

# *Maqasid al-Shari`ah, Maslahah, and Corporate Social Responsibility (2007)\**

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## Abstract

The doctrine of corporate social responsibility (CSR), which has emerged and developed rapidly as a field of study, is a framework for the role of business in society. It sets standards of behavior to

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which a company must subscribe in order to impact society in a positive and productive manner while abiding by values that exclude seeking profit at any cost. Despite the many attempts to construe CSR initiatives, it remains open to wide criticism for its inherent problems *via-à-vis* justification, conceptual clarity, and possible inconsistency. These problems are more acute when it comes to implementing and operationalizing CSR on the ground, especially in a situation that involves trade-offs.

This paper offers an instructive understanding of CSR from an Islamic perspective. In particular, the implication of *maqasid al-Shari`ah* (the Shari`ah's objectives) and the application of *maslahah* (the public good) to CSR are discussed in detail to shed light on how Islam's holistic and dynamic perception of CSR take into consideration reality and ever-changing circumstances. These principles also provide a better framework that managers can use when faced with potential conflicts arising from the diverse expectations and interests of a corporation's stakeholders.

## Introduction

Over the past twenty years, corporate social responsibility (CSR) has blossomed as a framework for the role of business in society and for setting standards of behavior to which a corporation must subscribe in order to impact society in a positive and a productive manner. The emergence of social enterprises, business ethics, environmental practices, a human rights approach to recruitment and employment conditions, and investment in the community are examples of such impacts.

Many believe that CSR is the tribute that capitalism everywhere pays to virtue.<sup>1</sup> According to this view, corporations are no longer defined as entities with a mandate to pursue profit and power relentlessly, regardless of the potential harmful consequences. Instead, they are expected to use their extensive resources to soften their self-interest image by presenting themselves as humane, benevolent, and socially responsible. Due to globalization, corporations undoubtedly govern society, perhaps even more than governments do. Governments are increasingly looking at these giant

and resource-rich entities to address socioeconomic problems. For example, multinational corporations are perceived as the key to development through providing jobs, paying taxes, transferring technology, and making charitable contributions to education and health care. The issue of CSR has only grown in importance in light of recent business scandals involving such large corporations as Barings, Enron, Arthur Anderson, WorldCom, and others.

Despite the tremendous efforts to promote CSR among corporations and society at large, this concept is not without criticism. For instance, how can CSR be operationalized effectively and efficiently on the ground, especially in situations that involve trade-offs? The potential conflict arising from the diverse interests and expectations among various constituents in society further hinders CSR initiatives.

This paper, therefore, delineates the concept of CSR in light of an Islamic perspective. In particular, the following discussion on the *maqasid al-Shari`ah* (the Shari`ah's objectives) and the principles of *maslahah* (the public good) serve as foundations for such a perspective. The implications of these principles are discussed in detail to shed light on how Islam perceives CSR in a holistic and dynamic way, taking into consideration reality and ever-changing circumstances. These principles also provide a better framework that managers can use when faced with potential conflicts arising from diverse expectations and interests of a corporation's stakeholders.

Since this paper is among the few attempts to discuss CSR from an Islamic perspective, it produces a conceptual justification that might have some practical relevance for business.<sup>2</sup> Indeed, the ensuing discussion fills an important gap in CSR literature. The following section briefly discusses CSR's evolution in the West. Section 3 describes the *maqasid al-Shari`ah* together with the principle of *maslahah*. The *maqasid's* implication on CSR is further elaborated in section 4, and a description of *maslahah* as a framework for conflict resolution while implementing CSR is offered in the fifth section. The conclusion is presented in the final section.

## The Evolution of CSR

CSR is defined as denoting corporate activities beyond making profits, such as protecting the environment, caring for employees, being

ethical in trading, and getting involved in the local community. Some of its main issues are promoting human rights, community involvement, human resource management, socially responsible investing, and social reporting.<sup>3</sup> Robert Davies simplifies this: CSR means a set of standards of behavior to which a corporation subscribes in order to have a positive and productive impact on society. Put simply, it is the framework for the role of business in society.<sup>4</sup>

In its western conceptualization, CSR comes in many forms. As a result, its operation is open to a great deal of interpretation and argument. Until now, CSR has been evolving constantly and incorporating different approaches, depending on circumstances and needs. Extant literature attempts to delineate the corporation's role vis-à-vis CSR. On the one hand, the classical creed pronounces CSR as an altogether pernicious idea because the corporation's role is limited to providing goods and services in a way that maximizes their owners' wealth. Milton Friedman argues that having managers extend their social responsibilities beyond serving their stockholders' interests is fundamentally a misconception of a free economy's character and nature. He asserts categorically that solving social problems belongs to government and social agencies, not business.<sup>5</sup> Indeed, his argument reflects the prevailing worldview of neo-classical economics, which has long been entrenched in the notion of the self-interested economic man.

On the other hand, the escalating socioeconomic problems brought about by globalization have raised new questions as well as expectations about corporate governance and social responsibility. As a result of the continued discontent with the restrictive and misleading worldview that is deeply rooted in self-interest, as well as the secularist and hedonistic individualism underlying the western economic worldview, CSR emerges as a doctrine to broaden the spectrum of corporate responsibility to include both a social and an environmental dimension.

The spectrum takes into account the multi-fiduciary nature of the stakeholder concept in that the corporation recognizes other responsibilities beyond profit maximization. In this context, management sees itself as responsible for satisfying and meeting the demands connected with the corporation's social responsibility to various groups that have both

direct and indirect financial connections to them, namely, consumers, employees, shareholders, suppliers, the community or society in general, and the environment.<sup>6</sup> According to this view, extending its social responsibility to include all possible effects on society is due to the fact that corporations, especially large ones, have great economic and social power. Therefore, in return for granting them legal status as separate entities, society is entitled to expect from them a significant net positive contribution to the general good.

