

## Evolution of the Malaysian Halal Certification System: Viable System Model as the Diagnostic Framework

*(Evolusi Sistem Pensijilan Halal Malaysia: Model Sistem Berdaya Maju Sebagai Kerangka Diagnosis)*

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### ABSTRACT

*As a Muslim-majority country, Malaysia has a responsibility to fulfil the needs of Muslim citizens to practise their religion. Therefore, the Malaysian halal certification system needs to be viable, that is, to be self-sufficient within its environment. The extant literature has explained the elements of viable systems but placed less emphasis on how systems develop into viability. This study aims to bridge this gap by using the Viable System Model to diagnose the globally recognised Malaysian halal certification system as the system-in-focus. This qualitative study gathered data mainly from interviews with 20 executives from relevant institutions with direct involvement in the system's implementation. The findings of the study provide insights into the development milestones of a system with elements of viability. Among others, this development was found to happen in stages that are marked by crises and corresponding actions by the respective authorities. Suggestions for the system's viability are provided.*

*Keywords: Malaysian halal certification system; viable system model; VSM; halal certification; halal industry ecosystem*

### ABSTRAK

*Sebagai sebuah negara majoriti Islam, Malaysia mempunyai tanggungjawab untuk memenuhi keperluan umat Islam untuk mematuhi tuntutan agama. Oleh itu, adalah penting bagi sistem pensijilan halal Malaysia untuk berdaya maju, iaitu berupaya untuk berfungsi secara efektif dalam persekitarannya. Kajian lepas telah memperincikan elemen-elemen sistem berdaya maju namun kurang menekankan perihal bagaimana sesebuah sistem berkembang sehingga menjadi berdaya maju. Kajian ini bertujuan untuk mengisi kelompangan ini dengan menggunakan Viable System Model sebagai kerangka untuk mendiagnosis sistem pensijilan halal Malaysia, yang diiktiraf di peringkat global, sebagai sistem-dalam-fokus. Kajian kualitatif ini menganalisis data temu bual dengan 20 eksekutif dari pelbagai institusi yang terlibat secara langsung dalam pelaksanaan sistem pensijilan halal tersebut. Kajian ini memperihalkan peringkat-peringkat utama dalam pembangunan sistem yang mempunyai unsur berdaya maju. Antara lain, pembangunan sistem berdaya maju berlaku secara berperingkat, dan berubah dengan tindakan pihak berkuasa bagi menangani krisis yang berlaku. Cadangan untuk sistem yang berdaya maju juga dibincangkan.*

*Kata kunci: Sistem pensijilan halal Malaysia; model sistem berdaya maju; VSM; pensijilan halal; ekosistem industri halal*

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### INTRODUCTION

The global halal economy is booming due to the increasing demand for halal products and services. By the end of 2020, the global halal market was estimated to be worth USD 2.3 trillion, a value predicted to rise as high as USD 5 trillion by 2030 (Frost & Sullivan 2022). While the growth of halal industry appears to be market-driven, for a Muslim-majority country like Malaysia, the development of a competitive halal industry is a religious

obligation and a social responsibility. In this context, ensuring the viability of the halal certification practice is not merely an option; it is essential to have halal certification system that not only serves consumers but also protects them from consuming or using non-halal products or services.

One framework that can support our understanding of a viable system is the viable system model (VSM). This framework integrates the systems perspective and the theories of cybernetics (Espejo & Gill 1997). The

framework defines a viable system as one that is capable of independent existence and therefore self-sufficient in its environment (Beer 1981; 1984). As a modelling tool, the VSM can be utilised to diagnose an existing system as well as to serve as a normative model in designing a new system (Iandolo et al. 2019). Previously, the VSM has been used to facilitate the diagnosis of self-sufficiency of systems, including policy implementation (Khairul Akmaliah et al. 2017) and the operation of business incubators (Khairul Akmaliah et al. 2019). Meanwhile, as a design tool, the VSM functions as a standard or normative model for the design or re-design of a system to improve its viability. In this respect, VSM has been applied in proposing designs for a viable research university (Khairul Akmaliah et al. 2015) and a monitoring function in policy implementation (Khairul Akmaliah et al. 2017).

Despite the popularity and usefulness of the VSM as a tool for both system diagnosis and design, the extant literature seems to place less emphasis on how these functions are performed and developed over time. To date, the discussion has focused mainly on the principles and functions of a viable system (Espejo & Gill 1997; Khairul Akmaliah et al. 2017), while there seems to be a paucity of deliberation on *how* a system develops towards viability. Hence, the strategies and approaches that can be adopted to enable a system to become viable have yet to be fully explored and utilised. This study aims to bridge this gap by diagnosing the globally recognised Malaysian halal certification system as the system-in-focus.

The objective of this study is to understand how a system with elements of viability develops. The following research questions guided this study:

1. How was the system initiated? When did this occur?
2. What policies have contributed to the emergence and institutionalisation of the Malaysian halal certification system?
3. Which players, agencies and authorities have been involved in the Malaysian halal certification system?
4. What are the roles and functions of the players, agencies and authorities?
5. How do their roles evolve?

The administration of the Malaysian halal certification system is headed by the Department of Islamic Advancement of Malaysia, abbreviated as JAKIM, a federal authority under the purview of the Malaysian Prime Minister's Department and part of the federal government of Malaysia, which is generally responsible for governing the affairs of Muslims in Malaysia. Malaysia is a multicultural country with a population of 32 million, of which about 70% are Malay Muslims, 20% are Chinese and 10% are Indians and others (Department of Statistics 2021). Malaysian society, being Muslim-majority, strives to fulfil the requirements of halal in all aspects of their lives, including consuming halal food,

which is obligatory for Muslims. However, irrespective of their religious or cultural background, Malaysian citizens are free to participate in economic activities that include the preparation, production and supply of halal products and services. Given this situation, a halal assurance system is vital to ensure the integrity of halal business practices. Therefore, it is imperative that the halal certification system in Malaysia becomes viable, given its major responsibilities to protect the religion of Islam and facilitate the religious practices of Muslim consumers.

