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## Islamic Values and Corporate Social Responsibility in a Food Supply Chain

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### ABSTRACT

**Background:** Rapid economic growth has risen the conflicts between economic prosperity and ethical business conduct. In the race to gain profits, many corporations have neglected society and environmental issues, leading to failure in promoting sustainable development. Despite the growing importance of corporate social responsibility (CSR) practice in the food supply chain, little work has been carried out to explain the insights of adopting such practice from the perspective of Islam. **Objective:** This study aims to investigate the Islamic parameters that are integrated in the CSR of a food supply chain. **Results:** The teaching of Islam in CSR go further than the minimum standards highlighted in the Western society. It appears to be wider in scope and has a clear codification defining what is permissible or 'halal' and what is forbidden or 'haram'. Islam also has an explicit enforcement mechanism in the 'Shariah' as well as in community enforcement and the final sanction of the accountability of the individual for unethical behaviour on the Day of Judgement. **Conclusion:** This study offers a framework of CSR of food supply chains based on 'Shariah' principles, which is expected to fulfill the objective of addressing some of the shortcomings in both Western and Islamic literature of CSR

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## INTRODUCTION

Evolving consumer awareness on emerging social and environmental issues such as animal welfare practices, food safety, and sustainable farming practice presents new challenges for food manufacturers. Consumer criticism of perceived corporate social responsibility (CSR) deficiencies can be extremely detrimental to corporate profitability and market share. Beyond the sensitivity of customers, various stakeholders including shareholders, non-governmental organisations (NGOs), public authorities and trade unions are also showing an increasing interest in these issues. Starbucks for instance, was targeted by NGOs for not providing fair trade prices to coffee suppliers (Maloni and Brown 2006). Firms may therefore find it more prudent to integrate CSR standards into their daily supply chain operations to maintain their industry competitiveness.

While the relationship between CSR and food supply chain is well articulated in the literature (Wiese and Toporowski 2013; Maloni and Brown 2006), very little is known about the practice and understanding of CSR of food supply chains from the perspective of Islam. The impact of religion on political, socio-cultural and economic structures of a country is not uniform. The concept of Islam in CSR specifically emerged as a relatively new notion from two main sources – Quran (Islam's holy book) and the documented deeds of the Prophet Muhammad (Sunnah). The integration of Islamic values such as aqidah (belief and faith) ibadah (worship) and akhlaq (morality and ethics) in business areas would facilitate in instilling good management practice such as truthfulness, fairness, kindness, and uprightness (Hassan 2010). With growing Muslim population around the globe, it is anticipated that large number of consumers expects certain behavioural practices by organisations. The number of the Islamic followers was expected to increase from 1.84 billion in 2007 to 1.97 billion in 2010, making it one of the leading religions globally (Zailani *et al.*., 2011). Most of them reside in the 57 member countries of the Organization of the Islamic Countries (OIC), mainly located in the Middle East, Africa and South East Asia in which Islam serves as the dominant and national religion.

Motivated by the gaps identified above, this paper aims to provide an understanding and insights of CSR practice in food supply chains from the view of Islam using Maloni and Brown's framework (2006). This study provides platforms of reference for more effective managerial-decision making and could potentially assist

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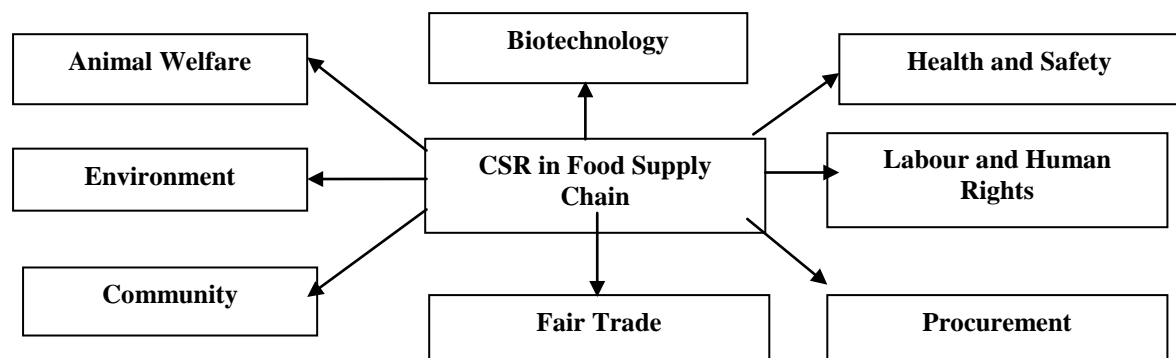
public sector institutions in shaping business strategy and allocating resources for the growth of the local industry.