Corporations are starting to realize the negative repercussions of paying inadequate attention to the needs and interests of multiple stakeholders and society at large. Society's perception of corporations are crucial, so much so that it may affect the corporation's survival if it breaches the "social contract," a covenant made between it and the society in which it operates.<sup>7</sup> For example, if a corporation focuses only on efficiency and externalities to the detriment of society, it will ultimately face social sanctions that will, at the very least, increase its costs or perhaps put it out of business. This obligates corporations to engage positively and constructively with such social structures as the family, the local community, the educational system, and religious institutions to help enhance the people's lives and meet their needs.

In other words, the corporate social contract theory used to justify the CSR construct holds that business and society are equal partners, each enjoying a set of rights and reciprocal responsibilities. There is both a direct and an indirect mutual need between both entities. While the former requires continuous support from the latter in terms of resources and sales, the latter might expect the former to operate in a socially responsible manner, for corporations control a large amount of economic and productive resources (e.g., technology, finances, and labor) that may affect the society in which they operate.

In an attempt to further legitimize the corporation's role in society, an instrumental theory has developed CSR as a strategic tool designed to achieve economic objectives. Its proponents assert that the corporation may choose to support some social programs for reasons of acquiring a good image, public relations, a competitive advantage, or other strategic reasons without jeopardizing the interests of their primary stakeholders:

the shareholders. They further argue that maintaining a good corporate reputation through CSR initiatives may add to the “reputational capital” by which corporations may become profitable in the long run, since market forces provide financial incentives for such perceived socially responsible behavior.<sup>8</sup>

Attempts to conceptualize and justify CSR have been criticized for lacking a solid foundation, particularly as regards the diverse moral and ethical standards adopted in construing a corporation’s duties to CSR and its various stakeholders. For example, according to a theory of CSR being based on a social contract, the “contract” between business and society has to be renegotiated as society’s preferences change.<sup>9</sup> This confirms CSR’s relative and transitional nature in the business sense. Since a corporation’s legitimacy rests upon the public’s perception alone, corporations inevitably need to alter their behavior according to how society expects them to behave.

According to Davies, some corporations argue that they should respect local values, even if this means having a greater tolerance for low standards and corruption.<sup>10</sup> As a result, science and philosophical arguments, which are perceptible by our senses and rational faculty, cannot really describe, analyze, or even predict human behavior accurately, since human beings do not always behave in a standard manner. Thus, people lack concrete and solid normative judgments that may resolve various potential conflicts.

This creates a dilemma for corporations, since social responsibility has no absolute guiding principle of ethical or moral conduct. Frustrated by this, James Humber bluntly argues that “we should abandon the quest to develop a special moral theory for use in business and we should not attempt to impose the use of any moral theory upon business, but rather should allow corporations to determine their moral responsibilities in any way they see fit.”<sup>11</sup> Such a statement is rather delusory and tends to exacerbate this confusion and moral dilemma. For example, if a corporation is operating in a low standard or corrupt society in which bribery is part of the social norm, does this mean that it should condone bribery? In other words, corporations committed to CSR need more specific moral rules or principles to explain why they should act in one way instead of another.

Notwithstanding the many attempts to provide theoretical, moral, and ethical groundings for CSR, such endeavors have also been widely criticized vis-à-vis their justification, conceptual clarity, and possible inconsistency. They also fail to give adequate ethical guidance to business executives who must decide which course to pursue and their level of commitment. This problem is especially acute in view of the fact that all choices involve tradeoffs. For example, a program to increase minority employment might reduce efficiency, thereby preventing the corporation from fulfilling its obligations to shareholders and perhaps its other employees while raising prices for consumers. Or, such a program might be adopted at the expense of reducing the amount of pollution generated, which conflicts with another demand: corporate social responsibility.

In contrast to western humanistic theories, an Islamic view of CSR takes a rather holistic approach by offering an integralistic spiritual view based on the Qur'an and the Sunnah (the Prophet's sayings and practices). Such an approach provides a better alternative philosophical framework for a person's interaction with nature and his/her fellow human beings.<sup>12</sup> In fact, given that the moral and ethical principles derived from Revelation are more enduring, eternal, and absolute, they may serve as better guidelines for corporations exercising their business and social responsibilities simultaneously.

According to al-Shatibi, determining what is beneficial and harmful cannot be left to human reasoning alone (as most western theorists advocate, as in the social contract theory and the normative stakeholder theory). Human reasoning plays a role only in a framework guided by the Shari'ah.<sup>13</sup> Islam recognizes the role of reason and experience in theorizing economic behavior and business activities only in a manner that embraces the transcendental aspect of human existence, for human beings' inherent limitations "posit a strong reason that requires divine guidance, especially to ascertain what is right and what is wrong."<sup>14</sup> Hence, according to Khaliq Ahmad, our rational faculties can – and should only – be used to complement, support, and strengthen ethics and morality as defined by the Shari'ah. The following section briefly explains the Shari'ah's objectives and the principles of *maslahah* that

provide a framework for managing the natural conflict arising from the stakeholders' diverse expectations and interests.

### *Maqasid al-Shari`ah* (The Shari`ah's Objectives)

Islam incorporates permanent features and mechanisms for adapting to change. While its fundamentals, among them *`aqidah* (creed), *`ibadah* (worship), and *akhlaq* (morality and ethics), never change, their manifestations in such secondary areas as economics, business, and other worldly activities require flexibility and development according to time and space.<sup>15</sup> This is embodied in the Shari`ah, which is central to Islam's worldview.

The Shari`ah, defined as a system of ethics and values covering all aspects of life (e.g., personal, social, political, economic, and intellectual) with its unchanging bearings as well as its major means of adjusting to change,<sup>16</sup> cannot be separated or isolated from Islam's basic beliefs, values, and objectives. In other words, it reflects the holistic view of Islam, which is a complete and integrated code of life encompassing all aspects of life, be they individual or social, both in this world and the Hereafter. For instance, economic or political aspects cannot be isolated from moral and spiritual aspects, and vice versa. Therefore, a contemporary understanding of one concept, say *maslahah* (the public good) according to the Shari`ah may lead to a theoretical understanding of economics, science, technology, the environment, and politics. Similarly, not understanding a key concept may thwart developments in all of these fields.

