

Business Ethics in Islamic Context: Perspectives of a Muslim Business Leader

Author(s): Tanri Abeng

Source: *Business Ethics Quarterly*, Jul., 1997, Vol. 7, No. 3 (Jul., 1997), pp. 47-54

Published by: Cambridge University Press

Stable URL: <https://www.jstor.org/stable/3857312>

JSTOR is a not-for-profit service that helps scholars, researchers, and students discover, use, and build upon a wide range of content in a trusted digital archive. We use information technology and tools to increase productivity and facilitate new forms of scholarship. For more information about JSTOR, please contact support@jstor.org.

Your use of the JSTOR archive indicates your acceptance of the Terms & Conditions of Use, available at <https://about.jstor.org/terms>



Cambridge University Press is collaborating with JSTOR to digitize, preserve and extend access to *Business Ethics Quarterly*

JSTOR

BUSINESS ETHICS IN ISLAMIC CONTEXT: PERSPECTIVES OF A MUSLIM BUSINESS LEADER

Tanri Abeng

Abstract: The role of the business leader is key to develop the culture of an enterprise. To exemplify its importance in the national and global context, the Muslim author from Indonesia points with admiration to Konosuke Matsushita, founder of Matsushita Electric Corporation, who already in the 1930s set up the seven ethical principles for healthy business growth, which also are commended by the Islamic imperative. Due to the current dynamic business environment, Muslims find themselves confronted with serious dilemmas and need guidance from a clearly developed Islamic business ethics. For this purpose the author offers, first, the essentials of such an ethics: the utmost importance of all sort of productive work and the distribution of wealth in society; the vocation of trade; the fundamental principles of freedom and justice for business conduct; the prescription of certain manners such as leniency, service-motive, and consciousness of Allah; and mutual consultation. He, then, presents his personal view on leadership in business. It involves three basic ingredients: an inspiring vision of high and achievable standards; a value system based on the principles of freedom and justice and promoting fairness, business integrity, and efficiency; and courage to face tough decisions while putting one's complete trust in Allah.

I am privileged to be given the honor to speak on the subject that I know so little—and that is: Business Ethics in Islamic Context (from the Perspective of a Muslim Business Leader).

I would like to first quote Gordon Parson (*Integrity in Organizations: An Alternative Business Ethic*, 1995) who argued that: “*There has always been a natural tension between behavior which is broadly accepted as being ethical and the imperatives of a successful business.*” And indeed, driven by the dynamic of business environment, this tension is increasing as competitive pressures rule the globalized business world today. Additionally, there seems to be a common perception though still inconclusive, that society in general and business along with it, is becoming less ethical.

Ethics, I believe, is a product of social environment. Ethical conduct of business enterprise cannot therefore be totally isolated from the conduct of government, political institutions as well as professional organizations. Prime tasks and core competencies, to be sure, are different for every organization. But to function effectively and efficiently, every organization needs an ethical framework, not just laws and regulations. Noordin Sopiee and Rozali Mohamed Ali put it right, when they said

that "*Laws and regulations do play an important part in curbing excesses, but can never entirely replace ethical-driven responsibility, transparency, and accountability, exercised through discipline and self-regulation*" ("Business, Ethics and Politics," 1995). And, titled "A New Top-Down Moral Reform," a financial institution of United Mexican States articulated in *Leaders* magazine (September 1987) that:

The act on accountability of Public Servants is, in fact, a code of ethics that demands of public employees the kind of behaviour that adheres to the highest legal principles of morality. This code sets forth the concepts of impartiality, economy, efficiency, loyalty and honesty as principles to be lived by, by every public employee. It also specifies procedures for investigating and defining administrative accountability.

People in business, in fact, are as ethical as any other group in society, but their professional predicament is complex and evolving, from the time a business is first set up through its mature development as a large scale organization. Capitalism, as the main driver of modern business today, in itself is based on a foundation which many regard as a dubious morality. Profit maximization, practiced by many entrepreneurially driven business leaders, tends to lead to unfair distribution of resources and pushes at the ethical boundaries.

Nevertheless, despite what many feel about business, in terms of its conduct and behavior, modern society and the global world cannot deny the role of business—in leading better life for humankind. Business institutions with effective management are needed to generate wealth and create employment for the society at large. In fact, entrepreneurial nature of business leaders which drives creativity for successful enterprises, may not necessarily be in conflict with what is accepted as being ethical. The role of the business leader indeed is key to the development of the culture of an enterprise.

