

ISLAMIC WORK ETHICS AND CORPORATE SOCIAL RESPONSIBILITY IN BUSINESS ORGANIZATIONS: ISSUES AND CHALLENGES

Mohammed Ilyas, College of Science and Humanitarian Studies, Prince Sattam bin Abdulaziz University

ABSTRACT

Corporate Social Responsibility (CSR) practices in modern business organizations are consistent with Islamic principles and as laid down in Qu'ran and Hadith. The Islamic ethical practices at both individual and organizational levels promote ideal CSR practices and can be seen embedded in all organizational operations and decision-making processes. A shariah compliant organization plans CSR activities by carefully strategizing and incorporating them into its corporate strategy. This study argues that CSR applications in these organizations are as per Islamic principles and that all types of businesses apply CSR initiatives to further their relationships with their customers, their employees and their community. The study provides examples of shariah compliant CSR activities and highlights issues and challenges that Islamic organizations have to face in the successful implementation of CSR practices.

Keywords: Work Ethics, Islam, Individual and Organizational, Shariah Compliant.

INTRODUCTION

CSR which started as an economic activity now has evolved comprehensively encompassing everything good that a corporate must do in public domain in order to create a positive image on its stakeholders. Generally, CSR initiatives are taken by organizations to further their relationships with their customers, their employees and their community at large (McAlister, Ferrel & Ferrel, 2005). World Business Council for Sustainable Development (WBCSD) defines CSR as “the commitment of business to contribute to sustainable economic development, working with employee, their families and local community and society at large to improve their quality of life.” This definition enhances the scope of CSR by including all kinds of initiatives taken for social purposes, whether voluntarily or as a part of corporate obligations. Another definition proposed by the European Commission (2001) states that CSR “means not only fulfilling legal expectations, but also going beyond compliance and investing ‘more’ into human capital, the environment and the relations with stakeholders.” Maignan & Farrell (2004) define it as the satisfaction of the stakeholders’ demands. CSR has now evolved into a company specific approach that decides how much an organization can contribute back to the society and share its resources in a responsible manner for the sustainable development of the social, economic and environmental situations of its stakeholders (Aribi & Arun, 2015).

In Islamic countries, the changing work environment and the fast growing socio-economic scenario have forced organizations to adopt CSR activities and align them with their business operations. This trend is seen not only in the banking or finance sectors where Islamic banking or shariah compliant financial transactions take place, but also in organizations of manufacturing, retail, healthcare and food industry that have started adopting Islamic values in

their day to day operations. This phenomenon is evident primarily through practicing CSR and aligning the shariah principles with CSR (Dusuki, 2005). This brief study has attempted to find linkages between Islamic work ethics and CSR and has discussed the significance of Islamic work ethics in corporate organizations at both individual and organizational levels. Evidence was collected from such organizations, particularly financial institutions, which follow CSR norms as ethical practices more than a business obligation.

ISLAMIC WORK ETHICS AND CSR

As is evident from prior studies and definitions of CSR, it was developed and also evolved extensively in the West. Hence, very little is written on the subject from the Islamic perspective. While drawing linkages of CSR with Islamic principles, it is revealed that its theoretical foundations are much similar to the Islamic and Shariah doctrines. Just like work ethics (*khlaq*) in Islam is considered as a virtue and determines a man's interaction with other individuals and the society, similarly, CSR is an obligation that an organization must fulfil in order to determine its relationship with the individual and the socio-economic environment.

Islamic work ethics can be seen practiced with two dimensions in a corporate environment: Individual and organizational. The individual dimension can be related with the Qur'an and Sunnah values which require a Muslim to never be idle, nor waste his time in trivial matters. The humanitarian principle governing the Islamic perspectives requires the individual Muslim to work hard and remain productively occupied and get positive results in this world and also hereafter in another world. Hence, it is ethical for him to be true to his profession and dedicate to his work and the employer. By adhering to the principles of work ethics in a corporate environment, it offers a moral benefit and character enhancement to the individual (Addis, 2010; Beckett & Maynard, 2013). Saks et al. (1996) also viewed work ethics as a critical personal attribute that creates values based commitment and diligence in the individual worker. All his efforts are put in order to seek knowledge and self-development that would prove helpful later in decision making. In Islam, all economic activities and business dealing are not primarily materialistic but invoke knowledge cravings. Surah Ta Ha, verse 114, (20:114) of Qu'ran states: "High above all is Allah, the King and the Truth! Be not in haste with the Qurán before its revelation to thee is completed, but say, "Oh my Lord! Advance me in knowledge." Therefore, it is crucial for every Muslim individual to grow intellectually and help the organization to grow.