In Malaysia, Islam is the official religion, the affairs of which fall within the various state jurisdictions. These are headed by the Malay rulers and utilise the advice of the offices of the muftis (religious advisors). For the administration of halal matters, JAKIM initiated coordination and harmonisation among the states' religious advisor offices and functions as a secretariat between all the state offices through its multidisciplinary engagement in many fields and different government agencies, trade associations and diverse stakeholders. The halal certification system involves around 344 agencies and organisations, including those associated with Shariah regulatory rights under the state constitutions of the Malay rulers (JAKIM 2019). In this regard, the relevant consumers and stakeholders perceive JAKIM as the bearer of trust, enabling them to fulfil their daily needs and observe their religious obligations.

This article presents, first, the conceptual framework; second, the research methodology; and third, the findings regarding the evolution of the Malaysian halal certification system. Fourth, the emergent themes are discussed and, finally, the conclusions and implications are synthesised.

## CONCEPTUAL FRAMEWORK

This research utilised the VSM framework and halal principles as the standard for a system that the authors define as viable, while the concept innovation was used to conceptualise the development process of the Malaysian halal certification system.

### FUNDAMENTALS OF VSM AND HALAL PRINCIPLES

In achieving the system's viability, the VSM framework suggests that a system must be built on five basic principles: *complexity*, *variety*, *responsiveness*, *recursiveness* and *cohesion* (Beer 1984; Espejo & Gill 1997). Upholding these principles requires the system-in-focus to contain five main functions: policymaking (System 5), intelligence (System 4), control and monitoring (Systems 3 and 3\*), coordination (System 2) and implementation (System 1). These functions are interconnected through dyadic or multi-directional information flows rather than purely through a hierarchical structure. Having these functions and the effective information flows that connect

them enables a system to operate cohesively within its internal and external environment, as well as respond to its environment by matching its internal varieties with the environmental varieties. This ability means the system can manage complexity in its environment and indicates the system has an advantage in terms of achieving viability, the primary aims of all organisations and systems.

As shown in Figure 1, the intelligence function communicates directly with the external environment, whereby it collects information from the latter and delivers it to the policymaking function (shown by the arrows going from the environment to the intelligence function [System 4] and from System 4 to System 5). The policymaking function subsequently uses this information as the basis for its decision-making to achieve the system's purpose (Devine 2005) and to address other strategic matters. Once a decision is made by the policymaking function, it is communicated to the intelligence function, which then disseminates it internally through the control function (shown by the arrow going from the intelligence function to the control function [System 3]). The intelligence function also distributes relevant information to the external parties in the organisation's environment (shown by the arrow going from the intelligence function [System 4] into the environment).

The control function is responsible for conveying directions and allocating resources to System 1, with the help of System 2 as the coordination function. System 1, the core implementation unit of the system, delivers the system's products or services to the customers in

its environment. The management unit of System 1 is subsequently required to report on its performance to the control function. System 2 is responsible for scheduling resource provision from the upper-level system and facilitating work among the different operating units in the implementation function, which ensures the overall smooth running of the system's operation.

As the system-in-focus, the Malaysian halal certification system is conceptualised as viable when it is built on the five basic principles of viability and consists of the five functions that exist at all recursion levels covering the higher-level system and all its subsystems and sub-subsystems. Having these prerequisites enables the system to effectively match its variety to those of its environment and become responsive to the needs of its stakeholders in its environment; thus, serve to sustain effective long-term operation. The elements in the system's external environment comprise businesses seeking to obtain halal certifications, suppliers, manufacturers and related industry players in the entire value chain, all of whom must understand and comply with the requirements of Islamic teachings related to the halal standard, as well as avoid resource wastage and mismanagement to ensure the mutual benefit of the communities and environment.

HALAL CERTIFICATION SYSTEM AS AN INNOVATION IN SOCIETY

Innovation refers to the introduction of new things, processes or systems into organisations or society (Rogers 1995; Tornatzky & Fleischer 1990). Within

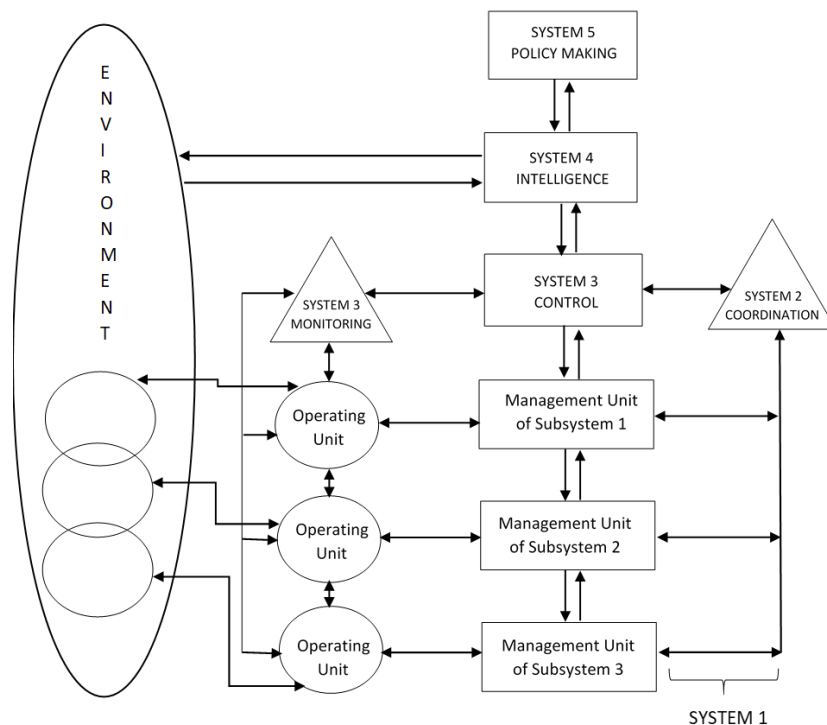


FIGURE 1. Basic VSM framework

the context of an organisation or system, innovation can be categorised as radical or incremental, depending on the degree of change and whether it is essentially commercial or social (Dewar & Dutton 1986; Tushman & Anderson 1986). Social innovations are implemented to meet social obligations, in contrast to innovations for commercial purposes (Nur Sa'adah & Khairul Akmaliah 2013; Nur Sa'adah et al. 2018). The implementation of the Malaysian halal certification system is considered to be a social and process innovation, which can be categorised either as radical–significant changes in the form of new policies, legal acts or other measures that result in major changes to the existing process or system; or incremental–minor changes or continuous improvements to the existing process or system.

