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The Dialectics of Engaging the BOP through Microfranchising: Evidence from a  
Mexican Agribusiness

By

Rafael Hernandez-Cazares

A Dissertation Submitted in Partial Fulfillment of the Requirements for the Degree

Of

Executive Doctorate in Business

In the Robinson College of Business

Of

Georgia State University

GEORGIA STATE UNIVERSITY

J. MACK ROBINSON COLLEGE OF BUSINESS

2016

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## ACCEPTANCE

This dissertation was prepared under the direction of Rafael Hernandez-Cazares Dissertation Committee. It has been approved and accepted by all members of that committee, and it has been accepted in partial fulfillment of the requirements for the degree of Executive Doctorate in Business in the J. Mack Robinson College of Business of Georgia State University.

Richard Phillips, Dean

## DISSERTATION COMMITTEE

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**LIST OF ABBREVIATIONS**

ANSA	Agroservicios Nacionales, S.A.
BOP	Bottom of the Pyramid / Base of the Pyramid
CBO	Chief Business Officer
CCO	Chief Commercial Officer
CEO	Chief Executive Officer
CPR	Collaborative Practice Research
DCT	Dynamic Capability Theory
GSU	Georgia State University
JV	Joint Venture
MNC	Multinational Companies
NGO	Non-Governmental Organization
ODS	Option-Driven Strategizing
PBA	Partnership Business Agreement
S-D	Service-Dominant (“Service-Dominant logic of marketing”)
SLA	Sustainable Livelihoods Approach
TMT	Top Management Team
UNDP	United Nations Development Program

## ABSTRACT

The Dialectics of Engaging the BOP through Microfranchising: Evidence from a Mexican Agribusiness

by

Rafael Hernandez-Cazares

December 2016

Committee Chair: Rafael Hernandez-Cazares

Major Academic Unit: Executive Doctorate in Business

Microfranchising is emerging as a potentially powerful strategy for reaching the enormous markets at the base of the pyramid (BOP). Microfranchising also represents an effective and sustainable way to contribute to poverty alleviation and economic growth. However, we know little about how organizations maneuver contradictory forces as they use this innovative business model to engage the BOP. To address this gap, I offer a longitudinal case study of an emerging microfranchise effort by a successful Mexican agribusiness—one whose ambitions to continue growing were challenged by multinational agrochemicals suppliers. As this project shows, companies and BOP markets can realize mutual benefits from a value co-creation strategy. Specifically, I adopted a dialectical approach to analyze the tensions and competing forces that arose as business managers and local BOP distributors and producers collaborated in this emerging microfranchising venture. As a result, the research offers three contributions. First, it provides a detailed empirical account of how contradictory forces shaped the Mexican agricultural firm's implementation of microfranchising to engage with BOP farmers. Second, it presents a conceptual synthesis that describes the major contradictory forces a company faces as it implements microfranchising as part of its BOP strategy. Finally, it offers lessons for how business managers can maneuver contradictory forces to co-create value with the BOP through microfranchising.

Keywords: Business strategy, microfranchising, dialectics, bottom of the pyramid, agribusiness, tensions, managerial maneuvers, tension categories.

## I INTRODUCTION

### I.1 Research Domain

The time and resources invested in poverty relief have shown how difficult it is to achieve. The problem is deeply rooted, and a great and increasing gap exists between the haves and the have-nots. Technological and scientific advances, as well as more sophisticated products and services have not only failed to bridge the divide between rich and poor, they have contributed to increasing the disparity between them to the point that it appears irreconcilable (Pehn, 2010). At the same time, the rapid development of attributes of goods and services has increased the speed of market response to these latest generation satisfiers (Prahalad & Hart, 2002). These differences hurt not only those who suffer; they call on us all to apply the same intensity that we invest in creating products and services to dress these wounds of humanity. Heeding this call, various sectors have launched efforts to develop their ability to respond (that is, their response-ability).

To relieve poverty, the intellectual and academic sectors contribute much to theory, while governments and philanthropists carry out efforts to support real-world initiatives. Little, however, have the three sectors done jointly to take advantage of both the capacity for analysis and observation of theoreticians, and the practical and long-term skills of practitioners. However, in 2005, Prahalad offered a comprehensive theoretical argument for “eradicating poverty through profits” (Prahalad, 2005). The starting point for this research is Prahalad’s important contribution to both theory and practice.

Prahalad suggests that government efforts to allocate money to social programs ends either when the budget runs out or when those in power change, bringing in new priorities and perspectives on social programs. Similarly, even philanthropists who are

completely devoted to serving vulnerable groups stop when their personal or foundation funds run dry. In any case, such efforts appear nearly fruitless when compared to the ocean of need among the world's poor. As a result, cross-contributions from both government and philanthropic/nongovernmental organizations (NGOs) are beginning to focus on solutions that are possible only in partnership with business. As Penh concludes, "*the increasing convergence of research and practice in the field of poverty and conflict is an exciting frontier. However, considerably more needs to be done in order to make these convergences more meaningful in the future and integrated into the work of the range of international actors, including business*" (Penh, 2009). Efforts to relieve inequality require the same force and speed that businesses apply to promoting new products and services. We must address these social needs with the same capacity and intensity as the needs of the market. Most importantly, efforts to address social needs require the same type of long-term economic motor that moves industrial and commercial corporations: *profitability*.

Problems of inequality and the social erosion that poverty fosters appear to intensify in rural environments (Reardon & Vosti, 1995), where a greater concentration of inequality exists and economic activity centers on agricultural production. In this food production environment, there is an urgent need for a model of value creation that will facilitate the development and social advancement of individuals (Coombs, Ahmed, & Israel, 1974). Companies devoted to agro-industry have developed business models that facilitate significant growth and development. These organizations, which are closely related to and reliant upon these vulnerable groups for daily production activities, might be open to sharing the value created through these business activities.



If so, it would appear simple to solve perennial problems of imbalance in development and social and economic progress: organizations would simply and reasonably share the considerable economic value created with the population that makes it possible (C. Prahalad & Hart, 2002). Against this backdrop, my dissertation is concerned with examining the use of an appropriate business model—microfranchising—to share economic benefits with poor populations. The aim is to develop new knowledge about the major contradictory forces a company faces as it implements microfranchising to engage the Base of the Pyramid (BOP). At the same time, my ambition is to contribute new insights that can help business managers better maneuver contradictory forces within their company, society, and business tradition as they undertake such an endeavor. I use the term “maneuver” as a way to manage contradictions, a way to face tensions, the process of designing a business stratagem. To help achieve these goals and ambitions, this dissertation builds on the engaged scholarship model (Andrew H Van de Ven, 2007b).

## **I.2 Research Perspective**

Traditionally, businesses have considered profitability as their main—and sometimes, only—goal. Further, the organizational inertia of most companies view consumers and distributors as competing forces (Lusch & Vargo, 2006) in the objective of maximizing profits. All this makes it very difficult for companies to adopt new ways of creating value that imply sharing economic benefits with customers and distributors. Proposing a different business approach is a major organizational change that competes with the status quo in most companies.

In this context, the specific theoretical device I use to inform my analysis and help focus the collection of empirical material is *dialectic theory*. I chose dialectics as the

dominant analytical lens because this classical theory allowed me to construct a very firm theoretical perspective focusing on the change process, which is crucial given that my dissertation seeks to explain a phenomenon in a timeline (Andrew H Van de Ven, 2007a). Dialectics theory also proposes that contradictions are intimately tied to the essence of social life and that knowledge generation about the process, its content, and the background is only possible by observing how contradictions appear in the timeline. Because the research reported here was driven by empirical observation of paradoxical facts, I consider suitable to apply a theory that is based on the contrast of contradictions and is a recognized theory that helps to study and understand them (Andrew H Van de Ven, 2007a).

### **I.3 Research Design**

The dialectical approach provides a process perspective on change (Van de Ven & Poole, 1995), and our research team used it to collect and analyze data from Agroservicios Nacionales, S.A. (ANSA), a Mexican agribusiness, while it implemented a microfranchising business. In this implementation process, decisions about investment, partner selections, business models, and human resources all involved competing forces, which managers had to negotiate to form alliances, align interests, and make decisions across ANSA's value chain. Therefore, to better understand the changes organizations undergo when they seek to co-create value with the poor population— and also to help practitioners more successfully manage this process—this research looked for an answer to the question: *How do organizations maneuver contradictory forces while using microfranchising to engage the BOP?*

This “how” question involved contemporary issues that were beyond my control, such as business economic interest or poverty social complexity. I therefore used a

qualitative case study method (Eisenhardt, 1989; Yin, 2003) as the foundation for a process study of events that are critical to decision making (Van de Ven 2007, p. 196-197). Intrinsically, the focus is on the nature and the flow of events or activities that an organization suffers, rather than on the concepts concerned with the causes, or consequences of change.

This research closely examined the decision-making process over time in a successful 35-year-old Mexican agrochemical distributor, whose board was facing a major challenge: After decades of serving as a link between transnational suppliers and final customers, the company's business model was in question, as those same suppliers had begun aggressively seeking a direct relationship with customers. The company was also struggling with its ability to strategize innovative options to make its continued existence possible, as such, options were, for its leaders, totally unexplored ways of doing business. To deepen the understanding of this strategizing process and to assure reasonable validity, this research collected data from different sources. Data collection methods included formal interviews with top managers, transnational suppliers' executives, regional and local workers, distributors, and final consumers; analysis of electronic correspondence; analysis of board and management meetings; and study of corporate documents.

Looking to improve the relevance to practitioners, this study utilized the *engaged scholarship* method, "a participative approach that considers the perspectives of various stakeholders to understand in a better way those complex problems" (Van de Ven, 2007, p. 9). Although I directed all of the team's research activities, I sought out feedback and advice from various key stakeholders and other researchers in each of the four research phases: theory building, research design, problem formulation, and problem solving (Van

de Ven, 2007 p. 26–29). The research followed data analysis procedures and display methods suggested by Miles and Huberman (1994) for qualitative case studies using three parallel activities: data reduction, data display, and conclusion drawing and verification.

Through these methods, the research contributes:

- A detailed empirical account of how contradictory forces shaped a Mexican agribusiness's efforts to implement microfranchising to engage with BOP farmers
- A conceptual model that describes the major contradictory forces a company faces in implementing microfranchising to engage the BOP
- Lessons for how business managers can maneuver contradictory forces when using microfranchising to co-create value with the BOP

#### I.4 Summary

Table 1 summarizes the dissertation's research design.

<b><i>Table 1. Engaged Scholarship Research Components (adapted from Mathiassen et al., 2012) Research Description</i></b>	
P: problem setting	ANSA, a Mexican agribusiness, engaged in designing and creating a new franchise business model to penetrate markets in the BOP corn farmers' segment in collaboration with select distributors. This strategic effort challenged ANSA's current business operation by proposing a competing business model— <i>AgroEstacion</i> —which established complementary relationships upstream and downstream in the distribution network and included crop commercialization as an entirely new form of business
A: area of concern	Strategizing value co-creation with the BOP through microfranchising

F: theoretical framing	<p>F<sub>A</sub>: Integrated model for strategizing Value Co-creation with the BOP</p> <p>F<sub>I</sub>: Dialectics to understand and explain complex organizational changes</p>
M: research method	<p>Qualitative longitudinal case study</p> <p>Engaged scholarship</p>
RQ: research question	<p>How do organizations maneuver contradictory forces while using microfranchising to engage the BOP?</p>
C: contribution	<p>C<sub>A</sub>: A detailed empirical account of how contradictory forces shaped a Mexican agribusiness's efforts to implement microfranchising to engage with BOP farmers</p> <p>C<sub>F</sub>: A conceptual synthesis that describes the major contradictory forces a company faces as it implements microfranchising as part of their BOP strategy</p> <p>C<sub>P</sub>: Lessons for how business managers can maneuver contradictory forces when using microfranchising to co-create value with the BOP</p>

The subsequent chapters of this dissertation detail the key components and arguments of the research as follows:

- Chapter 2: Literature Review.** This chapter presents a comprehensive review of the literature on value co-creation with the BOP, examining what previous research reveals about the value co-creation strategy, conditions for BOP engagement, experiences engaging the BOP, and microfranchising theory. It thus focuses on existing knowledge concerning the BOP concept viewed as both a social issue and a business opportunity; existing analytical tools for better understanding poverty, such as the Assets Hexagon; and poverty alleviation strategies based on business models that focus on creating social and economic value through partnerships with the poor. As this literature review shows, few studies explore conditions for engaging with the BOP; even fewer offer

qualitative process studies of the limited rational and disordered political processes through which organizations make decisions when engaging with this social group. The review also reveals that no studies have yet developed a conceptual model of the major contradictory forces a company faces as it implements microfranchising to engage the BOP.