At the organizational level, Islamic work ethics can be formally referred to as Islamic Corporate Social Responsibility (i-CSR). Islam recognizes that an organization has the right to make a profit, but not at the expense of the claims of various other stakeholders. This is also a fundamental principle of CSR. An Islamic based organization therefore establishes an i-CSR framework within the organization by practicing shariah compliant CSR practices. Mostly Islamic banks and other financial institutions have exhibited i-CSR in the corporate style by complying with shariah principles and by adopting a specific kind of corporate governance. For instance, the Islamic corporations shall not only avoid prohibitions such as riba (interest), gharar (uncertainty), speculation and maysir (gambling) and will also refrain from investing in any unlawful activities in order to follow the Islamic ethical codes. By adopting this approach, also commonly known as Islamic economics, an organization is actually fulfilling its socio economic obligations as a part of its corporate responsibility.

By taking CSR initiatives, an Islamic corporation also follows a shariah complaint ethical framework to safeguard and maintain its relationship not only with Allah, the most merciful but also with other human beings and with the environment. Thus CSR proves to be the most

appropriate platform and mechanism for Islamic corporations to fulfil their social responsibilities, often also deemed to be a part of their religious obligations. As CSR evolved in organizations, there was a growth of strong corporate governance, appropriate organizational and ownership structure, good monitoring and supervisory frameworks keeping in view the interests of the stakeholders (Hasan, 2017). For instance, encouraged with the vision and philosophy of CSR, the UAE declared the year 2017 as the “Year of Giving” followed by the ruling of Ministry of Economy, UAE to make CSR mandatory in private sector. It is a great evidence of CSR having been in operation in the whole region and playing a pro-active role in charitable and humanitarian work.

LITERATURE REVIEW

There are several Islamic organizations that practice CSR through the principles of universal brotherhood and humanitarianism, reflected through practices such as ‘equal opportunities’ or ‘equity-sharing’ wherein the corporates follow ethical, social and moral framework of governance prescribed by Shari‘ah (Dusuki, 2006). Such practices are also community oriented and emphasize upon improving productivity and increase of production through entrepreneur-friendly regulations and practices. These organizations follow Islamic principles and Shariah requirements and therefore operate morally, ethically and in a socially responsible manner (Darus et al., 2014). Their domain of CSR activities extends even to environmental issues related to climate change, adaptation and geographical displacements of refugees, prevention of pollution and rehabilitation of victims of war, terrorism and natural calamities and so on. This is clear evidence that CSR practices about natural environment are consistent with Islamic principles as laid down in Qu’ran (Dusuki, 2006). A few other studies of Malaysian organizations reveal that managers who are engaged in CSR activities work toward community enhancement (public maslahah) along with strengthening Islamic values (Dusuki, 2005; Muwazir et al., 2012) and ensure that CSR concepts must conform to the core Islamic values as enshrined in Qu’ran and Hadith (Siwar & Hossain, 2009).

Another dimension to look at Islamic ethics in corporate environment is that it helps to promote not only social responsibility but also prohibits involvement of individuals in illegal practices such as bribery, cheating and fraud (Dusuki & Dar, 2007). Many corporates go beyond the conventional capitalistic objective of maximizing profits and adopt a Shariah-compliant style of working by making generous charities and extending other services to stakeholders, employees and customers. This is chiefly observed during the holy month of Ramadan or Hajj month in the Muslim world in general and countries like Saudi Arabia, Malaysia and Indonesia in particular. On such occasions, the corporate seem to have departed from conventional, profit motivated style of governance (Dusuki, 2011) and instead switch over to the concept of charity, humanitarianism, brotherhood, social obligations, justice and fairness which are chiefly the tenets of Islam (Masruki, Ibrahim & Azizan, 2010). An example can be cited of Bahrain’s Islamic financial institutions (Aribi & Arun, 2015) which have translated Islamic principles into practice through CSR activities. These institutions are engaged only in lawful (halal) transactions and at the same time contribute through Islamic philanthropic activities like sadaqah, zakat and wakf, the Islamic versions of CSR activities (Matten, 2006).

