



THE NATURE OF BUSINESS SOCIAL ETHICS IN HETERODOX EPISTEMOLOGICAL WORLDVIEWS

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Abstract

The model of general system is a process-orientation of learning dynamics in and across complexly interrelated orders. Within such a general system model is found the specific field of unified, that is organic and endogenously circularly inter-related embedding between economy, finance, and the business world-systems. Business social ethics or socio-business ethicality is a problem of epistemological genre. It glues the circularly inter-related sub-systems and their representative behavioral preferences and variables in an explanatory way.

Formulation of the emergent analytics in comparative perspectives between mainstream and Islamic economic, finance and business world-systems according to their distinct moral and ethical episteme is the objective of this paper. The true epistemological direction to the systemic understanding of socio-business ethicality is opened up for conceptual and applied investigation.

The comparative study of morality and ethics that characterizes social ethicality of the embedded organizational and business world with human and social consciousness in it belongs to the generalized epistemological premise of unity of knowledge as mentioned above. But this methodological approach takes up a distinctive character in the Islamic worldview from the moral and ethical understanding in mainstream business ethical theory. The emergent methodology is thereby of a heterodox Epistemological nature.

The Islamic heterodox difference, which is of a significant nature, replaces the rationalistic individual behavioral aggregation of ethical preferences into social business ethicality, is a utilitarian model. In it lateral aggregation fails to explain the interactive, integrative and evolutionary learning nature of social ethicality that the Islamic episteme of oneness establishes. Business and organization get embedded in ethics as generic forces derived from the episteme of oneness of knowledge. Thereby, ethics derived from epistemic oneness plays its role throughout the social structure of such institutions. Individual ethics and social ethics are causally interrelated in social reconstruction of business and organization by evolutionary learning according to



epistemic oneness. This universal epistemic worldview remains in action in ethical-social reconstruction.

An extensive review of the literature is critically studied both for mainstream and Islamic cases against the emergent moral reconstruction of the social ethicality of business and organization. It is found that the epistemological approach of unity of knowledge explains social ethicality of business organization in terms of the resulting extensively systemic worldview. Such a perspective is not usually understood in traditional theory of business ethics. Consequently, the theory of business social ethics remains deficient of its otherwise systemic meaning. Social business conveys the overarching ethics in business and organizational behavior.

The focus and objective of this paper is to develop the Islamic heterodox epistemological theory of social ethics and point out its inner dynamics and potential application. This task is carried out in contrast between the mainstream and prevailing Islamic heterodox perspectives of theory, comprehension, and conduct of business ethics on epistemic grounds.

Keywords: business social ethics; behavioral ethico-economic and finance theory; Islamic business ethics; mainstream business ethics; epistemology.

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Background

The theme of business ethics is distinct from that of social ethics applied to business, economics and finance. Business ethics by itself is a partitioned field of behavioural finance within which the issues of corporate social responsibility and good corporate governance are studied as company practices. Such practices in the business world arise as enforcement of contracts between business entities and public authority. The understanding of social ethics especially in business and finance invokes a study of ethics that is integrated with behavioural aspects of business, financial and economic decisions. None of these is independent of the social embedding in which ethics and business, finance and economic behaviour find the actualization of ethics as an endogenous social force. The intellection around endogenous integration of ethics and the ethical theory in behavioural economic and financial decision-making and social choices is of a recent genre. This found its roots in the area of ethics and economics in the first place (Sen, 2002). Its subsequent derivation in the field of endogenous ethics and finance and business has not yet touched substantive research activity. Thus in the literature on business ethics the field of *social* ethics cannot be found substantially. Thereby, the social embedding of business and finance in the venue of social ethicality has not been understood as an intellectual enterprise. Consequently, the business application of such an intellection that can find its place in research projects and program and policy formulations inducing the business world cannot be found as a substantive issue for examination. This fact is markedly pointed out in the works of Zsolnai (2002a).

The importance of the endogenous embedding nature of social ethics inducing business and finance is intrinsic to the development of behaviour, such as consciousness, responsibility, corporate social responsibility, and good corporate governance in the ethical and social environment to undertake essential goals. Among these are poverty alleviation, environmental protection, honesty, fairness and distributive justice. The study of social ethics in behavioural business and finance perspectives by introducing the pressing epistemological, moral and ethical goals makes the contribution of this paper significant as research and applied undertaking.

This paper points out the distinct nature of social ethics and its importance as an endogenous behavioural force that can be possible in the business and finance venue. This forms the heterodox conceptual and thereby epistemological freshness of the topic under study. Besides, the derivation of the substantive nature of social ethicality in business and finance, and the emergent endogenous behavioural implications require invoking an epistemological stand (Edel, 1970). Epistemology as theory of knowledge transcends religion, culture and rational behaviour. For this reason it is necessary to quest for the epistemological roots of social ethicality that can influence business and finance in comparative religion and culture besides simply knowing the qualitative perspectives. Upon this, empirical evidences ought to be discovered to establish the practical presence or absence of the epistemological claims in social ethics of behavioural aspects of business and finance.

Thereby, the expectation of this paper is that a contribution can be made by pointing out the heterodox epistemological foundations of behavioural aspects of

business and finance in comparative cultural perspectives. By doing so, this paper will be able to present the missing distinct nature separating sheer business ethics from business social ethics that are endogenously induced in social and ethical embedding of business and financial issues.

Objective

In the light of the above-mentioned background of this paper and the epistemological nature of the study of social ethics of business and finance the principal objective of this paper is to establish the epistemological roots of moral-social reconstruction of the ethical business and financial venue. To accomplish this task the epistemological search leads into comparative cultural and religious roots of morality and ethics practiced in business and finance. Then such epistemological claims can be subjected to qualitative and empirical investigation.

This approach is found necessary in this paper firstly to determine the logical validity of an epistemological thinking on social ethics of business and finance. Secondly, the comparative epistemological validity of moral and ethical claims can be examined under empirical, that is practical facts. Such a comparative search leads this paper to the qualitative and analytical study of mainstream and Islamic approaches. The latter one is the heterodox economic approach. This specific comparative study is selected because of the budding field of Islamic banking, economics and finance in heterodox economic reasoning. This field thrives on and presents a distinctly different epistemological outlook on social ethics of business and finance. The comparative study brings out a factual valuation of claimed epistemological outlooks. Subsequently, the validity or failure of business and financial practice with epistemological concepts opens venues to inquire on future possible directions of research.

The structure of this paper

To address the objective against the background of this paper the following steps are adopted in its structure: The fresh concept of ethics as endogenous value in behavioural decision making of the embedded type in business systems and individual choices within society is adopted. We place this idea of social ethics against the prevalent mainstream intellection. A critical review of the literature in mainstream theory and Islamic perspectives of business social ethics is carried out. Against this extensive critical survey of the literature the budding field of learning-system methodology as the epistemological conception in the fresh outlook on business social ethics is presented. The emergent methodology and its immanent model of circular causation through interaction, integration and evolutionary learning are made the basis of the criticism of the tradition against the budding new outlook of business social ethics.

The case of Islamic social ethics claimed in the purpose and objective of the Islamic Law (*maqasid as-shari'ah*) is critically examined by the prevalent experience

of Islamic banks in this respect, and against the pure ideals of the *maqasid as-shari'ah*. This is the heterodox economic perspective.

In the end, the understanding of business social ethics is taken up in the framework of a heterodox epistemological model of unity of knowledge. This epistemology as methodology signifies the dynamic function of unity of knowledge of monotheistic law, referred to as *Tawhid* in the *Qur'an*. In the systemic meaning of organic unity of being *Tawhid* in terms of the monotheistic law is represented by systemic participation and inter-variable complementarities in the evolutionary learning worldview (Choudhury, reprinted 2012a). The Islamic socio-ethical model of business ethics is upheld in reference to the heterodox epistemological methodology of unity of knowledge in terms of *Tawhid* and its implication in the world-system of economics, finance, and business¹. These are taken up within the overarching social and scientific fields (Choudhury, reprinted 2012b). Yet this approach remains absent in the traditional and the prevalent cross-cultural practice of both Islamic business ethics and mainstream business ethics.