#### RESEARCH METHODOLOGY

To achieve its objective, this study utilised a qualitative methodology, with interviews as the primary method of data collection. A qualitative design was the most appropriate strategy for this study as it allowed an in-depth exploration of the topic of interest (Eisenhardt 1989; Merriam & Tisdell 2016; Yin 2015), that is, the implementation of the Malaysian halal certification system. First, the study's conceptual framework was developed; second, based on the framework, the instruments for data collection were developed. These were the interview protocols for the interview and the content analysis protocols for analysing the relevant documents. Third, relevant data was gathered on the development of the Malaysian halal certification system from its initiation to 2020. The total number of respondents was 20, which included executives from relevant institutions, regulatory bodies, pioneering scientists, consumer advocacy groups, consumers of halal products and services in Malaysia, as well as foreign certification bodies, including those operating in Japan, Taiwan and South Korea.

Fourth, all interviews were recorded before being transcribed verbatim and analysed. Data from one interview was analysed and the findings were later cross-compared to the findings generated from a subsequent interview. As suggested by Merriam and Tisdell (2016), this procedure was conducted until the point of saturation, when no more new conclusions could be derived. Fifth, based on the analysis, the findings are reported chronologically, from the time the halal certification program implementation was initiated until 2020. From this diagnosis, the authors were able to trace the evolution of the system, identify the main agencies responsible for initiating and managing the system, as well as map the situation of the system in 2020 (the time of writing). This knowledge provided the foundation to generate themes that characterise a system seeking to achieve viability.

#### STAGES OF DEVELOPMENT OF MALAYSIAN HALAL CERTIFICATION SYSTEM

THE EVOLUTION OCCURRED IN SEVEN ERAS, PRESENTED CHRONOLOGICALLY FROM BEFORE THE 1970S TO 2020.

##### PRE-1970S TO 1970S

JAKIM, the central government agency governing the affairs of Muslims and the development of Islam in Malaysia, including halal matters, was formed in 1997. In the Trade Descriptions Act 2011 (TDA 2011), JAKIM was recognised as the sole issuer of halal certificates for any food, goods or services at the federal level (TDA 2011). However, before its inception, the history of JAKIM can be traced to the formation in 1968 of a committee known as the National Council for Islamic Religious Affairs (MKI) under the Prime Minister's Department, which began functioning in 1970 (JAKIM 2020). The committee was formed pursuant to the recommendation made by the Conference of Rulers that an Islamic body should be created to manage the affairs and sustain the progress of Muslims in Malaysia (Tham 2020). Over the next 20 years, the committee underwent several changes. In 1974, MKI was reformed as the Islamic Affairs Division in the Prime Minister's Office (BAHEIS), with one of its tasks being to issue letters certifying the halal status of products (JAKIM 2020; Tham 2020). Finally, BAHEIS was upgraded to its current form of JAKIM in 1997.

Before 1970, the rules of halal were arguably not sanctioned by local authorities and such issues seemed to be of less concern among the community. For instance, a Malay Muslim couple featured in an alcoholic drink advertisement in a booklet of the 1968 AGM of the Malay Teachers Union of West Malaysia (Tham 2020), despite liquor being a prohibited substance according to Islamic teaching. In legal terms, the earliest main provisions governing halal assurance can be found in regulations under the Trade Descriptions Act 1972 (TDA 1972). In brief, the TDA 1972 provided consumers with general protection against manipulation or confusion caused by false representations of trade descriptions in regard to the supply of goods and services; this included misrepresentations of the halal logo and improper halal assurances by manufacturers, retailers or service providers.

Later, in 1975, two specific regulations were introduced under the TDA 1972 that dealt explicitly with halal matters: the Trade Descriptions (Use of Expression "Halal") Order 1975 and the Trade Descriptions (Marking of Food) Order 1975. Not until almost four decades later were the TDA 1972 and the Orders made under it repealed by the new Trade Descriptions Act 2011. Through the Trade Descriptions (Certification and Marking of Halal) Order 2011 (TDO 2011), a regulation made under the TDA 2011, JAKIM was finally given

specific jurisdiction as the competent authority to certify halal foods and services in Malaysia.

The 1970s also marked the beginning of the focus on consumers' rights, particularly with the formation of the Consumer Association of Penang (CAP) in 1970. Since then, the CAP has been the nation's reputable non-profit organisation, advocating consumer rights and social awareness. It has often acted as a whistleblower, highlighting adulterant, contaminant, or fraudulent actions, as well as the negligence of individuals and companies in the context of health, science, safety, food, consumers' rights and nutrition. When it was formed, these issues were unfamiliar to policymakers, consumers and scientists alike. The issue of the cross-contamination of halal and non-halal food was also widespread in the airlines industry in the 1970s, with consumers having to tolerate the situation because governance for halal assurance was absent.