To understand the Shari`ah, one needs to comprehend its objectives, which allow flexibility, dynamism, and creativity in social policy.<sup>17</sup> According to Imam al-Ghazzali:

The objective of the Shari`ah is to promote the well-being of all mankind, which lies in safeguarding their faith (*din*), their human self (*nafs*), their intellect (*`aql*), their posterity (*nasl*) and their wealth (*mal*). Whatever ensures the safeguard of these five serves public interest and is desirable.<sup>18</sup>



Al-Shatibi approves of al-Ghazzali's list and sequence, thereby indicating that they are the most preferable in terms of their harmony with the Shari'ah's essence.<sup>19</sup> Generally, the Shari'ah is predicated on benefiting the individual and the community, and its laws are designed to protect these benefits and facilitate the improvement and perfection of human life in this world. This perfection corresponds to the purposes of the Hereafter. In other words, each of its five worldly purposes (viz., preserving faith, life, posterity, intellect, and wealth) is meant to serve the single religious purpose of the Hereafter.

The Shari'ah's uppermost objectives rest within the concepts of compassion and guidance,<sup>20</sup> which seek to establish justice, eliminate prejudice, and alleviate hardship by promoting cooperation and mutual support within the family and society at large. Both of these concepts are manifested by realizing the public interest that Islamic scholars have generally considered to be the Shari'ah's all-pervasive value and objective that is, for all intents and purposes, synonymous with compassion. *Maslahah* sometimes connotes the same meaning as *maqasid*, and scholars have used these two terms almost interchangeably.<sup>21</sup> To shed more light on our discussion, especially with regard to the *maqasid's* goal of preserving the public good, the following section elaborates on the *maslahah*, an important tool that upholds the Shari'ah.

## ***Maslahah* (The Public Good)**

*Maslahah* is a juristic device used in Islamic legal theory to promote the public good and prevent social evil or corruption. Its plural *masalih*, means "welfare, interest, or benefit." Literally, *maslahah* is defined as seeking benefit and repelling harm. *Maslahah* and *manfa'ah* (benefit or utility) are treated as synonyms. However, *manfa'ah* is not a technical meaning of *maslahah*, which Muslim jurists define as seeking benefit and repelling harm, as directed by God or the Shari'ah.<sup>22</sup>

Among the major Sunni schools of Islamic jurisprudence, Imam Malik is the leading proponent of upholding *maslahah* as one of the Shari'ah's sources.<sup>23</sup> He uses the term *al-masalih al-mursalah* to connote interests that are not covered by other sources.<sup>24</sup> Most other jurists, however, reject

this as a source, with the exception of Imam al-Tufi (Hanbali) and Imam al-Ghazzali (Shafi`i). However, al-Ghazzali uses *istislah* (seeking the better rule for the public good) but does not claim it as the Shari`ah's fifth source. He also restricts its application to situations deemed to be necessary to serve the public good.<sup>25</sup>

He defines *maslahah* as follows:

*Maslahah* is essentially an expression for the acquisition of benefit or the repulsion of injury or harm, but that is not what we mean by it, because acquisition of benefits and the repulsion of harm represent human goals, that is, the welfare of humans through the attainment of these goals. What we mean by *maslahah*, however, is the preservation of the Shari`ah's objectives.<sup>26</sup>

Here, he reinforces the importance of preserving the Shari`ah's objectives as *maslahah*'s fundamental meaning. Al-Shatibi, closely following al-Ghazzali's taxonomy, defines *maslahah* in his *Al-Muwafaqat* as a principle that concerns the subsistence of human life, the completion of one's livelihood, and the acquisition of what his/her emotional and intellectual qualities require of him/her in an absolute sense.<sup>27</sup> In fact, he singles *maslahah* out as being the only overriding Shari`ah objective broad enough to comprise all measures deemed beneficial to people, including administering justice and worship. He further classifies *maslahah* into three categories: *daruriyat* (the essentials), *hajiyyat* (the complementary), and *tahsiniyat* (the embellishments).<sup>28</sup> These categories are briefly discussed below:

*Daruriyat*: The essentials are the self-interests upon which people essentially depend, such as faith, life, intellect, posterity, and wealth. According to Mohammad Hashim Kamali, these elements are, by definition, absolutely necessary for the proper functioning of a person's religious and mundane affairs, to the extent that their destruction and collapse would precipitate chaos and the collapse of society's normal order. Thus, protecting them reflects the effective way of preserving the Shari`ah, as outlined in its objectives.<sup>29</sup>

*Hajiyyat*: The complementary interests supplement the essentials and refer to those interests that, if neglected, would lead to hardship but not

to the total disruption of life's normal order. In other words, they are needed to alleviate hardship so that life may be free from distress and predicament. An example is seen in the sphere of economic transactions, where the Shari`ah validates such contracts as forward buying (*salam*) and lease and hire (*ijarah*), because people need them, notwithstanding a certain anomaly attendant in both.

*Tahsiniyat*: The embellishments refer to those interests that, if realized, would lead to refinement and perfection in the customs and conduct of people at all levels of achievement. For example, the Shari`ah encourages charity (beyond the level of zakat) to those in need and, in customary matters and relations among people, urges gentleness, pleasant speech and manner, and fair dealing.

Many scholars, among them Kamali, M. Umar Chapra, Imran Nyazee, Michael Mumisa, Ziauddin Sardar, and Wael Hallaq, assert that the above classification is related to and deeply rooted in the Shari`ah's objectives to ensure that society's interests are preserved in the best fashion both in this world and in the Hereafter. According to their views, such a classification implies how a *maslahah*-based methodology could be used to derive new rulings from the Shari`ah, meet society's changing needs, and solve contemporary problems related to socioeconomic endeavors.<sup>30</sup> Thus, these principles can help establish guidelines for moral judgments and balancing the individual's self-interests with social interests.