¹ The symbolic structure of the formal model of unity of knowledge and the unified world-system is in the light of *Tawhid* as the heterodox worldview is represented as follows:

Let, Ω denote the *Qur'anic* completion of the knowledge stock of the universe as super-cardinal ontology. This is the super-topology of *Tawhid* as the moral law of unity of knowledge explaining and constructing the unity of 'everything'. Ω is essentially functional and structural not metaphysical. For the concept of functional and engineering ontology see Gruber (1993), and Maxwell (1964).

S is the mapping from Ω into the exegesis of the *Qur'anic ayath* (verses, meaning, explanation), denoted by $\{\theta^*\}$ on the generalized issues pertaining to the nature of the problems and issues under study.

Thus, $[\Omega \rightarrow_S \{\theta^*\}]$ forms the primal ontology of knowledge derivation in the *Qur'an* (Ω), the *Sunnah* (S), and the interpretive knowledge denoted by $\{\theta^*\}$. This comprises exegesis, interpretation (*Fiqh*), and discourse (*Shura*), altogether comprising *Ijtihad*. *Ijtihad* means understanding based on the fundamental sources of knowledge, the *Qur'an*, the *Sunnah* (guidance of Prophet Muhammad) and the interpretive dynamics.

From the foundational functional ontology, $T = [\Omega \rightarrow_S \{\theta^*\}]$ is derived the formalism of the specific problems and issues (particulars). The derived knowledge is denoted by $\{\theta\} \in T$.

Next, the configuration of the general and the specific problem and issue, denoted by the vectors (matrixes, tensors), expressed in terms of the existing state (estimation) and the *Tawhidi* reconstructed state (simulation) is derived. This is denoted by $\{x(\theta)\}$, written as, $(\{\theta\} \in T) \rightarrow \{x(\theta)\}$.

The formal evaluation of the existing state (estimation) is followed by the simulated state of unity of knowledge that is induced in the moral reconstruction of the problem under study. The objective criterion is the wellbeing criterion function, $W(\theta, x(\theta))$. Wellbeing criterion evaluates for the degree of existing or potentiality of unified social reconstruction between the *Shari'ah* variables on the specific issues under study.

$W(\theta, x(\theta))$ is evaluated (estimation leading to simulation) under the constraint of circular causation between $(\theta, x(\theta))$. Thus the formal ontology of evaluation is denoted by, Evaluate $W(\theta, x(\theta))$, subject to, the circular causation relations signifying the degree of existing and desired complementarities between the variables as sign of unification between the *Shari'ah* variables. These relations are denoted by $x_j = f_j'(\theta, x_i(\theta))$, $i \neq j = 1, 2, \dots$; $\theta = F(x(\theta))$, which is a positive monotonic transformation of $W(\theta, x(\theta))$, and is therefore a measured form of the wellbeing evaluation criterion.

The total formal model of unity of knowledge (*Tawhidi* formalism) and the unified world-system with its particulars along the evolutionary learning processes is now represented as follows:

$$T \rightarrow \theta \rightarrow x(\theta) \rightarrow (\theta, x(\theta)) \rightarrow \text{Evaluate } \{W(\theta, x(\theta)), \text{ s.t. } x_j = f_j'(\theta, x_i(\theta)), i \neq j = 1, 2, \dots; \theta = F(x(\theta))\} \downarrow$$

Recall T

→ new process and continue until the Hereafter, the Great Event in the *Qur'an*)

Figure 1: The epistemic *Tawhidi* evolutionary learning string in unity of knowledge and the world-system

The specific topic of business social ethics and moral transformation denoted by $(\theta, x(\theta))$ can be appropriately located in this formal model both by concept ($W(\cdot)$) and by evaluation (estimation, simulation by circular causation).

Multiple-system strings of this one-system *Tawhidi* String Relations (TSR) is formalized by Choudhury and Hoque (2004).

The end result of the paper in respect of both mainstream and heterodox Islamic approaches to the study of business social ethics is that, except for a recent flurry of interest in the evolutionary learning approach in this area to study socially embedded business organization, not much has been accomplished. It is the methodology of the evolutionary learning model with its heterodox epistemological basis of a participatory and complementary social picture that ought to point to a robust understanding of the subject matter. This is the main focus, the critical stand, and the future recommendation for research.

The nature of business social ethics contra prevalent theories of business ethics

Some writers construe business ethics as having a sociological nature. Ethics is then used in business decision-making as organizational behaviour along with its market consequences. Ethics as such a system-wide complex behaviour can be found in the words of Herbert Spencer (1978, p. 166): “From the sociological point of view, ethics becomes nothing else than a definite account of the forms of conduct that are fitted to the associated state, in such wise that the lives of each and all may be the greatest possible, alike in length and breadth.”

Herbert Simon (1987) championed the explanation of human behaviour within the model of business organization. On organizational behaviour that is based on hierarchical decision-making, Herbert Simon wrote (p. 215): “Since organizations are systems of behaviour designed to enable humans and their machines to accomplish goals, organizational form must be a joint function of human characteristics and the nature of the task environment.”

In this paper a part of our task is ethics in the study of business, finance and man-machine, or mind-matter interrelations. Epistemologically, the mind denotes the *res cogitans*; matter denotes *res extensa* domains of critical reasoning as of Rene Descartes. This kind of epistemological understanding can be translated in the form of a measured action of ethics between organization and technological states with its human discernments. In his seminal work on *Models of Man*, Herbert Simon (1957) wrote on such (ethical) bounded rational choice behaviour in his satisfying theory of imperfect information in organizational decision-making.

Such approaches in organization theory of the firm convey the important meaning of ethics as an evolutionary learning process for attaining the objective criterion of the firm. The objective criterion of a business firm in mainstream literature is inevitably profit-maximization. The same objective criterion is presented by Simon in his organizational theory of the firm, though with the realism of bounded rationality (imperfect information). Yet the evolutionary knowledge-dynamic meaning of learning behaviour in business decision-making is missing. In the traditional terms a firm is assumed to pursue choices based on the axiom of economic rationality. Thereby static efficiency criterion remains abound.

The assumption of economic rationality and maximizing behaviour while still aiming for an evolutionary learning model of business system is permanently retained in Simon’s seminal contributions. The profit-maximization assumption premised as it is on economic rationality (bounded rationality) and the static concept of efficiency,

all together underlie the worldview of business and finance driven by the competition paradigm.

The rejection of the mainstream business and finance objective of profit-maximization is further deepened by the presence of business social ethics in business decision-making in the light of a sociological definition given above, and by the complexity that social perturbations cause in the decision-making process (Tuan, 2004).

A new intellection outlook on business social ethics

Our queries on alternative ways of organizing the business world that reflect organic linkages between business ethics, sociality, and organization, have become a rigorous conceptual and applied study of social dynamics in recent studies. The book, *Blue Ocean Strategy* (based on creativity and learning) of Kim and Mauborgne (2005) versus their red ocean strategy (competition and maximization ideals) is one such path-breaking business model with an ethical ethos.²

The study of business ethics as a social system of organization of the firm can also be implied from Johannessen (1998). Of special interest in his model is the bold acclaim for circular causation relations as a model of systemic dynamics that arise from the cause-effect circularity of the organization system (e.g. business firm) as a social biological sub-system, cultural sub-system, economic sub-system, and political (polity, institutional) sub-system. These sub-systems form ensembles of learning wholes. Consequently, the objective criterion of such a business world comprises the evaluation of variables defining the goals of the sub-systems in an interdependent symbiotic way. With ethics formed as evolutionary endogenous element of organizational and socioeconomic behaviour, Johannessen's kind of business organizational model may reflect either strong or weak endogenous effects.