This situation continued into the early 1980s. For example, it was reported that fast food chain restaurant menus offered alcoholic drinks, despite being marketed as 'halal' eateries (Tham 2020). While Muslims in cities experienced doubts about imported supplies and food, the situation was different in rural areas, where chickens and ducks were personally slaughtered by their owners, while ruminants like cattle and goats were slaughtered by abattoirs usually located within a community and familiar to its members. Imported meats were usually unavailable for consumption by rural communities. Moreover, beef, mutton and lamb were generally in scarce supply and expensive, so they were mainly available only at special events like wedding ceremonies or Eid celebrations. The issue of cross-contamination between halal and non-halal meat was not a concern in many rural communities, although it could be to Muslims in multi-racial urban communities. Muslims were at that time unlikely to purchase meat, poultry and related foods that were sold or prepared by non-Muslims, whereas nowadays, food handlers or cooks may not necessarily be Muslims.

#### 1980s

The 1980s saw increased awareness of issues related to halal and haram amongst policymakers. This was likely induced by the highly active global Islamic-based movements. Muslims in Muslim-majority Malaysia were also impacted by these movements and began to embrace more 'Islamised' lifestyles. One important milestone was the formation in 1980 of the Halal Haram Committee, operated by the Ministry of Domestic Trade and Consumer Affairs (KPDNKK), which comprised four scientists from local universities (with food and science backgrounds) and four Muslim religious scholars. The functions of the committee were to resolve issues pertaining to the permitted, doubtful and forbidden, as well as uphold the rights of Muslims to practise their religious obligations to consume halal food without suppressing the rights of non-Muslims in

Malaysia. The committee's *modus operandi* was to act on public complaints. One of the interviewees in this study, a professor at a local university and a senior food scientist, was the committee chairman and a pioneer of halal assurance initiatives at the government level. He mentioned that a pivotal achievement of the committee was the reduction of corruption among traders and auditors of halal surveillance.

#### 1990s

In 1992, the halal certification process was managed by a unit in the JAKIM Research Division. The distribution of halal consumer goods within the 14 states of Malaysia was complicated as the goods had to undergo the various verification processes imposed by each state's religious department. Consequently, the diverse halal logos issued by the different states of Malaysia caused confusion among consumers and food manufacturers. Islamic officials from each state governed and enforced Shariah rules through their own offices. These included State Religious Councils as the policymakers, State Religious Departments via the religious Shariah officers as the monitors and enforcers, as well as State Mufti Offices as the advisory panels, policymakers and decision-makers. The proliferation of these various state agencies increased the uncertainties over the nature, process and type of halal products and services, as well as their supply chain in Malaysia. Consequently, this encouraged the burgeoning of privately-owned business entities that produced their own halal logos since they could provide faster and easier halal certification services to the food industry than the state government agencies, which sometimes delayed the administrative processes.

On a global platform in 1997, the Codex Alimentarius Commission recognised for the first time the rights of Muslims to consume halal products and their rights to halal labelling, under the clause stating consumers' right to know and make informed choices over halal products. This international halal policy related to consumer rights and halal labelling was a landmark for halal labelling practices and Muslim consumption worldwide. Before that, in Malaysia, 1995 had seen the launch of the five-year National Agricultural Policy Three (NAP3) (1995-2000), which highlighted the prospect of Malaysia as a global halal food hub. This policy helped to shape Malaysia's direction in terms of producing halal foods, not only to make halal industry development a focus to meet local Muslims' needs but also to strategically place Malaysia as the global halal hub. Thus, the country was positioned into a unique niche and segmented market, in contrast to the conventional market. At the end of the 1990s (beginning in 1998), the NAP3 was launched, which led to the Halal Technical Committee being established in 2003.

According to one scientist respondent, during this time, many private entities were offering dubious halal certificates and lucrative halal branding for business

purposes, but there was no proper and transparent halal audit system. In 1998, guidelines were issued on proper halal preparation for foods, consumer goods and slaughtering. These two guidelines were developed by the JAKIM research team. JAKIM was then issuing halal certificates but the auditing process was conducted by another entity, Ilham Daya, a government-appointed company.

Subsequently, in 1998, the Malaysian Ministry of International Trade and Industry (MITI) again decided to manage the halal certification by itself and have the process coordinated with JAKIM. By then, there were two bodies with halal certification authority: JAKIM, which operated at the federal level, and the State Religious Department (JAIN) or State Islamic Religious Council (MAIN). Various forms of logos existed at that time, with JAKIM logos and state logos.

At the end of the 1990s, a Muslim consumers' association (PPIM) was also established with the aim of protecting Muslim consumers' rights. It was intended to provide ways of resolving issues that were then causing anxiety and uncertainty among local Muslim consumers. These included complaints against several hotels that, while certified as "halal" by the local authorities, were said to still be serving non-halal foods. Issues related to imported foreign products had yet to be formally addressed. Various halal logos from overseas halal certification bodies were accepted for entry into the Malaysian market. No mechanism then existed to confirm the validity of halal certification practices by these foreign bodies or whether they could legitimately be recognised as halal certification bodies. In regard to the legal framework, from the 1970s to the 1980s, laws and regulations regarding halal matters in Malaysia were already in place but in a piecemeal form. In addition, until the end of the 1990s, the implementation framework concerning halal certification in foods, pharmaceuticals, cosmetics and tourism remained non-existent.

#### 2000s RAPID DEVELOPMENT OF HALAL CERTIFICATION PROGRAMS

In 1997, JAKIM was formed as an agency under the federal government to administer the affairs of Muslims, including halal matters. In the early 2000s, JAKIM initiated the coordination of the halal verification process between the states. In these early times, JAKIM faced the challenge of lacking its own legal Shariah and civil legal rights to protect not only the religious rights of Muslims through the Shariah laws but also their consumer rights via Malaysian civil law. According to the participant interviewee from the CAP, the lack of a comprehensive halal law might cause loopholes of which the industry can take advantage due to the lack of consumer protection, among other factors.

