Corporate Social Responsibility necessitates effective engagement of stakeholders and investors – both at local and international levels. Where Corporate Social Responsibilities are fulfilled, and responsibilities and goals within the sphere of Carroll’s pyramid of Corporate Social Responsibility are realized, such that the engagement of stakeholders is facilitated primarily through legal and ethical responsibilities, and ultimately through economic and philanthropic responsibilities then Foreign Direct Investment is expected to yield the benefits which accrue to the economy as well those which should materialize through formidable corporate social responsibility reporting.

Whilst Corporate Social Responsibility is considered to be generally used as “an umbrella term to describe the complex and multifaceted relationships between business and society and to account for the economic, social and environmental impacts of business activity,” another definition which incorporates the role of corporate governance, regards corporate social responsibility as:

- A model of extended corporate governance whereby those in control of the firm have responsibilities that range from the fulfilment of their fiduciary duties owed towards the owners (principal), to the fulfilment of analogous fiduciary duties owed towards all the firm’s stakeholders (Sacconi, 2004).

In this sense, a distinction can be drawn between the traditional principal agent theory which involves a narrower range of stakeholders and the stakeholder theory which embraces, not just those stakeholders with direct stakes, but also those whose lives are likely to be impacted by the firm’s activities particularly with respect to social, economic and environmental consequences. Given the uncertainty and unpredictability of such consequences, the topic of incomplete contracts and their role in the stakeholder theory model becomes apparent.

It is precisely because of the lack of predictability and uncertainties concerning who is likely to be affected as a result of the firm or enterprise’s actions, particularly in unforeseen circumstances based on longer term future occurrences, that contingencies need to be provided for in such contracts.

A financial environment which operates with the optimal level of regulatory requirements, which are crucial in facilitating a business environment built on trust, confidence – such that investors are able to rely on information being generated by the management and directors of an enterprise or business, as well as an environment which facilitates transparency, disclosure, should generally constitute incentives for investors to be attracted to such an environment. Further, as rightly, indicated in OECD Guidelines, a competitive market environment, should also serve as an engine which fosters growth and development.
Why is it then the case that foreign direct investment in certain jurisdictions does not necessarily translate to propellers of growth and development in such jurisdictions – whether these are developed, emerging or developing economies?

One plausible reason can only be that certain jurisdictions have failed to consider the benefits of fully implementing or complying with regulatory, environmental or ethical standards, or are encouraging investment incentives which whilst aimed at encouraging growth and development, are not necessarily facilitating the generation of benefits which full implementation of certain regulatory and ethical standards would have facilitated.

This volume is aimed at contributing to knowledge and providing a better understanding of the relationship between corporate social responsibility and foreign direct investment, as well as variables which operate within the framework of such a relationship, from a multidisciplinary perspective as well as the perspectives of developing and developed countries.

Furthermore, the volume seeks to highlight why a redress in the focus of Corporate Social Responsibility, as regards developing countries particularly, needs to be re-evaluated. Through an incorporation of the role of corporate governance, the importance and significance of innovation and entrepreneurship, the volume aims to recommend means whereby Corporate Social Responsibility, hereinafter referred to as CSR, can serve as a more effective tool for promoting worthy causes, and ensuring that obligations to the ecosystem and wider stakeholders, are realized.

By way of reference to corporate collapses which have severely and adversely impacted the lives of many “uninsured” stakeholders, particularly in developed countries, the volume also aims to address how the fulfillment of obligations and commitments to such stakeholders, can be secured.

Objectives of this volume include the following: 1) To investigate the relationship between Corporate Social Responsibility and Foreign Direct Investment as well as the causes attributed to a focus on variables and factors such as economic, political, social and environmental considerations. 2) To incorporate an interdisciplinary based approach on the topic, one which would recommend and provide a possible model to complement present approaches to Corporate Social Responsibility. 3) To investigate the role and impact of Foreign Direct Investment on CSR in developing and developed countries. 4) To investigate means whereby the audit expectations gap can be mitigated through CSR.

Corporate Social Responsibility is not only assuming ever greater significance in corporate governance owing to the devastating impact of corporate collapses on the lives of countless uninsured and unprotected stakeholders, but also because of its potential to limit possible devastating consequences to the ecosystem.

Further, the engagement of stakeholders, and particularly, wider stakeholders, could serve as a possible corporate governance tool and avenue, not only in the mitigation of asymmetric information between the principal and agent, but in also mitigating the audit expectations gap.

Ultimately, the aim and objective of this publication is to provide an inter-disciplinary response which would not only benefit the fields of accounting, economics, law and finance, but which would also encourage and pave way for other inter and multidisciplinary approaches that would contribute immensely in generating innovative and revolutionary solutions to fields of research.