Endogenous nature of business social ethics

The important concept that ought to be understood in respect of business social ethics is the endogenous nature of ethics within the firm, and as an embedded social entity in relation to the socio-scientific organisms. The meaning of endogenous ethics in its epistemic moral sense is derived from the organic nature of learning between variables and their underlying relations and agencies across interrelated systems, in which the business enterprise remains socially embedded. Learning is the strong representation of social ethics. It is defined by the circular causation interrelationships between interacting variables along with the production of knowledge in a discursive social environment in which the firm remains embedded.

² Chan & Mauborgne write (p. 12): "What consequently separated winners from losers in creating blue oceans was their approach to strategy. The companies caught in the red ocean followed a conventional approach, racing to beat the competition by building a defensible position within the existing industry order. The creators of blue oceans, surprisingly, didn't use the competition as their benchmark. Instead, they followed a different strategic logic that we call it *value innovation*."

This nature of business social ethics forms the epistemological premise of any business in its generalized-system role.

The stronger point of view emerging from the learning embedded systemic approach in every case, namely the normative, deontological, teleological, and virtue-ethicality based approach to stakeholder modelling of the firm, is the study of the endogenous nature of ethics in business decision-making. Lozano (2002, p. 174) writes on this endogenous relational issue: “An organization not only produces goods and services but in doing so, it shapes itself. Consequently, a reflective organizational ethics should attend to its processes as well as its contents.”

Endogenous ethical relations are signified by circular causation between the representative variables. The organization of endogenous circular causal interrelations between variables forms a richly complex but orderly world of ethical relationships. Examples are as follows: The shareholder model of the firm is extended to the stakeholder model combining business and society. The organization models of the firm now become endogenous relational models. In behavioural finance analysis such models are characterized by temporary and punctuated equilibriums that are attained by the learning processes with interactive, integrative and evolutionary (IIE) learning stages in the probabilistic and evolutionary fields of the circular-causation variables.³ The IIE-process in the heterodox epistemic *Tawhidi* framework (Figure 1) underlies the dynamics of forming unity of knowledge out of social embedding. This is signified by complementarities and participation in underlying circular causation relations. The footnotes 1 and 3 further explain this idea. The emergent equilibriums of evolutionary learning in the IIE-process are like the ones characterized by Thurow (1996) and Krugman (1996). In both of these cases the globalization process is seen

³ A circular causation type of simulation model of learning is formalized as follows: Simulate the wellbeing objective criterion ($W(x(\theta))$) of the embedded firm in the vector of socioeconomic variables $x(\cdot)$. Without loss of generality in the conception, we denote $W(\theta, x(\theta))$ by $W(x(\theta))$ by the implicit function theorem of continuously differentiable functions of differential calculus. The qualifying determinants of $x(\cdot)$ is the discoursed knowledge variable (θ) in the epistemological sense of mind (*res cogitans*) and matter (*res extensa*) unified relations (unity of knowledge as the *Tawhidi* episteme). The knowledge parameters are institutionally set in reference to the signs of unity of relations between the variables in respect of addressing the wellbeing criterion. Now circular causation system comprises the equations linked with the simulation problem of wellbeing criterion function:

$$x_1 = f_1(x_2, \dots, x_n, \theta) [\theta]; x_2 = f_2(x_1, \dots, x_n, \theta) [\theta]; \dots x_n = f_n(x_1, x_2, \dots, x_{n-1}, \theta) [\theta]; \theta = F(x_1, x_2, \dots, x_n) [\theta].$$

$[\theta]$ denotes parametric knowledge induction of each of the inner variable, induction of θ by $[\theta]$ is implied. $x(\theta) = (x_1, x_2, \dots, x_n) [\theta]$; if's denote the circular causation relations having their estimated followed by moral-social reconstructive coefficients. The chain of causality denoted by the simulated predictors (denoted by the moral-social reconstructed discursive simulated values, $P = (x^*(\theta), \theta, W(x^*(\theta)))$) over sequences of simulation denote learning processes with the property, $dW(x^*(\theta))/d\theta_N > 0$; θ_N denoting new sequences of discoursed knowledge parameters across subsequent learning processes.

The circular causation relations and their simulation implications coming out of ‘estimation’ of the state of the social embedding of business organizations point to the reconstructed participation and complementarities between the social networking of business organizations, the wellbeing variables, and their relations. Such relations are to be reconstructed in reference to the epistemology of unity of knowledge signifying complementarities and participation between the embedded business organization, the wellbeing variables, and the causality relations.

The interactive element of the evolutionary process is shown by the discursive and reiterative mechanism of circular causation in simulating the relationships between $(\theta, x(\theta))$. Integration is shown by the selection of the simulated value by choosing appropriate coefficients of these relations for predictor values of $(\theta, x(\theta))$ in accordance with the generated and discoursed values in the series of interactions. Evolution is shown by the co-evolutionary regeneration of learning processes as shown in Figure 1, footnote 1. Thus the IIE-learning processes appear along the epistemic *Tawhidi* string.

to be embedded in systemic complexity invoking ethical issues. Endogeneity and complexity are thus coterminous as learning models of business social ethics.

Boda (2002) points out in reference to the ethical stakeholder model of business enterprise that the social ethics in this case involves the wider system of valuation (Myrdal, 1968). This comprises all the elements of business, corporations and organizations that contribute to the establishment of a causally interrelated discursive society enabled by business networking. The stakeholder model in this context inculcates global ethical values, inter-cultural norms, and corporate social responsibility. By the same type of models international development organizations establish global governance manifesting interactive social-ethical goals.

Finally, in our review of the literature on the nature of social ethics it is illuminating to examine Nozick's (2001) philosophy on the nature of ethics. Nozick (p. 259) points out in regard to the 'the core principle of ethics', which is seen to be a cooperative worldview embedded in a learning-by-exchange paradigm: "The view I am recommending is very closely intertwined with the notion of cooperation to mutual benefit. It makes mandatory voluntary cooperation to mutual benefit; it makes only that mandatory: and it (in general) prohibits interactions that are not to mutual benefit, unless these interactions are in response to previous violations of the principle or to violate it."

The above definition of the core principle of socially coordinated meaning of ethics comes near to the learning paradigm centered on the *Tawhidi* epistemology of unity of knowledge as a participatory and complementary worldview of variables, agents and relations. Yet the construction of the social artefact that defines just action remains unclear. Mutual cooperation out of interaction leading to consensus in institutional setting is merely a procedure, not a core principle in social ethical behaviour.

Cross-disciplinary case: Islamic worldview on business social ethics

On a cross-disciplinary search for endogenous ethics out of behavioural dynamics and learning processes of the firm, business and finance there is the Islamic comparative case study. This case is chosen for purpose of determining possible epistemological diversity in business social ethics. Now the cooperative and coordinated decision must be based on the due learning process, as explained above in the footnotes 1 and 3 by recurrent as learning processes (say 'P'), respecting choices of the good things of life. Islam pronounces this ethical premise based on the epistemology of the *Qur'an* and the *sunnah* (Prophetic guidance) The immanent law denotes the purpose and objective of the Islamic Law (*maqasid as-shari'ah*). The Islamic Law of worldly affairs is further investigated for social relevance by means of collective understanding, intellection, and application to specific problems of social ethics. Yet by this choice of the pure model of the *maqasid as-shari'ah* we want to investigate how far the principles are practiced by Islamic banks globally. The cross-cultural examination of business social ethics is then placed on an objective ground of critical evaluation.

