

compelled to excel by whatever means possible and may resort to unethical behavior, such as Boesky's insider trading activities, in order to obtain a competitive advantage. Should a manager become cognizant of unethical behavior and do nothing about it, he or she is in fact signaling that such practices are tolerated. At other times, organizations may unintentionally encourage unethical behavior by their reward system. For example, Eastern Airlines gave a bonus to their mechanics to encourage them to get airplanes back into circulation as fast as possible. Thus, airplanes that did not receive adequate maintenance were flying when they should not have.

The rash of recent scandals on Wall Street, in the savings and loan industry in the United States and in other countries' business sector has incited many firms to re-examine their ethical standards. This renewed concern with ethics can be more clearly understood by discussing organizations' social responsibility with respect to their multiple stakeholders.

An Islamic Perspective of the Social Responsibility of Organizations

Social responsibility refers to the "obligations that an organization has to protect and contribute to the society in which it functions."¹¹⁴ An organization exercises social responsibility in three domains: its stakeholders, the natural environment, and the general social welfare.

Organizational Stakeholders

Organizational stakeholders represent the people and/or organizations that are affected by the actions of an organization. Some of the key organizational stakeholders are included in Table 4. Ethics can influence how the firm relates to its employees, how employees relate to the firm, and how the firm relates to other economic agents.

Relationship of the Firm to Its Employees

In non-Islamic arenas, ethical standards are often dictated by the behavior of managers. These standards cover hiring and firing, wages, sexual harassment, and other areas relevant to one's working conditions.

¹¹⁴ Barney and Griffin, p. 726.

Table 4
Key Ethical Focus Areas

Focus Areas	Stakeholder(s)	Issues
Relationship of the firm to its employees	Employees	Hiring and firing; Wages and working condition; Privacy
Relationship of employees to the firm	Firm	Conflicts of interest; Secrecy; Honesty; Skills training and qualifications
Relationship of firm to key stakeholders	Suppliers	Cost of Inputs
	Buyers	Hoarding and price manipulation; quantity and quality of goods sold; selling strategy; use of <i>ribā</i> in financing sales.
	Debtors	Repayment terms
	General Public	Hoarding; abuse of environment
	Stockholders/Owners/Partners	Distribution of losses/gains
	The needy	<i>Sadaqah</i>
	Competitors	Fair competition

Hiring, Promotion and Other Employee-related Decisions. Islam wishes us to treat all Muslims equally well. For example, in hiring, promoting or any other decision where a manager is evaluating one person's performance against another's, fairness and justice (*'adl*) are a must. Allah directs us to do so:

*Allah commands you to render back your trusts to those whom they are due; and when you judge between man and man, that you judge with justice.*¹¹⁶

Fair Wages: Ibn Taymīyah suggests that an employer is under obligation to pay a fair remuneration to his employees. Some employers may take advantage of a worker and underpay him or her because of their need for

¹¹⁵ Barney, Jay B. & Griffin, Ricky W. *The Management of Organizations*. © 1992 by Houghton Mifflin Company, Table 22.1, p. 722. Adapted with permission.

¹¹⁶ *Qur'an* 4:58.

income. Islam is against such exploitation. If the wage level is too low, the individual may not feel motivated to put in an adequate amount of effort. Similarly if the wage level is too high, the employer may not be able to make a profit and keep the business going. In an Islamic organizations, wages must be set in an equitable manner both with respect to employees and the employer. On the Day of Judgment, the Prophet (saaw) will be a witness against "one who employs a laborer and gets the full work done by him but does not pay him his wages."¹¹⁷ The emphasis on wage equity has permeated Islamic history for centuries. During the time of the four rightly-guided Caliphs and until the advent of Western colonialism, the institution of the *hisbah* was developed to uphold public law and order and oversee the relationship between buyers and sellers in the market. The mission of the *hisbah* was to safeguard right conduct and guard against dishonesty. The *hisba* was under the guidance of the *muhtasib* who was responsible "for the maintenance of public morality and economic ethics."¹¹⁸ One of the duties of the *muhtasib* was to arbitrate in dispute over wages. In such cases, the *muhtasib* would often propose the *ujrat al mithl* (wage acceptable for a similar work by others) as an equitable wage.¹¹⁹ This is an example of the principle of equity or justice at work again.

Respect for Employee's Beliefs. The general principle of *tawhīd* or unity applies to all aspects of the relationship between a firm and its employees. Muslim businessmen should not treat their employees as though Islam is inconsequential during business hours. For example, Muslim employees should be given time off for prayers, should not be coerced into acting against the Islamic moral code, should be given respite if they are sick and cannot perform, and should not be harassed sexually or otherwise. To foster equity and balance, non-Muslim employees' beliefs should be similarly respected.

