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# New Conceptual Foundations for Islamic Business Ethics: The Contributions of Abu-Hamid Al-Ghazali

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**Abstract** The dominant approach to understanding Islamic Business Ethics (IBE) has been based almost exclusively on either interpretations of the Qur'an and Sunna or influenced by Western understanding of Islam and ethics. However, there is a rich—largely ignored-tradition of ethical analysis conducted by Muslim philosophers which would broaden our understanding of Islamic ethics and hence IBE. We seek to correct this imbalance by examining works of Al-Ghazali, an early Muslim philosopher, scholar, and mystic. His approach to *Sufism*, combining an interpretation of revelation with reason, can contribute to new developments in business ethics (BE) scholarship and practice especially in Muslim communities. His thought portrays a vibrant work ethic that, while based in *Sufism*, has important practical implications for business. We argue that including such historically and contextually recognized perspectives in our understanding of BE, both in theory and in practice, would work well with an audience that looks to Islam as a source of justice and proper moral conduct.

**Keywords** Islamic ethics · Islamic business ethics · Islam · Muslim philosophy · Al-Ghazali · Sufism

## Introduction

Organizational literature frequently portrays Islam as a homogeneous and universal whole. Syed and Ali (2011) have questioned such generalizations dominated by Western paradigms, which reinforce stereotypes (such as those relating to gender relations in Islam). Such assumptions are problematic as they lead to decontextualized representations of who Muslims are and how Islam influences business. This leaves little space for voicing the diversity of understandings of Islam and its impact on organizations. In particular, the philosophical foundations of Islamic business ethics (IBE), which draw on elaborate ethical analyses by Muslim scholars and philosophers, have been largely neglected. In the majority of IBE scholarship, references are appropriately made to original religious sources (e.g. Rice 1999; Possumah et al. 2013). Yet this is not sufficient as IBE runs the risk of becoming merely a task of interpreting, then reinterpreting, original Islamic scriptures, or emphasizing orientalist understandings of Islam, while giving less attention to the vast body of scholarly treatises on the topic. In addition, such interpretations often fail to note factors that have molded the emergence of a practical work ethic, as applied in Muslim communities.

We tackle an important knowledge gap raised in this special issue, concerning the fact that understandings of Islamic ethics are far from being uniform. In doing so, we contribute to the literature in two key ways. First, we offer a more nuanced understanding of the philosophical foundations of IBE. In particular, we add to the understanding of IBE as a discipline by examining the writings of a prominent early Muslim personality, Abu-Hamid Al-Ghazali (1058–1111), whose contributions have influenced the likes of David Hume and St. Thomas Aquinas (Nofal 1993) and who is considered by some to be "the greatest Muslim after the Prophet" (Robinson 2004: p .48). Second, this paper contributes to business ethics (BE) more broadly by showing that Al-Ghazali's approach, which combines an interpretation of revelation

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in Islam and reason within a spiritual context, can proactively be used to initiate a renewal of BE scholarship in Muslim communities. We also show how Al-Ghazali's writings portray a vibrant work ethic that, while still spiritual in essence, can add to BE in practice. This has important implications for business and management in communities that have been largely ignored in contemporary BE scholarship.

In order to situate IBE within the broad area of organization and management studies, the first section begins by defining what is meant by religious ethics. Then we explain the specific meanings of IBE and various approaches to Islamic ethics and how these may affect our understanding of IBE. Finally, we present the contributions of Al-Ghazali, showing how these are relevant for IBE scholarship and practice.

## Religious Ethics

Calkins (2000) indicates that "religious ethics utilizes reason…to derive from scripture certain precepts and narratives that guide human action and bring about certain consequences" (p. 347). In this sense, religious ethics refers to a religious source or foundation in order to understand what is 'right.' Religious BE has not attracted much research attention due to the sensitivity of the topic (Vitell 2009). Even when discussed, most research focuses on the role that Judeo-Christian traditions play in contemporary organizations (De George 1986). This gap persists despite an increasing interest in spirituality and religion and their impact on employee and managerial behavior (Kim et al. 2009).

A religious perspective in BE, however, comes with a host of problems. Religious traditions differ on what is 'right' or 'good,' and approaching BE from various theological lenses may lead to extreme relativism (Hartman and Desjardins 2011). In addition, religious ethics leads people to behave according to what they believe to be divine instructions, not according to objective standards of what is right. Moreover, Islam raises complications for some as it is often seen only within a 'clash of civilizations' framework (Modood 2010). This trend spans much of the discourse in Western media and politics (Morey and Yaqin 2010) which limits attempts to objectively assess Islamic ethics, both in theory and in practice.

