HBD-STP

Creating Sustainable Value for the Critical Stakeholders

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ABSTRACT

Title: HBD-STP – Creating Sustainable Value for the Critical Stakeholders

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This thesis presents a stakeholder management discussion from a specific company operating in an underdeveloped country (São Tomé and Príncipe). The company – HBD-STP – is investing in an ecotourism project and, thanks to its inspirational founder (Mark Shuttleworth), it is highly committed with the sustainable development of the Príncipe region.

Starting by questioning "Which strategies should be adopted by HBD-STP to create sustainable value for its critical stakeholders?", my research aims to identify the company's critical stakeholders and the strategies that could be adopted to create sustainable value for them.

My analysis presents a stakeholder management process, that enables the managers to identify and to map each of the stakeholders and to define adequate strategies for them, based on the stakeholders' claims and contributions. Regarding the HBD-STP case, these strategies are oriented to create sustainable value for the critical stakeholders: Customers, Government, Community, Owners, and Staff.

Esta tese apresenta uma discussão sobre gestão de stakeholders de uma empresa específica a operar num país em desenvolvimento (São Tomé e Príncipe). A empresa – HBD-STP – está a investir num projeto de ecoturismo e, graças ao seu fundador inspirador (Mark Shuttleworth), está fortemente comprometida com o desenvolvimento sustentado da região do Príncipe.

Começando por questionar "Que estratégias devem ser adotadas pela HBD-STP para criar valor sustentável para os seus stakeholders críticos?", a minha pesquisa tenta identificar os stakeholders críticos da empresa e as estratégias que podem ser adotadas para criar valor para estes.

A minha análise apresenta um processo de gestão de stakeholders, que permite aos gestores identificar e mapear cada um dos stakeholders e definir estratégias adequadas para estes, baseado nas necessidade e contribuições de cada stakeholder. No caso da HBD-STP, estas estratégias estão orientadas para criar valor sustentável para os stakeholders críticos: Clientes, Governo, Comunidade, Diretores e Colaboradores

ACKNOWLEDGEMENTS

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1 INTRODUCTION

São Tomé and Príncipe is a small isolated country in Africa, where the population lives its life just eating what the earth and the ocean provide each day in a '*leve-leve*[1]' way – which means without worries or concerns about the future. This social behavior combined with the country's weak economy increased the poverty and fragility conditions of São Tomé and Príncipe while at the same time is threatening the Millennium Development Goals established by the United Nations in 2000.

During a volunteer experience in 2013 I lived in São Tomé for 6-months, and I had the opportunity to observe the activity of a specific company – HBD-STP – and the positive impact of this company in São Tomé and Príncipe's economy and population. HBD-STP was created by Mark Shuttleworth – a South African millionaire – with the direct purpose of creating an ecotourism development project, where it intends to turn the country into a high-end tourism destination of choice in West Africa.

As a management student, I became fascinated with HBD-STP's business model. Firstly because the company was really interested in the sustainable development of the country, almost looking like it was discarding the financial return of its investments. Secondly because it was visible for me that thanks to the business opportunities generated by HBD-STP activity, the local population started having hope in its future.

In this master thesis, I tried to understand the company's future strategy, looking at each stakeholder over the scope of sustainable development objectives. To do so, I started my research questioning myself: **Which strategies should be adopted by HBD-STP to create sustainable value for its critical stakeholders?** To answer this research question, I assigned two other questions:

1. Who are the critical stakeholders of HBD-STP?
2. How to create sustainable value for them?

To elaborate the case study I kept a direct contact with Nuno Rodrigues (CEO of HBD-STP), who gave me detailed information that is presented in this case. I also used many secondary data like the company investments' reports; São Tomé and Príncipe official reports and books; and reputable international newspapers and magazines. Table 1 presents some quantitative details of my primary and secondary data research.

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[1] Popular expression in São Tomé that could be translated to '*easy-easy*'

Table 1 – Primary and Secondary data

HBD-STP		São Tomé and Príncipe	
Interviews	4	Reports analyzed	17
Company reports analyzed	5	Books analyzed	2
Magazines and newspaper articles analyzed	21	Magazines and newspaper articles analyzed	14
		In-field observation	6-months

To write the Literature Review chapter, I started looking at the origin and evolution of the sustainable development concept, explaining its visible dimensions: the economic development; the social development; and the environmental protection. With this theory, I became capable of understanding the company mission and commitment with the sustainability goal. After that, I studied the characteristics and definitions of stakeholder theory which allow me to suggest a stakeholder management process to be used by managers.

In the Teaching Note chapter, I suggest to use the stakeholder management process to answer the two assignment question presented before. With this theory, I present a procedure to prioritize the company's stakeholders and how to create value for them.

In the Conclusions chapter, I recap both of the answers from the assignment question to formulate an answer for the research question. I also defend why the theories presented are important for managers (or management students) and how could managers integrate both theories.

2 CASE STUDY

2.1 A SUSTAINABLE DEVELOPMENT

It is a February Sunday morning, and the Boeing 737 from STP Airways is taking off from São Tomé city, the capital of São Tomé and Príncipe. Inside the cabin is Nuno Rodrigues, the man chosen by the South African millionaire Mark Shuttleworth to implement a strategy for Here Be Dragons (HBD) - his company in this country. Mark's dream is to define a sustainable business model that generates development opportunities for underdeveloped countries, without any negative impact on the environment, starting in Príncipe Island and then replicate in different countries.

Nuno, a Portuguese lawyer with 37 years old, met Mark in 2010 when the South African entrepreneur required Nuno's services. Mark was trying to acquire one hotel in São Tomé, one hotel in Príncipe, and part of Príncipe's Airport concession, and he needed a Portuguese-speaker to help the negotiations at the country.

Mark is a 42 years old millionaire, which has always been a visionary with '*unconventional ideas*'. In 1995, when he was 22 and the internet was growing, he decided to found Thawte – a company dedicated to digital certificates and Internet security. Four years later, he sold out Thawte by US$ 575 million, becoming a millionaire with 26 years old. In 2004, when Microsoft and Apple dominated the operating systems worldwide, he launched Ubuntu, the open-source operating system with more than 20 million users nowadays. In 2011, he sold out Fundamo, a mobile financial service to Visa by US$ 110 million.

During childhood, Mark dreamed of becoming a space traveler one day. That dream became true in 2002 when he visited the International Space Station. In the space, he saw the Earth planet and realized how small and delicate it is. He realized that the world economy was destroying the planet, and the resources were limited. After this journey, Mark decided to act and show the world that it is possible to create value while protecting the environment, so he started working in this sustainability decision. He wanted a small economy to develop a new business model and observe the sustainable impact created. For this reason, he decided to invest in the underdeveloped and small country of São Tomé and Príncipe.

São Tomé and Príncipe is a Portuguese-speaking country in the gulf of Guinea (350km distance from Gabon) with 187,364 residents in 2012. It combines two small archipelagos separated by

140km – São Tomé with 859km^2 and Príncipe with 142km^2 –representing the second smallest country in Africa, after the Republic of Seychelles.

Figure 1 – Gulf of Guinea
https://commons.wikimedia.org/wiki/File:Gulf_of_Guinea_(English).jpg

Mark visited São Tomé and Príncipe in 2009, thanks to a friend's suggestion. When the South African visited Príncipe Island, he realized that this small island could have a great potential for agriculture and tourism that was unexplored. There was only one hotel in Príncipe – Bom-Bom Island Resort, and the economy was based on a subsistence agriculture. After this visit, Mark and his team defined the idea of the project: '*transform Príncipe in a top tourism destination, thanks to its unique nature, which is capable of attracting tourists that will generate value and develop the country*'. The project consisted in:

  i.   Constructing 5 hotels perfectly integrated in the local biosphere to develop the regional economy
  ii.   Acquiring and renovating the Bom-Bom Island Resort
  iii. Defining a regional planning for agriculture opportunities to re-qualify the local community.

HBD is a venture capital company, established in 2000 and based in Cape Town, focused on innovation and technological start-up companies. The HBD-STP office (operating from Portugal), manages all the HBD's operations in São Tomé and Príncipe. The company started investing in the country in 2010, and until the end of 2014 it invested more than €65 million in the tourism sector, infrastructures, agriculture, light industry and professional training.

The company is now in a full investment stage, with different projects. Nuno is coming back to Portugal, after two weeks in Príncipe observing the operations, to discuss with his team the future strategy to maximize HBD-STP stakeholders' value.

2.2 SÃO TOMÉ AND PRÍNCIPE

Figure 2 – São Tomé and Príncipe Map
http://www.terraverdestp.org/en/les-femmes/connaitre-le-pays/

2.2.1 HISTORY

São Tomé and Príncipe was uninhabited until 1470 when the Portuguese sailors João de Santarém and Pero Escobar discovered it. The colonization of the two archipelagos started in 1494, by immigrants and slaves from other Portuguese colonies.

With the success of sugar production in other colonies and the good conditions for agriculture, the Portuguese governor of São Tomé and Príncipe divided the country in *roças* (large farms held by private owners) and implemented a large sugar production. This production ruined between XVII and XVIII centuries, and was substituted by coffee (started in 1780) and cocoa (started between 1819 and 1822). This new economic cycle represented a mark in the country history: during the XIX and XX centuries, São Tomé and Príncipe became the world top producer of high-quality cocoa, exporting to the biggest chocolate producers in the world.

In 1974, the Portuguese empire collapsed with the end of the dictatorship regime, and colonies started the independence process. When São Tomé and Príncipe became independent in 1975, the *roças*' owners left the country and the government nationalized all the territory. 30 years have passed since the independence of São Tomé and Príncipe, and the country is no longer the cocoa-exporter it had been before. The agriculture activity was not ready for the nationalization process and the productions were left to the farmers, who had no preparation to manage the

roças. The large-scale production ruined in few years and the farmers started producing just for self-consumption. The tropical weather conditions and the lack of maintenance degraded a large number of *roças*, transforming the opulent houses in ruins.

2.2.2 GOVERNANCE AND ECONOMY

The country is divided in seven districts, six of them in São Tomé and one in Príncipe. São Tomé and Príncipe has a multi-party system, with a semi-presidential regime, with a national government – *Governo Nacional*. In 1995, Príncipe's archipelago was constituted as *Região Autónoma* (autonomy region) with a regional government – *Governo Regional do Príncipe*.

The International Conference on Small Island Developing States report from 2013 about São Tomé and Príncipe considered the country as "*vulnerable*" and "*poor*". The reasons for the vulnerability were explained in four points: *1*) "*the small dimension*"; *2*) "*the insularity*"; *3*) "*the ecosystems' fragility*"; and *4*) "*the large exposure to the strong human pressure in natural resources*". The reasons for the poor classification were because of the weakness of the economy and the lack of capacity to create value and generate employment.