### **Csr Practice In Food Supply Chains:**

CSR is defined as a concept whereby firms may be held socially and ethically accountable by an array of stakeholders which include customers, employees, governments, communities, NGOs, investors, suppliers, unions and regulators (Wiese and Toporowski 2013). Firms embrace on CSR practice for a variety of reasons. To skeptics, CSR has a negative impact on wealth creation (Clement-Jones 2005; Murray 2005), while some business leaders characterise the concept as essential business operations and opportunity to look beyond narrow economic returns (Jackson and Nelson 2004). Yet, research in strategic literature contends that as firms integrate CSR exercise with economic strategies, positive gains can be realised through cost savings from resource reduction and efficiency as well as revenue generation from improved stakeholder relations and brand image (Hart 1995).

Nevertheless, the applications of CSR to the supply chains have only emerged in the last 15 years, with a slow adoption process. Until recently, both theory and practice within supply chain management area has focused on issues such as integration of activities and processes across supply chain partners, cost efficiency and customer service. Yet, with the increased outsourcing of activities across globe, specifically to developing countries, growing concerns on societal and environmental impacts of production and consumption led to renewed interest in CSR. Almost concurrently, this concept has been put forward by NGOs, government and multilateral institutions as a step in limiting the negative impact of firms' production on society and environment. The United Nations for example, has established the "Global Compact" which comprises a set of principles that should be abided by firms aiming at achieving CSR (Miyun and Singer 2012).

In the context of food industry, CSR practice is pertinent as failure to implement such exercise could potentially lead to food safety issues. Since food covers basic human needs, people have strong views on what they eat leading to a set of complex and broader requirement of quality attributes encompassing the manner in which products are produced (e.g. organic production and animal welfare concern) and the make-up of products (e.g. pesticide residues). The escalating developments in agricultural and food technology such as irradiation and genetic-modification are also viewed as the cause of great consumer concerns on CSR issues (Pachico and Wolf, 2002). According to Maloni and Brown (2006), there are eight areas of responsibility that need to be considered in a food supply chain, which include animal welfare, biotechnology, environment, fair trade, health and safety, labour and human rights, procurement and community.



**Fig. 1:** Maloni and Brown's (2006) model

Animal welfare refers to humane approaches in handling, housing, transporting and slaughtering animals. The second element, biotechnology is defined as the used of biological processed to make useful products in which DNA from various organism are cultured, cloned, tested and stimulated for growth to be applied to plants and animals (Gosling 1996). Various benefits are associated with this process. To the developing world specifically, the benefits of genetically modified food concern on food availability, nutrition and economic advantage (Curtis *et al.*, 2004). Health and safety issues concern on how food are processed, transported and stored along the chain. The characteristics of food which are perishable and sensitive to temperature require a time-efficient supply chain and continuous monitoring throughout the network. Inconsiderate actions of another actor in the chain may lead to degrade product quality and food safety issue such as listeria and e-coli (Kelepouris *et al.*, 2007). The occurrence of extended storage duration and abusive storage conditions further result in microbial development in products (Soosay 2008). The fourth element- environment refers to issues such as manure disposal, soil and water damage, deforestation and chemical used (e.g. fertilisers, pesticides). Other environment factors may address problems such as food miles (distance traveled from farm to consumer leading to fuel consumption and global warming issues). Consumers concern about the impact of food industry

operations on environment has led the emergence of organic food products, which are generally characterized by use of sustainable farming practice and limited use of chemicals in the farming process. Similar to apparel manufacturing industry, the food sector is also potentially being exposed to labour and human rights issues. Food supplies involve manual strenuous and dangerous agricultural labour work. Pesticides poisoning, limited worker training on farm chemicals and inadequate field sanitation are among safety issues related to labour and human rights (Martin 1991). Labour problems in the food industry are also stemmed from low wages. Despite the significant industry growth, income levels among farmers and agricultural workers have remained stagnant, with 75% of world farm workers live in poverty (Maloni and Brown 2006). Beyond wage issues, research also indicates that agriculture has the largest child labour force, with many children work alongside their families in the field (Zeytinoglu *et al*;. 2004). The community dimension represents a broad set of activities that provide support for the local people (Maloni and Brown 2006). These activities include educational support, economic development, job training, employees volunteering, healthcare and housing. A bulk of these efforts revolved primarily around financial donations. Various ethical issues emerge in the procurement process. These include favoritism and preferential treatment, bribery, gifts, obscure contract terms, allowing personalities to influence buying decisions and showing partiality to suppliers (Carter *et al*;. 2000). Fair trade concerns that food retailer should support prices to the suppliers that allow these suppliers to not only avoid poverty but also to sustain business longevity (Maloni and Brown 2006).