Our presupposition is that a critical use of religious ethics cannot be ignored in BE. Prior research has underscored the effects of religiosity on ethical judgments in various communities (e.g. Beekun and Westerman 2012; Pace 2013; Walker et al. 2012). Likewise, IBE should not be ignored in any attempt to advance the field of BE. The dominant approach to understanding IBE has been based on the Qur'an and Sunna[1]; we offer a broader perspective by focusing on Al-Ghazali's ethical contributions and their business implications. He was one of the key Muslim philosophers[2] involved in discourses about the nature of 'right' and value, what it means to be ethical, what the sources of knowledge are, and to what extent we can rely on revelation versus reason in understanding the ethical nature of actions (Al-Ghazali 1989).

This approach has multiple implications for BE scholarship and practice. BE scholarship has primarily limited itself to contributions of philosophers such as Aristotle, Kant, and John Stuart Mill, and would benefit from widening its philosophical basis. Al-Ghazali's perspectives on ethics, based on blending aspects of traditional Islamic sources, rational approaches, and elements of *Sufism*, also have practical implications for business that will be discussed below.

## Understanding IBE in Management and Organization Studies

The diversity of ethical positions in Islam warrant a detailed investigation into what exactly is meant by IBE. Does it refer to ethics that are prevalent within Muslim communities, or the way to promote ethical behaviors in varying Muslim countries? Is the concept restricted to value systems expounded in Islamic scriptures, or does it include the contributions of Muslim philosophers, such as Averroes, Avicenna, and Al-Farabi? Or does the term refer to all of these together?

Ali (1988, 1992) and Yousef (2000, 2001) examined the Islamic work ethic and linked it to various variables of interest. The Islamic work ethic later captured the attention of researchers who attempted to deepen understanding of the construct and its correlates. Al-Ali and Al-Owaihan (2008) indicate that the Islamic work ethic is an "orientation that shapes and influences the involvement and participation of believers in the workplace" (p. 10). Islamic principles lay the foundation for an ethic that values work and that is friendly to business activity (Abeng 1997; Zulfikar 2012). Most Muslims would not accept the idea that Islam comes in conflict with business success but would assert that sound business actions could—and should—be made through a "moral filer of Islamic values" (Rice 1999;

[1] We prefer to use the word *Sunna* which means 'way of the Prophet' instead of *Hadith* as the former includes the Prophet's actions as well as his statements.

[2] We use the term 'philosopher' to denote his mastery of the philosophical tools of inquiry and for his attempts to answer questions that philosophers have long attempted to answer. Al-Ghazali remains, however, one of the prime critics of Greek philosophy and also of the Muslim philosophers who followed that tradition.

Tsalikis and Lassar 2009). The evidence that is brought in that regard is overwhelmingly based on the Qur'an and Sunna. While these definitely comprise the primary sources, there is an opportunity to learn more from referring to additional works by Muslim jurists and philosophers. A wider philosophical foundation needs to be incorporated into the definition of IBE, and by expanding the philosophical foundations of IBE, those of BE scholarship are also expanded. Moreover, because Islam permeates the lives of Muslims in many societies (Sidani and Thornberry 2010), the implications of Al-Ghazali's works on ethics in business take special significance.

Scholars on Islamic ethics differentiate between different traditions of ethical thinking (Hourani 1985). These include (1) normative religious ethics; (2) ethical analysis in the religious tradition; and (3) ethical traditions by philosophers. IBE scholarship has been dominated by the first approach as it has been understood to represent business practices that benefit from the richness of Islamic traditions as manifested in the Qur'an and the Sunna (Abuznaid 2009; Almoharby 2011). The two other approaches are found less frequently in the conceptualization of IBE. We offer below a description of these three types of contributions to IBE.

## Normative Religious Ethics

The Normative Religious Ethics approach traces issues of ethical implications thoroughly by relying directly on divine Muslim sources. Beekun (1996) offers a good example of this approach, in which divine sources are used to understand what is lawful (*halal)* and what is forbidden (*haram*) in business. Likewise, Rice (1999) gives examples of business practices that relate to ethical principles embedded in the Qur'an, such as concepts of justice *('adl*) and trusteeship (*amanah*). Beekun and Badawi (2005) maintain that Islam's divine sources provide an approach to BE that includes many criteria common with the stakeholder perspective. In their analysis of international marketing ethics, Saeed et al. (2001) assert that at the heart of Islamic marketing lies the principle of value-maximization based on equity and justice for society, also emphasized by the Scriptures. Williams and Zinkin (2010) found a strong overlap between Islamic tenants and the UN global compact. Al-Qaradawi (2002), drawing on Muslim scriptures, presented IBE along four business activities: production, consumption, sales, and distribution. The same approach was also used by Possumah et al. (2013) in their explication of the concept of work in Islam. Table 1 represents a summary of assumptions and examples of IBE.