Despite those two factors, the real GDP (in average) grew 5.2% in the last decade. The reasons for this grow are the increase of Foreign Direct Investment (a consequence from the oil existence rumors) and the significant social changes from agriculture to other activities that generate more economic value (services and construction).
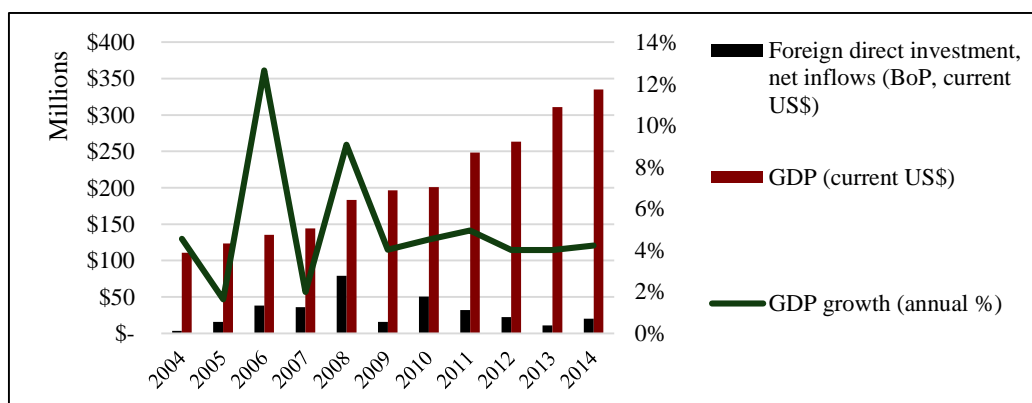
**Figure 3 – GDP and Foreign Direct Investment in São Tomé and Príncipe
source: World Bank data**

2.2.2.1 TOURISM

In the last decade, tourism acquired an important position in São Tomé and Príncipe economy. According to the *World Travel and Tourism Council*, the direct contribution to the national GDP from the tourism industry in 2014 was 6.3%, and for the total contribution (direct and

indirect) was 14%. Tourism importance in São Tomé and Príncipe's economy is reinforced by the foreign visitors' exports'[2], which represents 55.3% of the total country exports. Appendix 1 presents more information about the tourism impact in the country's economy.

São Tomé archipelago has 7 hotels and a short number of small-business operating as rural tourism. The Pestana São Tomé Hotel with 115 rooms is the only 5-star hotel in the island, and it is targeted to mass leisure tourism. Príncipe archipelago has 2 hotels and 7 small-business. The Bom-Bom Island Resort with 19 rooms is the biggest hotel in Príncipe. Table 2 presents the hotels' supply in both archipelagos.

Table 2 – Hotels in São Tomé archipelago and Príncipe archipelago

Hotel	Stars (booking.com)	Location	Rooms
São Tomé			
Pestana São Tomé	*****	São Tomé city	115
Hotel Miramar (Pestana)	****	São Tomé city	65
Pestana Equador	****	Ilhéu das Rolas (60km of São Tomé)	70
Hotel Praia	****	São Tomé city	41
Hotel Club Santana	****	Santana (13km of São Tomé)	31
Hotel Omali Lodge	****	São Tomé city	30
Hotel Agôsto Neto	***	São Tomé city	25
Príncipe			
Bom Bom Island Resort	****	Ilhéu Bom Bom	19
Roça Belo Monte		Belo Monte	13

São Tomé and Príncipe is one of the 25 least-visited countries in the world with 10,000 international tourist arrivals in 2013. This number is mainly composed by Portuguese tourists - 45%; Angolan tourists – 14%; and French tourists– 6%.

2.2.3 ENVIRONMENT

Part of the country is covered by the *Parque Natural Ôbo*. This national park considered by the *International Union for Conservation of Nature* has 300km^2 of extension: 235km^2 in São Tomé (covering 30% of the São Tomé archipelago), and 65km^2 in Príncipe (covering 50% of the Príncipe archipelago). The park is characterized by a great diversity in terms of fauna and flora, studied by diverse ONGs. At the moment, it was discovered in the *Parque Natural Ôbo* 148 plant species unique in the world. In 2012, Príncipe was considered a *World Biosphere Reserve* by UNESCO.

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[2] Spending within the country by international tourists for both business and leisure trips, including spending on transport, but excluding spending on education

2.2.4 PRÍNCIPE

It is not difficult to understand why Mark decided to invest in Príncipe. Mark wanted something untouched and virgin, and Príncipe was exactly that. From the air, the island is just a small green point in the middle of the Atlantic Ocean, as if Santarém and Escobar discovered it yesterday. Only in the northeast side is possible to detect human presence, mainly in Santo António city, the capital of the archipelago.

Príncipe is similar to São Tomé but more '*green*', smaller, and less populated. The beauty and uniqueness of Príncipe contrast with its economic and social shortcomings. Príncipe is dependent of São Tomé in basic infrastructures, energy, and waste residuals management, and this dependence generates a double insularity problem.

With 7,344 residents in 2012, Príncipe population represents less than 4% of the country demography. Príncipe's economy is high dependent from the Foreign Direct Investment and the National Government remittances. Agriculture and fishing are the main economic activities with more than 700 workers. The tropical weather and the characteristics of the land create the conditions to produce different tropical products like cocoa, coconut, sweet potato, among others. In general, all of the production (except cocoa) is just for self-consumption, without commercial significance due to the lack of infrastructures that could support it and the small size of the local market.

2.3 THE BUSINESS IDEA

2.3.1 A TOURISM INVESTMENT PROJECT

In 2009, José António Cassandra, the President of Regional Government of Príncipe, was concerned about his territory. The small dimension of the regional economy and the short number of visitors (less than 2,000 per year), were creating an economic gap between the two archipelagos – São Tomé was growing slowly while Príncipe was stable.

When Mark met Mr. Cassandra in October 2009, the South African already had the tourism project idea in his mind. He was interested in understanding Mr. Cassandra's vision for Príncipe and the chances of the Regional Government to cooperate with HBD in the Príncipe's sustainable development. In that meeting, Mr. Cassandra said to Mark: «*Our development must protect our environment otherwise it is not development, it is destruction*». Mark listened what Mr. Cassandra said and in the end, he replied: «*President Cassandra, Príncipe is exactly what*

I am searching for». After that meeting, the millionaire started executing his project, outlining three initial investments operations aimed at increasing Príncipe's tourism capacity:

i. **The acquisition of Bom-Bom Island Resort.** The hotel was not making profits, and it was not renovated since 2000. It was the only one in Príncipe and it was against Mark's vision of '*perfectly integrated in the local biosphere*'. The hotel was creating '*negative environmental impact*' in terms of waste residuals management and energy consumption.

ii. **The renovation of Príncipe airport.** Príncipe airport is the only one in the archipelago with a single runway paved length of 1310 meters. It served five '*Dornier 228'* weekly from São Tomé, a flight operated by *Africa's Connection* and is considered a small-scale passenger aircraft with capacity for 15-seats and cargo. HBD-STP wanted an international airport for Príncipe, so Mark decided to extend the existing runway to 1750 meters and upgrade the airport components.

iii. **The acquisition of Omali Lodge Hotel in São Tomé**. The São Tomé International Airport is located in the capital city of São Tomé, and it is internationally connected to Lisbon; Luanda (Angola); Libreville (Gabon); and Malabo (Guinea Equatorial). The short number of flights between São Tomé airport and Príncipe airport forces Príncipe's visitors to spend 1 or 2 nights in São Tomé city. Mark decided to acquire the Omali Lodge Hotel and target it as a hub point between São Tomé and Bom-Bom Island Resort.

These 3 concessions were owned by International Hotels Development Corporation, Ltd. (IHDC), a Dutch group from the millionaire Rombout Swanborn. Mr. Swanborn acquired Bom-Bom Island Resort and Omali Lodge Resort in 2000 and held 90% of Príncipe Airport concession (the other 10% belongs to the Regional Government). HBD-STP's team believes that IHDC was trying to do a luxury-tourism project in 2000, but this project failed because of a lack of investment and non-collaboration with local institutions to develop the regional economy.

In the beginning of 2012, HBD-STP concluded the acquisition operation of the two hotels and 45% of the airport's concession, paying €10.5 million to IHDC. Although the airport project was defined as a joint venture between HBD-STP and IHDC, each partner is in charge of different activities: the Dutch group is responsible for renovating the airport building and managing the airport while HBD-STP is responsible for the construction of the new runway. For this project, HBD-STP hired Mota-Engil (a Portuguese construction company), which

started the runway expansion in 2012. Until now, HBD-STP invested more than €16 million in this project.

With the new cash flow generated by those 3 transactions, IHDC acquired a concession for the Roça Belo Monte in Príncipe and started constructing a boutique hotel in the beginning of 2011. The Dutch group understood that Mark will enhance Príncipe's tourism and decided to start reinvesting in the region.

2.3.2 THE COMPANY

Mark wanted a sustainable business project where HBD-STP could:

  i.   Support the Príncipe's economy development
 ii.   Improve the local community social-economic conditions
iii.   Protect the Príncipe's Biosphere

When he invited Nuno to be the CEO of his company in January 2011, Mark had already defined the 4 investment areas to operate in Príncipe:

  i.   **HBD Resorts Operations (HBD RO) –** Responsible for the Omali Lodge Boutique Hotel management and the Bom-Bom Island Resort management.

 ii.   **HBD Agriculture Operations (HBD AO) –** Responsible for the agriculture productions and the Agriculture Lab management, where HBD-STP is trying to produce new gourmet products, like different species of vanilla and pepper.

iii.   **HBD Tourism Investments (HBD TI) –** Responsible for the social and cultural activities, construction of public infrastructures, forest requalification and integrate the maintenance and safety activities for all the investments project.

iv.   **HBD Timber Works (HBD TW) –** Responsible for the carpentry management opened in February 2012. The carpentry is qualifying local carpenters and it will be the main supplier of HBD RO in the future projects

HBD-STP is in charge of these 4 investments areas and is fully held by HBD SGPS (HBD Sociedade Gestora de Participações Sociais). The main office is located in Lisbon and there are two more regional offices, one in São Tomé and another one in Príncipe. The company's governance model is based on CEO leadership supported by a team of seven leads and eleven managers.
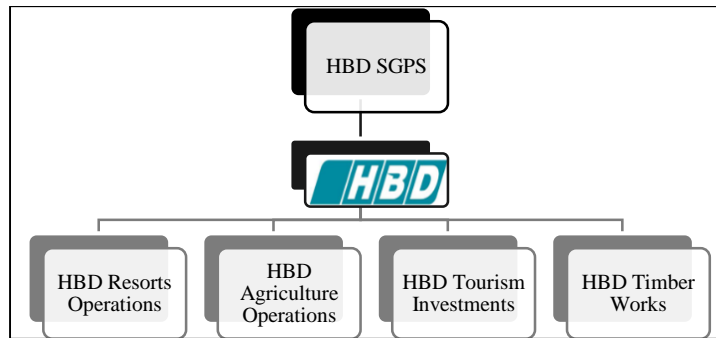
Figure 4 – Organization Structure
source: HBD-STP Sustainability Report 2013