*Allah forbids you not, with regard to those who fight you not for (your) faith nor drive you out of your homes, from dealing kindly and justly with them: For Allah loves those who are just.*¹²⁰

¹¹⁷ Abū Hurayrah, *Ṣaḥīḥ al-Bukhārī*, hadīth no. 3.430.

¹¹⁸ Ahmad, Khurshid. Preface to Ibn Taymīyah's *Public Duties in Islam*, pp. 6-7.

¹¹⁹ Khan, M. A., "Al Hisbah and the Islamic Economy." Paper published in the appendix to Ibn Taymīyah's *Public Duties in Islam*, pp. 135-150.

¹²⁰ *Qur'an* 60:8.

Accountability. Although both the employer and employee can willfully cheat each other behind each other's back, they are both accountable for their actions in front of Allah. For example, the Prophet (saaw) never used to withhold the wages of any person.¹²¹

Right to Privacy. If an employee has a physical problem which prevents him or her from performing certain tasks or if an employee has committed a blunder in the past, the employer must not publicize it. This would breach the privacy of the employee.

Whether you publish a good deed or conceal it or cover evil with pardon verily Allah doth blot out (sins) and hath power (in the judgment of values).¹²²

Benevolence. The principle of benevolence (*ihsān*) should permeate the relationship between business and employee. At times, the business may not be doing well, and the employee may have to endure a temporary reduction in his wages for the same amount of work hours. Another aspect of benevolence is not to place undue pressure on employees to conform blindly. A recent survey of 1,227 *Harvard Business Review* readers revealed that superiors often placed pressure on their subordinates to sign false documents, disregard superiors' mistakes, and conduct business with friends of their bosses. When faced with pressure from above, employees feel compelled to compromise their integrity.

Relationship of Employees to the Firm

Many ethical issues characterize the relationship of the employee to the firm, especially with respect to honesty, secrecy, and conflicts of interest. Thus, an employee must neither embezzle the funds of the company, nor reveal company secrets to outsiders. Another unethical practice occurs when managers add false charges for meals and other services to their company expense accounts. Some of them cheat because they feel underpaid, and wish to restore equity. At other times, it is pure greed. For example, Albert Miano who embezzled \$1 million from his employer admitted that his primary motivator was greed.¹²³ For Muslim employees, Allah gives them a clear warning in the Qur'an:

¹²¹ Anas ibn Mālik, *Ṣaḥīḥ al-Bukhārī*, hadith no. 3.480.

¹²² *Qur'an* 4:149.

¹²³ *Fortune*, April 25, 1988.

*Say: "The things that my Lord hath indeed forbidden are: shameful deeds whether open or secret; sins and trespasses against truth or reason;"*¹²⁴

Muslim employees, cognizant of the above *āyāt*, should never intentionally act in an unethical manner.

Good intentions may yet be derailed by ambiguous situations and perceptual traps. Surveys of sales personnel have indicated that employees sometimes find themselves in ambiguous situations where there are no definite ethical guidelines. For example, a supplier may invite a sales person to lunch in the hope of getting more slack on a credit sale. Should the sales person accept to go out to a business luncheon or should he insist on paying for his food? Would he offend his client? In this situation, the sales person may experience greater difficulty in making the right decision because employees often view themselves as more ethical than their peers. As a result, they may condone going to a business luncheon with a client on the basis that this is a commonly accepted business practice. To avoid potential employee misconduct, Islamic organizations need to go one step further, and develop an explicit code of ethics.

Relationship of the Firm to Other Stakeholders

A firm exists in a web of relationships with a whole array of stakeholders. These include: suppliers, buyers, customers, unions, government agencies and competitors. Table 4 summarizes the key focus areas and the issues pertinent to them.

Suppliers. When dealing with suppliers, business ethics suggest that one should negotiate a fair price, and not take advantage of one's bigger size or clout. To avoid any future misunderstanding, Allah has enjoined us to put contractual obligations in writing.

*O you who believe! When you deal with each other in transactions involving future obligations in a fixed period of time, reduce them to writing. [...] Let him who incurs the liability dictate, but let him fear His Lord Allah, and not diminish aught of what he owes. [...]*¹²⁵

¹²⁴ *Qur'an* 7:33.

¹²⁵ *Qur'an* 2:282.

As explained earlier, *gharar* types of transactions are also explicitly forbidden between the firm and its suppliers.