## Implications of the *Maqasid* on CSR

In light of the above discussion on *maqasid*, CSR assumes a broader and more holistic significance to Muslim workers, managers, corporations, customers, and society as a whole. Islam's concept of CSR encompasses a broader meaning, embracing the *taqwa* (God-consciousness) by which corporations (as groups of individuals) assume their roles and responsibilities as servants and vicegerents of God in all situations. By doing so, they make themselves ultimately responsible to God, the Owner of their very selves and the resources that they utilize and manage. This responsibility is, in fact, a function of the intrinsic quality of each Muslim's life as a trust from God.<sup>31</sup>

For a devout Muslim, concern for others and the surrounding environment are deeply inscribed in the Five Pillars of Islam. In fact, each Muslim is considered a social being who cannot isolate himself/herself or ignore his/her role and responsibility to society or another human being in any way, even if for worship. According to Abu Hurayrah:

One of the Prophet's Companions passed a ravine where a fresh-water spring ran. He liked the ravine and said: "How I would like to isolate myself from other people to worship Allah! I will not do so before asking permission from the Messenger of Allah (peace be upon him)." The man told the Prophet of his wish, and the Prophet replied: "Do not do it. Your striving for the path of Allah is better than praying in your house for seventy years."<sup>32</sup>

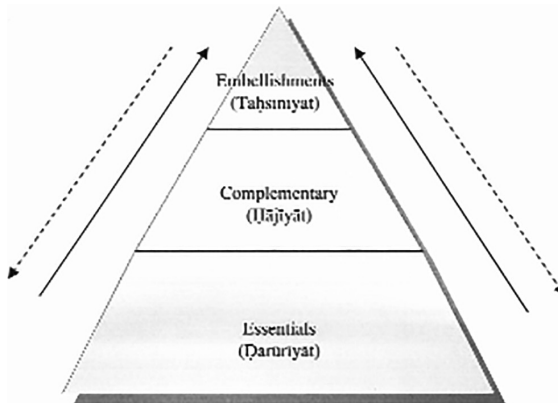
Therefore, CSR is a moral and religious initiative based on the belief that a corporation should be "good" despite the financial consequences. This is not to suggest that Islam opposes making a profit. Rather, it is seen as a necessary condition, though not the sole purpose, of a corporation's existence. Invoking the Shari`ah and employing a *taqwa*-based business paradigm imply that the entrepreneur is no longer driven by profit maximization alone, but by the pursuit of ultimate happiness in this life and in the Hereafter. In other words, his/her corporation has acknowledged its social and moral responsibility for the well-being of others (e.g., consumers, employees, shareholders, and local communities).

Furthermore Islamic guidance, enshrined by its principle of justice, brings about a balance between individuals' rights and their duties and responsibilities toward others, and between self-interest and altruism. Islam recognizes self-interest as a natural motivating force in all human life; however, it has to be linked to the overall concepts of goodness and justice.<sup>33</sup> In fact, Islam lays down a moral framework for effort by spelling out values and non-values, as well as what is and is not desirable from a moral, spiritual, and social perspective.<sup>34</sup> The concept of reward is also broadened by incorporating within it reward in this world and in the Hereafter. This provides a strong and self-propelling motivation for good and just behavior, without denying one's natural instinct for personal gain.<sup>35</sup>

Hence, moderation and concern for the needs of others, along with one's own, become an integral part of the Islamic perspective of CSR. Therefore, social responsibility is not solely a duty of the government, as Friedman, Humber, and others would have us believe; rather, it is a duty of all members of the community, including corporations, particularly the better-off ones. Thus, individuals and corporations are encouraged to sacrifice, give up, and spend their wealth on the poor and the needy while expecting their reward only from God. This sense of duty, responsibility, and spirit of sacrifice, which Islam nurtures, actually helps remove self-centeredness and covetousness and promotes compassion, caring, cooperation, and harmony among people.

### Applying the *Maslahah* to CSR

We now turn our discussion to applying the *maslahah* to CSR. These principles, by implication, reflect how Islam stresses the importance of considering public interests rather than merely individual interests. It provides a framework for making decisions and a mechanism for adapting to change, especially for corporations willing to commit to CSR. Perhaps these principles can further contribute to delineating the role of corporations in terms of their CSR. It also offers guidelines for moral judgment on the part of managers and other stakeholders, particularly in solving conflicts that may arise when pursuing CSR. To shed light on our discussion here, this study depicts these principles in a pyramid form (figure 1).



This pyramid, which functions as a framework and a general guideline to an ethical filter mechanism, provides managers with three levels of judgment to resolve the ethical conflicts that inadvertently emerge while applying CSR programs and initiatives. The levels also reflect the different degrees of importance in terms of responsibility fulfillment. The bottom level, the essentials, constitutes the most fundamental responsibility to be fulfilled, as compared to the complementary and the embellishments categories.

Therefore, as the pyramid moves upward, the degree of decision making will be less fundamental, albeit more virtuous, so as to attain society's perfection and well-being.<sup>36</sup> It assumes that individuals will strive for the next level as soon as the previous one has been fulfilled. This presumption is grounded in Islam's principle of motivation, which encourages Muslims to strive continuously and consistently for excellence in order to gain God's pleasure and receive better rewards from Him.<sup>37</sup>

In essence and according to Islamic ethical principles, a corporation's performance is evaluated according to the fulfillment of its objectives of continuous improvement. The sense of continuous improvement disappears if one cannot make today better than yesterday. Hence managers, shareholders, and workers must not be content with fulfilling the essentials alone; instead, they must always strive to improve the corporation's fulfillment of its social responsibility, since their personality and character have been shaped by their heightened sense of ultimate accountability to God, from which no one can escape.<sup>38</sup> This is actually the manifestation of the *taqwa* (God-consciousness) paradigm, as mentioned above.

