Chapter 15
Multinational Companies and their Link to the Intellectual Capital of Territories:
A Proposal of a Tool to Evaluate the Sustainable Development of the Region through its Intangible Assets

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ABSTRACT

Nowadays it seems to be widely accepted that a multinational company has many different environmental, economic or social impacts on a territory. Moreover, every region has the right to aim to achieve sustainable development. For those reasons, this work proposes a tool based on the territory's intangible assets. This tool allows the management of the sustainable development of a region where a multinational company has located, paying special attention to the way that this type of company can influence the development of the region.

INTRODUCTION

One of the unexpected consequences of the current stage of globalisation is that academics, national governments and some supranational organisations must think again about the nature and purpose of the development that is taking place in territories and the way in which multinational companies must contribute to that development (Dunning, 2006; Dunning & Fortanier, 2007).

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It is clear that the location of a multinational company in a territory causes economic, social or environmental impacts. Proof of that can be found in the works of Cantwell and Iammarino (2001), Collings (2003), Dunning (2006), Dunning and Fortanier (2007), Escobar and González (2006), Evans (2003), Innes and Morris (1995), Kumar (2001), OECD (2000), Rondinelli (2007), Rondinelli and Berry (1999), Rosenzweig and Singh (1991), Yannaopoulus and Dunning, (1976) and Young *et al*., (1994) among others. The aforementioned impacts can be positive for the region, such as higher employment or the economic improvement of the regional suppliers of multinational companies, and that is why the territories themselves sometimes encourage the location of this kind of company (Evans, 2003; Yannopoulus & Dunning, 1976). However, there may also be negative effects, such as damage to the environment, or even serious problems such as those that occur when a determined region's economic and population growth is fundamentally based on the economic contribution of, and the jobs directly or indirectly created by, a multinational which, with the passing of time, decides to withdraw from the region.

Stiglitz (2002) states that the development of regions must be considered in a more balanced overall way, with higher social inclusion and in a much more participative way than previously. It is notable that economists such as Amartya Sen consider that the development of a region has to take into account, on the one hand, issues such as the decreasing of poverty, tyranny, the lack of economic opportunities and public services, government repression and, on the other hand, the promotion of free choice of opportunities, with freedom as the main aim of development (Sen, 1999). However, according to Dunning (2006), some multinational companies have not understood development in such a comprehensive way. In spite of that, corporative social responsibility is now becoming a more important issue for companies as a consequence of other issues, such as the financial scandals in which large companies like Enron and Worldcom (Escobar & González, 2006) have been involved, greater citizen awareness of social and environmental problems and the will to have a better image and customer loyalty. Moreover, companies have noticed that having a good reputation for social responsibility facilitates their access to funds and even improves their financial results (Williams *et al*., 1993). That is how concern for social responsibility has spread among multinational companies, and this is applicable in developed and undeveloped countries alike. A large number of multinationals have created volunteer environmental programs in order to manage the environmental impacts of their facilities, installations and operations more efficiently. Moreover, if these kinds of measures are always important, they are even more important when the multinationals are located in undeveloped countries with sensitive environmental and social conditions and non-existent or underdeveloped legal regulation (Rondinelli, 2007).

In his well-known work "*The Prince*", Nicolas Maquiavelo states that, when the Prince wants to gain prestige, he must take grand actions, set an example in the inner affairs of the Principality and be a true friend. The Prince must also avoid the things that could make him hated or despised (Maquiavelo, 1998). Making a parallel between those words and a multinational's social responsibility to the territory where it is located, we could say that its image improves when the company is involved in great actions that are positive for the sustainable development of the region, when it establishes internal practices that are coherent with this kind of development and when it is really in tune with the region's authorities and inhabitants and pursues a common objective with them. Moreover, companies should avoid bad practices that could lead to image problems among the population.

In spite of that, there is still some debate among experts about corporate social responsibility. Some of them think that companies, as legal entities, have just two kinds of responsibility: to earn money for their shareholders and to comply with the legal regulations to which they are subject. However, others believe that the stakeholders should also be taken in consideration. This work is framed within the latter hypothesis.

The World Business Council for Sustainable Development defines corporate social responsibility as the ethical behaviour of a company towards society, in other words, responsible action in their relationships with other stakeholders that have a true interest in the business, and not only with the shareholders (WBCSD, 1998). AECA

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