ABSTRACT. As global business operations expand, managers need more knowledge of foreign cultures, in particular, information on the ethics of doing business across borders. The purpose of this paper is twofold: (1) to share the Islamic perspective on business ethics, little known in the west, which may stimulate further thinking and debate on the relationships between ethics and business, and (2) to provide some knowledge of Islamic philosophy in order to help managers do business in Muslim cultures. The case of Egypt illustrates some divergence between Islamic philosophy and practice in economic life. The paper concludes with managerial implications and suggestions for further research.

KEYWORDS: business ethics, Egypt, Islamic business ethics, Muslim culture

Introduction

Over the centuries, as state and church separated, particularly in western societies, religion became a private matter. The so-called “value-free society” developed and economists focused exclusively on the mechanics of economics. There is a growing realization that value-free economics is a misnomer. Post-modern thinkers have advocated changes over the past few decades and there has been a reintroduction of a moral dimension in business.

An important task for many managers is how to integrate this moral dimension into business conducted across borders. Managers need an appreciation of the ethical norms of different groups and cultures in order to gain complete understanding of the cultural environment in which the firm must operate (Al-Khatib et al., 1995). Relatively few empirical studies have addressed culturally-related ethical issues (see for example, Becker and Fritzsche, 1987; Akaah, 1990; Vitell et al., 1993; Nyaw and Ng, 1994). Based upon the results of a study that found some surprising significant differences between the values of American and Thai marketers, Singhapakdi et al. (1995) suggest that multinational corporations should train their marketing professionals differently in different parts of the world. Amine (1996) goes further and urges that the role of global managers should be one of “moral champions,” committed to pursuing the best in ethical and moral decision-making and behavior. The definition of “best” is not an easy task, however, when one takes into account the many different moral philosophies that exist.

In recent years there have been a number of articles published in the Journal of Business Ethics which have discussed the positions of various faiths regarding the relevance of religious ethical principles to business decision-making (see for example, Williams, 1993; Green, 1993; Rossauw, 1994; Gould, 1995). The Pope’s Centesimus Annus argues that what is lacking in our time is a moral culture capable of transforming economic life so that it has a context in a humane community (Williams, 1993).
My focus in this paper is on the ethical principles which relate to business and which are contained in the religion of Islam. Islam is generally misunderstood and it is often surprising to some that it contains an entire socio-economic system. In Islam, it is ethics that dominates economics and not the other way around (Naqvi, 1981). My purpose is twofold: (1) to share a perspective on business ethics, little known in the west, which may stimulate further thinking and debate on the relationships between ethics and business, and (2) to provide some knowledge of Islamic philosophy in order to help managers doing business in Muslim cultures deal with cultural differences. The paper is organized as follows. First is a description of the Islamic ethical system. Next is a discussion of the differences between philosophy and practice in Islamic business ethics. This discussion forms the basis for guidelines on doing business with people in Muslim cultures. Egypt is used as an illustrative case.

The Islamic ethical system

Muslims derive their ethical system from the teachings of the Qur’an (which Muslims believe is a book revealed by God to Muhammad in seventh century Arabia), and from the sunnah (the recorded sayings and behavior of Muhammad). The goals of Islam are not primarily materialist. They are based on Islamic concepts of human well being and good life which stress brotherhood/sisterhood and socio-economic justice and require a balanced satisfaction of both the material and spiritual needs of all humans (Chapra, 1992).

A “moral filter”

There exists in most societies a relative scarcity of resources with unlimited claims upon them. A free-market capitalist economy uses market-determined prices as a filtering mechanism to distribute resources. The use of the price system alone, however, can frustrate the realization of socio-economic goals. Under a system of state control, the allocation of resources is in the hands of a bureaucracy, which is cumbersome and inefficient. According to Chapra (1992), the Islamic worldview implies that the market system should be maintained, but that the price mechanism be complemented with a device that minimizes unnecessary claims on resources. This device is the “moral filter.” This means that people would pass their potential claims on resources through the “filter of Islamic values” so that many claims would be eliminated before being expressed in the marketplace. Resources would not be allowed to be diverted to the production of luxuries until the production of necessities was ensured in sufficient quantities (Siddiqi, 1981). The definition of luxurious or extravagant is related to the average standards of consumption in a society, the idea being that large departure from the standards would not be permissible.

Keynes’ (1972) observations on this subject may be useful. He stated that even though “the needs of human beings may seem to be insatiable,” . . . “they fall into two classes – those needs which are absolute in the sense that we feel them whatever the situation of our fellow human beings may be, and those which are relative ones in the sense that their satisfaction lifts us above or makes us feel superior to others. Needs of the second class, which satisfy the desire for superiority, may indeed be insatiable; for the higher the general level, the higher still are they. But this is not so true of the absolute needs.” Islamic jurists’ categories of necessities (daruriyyat), conveniences (hayiyyat) and refinements (tahsiniyyat) would fall into Keynes’ first class of needs. These are any goods and services which fulfill a need or reduce a hardship and make a real difference in human well-being. Thus “comforts” are included here (Chapra, 1992). Luxuries (the second class of needs), however, are goods and services derived for their snob appeal and make no difference to a person’s well-being. Galbraith (1958) refers to this second class of needs as “wants.”

Consumer advocates in the U.S. have long been critical of business practices that increase the desire for “wants” and subsequently have adverse cultural and social effects (Williams, 1993). For example, in pursuit of profit maximization, businesses often subject the consumer...