It can be said therefore that business ethics, reflected in the behavior of business organizations, more often than not is the transformation of the moral value of its leader. Konosuke Matsushita, founder of Matsushita Electric Corporation, on May 5th, 1932 (*Not for Bread Alone: A Business Ethos, A Management Ethic*, 1984) declared his business philosophy to be shared by his employees and formed part of the company's culture. He said:

The mission of a manufacturer is to overcome poverty, to relieve society as a whole from the misery of poverty and bring it wealth. Business and production are not meant simply to enrich the shops or the factories of the enterprise concerned, but all of society. And society needs the dynamism and vitality of business and industry to generate its wealth. Only under such conditions will businesses and factories truly prosper.

The following year, in July 1933, this philosophy was translated into operational activities by setting forth code of attitude consisting of five principles, namely:

1. *Spirit of service through industry*
2. *Spirit of fairness*
3. *Spirit of harmony and cooperation*
4. *Spirit of striving for progress*
5. *Spirit of courtesy and humility*

In 1937, he added two more principles:

6. *Spirit of accord with natural laws*
7. *Spirit of gratitude*

Interestingly enough that not only none of these principles is against the Islamic teaching, but they are all commended by the Islamic imperative, as I will try to elaborate later on.

In the case of Matsushita, these seven principles remain today, as they have been since that time, the basic foundation of Matsushita Electric employees' code of conduct. It is worth noting that nowhere in the seven principles, a word about profit—let alone profit maximization—was mentioned. They did not, and I believe still do not, overvalue management and undervalue every things else. The important thing is that the company and its social surroundings (strategic environment) must grow healthy.

If “that is easier said than done,” to borrow the words of Shintaro Ishihara (*The Voice of Asia*, 1995), then we absolutely need new ways of thinking (and of course new paradigms according to Ishihara) about how companies and their consumers relate to each other. And the relationship must be a positive-sum game. That will make a company respected. And yet, Matsushita electric has matured into one of the most world respected enterprises, in terms of its size and the quality of its business.

Of course, any business enterprise has the right to making profit. In fact, it should always aim at generating positive cash flow through profitable business activities. The moral value attached to the business process, though, dictates the ethical standards acceptable to society at large. In the *Not for Bread Alone*, Matsushita had said that:

The rationale of business is, of course, to make available good-quality, reasonably-priced goods to fulfill the needs of the consumers. We must, therefore, be constantly on the lookout for new ways of making better products, as well as devising more effective sales methods and offering better service. At the same time, we should always try to make a fair profit.

The Islamic Perspectives

Business has always played a vital role in the economic and social life of all people throughout the ages. This is equally true, if not more so, of our contemporary world. As part and parcel of the contemporary world, Muslim cannot be an exception to this rule. Their religion (Islam) not only permits them, but also encourages them to do business. The prophet of Islam was himself a full-time businessman for a considerable period of time. However, contemporary Muslims find themselves confronted with serious dilemmas. Despite their active participation, they are not sure whether some of their business practices are valid or not. It is not the business *per se* that has confused them, but rather the brand new forms, institutions, methods and techniques of modern business.

Whether the problem is real or mere illusion, resulting perhaps from lack of knowledge, needs to be thoroughly investigated. The current dynamic business environment warrants the need for a clearly formulated theory of Islamic business ethics. Ideally, such a ‘theory’ should have the capability of serving as a touch-stone for ascertaining the validity of any business practices.

As a Muslim, I am convinced that rules and guidelines for all aspects of life, including business phenomena, are found in the Quran. I must confess, however, that my knowledge of Islamic sciences and the interpretation of the Quranic verses is less

than marginal. I was fortunate to have met Dr. Alwi Shihab, professor in Islamic science and senior fellow at Harvard University, Center for the Study of World Religion.

There is no doubt, according to Dr. Shihab, about the fact that the legality of business is duly acknowledged by the Quran. The Quran has not stopped just at the pronouncement of its legality, but alluded to quite a number of explicit and implicit imperatives and prohibitions regarding business transactions. It also pointed out through unequivocal statements the importance of distribution of wealth in society. There as well as other relevant injunctions, would have to be taken into consideration in order to construct a 'theory' of business ethics based on an appropriate synthesis of all such injunctions.