*In the time of Marwān ibn al Ḥakam, receipts were given to people for the produce of the market at al Jār. People bought and sold the receipts among themselves before they took delivery of the goods. Zayd ibn Thābit and one of the Companions of the Messenger of Allah, may Allah bless him and grant him peace, went to Marwān ibn al Ḥakam and said, "Marwān! Do you make usury ḥalāl?" He said, "I seek refuge with Allah! What is that?" He said, "These receipts which people buy and sell before they take delivery of the goods." Marwān therefore sent a guard to follow them and to take them from people's hands and return them to their owners.*¹²⁶

Despite the permissibility of agency in general, merchants are prohibited from interfering with the free market system through a specific type of brokering. This type of brokering may lead to price inflation. Let us take the example of a farmer going to the marketplace in a town to sell some of his goods. A townsman may approach the farmer, asking that the goods be left with him for a while until the prices go up. If the farmer had sold the goods without the interference of the townsman, the public would have purchased them at the current lower price; both the public and the farmer would have benefited. However, when the townsman stores the goods until prices increase and then sell them, the public has to pay more, and the broker makes excess profits. This type of brokering is forbidden.

*Allah's Messenger (peace be upon him) said: "The townsman should not sell for a man from the desert; leave the people alone; Allah will give them provision from one another."*¹²⁷

Al Qaradāwī, however, points out that brokerage is generally permissible except when there is interference in the free market system—as in the case just cited. There is nothing wrong with the broker's charging a fee for his services. This fee may be a fixed amount or proportional to the volume of sales or whatever is agreed among the parties involved.¹²⁸

¹²⁶ Zayd ibn Thābit, *al Muwaṭṭa'*, hadith no. 31.19.44.

¹²⁷ Jābir ibn 'Abd Allāh, *Ṣaḥīḥ Muslim*, hadith no. 3630.

¹²⁸ Al Qaradāwī, pp. 258-259.

Buyers/Consumers. Buyers should expect to receive goods that are in working conditions and priced fairly. They should also be notified of any deficiencies. Islam forbids the following practices when dealing with consumers or buyers:

- Use of incorrect weights and measures. In the story of Shu'ayb, Allah says:

*Give just measure, and cause no loss (to others by fraud). And weigh with scales true and upright. And withhold not things justly due to men, [...].*¹²⁹

The Muslim businessman should not demand honesty from others while being himself dishonest. In other words, the Islamic moral code applies to all equally.

- Hoarding and price manipulation. As Sheikh al Qaraḍāwī points out, the market system is free in Islam, and is allowed to respond to supply and demand.¹³⁰ However, Islam does not tolerate interference in the market system by hoarding or other forms of price manipulation. Allah's Messenger (peace be upon him) said:

*He who hoards is a sinner.*¹³¹

In cases where businessmen are engaging in hoarding and other forms of price manipulation, Islam allows price control in order to meet the needs of society and to provide protection against greed. However, if a commodity is being sold without any hoarding, and its price rises because of natural shortages or scarcity or an increase in demand, then this circumstance is due to Allah. Businessmen cannot then be compelled to sell at a fixed price.¹³²

- Adulterated or spoiled products. Islam prohibits any kind of fraudulent transaction whether during a purchase or a sale. The Muslim businessman must be honest at all times. The following hadith exemplifies how the Islamic moral code views deceptive business practices:

¹²⁹ Qur'an 26:181-183.

¹³⁰ Al Qaraḍāwī, pp. 255-257.

¹³¹ Ma'mar ibn 'Abd Allāh al 'Adawī, *Ṣaḥīḥ Muslim*, hadith no. 3910.

¹³² Al Qaraḍāwī, p. 256.

The Messenger of Allah (peace be upon him) happened to pass by a heap of eatables (corn). He thrust his hand in that (heap) and his fingers were moistened. He said to the owner of the heap of eatables (corn), "What is this?" "Messenger of Allah, these have been drenched by rainfall." He (the Prophet) remarked, "Why did you not place this (the drenched part of the heap) over other eatables so that the people could see it? He who deceives is not of me (is not my follower)." ¹³³

A similar situation took place when 'Umar ibn al Khaṭṭāb punished a man who was selling milk diluted with water. 'Umar spilled the man's milk not because it was unfit for drinking, but rather because the buyer would not know the relative quantities of milk and water.¹³⁴ Hence, Islam encourages Muslim businessmen to be forthright, and reveal any defects prior to a sale. Should either party then decide that they do not wish to participate in the contract, they may do so.

The Prophet (peace be upon him) said, "Both the buyer and the seller have the option of canceling or confirming the bargain unless they separate." ¹³⁵

In the case of perishables, the buyer is entitled to a full refund of the purchase price should the goods purchased prove unfit for use.

