malaysia; of which the development process itself has received less attention from researchers. Numerous studies done concerning to the topic, whilst the Halal supply chain researchers hardly discuss on the collaborative relationship issues. The research methodology employed in this research was qualitative approach via semi-structured interviews with respondents from personnel of five halal food providers throughout Malaysia, of which having bread as their products. The result of this study indicates the existence of stages theory in collaborative inter-organisational relationships development process of Halal supply chain; with an element of Muslim-supplier that is exclusively for Halal supply chain.

Keywords: Collaborative Relationships, Halal Supply Chain, Collaborative Relationships Development Process

Introduction

This paper is based on the case study of the collaborative relationships in halal supply chain in Malaysia. Although there are much research on the collaborative relationships in supply chain (Barratt, 2004; Simatupang & Sridharan, 2002; Soosay & Hyland, 2015), the author's literature review indicates very few discussions on the collaborative relationships development process itself whilst most research are conducted in conventional supply chain environment. Thus, this study explores the inter-organisational relationships in Halal supply chain, of which examines the process of collaborative relationships development in a Muslim-based halal bakery in Malaysia by adopting growth-stages theory approach.

Collaborative relationships in supply chain is defined as two or more independent companies working together in term of planning and executing supply chain operations; of which resulting a better result compared to working alone (Simatupang & Sridharan, 2002). Many earlier studies reveal that collaborative relationships are closely related to performance improvement (Daugherty, 2011; Doney & Cannon, 1997; Dwyer, Schurr, & Oh, 1987; Ganesan, 1994; Min et al., 2005). Nevertheless, collaborative relationships are developed between firms and their supply chain partners on long term basis in order to have better efficiencies, more flexibility, and also better competitive advantage of which requires joint efforts by both parties to work interdependently. Their findings reveal that trust and commitment are derived from collaborative activities such as sharing of information and joint relationship effort which resulted in improvement on satisfaction and performance (Cao & Zhang, 2011; Nyaga, Whipple, & Lynch, 2010).

Note that Ab Talib, Abdul Hamid, & Zulfakar (2015) examine collaborative relationships in the context of Halal supply chain. Their discussions are more on the definition of collaborative relationships and collaboration in supply chain in general. They highlight that Halal and supply chain collaboration do have something in common, in term of recognition for the importance of trust of which in order for the Halal supply chain to be successful – the element of trust and transparent shall exist in the process of exchanging information for mutual benefit of players (Tieman, 2011; Tieman, van der Vorst, & Che Ghazali, 2012; Zannierah Syed Marzuki, Hall, & Ballantine, 2012). Notwithstanding with many works on Halal supply chain, collaborative relationships in Halal supply chain remains exclusive with the exception for work by Ab Talib et al., (2015) which partly discuss on collaborative relationships.

Faisol & Jaafar (2011) in their study on the collaborative relationships development process, reveal that studies focusing on relationship development as a process have been paid less attention. They also notice only few studies are conducted within a collectivist society like Malaysia with the exception for works

by Abdullah in 1992; Goddard in 1997; Abdullah and Lim in 2001. Batonda & Perry (2003) notice growth-stages models highlight on the inter-firm relationship development of which focus on the relationship development in inter-firm networks that occur in both sequential or incremental and irreversible stages. Works by Ford (1980), Dwyer (1987), Ellram (1991) and, Faisol and Jaafar (2011) amongst others, discuss the five phases or stages of development process based on this growth-stages models on buyer-seller inter-organisational collaborative relationships. Study by Faisol and Jaafar in 2011 also incorporates the Malaysian's element into their works. The aim of the research reported in this paper is to establish the applicability of existing collaborative relationships development process models to this very different context i.e., in term of Halal supply chain.