Review of the literature: case of mainstream business social ethics*Conceptual issues in ethics and economics, business and finance*

In mainstream ethical theory, ethics is a form of altruism based on gifts and exchanges (Arrow, 1972). Utilitarian behaviour of altruistic decision-makers is adopted to explain self-interest in maximization of individual interdependent utilities. Yet the moral theory of resource-sharing is absent. Such utilitarian behaviour is a precept that can contrarily be explained in Goulet's (1997) words on charitable giving, and by Rawls' (1971) concept of primaries in maximizing wellbeing by social participation. In this regard, Goulet writes: "in the light of the vital distinction between *plus avoir* (to have more) and *plus être* (to be more), societies are more human or more developed, not when men and women "have more" but when they are enabled 'to be more'."

Amartya Sen (1990) uses a deontological (duty bound) idea to set up the moral basis of ethical thinking in relation to the economy. His idea in this regard can be summarized as follows (Choudhury, 2002): An example taken from Sen proves the case that ethical premise must be embedded in a moral text. If Person A is being excessively violent to Person B, should Person C stop this violent act? Sen explains that if sheer *individual rights* prevail over conscious moral intervention then A can beat B to death and C has no compulsive role to morally or ethically intervene in this act of murder. This is the case of passively watching the scene of a murder. C's passive attitude is an ethical act of the *individual right* not to intervene. The 'consequence' conveys the right of murder even with adverse social consequences and legal punishment.

On the other hand, intrinsically embedded ethical behaviour in the moral text, which emanates say from the divine law, would invoke in C the moral duty to intervene and help B. C then acquires two attributes at the moment of such an intervention. First, by intervening, he upholds the legal right of censure against A. Secondly, by the same intervention C carries out an act in order to stop a morally unsocial one. Thus, an intrinsically ethical value found in morality replaces a differentiated perception given to *rights and freedom* in rationalist ethical theory. Consequently, the ethical response equates to its derivation from the moral law. This is the state of moral consciousness.

When applied to business social ethics, Sen's deontological paradigm translates into the moral consciousness of business to avoid such acts that will hurt social order despite the loss of profits, ownership, power, and the competitive edge. Sen's moral virtue in his epistemological derivation of ethical consciousness is thereby unlike Friedman's, who believed that profit-making is the principal ethical rule of a firm in a free-market economy. Kenneth Boulding asserted this solely materialistic viewpoint of ethics. He asked why he would put his money in a bank that advertises 'We look at people first'. The conventional bank as a financial institution in the morally bereft consciousness would rationalize its ethicality according to the prevalent practices and stand among many financial institutions.

The role of ethics through morality leading to the emergence of the moral basis of ethicality leads into the meaning of business social ethics. We thereby have the captions, corporate social responsibility, and business social ethics arising from its moral epistemological root as an abiding tenet of the social order. In this wide sense of the term, social ethics form the consciousness of the global scale (Commission on Global Governance, 1995). Thus the epistemological basis that ought to be universal for all conscious social thought arises from the text of the law of unity signified by social participation and sharing equitably between partners in global resources (Rosenberg, 1995). It also marks a self-governed construction of social preferences in self and community (Sen, 1999) through reference to moral texts and enlightened discourse. It is a regulated social condition through policies and guidance towards establishing a good society as opposed to an acquisitive society. Human wellbeing is gained out of participation and discourse in reference to the moral text (Tawney, 1948). These conditions remain universal to civil society despite the details of their enactment among given peoples and cultures.

A principal message is this: A comprehensive understanding of ethics, one that, when aggregated from the micro-level becomes endogenously effective in making ethical meaning for society at large, remains a central element of business social ethics. Business social ethics in its aggregate meaning, if it is at all possible to aggregate to the organizational and social levels, is understood simply as a lateral addition of individual ethical norms (Hammond, 1987). Yet in its substantive meaning, business social ethics premised on an epistemological basis gives rise to complex aggregation. Linear summation of ethical preferences, as would be the case with the utilitarian approach over individual or group-specific utilities and wellbeing indexes (Harsanyi, 1955), is untenable. Thereby, the understanding of business social ethics ought to stand on a generalized systemic meaning of ethics that is interactive within all other domains of society – economics, finance, and science. Consequently, a critical characteristic of business social ethics is its complementary and participatory nature that extends across systems of interacting, integrating and evolutionary (III) variables representing the systemic domains.

Contrarily, the idea of ethics as a personal or marginalized creative dynamics in institutional decision making, such as managerial acumen in banking, cannot attain the true character of a general-system oriented ethical study. It is well-known that the ethics of utilitarianism (Quinton, 1989) is a linear aggregation of disjointed optimal indexes that cannot explain how a final consensual social decision is attained, except by enforcement by a superior human actor. Such an enforced decision-making is the message of the 'possibility theorem' of welfare economics. Its existence is necessary in order to enforce welfare optimum in the presence of the rule of excluding irrelevant preferences (Arrow, 1951).

Critical review of the literature: case of Islamic business social ethics

In the light of the critical study of business social ethics according to various models that we have examined, the Islamic contributions remain to be evaluated. We ask the question: Where does the study of business ethics in Islamic perspectives

stand in the midst of the various comparative theories and contributions made in the area of business social ethics? There have been only a few contributions in the area of Islamic business social ethics, and those too remain confined to the area of Islamic banking. Almost nothing has been contributed on the nature of business social ethics beyond a cursory examination of the classical attributes of the Islamic Law (*shari'ah*) and its ambivalent implication.

The study and practice of social ethicality in business is practically absent in the literature on Islamic business ethics. Islamic businesses, markedly Islamic banks and financial companies (insurance, development organization e.g. the Islamic Development Bank) are found to be centered on the mainstream neoclassical treatment and practice of financial matters and resource allocation. Consequently, all the utilitarian ethical standards have entered Islamic banking and finance lock, stock, and barrels.

Weeramantry (2001) elaborates on the classical attributes of the *shari'ah*. But except for a salient coverage of Ibn Khaldun on the sociology of ethicality in the *shari'ah*, there is no coverage of how such ideas were at all practically implemented during, before, or after the times of Ibn Khaldun. As a matter of fact, this concern remains a valid criticism by western scholars, which Weeramantry (p. 118-20) notes: "Much of the tenets of the Islamic Law became an imposition on the individual by the state for adherence to, rather than a change in the will, conduct and sustained attitudes of Muslims as self-governing behaviour on ethical preferences." This compulsive state was due to the failure in understanding the endogenous learning dynamics of the ethicality concept in a general-system study of business and society. While Ibn Khaldun discussed this sociological aspect in his philosophy of history, yet on the matter of the *shari'ah* he considered this law to be an ideal – not a law practiced during his times (Mahdi, 1964).

The disjoint treatment of the *shari'ah* (Fig. 1) can be seen in the failure of Islamic business studies and practitioners (Islamic banks) to understand a general-system approach to Islamic financing. On the contrary, a traditional approach has abided in this kind of intellectual confinement. That is to consider each financing instrument in its independent right in respect of the financial contracts under the *shari'ah*.

Hassan (2002) points out a clear absence of a holistic approach to social ethics involving business or otherwise. This imperfection of the humanly developed theories of contracts in different and segmented contracts (*'aqd*) is due to the failure of Islamic scholarship to formulate a generalized universal theory of contracts in the *shari'ah*, be this in personal law or in the law of contracts pertaining to commercial dealings. Instead of a universal and holistic understanding and formalism of a theory of integrated social contracts, scholars have evolved a segmented idea of contracts. The result has been contradictions, inefficiencies, and impossibilities in the development and application of business social ethics by a theory of business ethics that is embedded in the interactive dynamics of economy, finance, science and society.

