

THE EFFECTS OF THE IMPLEMENTATION OF HALAL CRITICAL ACTIVITIES ON THE QUANTITY OF THE ORDER RECEIVED BY COMPANY WHICH HAS RUN ISO CASE STUDY: PT YCH INDONESIA

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Abstract: Indonesia is the most populated Muslim country in the world. The need for halal product is important for Muslims. Halal in Arabic means “allowed” or the halal product has met the requirements laid down by the sharia law. Logistics plays a key role in protecting halal status from transporting, distributing and warehousing. Halal can be used as a safe handling reference. PT YCH Indonesia has the principle to guarantee the halal status from handling until reaching the customers. In running their business, PT YCH Indonesia implements and uses ISO 9001-2008. In this study, we found some similarities between halal and ISO 9001-2008. These similarities are important because the company which runs their businesses with both halal and ISO has seen an increase in their order. The authors expect that this study can be used as a benchmarking because the halal process is quite successful in logistics companies.

Keywords: Halal Process; Critical Activities Halal Process and ISO; Increasing Order

Introduction

Indonesia is the most populated Muslims country in the world. Indonesia has 255 million people of which 87.2 percent, or 207.2 million, are Muslims, according to National Statistics Office (Demografi and Statistik, 2010). Indonesia has a clear demographic appeal for halal products. The needs of many Muslim population in Indonesia for halal products must be noted. In reality, there are still many products circulating in the community which are yet guaranteed halal. Thus, it has become a demand that the logistics sector should adjust to the customer needs and more importantly, the consumer demands for the integrity of halal products. In distributing their products, companies use logistics services. Thus, logistics is very important in a company’s activities (Edi, 2016).

The concept of halal is derived from Holy Al-Quran which means allowed, permitted and lawful (Wahab and Bhd, 2004). This concept is related to the

way Muslims consume food and is the fundamental way of living for all Muslim (Paper, 2016). Another definition of halal is food which is free of contamination and particle from animal such as pork and derivatives, alcohol, and blood. The machine or any equipment used during the production and logistics activities must be separated from the non-halal ones and it should not have any contamination (Wahab and Bhd, 2004). It is not only limited to food but also textile, cosmetics, finance and others. Every Muslim is obligated to ensure that every product is halal. The term halal encompasses the cleanliness and the hygiene in the process of food preparation because they are parts of religion. More so, Allah only permits hygienic, safe and halal foods or products for Muslims' consumption (Raufu and Naqiyuddin, 2015). In the Qur'an it is mentioned that:

He has only prohibited for you carrion, blood, the flesh of swine and that upon which a name of someone other than Allah has been invoked. Then, whoever is compelled by necessity, neither seeking pleasure nor transgressing, there is no sin on him. Verily, Allah is Most-Forgiving, Very-Merciful (Usmani et al.,).

Companies need to keep the quality of the products up until they are received by the customers (Rachmat, 2015). Transportation, storage, warehousing, inventory management, material management, product arrangement and services are the activities of logistics which provide service to customers in the right time, right quantity, right destination, and in good condition. All of the halal products from logistics processes have to assured the halal status until they reach the customer (Roslan and Nor, 2016). The key success in the halal industry is the ability of a company in ensuring the halal status, a good management, and the high integrity of the company in making and maintaining the halal quality on the products distributed. According to Halal integrity of the product is a result of the various activities in the supply chain, a supply chain approach is important to guarantee the Halal integrity at the point of consumption (Tieman, 2012). Thus, logistics plays a key role in maintaining and keeping the halal status of a product at the time of storage, receiving, and delivery to the customer. The service of halal logistics from warehousing, transporting and delivering

to the customer must be handled under sharia law. Halal certified logistics services, such as transportation or storage, will further indicate that the whole supply chain process is abide by the principles of Sharia and gives the consumers a piece of mind (Bakar and Hamid, 2013).