These contributions have duly presented normative aspects of Islamic ethics and their business implications. They primarily draw from Muslim scriptures to reach conclusions about the overall framework of Islamic ethics. They do not, however, detail the rich contributions and analyses of Muslim (and non-Muslim) scholars and philosophers.

## Ethical Analysis in the Religious Tradition

The second approach to understanding IBE is the Ethical Analysis perspective. In this approach, Hourani (1985) refers to important controversies between the traditionalists and the rationalists. The traditionalists are represented by legal scholars who maintain that a judgment as to what is right and what is wrong should be based solely on Scripture. In contrast, the rationalists assert that reason can be used independently of scripture to reach judgments about what is right. One example of the rationalist approach is *Mu'tazilah*, a Muslim school of thought that has had a lasting impression on the history of Islam. They argue that there is room for the scriptures as an "indispensable supplement to reason" (Hourani 1985, p. 18), yet humans do have the ability to know what is right independently. Such viewpoints were harshly criticized by the traditionalists and the rationalist approach towards ethics was eventually lost. This has arguably been one of the earliest indicators of decline in Muslim thought.

The above debate is not only philosophical; it has considerable implications for Muslim social and organizational lives. If what is ethical can only be determined by scripture, how can humanity, in this day and age, reach a common ground about universal codes of ethics or behavior? In the specific case of BE, how can IBE incorporate modern axioms of ethical standpoints and behaviors that are not found, at least not by the layperson, in divine scripture? Is there not a middle way where both scripture and reason work together to provide solutions for modern problems, especially in answering questions of an ethical nature?

The ideas of the *Mu'tazilah* are of continuing relevance as Muslim communities continue to struggle with challenges of modernity (Akyol 2011). If IBE scholarship ignores the traditionalist-rationalist debate, it risks endorsing only those moral axioms that directly emanate from divine sources. Adopting a more rationalist perspective, while not necessarily ignoring the traditionalist perspective, enables people to reach ethical conclusions about issues through resorting to their intellect, while not abandoning their beliefs that are embodied in their commitment to divine scriptures.

Within this context, Al-Ghazali's contributions are analyzed; he started work that was never completed. His weaving together of the religious and the rational was lost in Muslim communities, which then became increasingly traditional and less rational thus contributing to the decline of Muslim societies. Accordingly, reviving Al-Ghazali's

**Table 1** Normative Islamic Business Ethics

| | |
|---|---|
| **Assumptions** | |
| God's Unity (tawhid)—person's relationship with God | |
| Justice ('adl)—removing inequity and injustice | |
| Trusteeship (khilafah)—people are entrusted with resources given to them | |
| Moderation (wasat or i'tidal)—eliminating excesses and deficiencies | |
| Benevolence (*ihsan*)—seeking excellence and spreading good | |
| **Applied business ethics**[a] | |
| *Area of activity* | *An example of a relevant business practice* |
| In production | Preservation of production resources |
| | Right/duty to work |
| | Value of work |
| | Perfection of work |
| In consumption | Moderation in spending |
| | Spending for worthy causes |
| | Discouraging debt |
| | Restrictions on unlawful spending |
| In sales | Prohibiting trade in unlawful commodities |
| | Honesty and justice to business partners |
| | Prohibition of hoarding |
| | Prohibiting usury (selling items with interest) |
| In distribution[b] | Right to own |
| | Fairness to workers |
| | Perfect equality does not always guarantee fairness |
| | Prohibiting usury (paying interest to money lenders) |
| | Getting a profit is not an end in itself—Reasonable profits are accepted |

Sources: Rice (1999); Al-Qaradawi (2002); Beekun (1996); Saeed et al. (2001); Beekun and Badawi (2005)

[a] This classification is based on Al-Qaradawi (2002)

[b] The allocation of profits among factors of production

discourse will benefit the emerging field of IBE both at the conceptual and the practical levels.

## Ethical Traditions of Philosophers

Of the three approaches to ethics, ethical tradition of Muslim philosophers is the least represented. This approach is related to the role that Muslim philosophers, influenced by Greek philosophy, played in the development of ethical theory. Those philosophers made interesting contributions on a wide array of subjects, including ethics. Philosophy began as a studied discipline in the Muslim world around the ninth century (Hourani 1985; Fakhry 1994). Philosophers not only made commentaries on earlier Greek works, but also pioneered unique ideas. Contributions of Muslim philosophers could be profitably used to further our understanding of IBE, in the same manner that philosophers have been used to explain the philosophical foundations of BE in the Western tradition. Within the canon of medieval Islamic philosophers, the works of Al-Ghazali stand out for his important contributions in synthesizing a variety of apparently opposing perspectives from philosophy, theology, and *Sufism*. The following section introduces his work and analyzes his contributions to Islamic notions of ethics.