In September 2002, reacting to the industry's complaints about the halal auditing process conducted by Ilham Daya, the Malaysian government decided, via

its Economic Planning Unit (EPU), that the halal audit function conducted by Ilham Daya should be returned to the government via JAKIM. The complaints mainly concerned the service fee charged by Ilham Daya which, according to the industry, was exorbitant. This was the starting point for the creation of a dedicated halal division in JAKIM. With this change, JAKIM increased their manpower to include food technologists. Since then, matters pertaining to halal certification have been coordinated by JAKIM through its Food and Islamic Consumer Goods Division. In 2003, discussions took place among JPA, the Prime Minister's Department and others to establish a halal division in JAKIM. The Food and Islamic Consumer Goods unit in the JAKIM Research Division was upgraded to a specialised section called the Food and Islamic Consumer Good Division.

In the early 2000s, Standards Malaysia, a government agency under the purview of MITI that provides standardisation and accreditation services, was solely entrusted to develop halal standards and provide accreditation for halal certification bodies. In 2003, MITI established a technical committee tasked with creating and promoting Malaysia as a global halal hub. It was chaired by the incumbent Minister of MITI. Specifically, the newly established Halal Technical Committee was assigned to develop a comprehensive halal structure in terms of legal capacity, certification process and standards. The committee was to propose a more concrete law to protect the religious rights of Muslims to consume halal foods. This law would require the standardisation of logos, rules and regulations pertaining to the halal certification of foods and services. The enforcement of this law was assigned to KPDNKK, which was to monitor and enforce the standards, rules and regulations. Meanwhile, JAKIM was responsible for the certification and recognition of foreign halal certification bodies.

In 2004, JAKIM published the first edition of the Manual Procedure of Halal Certification, thus establishing the audit function of the halal certification system for the first time. In 2004, the Halal Division of JAKIM faced its first major challenge, which was to be the next milestone in its halal certification program in Malaysia. A renowned multinational company was faced with the problem of uncertified sausages being served at its restaurant. The high-profile case prompted policymakers to further strengthen the Halal Division of JAKIM, which resulted in its manpower increasing to 154 positions.

Prior to the 2000s, several bodies in Malaysia other than JAKIM offered halal certification services, which caused confusion to businesses and other stakeholders. Initially, halal issues were only associated with the policy against the use of alcohol/liquor or porcine-based contaminants in food. However, as customers became more aware and discerning, halal standards became not only benchmarks for Shariah-compliant practices but also points of reference to aim for in meeting consumers' expectations of healthy, green, organic and animal-

friendly products, as well as ethical business conduct. By 2005, JAKIM had begun to extend its halal certification services to not only food producers, slaughterhouses and eateries but also cosmetics manufacturers. In offering its services to the latter, JAKIM worked closely with the National Pharmaceutical Control Bureau (NPCB), the previous name of NPRA (the National Pharmaceutical Regulatory Agency), which operates under the purview of the Ministry of Health (MOH). For halal cosmetics certification, JAKIM stipulated that companies needed to gain NPRA approval before they could apply for halal certification from JAKIM. NPRA approval was needed to ensure the efficacy, safety and quality of the applicant's product before its halal certification request. This was to avoid any conflicting procedures and outcomes between NPRA and JAKIM in regard to the halal certification process. In regard to certifying cosmetics and beauty products, the role of JAKIM was to verify the integrity of the ingredients based on the Islamic *fiqh* and the concept of *halalan toyyiban*.

To spearhead the growth of halal industry, the Halal Industry Development Corporation (HIDC) was formed in 2006 as the world's first government-backed halal agency. In 2008, the agency launched the Halal Industry Master Plan 2008-2020 (HIMP) as the blueprint for transforming Malaysia into a global halal hub by 2020. Between 2008 and 2009, the HIDC was assigned to function as a certification body. Later, the HIDC became a subsidiary of the Halal Development Corporation (HDC), which was formed in 2017.

By 2009, however, the role of HIDC as a certification body was returned to JAKIM. This reassignment was intended to avoid conflicts of interest over the certification function and the marketing of Malaysia as a halal hub to local and overseas governments and manufacturers; therefore, the two functions were to be segregated. A contemporary loophole was the non-existence of specific halal regulations other than the TDA 1972 and the TDO 1975, while no halal-specific legal empowerment existed.

#### 2010-2014 GREATER LEGITIMISATION AND INSTITUTIONALISATION OF HALAL MALAYSIA

In the first quarter of 2010, the state government of Selangor (the Selangor Islamic Religious Department (JAIS)) directed six companies that had been assigned to issue halal certificates and logos to food traders and outlets in Selangor to stop issuing these with immediate effect (The Star 2010), reportedly due to alleged corruption. In a related development, in 2011, the TDA 2011, which was enforced by the KPDKK, finally gave JAKIM the civil legal authority to perform monitoring and surveillance. Subsequently, new structured and systematic halal certification processes emerged, which led to improved best practices in Halal Policy, Halal Organisation and Management Structure, Halal Training, Halal Audit, and others.

The TDA 2011 stipulated that one cannot place any declaration or representation that misleads consumers or users to believe that a product is halal. For example, the use of Quranic verses by a non-Muslim as decorative items in his business premises is considered an act of misleading others into presuming that he is a Muslim and the products sold at his premise are halal. Unless his shop has a valid halal certificate, this is considered deceit. Moreover, under this act, no one except JAKIM and JAIN could issue halal certificates in Malaysia, so the certification process was fully under government control.

The move towards the centralisation of the halal certification process began in the 2010s, when the states agreed to adopt a single standard procedure, which meant using the same standard manual, procedure, certificate and logo. Halal certificates were to be issued by JAKIM, with the states also able to decide whether to award such certificates. Subsequently, the certificate award monitoring was based on the TDA 2011, whereby officers from both JAKIM and the states were appointed as assistant trade and enforcement officers, along with KPDKK officers, to investigate violations and unethical business activities.

With the Act taking effect in 2011, companies or entities that had been given the right to provide halal certification services were no longer allowed to do so. Moreover, from 2011, only imported products certified by JAKIM-recognised bodies would be allowed to use their halal logo for sale in Malaysia. The industry was given a two-year grace period to prepare for the full implementation of the TDA 2011.