The pyramid's three levels are not mutually exclusive; rather, all levels are inter-related and mutually dependent. The arrows pointing upward and downward reveal the flexibility and mechanism of change in the decisionmaking process, in the sense that any element comprising one level of *maslahah* may be elevated upward or pushed downward, depending on the different circumstances concerning the public at large. However, it should be noted that such flexibility is confined within the Shari`ah's framework, and not vice versa.<sup>39</sup>

This reflects the pyramid's dynamism in assisting the decision-making process within each different context, time, and space. For instance, if circumstances change and corporations are encouraged to respond and, as a result, reconsider their roles within society, this will necessitate a realignment of their business institutions (e.g., mission, vision, policy deployment, decision making, reporting, and corporate affairs) to the new *maslahah*, so long as it does not contradict the Shari'ah's principles.

Such contemporary Islamic jurists as Hussain Hamid Hasan, Muhammad Sa'id Ramadan al-Buti, and Mustafa Zaid all affirm this dynamism in Islamic jurisprudence (*fiqh*). However, it has to be carefully used when confronting contemporary challenges. The touchstone by which the *maslahah*'s validity is judged consists of the Qur'an and the Sunnah. In his *Al-Masalih fi al-Tashri' al-Islami* (1954), al-Buti cautions that the *maslahah* must not be used at random. He maintains that the effective way to preserve the Shari'ah in its ideal form is to determine the *maslahah* via the needs recognized by the Shari'ah. Otherwise, they will be exposed to extraneous factors opposed to the spirit of the Qur'an and the Sunnah.<sup>40</sup>

To further elucidate our argument, particularly on how the *maslahah* pyramid can be applied to CSR, we shall analyze the different levels of the decision-making process based on each principle. On the first level (the essentials), managers are expected to strive to preserve and protect their stakeholders' essential needs (viz., religion, life, intellect, posterity, and property) and the public good in general. For example, under the CSR precept, they must protect their employees' welfare or basic needs by providing adequate prayer rooms and protecting the employees' safety and health in the workplace, thereby reflecting their responsibility to safeguard, respectively, the faith and values of life. Moreover, they must confine their operations to those that safeguard the above-mentioned essential values. Accordingly, corporations have a moral and social responsibility to avoid any activities that may cause disruption and chaos in people's lives, even though pursuing them may engender higher profits.<sup>41</sup> Such examples include business activities that can endanger people's lives and disrupt their intellects as a result of environmental degradation and manufacturing illicit drugs for public consumption.

As soon as this level's responsibilities have been fulfilled, the corporations may strive for the second level: the complementary. Here, it is deemed beneficial to remove difficulties that may not pose a threat to the normal order's survival. For example, these managers may want to extend their social responsibility commitment by extending the employees' essential needs, such as fair pay and a safe workplace, to include continuous training and enhanced human quality programs. The latter is not really essential, for neglecting it does not threaten the employees' continued existence. However, assuming such a responsibility fulfills the complementary interest of advancing the workers' intellectual well-being (knowledge and skills).

In some cases, such an effort can be considered one of the essentials. For example, Islamic banks need to provide adequate Shari`ah training to their employees concerning the offered Islamic financial instruments in order to protect the interests of the faith. Other examples of such responsibilities include not trading in, manufacturing, or selling tobacco, alcoholic, and pornographic products in order to prevent their negative effects on the people's and the society's health and behavior.

At the highest level, the embellishments, corporations are expected to discharge their social responsibilities by engaging in activities or programs that may lead to improving and attaining the perfections of public life. Giving charity or donating to the poor and the needy, as well as offering scholarships to poor students and providing sufficient, correct, and clear information or advertisement regarding all products, are some of the examples of CSR commitment with respect to realizing this level's goal for society.

On the whole, the *maslahah* pyramid implies the need for corporations to engage in and manage their businesses and CSR activities according to priorities that have evolved from a deep understanding of the Shari`ah's objectives such that preserving the *maslahah* is done in a way that is in accord with the different levels of importance and the severity of consequences. For example, one must not focus on attaining the embellishments while jeopardizing the essentials or be obsessed with attaining benefits to the extent of harming others. Our discussion of the principle of preventing harm, which is pertinent to our discussion of the



*maslahah*'s implications to CSR, is further elaborated in the following section.

## The Principle of Preventing Harm

As highlighted earlier, the concept of *maslahah* entails understanding the Islamic principle of preventing harm, which states that a corporation cannot harm or cause grief to others while engaging in its economic and business activities.<sup>42</sup> In general terms, two major Shari`ah axioms are imbued in this principle: removing hardship (*raf` al-haraj*) and preventing harm (*daf` al-darar*). This concept occupies a central position in the framework of protecting the social interest, as enshrined in the *maslahah*, particularly in averting social harm.<sup>43</sup> As such, discussing CSR from an Islamic viewpoint is futile if such an important framework is undermined.

This principle is based on an authentic prophetic hadith narrated by Ibn Majah, al-Daruqutni, and others on Sa`d ibn Malik al-Khudari's authority: "There should be neither harming nor reciprocating harm."<sup>44</sup> Imam alSuyuti, based on his famous book *Al-Ashbah wa al-Naza'ir*, asserts that this hadith is very significant because it embodies the fundamental principles and maxims of Islamic jurisprudence. Among the arguments derived from it is the following: If someone has damaged another person's property, the affected person cannot retaliate by damaging that person's property, for such an action is deemed to aggravate the damage without providing any benefit in return. Hence it is harmful. The alternative is paying an amount of compensation that has the same value as the damaged property so as to avoid further harm to the owner's property.<sup>45</sup>

Islamic scholars broadly classify harm as that which occurs due to a person's deliberate action to afflict other parties/entities (e.g., the environment) and an action done with a solemn intention and that is permitted by the Shari`ah. But in this latter case, such an action may harm other parties. While the former is strictly prohibited (*haram*), the latter has to be examined in varying degrees and in various contexts to determine if it is permissible or not.<sup>46</sup>

Preventing harm, along with the *maslahah*, has been the subject of wide discussion in the field of Islamic jurisprudence. A number of Islamic legal maxims have been derived from this. For the purpose of this study, we simplify the discussion by summarizing the Islamic maxims derived from the principle of preventing harm. Table 1 summarizes some of the most important of these maxims that are relevant and significant to our discussion. Examples of their application to various CSR-related issues are provided in the corresponding column to further illuminate our understanding of them.