## A Brief Introduction to Al-Ghazali

Al-Ghazali (1058–1111) was a Persian Muslim theologian, philosopher, and mystic. He is labeled a philosopher despite the fact that he was an ardent critic of philosophers, embodied in early Islamic neo-platonism (Hourani 1985). This label reflects his mastery of the logical tools for dialectic argumentation used by his philosophical contemporaries. His profound mastery of philosophical conventions is evident from the scholarly rebuttals given to his work by highly esteemed philosophers. Some consider Al-Ghazali to be the "most original thinker that Islam has produced and its greatest theologian" (Macdonald 1953, p. 111) and "probably the most influential scholar, philosopher, theologian, legal expert, religious reformer and mystic in the history of Islam" (p. 309). Throughout his life, he assumed various roles: a student of the religious sciences who became a prominent professor in the prestigious *Nizamiyya* school in Baghdad, and then a major author of encyclopedic books and a Sufi traveler (Al-Ghazali 1993). The prominent position that he has held throughout history can be attributed, in our opinion, to (1) his spiritual transformations that have continuously been seen as a sign of his sincerity and genuine search for truth, and (2) his ability to integrate aspects of *Sufism* (Islamic mysticism) within mainstream Islamic thought.

Al-Ghazali's writings integrate the role of religious law, *shari'a*, and wisdom, *hikmah*. In this, he pioneered rational thinking among traditionalists. His mastery of philosophical logic and reasoning earned him the title of philosopher without losing his status as a religious scholar. By giving rational thinking a more valued place, Al-Ghazali's works prevented traditional religious thought from veering into literal readings of scripture. In order to better understand Al-Ghazali's philosophy of ethics, we now turn to analyze his work and his thought in greater detail.

## The Contributions of Al-Ghazali to IBE

Of the many texts written by Al-Ghazali, two in particular are useful for understanding his ethical thought and its business applications. The first, titled 'Criterion of Action' (*Mizan al-'Amal*-or *Al-Mizan*; Al-Ghazali 1989), contains the foundations of his ethical theory. The second, 'Revival of the Religious Sciences' (*ihya' 'ulum Al-Deen*, Al-Ghazali 1993) contains a long section titled (On the Etiquette of Acquisition and Earning a Livelihood), which lays out most of his BE thought. After describing his thought on ethics in general, we focus our attention on the specific applications of those ethics. We also discuss Al-Ghazali's approach to *Sufism* and its relevance for modern IBE.

### Al-Ghazali's Perspective on Ethics in *Al-Mizan*

*Al-Mizan* is considered to be "the principal ethical treatise of Al-Ghazali" (Fakhry 1994, p. 194) which contained a methodological reflection of his thinking. He explains that reason alone cannot deduce ethical rules. Instead, he believes that divine scriptures contain sources of ethical knowledge. Yet, his writings include several references to the role of '*aql* (intellect, reason) that indicate his support for using reason as a vehicle within Islam (Hourani 1985). Moreover, he considers ethics to be the chief practical science, since a person who cannot manage one's soul will not be able to manage relationships with others. Ethical knowledge begins with knowledge of the soul; when a person knows his/her own self, he/she will end up knowing the creator. The ultimate source of knowledge is God and one can develop the soul to a point where it becomes in close spiritual closeness to Him. The path to morality lies in the unity of knowledge, given by *fitra* (divine gift), or facilitated by God through one's actions, and through the exercise of reason.

Al-Ghazali affirms that the pursuit of happiness is the ultimate goal, (Al-Ghazali 1989). Yet, in line with his religious grounding, he indicates that real happiness that should be sought is that of the afterlife:

> "What we mean by eternal bliss is: Everlasting without demise, pleasure without effort, felicity without tragedy, prosperity without poverty, perfection without defect, and esteem without humiliation." (Al-Ghazali 2012, p. 180–181).

Achieving happiness requires *'ilm* (knowledge) and *'amal* (actions):"Pursuing the path of happiness requires knowledge and work …yet knowledge is superior to work … work acts like a servant to knowledge" (p. 194). The best type of knowledge, practical knowledge, is the science of ethics, that is, how to purify the soul and elevate its morals. Al-Ghazali affirms that moral development is possible through two key actions (1) *mujahadah*, which means the process of continuous struggle against the vices of the soul and (2) *riyadah,* self-training, as one learns to be virtuous by practicing virtues (Al-Ghazali 1993; Quasem 1978). Those two fundamental components of the mystical way are key to a moral life (Fakhry 1994):

> "Know that the objective of *mujahadah* and *riyadah* through good works is to perfect the soul and purify it with the objective of developing its morals… The road to purifying the soul lies in habituation of acts … whosoever wants to gain the virtue of generosity has to train himself/herself in actually being generous through spending money. He/she keeps on doing this till it becomes easy" (Al-Ghazali 1989, p. 251).

