

RESEARCH ARTICLE

Islam, entrepreneurship, and embeddedness

M. Evren Tok¹  | Joseph Jon Kaminski²¹College of Islamic Studies, Hamad Bin Khalifa University, Doha, Qatar²International University of Sarajevo, Sarajevo, Bosnia and Herzegovina

Correspondence

Dr. M. Evren Tok, College of Islamic Studies, Hamad Bin Khalifa University, Education City, CIS Building, Office 022, Doha, Qatar.
Email: etok@hbku.edu.qa

This study centers on the premise that entrepreneurship is an embedded process. Although “the entrepreneur” is inherently an “individual,” entrepreneurship can never be fully disembedded from the more general social settings within which any business venture is situated. An Islamic-based economic discursive framework should be cognizant of the different forms of sociality, spatiality, and community as well as the various norms, codes, and symbols that define society more generally. The work of Karl Polanyi on embeddedness is engaged and juxtaposed with Islam’s understanding of the ideal mode of economic discursive practices. Islamic economic models and Polanyi are both critical of the corrosive effects of unbridled capitalism and individualism that ultimately lead to reification and exploitation. The conclusion recommends more small-N case studies by researchers and entrepreneurial educational materials that emphasize the importance of networks and local embeddedness.

1 | INTRODUCTION

The entrepreneurial process often is primarily analyzed via the lens of individual behaviors, which are then contrasted with the collectivist nature of the very same process (Peterson, 1988; Schwartz, 1990; Shane, Venkataraman, & MacMillan, 1995; Triandis, 1993). However, is the individual necessarily the primary agent in the entrepreneurial process? The answer to this question is both *yes* and *no*. At one level, the entrepreneur is most certainly a rudimentary element in the entrepreneurial process. Diligent individual entrepreneurs often spend a great deal of time seeking out and creating business opportunities (Stevenson, 1983). Entrepreneurial initiatives involve intense preparatory stages that are mentally demanding. Often, these preparatory stages transpire at an individual level prior to the translation of any ideas into more concrete actions.

Obviously, “the individual” responsible for initiating this course is at the center of this process. However, as this process evolves, the individual ultimately connects with other networks of actors that significantly contribute to “the process of entrepreneurial stimulation and learning” (Lamine, 2017, p. 625). It is at this point where the transformative power of entrepreneurship truly reveals its collective nature. This article extends upon this more general claim, arguing that entrepreneurship, especially when conceived of within an Islamic ontology, is a social process that is embedded in multiple realms outside the purview of what is commonly conceived of as the purely economic sphere.

2 | ENTREPRENEURSHIP AS AN EMBEDDED PROCESS

The social embeddedness view of economic and social behavior argues that as civilization moves further along its track of development and modernization, economic transactions become increasingly decoupled from family or kinship relations and more attuned with instrumental rationality (Giddens, 1991). Granovetter (1985) argues that this view “sees the economy as an increasingly separate, differentiated sphere in modern society, with economic transactions defined no longer by the social or kinship obligations of those transacting but by rational calculations of individual gain” (p. 482). However, Granovetter himself still sees social context as an important determinate of economic behavior. He concluded that “actors do not behave or decide as atoms outside a social context, nor do they adhere slavishly to a script written for them by the particular intersection of social categories that they happen to occupy” (1985, p. 487). His neosubstantivist approach sought to find a middle ground between what he considered oversocialized and undersocialized approaches to economic behavior. Granovetter’s (1995) later research on ethnic Chinese entrepreneurs in Southeast Asia empirically demonstrated the importance of kinship networks in ensuring the success of Chinese-run businesses despite being minorities in the countries they were situated within. Ultimately, his work showed that rational economic exchanges were still influenced by prior social ties. The collective nature of economic transactions and entrepreneurship more

generally therefore must be understood as being situated at many different levels.

First and foremost, any type of economic transaction at some level depends on trust. Bennis and Nanus (1985) famously noted that “trust is the lubrication that makes it possible for organizations to work” (p. 43). Even the most impersonal financial transactions made over the Internet, such as those in which one enters their credit card number into a computer, require some level of trust that (a) one’s credit/debit card will be billed properly, (b) the company handling the online transaction will not allow sensitive information to be stolen or hacked, and (c) they will receive their purchase undamaged in a timely and accurate manner.

Over time, all surviving societies ultimately evolved in a way such that implicit agreements had developed among its peoples, underscoring certain norms for behavior and transactions (Arrow, 1974). These agreements all at some level centered around trust. Kroger (2011) argues that the primary locus of trust exists at the interpersonal levels: “Interpersonal trust can thus build on organizational trust, and both of these in turn will typically build on system trust pertaining to the relevant sector of the life-world. However, interpersonal trust is even more essential” (p. 747). Trust networks can therefore be seen as nested within and inextricable from each other (Kroger, 2011; Shapiro, 1987).

Interpersonal and organizational trust are both often predicated on locally embedded actors. Cox and Mair (1988) identified an integral characteristic of place-based actors in their discussion of “local dependence” (p. 307). Local dependence refers to the dependence of various actors (e.g., entrepreneurs) on the reproduction of certain social relations within a particular territory. Cox and Mair’s concept of local dependence draws attention to the way economic actors such as entrepreneurs build their ideas by capitalizing on various forms of embeddedness in their local contexts. For instance, they can benefit from the social embeddedness that corresponds with the social structures that influence and shape the actions of individuals within their respective societies.