Table 1: The Framework of Preventing Harm

<b>Islamic Maxim</b>	<b>Description</b>	<b>Examples of Application</b>
Harm is repelled as far as possible.	Any potential harm to society has to be prevented as far as possible. This resembles the proverb that “prevention is better than cure.” In other words, it is easier to prevent something rather than treating it after it has already happened.	Dumping toxic waste as a form of externalizing a corporation’s cost to society must be averted, such that it must not even be considered an option for minimizing costs.
Harm is ended.	Any harm must be stopped or abolished, after which one must try to rectify the damage.	If a corporation disposes of its toxic waste in a residential area, it must be stopped. If public health problems ensue, the corporation must admit responsibility and pay compensation.
Harm cannot be ended by its like.	In the attempt to remove harm, another type of harm, either to the same degree or worse, must not be invoked.	In avoiding risky investments that may harm the share-holders’ fund, managers must not invest in prohibited (based on the Shari`ah’s viewpoint) activities, even if it will earn higher profits by doing so.

Islamic Maxim	Description	Examples of Application
Severe harm is avoided by a lighter harm.	If harm is unavoidable, one must choose the lighter harm. A similar maxim states that the lesser of the two harms must be chosen.	If a bank has to lay off some employees or close branches to remain in business, it may do so, because the harm of a collapsed bank is more severe than the suffering of some workers.
To repel a public harm, a private harm is preferred.	One has to absorb a private harm in order to prevent social harm. In other words, a corporation's operation should be biased in favor of society if two harmful acts are in conflict.	Avoiding companies that produce illegal drugs or engage in activities detrimental to public consumption is necessary, even if doing so undermines individual profits.
Repelling harm is preferable to attaining benefit.	If there is a conflict between harm and benefit, the harm must be repelled first, even if doing so removes the benefit. Since harm can easily spread and cause severe damage, priority ought to be given to averting harm over attaining a benefit.	A bank should not finance activities that might be perceived as productive in terms of profits or as supposedly satisfying some demand (e.g., pornography, gambling, prostitution, alcohol), but still contain elements that may severely harm society or the people's morals and health.
Harm must not be sustained.	Anything that may cause harm must be abolished, regardless of whether it is old or new. In other words, any preceding harm must not be allowed to continue, although the circumstances that originally caused it might have changed.	An Islamic corporation that acquires another corporation must terminate any of its prohibited activities or contracts (e.g., investments in alcohol or gambling).

The Islamic legal maxims extracted for this study were originally taken from the *Majallah al-Ahkam al-`Adliyah* (the Civil Code of the Ottoman Empire).<sup>47</sup> The *Majallah* comprises of 851 articles arranged in an introduction and sixteen books. The introduction consists of 100 articles dealing with Islamic legal maxims. However, this study only selects those maxims that are relevant to the discussion of preventing harm within the CSR framework.

The *Majallah* reinforces the idea that each person is a social being and that social life and responsibility are integral, especially in commercial dealings or transactions. In fact, its first article clearly states: “In view of the fact that man is social in nature, he cannot live in solitude like other animals and is in need of mutual cooperation with his fellow men in order to promote a high civilization.”<sup>48</sup> Acknowledging that the individual is, by nature, selfish, the *Majallah* further reaffirms the Shari`ah’s need to maintain order and justice, especially in balancing the individual’s rights with those of society (viz., harmonizing self-interest with social interest). Therefore, in light of this principle, corporations must consider social responsibilities and avoid business practices that harm the well-being of society at large.

## Recommendation and Conclusion

Many corporations still wonder how the ideal concept of CSR can be operationalized on the ground. While the primary reason for this is due to the corporation’s distorted worldview of self-interest and restrictive role, both of which have long been entrenched in the western business community, the lack of a concrete and solid framework to manage the conflicting interests arising from its diverse stakeholders further thwarts the endeavor to promote good CSR practices. Therefore, this paper fills an important gap in both CSR and Islamic studies, since it offers an instructive understanding of CSR from an Islamic point of view.

The discussion on *maqasid al-Shari`ah* and the *maslahah* provides adequate ethical guidance to executives and entrepreneurs who must decide which course to pursue and how much to commit to it. In particular, the *maslahah* pyramid and the principle of preventing harm provide a framework for managers to deal with potential conflicts arising from the diverse expectations and interests of the corporation’s

stakeholders, especially with respect to CSR. By understanding the principles of preventing harm embedded in this framework, for instance, they can make better choices, especially when facing situations that involve trade-offs. For example, a manager who wants to maximize profits may be allowed to do so as long as his/her business activities do not have any negative repercussion on society or the surrounding environment.

The implications of these principles on how an Islamic corporation, such as an Islamic bank, functions are clear. Invoking the Shari`ah and reflecting the *maslahah* imply that such banks must not be solely oriented toward profit; rather, they must seek to promote the social welfare and protect the needs of society as a whole. In addition, they should have a clear financing policy and guidelines to guide them while they are considering a commercial dealing proposal. For example, Islamic banks cannot finance a company dealing in gambling, pornography, alcohol, and other prohibited transactions; a company involved in activities deemed harmful to society (e.g., environmental degradation); or a company dealing with oppressive regimes or those who abuse human rights. Moreover, Islamic banks cannot make excessive profits at their customers' expense or undermine and neglect their social responsibility and commitments to their stakeholders.