- **Chapter 3: Theoretical Framing.** This chapter provides a description of dialectics and its historical origins, applications, and constructs. It explains how I adopted dialectics as a way to understand and study social phenomena in general, and how it has proven particularly useful as a framework for understanding issues related to social change. This chapter shows how I complemented dialectics—with its central focus on colliding events, competing forces, and contradictory values—with the integrated model for strategizing value co-creation with the BOP. This combination showed to be a helpful framework for analyzing strategic decision-making processes in which powerful international conglomerates, successful national companies, small local distributors, and BOP consumers compete, create alliances, and maneuver to align their interests and make complex decisions.
- **Chapter 4: Research Methodology.** This chapter discusses the rationale for adopting a qualitative, process case study approach to answer a “how” question in a context in which I had no control over the unfolding events. Further, it explains the use of engaged scholarship to increase the relevance of the research by including the insightful viewpoints of stakeholders. Lastly, the chapter describes the ANSA case and the challenges the company faced while implementing a microfranchise model in the complex Mexican agricultural market.

- **Chapter 5: Data Collection and Analysis.** This chapter summarizes the data collection process, that follows the suggested principles of data collection in a case study that aim to improve validity through data triangulation: “(1) *use multiple sources of evidence*; (2) *create a case study database*; and (3) *maintain a chain of evidence*” (Yin, 2013). This chapter also describes the methods used when analyzing this qualitative data, consisting of three activities: data reduction, data display, and conclusion drawing and verification (Miles & Huberman, 1994).
- **Chapter 6: Results.** This chapter presents a chronological description of the activities performed by the research team supporting ANSA’s Top Management Team (TMT) in the strategizing BOP engagement project, here I present an analysis of tensions involved in each stage of the strategizing process describing the opposites in each tension, and relating the tension with the elements of the integrated model for strategizing BOP. I also present a categorization of the tensions. Finally, I present the managerial maneuvers performed to assess each tension, and the category of the maneuver.
- **Chapter 7: Discussion.** In this chapter I present the research’s three major contributions, which reveal the processes through which managers maneuver contradictory forces when engaging with the BOP:
  1. Empirical Contribution; a detailed empirical account of how contradictory forces shaped the efforts of a Mexican agribusiness as it implemented a microfranchising model to engage with BOP farmers

2. Conceptual Contributions, the theoretical concepts and the way I used them to describe the major contradictory forces a company faces as it implements microfranchising to engage the BOP
  3. Managerial Lessons; how business managers can maneuver contradictory forces when using microfranchising to co-create value with the BOP
- **Chapter 8: Conclusion.** The dissertation concludes with a discussion of the main argument and limitations of the study.

## II LITERATURE REVIEW

### II.1 Value Co-creation Strategy

Regarding competitive strategies in business, Michael Porter's theories have been very influential since he introduced the concept of the "value chain" in 1980 and therein captured the unilateral role of the firm in creating value (Porter, 1980). In this traditional conception, value creation occurs "inside" the firm through its activities, while consumers are "outside the firm" (Porter, 1980). In this model, the firm and the consumer have clearly differentiated roles: production and consumption, respectively. The market—an aggregation of consumers as the target of the firm's offerings through exchanges—is therefore separate from the value creation process (Kotler, 2002). As such, the process of value creation is company-centric, and firms conceptualize customers as a "source" of economic value extraction.

In 2000, Prahalad and Ramaswamy presented a disruptive conception of customers as "co-creators" of value; part of the firm's network; and collaborators, co-developers, and competitors (Prahalad & Ramaswamy, 2000). Four years later, these same authors



proposed that, “co-creation is about joint creation of value by the company and the customer. It is not the firm trying to please the customer” but rather about “allowing the customer to co-construct the service experience to suit her context.” Thus, new business models are to be “joint problem definition and problem solving” (C. K. Prahalad & Ramaswamy, 2004). These new conceptions began to break the traditional customer paradigm.

That same year (2004), Vargo and Lusch published the article “Evolving to a New Dominant Logic for Marketing,” which has become known as the “service-dominant (S-D) logic of marketing.” In that publication, the authors reinforced the ground-breaking idea that consumers are “operant resources” and must be conceived “always as a co-producer” (Vargo & Lusch, 2004), shifting the focus of scholars and practitioners from a goods logic to a service logic based on interactivity, connectivity, and ongoing relationships with customers. Therefore, terms such as “producer” and “consumer” become inconsistent with the S-D logic’s co-creation of value premise (Lusch & Vargo, 2006). By 2006, multiple marketing scholars had studied and referred to this value co-creation concept. Although all of these scholars imply the networked nature of value co-creation, we still have limited understanding of how managers deal with this interactive and permanently changing set of relationships that has suddenly become part of the wealth-creation process.

These new conceptions about producers and consumers demand new attitudes on the part of business executives. This new model of relationship, in which customers are no longer counterparts and rivals in the battle to make money, creates resistance in business practices. According to the new logic, “smart” negotiations no longer imply getting a greater economic benefit than your customers do. Now, “smart” business decisions are

those that create bigger value with new allies and that share with customers the resulting economic, social, and human value. These new dynamics create tensions in organizations, especially for business leaders who are accustomed to traditional business models.

## **II.2 Important Conditions for BOP Engagement**

“Eradicating poverty through profits” is a particularly important strategy for value co-creation and is the main vision in Prahalad’s influential 2004 book, *The Fortune at the Bottom of the Pyramid*. This vision continues to create interest and discussions among researchers, sociologists, and business managers. The book demands reflection and action, calling on strong companies in the developed economies to change their perception about the poor and to design profitable business ventures that target the needs of this population and contribute to poverty reduction. The fundamental proposition is that the poor constitute more than half the world’s population and represent a significant market opportunity, with more than \$13 trillion in purchasing power. In other publications with coauthors (Prahalad & Hart, 2002; Prahalad & Ramaswamy, 2004), this discussion advances into the business ethics arena (see Table 7 in Appendix 1).

Indeed, from a business perspective, the BOP proposition is quite attractive. Viewing the poorest as a consumer market represents enormous growth potential for multinational companies (MNCs). From an ethical perspective, scholars suggest that the private sector should create employment and income opportunities for the poor by working with them as producers and, in so doing, contribute to a growing consumer market. London et al. (2010) and Viswanathan et al. (2010) offer a more comprehensive view of the BOP population as consumers, workers, producers, and entrepreneurs. This line of research has led to a more realistic view of the constraints faced by the BOP population—such as

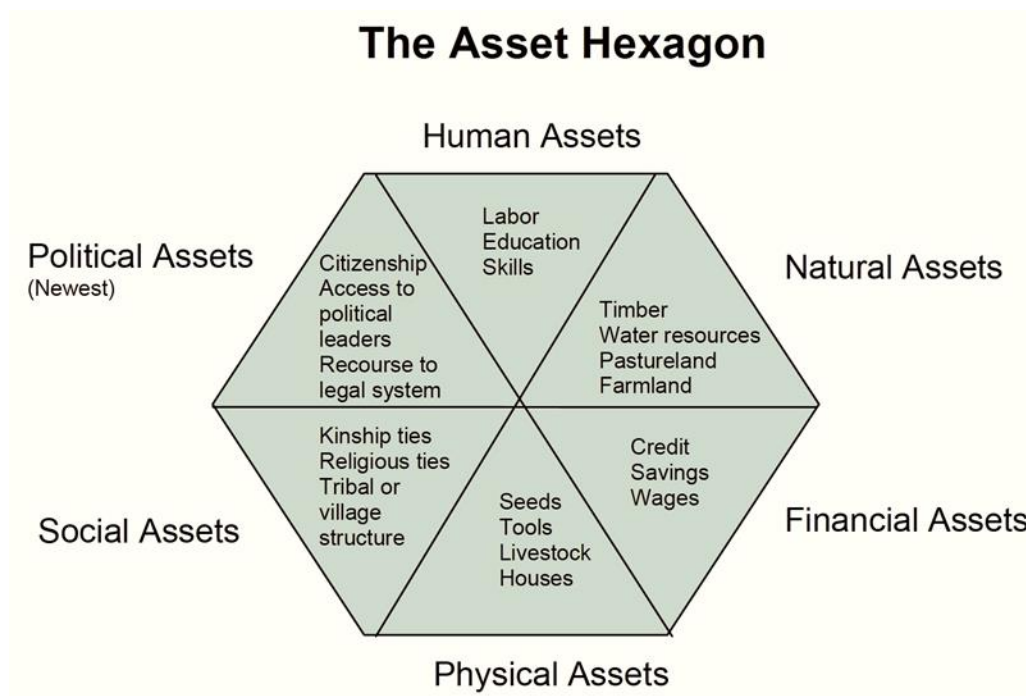
producers lacking capital, market access, and knowledge, and workers lacking access to jobs that might offer opportunities for social advancement.

London and Hart remark that, at its core, the idea is to develop opportunities for mutual value creation, supporting poverty alleviation for the BOP population and supporting growth and profitability for firms (London & Hart, 2004). The challenge is, therefore, for businesses to account for the needs of poor people at the BOP when they design strategies and implement innovative business models. Practically, to realize this vision, we must engage traditional MNCs. Given the adverse business conditions typical of the BOP population's geographical locations (Wanasika, 2013)—including underdeveloped infrastructure and, in some cases, a culture of poverty, corruption, and violence—the costs of business logistics and operation increase. These special conditions require dedicated resources in the firms, relevant market information, specific workforce profiles, and importantly, particular managerial skills. For these reasons, few firms and managers look forward to engaging with the BOP.

Penh, in her 2010 article “New Convergence in Poverty Reduction, Conflict, and State Fragility,” addresses “what business should know” about the BOP, incorporating additional human, social, and political aspects to define poverty more broadly. Sen, who emphasized that individuals require a range of capabilities in order to make choices that improve their well-being, provided one of the most influential articulations of poverty in broad terms (Sen, 1999). Viewing poverty broadly can help firms understand that poverty often has multiple causes. For instance, lack of access to education, health care, or nutrition due to social discrimination can dramatically limit an individual's productive capacity—and therefore her or his ability to create income (Penh, 2009). Sen's capabilities theory

influenced the development of the Sustainable Livelihoods Approach (SLA), which provides a framework to understand the BOP population. As such, agents can use it as a framework to help facilitate social mobility among the poor. The SLA suggests interventions that build on assets or capital for the poor in six quadrants: human, natural, financial, physical, social, and political (see Figure 1).

**Figure 1. The Asset Hexagon (From Penh, 2010)**



For this reason, doing business with the BOP requires innovative solutions beyond traditional ways of doing business. London and Hart's (2011) book, *Next Generation Business Strategies for the Base of the Pyramid*, reframes Prahalad's insight "creating a fortune with the BOP rather than at the BOP" (Calton, Werhane Hartman & Bevan, 2013). It also provides relevant case studies and guidelines for how business leaders might strategize the BOP. Similarly, other scholars such as (Tashman & Marano, 2009) and (Wanasika, 2013) provide insights into strategic options for tapping into the BOP market.

Although many scholars agree on some general strategies that businesses can use to co-create value with the BOP, Tashman and Marano argued that “scholars have yet to describe theoretically how businesses develop and deploy these strategies” (Tashman & Marano, 2009). So, while progress has been made in BOP research and practice, we still know little about the processes through which a firm’s managers might leverage the BOP proposition and successfully transit from traditional business models to these new-logic business models, in which customers become co-creators, and economic value is no longer extracted from but is rather shared with them.