It is true that globalization in recent decades has in many ways ushered in a new “deterritorialized” world or one in which both physical and cultural boundaries have been blurred and often transformed altogether by a myriad of forces including mediascapes¹ (Appadurai, 1990) and transnational capitalism (Deleuze & Guattari, 1983).² The notion of a specific “place” fixed in both space and time has been losing relevance as the world becomes a digitized global village. Deterritorialization directly facilitates the process of disembedding social relations in particular societies (Giddens, 1990). Despite these realities, the entrepreneur still *does* have a locality, a place, and a sense of that place even if it is less embedded than in the past. Latteman, Alon, Spigarelli, and Marinova (2017) remind us that even today, “embeddedness is strictly linked to the existence of networks or interlinks” and that “home-country, home-industry, and firm-level characteristics should be considered in relation to the interaction and mutual ‘interference’ with the host environment” (p. 7). Multiple belongings, identities, histories, and bonds can dialectically coexist. In other words, “territory” is not entirely lost in the increasingly deterritorialized, disembedded contemporary entrepreneurial process.

Hess (2004) saw three different dimensions of embeddedness: societal, network, and territorial. Societal or social embeddedness presupposes cultural embeddedness. This type of embeddedness relates to the role of historically established societal, communal, and tribal relations as well as cultural imprints and heritage. In the late 19th century, Ferdinand Tönnies offered the notions of *Gemeinschaft* and *Gesellschaft* as conceptual tools to categorize social relations in modern societies (Kaminski, 2017). *Gemeinschaft* could be understood as a close-knit community based on direct tangible shared norms, values, and interpersonal relations. *Gesellschaft*, on the other hand, could be more aptly understood as a society, rather than a community, that was organized around impersonal roles and formalized rather than internalized shared beliefs and values. On the basic difference between *Gemeinschaft* and *Gesellschaft*, Tönnies notes, “In *Gemeinschaft* they [individuals] stay together in spite of everything that separates them; in *Gesellschaft* they [individuals] remain separate in spite of everything that unites them” (Tönnies, 2001, p. 52).

Another kind of embeddedness is related to networks. Social networks are essential for enabling an entrepreneur to acquire the necessary resources to make his or her endeavor successful (Aldrich & Zimmer, 1986; Jenssen, 2001). This type of embeddedness is related to how actors get involved in networks and includes the institutional and organizational connections that could be utilized by entrepreneurs. Aldrich and Zimmer (1986) argue that “entrepreneurship requires linkages or relations between key components of the process” (p. 3). This all relates to resource dependency theory, which makes the general claim that any business enterprise is dependent upon the cheap and efficient acquisition of a wide array of resources including supply, marketing, and general technological upkeep in order to be successful (Pfeffer & Salancik, 1978; Thompson, 1967). According to Jenssen (2001), “From the resource dependency perspective, an entrepreneur will be successful when he obtains access to and uses the resources that are necessary” (p. 104). As one can see, within the general resource dependency model, entrepreneurs are embedded in numerous different kinds of networks. In fact, this type of embeddedness has significant overlaps with social embeddedness more broadly construed, as some networks are already formed around social bonds. These relationships then themselves facilitate the creation of new forms of embeddedness (McKeever, Anderson, & Jack, 2014; Portes, 1995).

A third type of embeddedness pertains to territory. This type of embeddedness refers to how deeply anchored an actor is in a specific locale. “Economic actors become embedded there in the sense that they absorb, and in some cases become constrained by, the economic activities and social dynamics that already exist in those places” (Hess, 2004, p. 177). For instance, why would entrepreneurs choose to invest in their own “land” when they could pursue other overseas entrepreneurial opportunities? The answer can be quite complex. This question raises the issue of territorial attachment, which Cox and Mair describe as “local dependency.” Local dependency should not be understood as being synonymous with parochialism—it too can be empowering and offer its own unique set of opportunities. This is true for all types of embeddedness. All forms of embeddedness have the possibility of creating new and exciting opportunities if correctly and intelligently applied.

3 | THE EMBEDDEDNESS OF ECONOMIC BEHAVIOR

In his seminal 1944 work, *The Great Transformation*, Karl Polanyi, meticulously engaged with a historical fact that has existed in human society from time immemorial: the need to exchange goods. For thousands of years, humans traded, bartered, bought, sold, and consumed goods according to their needs. Human societies, no matter how traditional or primitive, used their social bonds and relationships within specific culture contexts to engage in one of three activities: redistribution, reciprocity, and householding. The advent of the market economy transformed the previous totality of social relations because “instead of the economy being embedded in social relations, social relations are embedded in the economic system” (Polanyi, 2001 [1944], p. 60).

In *The Great Transformation*, Polanyi offers a critical examination of the form of industrial capitalism that originated in England in the early part of the 19th century. He emphasized the dehumanizing cultural consequences of the free-market system. The self-regulating market meant the “disembedding” of economic relations from the social sphere (Hess, 2004). This process facilitated “cultural alienation among workers and owners,” which left “society and the natural environment without protection” (Baum, 1996, p. 4). The idea of cultural alienation and reification was present in the thought of many Marxist and Frankfurt School scholars of the early 20th century.

In its simplest definition, reification can be understood as the transformation of a subject into an object. Max Weber (2006) resigned himself to the fact that reification was “the fate of our times”—times that he “characterized by rationalization and intellectualization and, above all, by the ‘disenchantment of the world’” (p. 302). While Hegel hinted at these ideas in his *Phenomenology of Mind*, or in his analysis of property in *Philosophy of Right*, Karl Marx is credited with first explicitly introducing the concept of reification:

In capital–profit, or still better capital–interest, land–rent, labor–wages, in this economic trinity represented as the connection between the component parts of value and wealth in general and its sources, we have the complete mystification of the capitalist mode of production, the conversion of social relations into things, the direct coalescence of the material production relations with their historical and social determination. (Marx & Engels, 1988, p. 577)

Marx’s discussion about “the conversion of social relations into things” (Marx, 1981, p. 67) is often seen as one of the earliest formulations of reification as understood in its contemporary context. By the 1920s, Axel Honneth (2012) argued that:

Social relationships increasingly reflected a climate of cold, calculating purposefulness; artisans’ loving care for their creations appeared to have given way to an attitude of mere instrumental command; and even the subject’s innermost experiences seemed to be infused with the icy breath of calculating compliance. (p. 17)

Honneth credits Georg Lukács with being the first person to explicitly introduce the concept of reification into the socio-philosophical vernacular. Lukács greatly expanded on Marx’s earlier points. He claimed that commodity fetishism was a unique and specific problem that could be directly attributed to modern capitalism.