When corporates involve in such CSR practices, it helps them to get acknowledged as ethical Islamic shariah compliant entities (Wan Jusoh, Ibrahim & Mohd Napiyah, 2015). What they exhibit is generally known as “collective religious obligation” (*fard kifayah*) which not only help them to develop a positive corporate image, but also motivate them to work towards noble

objectives like fighting poverty and uplifting the underprivileged and downtrodden, which are the true economic goals of Islam (Yusuf & Bahari, 2011). Usmani (2002), too, reminds the Islamic philosophy of establishing justice “free from all sorts of exploitation” and regards adherence to justice and social responsibility as integral to Islamic society, emphasizing that business transactions must be carried out with moral objectives, all which are commonly accepted CSR initiatives.

ISSUES AND CHALLENGES

However, CSR has also posed big challenges to many Islamic organizations since social responsibility and meeting welfare expectations of society are not easy tasks in modern business scenarios (Aribi & Arun, 2015). First and foremost, all CSR activities are largely based on Western principles (Di Bella & Al-Fayoumi, 2016), which makes it a much more difficult task for Islamic organizations to practice their CSR activities at international locations. Secondly, there is no widely accepted methodology to assess the extent to which corporate can engage in CSR activities nor are there any criteria that should be employed to measure the impact of CSR activities (Grigoris, 2016). Thirdly, the scope of CSR activities is still undefined as it comprehensively includes all welfare activities related to education, poverty alleviation, environment protection and protection of forests, community level services among many others. Fourthly, CSR has become such a successful concept in companies that several organizations manipulate CSR for gaining long term benefits and competitive advantage against their rivals, which often divert the attention from real welfare principles. Last, but not the least, when CSR is linked with Islamic and a shariah compliant work ethics it is argued that religion has a significant impact on CSR (Darus et al., 2014).

Another important challenge faced by most organizations in Islamic countries is that not all organizations have their own CSR division or department. The CSR matters are managed under their Group Corporate Affairs or Corporate Communications Department. The absence of independent CSR division in an Islamic organization implies the absence of autonomy for the organization to conduct its CSR programmes. Thus, it is suggested that all Islamic organizations need to have their own CSR department. Other than giving them more freedom, the existence of independent the CSR department will also encourage Islamic organizations to initiate their own CSR programme rather than follow whatever CSR programmes initiated by their Group. Likewise, in terms of CSR funding, it was also discovered that charitable and welfare activities are funded from two types of fund i.e., zakāh fund and CSR fund but not all Islamic organizations have both funds, few of them have neither. The reason behind this state of affairs is that not all Islamic organizations retain portions of zakāh before paying it to the State Religious Councils. Similarly, in the case of CSR fund, not all organizations allocate a special budget for their CSR Programmes.

CONCLUSION

To sum up, it is important to argue that CSR and work ethics have much common with Islamic principles and linkages can be drawn between the two. In the Islamic context, the term most closely related to work ethics in the Quran is khuluq. At the same time there are many other Arabic (Islamic) terms that are interchangeably used in the Quran and can be ascribed with the concepts of morals or positive values that are directly and indirectly related to CSR such as khayr (goodness), birr (righteousness), qist (equity), adl (equilibrium and justice), haqq (truth and

right), ma'ruf (known, approved) and taqwa (piety). The concept of CSR which has evolved into a comprehensive term refers to most of these terms. These terms summarize all the positive and productive activities that a corporate performs under CSR for its stakeholders.