Another important stream in BOP literature is the work of Tarun Khanna, in the book and article titled *Emerging Giants: Building World-Class Companies in Developing Countries* (Khanna & Palepu, 2004). The authors invite to “exploit the understanding of products and markets”. Saying that many emerging-market companies have become world-class businesses by taking advantage of their knowledge of local product markets, Khanna explains that local competitors can defeat MNCs by “judiciously adapting to the special characteristics of customers and business ecosystems at home.” They explain this advantage of local competitors especially evident in BOP markets given that customer’s needs and tastes are idiosyncratic. Local competitors are the first to realize that and to build business opportunities around distinctive national characteristics. These authors also encourage local companies to “leverage familiarity with labor and capital markets.” This strategy implies that emerging-market players use their knowledge of local talent and capital markets to serve customers at home in a cost-effectively way. Finally, Khanna and Palepu consider that institutional voids can be very profitable business opportunities for

local organizations that could play the role of insurance companies, banks, and advisor firms for local consumers and companies.

### **II.3 Experiences of Business Engaging the BOP**

Several examples from the literature illustrate how poverty reduction interventions that provide economic incentives and business opportunities can be effective in helping the poor and promoting peace.

The example of CEMEX, the Mexican construction supplies giant, is particularly relevant to this research because of its geographical similarities. In its promising “Patrimonio Hoy” program, CEMEX partners with distributors and community groups to deliver construction goods in Mexico on microcredit. The program helps BOP people build houses—in an average of one-third the time and at 80 percent of the usual cost—and is thereby helping address a housing crisis in Mexico, where as many as one million people lack housing. At the same time, Patrimonio Hoy is creating a sizable market opportunity for CEMEX (Segel, Chu, & Herrero, 2006).

Among the relevant experiences in the agribusiness sector is CARE’s effort to reinforce the dairy industry in Bangladesh. This program is different from other traditional aid organization efforts, which typically redistribute resources to people in need, but too often are deficient in promoting “*BOP producers to increase their productivity and reduce poverty in a self-reliant, sustainable way*” (McKague & Siddiquee, 2014). As a global NGO focused on food security, CARE takes a different route than traditional aid approaches, engaging with small farm holders—mostly women—to improve their productivity and promote access to better inputs and more efficient value chains. In 2005, CARE opened its dairy project in Bangladesh, the most densely populated country in the

world. Cows in Bangladesh produce an average of 1 liter of milk per day, compared to cows in developed countries, which can produce 30 liters per day. Through its Value Chain Development (McKague & Siddiquee, 2014) program, CARE is improving milk yield by facilitating and promoting access to genetics, veterinarians, and medicines for the cattle through a microfranchise network; the goal is to reduce poverty and starvation in Bangladesh.

Researchers observing BOP business strategies have presented abundant case studies, as documented by Prahalad (2006), Jain and Vachani (2006), and Rangan (2007). Together, these researchers offer numerous success stories and explain many “*strategic capabilities that have benefited the local businesses and communities in which poverty exists*” (Tashman & Marano, 2009). However, scholars have yet to describe and theorize how businesses design and undertake these strategies, particularly by conceptualizing poverty in terms that relate it to the value of a company’s resource base.

#### **II.4 Microfranchising**

In the challenging endeavor of poverty mitigation, it is particularly important to adopt a long-term view. Given the complexity of the problems the BOP market faces, short-term or snap interventions that lead to sustainable success do not exist. If they existed, they would have brought about the elimination of poverty long ago. Businesses cannot solve all the complex poverty issues, but long-term investments could lead to strategic partnerships with the BOP itself and to a building of trust and commitment. However, this trust-and-commitment building takes time and requires value creation between firms and the BOP through collaborative problem solving, joint learning and failing, and local adaptation (Prahalad and Ramaswamy, 2004). Still, such approaches can help firms concretize,

localize, and socialize their products and services to the BOP (Viswanathan, 2011) and have the potential to empower the BOP population to take full advantage of new business opportunities (Sen, 1999).

Considering this long-term sustainability, nonprofit and local firms as well as MNCs have designed and experimented with new types of value-chain partnerships upstream and downstream. Organizations are also increasingly embracing the concept of social enterprise and using market-based approaches and solutions to solve complex poverty issues, reduce social harms, and advance public benefits. Such efforts have proven profitable (Rangan et al., 2008).

An example of this social enterprise is the microfranchise, an innovative business model with high potential to scale-up entrepreneurship at the BOP to co-create value and contribute to public goods and poverty eradication (Fairbourne, 2007). Microfranchising is a variant of the traditional franchising approach, which is a contractual agreement in which one firm (the *franchisor*) licenses a proven business concept, operational system, or powerful trademark to a second firm (the *franchisee*). For the franchisor, franchising is typically an expansionary strategy utilized to spread across geographic markets and win in-market share while overcoming the agency concerns and capital constraints associated with internal growth (Combs & Ketchen, 1999a, 1999b). For the franchisee, the model offers the benefits of operating one's own business while mitigating risk by leveraging the franchisor's proven brand and standardized business format (Kaufmann & Dant, 1996; Kistruck et al., 2011).

Microfranchising has many similarities with the traditional franchising model; a key difference, however, is that microfranchising is intrinsically oriented to creating social



good and well-being for franchisees in the BOP market. The prefix “micro” also connotes several additional distinctions. The main difference from the traditional model is that the emerging microfranchising model is adapted to the BOP market and tends to operate at a minimum scale (Fairbourne, 2007). For instance, to break the main barrier for poor entrepreneurs, initial investments by microfranchisees are typically less than \$1,500 (Lehr, 2008). The emergent microfranchise model is thus enhanced and standardized; ready to be scaled up for rapid adoption by interested BOP entrepreneurs. Unlike traditional franchise models—in which important profit sources are the initial royalties and fees paid by franchisees—in the microfranchise model, the key economic benefit for institutional franchisors is the volume of the revenues associated with the vast population in the BOP market.

Existing research on microfranchising focuses almost exclusively on the social benefits to local communities and on microfranchisee benefits, such as opportunities for job creation (Christensen, Parsons, & Fairbourne, 2010), reduced risk from buying into a “proven business system” (J. Fairbourne, 2007), and the benefits of belonging to a “democratic network” (Magleby, 2007). I found few studies in the literature that describe the challenges business organizations face when engaging the BOP through microfranchising. Some studies describe tensions that organizations experience when changing business orientation, but do not offer a detailed empirical account of how contradictory forces affect the implementation of microfranchising with BOP farmers. Thus, an important opportunity exists to study and generate conclusions about this challenging process in a Mexican agribusiness, with the goal of providing lessons that can

help business managers better maneuver contradictory forces and co-create value with BOP segments in other industries as well.

This review of the literature on value co-creation, business ventures engaging the BOP, poverty alleviation through profit generation, and microfranchising found few studies that explore conditions that helped firms effectively engage the BOP, let alone studies of how societies might create those conditions. Even fewer qualitative process studies exist that describe the limited rationale and disordered political processes through which organizations and managers make decisions when engaging with this social group. Further, the review found no studies that propose a conceptual model of the major contradictory forces a company faces as it implements microfranchising to engage the BOP. Based on these findings, my research question is: *How do organizations maneuver contradictory forces while using microfranchising to engage the BOP?*

### **III THEORETICAL FRAMING**

Given the research domain and research perspective of this dissertation, I detail here the specific theoretical devices that informed my analysis of the case material. Using specific theoretical perspectives to analyze the empirical material allows me to explore possible explanations. The independent theoretical frameworks also offer specific sets of theoretically driven concepts and constructs that guided my approach to collecting material. Additionally theory can offer a focused mindset for data analysis and be able to enrich existing research, which can work as a reliable guide for future research projects. For that reason, I consider it crucial that researchers be clear about which theoretical perspective they have adopted and why. This practice increases the reliability and accuracy

of the research process, and therefore facilitates additional argumentation to support and strengthen principal findings.

As detailed previously, I built the analysis in this dissertation on a paradox: companies are actively seeking out new business approaches and new ways of engaging with markets and distributors that directly compete with the approaches to business that have created their success. To understand in a better way how these contradictory forces shaped the new business model's implementation—and how this implementation process shaped the contradictory forces—we must understand how business managers maneuvered these contradictory forces when engaging the BOP. To facilitate this understanding, I adopted dialectical theory as the main analytical device, as well as the Integrated Model of BOP strategizing to localize in a process perspective the most relevant elements of the empirical findings.

### **III.1 Dialectic Theory: Key Concepts**

To develop the logic and use of dialectics in this dissertation, an important and very influential source was the dissertation “*Duplicate systems: investigating unintended consequences of information technology in organizations*” (Wimelius, 2011).

Dialectics is a theoretical concept with a long history and several orientations. We can find dialectical analysis since the first works of Plato, Hegel, George, or Vincent & Miller (1986), Marx (Marx, 2004), Mao Tse Tung (Tse-Tung, 1937), Churchman (Churchman, 1971), and Israel (Israel, 1979), in which dialectics has been argued, analyzed, utilized, modified, and revised. As noted by Ford and Ford (Ford & Ford, 1994), no single definition can encompass dialectics; instead, different views acknowledge different epistemological and ontological positions (see Table 7 in Appendix 1). Given this,

adopting a dialectical analytical perspective when studying organizations engaging with BOP markets presents challenges—most notably that it is important to clarify the specific approach of dialectics applied as well as the actual contributions that dialectics makes to the study. In general, people often mistakenly conflate dialectical approaches with positions held by Marxism and related schools of thought. It is common to associate dialectics with one of its most prominent advocates, but not all dialectical work is Marxist (Wimelius, 2011); dialectic theory is a general approach to studying social phenomena (Mathiassen, 1998) and should be understood as such. Bjercknes et al. made a similar point, stating that “Dialectics is an analytical tool for explaining relations and understanding change in society” (Bjercknes, Bratteteig, & Espeseth, 1991). Researchers have increasingly used dialectical approaches to analyze and explain social phenomena related to change in different fields, among them, organizational studies (Benson, 1977; Seo & Creed, 2002; Andrew H. Van de Ven, 2007) and information systems studies (Cho, Mathiassen, & Robey, 2007; Robey & Boudreau, 1999). Robey and Boudreau, for example, use dialectics to study and understand organizational change and development (Robey & Boudreau, 1999; Robey, Ross, & Boudreau, 2002; Van de Ven & Poole, 1995).

Dialectical approaches, as can be seen in some of the Marx’s works, do not usually adopt a social deterministic position; rather, their focus is the nature of change (Van de Ven & Poole, 1995). Thus, we can use dialectical approaches to explain and analyze the process of change and it can help to observe and better understand the relationship between social aspects and organizational facts, instead of centering exclusively on one and ignoring the other. Additionally, I am interested in observing the social phenomena and their interaction with the organization’s change in a process perspective and not only as static

facts. (Benson, 1977; Bjerknes et al., 1991) For these reasons, dialectics fits precisely the analytical position of this dissertation.

Contradiction is an important concept in any view of dialectical approach. As Van de Ven and Poole note, the definition used for contradiction can be different depending on each school of thought, for example, researchers following Hegel's thought frequently define contradiction in terms of "*...a pluralistic world of colliding events, forces, or contradictory values that compete with each other for domination and control*" (Van de Ven & Poole, 1995).

This view considers contradiction as opposing forces coexisting in a given situation, with each force having an impact on a given situation or environment that is opposed to the situation or environment of the other force (Ford & Ford, 1994). These forces may be internal- conflict between work units, for example- or external, when they are related to events, developments, or interests, or which may contradict the organization's practices (Van de Ven & Poole, 1995).

Dialectics explains change in any situation as the relative strength of the opposing forces and the outcome of their tensions. Stability defined as the lack of change, happens when the strengths of the opposing forces are relatively in equilibrium, or when one of the opposites dominates the situation in a total way. A change in the strength of one of the forces will affect their relative balance. Literature frequently describes opposing forces in a contradiction as the "thesis" and the "antithesis," constructs that struggle in a perennial way and can reconcile in a "synthesis". Consequently, the synthesis emerging from a dialectical confrontation is neither thesis nor antithesis, nor is it simply a combination of the two. On the contrary, what emerges is a different subject, with different characteristics

which distinguish it from the original constructs (thesis and antithesis). Synthesis is not necessarily a given with the dialectical struggle (De Rond & Bouchikhi, 2004; Sabherwal & Newman, 2003; Andrew H Van de Ven, 2007b). A reverse in the domination position appears when the antithesis is so powerful that it can overcome the thesis in a complete way, but this change cannot be considered the emergence of a new situation or a resolution. In a similar way, we call inertia or stability to the lack of change, given when the thesis prevails over the antithesis over time. (see Table 7 in Appendix 1).