The Maloni and Brown's model (2006) offers an expansive framework of CSR issues in the food supply chain by combining both the ethics as well as purchasing social responsibility and logistics social responsibility literature. The model provides a basis by which food operators can gain immediate awareness of CSR issues. While this model does provide insights, it only focuses on CSR issues in food supply chain from the perspective of Western without considering the religious aspects of Muslims. In Muslim countries specifically, Islamic teaching serves as the foundation of society and thus, may have a dominant influence on CSR practice in food supply chain. This conceptual paper therefore helps bridging the knowledge gaps by employing the Maloni and Brown (2006) model to provide understanding of CSR practice in food supply chain from the perspective of Islam.

#### ***Csr In Food Supply Chains And Islamic Concept:***

Central to the idea of Islam in CSR practice of food supply chain is the concept of 'halal' itself, which originates from an Arabic world and could be defined as permissible by 'Sharia' laws. The word 'halal' is commonly associated with 'halal' food which refers to food that is permitted under the Islamic teachings. Nevertheless, 'halal' is not only dealing with food but all aspect of activities by Muslims. Therefore 'halal' itself is a system which should be observed by food operators. Islam renders business activities not only for material enhancement, but more importantly it should also lead to social justice and spiritual growth (Gambling and Karim 1991; Abeng 1997). An Islamic market is characterised by norms that concern both parties –buyers and sellers. Business contracts and commercial transactions that do not incorporating certain ethical discipline and elements would be considered as lacking perfection in the light of the code of manners and decency (Mohamed 2007). In contrast with the conventional approach which highlights CSR as a way for corporations to enhance their goodwill or boosting their financial performance, as well as to legitimise in society, such exercise in Islam encompasses a broader meaning in which corporations have roles and responsibilities as vicegerents in all situations. They are ultimately responsible to God as well as the resources they are utilising and managing. The responsibility that they carried out symbolises their trust from God. Guided by this principle, a person's daily communications and transactions as well as business activities and operations are therefore would be inspired by the values of truthfulness, tolerance, firmness and fairness (Hassan 2010). In Islam, CSR is perceived as moral and religious initiative based on the belief that a firm should practice good management regardless of financial consequences. Nevertheless, this is not to suggest that Islam is against profit-making. Instead, the invocation of Islamic principle in business implies that the corporation is no longer driven solely by profit maximization, *yet al*;so by the pursuit of ultimate happiness in life and the hereafter. Moreover, the Islamic principles with its commitment to justice bring about a balance between the rights of individuals and their duties as well as responsibilities towards others (Parvez, 2000). The following sections highlight how Islamic values are integrated within the CSR practice of food supply chain based on the Maloni and Brown's model (2006).

#### ***Animal welfare:***

In pursuit of efficiency and economies of scale, industrial farming has been introduced to many developing countries, particularly those in Asia and Latin America. Under the industrial farming approach, majority of the animal products are supplied by intensive confinement systems, without lights and with little and no exercise, denying animals the opportunity to live in a way suited to the normal behavior of their species. They are also pushed beyond their physiological limits to produce ever-greater numbers of eggs, gallons of milk, and pounds of flesh. Moreover, the surroundings of industrial farms could be dirty and poorly ventilated, raising issue on

animal health. Despite that the industrial farming approach could help the local industry to reduce costs, this practice is against the principles of Islamic values.

Animal welfare in Islam emphasises on the kind treatment of animals particularly those that are bred for consumption. Islam concerns with how the animals are raised and fed as well as treated during transportation and slaughtering. In Islam, animals have their rights. Imprisoning a bird in cages without any purpose for instance is considered abominable. Mistreating an animal is considered a sin. Islamic teaching forbids cruelty treatment of animals, which include being reared in confinement intensive conditions, since this will compromise welfare of animals and deprive them from the basic need such as exercise and fresh air (Rahman and Aidaros 2012). Notwithstanding this, food operators are also prevented from selling animals which are strangled or violently blown, fallen or gored to death or partly eaten by a wild animal (Al-Nahdi *et al*; 2009). The process of animal slaughtering should be quick, humane and relatively painless death for the animal. The World Organisation of Animal Health (OIE) international standards produced as 2005 are found to be compatible with Shariah guidelines, as it calls for the protection of animals against cruel practices and make specific provisions for humane slaughter.