In the early stage of this standardised-centralised halal certification system, JAKIM officers provided training on the procedures, standard manual and system to the state-level officers. Hands-on training was conducted to achieve standardisation and avoid the possibility of confusion over the procedures, manual and system. The halal certification unit at each state office was comprised of respective Shariah law experts, while the technologists on the state halal committees were from the state health department.

In the 2000s, the halal guidelines were developed mainly without the involvement of the industry players. However, they gradually became involved in the process and, by 2011, JAKIM had formed the Halal Advisory Committee for Halal Certification. This included experts from the disciplines of Shariah law, food technology and other sciences, as well as important stakeholders. Moreover, beginning in 2011, whenever the manual or system were to change, the JAKIM office would first conduct engagement with industry associations. This would ensure that the new guidelines were properly understood and a proper grace period would be permitted for their implementation. At this point, JAKIM introduced a halal assurance management system (HAS) through the Guidelines for the Halal Assurance System of Malaysia Halal Certification, or HAS Guidelines 2011,

a comprehensive implementation system for obtaining halal certification and compliance. With this system, the responsibility for halal compliance was shared between JAKIM and the actual industry players, whereby the latter were responsible for ensuring compliance with halal principles within their premises. In managing their halal assurance system, companies were required, for example, to employ halal executives and establish a halal internal committee.

At the global level, the trade implications provided opportunities to create new Shariah-compliant halal standards. The existing conventional quality systems at the global level were ISO management, with food industries governed by the ISO 9001 Management Quality system and the Hazard Analysis and Critical Control Point (HACCP), Safety and Quality of food system. In 2000, the first Malaysian Halal Food Standards MS 1500:2000 were published, later reviewed and revised as MS 1500:2004. This was the starting point for JAKIM to create the halal ecosystem in Malaysia in the form of its authority over, cooperation with and support to other government agencies in the country. KPDNKK monitored the usage or abuse of halal labelling to ensure consumers were protected, while the Ministry of Health (MOH) supported and collaborated with JAKIM on implementing international standards of Good Manufacturing Practice (GMP), *Thoyyib* ("goodness") and HACCP. Meanwhile, the Department of Veterinary Services (DVS) facilitated the halal-compliance slaughtering process. Consequently, incorporating halal into GMP, HACCP, risk management, crisis management and product recall represented a transformation of the manufacturing system into a full-fledged integrated system that encompassed religious values and good industry practices.

In 2014, the third revision of the Manual Procedure for Malaysia Halal Certification (MPPHM 2014), first published in 2004, provided the guidelines with which JAKIM and other certification bodies managed the halal certification practice, including inspection and audit. The manual had to be read together with the Malaysia Standards documents on halal standards, fatwa decisions and other regulations in force in Malaysia. The government policy, the coordination between the states and muftis' offices, as well as the inter-organisational networking among different departments during this era are evidence that more viability elements began to be embedded within the Malaysian halal certification program.

#### 2015 -2019 REFERRAL STANDARDS OF HALAL CREDIBILITY

In early 2016, the Malaysian government formed the Malaysian Halal Council (MHM), which was under the direct purview of the Prime Minister's Department. This was to ensure optimum efficiency within and between agencies and to place Malaysia among the global pioneers of halal assurance system development.

MHM membership then included stakeholders from the federal and state governments, as well as representatives appointed by the King of Malaysia. The MHM was chaired by the Deputy Prime Minister, with the JAKIM Director General serving as the Council secretary. JAKIM, Standards Malaysia and the HIDC were appointed joint secretariat members of the Council. By 2016, JAKIM had established itself as the main reference for halal standards. In fact, halal certification bodies in Taiwan, and JAKIM's foreign certified bodies in Japan and South Korea, were using JAKIM halal standards when developing their respective standards.

By 2019, the Malaysian halal certification program had evolved from its humble beginnings into a world-renowned and respected halal international referral agency in the global halal market, with strong backing from various government agencies in Malaysia. By 2020, the halal standards being utilised were under the jurisdiction of the Department of Standards, Malaysia, which operates under the purview of the Ministry of Science, Technology and Innovation (MOSTI). HDC, another agency under MITI, began to operate in 2017. In 2020, JAKIM had 33 enforcement officers, while JAIN had seconded to JAKIM an additional 143 employees, so a total of 176 officers were engaged in enforcement.

#### 2020 AND GOING FORWARD

In 2020, JAKIM introduced two new documents related to the Malaysian halal certification system, the new Manual Procedure for Malaysia Halal Certification (Domestic) 2020, which replaced MPPHM 2014, and the Malaysia Halal Management System (MHMS), which replaced the HAS Guidelines 2011. The MHMS contained the implementation guidelines for internal halal control systems for small and micro businesses, as well as halal assurance systems for medium and large businesses, thus providing more inclusive coverage for the industry.

The Malaysian halal certification system as the system-in-focus in 2020 is shown in Figure 2. By 2020, the system contained some elements that could contribute to its viability, which included the functions of policymaking, intelligence, control, monitoring, coordination and implementation units. In terms of policymaking, by 2020, the halal certification program was operated under the Halal Industry Master Plan (HIMP) policy. As the continuation of the Halal Industry Master Plan 1.0 (HIMP 1.0), which ended in 2020, HIMP 2.0 was launched at the end of 2018 and will end in 2030. System 5 (Policymaking) for HIMP 2.0 is conducted by JAKIM, JAIN, HDC and MITI, the latter under the Prime Minister's Office jurisdiction. System 4 (Intelligence) is conducted by the HDC, EPU, JAKIM and JAIN, who disseminate information about themselves to the general public and gather information from the external environment related to the halal industry and its practices. JAKIM also collects information about



foreign halal certification bodies and, if the latter meet their standard criteria, awards them the status of being a foreign certified body.