A better picture of business social ethics, one that would flow from a universal and unified theory of contracts in Islam could have some of the inner contradictions and conflicts between Islamic financing instruments. For example, the law of

avoidance of *riba* is not well integrated with the financing model of cost-plus pricing of hire-purchase (*murabaha*). The ideas of fair profit-sharing ratios between partners in a profit-sharing contract (*mudarabah*) and equity-participation (*musharakah*) remain problematic concepts. The idea of a Pooled Fund to meet the goals of the *maqasid as-shari'ah* can be tried. But thus far this model of complementary participatory financing is replaced by a plethora of secondary financing instruments characterized as *shari'ah*-compliant. Yet this idea misses the epistemic meaning of *maqasid as-shari'ah* in the general-system sense of embedded social ethics and morality. These kinds of concerns have been expressed by Coulson (1984) and Schacht (1964) in respect of their understanding of the Islamic law of *contracts* as being opposed to a unique and universal generalized law of *contract* that can render the principles of the *maqasid as-shari'ah*.

A further point on ethical inadequacy in the Islamic review of the literature

An example of commercial contract is that of *sukuk*, an Islamic bond (certificate). *Sukuk* is allowed to revolve around any of the other primary and secondary financing instruments. Yet the very legitimacy of such secondary instruments remains in question (Mokhtar & Thomas, 2009). Other secondary instruments that are subject to question of Islamic legitimacy *qua* financial interest (*riba*) are *murabaha* (mark-up pricing on hire-purchase sales), *ijara*, (rental), *tawarruq* (cash *murabaha*), and *salam*-based (deferred payments). These are all debt instruments, which Islam categorically avoids. This is well-documented in many sayings (*ahadith*) of the Prophet Muhammad. The entire package of debt-based instruments, which has become the centerpiece of Islamic financing (Rosly, 2005) by the *shari'ah*'s very nature of debt-avoidance, is of debatable legitimacy according to the *maqasid as-shari'ah*.

Shabnam Mokhtar et al (2009) admit that *sukuk* structures, including those that revolve around equity participation (*musharakah*), are forms of debt instruments. Consequently, as in the case of bonds, a guaranteed rate of return is predetermined for the *sukuk*-holder, although the money value of the returns is not. This kind of pricing mechanism is tantamount to *riba* (interest). In this way, the very foundation of the *shari'ah* financing principle, namely avoidance of debt and thereby *riba* effect has been accepted fully in Islamic finance.

The problem of discerning the appropriateness of many secondary instruments, particularly the mobilization of *sukuk* around other secondary instruments, is caused by the religious interpretive homework (called *fatawa*) of AAOIFI's *shari'ah* rulings (*fiqh*). The resulting ethical gap can be read in Mohamad, Yusoff and Qassar's (2009) description of such independently existing contracts on debt instruments. This problem in complementing together financing instruments is due to the overwhelming legal nature (*'uqud*) of participation on rates and ownership between financial partners, as opposed to the market-orientation in determining the share of returns along with legal controls. A pressing issue is this: How does pricing futures determine the fair price that would be acceptable to the *shari'ah* on deferred goods and returns?

Examples of financing instruments in this case are *murabaha* (cost-plus mark-up pricing) *mudarabah* (profit-sharing) *ijara* (rental) and *salam* (forward credit). *Murabaha* is a questionable Islamic financing instrument because of its mark-up rate, which is not linked with market exchange as the endogenous determinant of value. This kind of rate setting causes unfair burden on distressed clients who are driven to *murabaha* as their final financial resort. *Murabaha* is riddled by the non-commensurateness problem of measured risk and non-estimable profit factors in the rate setting that remains independent of market mechanism, an endogenous valuation process.

Likewise, *mudarabah* is also not a purely cooperative contract between owners and workers. Payments to partners, as by valuation of time allocation in joint venture, are not included. Profit-sharing rates are simply determined by capital allocation ratios, not including the value of time-allocation and the dynamic entrepreneurial value-performance in the total participatory resource allocation and sharing contract.⁴

The critical evaluation of business ethics in Islamic practices presently and traditionally rests upon the understanding of the nature of such disjoint contracts. No mature idea has been contributed to study the dynamics of the *shari'ah* (Choudhury, 2011) premising business ethicality as endogenous social ethics in the light of the *Tawhidi* organic epistemic precept of unity of knowledge. This point has been explained in reference to the understanding and application of social ethics of business in the emergent ethico-economic literature.

The Islamic instruments of financing have always been treated as disjointly separate legal contracts. Recent ideas of pooled financing funds following the general ethico-economic precept of financing business for the attainment of wellbeing (Choudhury, Mufeedhul A., 2009), have not entered the Islamic ways of financing business.

Consequently, the wellbeing of the very poor, and attainment of sustainability within the global ethical context of the Islamic (*Tawhidi*) worldview of unity of knowledge, as explained in terms of participative and complementary circular causation relations, have not been understood, conceptualized, or applied by the Islamic banking and financing entities. A study by Meera & Larbani (2006) points out the failure in Islamic economics and finance to understand and apply the objective criterion of the *shari'ah* that is the *maqasid as-shari'ah* in society through the function of money interrelated with the real economy in respect of the good things of life and the participatory financing instruments.

⁴ Total resource allocation $R = K + E + T$, with K as capital allocation, E as entrepreneurship, T is time (as in the case of the asset-less partner). Profit-sharing rate for the partner, $r_i = (K_i/K) * \pi$, where i denotes the partner; and hence his corresponding shares of the variables as shown with R . π denotes total profits in the usual kind of *mudarabah* venture. But truly the sharing rate ought to be $r_i^* = (R_i/R) * \pi$.

Say that $i = 1$ brings along E and T , $i = 2$ brings along only K_2 . Then profit-share for $i=1$ is, $\rho_1 = (K_1 + E_1 + T_1) / [(K_1 + E_1 + T_1) + K_2] * \pi = (1 - r_2^*) * \pi$, where, $r_2^* = K_2 / (K_1 + E_1 + T_1 + K_2)$. Clearly now $r_1^* > r_1$.

Besides, for increasing *mudarabah* sharing ratio of $i=1$ we note, $d\rho_1/dK_1 = (1 - r_2^*) * (d\pi/dK_1) > 0$, with given r_2^* . Thus, increasing profit-sharing occurs with increasing contribution of K_1 to total profits, as increasing *mudarabah* contract for $i=1$ gets re-contracted. Such kinds of *mudarabah* contracts are more market friendly and ethically fair, as labor can ultimately attain equal share with the owners by increasing their contribution of K_1 .

The paper by Haniffa and Hudaib (2007) brings out several of the critical observations in their empirical study of *communicated* against *ideal* categories of identities exhibited by a cross-section of Islamic banks in the Arab Gulf region. While the authors point out the ideal identities of the *shari'ah* against which the communicated identities are evaluated by an ethical index based on content analysis, they find a great variation on the degree of performance on each of the dimensions of sociality and ideal Islamic values. It is most interesting to note from the paper that in accordance with the arguments launched in our paper, Haniffa and Hudaib find no consistency on ethical reporting by the cross-section of Islamic banks surveyed. Most critically, the reported area of charity (*zakah* and *sadaqah*) remains markedly weak in the intended social performance according to ideals. The authors emphatically write (p. 111): "We further found the largest incongruence between the communicated and ideal ethical identities to be under four dimensions: commitments to society, their vision and mission, contribution and management of *zakah*, charity and benevolent loans; and information about top management. The findings are surprising because IBs as social and economic institutions are expected to communicate more on those dimensions to reflect accountability and justice not only to society, but also ultimately to God."