The essence of the commodity-structure has often been pointed out. Its basis is that a relation between people takes on a character of a thing and thus acquires a “phantom objectivity,” an autonomy that seems so strictly rational and all-embracing as to conceal every trace of its fundamental nature: the relation between people. (Lukács, 1971, p. 83)

This process of reification permeates almost every aspect of modern life for Lukács, but especially in the case of commodity/business transactions. Once again turning to Axel Honneth (2012):

Subjects in commodity exchange are mutually urged (a) to perceive given objects solely as “things” that one can potentially make a profit on, (b) to regard each other solely as “objects” of a profitable transaction, and finally (c) to regard their own abilities as nothing but supplemental “resources” in the calculation of profit opportunities. (p. 22)

In the analysis put forth by Honneth, one can see the preeminence of instrumental rationality in its crudest form—the form that ultimately leads to the domination of nature as described by Max Horkheimer and Theodor Adorno (2002) in “Odysseus or Myth and Enlightenment.” This type of domination ultimately leads to oppression and violence while operating under the guise of free markets and Enlightenment liberalism.

Polanyi’s (2001 [1944]) concern was not the market mechanism in and of itself. Distinguishing between a market system and a market society, he was critical of a market economy unconstrained by social intervention and operating according to its own laws of supply and demand. He argued that the 19th-century self-regulating market system was “a stark utopia ... [which] could not exist for any length of time without annihilating the human and natural substance of society” (p. 3). Thus, in reaction to the abstract and homogenizing forces of marketization, society would develop various new ways to reembed economic life in society and nature. In other words, the self-regulating market society was an unrealizable and impossible utopia that would result in the ultimate destruction of society. Since a self-regulating market is not compatible with a sustainable social arrangement, the extension of markets into other domains of the society triggers a countermovement to protect society.

Polanyi was a product of his time—his life spanned both World Wars I and II, and he saw the rapid rise of capitalism (along with Communism and Fascism) on the global stage during his lifetime (Gemici, 2008). In *The Great Transformation*, he comments that “what we are searching for is not a convincing sequence of outstanding events, but an explanation of their trend in terms of human institutions. We shall feel free to dwell on scenes of the past with the sole object of throwing light on matters of the present” (2001, p. 4). He

was very critical of unchecked liberal market economies. His framework posits society as the basic unit of analysis, and he saw great dangers in the commodification process that ultimately disembeds the economy from the society (Tok & O'Bright, 2017). An embedded economy is one in which the market operates within the society, while a disembedded economy is one in which society is subsumed into the market whereby the market sets the rules. This situation favors an elite minority, where economic decisions are made based on instrumental rationality alone without any real sense of social responsibility or obligation to help those marginalized members of society.

4 | RECIPROCITY, REDISTRIBUTION, AND EXCHANGE

In order to offer a clearer picture of how the material means within a society are distributed, Polanyi introduced three forms of integration: reciprocity, redistribution, and exchange. The functioning of these necessitates the existence of symmetry, centrality, and markets, respectively. Polanyi (1957) considered the economy, in its substantive sense, as “an instituted process of interaction between man and his environment, which results in a continuous supply of want satisfying material needs” (p. 248). He goes on to argue that the human economy “is embedded and enmeshed in institutions, economic and noneconomic” (p. 250). For this reason, the inclusion of the noneconomic was vital. What, then, were the elements that were sustaining unity and stability in this substantive understanding of the economy?

For Polanyi, the way the economy is embedded in a given society can be analyzed by looking at the integration of the principles of exchange, redistribution, and reciprocity in the allocation of resources. In a narrow sense, reciprocity refers to movements between correlative points of symmetric groupings (e.g., segmentary kinship groups). Redistribution designates appropriational movements to and from a center (an allocative center linked to the state), while exchange refers to transfers that occur within any functional market system. All three forms of integration may be simultaneously operative, but often one is dominant over the others. Thus, among the three forms of integration today, just as in the 19th century, neoliberal globalization has elevated exchange at the expense of the other two.

In a broader sense, exchange refers to the nonenduring and non-binding relations between anonymous individuals in competitive markets. Redistribution characterizes the role that the state plays in the economy via taxation and government spending. Exchange and redistribution acquire their significance in the formal and legally binding context of market allocation and state intervention. Reciprocity by nature is personal and informal. In general, relations of reciprocity follow the family metaphor in their different manifestations among neighbors, religious or ethnic community members, and even in mafioso-type networks.

This theoretical approach reflects Polanyi's understanding of the 19th-century market economy as a unique and unnatural phenomenon. He approaches the market society as a series of self-regulating markets. To develop this idea, Polanyi makes a qualitative

differentiation between exchange on the one hand, and redistribution and reciprocity on the other. The supporting institutional patterns of redistribution and reciprocity are not only economic in nature; they exist independent of the economic roles they play. The market, on the other hand, is only economic. Thus, when the resource allocation mechanism is totally dependent on self-regulating markets, the economy becomes increasingly disembedded from society because in this setting, the market economy leads to the commodification of land, labor, and money. According to Polanyi (1957), this occurs through intervention and has disruptive effects on the social fabric of society. As a result, exchange cannot be the basis for social integration—it must be supported with the other two forms of integration.