The group has more than 500 employees in the two countries, most of them working in São Tomé and Príncipe. 75% of HBD-STP employees are men, a common practice considering the cultural and family traditions in underdevelopment African countries. The company predicts that 35% of the Príncipe population is indirectly dependent of HBD-STP operations. Figure 5 presents the evolution of workers distribution and the division by type of contract.
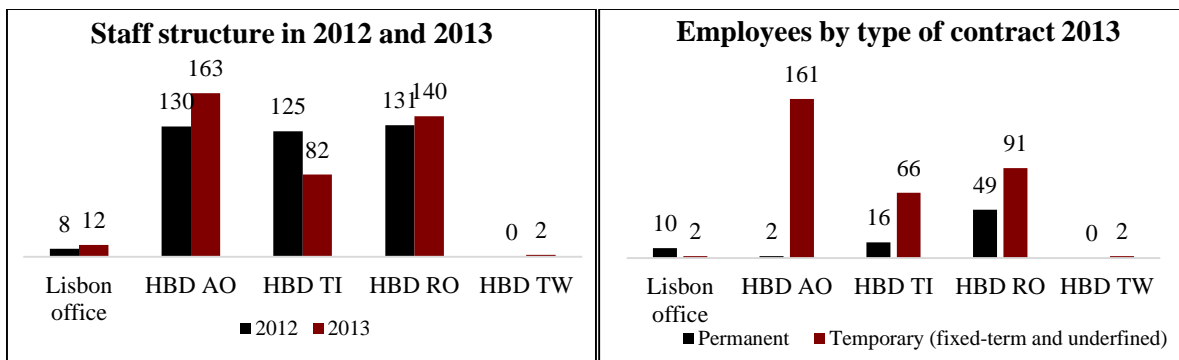
Figure 5 – HBD-STP's staff structure

HBD-STP expects to invest €110 million by the end of 2022. At the moment, the company's costs largely exceed the profits, but the generated economic value grew 52% in 2013. Table 3 presents more financial indicators between 2011 and 2013

Table 3 – HBD-STP's financial statements 2011-2013 in thousands €

	2011	2012	2013
Revenues	230.6	1,114.4	1,699.2
Wages and benefits	912.1	2,596.6	3,404.1
Supplies and services	1,738.4	4,698.0	3,412.1
Other operational costs	2,194.4	6,540.3	1,358.8
Payments to government	36.9	25.8	44.4
Economic value distributed	4,881.8	13,863.4	8,219.4
Economic value retained	-4,651.2	-12,749.0	-6,520.2

2.3.2.1 HBD Resorts Operations

Omali Lodge Boutique Hotel is a 4-star hotel located in Praia Lagarto (São Tomé city), close to São Tomé International Airport. After the acquisition, HBD-STP started renovating the hotel. The 30-rooms hotel includes a restaurant, a bar, a swimming pool, a tennis court, a conference room and sooner a spa center. The concession to explore it ends in 2040 and it can be automatically renewable. The hotel has an occupancy rate of 70% per year, where Portuguese travelers (leisure and business) represents 75% of the total clients.

Figure 6 – Hotels in São Tomé

Bom-Bom Island Resort is a 4-star resort located in the north tip of Príncipe. The 19-rooms resort includes a restaurant, a swimming pool, a pool bar, and a conference room. The concession to explore it ends in 2043 and it can be automatically renewable. In January 2014, Bom-Bom was the first "*Biosphere Responsible Tourism*" hotel in Africa, granted by *Responsible Tourism Institute*. This public recognition certifies the resort commitment to mitigate the effects created by its activity. The hotel is currently in a renovation process until 2017, after that it will integrate 6 new villas in the surrounding vegetation, where it will not interrupt the natural landscape, offering privacy and upscale services. The resort has an occupancy rate of 65% per year.

Figure 7 – Hotels in Príncipe

HBD RO has three more resorts projects in process, also in Príncipe: an Eco-Tourism Project at Sundy beach; an Eco-Tourism Project at Macaco, Boi, and Uba beaches; and an Ecological Agro-Tourism Project in Roça Paciência. These three new projects are currently in draft stage, but HBD already has the concessions to start them. All the projects have an Environmental Impact Assessment study conducted by an external organization. Appendix 2 presents each of these projects.

2.3.2.2 HBD AGRICULTURE OPERATIONS

Agriculture had extreme importance in the country's history and it still has in individuals' life. Since the independence, the production levels dropped severally in some products like coffee, while other productions started like palm oil.

HBD AO wants to enhance Príncipe's agriculture in two directions:

i. **Producing a quantity level that can simultaneously supply the hotels and export the production**. HBD AO wants to have an agroforestry cultivation system based on cocoa, vanilla, coffee, pepper and bananas, including natural fruits such as mango, breadfruit, jackfruit, papaya and tropical almonds, integrated into the forest. Until 2014, it has been constructed more than 80 hectares areas with vanilla, pepper, liberica coffee and cocoa

ii. **Producing innovative products to enter in the world top-gourmet markets**. The *Natural Product Lab* constructed in the end of 2014 will be a research and development center for agriculture products to reach new markets.

2.3.2.3 HBD TOURISM INVESTMENT

In 2009, Príncipe's conditions to tourism were very limited. The public infrastructures were insufficient (like the small airport traffic) or it did not exist (like the waste management and

treatment solution). The local community did not know English language and did not have any entrepreneurial stimulation. The forest was being improperly explored to construct new housing areas or it was incorrectly used for agriculture.

HBD TI is gradually investing in construction projects to develop Príncipe's tourism capacities while provides new opportunities to the local community and environment's protection. In Nuno's words: «*The Tourism Investment englobes all the projects that are not directly related with the other three areas, which promote the development and sustainability of Príncipe region*». Table 4 presents some of HBD TI's projects during 2014.

Table 4 – Examples of HBD TI in 2014

Action plan for integrated management of urban solid waste	A general strategy for the solid waste management in the country
ECLIPSE – History and Science	Promotion of cultural events for the Príncipe's community, highlighting the historical and scientific regional's legacy
Training action in environmental impact assessment in Príncipe	A training action to all of HBD-STP stakeholders regarding the environment in Príncipe

2.3.2.4 HBD TIMBER WORKS

Before HBD-STP investments, there were few professional alternatives for Príncipe's population. Agriculture and fishing were the main activities and they were not really profitable. HBD-STP looked to this problem and decided to create employment opportunities in other areas.

In February 2014, the company opened the Carpentry center in Príncipe. The carpentry is providing professional workshops in timber works, and executing small orders from Bom-Bom and Omali. The results are being positive, with new wood craftsmen in the local market and decorative products for sale in the hotels.

The initial strategy for the carpentry was to supply HBD RO constructions. The timber for construction was provided by a Bali wood provider, and then HBD TW made the bungalows for the new hotels. That Bali supplier had recently declared bankruptcy so that strategy stopped.

HBD-STP is currently defining a sustainable strategy to create a wood supplier in the Príncipe forest for HBD TW which could then, export for the African market.

2.4 THE SUSTAINABLE VALUE CREATION

At the moment, Mark's sustainable strategy has enabled the company to gain legitimacy with its stakeholders. It is possible to see this legitimacy's image in the local community calling Mark as '*Santa Claus*', or a local rap music group singing "*Let HBD work*". Even Mr.

Cassandra says: «*HBD group is not focused in making money here. The group sees the Príncipe's development with passion. Mark always told me: 'President Cassandra, I will only stay here if you want to work together. If it was just for the money, I would invest somewhere else in Africa, where I could recover my money faster'»*.

Mark believes that his sustainable idea will have a remarkable impact in Príncipe in a few years. At the moment, despite the legitimacy generated by the project, there are other visible results that can anticipate this impact, mainly in terms of economic value created, positive social impact environment protection.

2.4.1 ECONOMIC VALUE

2.4.1.1 LABOR OPPORTUNITIES

Príncipe legal minimum wage is €40 monthly. HBD-STP believes that providing average wages well above the €40 limit is strengthening the relationship between the company and the local communities while enforces the economic development. At the moment, HBD-STP minimum wage is €68 and the average salary (excluding expatriates) is €128.

HBD-STP economic influence on the labor opportunities goes beyond the number of jobs created. In 2013, around 73% of the supplies and services costs by HBD-STP were made to local suppliers (Príncipe). These practices lead to a financial flow for the local economy around €2.8 million. This value indirectly created new local businesses and new entrepreneurial projects.

2.4.1.2 INFRASTRUCTURES

Apart of the HBD TI, the company also agreed to support the Regional Government implementing part of the "*Plan and Sustainable Development Agenda for Príncipe Island*" report. This report written in 2012 by Essentia, a Portuguese tourism consultant office, defines a sustainable governmental strategy for Príncipe, and HBD-STP is supporting the Regional Government in some projects like the new water supply management solution and the reconstruction of public roads.

2.4.1.3 HBD CONCESSIONS

HBD-STP is paying more than €150,000 per year to the Regional Government for the resorts and carpentry concessions in the island. The government defined the price for each concession, according to its final purpose and location.

2.4.1.4 PRÍNCIPE BRAND

One of the most important economic values created by HBD-STP was the increase of Príncipe brand's valuation. A few years ago, Príncipe was an isolated island that few people knew about their existence. Now, thanks to the company's investments, Príncipe is emerging as a new and high-quality tourism destination. The "*Príncipe Brand*" is now an important asset owned by Príncipe's economy, with unpredictable effects in the future. HBD-STP is promoting this brand concept with online videos and documentaries.

2.4.2 SOCIAL IMPACT

2.4.2.1 EDUCATIONAL

The Príncipe educational program works as a partnership between the National Government of São Tomé and Portuguese Government. Portuguese educators are hired to teach in São Tomé and Príncipe's schools. The wage is divided between the Portuguese Government and the National Government of São Tomé.

The problem is that the National Government does not have the financial capacity to provide a complete education service, so there are some courses preferred to others.

One of Mr. Cassandra's special demand to Mark was the English education in the island. The population did not have it and it was not covered in schools, so the President required HBD-STP's employees to teach it in the schools.

HBD-STP started providing English classes and then Portuguese, Mathematics, History and Science classes, offered by professors hired by the company.