If a person purchase eggs, musk melons, cucumbers, walnuts, or the like, and after opening them discover them to be of bad quality; in that case, if they be altogether unfit for use, the purchaser is entitled to complete restitution of the price from the seller, as the sale is invalid, because of the subject of it not being in reality property. ¹³⁶

- **Swearing to support a sale.** When engaged in deceiving a buyer, the sin resulting from this deception is increased if the businessman validates his sales pitch through false oaths.

¹³³ Abū Hurayrah, *Ṣaḥīḥ Muslim*, hadith no. 0183.

¹³⁴ Ibn Taymīyah, p. 65.

¹³⁵ Ḥakīm ibn Hizām, *Ṣaḥīḥ al Bukhārī*, hadith no. 3.327.

¹³⁶ *Al Hidāyah* (Hanafi manual), vol. II, 4440.

*I heard Allah's Messenger (peace be upon him) saying, "The swearing (by the seller) may persuade the buyer to purchase the goods but that will be deprived of Allah's blessing."*¹³⁷

- **Purchase of stolen property.** The Muslim businessman must not knowingly purchase stolen property either for himself or for future resale. By so doing, he sanctions the crime of the robber. The Prophet (saaw) said,

*He who buys the stolen property, with the knowledge that it was stolen, shares in the sin and shame of stealing.*¹³⁸

Further, the passage of time does not make a *ḥarām* piece of property *ḥalāl*. The original owner of the stolen goods retains his right on it.

- **Prohibition of interest or *ribā*.** Although Islam encourages businessmen to augment their capital through trade, it explicitly prohibits them from capital expansion through lending on interest. The size of the rate of interest charged is inconsequential; *ribā* is absolutely prohibited. There is no opportunity cost of lending money in Islam. The lender is making money without any fear of loss. Further, since the lender is likely to be wealthy and the borrower poor, *ribā* simply increases the gap between the haves and the have-nots. Islam encourages the circulation of wealth. Allah states in the Qur'an:

*Those who devour usury will not stand except as stands one whom The Evil One by his touch has driven to madness. That is because they say: "Trade is like usury," but Allah has permitted trade and forbidden usury.*¹³⁹

The sin of dealing with *ribā* affects all the parties involved in a *ribā* transaction:

*Allah's Messenger (peace be upon him) cursed the acceptor of interest and its payer, and one who records it, and the two witnesses; and he said, "They are all equal."*¹⁴⁰

¹³⁷ Abū Hurayrah, *Ṣaḥīḥ al-Bukhārī*, hadith no. 3.300.

¹³⁸ Reported by al-Bayhaqī and cited in al-Qarāḍāwī.

¹³⁹ *Qur'an* 2:275.

¹⁴⁰ Jābir ibn 'Abd Allāh, *Ṣaḥīḥ Muslim*, hadith no. 3881.

Debtors. In general, Islam encourages benevolence. If any debtor is in financial trouble, Allah encourages kindness:

*If the debtor is in a difficulty, grant him time till it is easy for him to repay. But if you remit it by way of charity, that is best for you if you only knew.*¹⁴¹

In fact, a hadith of the Prophet (saaw) reaffirms the importance of magnanimity on the part of the lender.

*The Prophet (peace be upon him) said, "Before your time the angels received the soul of a man and asked him, 'Did you do any good deeds (in your life)?' He replied, 'I used to order my employees to grant time to the rich person to pay his debts at his convenience and excuse (the one in hard circumstances).' So Allah said to the angels, 'Excuse him.'"*¹⁴²

At the same time, Islam encourages debtors themselves not to procrastinate in repaying their debts. This is specially true in the case of wealthy debtors. The Prophet (saaw) said,

*Procrastination (delay) in paying debts by a wealthy man is injustice.*¹⁴³

If the businessman himself has incurred some debt in financing his business, he needs to repay them. In Islam, repayment of debts is so important that all the sins of a *shahīd* (martyr) are forgiven except for his unpaid debts.¹⁴⁴

General Public. A businessman has a special obligation if he provides essential supplies to the public.¹⁴⁵ For example, the public has a need for farming produce, clothes, dwellings to inhabit. Since these are essential commodities, the businessman needs to price fairly. What steps can be taken if he is overcharging the public? Islam is against the idea of price con-

¹⁴¹ *Qur'an* 2:280.

¹⁴² Hudhayfah, *Ṣaḥīḥ al-Bukhārī*, hadith no. 3.291.

¹⁴³ Abū Hurayrah, *Ṣaḥīḥ al-Bukhārī*, hadith no. 3.486.