### **III.2 Application of Dialectic Theory**

In this dissertation, I use dialectics pragmatically as an analytical tool to investigate and explain change by focusing explicitly on contradictions. I adopted this approach not because of ideological or political reasons, but because dialectical theory is a lens that focuses explicitly on the process of change; this capability is crucial as my research aims to analyze the trajectory of a phenomenon over time, I present this evolution by describing empirical observations as a longitudinal case study. In addition, dialectics allows producing conclusions and knowledge of the context and process of change by observing and describing how contradictions arise and interact in a chronological way.

The very complex endeavor of implementing a microfranchise business model engaged with the BOP in the agribusiness industry involves diverse actors across that industry, including: MNCs supplying agrochemicals, seeds, fertilizers, and other inputs; local senior distributors with a nation-wide presence; small regional distributors; government agencies; producers; and various industry interest groups (Kistruck, Webb, Sutter, & Ireland, 2011). To develop and implement a microfranchise, powerful actors must come together to mobilize essential resources and align interests. Given the heterogeneity

of the involved actors in a Mexican context, efforts are intrinsically contradictory; tensions relate to stakeholder interest (suppliers versus consumers) (Lusch & Vargo, 2006); business scope (local versus global) (Prahalad & Ramaswamy, 2004); founding sources (company equity versus partnerships) (Fairbourne, Gibson, & Dyer, 2007), and other contradictory positions source of conflict.

To capture the complexities and dynamics involved in implementing microfranchising to engage the BOP in Mexico, I adopted dialectics to reveal these opposing forces and explain why certain outcomes materialize and others do not.

I assume that networking between industry actors in a microfranchising implementation unfolds in a pluralistic world of colliding events, forces, or contradictory values that compete with each other for domination and control (Van de Ven and Poole 1995). As such, there are inherent contradictions during the design of the business model, the decision-making process within the organization, industry practices, involved technologies, financial models, and the interests and strategies of the participants. These contradictions constitute a field of forces that continuously generate tensions; such tensions might encourage or obstruct participants as they seek to fully implement microfranchising and collaborate in diffusing internal and external tensions (Rogers, Fairbourne, & Wolcott, 2011). A key challenge for the managers in this process is therefore to identify, understand, and manage these tensions as part of the implementation and engagement efforts.

### **III.3 Tensions in Strategizing BOP**

Drawing on the dialectical foundation, I collected data using a process perspective, observing the microfranchising implementation process over time and identifying key events in the time line. I observed and described key decisions in the Integrated Model for

Strategizing Value Co-Creation with the BOP used in the design and implementation process of AgroEstación (see Figure 2). I also observed contradictions and conflicts arising, and the actors involved, identifying how each of these tensions is an expression of the ongoing struggle within and between the contradictions initially identified in the literature. This process allowed generating a comprehensive understanding of how contradictory forces emerged and shaped the implementation of a microfranchising model for engaging with BOP farmers in a Mexican agribusiness. In addition, I consider that the dialectic foundation permitted the presentation of a conceptual model that describes the major contradictory forces a company faces as it implements microfranchising to engage the BOP.

I classified the tensions following Smith and Lewis (2011), using their categorization of tensions as performing, organizing, belonging, and learning for a synthesis of the categories of tensions (see Table 7 in Appendix 1).

*Performing* refers to those tensions that emerge when organizations seek different and conflicting goals or decide to address demands from different stakeholders. Conflict in regards to goals and stakeholders leads to opposing demands and performing tension in organizations, especially in those that are committed to or engaged in social causes. “*One critical challenge involves how to define success across contradictory goals*” (Smith, Gonin, & Besharov, 2013).

Contradictory organizational structures, cultures, practices, and processes lead to *organizing* tensions (Smith & Lewis, 2011). In this specific case, we can see these types of tensions because social commitments and business enterprise frequently involve different cultures and inconsistent human resource practices. Frequently even the legal form could

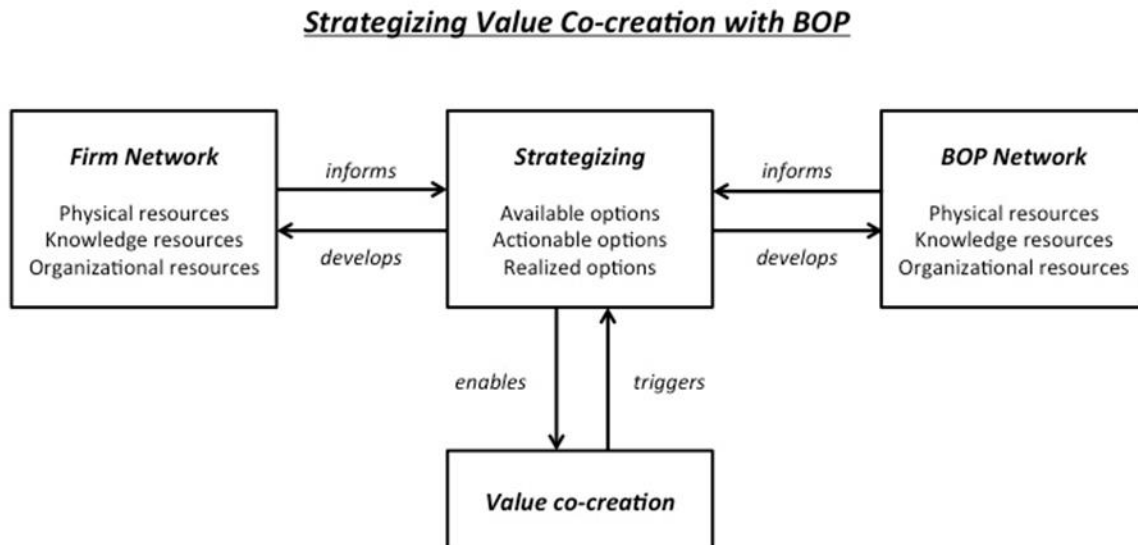


give rise to a conflictive situation given the double bottom line that some social-oriented projects need to perform.

*Belonging* tensions involve questions of divergent identities (Smith & Lewis, 2011). This category also refers to existing subgroups within the organization with different natures of goals, tasks, and different leaders' drivers. We can observe as leaders struggle to answer "who are we" and "what do we do".

*Learning* tensions emerge from the conflict of multiple time horizons, as organizations strive for growth, scale, and flexibility over the long term, while also seeking stability and certainty in the short term (Smith & Lewis, 2011). For companies that engage in a social-committed business project it is frequent that in the short term some managers and stakeholders expect financial results, and social results appear in the long term.

**Figure 2. Integrated Model for Strategizing Value Co-Creation with the BOP (From Cazares et al., 2015)**



The Integrated Model for Strategizing Value Co-Creation with the BOP (Cazares, Lawson-Lartego, Romandia, & Mathiassen, 2015) articulates how the Dynamic Capability Theory (DCT), Option-Driven Strategizing (ODS), and BOP theories can be interwoven and used simultaneously to understand how managers can practically strategize the BOP to co-create value through a step-wise process. In that previous article, we constructed the model with three iterative steps:

1. First, managers need to define the goals of their strategizing. This requires commitment from the TMT to follow a non-traditional way to strategize new opportunities. The application of the model requires a suitable level of embeddedness into the BOP communities for the involved managers to understand and make aware their circumstances.

The option thinking theory also comes to play at this stage as it helps managers work with the BOP to generate options for achieving the strategizing goals. During this step, it is vital to keep an open mind and be willing to redefine the initial objectives based on the knowledge gained through interaction with the BOP and their network.

2. In a second step, managers conduct a similar assessment of the firm network using DCT concepts; organizational and physical resources and how they may be developed, reconfigured and deployed to meet the new goals. The firm network incorporates all key stakeholders in the firm's ecosystem, including suppliers, financiers and contractors. Managers should seek feedback on these resources from the BOP and its network to gain additional insights, which may not be in the scope of the firm. Such feedback is critical in the strategizing process.

3. Once that information is gathered, a third step analyses the available options based on ODS theory. It is important to keep in mind BOP and its network as equal partners throughout this process and to emphasize co-creation of value with them. By listening carefully to feedback from the BOP and their network, managers increase the probability that options can co-create value for both parties. Once all parties agree upon the final options, the firm test pilots them to generate necessary learning and make adjustments before final implementation.

Authors suggest that following these steps will help ignite value co-creation between a firm and the BOP network and achieve goals that each party individually would not be able to realize otherwise.

#### **IV RESEARCH METHODOLOGY**

In business today, the speed of change and the continual emergence of the unknown require firms to develop responses and solutions swiftly. Because these solutions research often inspires, researchers must maintain a rigorous academic structure to ensure their proposals are appropriate and rooted in evidence. To enable this, business research must be embedded in stakeholders' reality; as Van de Ven describes it, "engagement is a relationship that involves negotiation and collaboration between researchers and practitioners in a learning community; such a community jointly produces knowledge that can both advance the scientific enterprise and enlighten a community of practitioners" (Van de Ven, 2007).

This dissertation aims to represent the engaged research as a retrospective longitudinal case study that captures and analyzes events and the major contradictory forces ANSA faced as it implemented AgroEstacion, a new business venture based on microfranchising to engage the BOP. The case study draws on data captured as part of an action research project based on Collaborative Practice Research (CPR) (Mathiassen, 2002).

In April 2014, a collaboration began between our Georgia State University (GSU) research team and ANSA stakeholders based on action research (Susman & Evered, 1978). The collaboration contributed to practical problem solving with stakeholders, as well as the development of new knowledge about BOP strategizing. We published early results of the action research in our article, "Strategizing Value Co-creation with Poor Farmers in a Mexican Agribusiness" (Cazares et al., 2015), which reports on the overall action research effort and offers a comprehensive account of how ANSA strategized and implemented its new franchise business, AgroEstacion, shaped through the Mexican context. The goal was

to co-create value among three main players: ANSA and AgroEstacion, the network of local distributors, and BOP corn farmers.

Early in the collaboration, we revealed key resources across the stakeholder network and identified a set of available options for value co-creation among the main players. Option-Driven Strategizing (ODS) (Bowman & Moskowitz, 2001; De Schryver & Asselbergh, 2003; Faulkner, 1996; Kogut & Kulatilaka, 1994) helped us classify which of those options could become actionable and eventually realized (Helfat & Peteraf, 2003; Sandberg, Mathiassen, & Napier, 2014). These early findings allowed us to propose a conceptual model for strategizing BOP value co-creation. This Integrated Model for BOP Strategizing combines Dynamic Capability Theory (DCT) with ODS, focusing on the project's two main players: the firm's network, with its physical, knowledge, and organizational resources; and the BOP network, with its complementary set of knowledge, physical, and organizational resources (Cazares et al., 2015).

A dissertation by another member of our research team focuses on validating this model based on further developments at ANSA (Quinonez, 2015). In contrast, the goal of this dissertation is to present a dialectical longitudinal case study to answer the following research question: *How do organizations maneuver contradictory forces while using microfranchising to engage the BOP?* The two dissertations thus provide complementary insights into the development and implementation of AgroEstacion—one focused on approaches to strategizing, and the other focused on the contradictory forces implicated in the initiative.

#### **IV.1 Philosophical Perspective**

The philosophical perspectives of research methods involve epistemological and ontological visions. In the light of this logic, *epistemology* refers to the theory of knowledge, and the process of acquiring knowledge, and *ontology* refers to the nature of things (Van de Ven, 2007). In the literature we can find multiple classifications of philosophical perspectives. For instance, Van de Ven (2007) distinguishes between critical realism, logical positivism, pragmatism, and relativism, in his writings on the relationship between the ontological and epistemological perspectives and scientific research. As Myers (1997) noted, it is not a minor decision to follow one of the epistemological positions; even though they are philosophically different principles, the differences are not that clear in practice.

A central element of the study reported in this dissertation is the observation and analysis of organizational members and tensions, along with how they communicate and interpret events as they struggle to implement the microfranchise model to engage the BOP. For interpretive researchers, reality can only be understood through sociocultural constructs such as language, shared meaning, or instruments (Myers, 2013). Additionally, the study's very specific context—agribusiness in Mexico—provides meaning to the main observations drawn from empirical data. As defined by Myers (2013), “interpretive researchers tend to focus on context. They aim to understand the context of phenomenon, since the context is what defines the situation and makes it what it is.” Considering this, my epistemological assumption for this dissertation is interpretive.