Method

Mena, Humphries, & Wilding (2009) cited Yin in 2003 that real-life events such as development and organisational processes could be retained for meaningful characteristics by employing case study methodology. This qualitative case study on this collaborative relationship development process in Halal supply chain was carried out via personnel interview with five firms which having Halal food in particular bakery product business. In-depth semi-structured interviews method was deemed most appropriate since the collaborative relationships process receives little attention in both study of conventional and Halal supply chain. Adebajo (2009) cited May in 2001 that semi-structured approach not only enables the process of clarification and elaboration but also provides more space for probing. The respondents were the owners of the firm with the exception of one interview which was carried out with the daughter of owner that involves with daily operations of the firm. The interviews covered on the following themes; the background of the organisation, duration of their inter-firm relationships, and how they develop collaborative relationships with their suppliers and customers. The interviews were recorded and transcribed verbatim of which categorised under conceptual headings.

This particular study on the development process of collaborative relationships of Halal supply chain emulated the growth-stages models theory. The findings for this study were narrated using the five stages of the development process for collaborative relationships which consist of relationship searching processes; relationship starting processes; relationship development processes; relationship maintenance processes; and relationship termination processes.

Discussion and Result

A brief summary of the firms and respondents taking part in the interview is tabulated in Table 1 below. The firms use pseudo names for confidentiality purposes. The interviews which last between forty-five to ninety minutes are conducted at informants' business places of. A standard set of questions is used to maintain uniformity. Nevertheless, depend on the openness of the interviewees, the questions asked are beyond the five phases of collaboration development process. The result and discussion of the interviews are explained in stages, emulates the harmonious work by Batonda & Perry in 2003 for stages in inter-firm/organisational relationship development process.

Table 1. Background of firms

Firm / Case Study	(1) RSM	(2) SGRT	(3) KMKN	(4) SRP	(5) RP2
Nature of business	Food catering, Event & Restaurant	Restaurant selling flatbread	Small restaurant, inclusive of flatbread	Small Outlet selling sweet bun	Small Outlet selling sweet bun
Halal Bakery activity	Menu consist of bread & pastries	Produce & Sell bread	Menu consist of bread	Produce & sell bread	Produce & sell bread
Location	Klang Valley	East Coast	East Coast	East Coast	East Coast

Stage 1: relationship searching processes

Start with search process

The owner of SGRT of which has been in business since 2010, reveal the search for the suppliers is carried out by he himself with unknown suppliers – that show the collaborative relationships process begins without commitment attached. He said that:

“I am searching around looking for supplier of flour. I asked few shops owners in Dungun, and I got negative response. During my searching for other ingredient - spices for cooking lamb; I came across this shop.”

Whilst the owner of RSM, which operates a restaurant and also a food caterer service provider since 2002, reveals that *‘he started the searching process for suppliers of ingredients based on information and recommendation that he received from potential suppliers’*. These findings indicate the stage 1 of collaborative relationships development process in Halal supply chain process does begin when the firms search for potential exchange partners, i.e., the suppliers without having any commitment during this trial period. The evaluation of potential exchange partners is based on economic and social aspects (Batonda & Perry, 2003).

Searching for Muslim-supplier

Nevertheless, the owner of SGRT further explains that:

“Despite the cost of flour in Kuala Terengganu is much cheaper and if the travelling to Kuala Terengganu become much easier compares to Dungun – I still prefer the supplier in Dungun due to the factor that the owner is a Muslim.”

The owner of RP2, a small producer and seller of sweet bun since 2008 reveals that *‘for the first two years in business - she got her supply for flour from a Muslim’s own hypermarket in Kuala Terengganu’*. Similarly, the daughter of owner of SRP, which also a small producer and seller of sweet bun since 2008 informs that *‘they obtained the supply of flour themselves from a hypermarket in Kuala Terengganu which is owned by a Muslim in the early years of business’*. The owner of KMKN, a small restaurant owner for the past 18 years, also explains that *‘her company is always looking for Muslim-supplier’*. These owners hold

similar believe with SGRT that Muslim-supplier shall be consider as one of the factors for searching of suppliers in this inter-organisational relationships process. Notice this element of preference for a Muslim-supplier in the stage 1 of collaborative relationships development process in Halal supply chain that makes it differ with relationship under the conventional supply chain.