### **Biotechnology:**

The genetically modified (GM) food could offer new opportunities in agriculture and food production since it presents new ways to improve crop, fish or livestock characteristics. GM food has also been altered genetically in order to improve well balance nutrients. In most developing countries, in which food availability becomes a significant issue, GM food is seen as method to continuously feed the people. Despite the potential benefits, some scholars argue that GM food have led to ethical and religious concerns, particularly from the perspective of Islam (Mohd Safian 2005; Anas *et al*; 2013).

Tampering with nature and changing God's creation to create another invented creation is a sin in Islam. Islam treated man as vicegerent and trustee of God's resources. As a vicegerent, man is assigned to manage and utilise them for living purposes in the best way. Therefore, while God forbids unnecessary changes of His creation, such alteration that falls under the category as essential is permissible. For instance, if the genetic engineering is performed as a measure taken to reduce reliance on pesticides and herbicides, which could be harmful to environment, such act is permissible and is consistent with the 'Shariah' guideline as it promotes welfare and prevents harmful effects to environment. In this regard, the biotechnology research is seen as 'ibadah' (act or worship), and a means of better living which should be promoted by man, as a vicegerent and trustee of God's resources.

The religion places a set of 'halal' dietary laws which should be abided by the Islamic followers. Muslims are also prohibited from consuming animals that are classified as carnivores and predatory birds such as dogs, tigers, owls and hawks. Amphibians (i.e. crocodiles, frogs, and turtles), undesirable insects (i.e. worms, flies, cockroaches) and poisonous animals (i.e. rats, snakes, centipedes and scorpions) are also parts of the outlawed foods in Islam (Wan Hassan and Awang, 2009). In line with this, the use of genetic engineering to transfer cell or genes of forbidden food such as pig's protein to 'halal' animal or plants is forbidden. Therefore, in this regards, there is a strong need for labelling, whereby the manufacturer should be more responsible by not letting the consumers end up consuming food without being acknowledge that it contains GM ingredients.

### **Health and Safety:**

In Islam 'halal' food encompasses cleanliness and hygiene as in food preparation, since God sanctions only hygienic and safe products for consumption. The reasons for prohibitions of certain animal product for human consumption are due to health implications. For instance Muslims are forbidden to eat carrion and dead animals since the process leads to the formation of chemicals harmful to the human body. Blood that is drained from an animal contains dangerous bacteria and toxins, which are harmful to human metabolism and development (Ambali and Bakar 2013). Likewise, milk is a complete food rich in protein, calcium and vitamins A and B. This natural and provisional advantage is only possible to be derived from lawful animals when they are alive. Moreover, the Islamic slaughtering method is believed to lead to complete bleed-out of the animal whereby consumers believe less bacterial contamination can occur, hence resulting in healthier meat (Bonne & Verbeke, 2006).

'Halal' concept in Islam is not only referred to the food itself, yet 'halal' compliance emphasis on various aspect of personal food operator's body cleanliness, clothing, equipment and working premises for processing or manufacturing foods and drinks. Thus, food product that prepared in accordance to the 'halal' requirements are ensured to be safe and does not cause harmful effects to consumers. In an effort to guarantee health and safety issues are addressed, the producers therefore should take necessary steps to comply with Good Manufacturing Practice (GMP) and Good Hygiene Practice (GHP) supported by 'halal' prescriptions laid down by the 'Halal' Certification Body. The credence characteristics of the products become very important to consumers, in which consumers have to rely on the operators to assure that the commodity is 'halal' since some of the attributes

cannot be validated by the consumers even after experiencing the product, yielding potential quality uncertainty during the pre-purchasing stage (Andersen, 1994).

#### **Environment:**

The food industry is associated with various environmental issues which include manure disposal, soil and water damage, deforestation and chemical used (e.g. fertilizers, pesticides) (Fox 1997). Other environment factors may address problems such as food miles (distance traveled from farm to consumer leading to fuel consumption and global warming issues). Consumers concern about the impact of food industry operations on environment has led the emergence sustainable farming practice and limited use of chemicals in the farming process (Maloni and Brown 2006). In a world of pollution, deforestation, climate change and desertification, environmental concerns are often forgotten in favour of economic benefits.