According to Myers, we can categorize research methods in two groups: quantitative research and qualitative research (Myers, 1997). *Quantitative* methods consider numerical data as the best way to describe and understand the reality, synthesizing

every phenomenon in a numerical arrangement, assuming that reality can be objectively explained with an hypothesis, and that statistical analysis can accurately describe the relationship of the elements observed with the context (Garcia & Quek, 1997). On the other hand, *qualitative* research methods utilize parameters not related to numbers, quantity, volume or frequency (Denzin & Lincoln, 1994). It is not simple to define qualitative methods because they are not related to a specific and limited type of technique. Instead, qualitative research has cultivated and developed multiple traditions and intellectual schools of thought. This qualitative research aims to develop deep understanding using a constructive approach where no precise objective reality is captured (Garcia & Quek, 1997). In this respect, a qualitative approach fits well within the philosophical tradition of interpretivism; moreover, it proposes an adequate approach to this dissertation's research question. Even though we can find diverse qualitative methods, one in particular offers the best conditions for this study: the case study.

## **IV.2 Research Design**

While it is true that the research approach used in this study is in general interpretive and the type of information observed and the type of data that support the conclusions of this study are qualitative, the case study, the method I chose for this dissertation, according to Myers can be positivist, interpretive, or critical (Myers, 2013). Research method literature offers diverse approaches to case study, and these approaches can vary in their fundamental perspective about reality and the production of knowledge. This dissertation follows the work of Yin (Yin, 2013), who offers several descriptions and explanations of the case study method.

Yin, in his book *Case study research: Design and methods*, says that: “*A case study is an empirical inquiry that investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident*” (Yin, 2013, p. 16). Additionally, Yin states that case studies constitute the best-fitted research methodology when researchers have limited or no control over events and the emphasis is on explaining contemporary facts in a real-life context. Furthermore, Yin maintains that case studies are specifically useful for studying, “why” or “how” research questions. The case study method resulted thus the best research methodology to conform this dissertation for several reasons: 1) The research focuses on a contemporary business situation (the implementation of a microfranchising model engaging the BOP). 2) We conducted the research in a real-life setting (the Mexican agribusiness industry). 3) The researcher had limited or no control over facts appearing in the target setting. 4) The question this research aims to answer is a “how” question, which implies a process perspective and qualitative analysis.

The chosen methodology, case study, normally uses theory-driven data collection and data analysis, frequently collected from multiple data sources. Using multiple data sources allows the researcher to *converge lines of inquiry*, which is what Yin calls the process of triangulation in the data mining. Yin proposes four ways to carry out the triangulation: Triangulation of data sources, triangulation using different evaluators, of lenses to analyze the same data, and triangulation of methods (Yin, 2013 p. 120). In this dissertation, the triangulation of data sources is essential for the validity of the conclusions. This process of triangulation suggested by Yin implies that the researcher not only uses different sources for data collection, but also the use of those data to reconfigure further



data collection to corroborate the initial findings. This triangulation implies in this research that data collection and data analysis were done in a parallel, iterative and continuous way, rather than doing data collection and data analysis as separate processes. As I described in section 5.1, I assured the accomplishment of data triangulation by collecting multiple kinds of information from diverse sources located in completely different contexts. The triangulation required to claim validity of the conclusions was pragmatic in providing transparency to the data analysis given the early analysis of the first data coming from multiple sources of information that later guided the design of the subsequent data collection.

I could describe the research method chosen for this dissertation as being a theory-informed case study, in which the theoretical framework determined the design of both the data collection and the data analysis processes. As written in chapter 3, I collected data based on dialectics. The dialectical approach offered a theoretical thus rigorous focus to the data collection process providing an emphasis on the concept of tension and contradiction. In that way, dialectics allowed the researcher to focus on the dialectical constructs to be selective in the data-mining process made in the case study. The essential constructs and perspectives taken from dialectics—and contextualized with constructs and perspectives from microfranchising knowledge—also informed the study’s analytical approach (see TABLE 7 in APPENDIX 1).

### **IV.3 Strategizing Process**

In spring 2014, a team of three students and our advisor from the Executive Doctorate in Business Program at GSU initiated the engaged scholarship research project (Andrew H Van de Ven, 2007b). The team included Late Lawson-Lartego, a professional

from CARE; Sergio Quinonez, the Chief Business Officer from ANSA; Dr. Lars Mathiassen, the advisor and an Innovation Researcher at GSU; and me, a Business Ethics Professor in Mexico. Our team's key challenge was to develop strategies for market expansion and growth at ANSA, while at the same time meeting the ethical responsibilities that firms have when obtaining profit while working with poor people.

We reviewed cases in the literature on how to engage the BOP and explored business strategy theories that could inform problem solving at ANSA. This led us to adopt DCT (Teece, Pisano, & Shuen, 1997), ODS, and the Asset Hexagon Framework as a theoretical foundation for collaborating with ANSA managers. Based on these initial insights into how managers might strategize BOP opportunities, we developed a detailed proposal for collaboration with ANSA. Table 2 summarizes the entire action research process.

#### ***IV.3.1 Committing to BOP Strategizing***

In late April 2014, our team presented and discussed the material in a two-day workshop at GSU with ANSA's Top Management Team (TMT), which consisted of the company's President, the Chief Executive Officer (CEO), the Chief Commercial Officer (CCO), and the CBO (who was also a member of the research team. The workshop covered several agenda items, including: a) introductions of the ANSA TMT and the research team; b) presentation of ANSA, including company background, business model, key financials, future plans, challenges, and opportunities; c) presentation of the research proposal, including material on the BOP and the adopted theoretical framework; and d) presentation of successful BOP business cases.

At that point, ANSA faced two key challenges: suppliers were interested in shortening the supply chain and reaching out directly to farmers in Mexico, thereby bypassing ANSA; and the company lacked a long-term strategic plan to contend with the first challenge. It was clear from discussions at the workshop that ANSA TMT viewed engaging with the BOP as an innovative proposition.

#### *IV.3.2 Exploring Options*

The workshop afforded the research team a deeper sense of the challenges and opportunities ANSA faced. Drawing on insights gained from analyzing ANSA's situation through the lens of DCT, the research team applied ODS theory to create an initial set of options available for further development and refinement based on interactions with the TMT and other key stakeholders. After presenting market information, industry analysis, and some successful business cases engaging the BOP, we focused on the following six options:

- Option 1: Develop a BOP joint venture with select multinational suppliers. This option aligned with the multinational suppliers' interest in shortening the supply chain and reaching out directly to BOP farmers.
- Option 2: Offer specific products and services to BOP farmers. Smaller packaging of products was one specific option to explore.
- Option 3: Identify strategies for engaging BOP farmers. Such strategies include technological solutions such as mobile phones for accessing markets and linking farmers to other resources such as financial services, government farm subsidies programs, and available equipment for storing corn.

- Option 4: Develop tools for BOP self-organization, including information centers, community meetings, and workshops.
- Option 5: Provide support for helping distributors target BOP farmers. More than 75% of the 1,350 distributors in ANSA's network are small- and medium-size businesses.
- Option 6: Develop a franchise model targeting BOP farmers. The franchise could be an alliance with interested distributors to create a branded distribution platform, with the mandate to serve BOP farmers in a cost-effective manner.

The research team reviewed the initial six options following interactions with the TMT and other key stakeholders, including BOP farmers, local distributors, suppliers, and ANSA's mid-level and regional managers. Given the amount of time available for this action research and the wide geographical presence of ANSA in Mexico, the research team interacted with key informants in strategically selected geographies where BOP farmers represent the majority of ANSA customers.

For four days in July 2014, two members of the team traveled to Cihuatlan, Colima, Autlan, Tepatitlan, Zapotlanejo, and other corn and vegetable production regions. This allowed the research team to gather rich data about the reality of the BOP. An important objective was to evaluate the six initial options for engaging the BOP network.

One surprising finding was that the BOP farmers we interviewed did not have appropriate commercialization channels for their products. The main challenge for BOP producers and, as we found on this trip, local BOP distributors as well, was the need to develop a reliable market for their harvests.

With this information at hand, we held a second workshop with the TMT in late August. Our objective was to discuss and explore the five options and decide on which to

implement through an initial pilot test. After providing evidence, sharing testimonials, and presenting possible alternatives, the conclusion was to focus on developing a franchise model that could combine all five options. The perception was that a franchise approach could effectively support expansion of ANSA's market while also co-creating value with BOP farmers.

One of the main outcomes of the second workshop with the TMT was the creation of a task force to design and validate the business model for the new venture. The task force included managers from various departments at ANSA, and the CBO would be the leader of this team.

In early September 2014, the task force convened for a kick-off meeting. The team hired a legal firm to explore and suggest the legal status that would best fit the new venture; it decided on a franchise. The task force concluded its first meeting full of energy and with much work to do.

#### ***IV.3.3 Designing AgroEstacion***

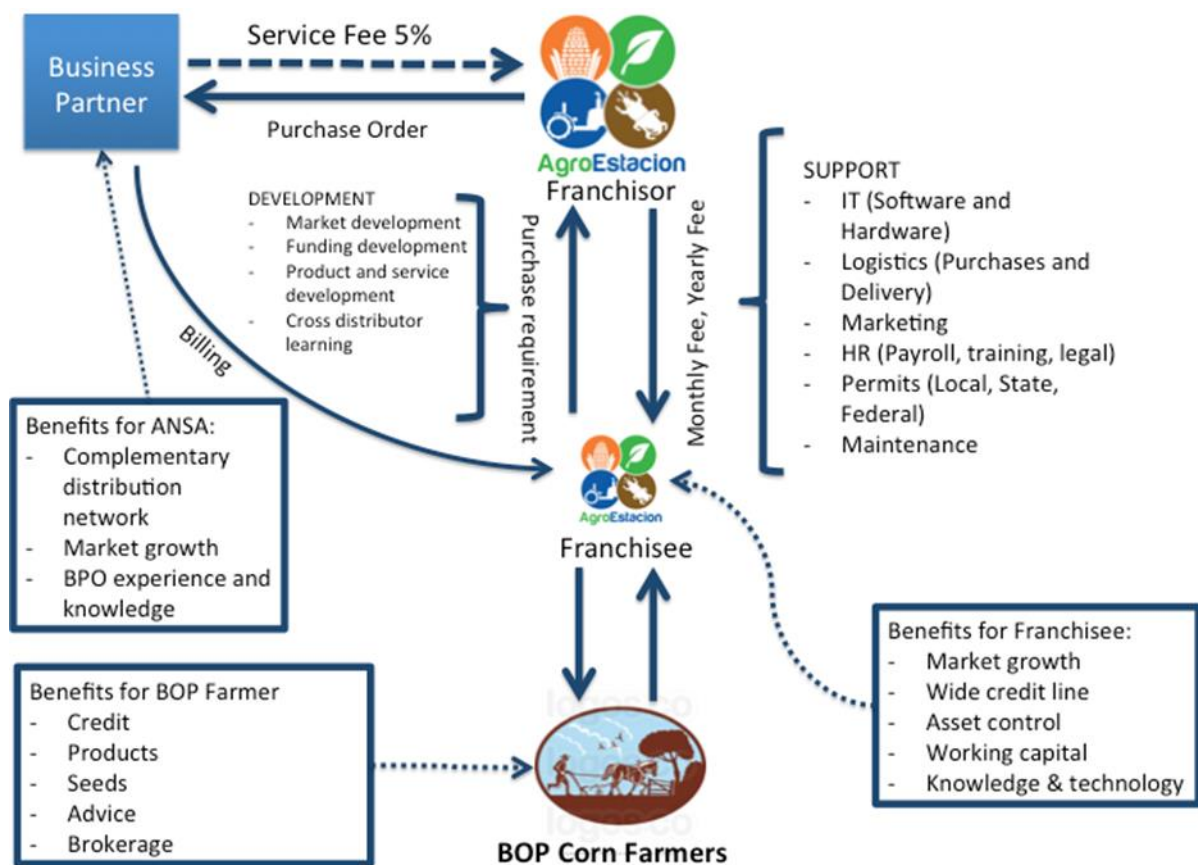
Two weeks later, the task force presented a list of suggested brand names and ANSA's TMT chose "AgroEstacion™" (Agro-Station) as it best reflected the business model: a one-stop store where BOP farmers can access agricultural inputs, technology solutions, and advice, as well as sell their harvest. The task force also developed detailed procedures for each franchisee to follow in terms of operation, taxation, logistics, cost structure, IT services, and general business practices.