Parallels can be made here with the Aristotelian thinking which affirmed that some virtues are accomplished through practice. Clear in Al-Ghazali's writing is his appreciation of the mean, also in line with that tradition ('Golden Mean' in Greek philosophy), where a good virtue lies between two vices: of lack and of excess. He also talks about four principal virtues: wisdom, courage, temperance, and justice explaining their components and implications for moral development (see Fakhry 1994 for an elaborate description of these virtues).

The real role of reason becomes evident in Al-Ghazali's analysis of the combined force of revelation and reason to uncover where real moderation exists and to realize the moral ideal. In this, Al-Ghazali's reflections on Islam were similar to what Aquinas had for Christianity: both attempted to reconcile faith and reason, but both would give the former supremacy over the latter (Ghazanfar 2000). Al-Ghazali, however, elaborated in great detail on the role of spiritual experiences which he saw as key to proper moral assessment. Thus "mystical intuition" is a third pillar on which ethical knowledge is based (Quasem 1978). Persons who are willing to exert effort in purifying their souls will be granted with a gift of intuitively knowing what is "right" and what is not. Through such an attachment to God, one can become more cognizant of ethical issues; this cannot be accomplished without proper knowledge primarily of God, of what God loves, and what God ordains.

## Al-Ghazali's Conceptualizations of BE in Al-Ihya'

Having presented Al-Ghazali's general approach to ethics, we focus here on his conceptualizations of BE. The voluminous *Al-Ihya'* contains references to the ethics of earning a livelihood that provide important insights for BE today. Reflecting his ideological background and training, he heavily relies on the Qur'an and the Prophet's traditions. Yet, Al-Ghazali often makes rational justifications for injunctions. This is one of the prime reasons that this work has gained a high regard and moral legitimacy throughout the Muslim world. We deduce four main themes that emerge from his work in this section of the *Al-Ihya'* and we analyze them below.

### Theme 1. Knowledge Before Actions

Al-Ghazali emphasizes that the road to happiness starts with knowledge and actions. Al-Ghazali affirms that acquiring relevant knowledge (branches of *shari'a* that are relevant to one's profession) is required for the *muktaseb* (the person who works to earn a living). Someone who works with no prior knowledge on how to sell according to the law, how to enter into contracts, how to avoid usury, or how to enter into lawful partnerships, could inadvertently create a great deal of sin: "To know the rules of *shari'a* in these concerns is compulsory, as to search knowledge is compulsory for every Muslim." (Al-Ghazali 1993, p. 48). Actions alone, with no proper grounding in the law, will yield drastic results. Likewise people involved in business transactions need to know what is "right" before they embark on business activities. Observing the law is a key element of moral behavior, yet observing the law requires knowledge about it. While some traditional thinkers would equate ethical conduct with observance of the law, Al-Ghazali was discontent with merely a literal application of the law as we discuss below.

### Theme 2. Maximization of Profits is not a Virtue

Al-Ghazali discusses the virtue of working and earning a living. While some may consider this self-evident, such was not the case during his time.[3] Al-Ghazali puts forward evidence to validate his point: "God loves the believer who has a profession" (Saying attributed to the Prophet). Within his larger discussion of this subject, he presents an interesting position that contrasts with the maximization of profit so strongly emphasized in modern economic theory. Spending efforts and resources to earn a living is commendable, while doing the same merely to increase one's savings is deplorable: "The object of trade and commerce is to gain either necessary livelihood or to gain enormous wealth. The latter is the root of attachment to the world which is the basis of all sins" (Al-Ghazali 1993, p. 47). Thus, profit maximization is not a virtue and it is better for people to work only until they meet their basic needs, without overly involving themselves in business by seeking to become wealthier. This perspective continues to be one of the pillars of Islamic economic thinking (Ali et al. 2013).

Al-Ghazali explains that the objective of doing business is gaining just enough money for sustenance and a good livelihood without extravagance or unneeded savings. By doing business, one should always have the intention of not being dependent on others for one's livelihood: "Keep your faith firm and perfect and have good intent in business at the start of your business. Do business, with the objects of saving yourself from depending on others, to restrain from the greed of what is with the people, to remain satisfied with lawful earnings, to earn keeping on the paths of religion and to maintain family." (Al-Ghazali 1993, p. 58). Beyond that, one should not be too immersed in business concerns.

Al-Ghazali emphasizes that business should not divert anyone from doing the necessary rituals, especially prayers in mosques. Muslim communities have often built mosques at the center of the bazaars. This facilitates the connection between the commercial and the spiritual, an interaction that has played a significant role throughout Muslim history (Mozaffari 1991). Al-Ghazali therefore emphasizes that there is more to life than just making money. Concern about God and the hereafter should take primary

[3] Even among some contemporary Muslims associated with extreme Sufi orders, it is thought that the best work that one can do is to abandon involvements in this life.

importance. This point stands in contrast to the ways in which capitalistic structures emerged in the West:

> "Know … that nobody should forget his religion and the next world-his destination during the course of his trade and commerce and earning livelihood. If he forgets it, he will be ruined and he will be then one of those who sell their next world in lieu of this world, but the wise man is he who protects his capital. His real capital is his religion and matters relating to the next world." (Al-Ghazali 1993, p. 57–58).