The interrelation among the three forms of integration remains a point of debate today. Yet most agree that the interrelation among the forms of integration and their institutional patterns should not be seen mechanically, as Schaniel and Neale (2000) have suggested. Although each form of integration can function only if it is promoted via a certain institutional structure, the nature of these structures as sociocultural settings will vary across time and place. This is to suggest that relative weights of reciprocity, redistribution, and exchange are subject to variation. This is hardly a controversial point as this general thesis is in accordance with the broader consensus in the literature that posits that even if we theorize self-regulating markets as ideal types in a Polyanian sense, markets can operate only within certain socioeconomic constraints in connection with the other two forms of integration: redistribution and reciprocity.

The dependence of exchange on the other forms of integration leads us to the interrelation among forms of integration. In contrast to Polanyi's analysis, which asserts a clear distinction between the principles of “reciprocity and redistribution” and “exchange,” we propose to see the forms of integration without drawing sharp boundaries between them.

The role of reciprocity is closely related to the other forms. They all co-exist in society in any given period even if they have different weights. According to Polanyi (1977), the forms of integration do not refer to the stages of development, but rather “several subordinate forms may be present alongside the dominant one, which may itself reoccur after a temporary eclipse” (p. 42). What is even more relevant for our purposes is that reciprocity, the dominant form in tribal societies, can manifest itself in various forms in contemporary times as well. Polanyi explicitly recognizes that this type of reciprocity was reintroduced on a larger scale during the 20th century.

Despite Hayek's (1947) general suggestion that society as a whole remains invisible, it is possible to see the disguised nonutilitarian side of society in which social bonds are developed and freedom is limited on a voluntary basis. These relations are not based on contractual relations but on reciprocity and moral obligation. Can such social networks contribute to the contemporary conception double movement? What about the potentially repressive nature of community-based reciprocal relations? To what extent can we expect protection from communitarian institutions? It should be noted that there are two organizing/integrating mechanisms for Polanyi—economic liberalism and social protection. The countermovement of society does not have to be protectionist. The threat to freedom when *The Great Transformation* was written has changed and is still

changing. Society continues to evolve and create new forms of social networks and new bonds and transform existing social institutions to better embed market-based behavior and interactions.

The previous sections have challenged the notion that market economies are driven solely by *homo economicus* or self-interested rational utility maximizers. One must be aware that networks along with other social factors play important roles in determinantal entrepreneurial and economic behavior. This leads us to the question: In which ways can Islamic forms of embeddedness produce social stability and harmony? Polanyi's writings were primarily situated within a secular discourse and ontology. Nonetheless, he still recognized that "religion or a government may be as important for the structure and functioning of the economy ..." (Rosser & Rosser, 1998, p. 217). The next sections focus on the connections between Islam and embeddedness. They will provide insights on how Islam engenders spaces of embeddedness—either societal, territorial, or network based—that eventually help build more sustainable communities.

5 | SYNTHESIZING ISLAM, ENTREPRENEURSHIP, AND EMBEDDEDNESS

Islam is an entrepreneurial religion (Kayed & Hassan, 2010). It promotes risk taking (within certain limits), collaboration, and innovation. One must not forget that the first wife of the Prophet Mohammed (PBUH), Khadija, was famous for her entrepreneurial success. "The renowned ninth-century Arab biographer Ibn Sa'd reported in his *Kitāb al-Ṭabaqāt al-Kubrā* that that Khadija's caravan equaled the caravans of all other traders of the Quraysh tribe put together"³ (Kaminski, 2017, p. 175). Of course, her success was largely predicated on a deep sense of embeddedness at all three levels alluded to by Hess (2004) in the preceding sections.

Social embeddedness within the Islamic context necessitates that entrepreneurs are well informed about the realities and dynamics of their relevant social structures. In a sense, it is a rejection of the tendencies that individualize and disembed entrepreneurship. It is an effort to engage in a style of entrepreneurship that seeks to foster *Gemeinschaft* rather *Gessellschaft*; Islamic entrepreneurs have social/moral objectives in addition to economic ones. Teece (1986) suggests that linking social resources with economic resources is what entrepreneurs should do more often anyway. In order to preserve connections to their social roots and foster more innovative and creative undertakings, entrepreneurs must acknowledge the importance of remaining socially embedded within their communities; they must balance social justice and economic profit. Success for the socially embedded Islamic entrepreneur should not be measured merely via profit margins; rather, success must be evaluated in a more holistic way that considers interpersonal relationships, communities, and social justice more broadly understood (Gümüşay, 2015; Hassan & Hippler, 2014; Kayed & Hassan, 2010).

Islam is above all a way of life (*al-dīn*). Its core principles are enshrined in the *Shari'ah*, which are imbued within all areas of life—both private and public—along with the spiritual and material (Hassan & Hippler, 2014). "Shari'ah literally means a way to the watering place or a path apparently to seek felicity and salvation"

(Kamali, 2008, p. 2). It refers to the entirety of Allah's commandments and is the Divine Path that leads to the Creator for whose worship humans were created. In other words, Muslims serve the purpose of their creation if their lives and actions follow the path that leads them to Allah. These acts of worship bring contentment in both this worldly life (*dunyā*) and in the afterlife (*'ākhīrah*). As Hassan and Lewis (2015) argue, "Islam considers a human being as a servant and vice-regent of God on earth. ... Islam lays great stress on keeping one eye on the material and another on the spiritual" (p. 4). From this perspective, Islamic entrepreneurship, by default, internalizes embeddedness and economic behavior as being dependent on social bonds, communal well-being, and faithfulness. Human beings ought to operate as "bulwarks of embeddedness" against the cold and impersonal forces of the market and instrumental rationality.