The essential goal of the strategy was to reach a new unexplored market for ANSA and to co-create value with the BOP and its network. To achieve this vision, the task force

decided to engage deliberately the existing local BOP distributors with the value proposition of converting them into franchisees, rather than opening new ANSA AgroEstaciones and competing against these distributors.

For franchisees, the intrinsic benefits of being part of the AgroEstacion platform included business growth, assets control, access to financial services (including working capital), and knowledge and new technologies. Figure 3 illustrates AgroEstacion's business model.

**Figure 3. AgroEstacion Business Model (Cazares et al., 2015)**



#### *IV.3.4 Implementing AgroEstacion*

In early December 2014, the research team held the third workshop with the task force and the TMT to discuss outcomes and refine the plan for realizing AgroEstacion. The meeting's primary outcome was the decision to simplify the model and reduce the services offered by the franchisees to the BOP farmers. The focus would be on maintaining as simple a portfolio as possible by offering BOP farmers: credit, agrichemicals, seeds, technical advice, and brokerage of their production.

The research team also held a meeting with an industry expert who operates in a different region of the country to get his feedback on the business model, the feasibility of the financial model, and the equity structure of AgroEstacion. The expert found the AgroEstacion model attractive, with a high potential for success.

In early February 2015, the task force and the TMT met with two of the BOP local distributors. At that meeting, the AgroEstacion platform and franchise concept was presented—this time with all financial and legal details—along with the layout concept of the store. At this meeting, one BOP local distributor signed on to become the first franchisee; some weeks later, the second attendee also signed.

At this stage, AgroEstacion was established as a new company and the first employees were working directly with the first two franchisees so they could begin operations during the summer, after the rainy season. Next, the plan was to have another group of two to three franchisees join during the winter of 2015. In March 2015, a task force member was appointed Director of AgroEstacion, with the responsibility of rolling out the business across ANSA's markets. By November 12, 2015, the first franchisee store was open for business.

#### ***IV.3.5 Planning Growth***

Currently, the AgroEstacion team is working on establishing an Executive Advisory Board, creating roadshows with suppliers and distributors, and scouting for possible partners and new franchisees. In addition, an unexpected offer came in from one of the world's biggest multinational suppliers: It proposed collaborating with ANSA to create a chain of stores aimed at final consumers.

This process of designing, implementing, and diffusing AgroEstacion offers the opportunity for a qualitative longitudinal case study to capture, organize, and analyze events and major contradictory forces ANSA faced and is facing as it implements the AgroEstacion microfranchising model to engage the BOP. I will use the rich data collected through the action research in a dialectical analysis of key events identified in the implementation process.



<i>Table 2. Action Research: Problem-Solving Phases</i>	
<i>Phase</i>	<i>Activities</i>
I Committing BOP	<ul style="list-style-type: none"> <li>• Explore strategic and ethical business issues within ANSA</li> <li>• Conduct a workshop with ANSA executives</li> <li>• Discuss ANSA's history and its current situation, challenges, and opportunities</li> <li>• Discuss the BOP proposition and cases</li> </ul>
II Exploring Options	<ul style="list-style-type: none"> <li>• Conduct workshops and Skype meetings with research and executive teams</li> <li>• Analyze ANSA challenges and opportunities</li> <li>• Identify available BOP options</li> <li>• Collect data and analyze/dilute options</li> <li>• Interact and discuss with executive team</li> <li>• Conduct workshops with task force and consumers</li> <li>• Conduct workshops with research team, executive team, and task force</li> <li>• Develop actionable options</li> </ul>
III Designing AgroEstacion	<ul style="list-style-type: none"> <li>• Conduct workshops with ANSA executives</li> <li>• Select major option (microfranchising)</li> <li>• Transform task force into AgroEstacion team</li> <li>• Design AgroEstacion business franchise concept and select distributors for partnership</li> <li>• Design AgroEstacion plan, including processes, models, and manuals</li> <li>• Begin initial training process for franchisees (downstream)</li> <li>• Sign bailment contract (equipment)</li> <li>• Handle legal issues (registration, contracts, and trademarks)</li> <li>• Build the model store in Tlajomulco town</li> </ul>
IV Implementing AgroEstacion	<ul style="list-style-type: none"> <li>• Design the commercial and cross-learning processes (for ANSA and franchisees)</li> <li>• Conduct workshops with the research and AgroEstacion teams</li> <li>• Launch first two franchise stores</li> <li>• Initiate the second training process for franchisees</li> <li>• Designing the Growth Forum</li> </ul>
V Planning Growth	<ul style="list-style-type: none"> <li>• Develop the Executive Advisory Board</li> <li>• Introduce the AgroEstacion business model to suppliers and government officials</li> <li>• Scout candidates for the next two franchisees</li> </ul>

## V DATA COLLECTION AND ANALYSIS

This research project took place over two phases; here, I describe the different activities we (the research team) performed in each.

In a preliminary phase we conducted an action research, which included several primary activities. These were (Figure 4 in Appendix 2 shows this model):

- Introduce the BOP literature
- Review selected BOP cases relevant to the company
- Introduce the theoretical frameworks (DCT, ODS, and the Asset Hexagon)
- Begin the action research
- Collect data
- Apply ODS theory for problem solving
- Design the Integrated Model for BOP Strategizing
- Apply the integrated model to create a new entity

The second phase of research was a longitudinal case study for a single researcher. As Table 3 shows, the main activities I conducted in the case study phase were:

- follow-up on data collection to validate and capture recent developments in AgroEstacion
- Conduct detailed analyses of all data from both the action research and case study phases
- Develop a comprehensive empirical account of tensions that managers faced; further develop a dialectical model and propositions
- Draw conclusions.

<i>Table 3. Research Phase Activities</i>	
<i>Research Phase</i>	<i>Activities</i>
<b>Phase 1: Action Research</b>	<ul style="list-style-type: none"> <li>• Introduce the BOP literature</li> <li>• Review select BOP cases relevant to the company</li> <li>• Introduce theoretical frameworks: Dynamic Capabilities Theory (DCT), Option-Driven Strategizing (ODS), and the Asset Hexagon</li> <li>• Begin action research</li> <li>• Collect data</li> <li>• Apply ODS theory</li> <li>• Design the Integrated Model for BOP Strategizing</li> <li>• Apply integrated model to create a new entity</li> <li>• Conclude first action research stage and write/publish preliminary findings</li> </ul>
<b>Phase 2: Longitudinal Case Study</b>	<ul style="list-style-type: none"> <li>• Follow-up on data collection to validate and capture recent developments</li> <li>• Conduct detailed analyses of all data from both the action research and case study phases</li> <li>• Develop a comprehensive empirical account</li> <li>• Further develop a dialectical model and propositions</li> <li>• Draw conclusions</li> </ul>

## V.1 Data Collection

As is true of all action research, the first research phase—the collaborative work with ANSA—had two parallel and complementary objectives. On one hand, our aim was to help the TMT develop and implement a sustainable strategy targeting BOP farmers; on the other hand, we sought to develop new empirical insights and theory on how managers can strategize the co-creation of value with the BOP. We held three workshops with the TMT, conducted 23 semi-structured in-person interviews and one focus group with key stakeholders in ANSA’s value chain. We also organized four field trips to local distributors and farmers and participated in a task force to implement the proposed strategy. Following Yin (2003) and Miles and Huberman (1994), we traveled to different regional locations to develop and validate findings based on the triangulation of data from multiple sources. In addition, the research team met every other week throughout the process to review data

and experiences, discuss and develop theory, and prepare material to support continued problem solving at ANSA. We had full access to company documents such as financial information, sales reports, the customer database, internal presentations, emails, and other written materials. These secondary data sources complemented our primary data. Table 4 summarizes our primary and secondary data sources.

<i>Table 4. Data Sources</i>	
<i>Primary</i>	<i>Secondary</i>
<ul style="list-style-type: none"> <li>• Workshops with the TMT (3)</li> <li>• Research team meetings to develop workshop materials and options (bi-weekly)</li> <li>• Focus group with middle management team</li> <li>• Semi-structured interviews               <ul style="list-style-type: none"> <li>▪ Farmers (10)</li> <li>▪ Distributors (6)</li> <li>▪ Regional Managers (3)</li> <li>▪ Suppliers' executives (2)</li> <li>▪ Industry expert</li> <li>▪ Potential partner</li> </ul> </li> <li>• Staff meetings               <ul style="list-style-type: none"> <li>▪ Task force recruiting</li> <li>▪ Lawyers consultancy (2)</li> <li>▪ Business plan (5)</li> </ul> </li> <li>• Field Observations               <ul style="list-style-type: none"> <li>▪ Stores layout</li> <li>▪ Warehouse operations</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• ANSA documents               <ul style="list-style-type: none"> <li>▪ Market and industry information</li> <li>▪ Sales reports</li> <li>▪ Customer data</li> </ul> </li> <li>• Research team documents               <ul style="list-style-type: none"> <li>▪ Available strategic options</li> <li>▪ Actionable Options</li> <li>▪ Work plan for task force</li> </ul> </li> </ul>

Data collection started after the initial workshop with the TMT in Atlanta, Georgia, in April 2014. We organized the two subsequent workshops with the TMT at ANSA in Guadalajara, Mexico, in August 2014 and December 2014. We conducted most of the interviews and focus groups between the first two workshops to inform our strategy development. ANSA organized the task force in collaboration with the research team immediately following the second workshop. The task force worked intensively over the

next several months to refine and implement the developed strategy at the second workshop. Most data collection took place in Spanish at different locations in Mexico; with workshops, we tape recorded interviews and focus groups and later transcribed them into English. The interview protocol had two sets of questions: one focused on understanding the BOP and the firm's network, and the other focused on validating and adapting strategic options. A key challenge for our research team was the need to adapt academic terminology and language to the simple, direct, and colloquial language used by BOP farmers and other agribusiness stakeholders in rural areas of Mexico.

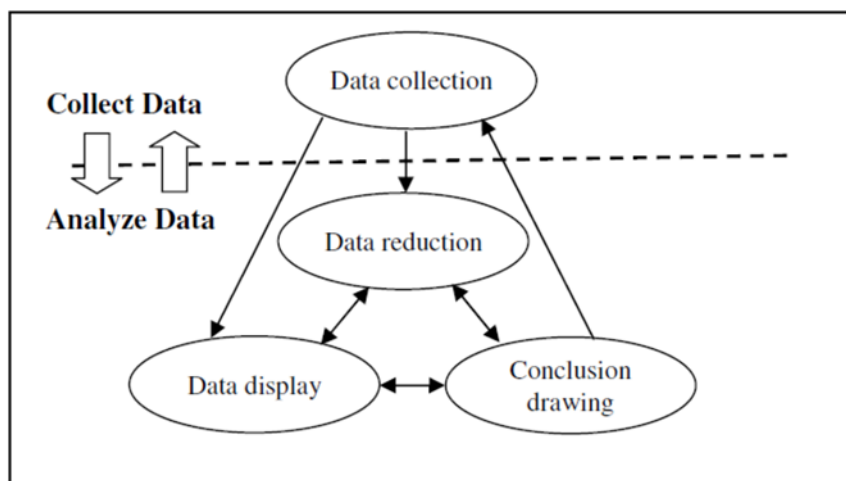
In the second research phase, I used the collected data from phase one to identify and analyze tensions and contradictions in the implementation process. I also collected new qualitative data from primary and secondary sources. I began this data collection in early 2015 through observation, voice recording, and note taking during AgroEstacion meetings. I also conducted ANSA executives leading the implementation process of AgroEstacion. The goal of these follow-ups was to see how key events in the implementation process implicated contradictory forces and how the actors maneuvered these tensions and, in so doing, made alternative choices and solutions possible.

## **V.2 Data Analysis**

This research is based on the process of data analysis suggested by Miles and Huberman (1994) for a qualitative case study. This describes data analysis as conformed by “three flows of activity: data reduction, data display, and conclusion drawing and verification” (see Figure 4). The three activities that conform the process of data analysis together with data collection integrate an interactive process; the researcher works within

those four activities during data collection process and then within the three types of analysis during the rest of the research.