Theme 3. Justice and Care for Stakeholders

Al-Ghazali explains that for a person to do business properly, adhering to *shari'a* is not sufficient, and mere adherence to the law does not ensure justice. He explains how some contracts that fulfill all legal requirements may still in fact be full of transgressions. He makes reference to the Golden Rule, "do unto others what you want others to do unto you," indicating how it would help in avoiding wrongdoings in business and giving enough consideration to other parties in the business transaction. In explaining the importance of justice, he gives the example of sales transactions. He elaborates on things that need to be done to serve one key stakeholder, the buyer.

First, the seller should not exaggerate in praising the commodity being sold. This requirement is in sharp contrast to modern sales techniques that rely on excessive advertising. Second, the seller has a moral duty to show the buyer all defects of the commodity being sold, both those which are obvious and those which are not. Al-Ghazali goes into an elaborate description on the necessity of faithfully serving the customer in this regard: "One who conceals defects is an oppressor, a deceit and a fraud. Deceit is unlawful … it becomes easy to seek good of the people if one knows that the profit in the next world is better than the wealth and treasures of the world and that these will end with the end of life, but his sins and virtues will remain. (Al-Ghazali 1993, p. 54). Third, the seller should be truthful in terms of meeting the specifications required, especially in terms of weight (for food items, for example). This hints at an early awareness that products should faithfully meet the customers' expectations. Fourth, the seller should ask a fair price and not a higher one when approached by a buyer who is not aware of the standard price of the commodity. He gives the example of false bidding, when a seller is able to raise the price by creating a hypothetical second buyer. This specific practical advice is related to his overall position vis-à-vis profit maximization, in addition to his insistence on transparent pricing to uninformed customers.

Theme 4. *Ihsan*, a Precursor to CSR?

Al-Ghazali uses the word *ihsan* (benevolence or 'doing good') to mean that business transactions require something beyond mere adherence to legal and market requirements. Here Al-Ghazali is expanding on another key element of his ethical theory as he "became dissatisfied with the popular and legalistic understanding of *fiqh* (Islamic jurisprudence) that was preoccupied with hair-splitting and arcane debates" (Moosa 2005, p. 239). He uses the term to mean being charitable to others. Here, we find an early reference to corporate social responsibility—CSR as he discusses the responsibility of businesses towards others who are facing hardship. Al-Ghazali asserts that it is not enough to restrict oneself to following the law and avoiding transgression. Al-Ghazali indicates that *ihsan* is doing what is good for the other party, beyond what is required by rules of law: "God ordered us to adopt good and just dealings and to do good to the people. God says : Show kindness as God has shown kindness on you. …. Doing good means an act which does benefit to another. Though it is not compulsory, it brings rewards and ranks." (Al-Ghazali 1993, p. 55).

Al-Ghazali outlines six ways to accomplish *ihsan* in business transactions. First, *ihsan* means avoiding excessive profit, even if the buyer is willing to pay a higher price. In this case, there is a willing buyer who is ready to pay an excessive price due to a need or lack of knowledge, and the seller is encouraged not to accept this additional profit. The second route to *ihsan* is the willingness to tolerate receiving a lower-than-usual price if the potential buyer is facing hardship. However, Al-Ghazali also states that it is not good to accept a lower-than-usual price from an able buyer, as this is a useless waste of money. Third, *ihsan* has to be exercised in the collection process. If a debtor cannot pay in full or on time, the creditor should tolerate such delays, even if it becomes clear that the debt will never be repaid. Fourth, a debtor is encouraged to quickly settle debts, even before maturity. If debtors are unable to settle immediately, they should have the good intention of doing so as soon as it is feasible. Fifth, one should be willing to nullify a certain transaction if the other party wants to opt out. Legally, under contract law, a person may not be able to annul such a transaction, but an ethical person would, whenever feasible, be willing to lift the binding constraint on the other party. The sixth and final point is interesting because it again hints to CSR. He encourages businesspeople to proactively direct some of their sales efforts to people who cannot pay but may need the commodities involved. This should be done with the intention of never asking them for settlement later. Al-Ghazali also emphasizes the importance of one serving others through choosing a business that is needed in the