When focusing on the nexus of Islam, entrepreneurship, and embeddedness, we must be fully cognizant of the complexity of the relationships that construct this nexus. For instance, when it comes to the distribution of goods and services in an Islamic society, there are inalienable Islamic principles of social conduct that govern the process (Zaman, 2010). The Islamic tradition contains within its primary sources (the *Qur'ān* and the *Sunnah*) higher moral and ethical objectives for its adherents to aspire to, which revolve around communal welfare. The pursuit of wealth is not condemned within Islam. On the contrary, man is expected to be thankful for and enjoy that which is considered lawful and good without any sense of shame or guilt: "O ye who believe! make not unlawful the good things which Allah hath made lawful for you, but commit no excess: for Allah loveth not those given to excess" (Qur'ān 5:87). Islam differs from monastic Christian movements in this regard. Unlike previous monotheistic faith traditions, the default norm in Islam is that all human actions are permissible unless there is a text or revelation prohibiting that action or if an action goes against the public interest (*al-mal-esa*).

In an Islamic economic system, the community is enjoined to adhere to a set of prohibitions and obligations in order to attain economic justice. Kuran (1989) argues that traditionally Islamic economics hinges upon two principles—equality and fairness—and that "of these principles, the first is concerned with the outcome of the economic process, the second with the process" (p. 172). Kamali (2008) builds on this definition by noting that a properly functioning, Shari'ah-compliant Islamic economic system is "the clear path to be followed and the path which the believer has to tread in order to obtain guidance in this world and deliverance in the next" (p. 14). Basic obligations and prohibitions incumbent within an Islamic economic system include tithing a percentage of one's wealth (*zakāt*), specific inheritance laws, and the prohibition of interest (*ribā*) and speculation (*gharar*).

It is the responsibility of the individual as well as the state to ensure that the society should care for its weakest members and that there should be no extravagance in personal consumption or resource allocation. "Justice and fairness is a two-way street in Islam; the state must act justly in economic decisions, but the people must also take personal responsibility for being just and fair themselves" (Kaminski, 2017, p. 201). Entrepreneurship is not divorced from morality; hence, no one should take more than their fair share, and all should be protected from exploitation. These are conditions that Polanyi would

certainly find compatible with his model of a properly regulated market economy.

For a Muslim, the Qurʾān provides believers with divine guidance to live their life: “Verily this Qurʾān doth guide to that which is most right (or stable), and giveth glad tidings to the believers who work deeds of righteousness, that they shall have a magnificent reward” (Qurʾān 17:9). Muslims are expected to live by the commands of the Qurʾān and seek to do what is righteous. As alluded to earlier, Muslims are not discouraged from making profits—one must remember that the Prophet of Islam (PBUH) was also a practicing merchant. However, Islam stresses that profit should be made in lawful ways and should lead to lawful ends.

The Sharīʿah also summarizes the higher ethical objectives that correspond to the most important rights that Islam came to protect in order to serve the public’s interests more generally. These scriptural sources come with values—a set of higher objectives and ethical goals—that honor mankind, restore balance, and promote social justice. Regarding the objectives of the Sharīʿah (*maqāsid al-Sharīʿah*), Muslim scholars such as Al-Ghazali have agreed to five essential principles (*al-ḍarūriyyāt al-khamsah*) that Sharīʿah came to protect:

- Protection of Self (*ḥifẓ al-nafs*)
- Protection of Religion (*ḥifẓ al-dīn*)
- Protection of Intellect (*ḥifẓ al-ʿaql*)
- Protection of Lineage/Family and Honor (*ḥifẓ al-nasl*)
- Protection of Wealth and Property (*ḥifẓ al-māl*) [Correction added on 16 March, after first online publication: the word “ḥrot” has been corrected to “ḥifẓ”.]

While these principles are essential to uphold, they cannot be achieved by immoral means. Tariq Ramadan (2008) notes that the challenge for contemporary Muslims is to remember that “the relationship between higher goals and the means to achieve them, which together must be lawful (*ḥalāl*), requires fundamental reflection about the meaning and objectives of economic activity” (p. 244). This takes us back full circle to Polanyi’s anthropologic work. Since the beginning of recorded human history, traditional market societies existed as part and parcel of whatever societal structures were present in any given community. Social norms and values defined the societal system in place. An embedded economic system would therefore look at a multitude of qualitative social factors to measure its progress and development, such as social relations, trust, harmony, social welfare, and the equitable distribution of wealth.

An excellent example illustrating this from early Islamic history would be the interaction between the Makkan migrants and the native denizens of Madīnah immediately following the *hijrah*. When the Makkan Muslims initially migrated to Madīnah, they came with almost nothing, having fled for their lives to be able to worship freely away from the abuse and threats of the Makkan idol worshippers. One of the first things the Prophet (PBUH) did while he was a political figure in Madīnah was to pair each Makkan migrant (*muhājir*) with a native Madīnian helper (*ansār*) (Watt, 1956). It was an effort to foster embeddedness and community—it was a way for *those who have* to help *those who have not*. Apart from strengthening the bonds of brotherhood among Muslims, it also served as an equalizer and helped create a pool of common resources.

Zaman (2010) differentiated between a community and a commonwealth: The former is united by common goals, while the latter is a collection of individuals pursuing separate goals but living together under common rules. One can see the obvious similarities between Zaman’s “community vs. commonwealth” and Tönnies *Gemeinschaft vs. Gessellschaft* distinctions. According to Hayek (1947) and others like him who favor a labor market, Malthusian theory would have argued against taking the Makkans in and feeding them because “that would aggravate the problem of poverty by creating even more poor” (Malthus, cited by Zaman, 2010, p. 137). This is the end result of an unregulated and immoral economy—the poor are blamed for their miserable lot in life and then are forced to accept meager wages while serving and benefiting the wealthy. Taking advantage of another’s misfortune to make a profit is unlawful and immoral (*ḥarām*) [Correction added on 16 March, after first online publication: the word “ḥweal” has been corrected to “ḥarām”].