**Figure 4. Data Analysis Approach (From Sing, 2011)**



### ***V.2.1 Data Reduction***

Data reduction, also called *data condensation*, can be defined as the process in which the researcher organizes collected data by sharpening, focusing, sorting, and discarding information (Miles & Huberman, 1994). As Miles and Huberman suggest, in order to facilitate analysis and improve validity, I implemented traditional methods for synthesizing data, such as tables to visualize information provided by different sources, document summaries, discussion meetings, drafts to organize conclusions; I also used different perspectives for coding. I used these methods continuously throughout the project's life and always from a dialectical perspective; I considered the main constructs of dialectics to select data and support my conclusions as follows:

Once we had collected the data, as previously described, I identified major stages or time brackets in the implementation process of AgroEstacion, the microfranchise model to engage BOP. This process allowed organizing data from interviews, meetings and

workshops as well as secondary sources such as documents, project materials, meetings and procurement reports in a chronological way. As previously explained these five major phases were: committing to BOP, exploring options, designing AgriEstación, implementing AgriEstación, and finally planning growth.

From the information obtained in this exploratory data collection, I observed, and documented, the major tensions arising during each phase of the implementation process. As described by Van de Ven & Poole, a tension is a “struggle of bipolar opposites for control”. An event-based concept that happens in a given moment of time, it can be observed, and eventually solved (Van de Ven & Poole, 1995).

Once those different tensions were identified, in order to be able to classify them and later be able to identify patterns of tensions and possible patterns of managerial maneuvers made to solve them, I needed to place those tensions in a locus of the strategizing process. I took the four elements (processes) of the integrated model for strategizing value co-creation with the BOP, that emerged in the action research project (Cazares et al., 2015). Those four elements in the model are; firm network, BOP network, strategizing, and value co-creation (see Figure 2).

Once I identified the tensions, I classified them in smaller groups (see Table 7 in Appendix1). Those groups were categories of tensions took from Smith and Lewis (2011).

The possible categories were:

- Performing Tensions
- Organizing Tensions
- Belonging Tensions
- Learning Tensions

After identifying tensions and categorizing them, I describe in the subsequent Results section, the managerial maneuvers observed to solve each tension, those maneuvers that made possible the successful implementation of AgroEstacion.

Finally, I synthesized the managerial maneuvers observed, matching each of them with one of the possible maneuver types. These maneuver types match the four strategic responses identified by Poole and Van de Ven (Poole & Van de Ven, 1989)

1. Acceptance, keeping tensions separate and appreciating their differences
2. Spatial Separation, allocating opposing forces across different organizational units
3. Temporal Separation, choosing one pole of a tension at one point in time and then switching
4. Synthesis, seeking a view that accommodates the opposing poles

In this frequently used typology, the first strategy focuses on acceptance, whereas the last three seek to resolve the underlying tensions. The four categories can be further explained by the integrated model presented by Smith and Lewis in 2011, in which they group the four possible ways of addressing tensions according to the outcome of the managerial action.

1. Resolution. That implies choosing one of the two opposites, A or B. The Hegelian Dialectical Theory describes this pattern as the domination of one opposite force over the other.
2. Accommodate. This pattern of managerial maneuver to address tensions, is a variation of the previous one, Resolution, because this also aims to resolve



tension but not through the domination of one force over the other, but by accommodating, or conciliating both antagonistic positions, A and B. In the classical dialectical theory, it would be the synthesis of the thesis and antithesis.

3. Acceptance. This third pattern is not looking for a solution to the tension. These managerial maneuvers embrace tensions and look to be able to work through the tension and coexist with it. Not solving through choosing one of them, nor conciliate the opposites in an intermediate position, but assuming the influence of the struggle between the opposites.

### ***V.2.2 Data Display***

The second type of data analysis activities described by Miles and Huberman (1994) is data display which consists of organizing information into accessible and compact elements such as matrices, tables, graphs, maps, or even models. Like data reduction, making data displays involves iterative processes that occur during and following the data collections process. For this case, displays ordered by stages, tensions, category of the tensions, and observed managerial maneuvers might be helpful in compressing and ordering data to facilitate coherent conclusions. To enhance generalizability and deepen understanding and explanation throughout, these single case displays might be arranged in a general-table that could be later synthesized to allow systematic analysis (Miles and Huberman 1994, P. 176). Being a process study, time-ordered displays such as event listings were particularly helpful in data analysis by presenting a list of events organized by chronological time phases and the tensions observed in each period sorted by significant categories, creating a time line of the implementations process. My research identifies specific tensions in the empirical account

and then theorizes general contradictions across these tensions, and management maneuvers.

### *V.2.3 Conclusion Drawing and Verification*

Conclusion drawing and verification is the third type of activity in Miles and Huberman's data analysis process. It is a set of activities that mixes in time and type of documents generated with data reduction and data display. These are processes that are usually performed after data collection, but as Miles and Huberman describe, they iterate with new rounds of data collection making conclusions more explicit and supported by facts and evidences grounding the study to tangible data. (Miles & Huberman, 1994).

## **VI RESULTS**

Around November 2013, we were a group of researchers that initiated the action research project with the Mexican agribusiness ANSA to help the organization develop a future strategy of the firm by engaging with the BOP markets and at the same time to produce interesting insights about corporate responsibility and sustainability. I offer a retrospective, dialectical analysis of the resulting collaboration with ANSA in five chronological phases, each highlighting the tensions that manifested and identifying the location of the tension as it relates to the integrated model for strategizing value co-creation with BOP (Figure 2). Table 5 summarizes the different phases of the process, the activities carried out in each phase, and the involved tensions.

<i>Table 5. Chronological Observation of Tensions in the Strategizing Process</i>			
<i>Strategizing</i>	<i>Phase of the BOP</i>	<i>Activities</i>	<i>Tensions</i>
		<i>(Implementation</i>	<i>of</i>
		<i>AgroEstacion )</i>	<i>B</i>
			<i>Opposite A vs. Opposite</i>

I. Committing BOP	<ul style="list-style-type: none"> <li>• Explore strategic and ethical business issues within ANSA</li> <li>• Conduct a workshop with ANSA executives</li> <li>• Discuss ANSA's history and its current situation, challenges, and opportunities</li> <li>• Discuss the BOP proposition and cases</li> </ul>	<ol style="list-style-type: none"> <li>1) Supplier goals vs. ANSA practices</li> <li>2) Profit generation vs. Social commitment</li> <li>3) Emergent BOP engagement vs. Deliberate BOP engagement (Mintzberg,1985)</li> </ol>
II. Exploring Options	<ul style="list-style-type: none"> <li>• Conduct workshops and Skype meetings with research and executive teams</li> <li>• Analyze ANSA challenges and opportunities</li> <li>• Identify available BOP options</li> <li>• Collect data and analyze/dilute options</li> <li>• Interact and discuss with executive team</li> <li>• Conduct workshops with task force and consumers</li> <li>• Conduct workshops with research team, executive team, and task force</li> <li>• Develop actionable options</li> </ul>	<ol style="list-style-type: none"> <li>4) One supplier vs. Multiple suppliers</li> <li>5) ANSA quality proposition to farmers vs. current farmer practices.</li> <li>6) Opening ANSA stores vs. Developing current distributors</li> <li>7) From inside ANSA vs. Within new business venture</li> </ol>

<p>III. Designing AgroEstacion</p>	<ul style="list-style-type: none"> <li>• Conduct workshops with ANSA executives</li> <li>• Select major option (microfranchising)</li> <li>• Transform task force into AgroEstacion team</li> <li>• Design AgroEstacion business franchise concept and select distributors for partnership</li> <li>• Design AgroEstacion plan, including processes, models, and manuals</li> <li>• Begin initial training process for franchisees (downstream)</li> <li>• Sign bailment contract (equipment)</li> <li>• Handle legal issues (registration, contracts, and trademarks)</li> <li>• Build the model store in Tlajomulco town</li> </ul>	<p>8) Franchised distributors vs. Independent distributors</p> <p>9) Agrochemicals retail vs. Corn brokerage.</p> <p>10) Exclusive supplier to franchisees (volume of the revenues) vs. Provider of business services</p>
<p>IV. Implementing AgroEstacion</p>	<ul style="list-style-type: none"> <li>• Design the commercial and cross-learning processes (for ANSA and franchisees)</li> <li>• Conduct workshops with the research and AgroEstacion teams</li> <li>• Launch first two franchise stores</li> <li>• Initiate the second training process for franchisees</li> <li>• Design the Growth Forum</li> </ul>	<p>11) Resourceful franchisees vs. Representative franchisees.</p> <p>12) AgroEstacion as an ANSA revenues booster vs. AgroEstación as an independent business unit.</p>

V. Planning Growth	<ul style="list-style-type: none"> <li>• Develop the Executive Advisory Board</li> <li>• Introduce the AgroEstacion business model to suppliers and government officials</li> <li>• Scout candidates for the next two franchisees</li> </ul>	13) AgroEstacion vs. Agro-aliANSA
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## VI.1 Committing BOP

The first step in the action research starting December 2014 was to define the diverse perspectives we could adopt to develop an interesting collaboration with ANSA. I was personally interested in business ethics; another researcher was involved in an international NGO focused on healing hunger in the poorest regions in the world; and the third researcher, who was part of the TMT in ANSA, was interested in developing a substantial contribution to the company. Our advisor and leading researcher guided the discussions to get an interesting project with potential to contribute to both practice at ANSA and to theory.

We began by gathering as much information as possible about critical events that had shaped the company's trajectory. This included antecedents to the status of the company; details of critical events and how the company had confronted them; the most relevant evidence, including growth in business, data about the company's performance, reputation as a company, and its corporate sustainability profile. We identified five key events in ANSA's history that were indicative of the company's dynamic capability:

- Mexican banks had earlier suspended credits to farmers, so ANSA allied with suppliers to provide that service

- US and Asian markets had requested “organic” berries, that is, nurtured and controlled without chemical pesticides, so ANSA developed required inputs
- The CCO pushed to diversify ANSA’s suppliers to include innovative, smaller suppliers in addition to the few big transnational corporations
- Crime and violence issues made ANSA retract from certain market regions, while providers pressured ANSA to continue in those areas
- New taxes for agrichemicals calculated by the toxicity of the pesticide had forced ANSA to rethink its product portfolio

At the same time, we searched in the literature to identify streams of research we could potentially contribute to: Corporate social responsibility, poverty alleviation, food production, social commitment, business strategy, sustainability, environmental challenges in food production, and others. With that background, we were ready to propose ANSA to engage in action research collaboration to help them develop a strengthened approach to corporate social responsibility by engaging with BOP markets. As a result, we started to organize a workshop with ANSA’s TMT to get detailed information about the current challenges of the company. The meeting could also give us more insights about ANSA trajectory, business model, key financials, plans, and opportunities that would help us to refine the project scope. The key objective was to measure the willingness of ANSA’s TMT to engage in research collaboration and if so, begin to create trust.