**Table 2** A summary of Al-Ghazali's Ethical Theory

| | |
|---|---|
| **Key influences on his ethical theory** | Islamic scriptures (The Qur'an and Sunna) |
| | Sufi predecessors |
| | Philosophical works on morals |
| **Sources of ethical thinking and behavior** | Revelation |
| | Reason |
| | Mystical intuition |
| **Background of Al-Ghazali's ethical theory—his major assumptions** | Morality and Religion are intertwined |
| | Teleological—The ethicality of acts are judged by their consequences |
| | Happiness as a desired end |
| | Real happiness is happiness of the next life |
| | Happiness is achieved through Knowledge and actions |
| | Ethics is the supreme practical science |
| | Moral development is possible—people can increase their ethicality |
| **Character development (How evil inclinations of the soul can be curbed)** | Mujahada (exerting effort) |
| | Riyadah (self-training) |
| | Association (associating with role models) |
| **Pillars of Al-Ghazali's ethical business thought** | Business activity is encouraged only within a total commitment to God |
| | Business activity should be done with a conscious effort to not inflict harm on others |
| | Business activity should be conducted with a sincere intention to benefit the other parties |
| | Profit maximization and accumulated savings are not encouraged as there are other activities that are more worthy in life |
| **Examples of devotional acts of business relevance (workers)** | Justice to workers |
| | Not overworking them |
| | Forgiveness of mistakes |
| **Examples of devotional acts of business relevance (other stakeholders)** | The principle of no harm |
| | Justice to business partners |
| | Fair pricing |
| | Fair advertising/no deception |
| | No profiteering |

Sources: Quasem (1978); Hourani (1985); Fakhry (1994); Al-Ghazali (1989, 2012)

society. In that respect, one would not only be involved in business for personal interest, but also to fill a necessary societal gap.

## Relevance of Al-Ghazali's Sufi Approach to IBE

In addition to being a philosopher and a theologian, Al-Ghazali also practiced *Sufism*, and this in turn has important implications for IBE scholarship and practice. *Sufism*, or Islamic mysticism, has been a popular movement and a key force in Islamic civilization (Schimmel 1975). Imam (2001) explains that Al-Ghazali's turn to *Sufism* did not mean he turned away from the religious-rational elements in his thinking. After a brief period of skepticism, Al-Ghazali stated in his work "Deliverance from Error" (*Almunkez min Al-Dalal*) that "the necessary truths of the intellect became accepted once more, as I regained confidence in their certain and trustworthy character" (Watt 1994, p. 24). Al-Ghazali's emphasis on the use of intellect has practical implications in that his blending of the spiritual with the rational presents an opportunity for today's Muslim societies and organizations. Specifically in the case of IBE, this form of thought means that religious societies can find genuine arguments, grounded in local culture, that promote business behavior that is both productive and spiritual. Arguments such as Al-Ghazali's that are indigenous to Muslim societies are more likely to be effective with an audience that sees Islam as a comprehensive guide for personal, social, and business behavior.

Al-Ghazali explored in great detail how the human soul can be developed on its way to perfection (Nabhan 2001). Personal ethics are subject to development and can only be realized through *mujahadah* and *riyadah* which are facilitated through learning from other 'spiritual' people equipped to instruct and guide in these matters. Such spiritual experiences leads to moral development. The pursuit of truth is not merely an intellectual exercise but is also a spiritual journey towards ridding the self of error and vice (Othman 1960).

The above points indicate Al-Ghazali's commitment to a Sufi understanding of doing business. The way that these Sufi beliefs became applied in actual practice leads to a work ethic considered by some authors, such as Weber (1978), to be anti-development. However, many scholars have asserted that Weber had a narrow understanding of *Sufism*, based mainly on limited exposure to its various forms (Levtzion 1999). Integrating Al-Ghazali's Sufi spirituality within work settings could offer new avenues for work practices in IBE that would work well in Muslim contexts. Al-Ghazali's emphasis on the use of intellect, on the importance of knowledge and action, and on the virtues of earning a living through work, intertwined by a spiritual perspective, all hint to a progressive and humanistic work ethic that is conducive to development and effective organizational thinking.

## Implications and Conclusions

We presented an important analysis of BE conducted by Muslim philosophers that has largely been underutilized in the literature on IBE. This paper showed how dominant approaches to IBE are mainly based on interpretations of the Qur'an and Sunna. While such approaches are important, the risk is overlooking historically important business ethical philosophies that shaped Muslim societies. Therefore, we proposed Al-Ghazali's philosophy as an alternative to mainstream understanding of IBE. This contributes to the BE literature by widening the scope of what can be included in understanding the field.