Islam attaches utmost importance to all sort of productive work. Not only has the Quran elevated *al-'Amal* (productive work) to the level of a religious duty but it mentioned such a work consistently, in more than 50 verses, in conjunction with *imaan* (faith). The relationship between faith and work is similar to that of root and tree, one cannot exist without the other. The Quran, for instance, enjoins upon Muslims to resume their work after the congregational worship. Furthermore, it is human's duty to work harder and smarter (as *khalifah* or vicegerent on earth) in order to build this world and to utilize its natural resources in the best possible manner. Therefore, the Quran is very much against laziness and waste of time by either remaining idle or by engaging oneself in an unproductive activity.

Moreover, the Quran encourages humans to acquire skills and technology by calling it *fadhil* (grace) of God, and highly praises those who strive in order to earn for living. The ethics of Islam clearly counsels against begging, against being parasite living on the labors of others. The importance of business activity can also be seen from the Quranic extensive usage of business terminology. The Quran is not only replete with a variety of exhortations to the vocation of trade, but it encourages traders to undertake long trips and conduct business with the inhabitants of foreign lands. In fact, globalization of business and trade has already been envisaged over thousand years ago.

Besides its general appreciation for the vocation of business, the Quran often speaks about honesty and justice in trade. (See Quran 6:152; 17:35; 55:9). The Quran also presents Allah as the prototype of good conduct. The Muslims, therefore, are supposed to emulate Him throughout their lives, including, of course, their conduct in business. The attributes of Allah and the principles ordained by Him, as propounded by the Quran, cannot but influence both the thought and the behavior of the Muslim, molding them into a desired ethical shape. The knowledge of Allah's attribute and principles forms a vital prelude to the unique concept of business which the Quran has expounded.

Among others, the Quran calls for an equitable and fair distribution of wealth in the society. Besides its moral exhortations to *al-infaq* (voluntary charitable acts) and its condemnation of concentration and hoarding, the Quran has established, through its legal enactment, several institutions for the distribution of wealth; such as *zakat* (alms giving) and the law of inheritance. While the Quran seeks to eradicate absolute poverty (*faqr*) absolutely and ensures social security for every member of the society, the distributive system of the Quran eliminates the exploitative element from the

realm of business. Thus it helps not only in maintaining the business activity on just and ethical lines, but also, in its growth and enhancement.

The approved business conduct in Islam is founded on two fundamental principles, namely freedom and justice. The Quran's emphasis on justice in general and maintenance of straight balance in particular is evident from its forceful and oft-repeated injunctions. The fundamental mission of all the prophets according to the Quran, was to keep the balance straight and to uphold justice. "*The Quran commands Muslims to be fair even when dealing with those opposed to them,*" according to Hisham Altalib (*Training Guide for Islamic Workers*, 1992). And this is exactly stated, for example, in the Quran (4: 135) commanding that "*O you who believe! Stand out firmly for justice, as witnesses to Allah, even as against yourselves, or your parents or your kin, and whether it be against rich or poor, for Allah can protect both*" See also the Quran 4: 58 and 5: 8.

Freedom in matters of business transactions envisages the right of owning property, the legality of trade, and the presence of mutual consent. Mutual consent, however, can exist only when there is volition, honesty and truthfulness over-against coercion, fraud and lying. Nevertheless, constructive criticism should not be avoided; and "*the leader should strive,*" according to Altalib (a Ph.D holder in Electrical Engineering at Purdue University in Indiana), "*to create an atmosphere of free thinking, healthy exchange of ideas, criticism, and mutual advice so that the followers feel very comfortable in discussing matters on interest to the group.*"

On the other hand, justice in matters of business transactions includes:

1. Fulfillment of promises (pacts and contracts—or verbal and written)
2. Exactness in weights and measures (specifications) in all business related items including work, wages and payment, and labor movement
3. Truthfulness, sincerity and honesty. While lying and cheating are condemned, the quality of truthfulness, sincerity and honesty is not only commended but commanded by the Quran (Quran 55:7-9 and 83:1-6)
4. Efficiency, i.e., jobs should be carried out without any lapse or omission, with best planning and to be the best of their efficiency and competency
5. Selection of merit. The Quranic standard of eligibility is the required merit and competency for the job (Quran 28:26)
6. Investigation and verification. They are essential because they constitute a prelude for the right and ethical conduct. The Quran commands to probe and verify any given statement or piece of information before making a decision or taking any action accordingly (Quran 17:36, and 49:6).