This helps account for the unequivocal prohibition of *ribā* in Sharīʿah. According to the Qurʾān:

Those who devour usury will not stand except as stands one whom the Evil One by his touch hath driven to madness. That is because they say: “Trade is like usury,” but Allah hath permitted trade and forbidden usury. Those who after receiving direction from their Lord, desist, shall be pardoned for the past; their case is for Allah (to judge); but those who repeat (the offence) are companions of the Fire: they will abide therein (forever). (2:275)

According to Ghoul (2011), *ribā* leads to an exploitation of another individual’s need, while also promoting unproductivity and inequitable distribution of wealth. The prohibition of *ribā* is the strongest when it comes to the protection of wealth and property (*ḥifẓ al-māl*)—the fifth objective of the Sharīʿah—as previously mentioned. The other prohibitions as related to financial transactions include deceit (*ghabn*), speculation (*gharar*), and any transaction that leads to unlawful ends such as purchasing grapes (lawful) for the eventual manufacture of alcohol (unlawful) [Correction added on 16 March, after first online publication: the word “ḥope” has been corrected to “ḥifẓ”].

Outside of these four prohibitions, the Sharīʿah’s financial regulations seek to preserve wealth by engendering the following:

- Ease, clarity, and convenience of trade
- Engaging in real economic activities; the exchange of material commodities
- Striking a balance between the rights of the individual and those of the public
- Justice and fair distribution of wealth
- Observance of social responsibility and welfare of the less fortunate

The aforementioned are all features of an Islamic moral economy. The Qurʾān clearly states in the following verse what Allah intends for mankind in the way they seek their livelihood:

Is it they who would portion out the Mercy of thy Lord? It is We who portion out between them their

livelihood in the life of this world: and We raise some of them above others in ranks, so that some may command work from others. But the Mercy of thy Lord is better than the (wealth) which they amass. (Qur'an 43:32)

Allah has favored some people with more wealth and opportunities than others, yet the purpose of that wealth is to trade and use for the greater benefit of society—it is not to be stingy or oppressive. No matter how wealthy a person is, the Qur'an makes it clear that no amount of material wealth will buy one a ticket in to paradise in the afterlife: "Woe to every (kind of) scandal-monger and backbiter, Who pileth up wealth and layeth it by, Thinking that his wealth would make him last forever!" (104:1–3). Muslims believe that one's provisions (*rizq*) and livelihood are apportioned by Allah to all His creation; therefore, one can only get one's share. Islam mandates upon those who have been blessed with wealth to purify their wealth and themselves by giving in charity.

The best investment is that which helps the poor and the needy: "For those who give in Charity, men and women, and loan to Allah a Beautiful Loan, it shall be increased manifold (to their credit), and they shall have (besides) a liberal reward" (Qur'an 57:18). Unregulated market economies often find themselves at odds with certain fundamental principles of the Shari'ah. Unbridled markets have led to overspending and overconsumption. However, the answer for many of these economic challenges lies in an ethical value-based system that the Shari'ah has come to promote and protect. Muslims are expected to utilize the market in order to better serve mankind and promote worldly economic justice.

6 | CONCLUSION

This article offers an alternative moral perspective to some of the more commonly held conceptualizations of entrepreneurship by focusing on the nexus of Islam and entrepreneurship, with special attention focused on the role of Islam as a religious discourse. Gümüsay (2015) comments that the Islamic entrepreneurial perspective "is a complex and contested concept based on three interlinking pillars: the entrepreneurial, socio-economic/ethical and religio-spiritual" (p. 206). Understanding the interaction of these pillars is critical for understanding the process of modernization in the Muslim world more generally today. Distilling the complexities related to how markets are embedded in social and cultural structures is a useful way to evaluate the hazards of modernization while at the same time helping to preserve customs and identity.

This study primarily sought to highlight the important links between Islam, the embeddedness of economic behavior, and moral entrepreneurial practices. It is important to note that we are interested in the construction of moral economies in the 21st century and how these moral economies are produced and reproduced via the way Islam and entrepreneurialism interact via embeddedness. Our goal in this article was to go beyond merely looking for Islamic entrepreneurial models and modalities that are "disembedded for the notion of embeddedness."

We call for more interdisciplinary engagement among scholars that focuses on micro- and meso-level phenomena regarding the moral bases of entrepreneurship. It would be very difficult to deconstruct the complex nature of these relationships without in-depth, well-designed smaller-*N* mixed method or qualitative case studies on this topic. Large-*N* research projects that are designed in a wholly quantitative manner run the risk of missing out on the nuances of local embeddedness and entrepreneurial practices that could be uncovered in smaller-*N* studies (King, Keohane, & Verba, 1994; Rueschemeyer, 1994). Rueschemeyer (1994) attests to the importance and value of small-*N* research, commenting that:

... while any explanation requires theoretical premises, the study of single historical cases can do much more than merely generate initial hypotheses. It not only can develop new theoretical ideas, but it can also put them to the test and use the results in the explanation of new outcomes. (p. 307)

Local embeddedness and entrepreneurial practices should be seen as enduring processes rather than specific events that can be understood at a fixed point in space and time. As a result, this type of research program much better lends itself to qualitative and mixed methods research approaches (King et al., 1994). The task at hand for future researchers is to conduct more applied studies on how local embeddedness and entrepreneurial practices can ultimately translate into innovative approaches to entrepreneurship education, training materials, and other pedagogies. The inclusion of noneconomic variables that embed economic behavior necessitates a deconstructing and reconstructing of the relationship between moral values and the role of the community, social institutions, economy, markets, and entrepreneurship.