Stage 2: relationship starting processes

Gathering supplier behaviour and capability

The owner of RSM, relates his experience in search and trial stage as follow:

“At the beginning process to find a reliable supplier – I based on recommendation. During my trip to the wet market, I gather information from the few sellers on buyers’ behaviour, checking their capabilities to meet supply requirement and so on. Starting from that point, I started relationships with two or three suppliers and lastly maintain the relationship with the one that I feel comfortable and trust”

The action of the RSM’s owner to start the inter-organisational relationship with few suppliers before choosing the most trusted supplier display an element of search and trial in the relationship searches processes. This reflect the process of gathering information on supplier behaviour and capability. Whilst in the case of SGRT; the owner makes the decision to select the supplier based on economics factor, in term of cost of supply and location. He says that:

“I like the shop in Dungun compares to the one in Kuala Terengganu due to its location which is nearer to my place, and much easier to reach due to less traffic lights. Furthermore, I also buy other ingredients in Dungun whereas I just go to Kuala Terengganu only for flour.”

Switching from Muslim-supplier factor to service factor

On the other hand, the owner of SRP admits that she obtains the supply of ingredients direct from shops in the early day of her business, until a supplier makes an offer to deliver the same ingredients to her business place instead. She reveals that:

“Before this – I directly buy the flour from the hypermarket. I spent more time in

obtaining the supply and also spent more money on the maintenance of the car that is used to transport the flour to my place. A Chinese supplier stop at my shop and offers a delivery service for flour. He said since my shop is located at the road side on his way back to Kuantan - he will stop and deliver the flour instead.”

The owner of RP2 also reveals that *‘she could not resist the offer from the Chinese-man supplier that willing to supply the flour directly on weekly basis which resulting in time saving and reducing the overall cost for obtaining the supply of flour’*. These findings indicate that the factor of having a Muslim-supplier in collaborative relationships is no more applicable. A Muslim-seller (service provider) is not the key element to an effective for the relationship starting processes in inter-organizational buyer & seller relationships. Trust in Halal industry comes from service, i.e., in this case - from service delivery and not from a Muslim-supplier element; in line with definition of trust as buyer’s perception on the credibility of the supplier and benevolence of both parties in term of their welfare and motivation for a win-win situation (Doney & Cannon, 1997). These findings indicate the stage 2 of collaborative relationships development process in Halal supply chain start with gathering supplier behaviour and capability.

Stage 3: relationship development processes

Trust developed through honesty

In this relationship development processes or also known as expansion stage - the owner of SGRT explains:

“Even though the shop owner in Dungun is currently monopolized the sale of flour; the price remains competitive. Furthermore, for me, the shop owner is honest since he did calculate the price of my orders for few times to ensure the price accuracy of the order.”

This reflect that satisfaction is achieved between partners in the inter-organisational relationship whilst the element of trust enters its development stage (Dwyer et al., 1987).

Commitment of seller

Nevertheless, the owner of SRP states that *'The Chinese-man supplier ensures a weekly delivery of flour on every Sunday without fail'*. The owner of RP2 on the other hand, explains that:

"Every week, without fail, the supplier will call or send a text message. 'Sister', do you want the flour for this week. How many boxes of flour that you want."

These findings reflect the commitment of seller to develop the collaborative relationships (Soosay & Hyland, 2015).

Stage 4: relationship maintenance processes

Increase commitment of seller

In this commitment stage or relationship maintenance processes, the owner of SGRT explains that:

"Normally, I just placed my order for flour through telephone call. I just mention my requirement and the shop owner will prepare the goods upfront. When I arrived – the goods are ready for payment and collection."

Whilst in the case of RP2, the owner reveals that:

"The supplier makes a phone call of which asking 'Do you want the flour this week?'."

The supplier fulfils the buyer's verbal order and friendly reminder indicate the increase commitment of seller in buyer-seller relationship (Batonda & Perry, 2003).

Stage 5: relationship termination processes.

Termination exist due to exhaustion of benefit

Notice that the owner of SGRT has been in relationship with the current supplier for the past eight years. He explains that:

"I may switch to other supplier only if any other shops could offer a very lower price for the flour."