Audit and Accounting has continued to feature prominently - in the recent Financial Crisis, as well as corporate collapses. Audit quality has consequences for corporations as well as investors, since audits serve as vital signaling mechanisms which convey sensitive information to the financial markets and investors alike.
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The need to give greater consideration, account for and incorporate environmental considerations and poverty alleviating objectives in the pyramid of Corporate Social Responsibility (Carroll’s pyramid of CSR) is highlighted under this section – with a need for an accentuation of environmental and poverty alleviating objectives – as illustrated in this volume.

In line with the main themes of this volume, namely, the need for greater focus on poverty alleviation as a principal and core issue which should feature exclusively within the Corporate Social Responsibility model, as well as the appropriateness of encouraging regulatory incentives as a means of promoting Foreign Direct Investment, the introductory chapter kicks off by highlighting why legal objectives and ethical codes, within the framework and hierarchy accorded under the Carroll’s pyramid of Corporate Social Responsibility, should command greater priority and focus, than is currently the case.

The extent to which environmental considerations are gradually influencing economic objectives is reflected under this section – as evidenced by the recent decision by the United States to reject the XL Pipeline Project.

Further the volume also seeks to illustrate the increased influence of environmental, legal, ethical and poverty alleviating considerations within the framework of Corporate Social Responsibility, the need to incorporate and account for these considerations within the CSR model – as well as highlight why such considerations, in addition to macro-economic factors and policies, also have an impact on Foreign Direct Investment.

As well as highlighting the need for greater environmental considerations, Chapter 2, “The Importance of National, Regional Laws and Globally Enforceable International Agreements: The Case of Port Talbot and the XL Pipeline Project,” illustrates and consolidates on the understanding of why institutional, legal, social, political and environmental structures constitute some of the factors which may impact a firm’s responsibilities to much wider stakeholders, and particularly its commitment to ensuring that its activities do not adversely impact the ecosystem in which it operates. Further, the chapter highlights the importance of value creation - as well as expands on the role of Corporate Social Responsibility in facilitating compliance with legal codes, standards and ethics, as a means of facilitating broader objectives aimed at complying and abiding by environmental standards, international agreements and obligations. Could better communication between management and stakeholders have mitigated current problems at Port Talbot? To what extent were the information asymmetries which existed between the management and stakeholders and why could it have taken so long for the extent of daily losses to be revealed?

Chapter 3, “Corporate Social Responsibility as a Tool for Poverty Reduction: Globalization, Corporate Social Responsibility, and Poverty Revisited,” highlights and consolidates on why a greater focus is required in respect of the goal of poverty alleviation, than is presently represented within the framework and sphere of the Corporate Social Responsibility model. The chapter also highlights and expatiates on the limitations of the current CSR model – such limitations as identified by Jenkins as including: “firstly, the way in which CSR prioritizes the ‘business case’ which, is particularly difficult to make in relation to poverty reduction; the second being traced to the origins of the current CSR movement as a response to criticism of the environmental and social impacts of TNCs – which has led to a definition of CSR largely in negative terms; and thirdly, the centrality of stakeholders within CSR which also limits its usefulness in approaching poverty.” The chapter recommends why and how poverty alleviation can assume greater relevance within the framework of Corporate Social Responsibility. Further, it explores why and how wider and more vulnerable stakeholders can be effectively engaged in the model of Corporate Social Responsibility.
As well as focusing on legal, accounting and ethical considerations, Chapter 4, “IFRS Harmonization and Foreign Direct Investment,” also incorporates the role of audits and IFRS in fostering Corporate Social Responsibility and Foreign Direct Investment through a demonstration of the role which Corporate Social responsibility could assume as a tool of corporate governance, as well illustrating how audits serve as vital signaling mechanisms which convey sensitive information to the financial markets and investors alike.

Chapter 5, “Corporate Social Responsibility and Foreign Direct Investment: Engaging Innovation, Auditors, and Stakeholders in Corporate Social Responsibility,” not only focuses on another key theme and element of this volume, namely, the significance of the engagement of stakeholders, and how this can be effectively implemented, but also highlights and recommends how corporations and multinational enterprises can be effectively engaged in entrepreneurship and innovation, as a means of fulfilling corporate social responsibility goals and objectives. Further, the chapter aims to propose means whereby auditors could fulfill corporate governance roles more effectively. Having drawn vital lessons from past corporate collapses and the devastating effects of these, in terms of unemployment – particularly for uninsured wider stakeholders, a vital goal of an enterprise should also namely, embrace that of facilitating initiatives aimed at job and wealth creation – through entrepreneurship programs which also have a role in determining how directors and executives are remunerated – in addition to corporate governance measures which are currently in place. By way of reference to corporate collapses which have severely and adversely impacted the lives of many “uninsured” stakeholders, this chapter also aims to address how the fulfillment of obligations and commitments to such stakeholders can be secured.