¹⁴⁴ Amr ibn al-'Āṣ, *Ṣaḥīḥ Muslim*, hadith no. 4649.

¹⁴⁵ Ibn Taymīyah, pp. 37-38 and Chapter 4.

trols.¹⁴⁶ The scholars who rule out price control altogether base themselves on the following hadith:

*A man came and said, "Apostle of Allah, fix prices." He said, "(No), but I shall pray." Again the man came and said, "Apostle of Allah, fix prices." He said, "It is but Allah Who makes the prices low and high. I hope that when I meet Allah, none of you has any claim on me for doing wrong regarding blood or property."*¹⁴⁷

Ibn Taymīyah points out, however, that this hadith does not discuss a situation where a merchant refuses to make a sale when under obligation to do so, or to perform an action legally required of him. Ibn Taymīyah concludes that should the businessman refuse to sell his goods at a fair price, he may be coerced by the imam to perform, and may also be punished for non-compliance.

Stockholders/Owners/Partners. Islam encourages partnerships. Any such project which aims at benefiting the individual or society or which removes some evil is righteous, especially if the intention of the investors is righteous a priori. Al Qaradāwī points out that such projects are blessed by Islam, and will receive Allah's help:

*[...] Help you one another in righteousness and piety, but help you not one another in sin and rancor: [...]*¹⁴⁸

- *Al Muḍārabah.* Frequently, the businessman may be a skillful entrepreneur, but lacks the venture capital to implement his business idea. In such cases, Islam allows partnering between capital and labor. This is called *al muḍārabah* or *al qirāḍ*. The venture capitalist or Islamic bank is considered as the owner of the capital invested whereas the entrepreneur contributes his or her expertise and skills. According to the Shari'ah, the two parties should agree in advance how they will share any profit or loss. Should the venture capitalist be guaranteed a profit on his capital whether his partner makes a profit or a loss, it would be similar to usury.¹⁴⁹ Further, no profits can be distributed until all losses have

¹⁴⁶ Loc. cit. and al Qaradāwī, p. 255.

¹⁴⁷ Abū Hurayrah, Abū Dāwūd, hadith no. 3443.

¹⁴⁸ *Qur'an* 5:2, and al Qaradāwī, p. 273.

¹⁴⁹ Al Qaradāwī, pp. 271-272.

been written off and the equity of the venture capitalist has been fully restored.¹⁵⁰

- *Sharikat*.¹⁵¹ There are several types of *sharikat* partnership. In one type of partnership, the Islamic bank provides part of the required capital while the businessman provides the balance. The businessman is also responsible for supervision and management. The two parties agree to share any profit or loss in proportion to their investment participation. Should there be a loss, it is considered sufficient if the businessman forfeits remuneration for his labor.
- *Musharakah*. This type of partnership lasts a limited period of time, and endeavors to execute a specific project.¹⁵² This resembles the Western joint venture or consortium. The parties agree to pitch in both fixed and working capital as well as expertise. They also agree how they will share any profits. Losses will be shared according to the proportion of committed capital.
- *Murabahah*. The bank purchases specific goods from the supplier on behalf of the entrepreneur for a fixed cost as well as an agreed upon profit margin. A key element of this type of financing is that both parties should know the initial purchase price as well as the profit markup. Second, the bank must acquire the goods before charging the entrepreneur. Once the merchandise is delivered, the two parties sign a sale contract on a cost-plus basis, and the entrepreneur takes possession of the goods. The businessman is to repay the bank the costs of goods sold as well as an agreed upon share of the profit according a predetermined schedule.
- *Qard Hasan*. This arrangement is in the form of a "benevolent loan."¹⁵³ It does not include any charges, and is of course interest-free. This type of loan is made available to customers or businessmen experiencing hard times or incurring unexpected disbursements.

Whatever the form of partnership, the Islamic code of ethics requires all partners to be fair and to avoid cheating one another.

*The Messenger of Allah (peace be upon him) having said,
"Allah, Most High, says, 'I make a third with two partners as*

¹⁵⁰ Gani, p. 22.

¹⁵¹ Gani, p. 18.

¹⁵² Gambling and Karim, pp. 37-38.

¹⁵³ Loc. cit.

long as one of them does not cheat the other, but when he cheats him, I depart from them. ...¹⁵⁴

The Needy. Very often, the needy will approach a businessman and ask for *ṣadaqah*. Sometimes, a businessman will give leftovers or spoiled goods that he would never consider using himself. For example, if a business person were to donate an old car that is in such poor condition that it endangers the life of anyone who attempts to drive it, then the donor is a wrong-doer. Allah warns us about this:

*O you who believe! Give of the good things which you have (honorably) earned. And of the fruits of the earth which We have produced for you, and do not even aim at getting anything which is bad, in order that out of it you may give away something, when you yourselves would not receive it except with closed eyes.*¹⁵⁵

Muslim businesses should give to the poor from what is wholesome and earned in a *ḥalāl* manner.