Furthermore, a formal control function (System 3) supports the Malaysian halal certification system; similar to other government policies under HIMP 2.0, the program budget is allocated through the EPU and the AG’s (Accountant General) office. The coordination function (System 2) is performed by JAKIM and the Malaysia Halal Council, which was formed in 2016 and is otherwise known as Majlis Pembangunan Industri Halal Malaysia (MPIH) since 2019. MHM membership then comprises stakeholders from the federal and state governments, as well as representatives appointed by the Palace. The MHM is chaired by the Deputy Prime Minister, with the JAKIM Director General serving as the Council secretary. JAKIM, Standards Malaysia and the HDC have been appointed joint secretariat members of the Council. The coordination function must be linked to and communicate with System 3, control. Later, MPIH, which constituted of various government agencies and departments, as well as representatives from the industries, coordinates activities concerning the development of the national halal industry, which is closely connected to JAKIM in System 3 (Control).

The Internal Audit Unit of the Prime Minister’s Department and Standards Malaysia monitors activities through the establishment of compulsory standards for the operation of the halal certification system. The arrow from the implementation units to monitoring was drawn in perforation because the practices of certain sub-units are not fully explicit and require further investigation and improvement.

System 1 (Implementation) comprises six sub-subsystems: research and development, training, halal certification, business development, halal industry promotion and enforcement. Many of the implementation subsystems contain their own management and operating units. However, the legal and regulatory function is absent from the implementation function. Despite linkages between certain operating units - for example, the halal certification unit in JAKIM and the enforcement unit of MOH - some operating units lack any connection with others. Moreover, there has been confusion over the jurisdiction of different authorities during enforcement. For instance, the Halal Certification Unit has frequently been blamed by manufacturers or service providers for late issuance or other halal certification-related issues (Mohd Amin et al. 2020), although the faults may be attributable to other units or the applicants

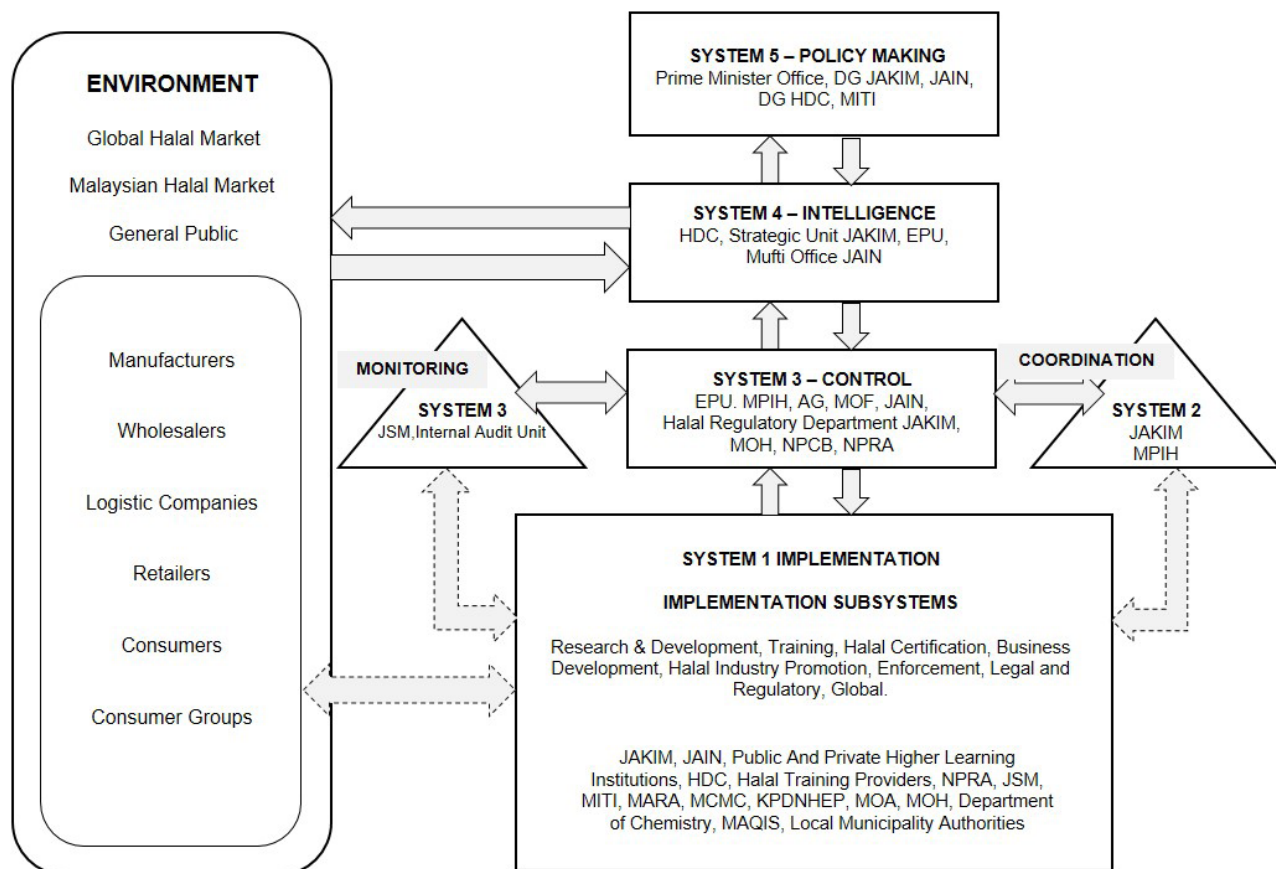


FIGURE 2. Malaysian Halal Certification System as the system-in-focus in 2020, based on the VSM Framework

Notes: Information on the roles and functions of the major agencies and units included in Figure 2 were gathered from interviews and their respective official websites. The acronyms utilised are the formal abbreviations of the agencies or units. \*Perforated-line arrows indicate the need for improvements in the system to support its viability.

themselves. Certain operating units are connected to their environment, which consists of manufacturers, retailers, wholesalers, consumers and consumer groups. For example, manufacturers can access information from the Halal Certification unit's website. Certain units, however, lack any connection to their environment in terms of their tasks of disseminating information to or collecting it from (or both) their specific customer group. These example issues indicate where improvements to the system are required.