Before any real-world progress can be made in this regard, entrepreneurial education programs and entrepreneurs themselves must first be aware of the powerful role local networks and embeddedness play in economic transactions. Educational materials in the Muslim world ought to engage with the powerful work of people like Granovetter and Polanyi, who demonstrated the importance of embeddedness and bring these ideas to life within an Islamic context. In an increasingly global world, entrepreneurial education programs must remind their students that, much like how "all politics is local," so too are a variety of business transactions and entrepreneurial opportunities. Therefore, educators and managers alike should start their endeavors by focusing on the importance of local contexts in fostering entrepreneurship. Instead of looking far and wide for resources and networks, entrepreneurs ought to first look to their communities and local business leaders. It is also important to remind entrepreneurs that one does not have to necessarily be "the best of friends" with everyone that could potentially be a part of their local network—as Granovetter (1973) reminds us, often it is the weak ties that bind.

NOTES

¹Mediascapes for Appadurai (1990) "refer both to the distribution of the electronic capabilities to produce and disseminate information

(newspapers, magazines, television stations, film production studios, etc.) which are now available to a growing number of private and public interests throughout the world; and to the image of the world created by these media" (pp. 298–299).

²Deleuze and Guattari (1983) saw great dangers in the deterritorialization of the world in the sense that it facilitated in new forms of oppression and domination that often "divides the earth as an object and subjects men to the new imperial inscription, to the new full body, to the new socius" (p. 195). Appadurai (1990) saw deterritorialization as facilitating in the spread of radicalism in the developing world, most specifically in Hindu and Islamic societies that were, on the one hand, finally in meaningful contact with the Western world via mediascapes, which on the other hand made these societies more cognizant than ever of their own exploitation and mistreatment. He argues that these new mediascapes "provide the material for new ideoscapes [constellations of ideas] in which ethnic conflicts can begin to erupt" (p. 302).

³See, Ibn Sa'd, M. (1995). *Tabaqat* (Vol. 8). "The Women of Madina," translated by Aisha Bewley. London, England: Ta-Ha.