Competitors. Although the West claims to be for market competition, a cursory reading of key business publications will reveal that businesses are constantly seeking to assert themselves over and eliminate their competitors. By eliminating their competitors, firms can then reap above average economic returns through hoarding and monopolistic pricing. As per the discussion on hoarding on page 44, monopolies are discouraged in Islam.

*It is abominable to monopolize¹⁵⁶ the necessities of life, and food for cattle, in a city where such monopoly is likely to prove detrimental.*¹⁵⁷

The Natural Environment

Another key domain of social responsibility is the natural environment. For many years, organizations got rid of their waste products by discharging

¹⁵⁴ Abū Hurayrah, Abū Dāwūd, hadith no. 3377.

¹⁵⁵ *Qur'an* 2:267.

¹⁵⁶ Arab, *Ihtikār*. It is explained in the text to signify, in its literal sense, the laying up of anything; and in the language of the law, the purchasing of grain, or other necessities of life, and keeping them up with a view to enhance the price.

¹⁵⁷ *Al Hidāyah* (Hanafi manual), vol. IV, 5857.

them in the air, into rivers and on land. Acid rain, global warming via depletion of the ozone layer, and poisoning of the food chain resulted from this irresponsible behavior. Nowadays, firms have realized the threat this practice poses to our natural environment, and are careful how they dispose of their waste. Firms such as Safeway use recycled paper in their paper bags, and McDonalds has changed the containers it now uses for packaging fast food.

Muslims are encouraged to appreciate the beauty of the natural environment. In fact, Allah refers to the beauty of the natural environment as one of His signs:

*Seest thou not that Allah sends down rain from the sky? With it we then bring out produce of various colors. And in the mountains are tracts white and red, of various shades of color and black intense in hue. And so amongst men and crawling creatures and cattle are they of various colors. Those truly fear Allah, among His Servants who have knowledge.*¹⁵⁸

Islam emphasizes man's role towards the natural environment by making him responsible of his surroundings as Allah's vicegerent.

*Behold, thy Lord said to the angels, "I will create a vice-gerent on earth." They said, "Wilt thou place therein one who will make mischief therein and shed blood, whilst we do celebrate Thy praises and glorify Thy holy (name)?" He said, "I know what ye know not." And he taught Adam the names of all things: [...]"*¹⁵⁹

In his role as vicegerent, the Muslim businessman is expected to take care of his natural environment. The recent trend of *business environmentalism*, where businesses are being proactively very careful in the way they handle environmental concerns, is nothing new. Several instances exemplify the importance that Islam attaches to the natural environment: treatment of animals; environmental pollution and ownership rights; and environmental pollution of "free" natural resources such as air and water.

¹⁵⁸ Qur'an 35:27-28.

¹⁵⁹ Qur'an 2:30.

Treatment of Animals

Muslim businessmen who make use of animals must be extremely careful in how they treat them. Professional butchers, for example, must show kindness in slaughtering animals:

*Two are the things which I remember Allah's Messenger (peace be upon him) having said, "Verily Allah has enjoined goodness to everything; so when you kill, kill in a good way and when you slaughter, slaughter in a good way. So every one of you should sharpen his knife, and let the slaughtered animal die comfortably."*¹⁶⁰

While slaughtering an animal, Muslims are also discouraged from seizing an animal destined for slaughter by the feet, and dragging it to the place where it will be slaughtered.¹⁶¹

Farmers, too, need to be careful. Even in our daily treatment of animals, the Prophet (saaw) has encouraged Muslims to show consideration towards them:

*Allah's Messenger (peace be upon him) said, "A prostitute was forgiven by Allah, because, passing by a panting dog near a well and seeing that the dog was about to die of thirst, she took off her shoe, and tying it with her head-cover she drew out some water for it. So, Allah forgave her because of that."*¹⁶²

Certain types of behavior have been explicitly forbidden:

*Allah's Messenger (peace be upon him) forbade (the animals to be beaten) on the face or cauterization on the face.*¹⁶³

Additionally, Muslims are discouraged from inciting animals to fight with one another. As a result, Muslims should not engage in businesses involving pitbull or other animal fights.

¹⁶⁰ Shaddād ibn 'Aws, *Ṣaḥīḥ Muslim*, hadith no. 4810.

¹⁶¹ *Al Hidāyah* (Hanafi manual), vol. 4, 5764.