Yet the nature and contribution of our paper is different from Haniffa and Hudaib's. The major difference is the way that the social ethical index is evaluated and explained. We explain the social ethical index of business by means of circular causation to explain pervasive organic learning dynamics under the *Tawhidi* episteme of unity of knowledge. The contrary approach is to use the linear and segmented ethical index as done by Haniffa and Hudaib. In this case, it is not enough to evaluate performance separately, for instance on the value of *zakat* (Islamic tax on wealth) and charity, and their social impacts. The high performance on *zakat* and charity can be due to the high amount of *murabaha* (mark-up hire-purchase financing), whose wealth effect overwhelms total IB-financing. Yet *murabaha* remains a suspect Islamic financing instrument. Some scholars have argued that *murabaha*-based markup is tantamount to *riba* (interest), being both a non-risk sharing financing instrument, and the mark-up rate being determined by LIBOR rate (Saleem, 2006) having no endogenous market relationship. Consequently a positive relationship, which would increase the linear ethical index measures on *zakat* and *murabaha* financing, contradicts the Islamic identity based on sheer *ideal*. Contrarily, circular causality – a complex ethical phenomenon – is an essential aspect of social ethical valuation. Haniffa and Hudaib's linearly averaged ethical index by segmented categories cannot explain causality.

Another paper by Rice (1999) delineates the domain of Islamic ethics in business as an ideology. The author notes the principle of *Tawhid* (oneness of God) but does not explain the *dynamics* of *Tawhid* as methodology appearing in the form of social learning in unity of knowledge and the world-system comprising business domain as embedded in religion, economics, finance, society and science (Choudhury, 1993).

Besides, the filtering principle referred to by Rice as taken from Chapra (1992) is a neoclassical idea, as of altruism for the ethically filtered good in exchange

(Arrow, 1972). In this kind of treatment of ethical filtering, no dynamics of ethical change is invoked, as it would otherwise be caused by dynamic preference formation and production menus of buyers and sellers, respectively. Thus the ethical filtering is assumed to exist terminally and automatically, as opposed to the idea of social transformation progressively achieved by the socio-ethical learning *process*. Contrarily, our paper is on modeling social ethicality as learning *process*. It is rendered through organic learning in the epistemic sense of social transformation in unity of knowledge by discourse (*Shura* in the *Qur'an*), complementarities and participation arising from a moral-social reconstruction of imperfect ethical state into simulated phases of a learned evolution towards a social business ethical environment.

The overall inference on business social ethics and the emergent relevance of evolutionary epistemology for mainstream and the heterodox Islamic cases

Mainstream model of business social ethics in the evolutionary learning space

In the new literature, the theme of social ethicality of business has been covered. The edited book by Laszlo Zsolnai (2002a) is fully devoted to this theme. Within the business social ethical issues, corporate social responsibility has been covered in the context of sustainable development (Tencati, 2002). Here sustainability is given the meaning almost identical to the way social ethics has been defined above in relation to the evolutionary nature of ethics, and thereby, its moral foundations in absolutist and relativist nature of learning fields of knowledge. Zsolnai (2002b) points out that evaluation of the ethical quality of market exchange in the social ethical context ought to involve an integrated study of social, ecological, political, cultural, and furthermore, economic and financial domains. Sustainability in the evolutionary ethical context means continuity of organic learning over knowledge, time and space dimensions in the framework of the epistemic unity as causal interrelations between good things of life (Choudhury, 2009).

Once again, the definition of social ethics in such a case coincides with our teleological definition embracing evolutionary learning in reference to the epistemic oneness of knowledge, space, and time dimensions. It further extends to the intertemporal deontology of business social ethics to evolve a sustainable future of the good society.⁵ But such an approach to the study of social ethics, which in this paper is devolved on to the ethical firm, is a new though non-traditional approach, particularly led by the non-utilitarian school. Much of business ethics studied in the literature and practiced by the firms is still of the neoclassical type. Ethics is thereby implied exogenously, rather than being learnt endogenously by participative dynamics.

⁵ Primavesi writes (op cit, p. 12, edited): "The overarching co-evolutionary perspective.... Tries to take account of the multiple environments within which that perspective had evolved. It relies on us (i.e. business) seeing ourselves as members of biological communities structurally coupled with diverse environments through time space (in our evolutionary case more broadly knowledge, time and space dimensions)."

Islamic model of business social ethics in the evolutionary learning space

The general-system idea of global ethics generated by inter-relating the attributes of mercy, forgiveness, love, justice, fairness and compassion in the Islamic socio-scientific order (Choudhury, 2008) has not entered the understanding of social ethics. Metwally (1997) for example, formalizes the utility function and optimal distribution of money resource of a Muslim consumer between worldly artefacts and the Hereafter for salvation. This kind of formalization fails to understand the non-diminishing nature of the utility function, which is referred to in our case as the wellbeing function. Metwally thus treats worldly goods and worship-goods as commodity substitutes. Such formalism fails to implicate the important *Tawhidi* (Islamic) attribute of complementarities as the sign of unity of knowledge between these two categories of goods.

In such a case of pervasive complementarities between the good things of life there cannot exist the traditional method of maximization of the utility function subject to its budget constraint. Besides, the Islamic precept of non-existence of substitutes between the good things of life and the Hereafter negates the existence of a well-defined Islamic utility function. Consequently, the emergent Islamic business ethics theory has not risen above its problematic acceptance of neoclassical economic conception and application. The understanding, formalism and application of social ethics in business has thus remained absent in Islamic business, economics and finance theories.

Methodology: towards developing the evolutionary learning type business social ethics models, mainstream case***From shareholder model to stakeholder model of the firm in the social ethical context***

Indeed, the field of finance that governs business life is entrenched in a neoclassical theory of decision-making. Soppe (2002) points out that in such a model the managers of business organization pursue the goal of producing optimal cash-flows. The discounted sum of such cash-flows optimizes shareholders' wealth.

None of the social ethical orientations in the study of business organization decision-making provides an evolutionary understanding in learning fields of polity (i.e. organizational)-market exchange interrelations. Such other social ethical theories of the business organization are based on models of virtue-ethics. Virtue-ethics configures ethicality in terms of human understanding of underlying moral laws, rules and principles. The example in this regard is the idea of human sentient underlying moral sentiments and the market place with good organizational behaviour and proper choices. Such was the theme of Adam Smith (eds. D.D. Raphael & A.L. Macfie, 1984) with regards to human values and the market exchange principle.

Deontological ethicality forms another kind of the model of business organization. In this case, duty-bound conduct of shareholders forms the universal

principle of ethical behaviour. A deontological stimulation in a stakeholder model is different from that in a shareholder model. A stakeholder model with wider representation is a more universal model of industrial democracy than a shareholder model made up of managers serving the interest of principal shareholders on profit-maximization and power and directives of an enterprise.

The neoclassical economic view of wealth and profit maximization prevails in the shareholder model, but not necessarily so in the stakeholder model. The stakeholder model suggests that trust between stakeholders, and between business, firm and society is a powerful social lubricant (Feiwei on Arrow, 1987). Hence, a goal of common wellbeing exists in the stakeholder model with business social ethics. The simulation of such a model requires a discursive process of decision-making towards social reconstruction. The emergent mutual co-operation, as Jones (1995) argues, is an instrumental approach to stakeholder cooperative model. Such a cooperative model reduces transaction cost and sharpens the power of trust as social lubricant in business dealings.

In spite of the instrumental discursive model of trust generated by cooperation between stakeholders, a stakeholder model remains a virtue-ethics approach and a teleological approach (goal oriented). Any duty-bound (deontological) element is subsumed in the relationship between duty and virtue.

Consequently, the emergent stakeholder model cannot well-define the meaning, implications, and practicality of social ethics. The ethical foundation of stakeholder model is then not premised on social ethics as an evolutionary organism that otherwise emerges from synergy between interacting moral elements. The above issues on the stakeholder model of business social ethics are covered well by O'Higgins (2002).

Mainstream case: corporate social responsibility and business social ethics

Emergent issues of deep business ethicality are to be found in the social precepts of corporate social responsibility, good corporate governance, and stakeholder approaches to valuation of the firm. Good corporate governance causes decreasing transaction cost by virtue of business transparency and disclosure. These are attributes of responsible business practices that are gained through a discursive medium and decentralization of participation between stakeholders. As a result, the idea of corporate social responsibility is harnessed in a wider participatory stakeholder model to decide on issues of social ethics to govern business attitude and practices. Choudhury and Harahap (2007) and Choudhury and Hoque (2006) make these points in regards to decreasing transaction cost of good corporate governance in participatory decision-making involving business and society. The social participative nature of Islamic business environment is brought out by Choudhury and Harahap (2009).