The Indonesian Halal Certification Authoritative is Institute of Food, Drugs, and Cosmetics of the Indonesian Uleema Council (LPPOM MUI). LPPOM MUI is responsible for the inspection and certification of halal. The main function of the LPPOM MUI is as an auditing and halal assurance system, halal audit, fatwa commission, the field of scientific research and assessment, and the centre for training and promotion halal products. Halal Certificate is a written fatwa by Indonesian Uleema Council which stated that the product is halal and compatible with Islamic sharia. The products or the logistics processes that are already halal certified must assure the halal status during the production, the logistics process, and the delivery to the customers (Bakar and Hamid, 2013). Halal certification is a symbol of assurance to consumers and a business trademark.

PT YCH Indonesia branch Cibitung is a 3PL (Third Party Logistics) engaged in logistics and warehousing. PT YCH Indonesia handles the products of Frisian Flag from raw materials until finish goods. In handling those products, PT YCH Indonesia branch Cibitung has implemented halal logistics in the process of distribution, transportation and warehousing (Sarinah, 2016). PT YCH Indonesia branch Cibitung has already had halal certificate issued by MUI (Indonesia Eleema Council) since 2015. In addition to implementing the halal logistics as a credit point of the company, PT YCH Indonesia branch Cibitung has also implemented ISO 9001-2008 since July 2015.

ISO 9901-2008 is an International Standard for Quality Management System. ISO 9001-2008 determines the requirements to design and assess the management quality system. ISO 9001:2008 is not the standard of a product, as it does not state the requirements that a product (goods or

service) must meet. ISO 9001:2008 is only a standard of the quality of the management systems. However, it is hoped that a product produced based on an international quality management system will have a good quality and is acceptable to the market.

This study focuses on describing the similarities between halal and ISO which are applied in PT YCH Indonesia and analysing its effects on the company.

Method

The data collected were primary and secondary data. Primary data was obtained through interviews with employees. However, when it was necessary, the writers conducted telephone interviews with the secretary in the firm as a supplement to the information gathered during the personal interviews. Secondary data was obtained through documents related to halal certification, ISO 9001-2008, and the order from 2016 – 2017. To get more information, the tool of investigation utilized in the study was a questionnaire which was distributed to get information on various parameters from the employees about the critical activities in halal logistics at PT YCH.

Discussion and Result

The authors found a few similarities in both ISO and Halal criteria applied in the process or the flow of activities at PT YCH Indonesia branch Cibitung. Critical activity is the possibility of the occurrence of non-halal contamination of both raw material and finished goods.

Table 1

Critical Activities:

| No | Activities | Explanation |
|----|---|---|
| 1 | Transporter Selection | Selecting transporter to cooperate with YCH |
| 2 | General Vendor Selection | Select vendors or third parties to cooperate with PT YCH. The vendors must commit to the halal policy created by PT YCH |
| 3 | Cleanliness | General cleaning related to filth, dirt, truck cleanliness, checking truck condition which will be used in the critical point of halal quality of goods |
| 4 | Traceability and Inbound Product Handling | The ability to trace the material that would change the halal status of the products. |

Table 1, cont.

| | | |
|----|----------------------------|---|
| 5 | Goods Receipt | Goods receipt procedure is a critical point. Upon receiving, the document and, the physical condition of the goods are check to ensure the compatibility between the physical and the document. |
| 6 | Checking Truck and Vehicle | The checking of the truck and vehicle is a critical point in which the goods that arrive in YCH is ensured halal, by avoiding unclean contamination during the trip. |
| 7 | Outbound Operational | Outbound operational is to ensure that the goods delivered to the customer is still in good condition, undamaged, and halal. |
| 8 | Checking Goods | Checking goods in staging line |
| 9 | Coordination | Critical activities procedure made by Halal Team, discussed together with other related departments and will be socialized to Halal team members |
| 10 | Training | Training each employee who will directly handle the halal goods, especially the new employees and other employees for at least 1 year which continued with external training as well. |
| 11 | Internal Audit | Performed by a designated audit team to find out whether the procedure done is in accordance with the applicable Halal criteria. |
| 12 | Recording | Written procedures on critical activities will be evaluated for effectiveness once a year. The results of the evaluation will be submitted to the party responsible for the overall critical activity |
| 13 | Correction | Corrective action can be in the form of procedural improvements, training of employees applying critical action procedures, and improvement of the supporting documents applied. |