Chapter 6, “Corporate Social Responsibility and Foreign Direct Investment: Legal, Political, and Historical Influences on the Development of Auditing in Malaysia,” consolidates on the role of audits and auditing, as well as political influences which have impacted the landscape of Corporate Social Responsibility and Foreign Direct Investment in Malaysia.

As indicated by recent falls and drops in oil and commodity prices, such prices are not simply vulnerable to the economics of supply and demand, but also impacted and dictated by other factors such as political instabilities. Chapter 7 not only investigates the relationship between Foreign Direct Investment and Corporate Social Responsibility, but does so by way of reference to other variables which impact them, namely Central Bank Independence and inflation.

Chapter 9, “Foreign Direct Investment as a Tool for Poverty Alleviation,” consolidates on the previous chapter, as well as a very well-known recurring theme of this volume, namely the objective of poverty alleviation. In so doing, it makes reference to how poverty can be addressed through effective implementation of energy reform subsidy programs – particularly with regards to vulnerable stakeholders. It also highlights how stakeholders can be effectively engaged in the Corporate Social Responsibility model as a means of mitigating information asymmetries, information and implementation gaps.

Chapter 10, “Promoting Foreign Direct Investment: Corporate Social Responsibility as a Signaling Device and Tool for Corporate Governance,” consolidates on the main themes of the volume by contributing to extant literature on the topic through an illustration and recommendations of how Corporate Social Responsibility could serve as a tool of “extended corporate governance,” signaling device, as well as a poverty alleviation tool.

Chapter 11, “Foreign Direct Investment in China: Its Impact on Economic Growth (Revisited),” highlights the role which China has assumed over the years as an emerging economy, its impact of Foreign Direct Investment and global growth and development. In line with recent global developments, it also demonstrates why corporate governance mechanisms such as audits are assuming an ever increasing
role in mitigating information gaps resulting from lack of investor confidence and growing mistrust, as well information asymmetries and uncertainties which have the potential to generate shocks, panics and turmoils in financial markets.

Chapter 12, “The Audit Expectations Gap: Mitigating Information Asymmetries and Corporate Social Responsibility as a Signaling Device,” explores developments which have taken place within the UK and internationally and contributed to the present state of audit expectations gap, and consolidates on the role of audits as vital mechanisms of corporate governance, as well as recommends and highlights how the audit expectations gap can be mitigated. The chapter seeks to demonstrate why Corporate Social Responsibility endeavors which focus on the mitigation of information asymmetries between the management of an enterprise and local and international investors, also translates to effective corporate social responsibility reporting – in the sense that the engagement of stakeholders - facilitated primarily through legal and ethical responsibilities, ultimately results in the realization of economic and philanthropic responsibilities.

Chapter 13, “Enhancing Regulatory, Financial, Fiscal, and Investment Incentives as a Means of Promoting Foreign Direct Investment,” explores how incentives can serve as a means of attracting investment, as well as contributes to the literature on how their incentives could be enhanced.

Whilst survey results, also illustrate that fiscal incentives are the most important type for attracting and benefiting from foreign investment, it is also highlighted that certain scenarios exist whereby investment incentives could be regarded as “compensation for information asymmetries between the investor and the host government, as well as for deficiencies in the investment climate, such as weak infrastructure, underdeveloped human resources and administrative constraints.”

In their contribution, “Corporate Social Responsibility: A Manifestation in FDI,” which constitutes Chapter 14 of this volume, Patro and Raghunath highlight why they are of the opinion that the concepts of FDI and CSR “have always been double edged tools which either make or break.” Further, they add that in such a situation, Indian representatives have a role to play to decide the extent of FDI inflow with economic development at sight. As well as presenting FDI and “Make in India,” thus also illustrating how a 48% Growth in FDI Equity Inflows could be registered subsequent to the launch of “Make in India” and how the growth in FDI has been significant following the launch of Make in India initiatives in September 2014, (with 48 percent increase in FDI equity inflows during October 2014 to April 2015), they also accentuate how during the period 2014-15, the country witnessed unprecedented growth of 717 percent, to US $ 40.92 billion of Investment by Foreign Institutional Investors (FIIs).

Chapter 15, “Foreign Direct Investments, Corporate Social Responsibility, and Economic Development: Exploring the Relationship and Mitigating the Expectation Gaps,” as highlighted by its author, aims to demonstrate why governments of developing countries must rise up to her responsibilities of infrastructural development, mitigate governance gaps through good governance, combat corrupt and sharp business practices and put in place adequate institutional frameworks and policies to guide and attract foreign activities, and encourage involvement in CSR by corporations – all aimed at not only “making the government to reap the benefits FDI inflows but also promote corporate responsibility and sustainability”.