Yet businesses are not altogether devoid of increasing costs if the discursive and synergetic organic relations are not maintained in an extended version of stakeholder model with good corporate responsibility and moral conscience of corporate social responsibility. This point means that altruism is workable only if ethicality

complements efficiency, specialization and profitability in business. This view also presents a principal-agent social contract in the wider sense of the stakeholder model involving the various interactive domains, beyond simply being a business organization that corporate social responsibility implicates. Kaptein and Wempe (2002) bring out these points, but in doing so, the authors' arguments are inadvertently premised on a neoclassical environment of substitution rather than on the pervasive inter-systemic and inter-variable complementarities that essentially characterize the participative form of social ethicality in the wider socioeconomic implication of the stakeholder model.

By our systemic definition of social ethics derived from other major sources of the literature, goals of efficiency, specialization, profitability and social ethics can form strong bonds of business productivity through the social trust, goodwill and customer confidence. Examples of such businesses have been noted in the literature on blue ocean strategy mentioned earlier.

The emergent social ethics idea of learning by interaction, integration and creative evolution (IIE-learning process) according to the *Tawhidi* episteme of unity of knowledge that we have pointed out earlier as the premise of our definition of business social ethics is notably well expounded by Lozano (2000, 2002). In effective language Lozano writes (2002, p. 167): "Knowledge is the key resource, one that is linked to people and their learning processes, and the most suitable paradigm for understanding organizations is no longer the factory or the hierarchical bureaucracy but networks."

Mainstream case: evolutionary dynamics of business social ethics

In the light of the IIE-learning process, evolutionary dynamics is inherent in the essential meaning of social ethics both for the relativist and absolutist understanding of ethics in mainstream and Islamic cases. Evolutionary ethical dynamics here involve a continuous circularity between the following essential characteristics of business decision-making: Firstly, the various encompassing sub-systems in which business is embedded generate interaction between the intra- and inter- systemic representative variables and their relations and entities, as in Johannessen's (1998) characterization of business as organization. Secondly, interactions lead into patterns of integrated relationships between the variables. We refer to this stage as that of integration. But in the general case of positivistic evaluation of business, both for mainstream and Islamic cases, either the intra- and inter- systemic variables show socially differentiated relations, or they exhibit an important behaviour of unification, that is participation (complementarities) between them.

Yet in every case, the social interactions leading to social integration mark temporary (i.e. evolutionary) equilibriums in the interrelationships between the variables (Grandmont, 1989). In learning domains, social interactions lead into discursive consensus (integrations), which is followed by the third social stage, namely the evolutionary stage. Such temporary equilibrium variables feed into the objective criterion of the business firm as an organization that sustains itself in the midst of learning. Learning explained by the emergent process model of business

social ethics represents the essential ethical behaviour signified by interaction, integration and evolution (IIE). The process-continuums in learning behaviour are simulated by circular causation (earlier footnoted) between the choice variables.

Mainstream case: other models of the simulation type in evolutionary learning fields of business social ethics

We have so far presented the methodological properties of most business and management models of social ethics. In this regard we have referred to Herbert Spencer's epistemological *magnum opus*. Johannessen's (1998) contribution delineates business as evolutionary organization. Shakun's (1988) cybernetic model can be adopted to study complexity arising from evolutionary ethical business as social organization.

Jackson's (1992) management unitary model is an example of a circular causation model that can be used in studying evolutionary business social ethics.⁶ Luhmann (1986) uses Habermas' heuristic approach to study complex behaviour in organization. This approach can be applied to study business social ethics. The idea of universal (global) ethics is embodied in the Report of the Commission on Global Governance (1995). While businesses play a substantive role in globalization, the idea of global ethics can be seen to comprise ethical business actions in the social and Islamic contexts as well.

Methodology: towards developing the evolutionary learning type business social ethics models, Islamic case as heterodox case

In the light of the critical study of business social ethics according to various models that we have examined, the Islamic contributions remain to be evaluated. We ask the question: Where does the study of business social ethics in Islamic perspectives stand in the midst of the various comparative theories and contributions made in the area of business social ethics? There have been only a few contributions in the area of Islamic business ethics, and those too remain confined to the area of Islamic banking. Almost nothing has been contributed on the nature of business social ethics beyond a cursory examination of the classical attributes of the Islamic Law (*shari'ah*) and its ambivalent implication.

The study and practice of social ethicality in business is practically absent in the literature on Islamic business ethics. Islamic businesses, markedly Islamic banks and financial companies (insurance, development organization e.g. the Islamic Development Bank), are found to be centered on the mainstream neoclassical treatment and practice of financial matters and resource allocation. Consequently, all

⁶ Jackson writes (op cit, p. 27): "... it is reasonable to suggest that there are two aspects of problem contexts that might have a particularly important effect on the character of the problems found within them. These two aspects are the nature of the system(s) in which the problems are located and the nature of the relationship between the participants. These are two key variables that, as they change in character, would seem to result in qualitative changes in problem contexts, affecting the problems therein and thereby demanding a significant reorientation."

the utilitarian ethical standards have entered Islamic banking and finance lock, stock, and barrel.

The above noted absence of a systemic study of business social ethics in the Islamic case abounds despite the current progress in the new literature. For instance, the edited book by Laszlo Zsolnai (2002a) is fully devoted to this theme of systemic learning models of business social ethics. Within the business social ethical issues, corporate social responsibility has been covered in the context of sustainable development (Tencati, 2002). Here sustainability is given the meaning almost identical to the way social ethics has been defined above in relation to the evolutionary nature of ethics, and thereby, its moral foundations in absolutist and relativist nature of learning fields of knowledge. Zsolnai points out that evaluation of the ethical quality of market exchange in the social ethical context ought to involve an integrated study of social, ecological, political, cultural, and furthermore, economic and financial domains (Choudhury, 2009).

Islamic banking and business social ethics: a critique on evidential grounds

Consequently, in the Islamic case we note that most studies in Islamic ethics and business – including those focusing on Islamic banks – have treated business social ethics in isolation of its epistemological meaning based on the precept of the moral law. Ethics by and large has a meaning premised on humanistic social behaviour. Thereby, ethics by itself as humanistic behaviour of social responsibility can be formed by the common desire of goals such as, profit-making, competition, and axioms of scarcity of resources. Such is the case of the static version of economic theory.

Within such a gamut of business functions, the understanding of the relationship between interest rates and intertemporal resource allocation, resource mobilization and distributive equity, and thereby pricing and valuation of assets, remains absent. Today, if one were to ask Islamic bank managers regarding their selection of methods of valuation and profitability of assets and investments, the answer would be the present-value and internal-rate-of-return techniques. This is a grave misunderstanding of the pricing of intertemporal resource allocation in the absence of interest rate or anything like it as discounting. Even though the future markets for certain kinds of exchangeable remain absent and unknown, nonetheless, discount pricing is carried out by Islamic banks. The ethical consequences are either over-valuation or under-valuation of assets as exchangeable over time. Such valuation methods adversely distort prices, and thereby suppress market information. The end result is an unfair pricing mechanism in intertemporal allocation of resources.

Empirical evidences regarding ethics in Islamic business

Our observation on the absence of understanding and functioning of social ethics in Islamic business – as ought to be emergent from the Islamic episteme – can be further studied in reference to empirical evidences and inferences drawn from data on modes of Islamic bank financing. In such assessment we use the unique circular

causation empirical approach that suggests how ethical values as ordinal ranks-as-weights can be entered into the circular causation system of relations between the variables for the ethical valuation and evaluation of social wellbeing realized by Islamic financing.