¹⁶² Abū Hurayrah, *Ṣaḥīḥ al Bukhārī*, hadith no. 4.538.

¹⁶³ Jābir ibn 'Abd Allāh, *Ṣaḥīḥ Muslim*, hadith no. 5281.

Environmental Pollution and Ownership Rights

Although Islam honors ownership rights, it does not consider these rights to be absolute especially if they may lead to environmental pollution and threaten public safety. For example, Muslims are also prevented from slaughtering animals in the streets or houses in order to avoid unsanitary conditions.¹⁶⁴ Similarly, to reduce the danger of public safety and environmental hazards, Muslims were not allowed to install a forge, a threshing floor, a cook shop or a mill in residential areas.¹⁶⁵

Once a Muslims pollutes the environment, he is expected to clean it up or remove what is causing the pollution:

*If any person constructs a cesspit or a sewer near a well of water belonging to some other person, and contaminates the water thereof, he may be made to remove the injury. If it is impossible to remove the injury, he may be made to close up the cesspit or sewer. Again, if any person constructs a sewer near to a water channel, and the dirty water from such sewer flows into the channel and causes great injury thereto, and no other way can be found to remove such injury than by closing it, the sewer shall be closed.*¹⁶⁶

Conversely, businesses cannot be held responsible for noise or other types of environmental problems under certain conditions. Thus, if a business is already set up in a location, and an individual builds a house next to it, the owner of the new house cannot complain about noise, dust or other sources of disturbance resulting from his proximity to the business:

*If any person deals with property owned in absolute ownership in some manner authorized by law, and some other person constructs a building by the side thereof whereby he suffers injury, he himself alone must remove such injury.*¹⁶⁷

Under this specific circumstance, the business cannot be compelled to stop the noise or control the dust, or even to close down.

¹⁶⁴ Khan, M. Akram. 1992. "Al Hisbah and the Islamic Economy" In Ibn Taymūyah's *Public Duties in Islam: The Institution of the Hisbah*, p. 145.

¹⁶⁵ *Al Majallah* (The Ottoman Courts Manual [Hanafi]), serial no. 2432, paragraph 1200.

¹⁶⁶ *Ibid.*, serial no. 2444, paragraph 1212.

¹⁶⁷ *Ibid.*, serial no. 2439, paragraph 1207.

Environmental Pollution and Free Resources (air, water, etc.)

The general principle with respect to resources that are free, e.g., air, ocean water, etc. is the following:

*Any person may make use of any thing that is free provided that is doing so no injury is inflicted upon any other person.*¹⁶⁸

Should injury or pollution of any kind take place, the guilty party must then be responsible either of cleaning after himself or of removing the cause of the problem:

*Any person may water his lands from rivers which are not owned in absolute ownership by any particular person, and, in order to irrigate them and to construct mills, may open a canal or water channels, provided that he does not thereby inflict injury on any other person. Consequently, if the water overflows and causes injury to the public, or the water of the river is entirely cut off, or boats cannot be navigated, such injury must be stopped.*¹⁶⁹

The General Social Welfare

Besides behaving responsibly towards their stakeholders and the natural environment, Muslims and the organizations they work in are expected to care about the general welfare of the society they live in. As part of the community, Muslim businessmen need to watch over the welfare of its weak and destitute members.

*And why should you not fight in the cause of Allah and of those who, being weak, are ill treated (and oppressed)?—men, women and children, [...]*¹⁷⁰

The reward for taking care of the destitute and the weak is stressed in this hadith:

The Prophet (peace be upon him) said, "The one who looks after and works for a widow and for a poor person, is like a

¹⁶⁸ Ibid., serial no. 2486, paragraph 1254.

¹⁶⁹ Ibid., serial no. 2497, paragraph 1265.

¹⁷⁰ Qur'an 4:75.

*warrior fighting for Allah's cause or like a person who fasts during the day and prays all the night.*¹⁷¹

On the other hand, if any person spends the night hungry, the blame is shared by the community because it did not attempt to take care of him.¹⁷²

Muslim businesses contribute to charities, and support many philanthropic causes. For example, Amana, a Muslim investment company, sponsored and published a revised edition of the translation of the Holy Qur'an by Yūsuf 'Alī. Similarly, the Association of Muslim Scientists and Engineers published a guide to answer the questions of foreign Muslim students seeking admission to North American universities. The Red Crescent is an internationally known organizations, operating in Muslim countries to provide relief to the poor and destitute during times of crisis.