Chapter 16, “Recommendations: Addressing the Imbalances of Corporate Social Responsibility in Developed and Developing Countries,” not only aims to recommend means whereby Corporate Social Responsibility can serve as a more effective tool for promoting worthy causes, and ensuring that obligations to the ecosystem and wider stakeholders are facilitated, but also highlight why a redress in the focus of Corporate Social Responsibility, as regards developing countries particularly, needs to be re-evaluated. Further, an alternative model to Carroll’s CSR pyramid is recommended.
In following up with the second chapter, which highlights and demonstrates the vital importance and significance of legal objectives, ethical codes and standards, the conclusive section, Chapter 17, “Parliamentary Sovereignty, the Rule of Law, and the Separation of Powers: Involving Other Actors in the Legislative and Judiciary Process,” highlights role and significance of legislature in effectively implementing and interpreting those standards and legislation. Furthermore, it highlights why legislature serves as an additional check and accountability mechanism for the judiciary and executive (the Government). Further the chapter contributes to the literature on statutory interpretation by recommending how the forensic expert can be introduced in the judiciary process to facilitate more reliable, relevant and equitable outcomes.

Nothing could be more crucial in future years than a united legislative branch where decisions are reached based on factors which whilst giving consideration to the economic and national interests of the country, also takes into consideration the legacy being left to future generations as a result of environmental matters. In words echoed by outgoing Speaker John Boehner, on the 29th October 2015, “freedom creates possibilities and patience makes it real.” Hence amicable and optimal decisions are indeed possible – even if this takes time. Whilst the present decision has the hallmarks and signature of being optimal, a demonstration of its stance may take time before it is amicably and unanimously accepted.

The present steps being taken and the decision can also be lauded on the basis of the need to comply with international agreements, the need to accentuate and demonstrate America’s leadership on environmental matters – all well premised and serving as vital foundation for the Paris Climate Summit scheduled for late November/early December 2015. Leadership by example is not only powerful from this respect, but reflects to a greater extent, America’s leadership role – as well as its commitment to environmental goals. It is also hoped that many other leading economies will take steps in following this precedent.

Further, the recent keystone XL Pipeline Project decision, by giving thought to wider and broader environmental repercussions, not only sets a very vital example of the legacy that is to be pursued, but also highlights the fact that even where economic benefits are to be derived – particularly in an environment driven by prevailing economic pressures and conditions, such short term beneficial considerations which are aimed at serving as temporary relief measures, may not necessarily warrant devastating environmental or financial consequences which would ensue on the longer term.

Even so, in some cases where pressures attributed to increased borrowings and the justified need to address temporary emergencies - the need for “short term temporary” emergency measures, whilst initially intended to be short term, may drag into longer and more devastating blows for the economy – resulting in broader and far reaching consequences for present and future generations than could ever have been imagined or anticipated.

As highlighted, ultimately, the aim and objective of this publication is to provide an interdisciplinary response which would not only benefit the fields of accounting, economics, law and finance, but which would also encourage and pave way for other inter and multidisciplinary approaches that would contribute immensely in generating innovative and revolutionary solutions to fields of research – particularly those related to Corporate Social Responsibility and Foreign Direct Investment.

Audits and Accounting has continually proven to be a significant field and contributor in the recent Financial Crisis, and corporate collapses. Audit quality has consequences for corporations as well as investors, since audits serve as vital signaling mechanisms which convey sensitive information to the financial markets and investors alike. For these reasons, the role which Corporate Social Responsibility can assume as a model of corporate governance is invaluable.
This volume also contributes to the extant literature by highlighting why a focus on poverty alleviation, as well as entrepreneurship programs which are intended to contribute to wealth and value creation, are necessary as a means of fostering global development and growth, through Corporate Social Responsibility and Foreign Direct Investment – given present economic uncertainties and political instabilities which currently persist around the globe.

As highlighted from the outset, the extent to which environmental considerations are gradually influencing economic objectives is reflected under this section – as evidenced by the recent decision by the United States to reject the XL Pipeline Project.

Elsewhere, consequences of recent global developments, namely, the fall in oil and gas prices are compelling several governments to consider alternative and more economic means of energy production. In the United Kingdom, the British government also announced, in February 2016, its intention to focus on oil and gas reserves in Shetland, Britain’s most northerly islands. Over the next ten years, around 150 oil fields face the possibility of being scrapped in the North Sea owing to falling oil prices which make the running of such fields neither economic nor cost-effective. The Shetland, which holds the potential of releasing previously untapped fields, is also expected to provide around 8% of the UK’s gas needs in the future.

Plans to facilitate greater exploitation of renewable sources of energy are also on the cards in numerous jurisdictions.

The introductory section will hence commence by highlighting the increased importance of environmental considerations in economic decisions – which ultimately, impact Foreign Direct Investment – as well as corporate social goals and objectives.