To conclude, the concept of CSR is not alien to Islam, for it is deeply inscribed in the Shari`ah. Therefore, any corporation that claims to follow Shari`ah-based principles should naturally practice CSR, as it enshrines Islam's true spirit. Indeed, Islamic corporations should endeavor to be the epicenter in the business galaxy of promoting good CSR practices. In this respect, assimilating CSR and other Islamic ideals to fulfill stakeholder expectations deserves the utmost consideration, as the desire to do so represents a fundamental difference between Islamic and conventional corporations. Given all of the above factors, this study suggests the importance of CSR training programs that incorporate a Shari`ah dimension to educate people, especially Muslim executives and entrepreneurs, about CSR best practices. These programs could promote better understanding among the public of why CSR is important, how it could benefit the community as a whole, and

eliminate misconceptions that may arise during its implementation. An in-depth understanding of the Shari`ah, its objectives, and principles may also benefit managers, particularly on how to practice CSR more effectively and efficiently without undermining a corporation's viability and long-term sustainability.

## Endnotes

- 1 See, for example, J. Snider, R. P. Hill, and D. Martin, "Corporate Social Responsibility in the 21st Century: A View from the World's Most Successful Firms," *Journal of Business Ethics*, no. 48 (2003): 175-87.
- 2 Earlier authors, among them A. B. Obe, J. A. Mohamed, and J. Zinkin and G. A. Williams, agree that the idea of CSR is deeply inscribed in the Shari`ah and thus not alien to Islam. See, for example, Amir Bhatia Obe, "Corporate Social Responsibility in the Context of Islam," in *Workbook on Corporate Social Responsibility*, (2004): 57-68. Available at [www.fco.gov.uk/Files/kfile/CSR-WORKBOOKcc0824,0.pdf](http://www.fco.gov.uk/Files/kfile/CSR-WORKBOOKcc0824,0.pdf); and Javed Akhtar Mohamed, "An Islamic Perspective of Corporate Social Responsibility" (paper presented at the Islamic Studies Postgraduate Conference, University of Melbourne, 21-22 Nov. 2005). Zinkin and Williams also posit that CSR seems to conform closely to Islamic principles and can build bridges between civilizations, especially in our increasingly difficult and turbulent world. For details, refer to their "Islam and CSR: A Study of the Compatibility between the Tenets of Islam and the UN Global Compact" (Feb. 2006). Available at <http://ssrn.com/abstract=905201>.
- 3 CSR Europe, *European Postal Services and Social Responsibilities* (Brussels: Corporate Citizenship Company and CSR Europe, 2001), 48.
- 4 Robert Davies, "The Business Community: Social Responsibility and Corporate Values," in *Making Globalization Good: The Moral Challenge of Global Capitalism* (Oxford: Oxford University Press, 2003).
- 5 Milton Friedman, *Capitalism and Freedom* (Chicago: The University of Chicago Press, 1967).
- 6 R. Edward Freeman, *Strategic Management: A Stakeholder Approach* (London: Pitman, 1984).
- 7 George P. Lantos, "The Boundaries of Strategic Corporate Social Responsibility," *Journal of Consumer Marketing* 18, no. 7 (2001): 597-99.
- 8 *Ibid.*, 602-04.
- 9 See, for example, Thomas Donaldson and Thomas W. Dunfee, "Toward a Unified Conception of Business Ethics: Integrative Social Contracts Theory," *Academy of Management Review* 19, no. 2 (1994): 252-84.
- 10 Davies, "Business," 167.
- 11 James M. Humber, "Beyond Stockholders and Stakeholders: A Plea for Corporate Moral Autonomy," *Journal of Business Ethics* 36, no. 3 (2002): 215.
- 12 Khaliq Ahmad, "Islamic Ethics in a Changing Environment for Managers," in *Ethics in Business and Management: Islamic and Mainstream Approaches* (London: Asean Academic Press, 2002). 97-109.
- 13 Cited in Imran Ahsan Khan Nyazee, *Islamic Jurisprudence (Usul al-Fiqh)* (Islamabad: Islamic Research Institute Press, 2000).

- 14 Nyazee's argument is supported by a number of Qur'anic verses, among them 23:71.
- 15 Muhammad Hashim Kamali, "Sources, Nature and Objectives of Shari`ah," *The Islamic Quarterly* (1989): 215-35.
- 16 Ziauddin Sardar, *Islam, Postmodernism and Other Futures: A Ziauddin Sardar Reader* (London: Pluto Press, 2003).
- 17 Wael B. Hallaq, *A History of Islamic Legal Theories: An Introduction to Sunni Usul al-Fiqh* (Cambridge: Cambridge University Press, 2004).
- 18 M. Umer Chapra, *The Future of Economics: An Islamic Perspective* (Leicester: The Islamic Foundation, 2000), 118.
- 19 Nyazee, *Islamic Jurisprudence*, 121.
- 20 These attributes correspond to Qur'an 21:107 and 10:57.
- 21 Many classical-era Islamic legal scholars advocated the principle of the public good (*maslahah*) and the Shari`ah's objectives (*maqasid al-Shari`ah*) in Islamic legal thought (*fiqh*): e.g., al-Juwayni (d. 1085), al-Ghazzali (d. 1111), al-Razi (d. 1209), al-Amidi (d. 1233), al-Salmi (d. 1261), al-Qarafi (d. 1285), Ibn Taymiyyah (d. 1327), al-Shatibi (d. 1388), Ibn al-Qayyim al-Jawziyah (d. 1350), and al-Tufi (1316). Cited in Deina AbdelKader, "Modernity, the Principles of Public Welfare (*Maslahah*), and the End Goals of the Shari`ah (*Maqasid*) in Muslim Legal Thought," *Islam and Christian-Muslim Relations* 14, no. 2 (2003): 164-74.
- 22 Cited in Nyazee, *Islamic Jurisprudence*, 161.
- 23 All jurists from the main Sunni schools of Islamic jurisprudence agree that the Shari`ah's main sources are the Qur'an, the Sunnah, *ijma`* (the consensus of Islamic jurists), and *qiyas* (analogical deductions). For a detailed discussion of each source, refer to Abdul Karim Zaidan, *Al-Madkhal li Dirasat al-Shari`ah al-Islamiyah* (Baghdad: Maktabah al-Quds, 1985), 190-215.
- 24 The formulation of a rule on the basis of *al-masalih al-mursalah* must take into account the public good and conform to the Shari`ah's objectives. According to the Maliki school, this tool must fulfill three main conditions. First, it must deal only with transactions (*mu`amalat*) in which reasoning through one's rational faculty is deemed necessary. This is unlike actions related to religious observance, such as an act of worship (*ibadah*), which is strictly subjected to the Shari`ah's main sources. Second, the interests should be in harmony with the Shari`ah's spirit. Third, the interests should be of the essential type, as opposed to the embellishment type. Here, "essential" implies preserving the Shari`ah's five main objectives. For details, see Sobhi R. Mahmassani, *The Philosophy of Jurisprudence in Islam* (Kuala Lumpur: Open Press, 2000). 87-89.
- 25 *Ibid.*, 88.
- 26 Ahmad al-Raysuni, *Nazariyah al-Maqasid`inda al-Imam al-Shatibi* (Riyadh: Dar al-`Alamiyyah Kitab al-Islami, 1992), 41-45.
- 27 Hallaq, *History*, 168.