2.4.2.2 TECHNOLOGICAL

When Mark visited Príncipe to meet President Cassandra in 2009, the local community was very limited in terms of new technology. Internet connection was very poor with 32 Mbit/s available to all the region and was very rare to see a 3G mobile. HBD-STP in a partnership with CST, a telecommunication company operating in São Tomé, expanded the internet available to 300Mbit/s and implemented a 3G network in the territory. Now, it is common to see locals using their smartphones connected wirelessly to the free hotspots provided in the city center.

2.4.2.3 CULTURAL

HBD-STP is offering cultural events for the Príncipe's population to create conditions for a cultural development in the region. For instances the future Príncipe museum funded by the

company or the sports activities provided by the historic Portuguese football team '*Os Belenenses*', sponsored by HBD-STP.

2.4.3 ENVIRONMENT PROTECTION

As Biosphere Reserve, every investment in Príncipe has extra responsibilities regarding the environment. Each HBD-STP's project is oriented with an environmental study prepared by external consultants. The company is also focused on energy efficiency practices, providing periodic formations to its employees.

Most of the environmental value created by HBD-STP resides in the co-projects between the company and the Regional Government or other institutions operating in Príncipe. With the Regional Government, the company is in charge of '*Urban regeneration project*' and the '*Forest regeneration project*', where the two entities are studying the urban and forest changes in the future. Regarding other institutions, HBD-STP is working together with the "*Biosphere Reserve association*" defining environment management measures and a Biosphere management program.

Respecting the fauna and flora in the island, HBD-STP is responsible for a '*Biodiversity protection strategy*', with a special focus on the conservation and study of the turtles. The company is promoting protocols with research centers, universities and others entities working on nature conservation studies, like the protocol with California Academy of Sciences, which is promoting the environmental education on the island.

2.5 STAKEHOLDER CLAIMS

HBD-STP project involves different stakeholders with different sustainable claims. These stakeholders' claims converge sometimes and assume different levels of importance. Part of Nuno's challenges is to identify this claims and evaluate which of them need to be answered by HBD-STP first.

Negotiate in an African undeveloped country is quite challenging, and it occurs sometimes that local entities ask for a backhander, knowing that HBD-STP has money. Nuno defined two golden rules when he came to HBD-STP. The first one is that '*any type of bribery is forbidden*', and the second one is '*discrimination is not allowed*'. The first rule can delay part of the investments, but it helps to build the transparency and the legitimacy that the company seeks. The second rule is difficult to handle because, in the African cultural traditions the role of the

woman is not balanced comparing with the role of the man. HBD-STP does not want to create discrimination situations, and it occurred in 2012 to fire an employee because of it.

2.5.1 REGIONAL GOVERNMENT

The relationship between the Regional Government of Príncipe and the company is an institutional relationship, where both parts work together for Príncipe development. The government is aware of HBD RO projects and they both work closely in environmental issues.

It occurs frequently situations where the Regional Government requests HBD-STP to execute development projects not related with the company operations, like the construction of Príncipe's port in Santo António. The company decides then if that project should be executed by the company or if it is a responsibility that the government must not discard.

2.5.2 NATIONAL GOVERNMENT

The relationship with the National Government occurs because of the high investment amount, and the economic impact that HBD-STP will create. Occasionally Nuno meets the Prime Minister or the Ministry of Economy to present the future investment projects or to discuss the development of São Tomé's economy. The National Government is very interested in HBD-STP investments and wants to capture part of the investment to São Tomé.

2.5.3 LOCAL COMMUNITY

The local community has an affective relationship with the company because thanks to HBD-STP they see themselves living with better conditions. In Nuno words: «*When we arrived, the local community had no hope or faith. Now, with more money and more conditions, they start dreaming about their future*».

Apart of HBD TI projects, the local community expects that HBD-STP will continue creating job opportunities for the population to ensure jobs for the future generations.

2.5.4 CUSTOMERS

HBD-STP targets its hotels to '*responsible tourists*' – tourists that understand the importance of a sustainable development in underdeveloped economies and respect it. This segment is interested in the company's actions close to the local community and the environment, expecting a positive impact.

The resort's staff encourages their customers to meet and interact with the local community to engage the responsible mission of HBD-STP.

2.5.5 STAFF

The company's employees of the 4 investments areas are glad about the contract protection and the relatively high salaries provided. The economic value obtained through these salaries is generating social value in their families' life and they expected to continue.

The staff does not have a significant environmental awareness, but HBD-STP is providing different ecological formations to them, like energy saving workshops.

2.5.6 ENVIRONMENTAL NGOs

As a *Biosphere Reserve*, Príncipe has several NGOs studying the fauna and flora of the territory. HBD-STP supported some of these NGOs over the scope of HBD TI.

In 2014, the company created '*Príncipe Trust*' an NGO to promote the environmental practices and establish the communication between all the NGOs in the island.

2.5.7 SUPPLIERS

Mota-Engil and CST are the two biggest suppliers of HBD-STP operations. The first one is in charge of the airport building and has many constructions projects in São Tomé. The second one is the main telecommunication company in the country (monopolistic until 2014) and it is interested in Príncipe development to expand its full services to the region.

2.5.8 COMPETITORS

In São Tomé, Omali Lodge Hotel strategy is different from the other hotels. The hub-point strategy does not encourage to 7-days stay like Pestana.

In Príncipe, the only competitor of Bom-Bom Island Resort (and the future projects) is Roça Belo Monte, the hotel from IHDC constructed after Mark acquisition process, but the marketing of the hotel is timid with no significant investment in promotion (just a Facebook page and a vague presence in few online agency travels). HBD-STP believes that the hotel is waiting for the upcoming hotels, to start investing in marketing. At the moment, the occupation rate in Roça Belo Monte are very low, according to HBD-STP research.

Both companies have signed in 2010 a private environmental contract with responsibilities and duties for both groups.

2.6 THE FUTURE

Nuno is in the airplane, seeing São Tomé airport thru his window and thinking about his company. The airport is full just to see the flight taking off. There are some children with no shoes, selling flowers to the tourists that just arrived.

He understands that HBD-STP created more opportunities for Príncipe's population. The kids will have more academic prospects and adults have more professional options. The Regional Government has more tools to implement his sustainable project and the *Biosphere Reserve* area is more protected than before. Families have more money and better conditions to live.

But new challenges appear each day, like the meeting he had the day before with the Regional Government. President Cassandra asked for Nuno's opinion about an illegal urbanization flow that is appearing in restricted areas. This phenomenon is creating new residential areas, where people live with no electricity nor water supply. The Regional Government has no capacity to supervise all the territory, and such flow can damage the Príncipe biggest asset: the environment. Nuno recognizes that this is not under HBD's responsibility, but he knows that if the company does not act, no one will solve the problem.

President Cassandra is also afraid of National Government reaction to this Príncipe's development. He knows that they do not appreciate this provincial development, with no economic results in São Tomé, and they pretend part of this value created. Although HBD-STP has an office in São Tomé town, the only investment in the island is Omali Lodge. Nuno does not want to invest in tourism there, but he realizes that it could exist an economic opportunity to integrate São Tomé companies with Príncipe companies. He was thinking about create an enterprise national association, where they can co-operate in the country development.

Nuno will come back to Príncipe in March and wants to implement new solutions for HBD-STP's stakeholders. He will discuss with his team the urgency of each stakeholder's interest under the scope of the sustainability strategy.

The airplane is in the air, and São Tomé Island disappeared 10 minutes ago. He looks again thru his windows and sees Príncipe archipelago appearing. Everything is green and it will continue to be.

3 LITERATURE REVIEW

3.1 INTRODUCTION

What is Corporate Social Responsibility (CSR) and what does it cover? Maybe this looks like a simple question but many scholars tried to answer it in the last decades, ended up with multiple divergent approaches.

> *"The term (CSR) is a brilliant one; it means something, but not always the same thing, to everybody. To some it conveys the idea of legal responsibility or liability; to others, it means socially responsible behavior in an ethical sense; to still others, the meaning transmitted is that of "responsible for," in a causal mode; many simply equate it with a charitable contribution; some take it to mean socially conscious; many of those who embrace it most fervently see it as a mere synonym for "legitimacy," in the context of "belonging" or being proper or valid; a few see it as a sort of fiduciary duty imposing higher standards of behavior on businessmen than on citizens at large. Even the antonyms, socially "irresponsible" and "non-responsible," are subject to multiple interpretations"(Votaw, 1972)*

To answer this question, Garriga & Melé (2004) divided the most relevant theories in four groups: 1) *Instrumental theories*, where CSR is an instrument for an end (usually profits); 2) *Political theories*, where CSR is the political strategy relationship between the corporation and the society (like a power and legitimacy game); 3) *Integrative theories*, who considers that the corporations exist to integrate social demands; and 4) *Ethical theories*, who sees the relationship between corporations and society as a mutual recognition of duties and rights, with social responsibilities and ethical obligations.

The first two groups look at CSR as a non-core section of the corporation's business model, while the other two groups look to CSR as a mandatory one (like a motor). The recent history, with different scandals derived from corporate and society relationship (e.g. Nike or Shell), suggests that CSR must be considered as a core section inside the corporation, assuming an integrative and ethical attitude towards all the business model.

Inside these two groups, there are two theories that will be covered in this chapter. The first one is the Sustainable Development theory (an ethical theory) while the second one is the Stakeholder Management theory (an integrative theory). Both theories started being discussed

in the last three decades of XX century and – contrary to most of CSR theories – present a more managerial perspective instead of a philosophical interpretation.

The discussion that is covered in this chapter starts from a sustainability perspective, looking at the importance for a corporation to adopt a sustainable development objective. Observing the practical application of this theory, this chapter refers the concept behind the Triple Bottom Line, which was one of the first concepts of sustainable development inside corporations.

After the sustainability perspective, I will discuss the stakeholder management process. This process starts by looking for the corporation's stakeholders and further plan the necessary strategies to answer their claims. Then it will be presented some engagement procedures and in the end of the process, it will describe the importance of review and collect feedback from the stakeholders to readjust the process.

The combination of both theories presents an alternative way for corporations, who can assume an integrative and ethical attitude regarding the external environment for a long-term period.

3.2 SUSTAINABLE DEVELOPMENT

Sustainable development concept as we know nowadays was first introduced in 1987 as a "*development that meets the needs of the present without compromising the ability of future generations to meet their own needs*" (Brundtland et al., 1987) and it is based in three pillars: 1) economic development; 2) social development; and 3) environmental protection (Johannesburg Declaration 2002).

This definition and the relationship between the three pillars is very controversial and has been largely discussed in the last three decades, even by Pope Francis in his encyclical letter '*Laudato si'* (Gladwin, Kennelly, & Krause, 1995; Giddings, Hopwood, & O'brien, 2002; Springett, 2003; Hopwood, Mellor, & O'Brien, 2005; Francis, 2015).