The Quran as well as the tradition of the Prophet Muhammad have prescribed certain manners and recommended certain others for the proper ethical conduct in business. Broadly speaking, such manners can be summarized under three headings:

1. *Leniency*. It constitutes the foundation and core of good manners. This quality of acts includes politeness, forgiveness, removal of hardship, and compensation
2. *Service-motive*. In all business activities, Muslim should intend, according to the Quran, to provide a needed service to his/her own community and the humanity at large
3. *Consciousness of Allah*. A Muslim is required to be mindful of Allah even when engrossed in business engagements. Business activity, therefore, must be compatible with the morality and the higher values prescribed by the Quran.

In summary, the moral laws of the Quran, including its business ethics, are not left totally to an individual's personal choice or discretion. The Quran has made it clear that the leaders (even the Prophet himself), should consult their companions. The Quran defines this as mutual consultation or *shura* (See the Quran 42:38 and 3:159).

Therefore, any business activity bereft of ethical content or when pursued an end in itself is condemned by the Quran (Quran 9:38; 30:7; 4:47; 42:20). Likewise, all business practices involve explicit or implicit harm and injustice to the contracting parties or to the public at large are disapproved by Islam. Muslims are exhorted to seek the felicity of the day of the hereafter (*al-Akhiarh*) through making a proper use of the bounties provided by Allah here on earth. Although the Quran has declared business as lawful, yet it is equally explicit in reminding the Muslims that their business engagements should not become a hindrance in the way of compliance with God's imperatives (Quran 24:37).

Leadership in Business

The Prophet Muhammad told us that: "*Every one of you is a shepherd and every one is responsible for what he is shepherd of*" (as quoted by Altalib).

As a Muslim business leader, I try to manage on the premise that business exists and grows. So it must generate cash flow by making profits. One may ask how are the profits being made, and in the process whether or not the business should be ethical? Anon, quote in Stark (1993), "*To be ethical as a business because it may increase your profits is to do so for entirely the wrong reason. The ethical business must be ethical because it wants to be ethical.*" I tend to agree to this quotation. Business, after all, is people. The moral value of the individuals in business organization, and in particular the leadership which plays the crucial role in shaping corporate culture in turn dictates the behavior of the organization. (Again, I admire the code of Matsushita.)

As a Muslim, and I happen to be leading one of successful business organizations in Indonesia, I am grateful to have been able to learn and apply the three basic ingredients a leader must possess: *vision, value, and courage*.

Vision

"*Without vision people shall perish,*" so the wisdom says. This is entirely true and can be accurately applied in business. There is nothing absolute in business. Everything is relative. Therefore competitive position is the only relevant way to measure success, and for that matter, survival in business.

Visionary leadership in business will always aim for growth. Indeed, in business it has been accepted that the only sign of life is growth. It is the vision that inspires the entire members of the organization to strive for achievement of challenging business objectives. What is important, of course, is that such vision must be translatable as well as achievable within the captive capability of the organization.

Stretching vision beyond reach of the available resources may push the conduct of the organization at the ethical boundaries.

Value

Leader must have value system based on moral culture. This is where, I believe, the core influence of ethical conduct of any leader rests. The long term survival and growth of the business, in line with the approved business conduct in Islam, is founded on the principles of 'freedom' and 'justice.' Freedom which envisages, among others, the right of owning property, should be viewed in the context of organizational (business) long term objective to prosper and grow. In fact, the life of a business enterprise is manifested in its ability to accumulate assets or property. Assets, however, should not be limited to physical property such as building, equipment, monetary instruments, etc. but also—and in some instances more importantly—are capability, technological know-how and image which all together can be more valuable than all the physical assets combined.