- 28 Ibid., 168-69.
- 29 According to Hallaq, the essentials are maintained by two means: on the one hand, they are enhanced and strengthened, while on the other, all potential harm that may arise to affect them is averted. For example, protecting life and intellect are examples of important elements of the essentials that can be enhanced by providing proper food, shelter, clothing, education, and so on. On the other hand, any potential harm that might threaten these essentials may be averted by means of a penal law or punishment that prohibits alcohol or dumping toxic waste that may cause harm to one's intellect and life, respectively. Cited in Hallaq, *History*, 168.
- 30 As a case in point, the validity of an Islamic leasing instrument (*ijarah*) that may be initially of secondary (*hajiyat*) importance to an individual is elevated to an essential (*daruriyat*) *maslahah*, as it is deemed essential for the society at large. Refer to Mohammad Hashim Kamali, *Principles of Islamic Jurisprudence* (Petaling Jaya, Malaysia: Pelanduk Publications, 1989), 352-56.
- 31 Syed Muhammad Naquib Al-Attas, "The Worldview of Islam: An Outline," in *Islam and The Challenge of Modernity* (Kuala Lumpur: The International Institute of Islamic Thought and Civilization [ISTAC], 1996).
- 32 Narrated by al-Tirmidhi and al-Hakim.
- 33 Syed Nawab Haider Naqvi, *Perspective of Morality and Well-Being: A Contribution to Islamic Economics* (Leicester: The Islamic Foundation, 2003), 99-110.
- 34 Saiyad Fareed Ahmad, "Does Morality Require God?" *Intellectual Discourse* 11, no. 1 (2003): 51-76.
- 35 Ibid., 65-66.
- 36 According to Islamic scholars, the existence of the complementary and the embellishments depends upon the primary purposes underlying the essentials, in other words, protecting and preserving one's faith, life, intellect, posterity, and wealth. The two categories are structurally subservient and substantively complementary to the essentials, to the extent that violating the latter produces far-reaching consequences. On the other hand, any damage affecting the complementary or the embellishments will result in only a minor disturbance to the essentials. Hence, it is essential to preserve the three categories in their order of importance. See the detailed discussion in Michael Mumisa, *Islamic Law: Theory and Interpretation* (Beltsville, MD: amana publications, 2002). Also refer to Kamali, *Principles*, and Hallaq, *History*.
- 37 Mohd Kamal Hasan, "Worldview Orientation and Ethics: A Muslim Perspective," in *Ethics in Business and Management Islamic and Mainstream Approaches* (London: Asean Academic Press, 2002).
- 38 For a Qur'anic verse corresponding to these arguments, refer to Qur'an 9:105. Al-Bayhaqi relates the following hadith: "Indeed Allah loves an individual who does his [her] work in the best manner." Cited in Yusof al-Qaradawi, *Fiqh Awlawiyat* (Kuala Lumpur: ABIM, 1998), 87-88.

- 39 Mumisa, *Islamic Law*.
- 40 Ibid., 60-71.
- 41 The corresponding Qur'anic verse is 28:77.
- 42 Muhammad Abu Zuhrah, *Usul al-Fiqh* (Beirut: Dar al-Fikr al-'Arabi, 1958).
- 43 Kamali, *Principles*.
- 44 Mustafa al-Bugha and Muhyiddin Misto, *A Discussion on An-Nawawi's 40 Hadith* (Kuala Lumpur: Prospecta Printers Sdn. Bhd., 1998). 346-66
- 45 Ibid., 360-61.
- 46 Ibid., 362-63.
- 47 The *Majallah* was promulgated in 1876. This civil code compilation is based on Shari`ah principles. Although comprehensive in delineating certain Islamic jurisprudential principles, it does not contain all civil law provisions (e.g., one branch of law pertaining to family law was left out). The purpose of compiling this code was to prepare a book on juridical transactions that would be correct, easy to understand, free from contradictions, embody the selected opinion of the jurists, and easy for everyone to read. Among the subjects covered are sale (*bay`*), hire (*ijarah*), guarantee (*kafalah*), transfer of debt (*hiwalah*), pledges (*rahn*), trust and trusteeship (*amanah*), and gifts (*hibah*). Cited in *The Mejelle: Being an English Translation of Majallah al-Ahkam al-'Adliyyah and a Complete Code of Islamic Civil Law* (Kuala Lumpur: The Other Press, 1876).
- 48 Ibid., 1-2.