Arguments For and Against Social Responsibility

The issue of the social responsibility of business is a much debated one. Table 5 summarizes the arguments that have been advanced both for and against this issue. Stakeholders in favor of social responsibility argue that since businesses are the source of problems such as pollution, they need to fix them. The counterargument is that businesses, by making a profit and sharing it with society in the form of wages and taxes, have already paid their share, and should not be held accountable for problems that may not be completely avoidable.

Those in favor of social responsibility suggest that to the extent that businesses understand the nature of the problems they have created, they are better equipped to solve them. Unlike governments which are financially strapped, businesses can set aside a portion of their resources and profits to clean up after themselves. Advocates against social responsibility decry the enormous power of corporations once they have adopted a social cause. Because of the magnitude of their financial contributions, corporations can derail social causes, transforming them into advertising gimmicks serving to enhance their profits.

Getting involved in social causes accumulates goodwill towards the company. McDonalds' sponsorship of children in need of help through the Ronald McDonalds program enhances the corporation's image as a good citizen who cares. Alternately, many businesses do not know how to run

¹⁷¹ Safwān ibn Salīm, *Ṣaḥīḥ al-Bukhārī*, 8.35.

¹⁷² Kotb, Sayed. *Social Justice in Islam*. New York: Octagon, 1970. p. 65. Also in As Sayyid Sābiq. *Fiqh-us-Sunna*, 3. 93c, Paragraph 10.

such a program. A business which manufactures biological weapons may have a rough time either in managing a social program such as the March of Dimes, or may not be welcome by the public.

Finally, in contrast to secular law, Islam may not recognize the existence of a business as a corporate legal entity whose owners are not personally accountable for the problems created by it. Hence, if a business creates a problem, then its owners are liable for cleaning up. If they do not clean up, they may actually be forced to do so:

*Should all the owners of a right of taking water refuse to clean a river which is jointly owned, they may be forced to do so, if it is a public river, but not if it is a private river.*¹⁷³

Organizational Modes of Social Responsiveness

In responding to demands for greater social responsibility, an organization can be responsive in four ways: social obstruction, social obligation, social response and social contribution. These can be arrayed along a continuum extending from low to high social responsiveness, and are not discrete categories within which an organization can be fitted.¹⁷⁴

Social Obstruction. Firms in this category are the least socially responsive. They try to avoid their social responsibilities, or do as little as possible when dealing with problems of their own making. For example, in a small city in Nevada, petroleum companies whose holding tanks have been leaking into underground water have tried to deny responsibility, and are taking the city council to court in order to deny guilt. Similarly, Intel refused to provide all owners of defective Pentium computers with a replacement chip until public outbursts compelled it to.

Social Obligation. Organizations do the bare minimum required under the law, but nothing more. For example, automobile manufacturers place seat belts and exhaust filters in their cars because they are required to. They do not provide additional safety mechanisms because it would increase their costs and reduce their profit margin.

¹⁷³ *Al Majallah*, Serial No 2556, Reference, *Al Majallah* (The Ottoman Courts Manual [Hanafi]), 1324.

¹⁷⁴ Barney and Griffin, pp. 734-735.

Table 5¹⁷⁵
Arguments For and Against Social Responsibility

Arguments for Social Responsibility	Arguments Against Social Responsibility
Business creates problems and are responsible for solving them.	The purpose of business is profit maximization. By paying taxes and wages, they have done their share.
Business has the resources needed to solve problems.	Conflicts of interest may arise since charitable causes may become marketing tools for corporations.
Social responsibility enhances goodwill towards the organization.	Business may not know how to manage social programs.
Islam does not necessarily recognize businesses as legal entities whose obligations are separate from its owners. ¹⁷⁶	Corporations are merely legal entities, and cannot be held personally liable for problems they cause.

Social Response. Firms with a social response strategy observe their legal requirements, and exceed these requirements wherever possible. For example, IBM also gives surplus computers to schools. Other businesses work hard both at hiring minorities, and providing them with minority scholarships at various universities.

Social Contribution. Firms in this category are the most socially responsive. They embrace the demands of their social role, and actively seek out opportunities to help. Hewlett Packard not only asks users of toner for their laser printers to send back the potentially polluting toner cartridges, but will also pay for these cartridges to be sent back.

Managing Social Responsibility

Organizations must be proactive with respect to concerns involving social responsibility. Just as they mastermind strategic thrusts to develop competitive advantage in the marketplace, they need to use a number of

¹⁷⁵ Barney, Jay B. & Griffin, Ricky W. *The Management of Organizations*. © 1992 by Houghton Mifflin Company, pp. 732-734. Adapted with permission.

¹⁷⁶ Whether a firm can or cannot be a legal entity according to Islam is still being debated. See Gambling and Karim, pp. 36-37.