The practical application of sustainable development's definition, values, and dimension into the business sphere is called corporate sustainability (Wilson, 2003) and it is defined as "*meeting the needs of a firm's direct and indirect stakeholders, without compromising its ability to meet the needs of future stakeholders as well*" (Dyllick & Hockerts, 2002). This corporate practice is focused on sustainable actions or behaviors, like sustainable value creation, green policies management or human capital management (Van Marrewijk, 2003).

The corporate sustainability concept was first suggested by Elkington (1994) as the '*Triple Bottom Line*', and described by Norman & MacDonald (2004) as the companies' assessment of social/ethical and environmental performances.

> "*The idea behind the Triple Bottom Line (3BL) paradigm is that a corporation's ultimate success or health can and should be measured not just by the traditional financial bottom line, but also by its social/ethical and environmental performance. (...)The apparent novelty of 3BL lies in its supporters' contention that the overall fulfillment of obligations to communities, employees, customers, and suppliers (to name but four stakeholders) should be measured, calculated, audited and reported – just as the financial performance of public companies has been for more than a century.*"(Norman & MacDonald, 2004)

There are different theories that explain why companies engage and maintain a corporate sustainable practice. One of the theories is presented by Gladwin et al. (1995) which claims that it is not possible to achieve economic goals without achieving social and environmental goals. To assume this, the authors developed a component inside sustainable development – the concept of connectivity – assuming that the three pillars are interconnected and interdependent. A second theory is presented by Van Marrewijk (2003), which argues that there are three alternative reasons for this practice: companies are obliged to do it; companies want to do it; or companies are made to do it. A third theory is presented by Dyllick & Hockerts (2002) which argue that the only way to achieve long-term sustainability is by managing not only economic capital but also the company's social and natural capital.

3.3 STAKEHOLDER THEORY

Stakeholder Theory explains why and how an organization manages the interaction with different actors that have a legitimate claim on its performances (they are the stakeholders). It is interesting. It is a broad concept, not consensual with different definitions and many critical (and contradictory) interpretations (Egels, 2005; Jensen, 2000; Lépineux, 2005; Phillips & Reichart, 2000; Sternberg, 1999; Stoney & Winstanley, 2001).

According to Donaldson & Preston (1995), stakeholder theory has a managerial implication (is a manager's responsibility to execute the stakeholder management) and works at three distinct but interrelated levels:

i. *Descriptive*: since it is used to describe and explain specific corporate practices

ii. *Instrumental*: since it is used to identify the existence (or non-existence) of connections between stakeholder management and the achievement of traditional corporate objectives

iii. *Normative*: since it is used to interpret the purpose of the corporation

This theory is usually presented in a graphical framework: the Freeman's Stakeholder Model. The original framework (R. E. Freeman, 1984) presented seven groups of stakeholders around the company, establishing bi-directional relationships between the company and each of stakeholders' group (Figure 8).
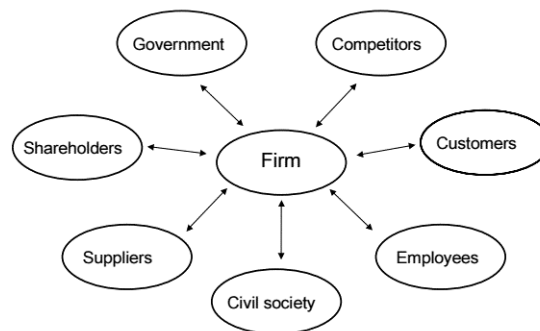
Figure 8 – The original stakeholder model (source: Fassin, 2008)

3.4 STAKEHOLDER MANAGEMENT PROCESS

The stakeholder management process appeared as a solution for the managers to the business environment turbulences and changes (R. Edward Freeman & McVea, 2001), where companies engage in it to achieve satisfactory levels of performance for all major stakeholders' groups (Preston & Sapienza, 1990).

The process is an ongoing cycle, with 4 progressive steps: (1) Mapping – when the stakeholder identification process occurs; (2) Plan – when the organizational plan is outlined; (3) Engage – when the interaction between the company and the stakeholders occurs; and (4) Review – when the results of the process are evaluated and the strategies are adjusted.

In the first phase, the company's manager starts by mapping the stakeholders' relationships, identifying each stakeholder group; evaluating them; classifying according to their characteristics; and establish a prioritize strategy throughout all the stakeholders. After that, he defines the plan to capture and to create value for the stakeholders, based on what the company can offer and what can receive from them. In the third step, the manager starts implementing the company strategies to maximize the overall value created and engage strategic stakeholders.

At the end of the process, with the feedback received by each stakeholder group, the manager starts adjusting the process to maximize the strategy. Figure 9 presents a graphical flow of the Stakeholder Management Process.
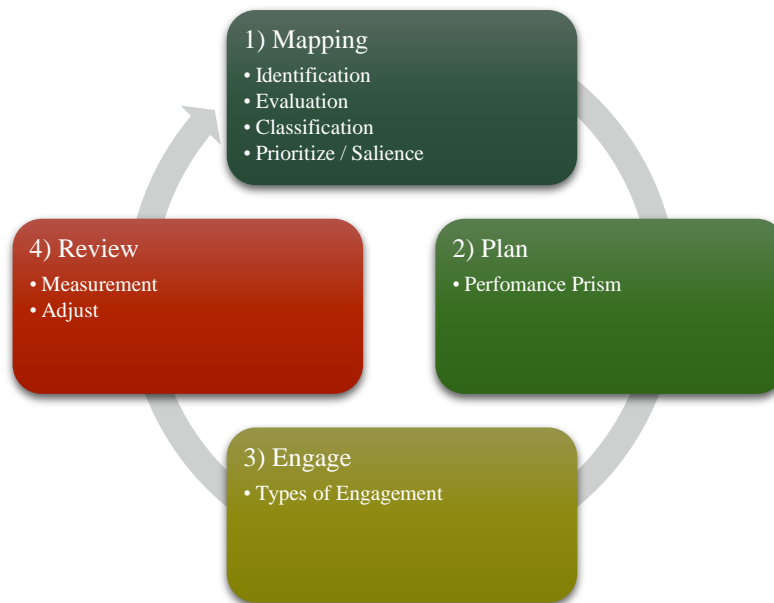
Figure 9 – Stakeholder Management Process

3.4.1 MAPPING THE STAKEHOLDERS

3.4.1.1 IDENTIFICATION OF THE 'STAKES' AND THE 'HOLDERS'

The term stakeholder appeared in an internal memorandum in 1963 at the Stanford Research Institute (Parmar et al., 2010) as "*those groups without whose support the organization would cease to exist*". In 1984, Freeman defined as "*any group or individual who can affect or is affected by the achievement of the organization's objectives*".

This two definitions can be divided in two parts:

i.   The 'holders': "*those groups*" or *"any group or individual"*

ii. The 'stakes': "*without whose support the organization would cease to exist*" or *"who can affect or is affected by the achievement of the organization's objectives"*

The first part is largely consensual between researchers, which consider the 'holders' as a person or a group like the ones presented in the original Freeman's Stakeholder model (Figure 8), while the second part is not so consensual, whit many different approaches. Mitchell, Agle, & Wood (1997) analyzed these interpretations of the 'stakes' identifying similar rationales between diverse definitions, as presented in Appendix 3.

There is a specific controversial discussion regarding the 'holders' about the environment. Is it possible to consider the environment – which is not a person or a group – as a stakeholder? There are any doubts that environment has an important 'stake' in a company either in terms of the impact of pollution or the benefits arisen from green policies, but the problem resides in the natural characteristics of the 'holder'. Starik (1995) assumes that it can be considered, establishing the importance of natural environments in the business environment and defending that the stakeholder concept can include *'non-human entities, if ethical, socio-emotional, legal, and physical characteristics are contained in this concept'*. Phillips & Reichart (2000) consider that a stakeholder must have '*some degree of moral consideration*' and this degree '*arises from the voluntary, obligation generating act of cooperatively creating and accepting benefits or goods of some kind*'. This second approach seems more coherent in the eyes of Stakeholder Theory since it offers a mutual recognition between the company and the stakeholder – one is affecting the other and each one knows about the other existence.

3.4.1.2 EVALUATION

Considering the similarities found in Appendix 3, Mitchell et al. (1997) defined the three core attributes for a stakeholder identification – **Power**, **Legitimacy** and **Urgency** – based on three features: 1) each attribute is variable and not a steady state; 2) each attribute is socially constructed; and 3) consciousness and willful do not need to be present.

Regarding the Power attribute, the authors called for Pfeffer's definition (1981), who defined it as "*a relationship among social actors in which one social actor, A, can get another social actor, B, to do something that B would not have otherwise done*". This attribute is divided in three types: 1) coercive power, when the power is based in physical means; 2) utilitarian power, when the power is based on material means; and 3) normative power, when the power is based on symbolic means (Etzioni, 1964).

Regarding the Legitimacy attribute, the authors called for Suchman's definition (1995) defining as "*a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed of norms, values, beliefs, and definitions*". This attribute is attained in a social system where multiple levels of analysis exist and must be interpreted by managers.

Regarding the Urgency attribute, the authors added this attribute to get a dynamic dimension for the model, remembering the moral intensity as a multidimensional construct from Jones (1991). To define the urgency of a stakeholder claim, there are two variables: 1) time sensitivity:

the acceptability degree of managerial delay in attending a stakeholder claim; and 2) critically: the significance of the claim or the relationship to the stakeholder.

The manager's perceptions of each stakeholder combine these three attributes, defining a personal evaluation (or salience) for each stakeholder. This evaluation should be done regarding the presence of each attribute, e.g. a stakeholder can be powerful and legitimate but no urgent in a certain period.

3.4.1.3 CLASSIFICATION

Considering the three attributes and the possible combination between them, there are seven types of stakeholders. Mitchell et al. (1997) gave distinct names (which have no theoretical importance) for each type and divided them in three groups, according to the number of attributes existence: Latent (one attribute), Expectant (two attributes) and Definitive (three attributes). Figure 10 presents the seven types of stakeholders and the three groups.
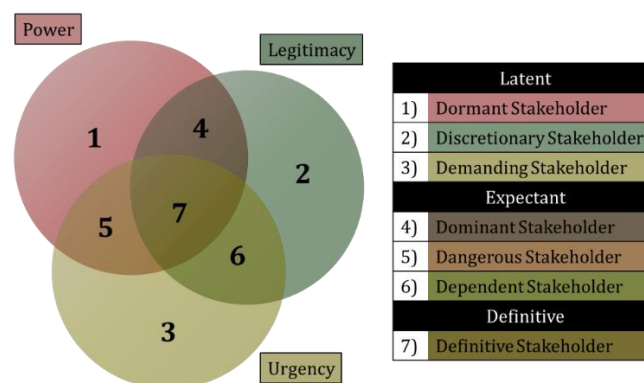
Figure 10 – Stakeholder typology (adapted from Mitchel et al. 1997)

Latent stakeholders are the ones that have only one of the three attributes, but can acquire the other attributes in the future. In this group, there are dormant stakeholders; discretionary stakeholders; and demanding stakeholders. The first type has a relatively superior power to impose their interest on a firm but has no legitimacy or urgency claim to be considered as relevant for the company. It can be a local newspaper (symbolic power) pressuring a company for a specific action. Discretionary stakeholders have a legitimate relationship but no relevant power and urgency, just like a local community expecting more jobs from a company in a specific region. The last type has a relatively urgency claim but no power or legitimacy over the company. It can be serial complainers which are commonly associated as '*irritants*' for managers.

