

International Joint Venture Strategy: An SME's Expansion into the Halal Global Market

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Abstract. When new entrants and stiffer competition posed a long-term threat to JH International (JHI) domestically, the company decided to embark on international expansion. Initially, the company exported to other Asian countries; however, the dispute between the U.S. and China over poultry trade presented the company with the opportunity to enter China via an international joint venture. This case study examines the risks and opportunities faced by JHI post entering the halal food market in Xinjiang, China.

Keywords: international business expansion, supply chain, foreign market, opportunities and risks, operations.

Paul Tan, the new CEO of the JHI-Urumqi merger, pondered as he hung up the phone after a call from a disgruntled supplier. “Don’t worry, we can proceed ahead of the Halal Certification from Malaysia; it is absolutely okay in our culture.” Paul realized that the culture and dynamics of the poultry industry in China was very different from his homeland Malaysia.

1. Current Situation

In every crisis, there is an opportunity. When a trade dispute escalated beginning of 2018 with the United States (U.S.) imposing tariffs on goods imported from China, agricultural products were not spared. Poultry became a key trade negotiation as part of the resolution of the trade dispute. Since 2015, China had banned U.S. exports of poultry due to avian influenza. While the U.S. wanted China to lift the ban, China wanted to export not just processed meat from slaughtered chicken imported from the U.S. but also its own slaughtered chicken,

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restricted since 2004.¹ With the bilateral trade flow of poultry curtailed, the impact has been significant for the global market. How and when the trade dispute will be resolved is embroiling other countries in the meantime, with some set to gain while others are set to lose depending on the industry.² Amidst the dispute, poultry producers from other countries stand to benefit. For a Malaysian company such as JH International (JHI), as one of the major producers of live chicken and chicken products, it is an opportunity for its international foray into the Chinese halal market.

2. Introduction

JHI is a small-medium enterprise (SME) specializing in local poultry production since its foundation in 1980.³ It is publicly listed on the Kuala Lumpur Stock Exchange. The company produces a wide range of halal *Further Processed Products* (FPP) and frozen whole chicken and chicken parts. The products are specially made for the “Straight to Fryer” concept, which emphasizes convenience. The wide range of FPP includes the following – chicken nuggets, frankfurters, chicken balls, and roasted chicken. As one of the largest day-old chick producers in Malaysia, JHI produces an estimated 90 million-day-old chicks yearly and has captured 30% of the day-old chick market in Malaysia. In Malaysia, JHI has successfully captured the niche market segment in the further processed products category. Other leading producers in the poultry industry are Leong Hup Holdings Bhd, QL Resources Bhd, Lay Hong Bhd, and Huat Lai Resources Bhd.

In a recent call by the Malaysian government to strengthen national food security, chicken producers are encouraged to boost production in order to become global players and boost exports to at least 30% by 2030⁴. As a result, the company has gradually started to expand operations to international markets to achieve economies of scale and to increase profits. The company’s long-term direction is to create a global presence as a poultry producer and distributor of halal chicken products.

Besides, the macro-environmental factors affecting JHI’s business in Malaysia prompted the management to seek a global presence. Although the

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