In summary, the pillars of Al-Ghazali's ethical business thought indicate that (1) business activity is encouraged only within a total commitment to God, other duties become—in comparison- secondary; (2) preventing harm in business is a key criteria by which the ethical nature of an action can be judged; (3) business activity should be conducted with a sincere intention to benefit the other parties (whether they are customers, debtors, or creditors); this hints to an early stakeholder approach for doing business; (4) profit maximization and accumulated savings are not encouraged as there are other activities that are more worthy in life. This last point represents a philanthropic approach of doing business that is arguably not commensurate with effective business operation in a capitalistic society where profit maximization is considered to be the primary driver for business growth. Finally, no true ethical practice can be accomplished without exerting enough effort, through a spiritual experience. Ethical behavior becomes not only a matter of knowing what is right, but also through getting the soul ready, through spiritual practice, to accept doing what is right. Table 2 provides a summary of Al-Ghazali's ethical theory and its potential business applications.

Opportunities for economics and social development in Muslim countries can benefit tremendously from a reexamination of IBE, and Islam's "own distinctive code of business ethics" (Wilson 2006, p. 109), especially when taking into consideration the contributions of Al-Ghazali. The importance of hard work and virtues of earning a living could play a positive role in societies that are infested with regressive work attitudes. The emphasis on justice could improve organizational behavior in corrupt-ridden environments. In addition, the interesting perspective regarding profit-maximization and CSR has implications beyond Islamic contexts. The importance of multiple stakeholders, addressed in recent organizational research, could benefit from the Muslim perspective, as explained by Al-Ghazali. While it is not expected that modern-day capitalistic societies embrace completely such viewpoints, the opportunity is immense to enrich the role of business and how it needs to operate vis-à-vis other stakeholders.

Examples of organizations that adopt a progressive IBE perspective are scant. One example is *Savola* Company, a multi-billion dollar conglomerate headquartered in Saudi Arabia, which advances an explicit Islamic discourse rooted in IBE. The company is "one of the most successful and fastest growing multinational food groups in the Gulf and the Middle East Region, North African and Central Asian countries (MENACA), and has a wide portfolio of businesses including three core sectors (Foods comprises of Edible Oils, Sugar and Noodles/Pasta, Retail and Plastics" (*Savola* website 2013). The company's ethics and values statement emphasize a "balanced way" where Islamic values of honesty (*Amanah*), conscientiousness (*Taqwa*), caring justice (*Birr*), and personal control (*Mujahadah*) are emphasized to respond to the needs of the company's stakeholders (employees, customers, suppliers, and the community). Interestingly, these closely parallel the ones explained by Al-Ghazali in his conceptualization of BE. The success of *Savola* is an indicator that embracing the IBE could come with significant rewards. A modern-day approach of doing business does not in conflict with the IBE but rather complements it.

In contrast to traditional IBE scholarship, drawing from Al-Ghazali augments the foundations of this field by including explicitly rational arguments for business behaviors in addition to spiritual experiences. IBE scholarship has been, for the most part, mostly traditional in essence. It has accomplished a fine job in delineating the necessary foundations of BE in Islam. There is a need, however, to move the discussion forward by including other contributions by philosophers and mystic travelers, both aptly embodied by Al-Ghazali. This exploration of Al-Ghazali's thought contributes to IBE by introducing other philosophical traditions that have remained largely unknown in mainstream management literature. Al-Ghazali's philosophical approach to ethics and his ethical analysis include key dimensions that are relevant to the theory and practice of IBE, such as: (1) understanding the value of work; (2) knowing the laws and adopting appropriate business actions; (3) acting fairly in business; (4) doing good beyond what is normally required; (5) adopting a balanced approach in business that does not fall into excess; and (6) including a spiritual dimension that influences business understanding and activities. Al-Ghazali's approach to *Sufism* can enrich the field of IBE by combining interpretations that are based on reason, spirituality, and revelation. We argue that *Sufism* has much to offer for IBE and BE scholarship and practice and thus should be part of IBE discourse.

There are several direct implications for the practice of BE in organizations. In Western societies, the distinction between what is religious and what is secular often seems clear-at least in relative terms-(Fitzgerald 2000). Such is not the case in many Muslim societies where the distinction between the religious and the secular, between the spiritual and the materialistic, is not clear-cut and thus the impact of religion is more profound and penetrating (Uddin 2003). Al-Ghazali showed, through drawing from religion and philosophy, how ethical business behavior accomplishes a balance between business interests and other stakeholders' well-being. By combining both intellectual and spiritual dimensions, this approach provides the tools for complex reasoning that would enable IBE to be more flexible to various cultural contexts and over various periods of time. Metcalfe (2006) proposes that cultural orientation programs need to introduce the philosophy of Islam emphasizing the link between work values and religion. Thus advanced understandings of IBE offer an opportunity for Muslim societies to develop their own genuine modernity (Akyol 2011), without this being perceived as some sort of Western imposition. Including this spiritual dimension in our understanding of BE, both in theory and in practice, would work particularly well with an audience that looks to Islam as a source of justice and proper moral conduct.

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