Expectant stakeholders are the ones that have only two of the three attributes, but can acquire the missing attribute in the future. In this group, there are dominant stakeholders, dangerous stakeholders, and dependent stakeholders. Dominants stakeholders have power and legitimacy but have no urgency claim. They usually have a powerful formal mechanism enhancing their legitimacy, like a venture capitalist representative in a board direction of the company. Dangerous stakeholders are the ones with no legitimacy but powerful and with urgent claims. They are usually radicals with dangerous claims, like a terrorist group blackmailing a company to call attentions to their claim. Dependent stakeholders are the ones with legitimacy and urgent claims but have no power. They are dependent because they need to carry out their will on other powerful stakeholders to enforce their stake. Environmental NGOs are usually dependent stakeholders, carrying out their claims on powerful stakeholders (like governments).

Definitive stakeholders are the ones that have the three attributes. Generally, they are dominant stakeholders who acquire an urgency position and 'move *to*' definitive category, like shareholders when stock values drop. It can also occur with dependent stakeholders (e.g. employees starting a labor union inside the company) or dangerous stakeholders (e.g. radical groups who start being supported by a national government).

3.4.1.4 PRIORITIZE THE STAKEHOLDERS

To prioritize stakeholders, Mitchell et al. (1997) presents the **salience of stakeholders** perspective, which establishes a hierarchy between the types of stakeholders, presenting the full picture of the company's environment.

With this perspective, the manager can identify "*who and what really counts*" just by looking at stakeholders' classification. The latent stakeholders – with a low salience – are the ones which managers do not care too much. The expectant stakeholders – with a moderate salience – are seen by the managers as "*expecting something*". The definitive stakeholders – with a high salience – are the manager's top priority among stakeholders.

3.4.2 PLAN THE STRATEGY

There are different approaches to defining a stakeholders' strategy plan. In general, most of the management books suggest a balanced scorecard analysis, where a balanced set of financial and non-financial measures are presented, and the firms define the plan according to those measures (Figge, Hahn, Schaltegger, & Wagner, 2002). Recently, there were some critics to balanced scorecards, since they were too broad and imprecise (Ittner, Larcker, & Meyer, 2003).

Andy Neely, Chris Adams, & Paul Crowe (2001) assumed that balanced scorecards were not updated to the 'New Economy' period and suggested the '*Performance Prism*'. This framework addresses all of the organization's stakeholders, matching the stakeholders' wants and needs (*stakeholders' satisfaction*) with the organization's wants and needs from the stakeholders (*stakeholders' contribution*). To match both dimensions, it explores organizational strategies, processes, and capabilities. It is presented as a prism, where each facet represents one of the dimensions of the '*Performance Prism*' and addresses one specific question. Figure 11 presents the five facets of the Performance Prism.

The first facet of the prism – **Stakeholder Satisfaction** – challenges the managers to rethink the stakeholders' environment map and to question about their needs. It asks, "*Who are the stakeholders and what do they want and need?*". The second facet of the prism – **Strategy** – starts calling the importance of a strategy plan to stakeholders' management, asking "*What are the strategies we require to ensure the wants and needs of our stakeholders are satisfied?*". The third facet – **Processes** – calls for operations organization, asking, "*What are the processes we have to put in place in order to allow our strategies to be delivered?*". The fourth facet – **Capabilities** – englobes all the people, practices, technology and infrastructures, and asks, "*What are the capabilities we require to operate our processes?*". The fifty facet – **Stakeholder Contribution** – recognizes that organizations have to create value to their stakeholders but also enter into a relationship where the stakeholders also contribute. To address this facet, managers must ask, "*What contributions do we require from our stakeholder if we are to maintain and develop these capabilities?*".
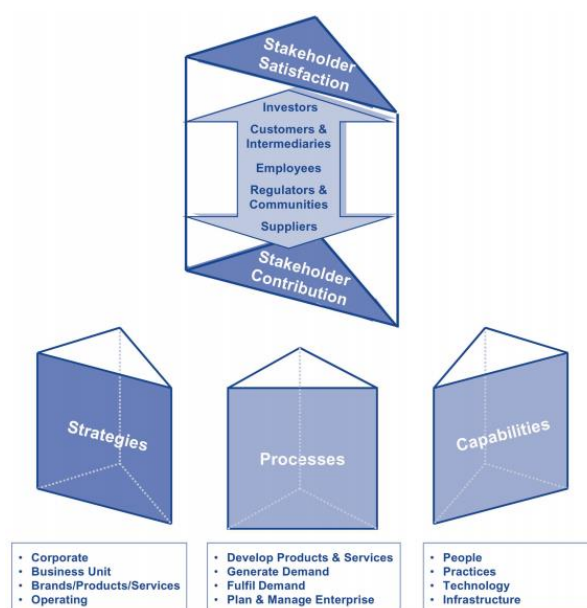
Figure 11 –The Performance Prism (Andy Neely et al., 2001)

3.4.3 ENGAGE

Stakeholder engagement is the combination of corporation's activities to involve stakeholders in its environment. The process of engaging stakeholders could be very complex, with multiple alternatives and different approaches.

To define different levels of engagement, and to identify the moral approach to those levels, Greenwood (2007) designed a model of Stakeholder Engagement (Figure 12). Her model relates two stakeholders' variables: 1) the stakeholder engagement, meaning the quality and abundance of activities promoted by the corporation to its stakeholders; and 2) the stakeholder agency, meaning the number and breadth of its stakeholders (e.g. if a company is interested in more than the typical stakeholders and if it tries to answer those claims for ethical reasons instead of instrumental organizational objectives).
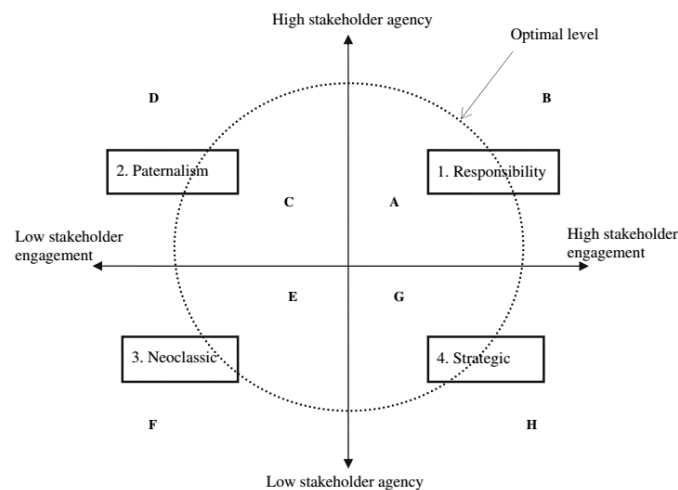
Figure 12 – A model of Stakeholder Engagement and the moral treatment of stakeholder (Greenwood, 2007)

The model is divided in four quadrants. Quadrant 1 is the Responsibility quadrant, where the corporation has a high stakeholder agency and it is highly engaged with them. Quadrant 2 is the Paternalism quadrant, where the corporation has a high stakeholder agency but decides to have a low engagement, just like a company who acts in the interests of stakeholders without necessarily engaging with them. Quadrant 3 is the Neoclassic quadrant, where the company as low engagement for a low stakeholder agency. In this quadrant, the corporation assumes an economically based position (e.g. a manager who does not care about suppliers' relationship, and prefer several smaller low-cost suppliers). Quadrant 4 is the Strategic quadrant, where the corporation has low stakeholder agency but has a positive stakeholder engagement, where an

organization answers all the stakeholders' needs (although it was few stakeholders) with the aim of furthering the goals of the organization.

Each quadrant is divided by an optimal curved line, creating two segments per quadrant. This division suggests that extreme positions in this model (segments B, D, F, and H, where the stakeholder is in the extreme ends of the spectrum of these variables) can be very problematic, because those stakeholders who are incorrectly involved or do not have a genuine moral claim, can affect and undermine the purpose and nature of the organization.

The eight segments presented in the model, have different levels of relationship between stakeholder engagement and stakeholder agency. Appendix 4 presents Greenwood description of each segment from the model.

3.4.4 REVIEW THE PROCESS

In the final step of the stakeholder management process, managers must review the impact of the strategies and collect stakeholders' feedback.

There are not a formal structure to monitor or evaluate the process. It depends on the managerial techniques and the corporation capacities to gather stakeholders' feedback. Each manager must be able to collect the necessary KPIs related to the company's business environment.

With the feedback received, the manager can re-map, re-plan and change the engagement strategy, to improves its stakeholder management strategy.

4 TEACHING NOTE

4.1 INTRODUCTION

This case study presents HBD-STP, a young company operating in São Tomé and Príncipe investing in different areas, mainly tourism and agriculture. The case describes the origin of the entrepreneurial idea (in 2009), how it was implemented in this underdeveloped country, and how the company has been structured (until the beginning of 2015). Covering in detail the country's business environment and the company strategy, the case provides insights of HBD-STP's challenges in the spring of 2015 describing the different stakeholders' claims and the maximization of sustainable value creation.

The issue of the case study is to solve these challenges faced by Nuno Rodrigues (CEO of HBD-STP) regarding stakeholder management over the scope of sustainability goals. It should be discussed using the stakeholder management process and the sustainable development theory provided in the Literature Review chapter.

4.2 CASE OVERVIEW

HBD-STP is a South African company founded in 2010, based in Portugal and operating in São Tomé and Príncipe, held by HBD (Here Be Dragons) – a venture capital firm from the millionaire entrepreneur Mark Shuttleworth. The company is highly dedicated to the sustainable development of Príncipe archipelago, where it has invested more than €65 million in the tourism sector, infrastructures, agriculture, light industry and professional training.