Table 2

Critical activities table on handling processes or in operational:

| No | Procedure | Critical Point | Key Information | Corrective Action |
|----|-----------|---|---|---|
| 1 | Receiving | The possibility of goods that are not halal, non halal raw material or finish goods are not accepted to enter the warehouse facility and move the rejected non halal to quarantine room for further inspections | Material must comply with list of halal tables that have been set | Reject product if it is not listed in Halal Table and move to quarantine room |
| 2 | Storage | The possibility of filth contaminations | Clean from unclean contamination as well as non halal materials | Wash in accordance with Islamic sharia |
| 3 | Delivery | The possibility of filth contamination form used vehicle and delivery of goods | Clean from filth contamination or non halal material | Wash in accordance with Islamic sharia |

The table above describes the halal processes in PT YCH Indonesia. The similarities that the authors found are transporter selection, general vendor selection, cleanliness, traceability and inbound product handling, goods receipt, checking truck and vehicle, outbound operational, goods inspections, storage and delivery. The flow of those activities has been set in the work instructions and those critical activities that the author explained above are the flow in which the possibility of non halal contamination could happen. Work instructions as the part of the ISO mentioned are also in the clause. The authors determined those include in the similarities of halal and ISO based on some considerations. Firstly, those points are included in ISO because all activities are documented and regulated in working instructions. Secondly, the authors found the efforts to prevent and to resolve the problems arising when the raw material and finished goods are contaminated with non-halal materials.

Both table are similar, but PT YCH Indonesia separates those in operational activities because they are the critical point or concern for PT YCH in handling raw material and finished goods. The critical activities in

operational are receiving, storage and delivery. These activities in operation are a concern for all workers who work in the field or in operational stage as well as the head of each department like inbound, outbound, and quality control. To ensure halal compliance in storage and warehousing, in their inbound and outbound activities, PT YCH dedicates a picker to ensure the halal quality of the products before they are unloaded from the container. The halal checklists include the transportation and the halal certification. For their outbound activities, PT YCH Indonesia branch Cibitung delivers the material and products based on order, staged and loaded into the container of the transporter.

Table 3

| No | Statement | SS | S | RG | TS | STS | Σ | Score | X |
|-------|---|----|-----|-----|----|-----|----------|-------|-----|
| | | 5 | 4 | 3 | 2 | 1 | | | |
| 1 | Receiving | 12 | 14 | 8 | 1 | 0 | 35 | 142 | 4,1 |
| 2 | Storage | 12 | 17 | 5 | 1 | 0 | 35 | 145 | 4,1 |
| 3 | Delivery | 15 | 18 | 2 | 0 | 0 | 35 | 153 | 4,4 |
| 4 | Transporter Selection | 3 | 24 | 8 | 0 | 0 | 35 | 135 | 3,9 |
| 5 | General Vendor Selection | 6 | 13 | 12 | 4 | 0 | 35 | 126 | 3,6 |
| 6 | Cleanliness | 12 | 14 | 9 | 0 | 0 | 35 | 143 | 4,1 |
| 7 | Traceability and Inbound Product Handling | 6 | 15 | 14 | 0 | 0 | 35 | 132 | 3,8 |
| 8 | Goods Receipt | 5 | 10 | 16 | 4 | 0 | 35 | 121 | 3,5 |
| 9 | Checking Truck and Vehicle | 6 | 21 | 7 | 1 | 0 | 35 | 137 | 3,9 |
| 10 | Outbound Operational | 8 | 14 | 13 | 0 | 0 | 35 | 135 | 3,9 |
| 11 | Goods inspections | 7 | 14 | 14 | 0 | 0 | 35 | 133 | 3,8 |
| Total | | 92 | 174 | 108 | 11 | 0 | 385 | 1502 | 3,9 |