The question is how does a business enterprise build up its assets base? This is where the second principle—justice—comes into the center stage. Based on the premise that successful business, in the long run, does not depend on the monolith structure seeking to maximize profits from each transaction (but a series of partnerships so arranged as to benefit all parties in the spirit of win-win situation), the moral value attached to the business conduct should, among others, be including but not limited to:

First, *fairness*. Everyone is entitled to receive what he deserves—in the old days, this referred also to fair weight and measurement, etc. Fair also relates to the treatment of people or employee. It is to this aspect that internal company's policies and procedures are so important so that everyone is treated equally. Exceptions should be avoided as much as possible, otherwise it becomes the rule applicable to non level playing field—as source of unfair practices.

Fair and transparent corporate policies, both internal and external are the basic foundation for a successful management of any business organization. (My personal experiences in developing and/or turning around business enterprises, which have met certain degree of success, I believe, are indispensable to a principle that fairness must have its highest status in the order of multiple priorities.) In practice, it implies that management priority in developing a healthy organization is devoted toward development of management system, policy and procedures as well as human resource development. These are all aimed at building up the right infrastructure and the fair playing field for people of different cultural backgrounds and perhaps even different personal interests. Fairness unite people, fertilize healthy foundation for a strong teamwork necessary for successful business organization.

Second, *commitment to business integrity*. Business lives from series of commercial transactions as well as the dynamic relationships among people within the business organization. These transactions as well as relationships are founded on the basis of pre-agreed terms and conditions, rules, etc. that must be fulfilled by all concerned. Business integrity does not reflect only the meeting of promises as well as the exactness of the weight and measurement but also *sincerity* in fulfilling commitments.

There is no certainty in business, except the uncertainty itself. Deviation from contracts, agreements, etc. is bound to take place. However, if sincerity has been built into the culture of the organization, corrective actions can be initiated to remedy the

pain of unmet expectations. At the end, it is the honesty, integrity and sincerity, as commanded by the Quran, that shape up the desirable 'image' of the organization, an asset that is so difficult to nurture and yet so easily to lose.

Third, *value addition through efficiency*. Business community is a member of big society. Therefore, its existence should benefit society at large not limited to entrepreneurs and their employees. Rent seeking business practices certainly do not add value to the society. In fact, such practices which are common in developing countries, are counterproductive to both economic and social justice.

To create value through efficiency necessitates to the application of effective management system backed up by innovative as well as competent individuals who cause the functioning of the organization. Efficiency requires that management (the entire members of the management staff) not only do the right things but doing things right. In practical application, the organization must develop human resource 'capability' through continuous learning. This is the only way business enterprise can keep up with the required core competence badly needed in today's highly competitive world.

Competence entails not only the possession of technical skills but also the right and positive attitude toward the achievement of the organizational goals. The bottom line of 'globalization,' which characterizes today's business environment, is competition. To manage competition, business leaders must be able to possess relative efficiency which, to a great extent, is a function of human resource competence. Therefore, the greatest challenge faced by business leaders today is the development, in the right direction, of human resources to alleviate the negative impact of competitive environment. At the end, this will bring wealth and prosperity to humankind which in the Islamic teaching is a noble proposition.

Finally on the aspect of *courage*. More and more business leaders are faced with tough decisions. Management science alone, in its multiple disciplines, cannot cope up with the risk of making incorrect decisions. Judgment, therefore, plays increasingly important role in today's dynamic business environment. As a Muslim, however, I believe in Allah's final reward or punishment. But I have to do the right things, apply my accumulated knowledge and skill at hands—with honesty and sincerity with the conviction that final result is up to Him, and the One and the Only Almighty: Allah.

And for that, I agree with Dr. Hisham Altalib that the five habits the Muslim leaders (including of course Muslim business leaders) should cultivate are:

1. *Know* where your *time* goes. Control it, rather than letting it control you, by making every second work.
2. *Focus* on concrete *result*. Concentrate on results rather than just the work itself. Look up from your work and look outward towards goals.
3. *Build* on *strengths*, not weaknesses. This includes not only your own, but those of other brothers/sisters. Acknowledge and accept your strengths and weaknesses and be able to accept the best in others without feeling that your position is threatened.
4. *Concentrate* on a few major *areas* where consistent hard work will produce outstanding results. Do this by setting and sticking to priorities.
5. *Put* your complete *trust* in Allah and aim high instead of limiting your goals to only the safe and easy things. As long as you are working for Him, be afraid of nothing.

Thank you.