São Tomé and Príncipe is a small and remote archipelago, considered as vulnerable and poor. Its weak economy grew 5.2% (real GDP) in the last decade thanks to an increase in the Foreign Direct Investment and a considerable shift in economic activities from agriculture to services and construction. Although the country is one of the 25 least-visited countries in the world, the tourism sector has an important position in São Tomé and Príncipe's economy, contributing 14% for the national GDP (direct contribution: 6.5% + indirect contribution: 7.5%). Príncipe archipelago (representing 4% of the all population) has its own Regional Government which is dependent of the National Government. The country's economy structure is mainly composed by agriculture and fishing with no commercial significance (except for cocoa production). São Tomé and Príncipe's biggest asset is its national park, covering more than 30% of the two archipelagos, with a large number of unique species in the world. This national park has an

additional responsibility for Príncipe archipelago since it is considered as a World Biosphere Reserve by UNESCO.

HBD-STP started in São Tomé and Príncipe in 2010 when it initiated the operations of renovating the Príncipe airport and acquired two hotels – one in Príncipe and another one in São Tomé. After that, the company invested in an extensive agriculture production (to enable exportations and high-quality production), a carpentry center (to provide professional workshops and supply the hotel and resort), and a variety of investments to develop the Príncipe capacities for tourism. The company has also started investing in three new hotel projects to be concluded before 2022. At the moment, with more than 500 people, the company estimates that 35% of Principe population is dependent of its activity.

Being the first millionaire investing in a sustainable project in Príncipe, is generating a legitimacy status for the company and for Mark close to its stakeholders. Although the company has not started (yet) all of its investments, it already achieved considerable results mainly in terms of economic value created (like labor opportunities and new infrastructures), social impact (in terms of educational, technological and cultural dimensions), and environmental protection.

The company is now being challenged by multiple stakeholders' claims, and it believes that not all of them are over its responsibility. HBD-STP needs to understand who are the critical stakeholders and how can effectively answer their claims. The solution of the problem must consider at the same time the company's sustainable objective and Príncipe sustainable development.

4.3 LEARNING OBJECTIVES

The case study offers two different theoretical discussions: the first one is the sustainable development concept, which is intrinsic in the company structure with high relevance along the case; while the second one is stakeholder theory, which is more explicit in the second part of the case.

In the end of the case analysis, a student should be able to identify:

➢ The three pillars of sustainability and how they could be related with HBD-STP operations and areas of investment

- ➤ The critical stakeholders and map them over the company's business environment, which in this specific case is relatively interesting since the analysis covers a very limited economy
- ➤ Different effective plans to meet the stakeholders' claims and to create sustainable value

4.4 ASSIGNMENT QUESTIONS

The assignment questions are meant to help the students to solve the company's challenges with the adequate theory learned during a master of sciences in management. These questions are more oriented to an ethical concept of management, mostly because of the company's sustainable objectives and the visible issues around stakeholder management.

This way, the assignment questions are:

1. Who are the critical stakeholders of HBD-STP?
2. How to create sustainable value for them?

4.5 CLASS DISCUSSION

The following teaching discussion is structured for a 90-minute class, covering in detail the first and the second steps of stakeholder management process.

4.5.1 INTRODUCTION

In the first 15 minutes of the class, the instructor should present the sustainable development concept, identifying its three pillars referring the existence of a relationship between them. After that, the discussion should be about the fragility observed in countries like São Tomé and Príncipe.

In this part, the students must realize that a sustainable economy is important for the country's wealth because it enables to an overall sustainable development (the reasons besides the importance of sustainable development and the 3BL on page 22) and understand that a sustainable economy in São Tomé and Príncipe should mitigate the economic limitations described on page 6.

By the end of the introduction, the instructor should present HBD-STP describing in detail its four investment areas.

4.5.2 WHO ARE THE CRITICAL STAKEHOLDERS OF HBD-STP?

The first assignment question should be discussed during 30 minutes. It will cover the first step of the stakeholder management process – stakeholders' mapping – more precisely the identification, the evaluation, the classification and the significance/salience.

Assuming the general definition of stakeholder, the discussion should start on the **identification** process, where the students can be invited by the instructor to name possible stakeholders. Although the most significant ones are presented in the end of the case, the discussion should be open to further suggestions that could further classify those new stakeholders as non-critical ones. Table 5 presents a suggestion of HBD-STP's stakeholders, even though it is possible that more alternatives appear during the class discussion.

Table 5 – HBD-STP's stakeholders

The 'holder'	The 'stake'
Competitors	Want a correct environmental practice (like the private agreement with IHDC)
Customers	Want a responsible attitude
NGOs	Want a sustainable commitment with social and environmental causes
Government	Wants a commitment in social, economic, and environmental dimensions
Community	Needs a social-economic investment
Media	Wants to cover Mark and HBD-STP activities
Owners	Want a positive performance
Staff	Wants to maintain the good salaries
Suppliers	Want a large economic activity, which could generate higher profits
Travel Agencies	Want a growing investment in tourism

After the identification phase, the instructor should start the **evaluation** and **classification** phases, analyzing each stakeholder in terms of power, legitimacy, and urgency, to classify in term of latent, expectant or definitive. The analysis for the stakeholders presented before should be like the one presented bellow in Table 6.

After the classification, the instructor should **prioritize** the stakeholders according to their salience. With a low salience, there are two latent stakeholder (Media and Travel Agencies), with a moderate salience there are the expectant stakeholders (Competitors, NGOs, and Suppliers), and with a high salience, there are the definitive stakeholders (Customers, Government, Community, Owners, and Staff).

Table 6 – Evaluation and classification of HBD-STP's stakeholders

	Power	Legitimacy	Urgency	*Classification*
Competitors	Low Although the suppliers' power in an isolated economy could be relevant, the company has sufficient financial resources to mitigate this power	High There should exist some legitimate beliefs (out of the legal contracts like the one with IHDC) in which the company and its competitors agree for the Príncipe's sustainable development	Medium If the company delays (or ignore) in accomplish its environmental commitments, it could be unacceptable to the stakeholder	*Expectant*
Customers	Medium Can assume a symbolic power which could influence the reputation of the company	High Since the company promotes itself as '*responsible*', its actions are desired and legitimate for the customers	High Most of the company's revenues came from its customers, so their claims can be considered as critical.	*Definitive*
NGOs	High Príncipe (as a Biosphere Reserve) has legal environmental obligations. Some environmental NGOs evaluate those obligations and if the company does not respect them, they can have and use a relevant power close to the local authorities	High Since NGOs have the same sustainability ambition as the company, this relation can be considered as legitimate	Low Unlike competitors' urgency, the company did not set a legal contract with NGOs so, although their claims are significant they are not sufficient critical for the company	*Expectant*
Government	High The Government is (at the same time) the company's biggest partner in Príncipe and the authority who set the rules to operate	High The same explanation as the competitors' legitimacy	High Governments have a critical claim (as one of the most powerful partner) and time sensitivity significance (to present fast results to the electors)	*Definitive*
Community	High The company activity must be accepted by the community, otherwise it will be very difficult operate. The acceptability, in this case, is considered as a type of normative (symbolic) power	High Although there are not a written contract between the company and the community, there is a set of norms and beliefs between both	High The critically of community's claims is relevant because it will change their life conditions	*Definitive*
Media	High Since Príncipe is almost unknown, the recognition of the company's reputation is partly determined by the media interest. This power can be considered as a normative power	Low There are no kind of legitimate relationship between the media and the company	Low There are no evidence of critically or time sensitivity in media's claims	*Latent*
Owners (HBD)	High Since HBD is the source of the financial resources to HBD-STP operate, the utilitarian power, in this case, is absolute	High There are norms, values, beliefs, and definitions which both share that must be respected	High The critical significance of the owners' claims is really relevant	*Definitive*
Staff	Medium The services provided by the company's staff are a scarce resource in Príncipe (mostly because of the formation that the staff already has). This power could be seen as a utilitarian power	High The same explanation as the owners' legitimacy	Medium The time sensitivity of staff's claim can be considered significant, although the critically is not so relevant	*Definitive*
Suppliers	Medium The isolated condition of Príncipe facilitates the existence of a utilitarian power from the suppliers, like establishing trade barriers or commercial embargos.	High The same explanation as competitors' legitimacy	Low Suppliers' claims are not critically and could be delayed	*Expectant*
Travel Agencies	High The company needs travel agencies to sell its product	Low There could exist some beliefs from travel agencies, but the nonexistence of a formal relationship minimizes the significance of those beliefs	Low The same explanation as media's urgency	*Latent*

4.5.3 HOW TO CREATE SUSTAINABLE VALUE FOR THEM?

The second assignment question should be answered in 30 minutes, covering the second step of stakeholder management process. This question will be oriented to the critical stakeholders identified before: Customers, Government, Community, Owners, and Staff.

The instructor should start presenting the Performance Prism (page 28) and the five questions addressed for each dimension. The analysis of those questions (provided in Table 7) gives a strategic plan for each stakeholder respecting the sustainability objective. The first facet regarding the stakeholder satisfaction is the same as the 'stake' analyzed previously in Table 5.

Table 7 – Performance Prism

Stakeholder Satisfaction	Strategies	Processes	Capabilities	Stakeholder Contribution
CUSTOMERS				
Is based on a responsible attitude from the company and a good quality provided	Green policies; Investments in public services; Maintain the quality	Measure the actual environmental performance and improve it with new environmental practices; Reinforce the engagement with the local community	Financial capacity; Environmentalists; Sociologists	Interact with the local community and participate in the company environmental practices
GOVERNMENT				
Is based on the company's commitment in social, economic, and environmental dimensions	Green policies; Investments in public services and public infrastructures	Measure the actual environmental performance and improve it with new environmental practices; Reinforce the engagement with the local community; Develop a co-creation approach with the stakeholder for public investments	Financial resources; Environmentalists; Institutional communication; Sociologists	Work with the company identifying the correct public investments; Recognize the legitimacy of the company operations
COMMUNITY				
Is based on a social and economic investments need	Investments in public services and public infrastructures	Identification of the community critical needs that could be addressed by the company	Legitimacy to operate; Financial resources	Recognize the legitimacy of the company activities
OWNERS				
Is based on a positive performance and a non-environmental impact	Keep the project profitable with innovative sustainable solutions	Generate positive financial results; Keep the sustainable strategy	High revenues (both in HBD RO and HBD AO)	Financial resources
STAFF				
Is based on maintaining the good salaries	Keep the project profitable	Generate positive profits	High revenues (both in HBD RO and HBD AO)	Correct practices; Commitment with HBD-STP's culture

If the company executes each of the strategies, according to the process and capabilities, it will be able to generate the sustainable value claimed by each stakeholder. Table 8 provides some examples of the sustainable value that were or could be created for the each stakeholder. The table is divided according to the pillars of sustainable development for an easier identification of the type of sustainable value created (although some strategies affect two pillars at the same time). It can occur that a stakeholder does not care about a specific dimension so that space will be presented as empty.