Within the context of Islam, a man's interaction with nature must not merely aim at taking advantage of it but must also contribute to the persistent move of all beings towards perfection. This implies that whenever materials and lands are used, they need to be done in the best way to ensure that those resources are changed to a better shape. Destructing or contaminating the environment in Islam is seen as an act that would hinder man's journey to heavenly world and prohibit his passing from the inanimate level of nature to the inner depth of the phenomenal world. Protecting an environment in Islam, not only confine to perfection process of the resources consumed, they also include non-excessive consumption, which could lead to wastage (Aminzadeh, 2013). In this essence, food manufacturer are required to ensure that in producing products, they must employ a good plan for environmental development and sustainability, which could facilitates in maintaining balance in nature created by God.

#### **Labour and Human Rights:**

The underlying tenets of labour and human issues focus on the way people are treated in the workplace and on remuneration and equal treatment. Within the food production industry, most farmers and agricultural workers are exposed to farm chemicals which raises safety issue. Notwithstanding this, they are also being oppressed by low wages, forcing them to live in poverty. These common exercises which are practiced in the industry are against the principles of Islam. According to the religion principle, slavery is prohibited, and work is treated as a contract in which a benefit must be provided in return and only people who have reached puberty can enter into such contract, making child labour inconformity with the Islamic values (Zinkins and Williams 2006). Workers' treatment, benefits and job scope should also be stipulated in the contract to avoid any uncertainty. Islam regards hiring workers for unspecified work as potentially unfair.

In Islam, defending the human rights of any human being is a religious duty for a Muslim, who believes that any oppression is an obstruction of God's will and plan in His creation. Moreover, a Muslim believes that God has created all mankind equal as human beings, and no one can claim superiority in this respect, whatever his/her ethnicity, family, wealth or gender may be. Islam encourages and promotes the spirit of love and brotherhood which places responsibility of the employer to take care of the welfare and betterment of his employees. Fair wages, good working conditions and suitable workplace should be granted to the workers. Central to this tenet, it is a duty to maintain human rights and to practice equality in the process. Any discrimination against any individual or group about their basic rights as members of humanity is a challenge to the faith of believers, since for any human to claim superiority based on origin or power is contradictory to the belief of Islamic practice.

#### **Community:**

The community which represents a broad set of activities that revolved around financial donations to provide support for people is also highlighted in the Islamic teaching. The payment of 'zakat' for instance, which refers to the contribution of a proportion of wealth to be distributed to the poor and needy makes it clear that Muslims are expected to provide a minimum social safety net to fellow believers (Muwazir *et al*;. 2006). This approach is used as an instrument to facilitate the balancing of a country's economy, hence the poor and needy could have a better life, and may escape from the poverty trap (Omar 1999). The 'zakat' is payable on business revenues and assets at the rate of 2.5 per cent (Ahmad Nadzri *et al*;. 2012). Differs from conventional tax, 'zakat' is perceived by Muslims as a means of 'purifications' and not merely as obligations, in which it promotes sharing of wealth and eliminates greediness (Sulaiman, 2003).

Muslim followers believe that the more they give to others in sincerity, the more they will get in returns. Therefore, the idea suggests that as food manufacturers or producers, their engagement in business activities are not only to create own wealth, yet the income generated must be used to support and help the needy.

#### **Fair Trade:**

The relaxation of trade barriers has brought enormous economic benefits and prosperity to many. Nevertheless, small-scale farmers, especially those that depend on single crop plantation, are struggling in a

market controlled by large multinational firms. Owing to this situation, many of them have few options for generating an income and many live in poverty often unable to meet even their most basic needs. Islam is not silent on issues of fair trade and trade justice. Indeed, Islamic teachings have set up high moral standards, ethics, values and norms of behaviour to govern the buying and selling activities.