The principle of complementarities that emanates from the epistemic worldview of unity between diversity is brought up directly into the circular causation relations by way of pervasive complementarities between the *shari'ah* variables and goals. Such an empirical perspective of social modelling is contributed by our set of studies (Choudhury, 2006), though the model is not expounded in this paper in the empirical version. Rather, it is explained in the theoretical version with respect to the study of business social ethics with endogenous system relations. Such a model and argumentation cannot be found in the received literature in Islamic economics, finance and business.

Research futures on business social ethics

The present state of research on and understanding of the theme of business social ethics is by and large weak in its analytical form both in mainstream and Islamic economics and finance literature. The traditional treatment of social ethics is carried out in the old methodology and models that treat ethics exogenously in their theories and methodology. Consequently, the endogenous social embedding of business as learning organizations is a niche in the budding literature.

Here too the Islamic equivalence to an epistemic way of studying the *maqasid as-shari'ah* in relationship to methodology and the business world-system is almost totally absent. This direction of study forms the heterodox content in contrast to both mainstream and existing Islamic methods without a methodology. To come out of this intellectual vacuum the future methodology and models of the endogenous business social ethics in action would require an interconnected learning and practice by appropriate research directions, programs and policies. While central bank research units exist, as in the case of the Islamic Research and Training Institute of the Islamic Development Bank, the *Shari'ah* Department of Bank Indonesia, and the think tank called INCEIF of the Central Bank of Malaysia, etc. there is scope for the new research program to be launched linking fresh epistemological inquiry on methodological perspectives that connect with practice. Fresh epistemological investigation in both the mainstream field and the Islamic business, economics and finance are required to study and apply ideas to the organically unified and embedded business organizations in a participatory, complementary, and evolutionary learning environment. Such an epistemological outlook bears the meaning of *Tawhidi* unity of knowledge in and across systems.

Conclusion

The study of business social ethics in the budding literature on learning social dynamics opens up a fresh examination of certain heterodox epistemological questions of such ethics in relation to business and society. Neither in the traditional

mainstream approach nor in the Islamic approach the study of business social ethics by learning systems as a methodological development has appeared significantly.

However, the new literature on business social ethics has started to expand in this latter field. This has espoused its own epistemological methodology of learning organizational systems interconnecting business and society, and with new behavioural perspectives of decision-making. In the absence of an evolutionary learning methodological model of business social ethics that was explained in this paper, the true nature of an interactive world leading to integration and evolutionary learning dynamics cannot be known. Thereby many behavioural, organizational and policy and program implications of business and society interrelations cannot be studied in a robust way.

In this light, the emergent paradigm of business ethics in the literature belongs to the field of social ethics. The study of social ethics in business involves a vastly interactive, integrative and evolutionary (IIE) field of inquiry using the general-system approach premised on the *Tawhidi* episteme of unity of knowledge by participation and complementarities between the variables, their relations and the network of agencies. Such an epistemic premise guides behaviour, structural change, and normative social reconstruction of preferences and enterprise practices vis-à-vis markets, economy and society at large. In conceptualizing such understanding and implementation of business social ethics, the general-system model assumes analytical formalism. We call such formalism as the ethico-economic organic learning by circular causation relations for simulating the wellbeing criterion in *Tawhidi* unity of knowledge.

While the above-mentioned formalism studied in this paper in respect of business social ethics transcends a narrow view by a generalized socio-scientific worldview, yet in the Islamic banking practices as an ethical diversity, as an example, the methodology and understanding of evolutionary learning organizational systems remains non-existent. It has therefore been argued in this paper from the Islamic perspective of fundamental epistemological worldview of *Tawhidi* unity of knowledge, that Islamic scholarship and business enterprises have been unable to look at models of asset valuation with embedded social ethical issues. Among such models is the business stakeholder model with business social ethics existing in an overarching way of endogenously learning organic interrelations - as explained by the circular causation relations generated by participation and complementarities between variables and entities interconnecting business and the social order.

Consequently, no proven empirical test of ethicality in traditional mainstream literature and the future of Islamic business social ethics exist under its prevalent dissociated understanding and practice of *shari'ah* compliance. The essential Islamic worldview of business social ethics as pronounced by the *maqasid as-shari'ah* is nowhere in sight. Consequently, no challenging contribution has been made by intellection in Islamic ethics either to conceptualization or practice of social ethics as otherwise found in mainstream intellection on this topic.

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ПРИРОДА СОЦИАЛЬНОЙ ЭТИКИ БИЗНЕСА В НЕОРТОДОКСАЛЬНОМ ЭПИСТЕМОЛОГИЧЕСКОМ МИРОВОЗЗРЕНИИ

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Аннотация. Модель общей системы является процессно-ориентированным обучением в динамике и между комплексными взаимосвязанными заказами. В рамках такой модели общей системы находятся конкретные области, то есть органические и эндогенно циркулярно-взаимосвязанные между экономикой, финансовой, и деловой мировой системы. Социальная этика бизнеса или общественно-деловая этичность выделяется в качестве проблемы эпистемологического жанра. Это соединяет циркулярно-взаимосвязанные подсистемы и представляет их поведенческие предпочтения и переменные пояснительной образом.

Постановка новой аналитики в сравнительной перспективе между основной и исламской экономики, финансами и бизнесом мировой системы в соответствии с их различными моральными и этическими эпистемами является целью данной работы. Истинное эпистемологическое направление системного понимания социальной этики бизнеса открыто для концептуальных и прикладных исследований.

Сравнительное исследование морали и этики, характеризующее социальную этичность встроенных организационного и делового миров с гуманитарным и социальным сознанием принадлежит обобщенным эпистемологическим предпосылкам единства знания. Но этот методологический подход занимает особый характер в исламском мировоззрении в моральном и этическом понимании в мейнстриме теории бизнес-этики. Возникающих методология тем самым обретает неортодоксальную эпистемологическую природу.

Исламская неортодоксальность имеет отличительную особенность, заключающуюся в значимости природы, заменяет рационализм индивидуальных поведенческих агрегаций этическими предпочтениями в социальной этичности бизнеса, как и утилитарные модели. В ней побочные агрегации фальсифицируются интерактивными, интегративный и эволюционный характер обучения социальной этичности устанавливается в качестве единой исламской эпистемы. Бизнес и организации становятся встроенными в этику в качестве общих сил, исходящих из эпистемологического единства знания. Таким образом, этика происходит от эпистемологического единства и играет собственную роль во всеобъемлющей социальной структуре таких учреждений. Индивидуальная этика и социальная этика причинно взаимосвязаны в социальной реконструкции бизнеса и организации развитием в соответствии с эпистемологическим единством. Этот универсальное

эпистемологическое мировоззрение остается в действии в этико-социальной реконструкции.

Представлен обширный критический обзор литературы как для основного и исламского примера вопреки возникающему моральному восстановлению социальной этичности бизнеса и организации. Установлено, что эпистемологический подход единства знания объясняет социальную этичность организации бизнеса с точки зрения системного мировоззрения. Такая перспектива не всегда понимается в традиционной теории деловой этики. Следовательно, теория социальной этики бизнеса становится недостаточно или же присутствуют другие системные смысл. Социальный бизнес выражает всеобъемлющую этику в бизнесе и организационном поведении.

Центр и цель этой работы состоит в развитии исламского неортодоксальной эпистемологической теории социальной этики и указывает на ее внутреннюю динамику и возможности применения. Такая задача осуществляется на контрасте между основной и преобладающей исламской неортодоксальной теории перспективы, понимание, и проведение деловой этики на эпистемологических основаниях.

Ключевые слова: социальная этика бизнеса; поведенческие этико-экономическая и финансовая теории, исламская бизнес-этика; основная бизнес-этика; эпистемология.