The finding show the relationship is still develop as long as the benefit is still in existence. However, the intention to end their inter-organizational

relationships is exist and the termination will only happen if the cost benefit to maintain the relationship is no longer favourable to maintain the relationship or when the firms either start initial strategies to end the relationship mutually (Batonda & Perry, 2003; Dwyer et al., 1987).

The above findings which is derived from stage 1 to stage 5 in inter-organisational relationship of buyer and seller in Halal supply chain via growth-stages model affirm that the existence of collaborative relationships development process in Halal supply chain. Nevertheless, there is an element for having a Muslim-supplier in stage 1 that is exclusive for Halal supply chain. This Muslim-supplier however is only in appear in stage 1 of collaborative relationships development process.

The proposed model for collaborative inter-organisational relationships development process is shown in Figure 1.

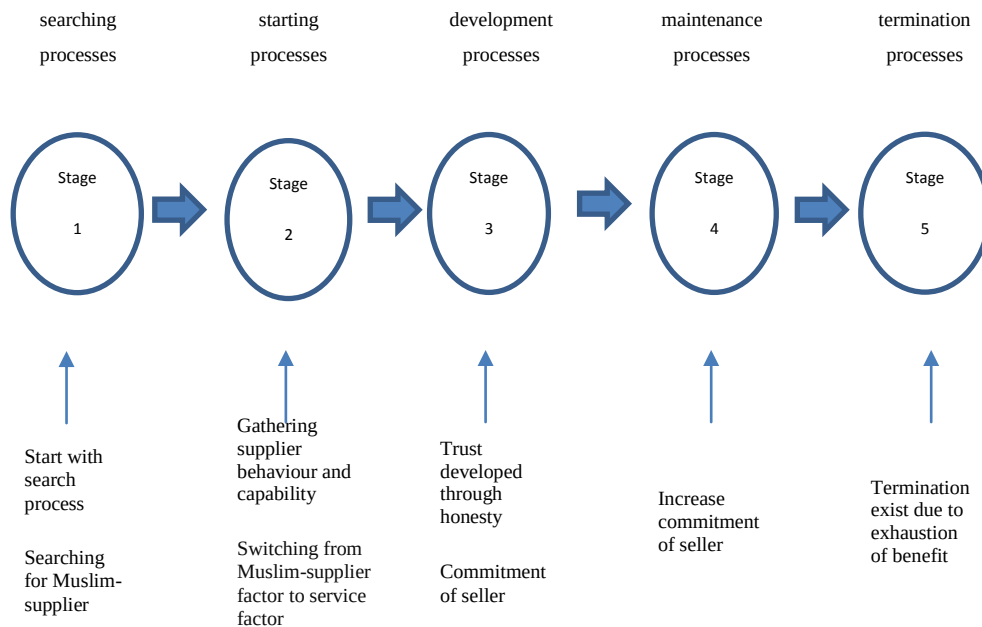


Figure 1. Collaborative Inter-Organizational Relationships Development Process in Halal supply chain

Conclusion

There are few lessons learned from this study, firstly: Collaborative relationships development process in inter-organisational buyer and seller in Halal supply chain does exist in stages. Similar to development process in conventional supply chain - the development processes start with searching processes; starting processes; development processes; maintenance processes; and end up with termination processes. Secondly; from the early stage of relationship – there is a requirement to search for Muslim-seller in development stage for halal supply chain. Nevertheless, this exclusivity of Muslim-seller factor - lose its advantage value once the buyer compares it with service factors. The clash of Muslim-seller factor with service factor leads to switching of the requirement from having Muslim-seller to the capability of seller to provide good service. The ability to provide good service such as delivery of halal product to the business place has outdo the need to have a Muslim-supplier. This service factor is neither belong nor associated to any belief and ideology but rather in term of quality of the service. This is a strong reminder to the Muslim-seller that as long as the product is halal - being a Muslim-supplier does not provide value added in collaborative relationships.

Thirdly; once the trust and commitment increase in momentum – the formality will be reduced accordingly. Fourthly; termination processes only happen once the benefit of having mutual relationship exhausted. Nevertheless, the findings show that the collaborative relationships in Halal supply chain is still develop since the mutual benefit is still in existence in Malaysia's scenario.

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