REFERENCES

- Addis, F.S. (2010). Building a strong work ethic. *Rough Notes*, 153(1), 88-90. Retrieved February 20, 2014 from <http://search.proquest.com/docview/200343783?accountid=10251>
- Aribi, Z.A. & Arun, T. (2015). Corporate social responsibility and Islamic financial institutions (IFIS): Management perceptions from IFIs in Bahrain. *Journal of Business Ethics*, 129(4), 785-794.
- Beckett, C. & Maynard, A. (2013). *Values and ethics in social work (Second Edition)*. Sage Publications Ltd. London.
- Darus, F., Mad, S. & Yusoff, H. (2014). The importance of ownership monitoring and firm resources on corporate social responsibility (CSR) of financial institutions, *Procedia-Social and Behavioural Sciences, International Conference on Governance and Strategic Management*, 145, 173-180.
- Di Bella, V. & Al-Fayoumi, N. (2016). Perception of stakeholders on corporate social responsibility of Islamic banks in Jordan. *EuroMed Journal of Business*, 11(1), 30-56.
- Dusuki, A.W. (2005). *Corporate social responsibility of Islamic banks in Malaysia: A synthesis of Islamic and stakeholders' perspectives*. PhD, Loughborough University.
- Dusuki, A.W. (2006). Stakeholders' expectation towards corporate social responsibility of Islamic banks. Paper presented at the *International Accounting Conference III (INTAC 3)*, International Islamic University Malaysia, Kuala Lumpur.
- Dusuki, A.W. (2011). *Ethical and social responsibility models for Islamic finance*. ISRA Research Paper. International Sharī'ah Research Academy (ISRA).
- Dusuki, A.W. & Dar, H. (2007). Stakeholders' perceptions of corporate social responsibility of Islamic banks: Evidence from Malaysian economy. In M. Iqbal, Ali, S.S. & Muljawan, D. (Eds.), *Advances in Islamic Economics and Finance - Proceedings of 6th International Conference on Islamic Economics and Finance (1249-1277)*. Jeddah: Islamic Research and Training Institute (IRTI).
- Grigoris, G. (2016). The challenges of corporate social responsibility assessment methodologies international. *Journal in Economics and Business Administration*, 4 (1), 39-55.
- Hasan, Z. (2017). Adopt CSR in Islamic corporations Adopt CSR in Islamic corporations, *New Straits Times March* retrieved from <https://www.nst.com.my/news/2017/03/218253/adopt-csr-islamic-corporations>
- Maignan, I. & Farrell, O.C. (2004). Corporate social responsibility and marketing: An integrative framework. *Journal of the Academy of Marketing Science*, 32, 3-19.
- Masruki, R., Ibrahim, N. & Azizan, N.A. (2010). Incorporating corporate social responsibility (CSR) into sustainable financial performance of Islamic banks in Malaysia. Paper presented at the *2nd Langkawi Islamic Finance and Economics International Conference (LIFE 2010)*, Langkawi, Malaysia.
- Matten, D. (2006). Why do companies engage in corporate social responsibility? Background, reasons and basic concepts. In Hennigfeld, J., Pohl, M. & Tolhurst, N. (Eds.), *The ICCA Handbook on Corporate Social Responsibility*. Chichester: John Wiley & Sons Ltd.
- McAlister, D.T., Ferrel, O.C. & Ferrel, L. (2005). *Business and society: A strategic approach to social responsibility*. Boston: Houghton Mifflin Company.
- Muwazir, M.R., Abdul-Hadi, N., Kamri, N.A., Madun, A., Nordin, K., Sarif, S. & Yusof, M. (2012). Understanding corporate social responsibility: A survey of Malaysian Muslim managers: *Advances in Natural and Applied Sciences*, 6(8), 1445-1450.
- Saks, A.M., Mudrack, P.E. & Ashforth, B.E. (1996). The relationship between the work ethic, job attitudes, intentions to quit and turnover for temporary service employees. *Revue Canadienne Des Sciences De l'Administration*, 13(3), 226-236.
- Siwar, C. & HJossain, M.T. (2009). An analysis of Islamic CSR concept and the opinion of Malaysian managers, *Management of Environmental Quality*, 20(3), 290-298.
- Usmani, M.T. (2002). *An introduction to Islamic finance*. The Hague: Kluwer Law International.
- Wan Jusoh, W.N.H., Ibrahim, U. & Mohd Napiah, M.D. (2015). An Islamic perspective on corporate social responsibility of Islamic banks. *Mediterranean Journal of Social Sciences*, 6(2S1), 308-315.

Yusuf, M.Y. & Bahari, Z. (2011). Islamic corporate social responsibility in Islamic banking: Towards poverty alleviation. Paper presented at the *8th International Conference on Islamic Economics & Finance*, Doha, Qatar.

This article was originally published in a special issue,
entitled: "[Islamic Banking and Finance](#)", Edited by Dr.
Muhammad Haseeb