Table 8 – Suggestions for sustainable value creation per stakeholder

Stakeholder	Dimension	Potential for sustainable value creation
Customers	Economic	
	Social	**Buddy program**: a customer can patronize a family, providing financial support or carrying scholar costs
	Environmental	**Footprint leader board**: award the customers that have better results on green practices with an additional discount (e.g., the ones that consume less water/energy per day)
Government	Economic	**Co-creation**: the company can provide managerial services to the government, helping it to be more efficient in public investments
	Social	
	Environmental	**Assume the Biosphere commitment**: the company is technologically more capable to assume the biosphere demands from UNESCO.
Community	Economic	**Develop the entrepreneurs**: the company could orientate the new entrepreneurs (originated from the company injection of €2.8 million in the local economy, page 15) and help them to maximize the product value created
	Social	**Príncipe Museum**: projected in Sundy's eco-tourism, it will be the first museum regarding the story of the autonomy region
	Environmental	**No plastic**: this campaign started in 2014 and consists in exchanging plastic bottles per a new metal bottle. This initiative reduces the plastic waste and introduces a new material with a long life span
Owners	Economic	**Leverage the expertise from HBD-STP to other countries**: By HBD-STP business model, HBD could start replicating the sustainable project in other countries, just like Mark wants.
	Social	**Expand HBD technological operations to Príncipe**: part of Mark's projects operations (like Ubuntu and others) could be outsourced to Príncipe, where labor costs are lower than in South Africa. Of course, this would require an additional investment in formations and training but it would increment the economic development of the region and promote the social responsibility of HBD
	Environmental	**Continue investing in environmental solutions:** Like Sundy eco-tourism hotel (the first carbon neutral in Africa,)
Staff	Economic	**Develop a social credit per employee:** The company could create an extra benefit per each increase in salaries (if one salary increases 10%, the company offers more 10%) that must be spent in a social investment (the employee chose the project that he want to support)
	Social	
	Environmental	**Provide environmental technologies**: the company could offer environmental technologies to its staff (like a water consumption reduction plan) because it will represent a big impact since 35% of Príncipe population is indirectly dependent of HBD-STP's salaries (page 10)

4.5.4 CONCLUSION & WRAP UP

By the end of the case, the instructor should explain the third and four step of the stakeholder management cycle, explaining the importance of stakeholder engagement in HBD-STP business model (mostly because of the close relationship with the government and the local community) that would help to collect the feedback for the fourth step.

5 CONCLUSIONS

In my first interview with Nuno Rodrigues, he presented me some of the challenges between stakeholders described in the end of the case study. It was clear for me that those challenges were connected to the stakeholder theory that I learned during my master in management, but it was not so clear who were the most significant stakeholders and how the company could maximize its value creation process. Regarding these two doubts and considering the sustainable development commitment that the company assumes, I proposed myself to do a research about the question: **which strategies should be adopted by HBD-STP to create sustainable value for its critical stakeholders?**

To answer it, I understood that a stakeholder management process would help me to prioritize the company's stakeholders and plan an adequate strategy to address their claims. According to this, I oriented my research in two points:

1. Prioritize the stakeholders
2. Understand their claims and the possible answers from the company

For the first point, I used the step one of the stakeholder management process, suggesting 5 critical stakeholders: Customers; Government; Community; Owners; and Staff. For the second point, I used the second step of the stakeholder management process, presenting the claims and answer-creation process for each critical stakeholder (Table 7 from page 37). The possible answers for the stakeholders' claims are presented in Table 8 (from page 38) divided by each stakeholder and by each pillar of sustainable development.

What my analysis suggests is that managers should comprehend that it is not its responsibility to answers all the claims from all of its stakeholders. If they do so, they will spend more resources (time and/or money) in strategies that do not guarantee positive results and could eventually deviate the company's strategy. It also suggests that managers with sustainable development objectives should be focused in answering what the critical stakeholders really claim, instead of answering the three components of the sustainable development (e.g. the company does not need to create environmental value to a stakeholder which does not care about it).

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APPENDICES

5.3 APPENDIX 1

**The economic contribution of Travel & Tourism (T&T): Sao Tome and Principe
(local currency in bn, real 2014 prices) Data from World Travel & Tourism Council**

	2009	2010	2011	2012	2013	2014	2015E	2025F
Direct contribution								
1) Visitor exports	238.6	306.1	363.5	335.6	610.6	518.9	539.6	**760.8**
2) Domestic expenditure (includes government individual spending)	251.2	171.8	204.7	204.7	203.1	210.0	215.3	**340.6**
3) Internal tourism consumption (=1+2)	489.8	447.9	568.1	540.3	813.7	729.0	754.9	**1101.4**
4) Purchases by tourism providers, included imported goods (supply chain)	-202.5	-192.7	-224.0	-213.0	-324.3	-292.5	-304.2	**-445.2**
5) Direct contribution T&T to GDP (=3+4)	287.2	285.3	344.2	327.3	489.4	436.5	450.7	**656.2**
Other final impacts (indirect & induced)								
6) Domestic supply chain	170.6	163.0	196.7	187.0	279.7	249.4	257.5	**375.0**
7) Capital Investment	84.5	86.6	88.0	98.1	104.7	106.8	114.0	**165.7**
8) Government collective spending	16.5	17.3	18.0	18.6	19.4	20.4	21.5	**38.3**
9) Imported goods from indirect spending	-9.5	-11.5	-16.1	-17.4	-17.2	-18.5	-20.4	**-31.4**
10) Induced	119.3	114.2	134.7	136.0	190.3	173.8	177.4	**269.3**
11) Total contribution of T&T to GDP (=5+6+7+8+9+10)	668.6	654.6	765.5	749.5	1,006.4	968.3	1,000.7	**1,473.1**
Employment impacts ('000)								
12) Direct contribution of T&T to employment	3.3	3.5	3.9	3.8	5.8	5.3	5.4	**6.2**
13) Total contribution of T&T to employment	7.9	8.1	8.9	8.8	12.7	11.7	12.0	**13.8**
Other indicators								
14) Expenditure on outbound travel	11.2	16.3	31.6	30.9	57.3	47.2	49.4	**55.7**

5.4 APPENDIX 2

HBD RO projects

Project	Location	Rooms	Description	Project starts in
Eco-Tourism	Sundy	15 luxury tent hotel	The hotel aimed to become the first carbon neutral in Africa, integrating the 'Dark Sky' project from UNESCO	2015
Eco-Tourism	Macaco, Boi, and Uba	54-rooms (one for each African country)	The hotel aims to be a cultural place, with permanent expositions	2016
Agro-Tourism	Paciência	24-rooms	A hotel oriented to yoga, meditation, and natural treatments.	2014
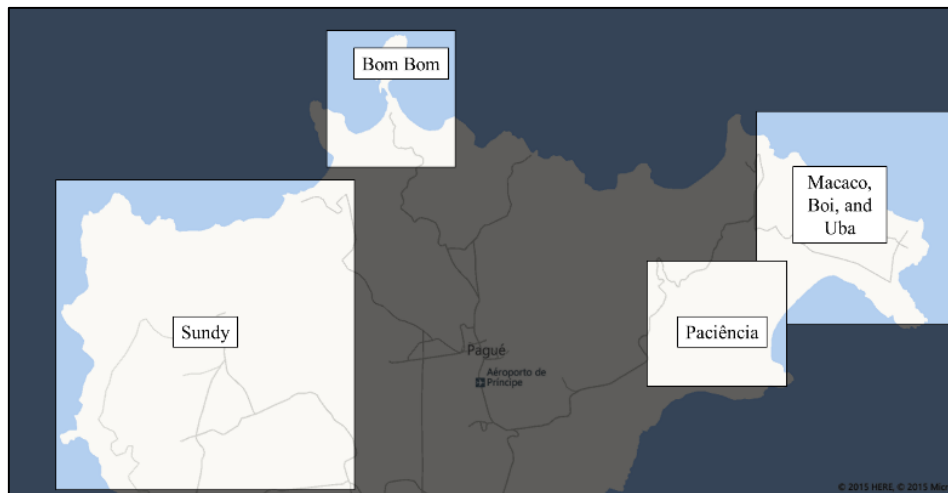
5.5 APPENDIX 3

Sorting of Rationales for Stakeholder Identification – Mitchel et al. (1997)

A Relationship Exists	*The firm and stakeholder are in relationship* *The stakeholder exercises voice with respect to the firm*
Power Dependence: Stakeholder Dominant	*The firm is dependent on the stakeholder* *The stakeholder has a power over the firm*
Power Dependence: Firm Dominant	*The stakeholder is dependent on the firm* *The firm has power over the stakeholder*
Mutual Power-Dependence Relationship	*The firm and stakeholder are mutually dependent*
Basis for Legitimacy of Relationship	*The firm and stakeholder are in a contractual relationship* *The stakeholder has a claim on the firm* *The stakeholder has something at risk* *The stakeholder has a moral claim on the firm*
Stakeholder Interest – Legitimacy Not Implied	*The stakeholder has an interest in the firm*

5.6 APPENDIX 4

The segments of Stakeholder Engagement model (Greenwood, 2007)

	Title	Stakeholder engagement	Stakeholder agency	Relationship between stakeholder engagement and stakeholder agency
A	Responsibility (traditional corporate social responsibility)	Comprehensive engagement	Acts in the interest of legitimate stakeholders	Optimal level of engagement with optimal number of stakeholders, enhancing responsibility
B	Anti-capitalism	Excessive engagement with stakeholders	Acts in the interest of all stakeholder including illegitimate	Participation of so many (including illegitimate) stakeholders that the purpose of the firm is compromised.
C	Limited Paternalism	Little stakeholder engagement as determined by the company	Acts in the interest of legitimate stakeholder as determined by the company	Acting in the perceived interest of the stakeholders with limited consultation
D	Strong Paternalism	No stakeholder engagement as determined by the company	Acts in the interest of legitimate stakeholder as determined by the company	Acting in the perceived interest of the stakeholders without consultation to the point of interference and reduction of liberty.
E	Market	Little stakeholder engagement in response to market demand	Does not act in the interest of legitimate stakeholder	Low engagement to further the interests of the owners. Organization and stakeholders as economic entities
F	Illegal (outside the boundary of the law or accepted custom)	No stakeholder engagement as determined by agents in control of the company	Does not act in the interest of legitimate stakeholder	Agents act in their or principals interests either illegally or outside moral minimum norms. Could include fraud, theft, and abuse of human rights
.G	Reputation/ Legitimacy	Engaging with legitimate stakeholders to further shareholder interests.	Appears to act in the interest of all stakeholders	Engaging stakeholders enhance strategic alignment, reputation, and legitimacy with stakeholders.
H	Irresponsibility (bad faith)	Excessive engagement without accountability or responsibility towards stakeholders	Appears to act in the interest of only influential stakeholders	Engaging with stakeholders under deceptive conditions, acting ''as if'' the aim is to meet stakeholders' interests