Table 4

| No | Statement | SS | S | RG | TS | STS | Σ | Score | X |
|-------|---|----|-----|-----|----|-----|----------|-------|-----|
| | | 5 | 4 | 3 | 2 | 1 | | | |
| 1 | Receiving | 6 | 24 | 5 | 0 | 0 | 35 | 141 | 4,0 |
| 2 | Storage | 4 | 18 | 12 | 1 | 0 | 35 | 130 | 3,7 |
| 3 | Delivery | 5 | 15 | 11 | 4 | 0 | 35 | 126 | 3,6 |
| 4 | Transporter Selection | 5 | 11 | 17 | 2 | 0 | 35 | 124 | 3,5 |
| 5 | General Vendor Selection | 5 | 13 | 14 | 3 | 0 | 35 | 125 | 3,6 |
| 6 | Cleanliness | 5 | 23 | 6 | 1 | 0 | 35 | 137 | 3,9 |
| 7 | Traceability and Inbound Product Handling | 4 | 23 | 5 | 3 | 0 | 35 | 133 | 3,8 |
| 8 | Goods Receipt | 5 | 25 | 3 | 2 | 0 | 35 | 138 | 3,9 |
| 9 | Checking Truck and Vehicle | 5 | 11 | 19 | 0 | 0 | 35 | 126 | 3,6 |
| 10 | Outbound Operational | 5 | 13 | 17 | 0 | 0 | 35 | 128 | 3,7 |
| 11 | Goods inspections | 4 | 14 | 17 | 0 | 0 | 35 | 127 | 3,6 |
| Total | | 53 | 190 | 126 | 16 | 0 | 385 | 1435 | 3,7 |

Table 5

| Respondent | ΣX | ΣY | ΣXY | ΣX^2 | ΣY^2 |
|------------|------------|------------|-------------|--------------|--------------|
| 1 | 49 | 45 | 2205 | 2401 | 2025 |
| 2 | 43 | 42 | 1806 | 1849 | 1764 |
| 3 | 40 | 44 | 1760 | 1600 | 1936 |
| 4 | 48 | 46 | 2208 | 2304 | 2116 |
| 5 | 46 | 44 | 2024 | 2116 | 1936 |
| 6 | 48 | 47 | 2256 | 2304 | 2209 |
| 7 | 47 | 45 | 2115 | 2209 | 2025 |
| 8 | 43 | 41 | 1763 | 1849 | 1681 |
| 9 | 44 | 39 | 1716 | 1936 | 1521 |
| 10 | 46 | 43 | 1978 | 2116 | 1849 |
| 11 | 46 | 45 | 2070 | 2116 | 2025 |
| 12 | 48 | 47 | 2256 | 2304 | 2209 |
| 13 | 45 | 45 | 2025 | 2025 | 2025 |
| 14 | 44 | 42 | 1848 | 1936 | 1764 |
| 15 | 38 | 35 | 1330 | 1444 | 1225 |
| 16 | 46 | 42 | 1932 | 2116 | 1764 |

Table 5, cont.

| | | | | | |
|----------|------|------|-------|-------|-------|
| 17 | 39 | 36 | 1404 | 1521 | 1296 |
| 18 | 47 | 44 | 2068 | 2209 | 1936 |
| 19 | 42 | 38 | 1596 | 1764 | 1444 |
| 20 | 45 | 42 | 1890 | 2025 | 1764 |
| 21 | 41 | 39 | 1599 | 1681 | 1521 |
| 22 | 38 | 39 | 1482 | 1444 | 1521 |
| 23 | 37 | 38 | 1406 | 1369 | 1444 |
| 24 | 41 | 39 | 1599 | 1681 | 1521 |
| 25 | 39 | 37 | 1443 | 1521 | 1369 |
| 26 | 38 | 43 | 1634 | 1444 | 1849 |
| 27 | 39 | 38 | 1482 | 1521 | 1444 |
| 28 | 37 | 35 | 1295 | 1369 | 1225 |
| 29 | 38 | 36 | 1368 | 1444 | 1296 |
| 30 | 38 | 39 | 1482 | 1444 | 1521 |
| 31 | 46 | 42 | 1932 | 2116 | 1764 |
| 32 | 48 | 47 | 2256 | 2304 | 2209 |
| 33 | 36 | 35 | 1260 | 1296 | 1225 |
| 34 | 47 | 44 | 2068 | 2209 | 1936 |
| 35 | 45 | 46 | 2070 | 2025 | 2116 |
| Σ | 1502 | 1449 | 62626 | 65012 | 60475 |

After we did the calculation of the response of the workers who have implemented halal and ISO systems in the company, we found that there are similarities between the halal concept and ISO in 11 of the 16 sections of the critical activities undertaken by the company in conducting their operations. These two standards has influenced the company in improving the quality at the time of operation so that the quality of the goods handled will be maintained. Many of the employees who have understood both standards know the standard operating procedures of halal logistics concept and ISO that have been imposed by PT. YCH Indonesia. Employees are given training in advance to know the halal operational activities so that the goods will be handled in accordance with Halal and contamination from the outside can be avoided.