ORCID

M. Evren Tok  <http://orcid.org/0000-0003-0702-9757>

REFERENCES

- Aldrich, H., & Zimmer, C. (1986). Entrepreneurship through social networks. In R. Smilor & D. Sexton (Eds.), *The art and science of entrepreneurial management* (pp. 3–23). New York, NY: Ballinger.
- Appadurai, A. (1990). Disjuncture and difference in the global cultural economy. *Theory, Culture & Society*, 7(2–3), 295–310.
- Arrow, K. (1974). *The limits of organization*. New York, NY: Norton.
- Baum, G. (1996). *Karl Polanyi on ethics and economics*. Montreal, Quebec, Canada: McGill-Queens University Press.
- Bennis, W., & Nanus, B. (1985). *Leaders: Strategies for taking charge*. New York, NY: Harper & Row.
- Cox, K., & Mair, A. (1988). Locality and community in the politics of local economic development. *Annals of the Association of American Geographers*, 78(2), 307–325.
- Deleuze, G., & Guattari, F. (1983). *Anti-Oedipus: Capitalism and schizophrenia*. R. Hurley, M. Seem, & H. Lane (Eds. and Trans.). Minneapolis: University of Minnesota Press.
- Gemici, K. (2008). Karl Polanyi and the antinomies of embeddedness. *Socio-Economic Review*, 6, 5–33.
- Ghoul, W. A. (2011). Islam and entrepreneurship. In L.-P. Dana (Ed.), *World encyclopedia of entrepreneurship* (pp. 269–280). Cheltenham, England: Edward Elgar.
- Giddens, A. (1990). *The consequences of modernity*. Cambridge, England: Polity Press.
- Giddens, A. (1991). *Modernity and self-identity: Self and society in the late modern age*. Palo Alto, CA: Stanford University Press.
- Granovetter, M. (1973). The strength of weak ties. *American Journal of Sociology*, 78(6), 1360–1380.
- Granovetter, M. (1985). Economic action and social structure: The problem of embeddedness. *American Journal of Sociology*, 91(3), 481–510.
- Granovetter, M. (1995). The economic sociology of firms and entrepreneurs. In A. Portes (Ed.), *The economic sociology of immigration: Essays in networks, ethnicity, and entrepreneurship* (pp. 128–165). New York, NY: Russell Sage Foundation.
- Gümüşay, A. (2015). Entrepreneurship from an Islamic perspective. *Journal of Business Ethics*, 130(1), 199–208.
- Hassan, M. K., & Lewis, M. K. (eds), *The Handbook of Islamic Banking* (pp. 38–48). Cheltenham, UK and Northampton, MA, USA: Edward Elgar.
- Hassan, M. K., & Hippler, W. (2014). Entrepreneurship and Islam: An overview. *Econ Journal Watch*, 11(2), 170–178.
- Hayek, F. A. (1947). *Individualism and economic order*. Chicago, IL: University of Chicago Press.
- Hess, M. (2004). "Spatial" relationships? Towards a reconceptualization of embeddedness. *Progress in Human Geography*, 28(2), 165–186.
- Honneth, A. (2012). In M. Jay (Ed.), *Reification: A new look at an old idea*. New York, NY: Oxford.
- Horkheimer, M., & Adorno, T. W. (2002). *Dialectic of enlightenment*. Palo Alto, CA: Stanford University Press.
- Jenssen, J. I. (2001). Social networks, resources and entrepreneurship. *International Journal of Entrepreneurship and Innovation*, 2(2), 103–109.
- Kamali, M. H. (2008). *Shari'ah law: An introduction*. Oxford, England: Oneworld.
- Kaminski, J. (2017). *The contemporary Islamic governed state: A reconceptualization*. New York, NY: Palgrave.
- Kayed, R. N., & Hassan, M. K. (2010). *Islamic entrepreneurship*. London, England: Routledge.
- King, G., Keohane, R., & Verba, S. (1994). *Designing social inquiry: Scientific inference in qualitative research*. Princeton, NJ: Princeton University Press.
- Kroger, F. (2011). Trusting organizations: The institutionalization of trust in interorganizational relationships. *Organization*, 19(6), 743–763.
- Kuran, T. (1989). On the notion of economic justice in contemporary Islamic thought. *International Journal of Middle East Studies*, 21(2), 171–191.
- Lamine, W. (2017). The social network and entrepreneurial process: A sociotechnical approach. *Thunderbird International Business Review*, 59(5), 623–633. <https://doi.org/10.1002/tie.21907>
- Lattermann, C., Alon, I., Spigarelli, F., & Marinova, S. T. (2017). Dynamic embeddedness in Chinese firm internationalization. *Thunderbird International Business Review*, 59(4), 547–559. <https://doi.org/10.1002/tie.21898>
- Lukács, G. (1971). *History and class consciousness*. Cambridge, MA: MIT Press.
- Marx, K. (1981). *Capital, vol. 1: A critique of political economy*. London New York, N.Y: Penguin Books.
- Marx, K., & Engels, F. (1988). *Capital, vol. 3: The process of capitalist production as a whole*. Buccaneer Books.
- McKeever, E., Anderson, A., & Jack, S. (2014). Social embeddedness in entrepreneurship research: The importance of context and community. In E. Chell & M. Karatas-Ozkan (Eds.), *Handbook of research on small business and entrepreneurship* (pp. 222–235). London, England: Edward Elgar.
- Peterson, R. (1988). Understanding and encouraging entrepreneurship internationally. *Journal of Small Business Management*, 26(2), 1–7.
- Pfeffer, J., & Salancik, G. R. (1978). *The external control of organizations*. New York, NY: Harper & Row.
- Polanyi, K. (1957). The place of economies in societies. In K. Polanyi, C. Arnesberg, & H. Pearson (Eds.), *Trade and market in the early empires* (pp. 239–270). Chicago, IL: Henry Regnery.
- Polanyi, K. (1977). *Livelihood of man*. New York, NY: Academic Press.
- Polanyi, K. (2001 [1944]). *The great transformation: The political and economic origins of our time*. Boston, MA: Beacon Press.
- Portes, A. (1995). *The sociology of immigration: Essays on networks, ethnicity, and entrepreneurship*. New York, NY: Russell Sage Foundation.
- Ramadan, T. (2008). *Radical reform: Islamic ethics and liberation*. New York, NY: Oxford University Press.
- Rosser, B. J., & Rosser, M. V. (1998). Islamic and NeoConfucian perspectives on the new traditional economy. *Eastern Economic Journal*, 24(2), 217–227.
- Rueschemeyer, D. (2003). Can one or a few cases yield theoretical gain? In J. Mahoney & D. Rueschemeyer (Eds.), *Comparative historical analysis in the social sciences* (pp. 305–336). Cambridge, England: Cambridge University Press.
- Schaniel, W. S., & Neale, W. (2000). Karl Polanyi's forms of integration as ways of mapping. *Journal of Economic Issues*, 34(1), 89–104.
- Schwartz, S. H. (1990). Individualism-collectivism: Critique and proposed refinements. *Journal of Cross-Cultural Psychology*, 21(2), 139–157.
- Shane, S., Venkataraman, S., & MacMillan, I. (1995). Cultural values and the championing process. *Journal of Management*, 21(5), 931–952.
- Shapiro, S. (1987). The social control of impersonal trust. *American Journal of Sociology*, 93(3), 623–658.
- Stevenson, H. (1983). *A perspective on entrepreneurship (Background Note 384–131)*. Boston, MA: Harvard Business Publishing.

- Teece, D. J. (1986). Profiting from technological innovation: Implications for integration, collaboration, licensing, and public policy. *Research Policy*, 15(6), 285–305.
- Thompson, J. (1967). *Organizations in action*. New York, NY: McGraw-Hill.
- Tok, M. E., & O'Bright, B. (2017). Reproducing spaces of embeddedness through Islamic NGOs in sub-Saharan Africa: Reflections on the post-2015 development agenda. *African Geographical Review*, 36(1), 85–99.
- Tönnies, F. (2001). *Community and civil society*. J. Harris & M. Hollis (Ed. and Trans.). Cambridge, England: Cambridge University Press.
- Triandis, H. C. (1993). Collectivism and individualism as cultural syndromes. *Cross-Cultural Research*, 27(3–4), 155–180.
- Watt, W. M. (1956). *Muhammad at Medina*. New York, NY: Oxford University Press.
- Weber, M. (2006). Politik und Gesellschaft. Zweitausendeins.
- Zaman, A. (2010). The rise and fall of the market economy. *Review of Islamic Economics*, 14(2), 123–155.

AUTHOR'S BIOGRAPHIES

M. Evren Tok received an MA in political economy and a PhD in public policy and political economy from Carleton University,

Ottawa, Ontario, Canada. His research looks into various corporate social responsibility practices globally and studies the entrepreneurship, ethics, and values nexus.

Joseph J. Kaminski (PhD, Purdue 2014) is currently an assistant professor at the International University of Sarajevo in Bosnia and Herzegovina. His first book, *The Contemporary Islamic Governed State: A Reconceptualization*, was published in 2017 in Khaled Abou El Fadl's series with Palgrave.

How to cite this article: Tok EM, Kaminski JJ. Islam, entrepreneurship, and embeddedness. *Thunderbird Int. Bus. Rev.* 2018;1–9. <https://doi.org/10.1002/tie.21970>