In Islam, prices must be ascertained fairly and price fixing is discouraged (Zinkin and Williams 2006). This is because rise and fall in the prices are linked to various factors other than the greediness of the traders and fixing the prices may endanger both public and private interests. Notwithstanding this, the religion also declares monopolistic business as unlawful since it leads to exploitation, interfere the workings of free market and encourage price manipulation (Al-Qaradawi, 1985). Trading based on uncertainty is also forbid since this will place one party at disadvantage position (Zinkin and Williams 2006). For instance, selling dry fruits whose quantity and weight is known for fresh fruits that are still on the trees is disallowed. Since the fair trade approach is centred on fairness, equity and justice, it seems that the principles of fair trade and the teachings of Islam are entirely congruent. From an Islamic perspective, there are indeed strong and clear faith-based reasons for supporting fair trade initiatives. By encouraging fair trade, Muslims could assure that producers, specifically farmers receive a fair price which guarantee their living income and help them escape from poverty.

#### **Procurement:**

Procurement is the single most important source of bribery and corruptions in any firms. This business processes remains a great mystery to the public since it is shrouded in secrecy. Bribery, gift-giving and entertainment have been and often used as a mechanism to induce purchasing personnel to favour particular suppliers, rather than guided solely based on factors such as price, quality and delivery (Arkingstall, 1994; Forker and Janson 1990). Within the context of Islam, the religion views corruption as totally unacceptable, since it manifested unequal treatment. By giving or accepting bribery, we are being unfair to the person who and community that are harmed by such acts. Islam further urges firms to employ transparency in procurement activities. For example, clear written contracts are required for business transactions.

#### **Discussion And Conclusion:**

This paper adapts Maloni and Brown's model (2006) in its attempt to explain the concept of Islamic teaching and practice relating to CSR in food supply chains context. The study demonstrates that Islam as a universal religion promotes human relations, justice, kindness and harmony among society. The concept of CSR from Islamic perspective arise in the light of the Al-Quran and hadith, which provide evidence that a rich vein of a notion similar to social responsibility has been an integral part of Islamic values and teachings. Islam recognised that being responsible in business is more important than gaining profits from business activities. Trading activities must be conducted fairly and labours must be treated humanely. Under the principle of Islam as well, poor and unfortunate people are protected. The prohibition on certain types of food businesses (e.g. alcohol) and enforcement of certain guideline on food handling processes (e.g. animal welfare, GMO) come from the concern to protect health and life. It is clear that the teachings of Islam in CSR not only appears to be in close conformity with principles highlighted in the Maloni and Brown's model (2006), yet in many respects go further than the minimum standards adopted by this framework. In particular Islam exceeds the requirements of the model in a number of important ways. First, it appears to be wider in scope, for example in the development of human capital and in the transparency requirements in business transactions. Second, it has a clear codification defining what is permissible or 'halal' and what is forbidden or 'haram'. Third, Islam has an explicit enforcement mechanism in the 'Shariah' as well as in community enforcement and the final sanction of the accountability of the individual for unethical behaviour on the Day of Judgement.

The challenge remains how to provide food products that could meet the CSR exercise from the perspective both of Muslim and non-Muslim consumers. The exclusion of Islamic elements in practicing CSR in food supply chains may lead to the alienation of the commodities produced among the religious conservative families and individuals, contributing to the negative effect. Islam influences the decision-making of Muslim consumers, in which it determines choices of food products. The escalating numbers of Muslim population, their growing purchasing power and the present greater awareness on Islamic values create a need for the food industry to start considering exercising CSR within the context of Muslims' views. There have already been fragmented examples of supply chain CSR issues from the perspective of Islam at various levels in the food industry. At a corporate level for instance, there has been an increased in complaints of invalid and dubious 'halal' logo, misleading consumers to believe that the food served conforms to Muslim dietary laws (Zailani *et al*;. 2010; Norman *et al*;. 2008). There is a scope for consultation with religious figures as well as local communities, concerning the formulation of codes of conduct in line with Islamic teachings. The development of CSR in food supply chain could potentially reduce poverty rate and ensure better economic growth.

This study offers a framework of CSR of food supply chains based on 'Shariah' principles, which is expected to fulfil the objective of addressing some of the shortcomings in both Western and Islamic literature of CSR. Current discussion of CSR precludes the possibility of notions of CSR arising from other different value

systems. Nevertheless, the analysis so far focused on the teachings of Islam, with no specific focus on Islamic countries. Yet, as in other ethical systems, there is often a difference between teaching and practice; and it should be acknowledged that the Islamic values do not appear to present in many Islamic countries. This issue highlights the need to conduct future studies incorporating empirical evidence in Islamic countries to supplement this conceptual exploration. The impact of religion on CSR practice of food supply chain should be examined in greater depth by extending the research using surveys, gathered from large sample size, which could help in gaining a wider understanding of this issue.

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