Result

Coefficient of Determinant

$$= r^2 \times 100\%$$

$$= (0.688)^2 \times 100\%$$

$$= 0.473 \times 100\%$$

$$= 47.3\%$$

Coefficient of determinant is 47.3% effect on the halal concept and ISO and 52.7% effect on other variables. This indicate that 47.3% is strong enough and has impacts on field performance.

Table 6

| 2016 | | | | 2017 | | | | Percentage | |
|--------|-----------------|------------------|------------|--------|-----------------|------------------|-----------|---------------|---------------|
| Month | IB (Inbound) | OB (Outbound) | Thrupt | Month | IB (Inbound) | OB (Outbound) | Thrupt | Total 2016 | Total 2017 |
| Jan | 5,082,330 | 4,863,228 | 9,945,558 | Jan | 3,544,217 | 3,892,622 | 7,436,839 | 96% | 110% |
| Feb | 4,922,621 | 4,803,880 | 9,726,501 | Feb | 4,153,951 | 4,081,558 | 8,235,509 | 98% | 98% |
| March | 4,050,112 | 3,133,367 | 7,183,479 | March | 4,176,378 | 4,211,724 | 8,388,102 | 77% | 101% |
| April | 6,581,562 | 4,962,194 | 11,543,756 | April | 4,905,300 | 3,663,877 | 8,569,177 | 75% | 75% |
| May | 5,752,875 | 5,204,486 | 10,947,361 | May | 3,519,677 | 4,172,320 | 7,691,997 | 90% | 119% |
| June | 5,603,726 | 4,660,990 | 10,264,716 | June | 2,636,477 | 2,610,018 | 5,246,495 | 83% | 99% |
| July | 4,849,601 | 3,688,307 | 8,537,908 | July | 4,282,055 | 3,220,474 | 7,502,529 | 76% | 75% |
| August | 5,627,923 | 4,805,376 | 10,433,299 | August | 2,793,998 | 3,498,973 | 6,292,971 | 85% | 125% |
| Sep | 4,264,215 | 4,320,159 | 8,584,374 | Sep | 3,223,532 | 3,613,236 | 6,836,768 | 101% | 112% |

Table: Order Quantity Finish Goods at PT. YCH

After doing research and survey on the company, we found that there was an increase in the level of outbound activities. However, in April and July there was a decrease in outbound activities. In April, there was a decrease due to several orders taken by other 3PL companies in handling FFI products. The decrease in July was due to the increase in May and June. The increase of the orders in both months had impact on the order of FFI products in July. especially after Idul Fitri because the market had not been stable. There was deviation in the total of inbound and outbound activities. Higher inbound volume is profitable to the company because the discharge of products is more than the entry of the products.

With the increase of the outbound activities on the company, and by using the concept of Halal and ISO, they can improve the quality of the market. Not only that, there is a quality improvement owned by the company as well as reliability in handling. It can also increase the selling value of the company by informing that the company can guarantee the halal quality as well as enable them to sell the way of handling the halal product in getting new costumers.

Conclusion

We conclude that the similarities of halal logistics concept and ISO are good because an increase in the quantity of order has a good effect on the company. Company is able to run business by implementing both halal and ISO and by dividing which activities are likely to be halal-contaminated as well as doing the prevention. The implementation of both halal logistics and ISO complement each other, in which halal activities assure the quality of the product. Halal products are definitely clean, safe and healthy to consume. Meanwhile, ISO activities assure the quality of product as well by documenting it. Other companies can adopt the concept of halal logistics to maintain the quality of the product from non-halal materials as well as to improve the standard handling so that the goods stored and shipped have the same quality. With the similarities between ISO and Halal, the company can strengthen the existing standards. From the ISO side, the company is able to improve the quality of goods; while by using Halal as a reference, the company can assure that the goods are halal and worth consuming.

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