One senior scientist, who was a pioneer in spearheading the HIDC, reflected on the situation in 2020 and provided recommendations for improving the halal industry ecosystem, among which was the need to focus on the development of halal ingredients and for a civil law to govern various stakeholders. Most importantly, education and awareness were required as the essence of the best practices of the industry.

#### EMERGENT THEMES OF THE EVOLUTION OF MALAYSIAN HALAL CERTIFICATION SYSTEM

Overall, the halal certification system in Malaysia evolved from having no halal assurance system in place, to distrust of halal integrity and assurance in the 1970s, up to having instituted a reputable halal assurance system. The halal implementation framework was developed through systems of laws, policies, regulations, standards, guidelines and fatwa decisions. This development spanned five decades of adaptation to suit diverse multicultural industry contexts, ensuring the practices of food handlers, service workers and providers did not conflict with the needs of Muslims in Malaysia to observe the halal rules in consumption and other matters, based on the Shariah requirements.

Prior to 2000, no federal-level agency had centralised all matters related to halal affairs in the country, nor had standards been established for halal operations or certification that seamlessly governed the implementation of the acts, rules and regulations pertaining to halal within all 14 states in Malaysia. This changed in the early 2000s through the TDA 2011, which vested in JAKIM the civil legal authority to audit halal-certified companies, with the consequences being certification renewal, suspension or revocation. This authority allowed the agency to create a new structured and systematic halal certification process, leading to an evolution of the best practices of the halal assurance system in the industry.

By the 2010s, the halal certification process had generally stabilised and the JAKIM certification program had become established as the major model and the standard accepted by the relevant stakeholders, including the government, industry players and consumers. This contrasted with the fluidic and haphazard nature of the halal certification programs throughout the 1990s, which involved many players, including private companies. The 1990s era was also characterised by the lack of

unified standards of practices, mismanagement and halal certification permit abuses by private certifiers. Meanwhile, in the 1980s and previously, formal policy was absent altogether. With JAKIM being given the central authority to manage Muslims' affairs in Malaysia and the introduction of the Orders under the TDA 2011, JAKIM was granted more power and jurisdiction to perform the duties of managing effective halal certification programs.

The changes that had a transformative impact on the Malaysian halal certification system implementation can be characterised as a combination of incremental and radical changes. At least four aspects of radical changes can be observed. The first is the main provisions governing halal assurance found in the regulations made under the Trade Descriptions Act 1972 (later amended as Descriptions Act 2011 or TDA 2011), which provided consumers with general protection against the manipulation or confusion caused by false representations of trade descriptions regarding the supply of halal goods and services. Second, in 1997, the Codex Alimentarius Commission of the World Health Organization recognised halal rights for the first time on a wide-scale platform, under the clause concerning consumers' rights to know and make informed choices over halal products. Third, this global event triggered the efforts of the Malaysian government to centralise the halal assurance system and capture the halal global market, which were facilitated by MITI and later the HIDC. The government's commitment was demonstrated through the Halal Master Plan. The fourth aspect is the TDA 2011, which provided JAKIM with the civil legal authority to conduct monitoring and surveillance. JAKIM, however, had no power to sanction a company that had committed an offence under sections 28 and 29 of the TDA 2011, whereas KPDNHEP could.

These radical changes were followed by several incremental innovations introduced by both JAKIM and industry players to give the JAKIM halal brand and Malaysian products a firm presence on the global market. The functions of the existing agencies were redefined and enhanced over time; meanwhile, new agencies and units were formed to support the required functions and principles because a Muslim state has no option but to achieve the viability of this complex system. Later efforts included endorsing foreign certified bodies, which allowed the importation of foreign-certified products for domestic consumption, as well as the creation of the HDC, which is responsible for marketing the Malaysian halal brand. Moreover, continuous halal training and education among business communities and society in general have contributed to a better understanding of the halal ecosystem. All these efforts resulted in various agencies and authorities being involved in the fulfilment and enforcement of halal standards, such that by 2019, the Malaysian halal standards were considered the gold standard of global halal practices.

## CONCLUSIONS AND IMPLICATIONS

The study findings reveal the existence of a combination of various factors as the foundation of the institutionalisation and achievement of the viability of the Malaysian halal certification system. These are as follows: 1) a legal framework and halal industry development policies, 2) a strong political will by the government to facilitate the religious practices of its citizens, as well as commit resources to centralised governance of the halal management practices and halal standards enforcement, 3) robust knowledge of Islam and the true halal practices within the central authority, and 4) an active role for consumers who demand the integrity of halal practices. The required functions and their linkages were developed over time, and the evolution of the system has been marked by crises that were overcome by the government adopting a proactive role to protect its Muslim consumers. These functions and linkages subsequently served as the foundation for instituting a large-scale, multi-agency system, which indicates the importance of time-based, incremental change as a factor in building towards a viable complex system.

## THEORETICAL IMPLICATIONS

The outcome of the development of the Malaysian halal certification system is a system embedded with elements of viability, including policymaking, monitoring, control, coordination and implementation units. The emergent themes of incremental and radical changes triggered by crises, combined with the proactive government role in having certain legal authority, as well as the continuous awareness of policymakers and consumers through consumer advocacy groups, extend the existing knowledge about the factors that influence the development of a viable system, as proposed in the VSM framework. These emergent findings addressed the question of how a complex system embedded with elements of viability develops.

## PRACTICAL IMPLICATIONS

In targeting a full-fledged viable system, the issue of the lack of a comprehensive legal and regulatory function must be addressed, while the control function over the global halal supply chain must be strengthened to reduce issues related to the abuse of foreign halal certification. The use of advanced identification technologies for halal traceability, as well as continuous education about the halal concept for all members of society, including businesses and consumers, must be prioritised to ensure the viability of the Malaysian halal certification system.

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