Accordingly, during early spring of 2014, we conducted a workshop meeting in Atlanta with the President of the board, the CEO, the CCO, and the CBO. We presented available information about ANSA business model, industry players, distribution chain, and financial model. The TMT provided very valuable perspectives as well as additional

detailed information that helped organize the project. Specifically, the workshop allowed the research team to learn more about ANSA's history and profile. ANSA started operations in 1977; the main resource it developed over time was an extensive network of distributors: around 1,250. Some of these local distributors had also developed over time, growing from improvised small stores to strong local distributors with extensive networks of customers, infrastructure, and technical knowledge. These characteristics of the local distributors attracted the attention of commercial teams in big multinational suppliers. The CBO described this phenomenon saying: "*...the ants are becoming elephants.*"

Here I present some evidence of the bargaining power of suppliers and the type of their relationship with ANSA: In 2014, Dow Agro sciences, one of the main players in the agrichemical industry worldwide, reported revenues of \$7.3 billion worldwide, out of that \$96 million came from Mexico. That same year, ANSA represented 25% of Dow's sales in Mexico, and Dow's products represented 32% of ANSA sales. It was clear there were strong interdependences between the company and its transnational suppliers. In the words of the CCO: "*Our relationship with our suppliers is as important as the one we have with our customers.*" The CCO also emphasized ANSA's role in managing MNCs' assets as distributor of their inventory and their technology to farmers: "*That was something MNCs cannot do given the market's size, cultural diversity, and geographic dispersion.*"

The TMT pointed out an important threat that the transnational suppliers, driven by pressures from their headquarters, began to prospect downstream to local distributors, ANSA's direct customers, to transform them into direct distributors for the MNCs thereby bypassing ANSA. The Mexican representative of one of these transnational giants later expressed, "*In general the distributor (ANSA) covers a priority that is the risk of operation*

*the retail process. The second important part that justifies the distributor's existence is creation of demand, the job of the distributor. If the distributor does not create demand, the supplier ops for going directly.*" He added, *"I don't see how ANSA's strategic position could be sustainable without changes; we are looking to shorten the supply chain."*

In this very early stage, we can identify a first tension between two contradictory forces located in the firm network process (see Table 6): Suppliers goals vs. ANSA practices. On one hand, suppliers are interested in shortening the supply chain, eliminating, if possible, intermediaries and trying to reach as directly as possible the final customer. On the other hand, ANSA is interested in strengthening existing practices by trying to diversify suppliers and develop loyalty with their local distributors, based on the idea that it is essential to understand the diverse needs in each region and crop. In later data collection, we confirmed this fact about supplier's goals, a different MNC's country manager told us, *"There is a threat for ANSA, because the local distributor is getting a lot of attention from other big distributors and also from big transnational companies."*

Interestingly, adopting a BOP oriented business strategy could reconcile both antagonist positions, providing MNCs additional revenues coming from new unexplored markets and giving ANSA the chance to deepen its competitive advantages and main assets, which were the knowledge of regional markets and the leadership with small and dispersed markets. The same MNC's manager, *"Two years ago we start pushing our distributors to increase their presence with the final user (The farmer), and some distributors were confused about this message, because in the past we used to tell them differently. What we are looking for now is the big distributor such as ANSA needs to strengthen its participation with the final user."*



The workshop developed an exceptional ambience of trust and mutual collaboration. At this point, the TMT expressed then a general concern about the project; the CCO said, *“The Mexican agribusiness context is quite different from the rest of the world, specifically the USA, and I am worried that we intend to implement strategies designed in the USA that will not work for sure in Mexico.”* They were afraid that conclusions and possible suggestions we could contribute could be very US-oriented business solutions, unsuitable to the Mexican context. We needed to propose some possible business course tailored for that emerging economy.

We introduced the BOP proposition. *“More than half of the world is poor,”* stated the leading researcher, *“and we cannot expect the governments or the Bill Gates’ of the world to solve this issue. It must be resolved through businesses—large, medium, and small ones—participating in the BOP segment, doing business, and making money in this process, contributing to poverty reduction. This is what we want to propose to ANSA, to expand its business by doing more with poor farmers.”* They were surprised with the focus of the proposal. We therefore presented to the TMT cases of companies around the world successfully engaging with the BOP so that the TMT could visualize the possibility of orienting ANSA’s strategy to include BOP engagement. The cases were diverse and taken from various industries and markets. Some of them were Mexican cases well known for their commercial and financial success, other were from other emerging economies that illustrated how diverse and creative could be the BOP engaging.

*“We once sold agrochemicals to Cuban farmers; they used telex, we provided a fax machine and they began to use it to buy from our competitors”* The president of the board expressed skeptically, *“ANSA was founded to produce money and respond to*

*investors, we support very much our collaborators paying training and other of their needs, but business is business.”*

Here is the second tension I observed; this one is located in the value co-creation process (see Table 6): Profit generation Vs. Social commitment. When exploring a business engagement with the BOP, most business managers believe that profits should come from traditional middle to high purchasing-power markets; Another rooted believe is that the wealthier the customer is, the bigger the economic benefit that companies can obtain. Engagement with the BOP is not a strategic issue in companies; at least ANSA's TMT did not relate this to income, commercialization nor business sustainability, they visualized BOP engagement more related to philanthropy or corporate social responsibility; and they used to see profit generation and social commitment as competing forces in struggle.

*“I think we are already serving the BOP,”* said the CCO. *“A lot of customers buying from our distributors are poor farmers that work very small land extensions. Somehow we are already serving them.”* Although the research team recognized this fact, we kept pushing to explore the possibility of constructing a defined strategy for this market. The executives of the TMT were reluctant to invest and devote human, physical and financial resources to a business strategy focusing exclusively on BOP markets, despite the fact that they had considerable data and knowledge that related to the BOP proposition in the firm's context. *“We could develop special product lines to that market, smaller presentations, simpler services...this way we could expand our scope.”* ANSA executives shared other contrasting experiences in dealing with the BOP segment; *“Some years ago, we discovered that, at that time, all the distribution companies in the*

*central states of Mexico were fighting to get one client that used to be the biggest in that area. And, after a research was made by a sales rep, we discovered that there were a lot of small businesses and small farmers unattended, because everyone wanted to have the big customer.”*

The third tension I observed during this first phase of the implementation, also located in the value co-creation process, was the struggle in TMT when deciding between adopting a Deliberate BOP engagement strategy Vs. an Emergent BOP engagement strategy. The difference is crucial in the successful and enduring BOP proposition. The first one implies looking at the BOP as the main target market. This deliberate engagement implies products and services focusing on the needs and circumstances of this specific population, adapting times, processes, financial tools, and expansion plans with a total focus on BOP population. The emergent BOP engagement would rather be a fortuitous opportunity to serve BOP markets using the traditional means, having designed the strategy not focusing on BOP population but on the traditional markets. The tension is comprehensible given the challenge of deliberately serving a market that business managers usually despise. In addition, we have to understand that BOP engagement might seem a risky decision due to the heavy dependence on the local distributors to activate the BOP network. As the CCO expressed during the workshop: *“The BOP market is a difficult and risky one, surrounded with huge uncertainty.”*

## **VI.2 Exploring Options**

The BOP idea began to take shape in the workshop. Brainstorming gave us a lot of material to produce a set of options to explore with ANSA’s TMT. In this process of generating, enriching, merging and even discarding possible courses of business strategy,

I denominate Exploring options as the second phase in the strategizing process for implementing AgroEstación. This phase includes the following activities (see Table 5):

- Conduct workshops and virtual meetings with research and executive teams to speed the implementation process
- Describe ANSA challenges and generate opportunities
- Identify Possibilities to engage with BOP population
- Collect more data and iterate and enrich options
- Participate in meetings and discuss alternatives with executive team
- Conduct workshops with task force and consumers to validate data and generate new options
- Conduct workshops with research team, executive team, and task force
- Develop actionable options

Based on the research team meetings, we integrated the preliminary ideas into six available options:

- Option 1: Develop a joint venture (JV) with one of the MNCs suppliers who showed interest in shortening the supply chain
- Option 2: Develop a catalog of specific products, designed for the BOP farmers, according to this segment farmer's purchasing capacity
- Option 3: Identify strategies for engaging BOP farmers
- Option 4: Develop tools for BOP self-organization, such as information centers, workshops, and knowledge-sharing meetings

- Option 5: Help distributors target BOP farmers. ANSA's local distributors are mainly small and medium-sized businesses; The company could exploit these established businesses, providing them with training and IT support
- Option 6: Develop a franchise model for the BOP farming market

When discussing these options, several tensions came into view. The fourth tension was between having One supplier Vs. Multiple suppliers. Located in the firm networking, this fourth tension related to developing a joint venture with one of the MNCs that supply ANSA. This possible venture revealed a source of continuous conflict and antagonism with the global giants within the agrochemical industry. In the voice of one MNC's commercial manager for the country, *"We think that a macro distributor should be engaged with just one big supplier, this shows full commitment."* Implementing the JV would imply changing the ANSA practice of having multiple suppliers. This practice of having multiple suppliers has allowed them to enrich product portfolios and, more importantly, to diversify the risk of depending on one supplier only, which would increase the bargaining power of the MNC. The CBO said, *"Having products from different suppliers makes us more competitive in the market, local distributors ask for multiple brands, and puts us in a more respectable position with the MNCs."*

This fourth tension was located according to the Integrated Model for Strategizing Value Co-Creation with the BOP, in the Firm Network of the upstream relations that any firm should activate in a value creation process (see Figure 2). The conclusion was that ANSA should continue with the diversification practice in buying and distributing products and technology from different suppliers. This decision implied that ANSA had to develop a very innovative and powerful strategy to, on one hand, satisfy MNCs' ambition for new

markets and revenue growth and, on the other hand, keep the bargaining power that ANSA had developed at that time.

In the second week of July 2014, we visited Cihuatlan, Jalisco, a small coastal town. The main economic activity in Cihuatlan is agriculture. Some farmers own big portions of land, but there are also small BOP farmers. We interviewed mainly BOP farmers with the objective of gathering data about this sector's reality and their conditions, using the model of the asset hexagon as a guide. The data obtained from these interviews showed that information obtained at the TMT workshop in Atlanta was accurate: BOP farmers faced a lack of basic agriculture inputs, including credit and tools (such as machinery and irrigation systems). When we asked the BOP farmers to prioritize their needs from more important to less, the top priority was unexpected and the more interviews we held, the more we confirmed that surprising answer: *"Who is going to buy my crop?"* One of the farmers anxiously exclaimed: *"What we really need is the certainty that our crops are going to be bought and paid. After harvest, our crops end up in the hands of the 'coyotes' (the Mexican slang for pernicious middlemen) and they always take a long time to pay us."* Another one asked, *"Do you think there is a possibility that I could pay the supplier debt with part of my crop? That would help me a lot."* As said before, neither ANSA's executives, nor the research team predicted that the main concern for the BOP farmers in this region was the absence of a secure commercialization channel for their products.

We traveled to different regions in western Mexico interviewing local distributors. The objective was to validate the commercializing channel issue expressed by the farmers from Cihuatlan. This region was different from Cihuatlan in terms of weather, crops, and the farming cycle. However, the conclusions about BOP farmer concerns were identical.

As the distributor we interviewed in Tepatitlan town said, *“My clients have a lack of cash flow, self-organization, and information.”* Local distributors confirmed that farmers’ main need was a reliable and stable market for their harvest. A second distributor we interviewed in Zapotlanejo confirmed this point, *“My customers prefer to buy products (pesticides, fertilizers, and seeds) from the coyotes who sell those products at very high prices, but accept harvest as payment.”*

This information revealed a tension located in the BOP network (see Table 6). This fifth tension was the challenging struggle between ANSA’s quality proposition to farmers Vs. Current farmers’ practices. On the one hand, ANSA’s traditional way of gaining market participation was offering high-tech products and professional support, trying to maintain the cost of farming as low as possible, with a very tight credit policy. On the other hand, BOP farmers were used to paying high prices and getting unfair conditions from *coyotes*. They obtained a very attractive incentive paying with their harvest and having the chance of selling their crops to the *coyote*. This payment way implies to get low quality inputs at high prices. *“There is no contract or bill or some kind of paper to ensure the sale to the coyote, they just fill the trucks and the farmer has to believe in the goodwill of the coyote. If the coyote faces any trouble there is no way to collect the farmer’s bills.”*

Knowing this, the challenge was ANSA’s existing credit policy. ANSA had limited the amount of credit a distributor could access. Increasing the terms, time, or amount of credit required the distributor to present collateral. However, many distributors could not afford this additional collateral, so they faced a lack of inventory in the crucial phase of the harvesting season. The limitations that BOP farmers faced in terms of credit, cash, and

collateral, made the challenge bigger and obstructed the ability to improve their productivity, and made it difficult to turn them into ANSA customers.

Clearly, the most important need of the BOP market was a reliable commercialization channel for the harvests. ANSA needed to incorporate a solution for this need in its strategy. Hence, ANSA had to make many changes in the organization and the traditional way of doing business to engage BOP effectively. The CEO suggested that ANSA could “*provide hybrid seeds on loan to farmers and recoup the debt after the harvest.*” This was what the coyotes used to do, but the difference would be that ANSA was a well-known and reliable player and had better chances to co-finance the inputs with the support of the MNCs.

Other important insights we confirmed in these site-visit interviews is that farmers trust their local distributor. They ask distributors for advice and follow their recommendations. This shows the power of influence that local distributors have over the farmers’ buying process. In Ayotitlan, a town located only 60 miles from Guadalajara, we interviewed a very enthusiastic woman, who was the area’s distributor, and her husband, who was a farmer. The woman and her three daughters managed the store without any technical or professional background. The region’s farmers owned 3 hectares of property or less, had no mechanical equipment, and the amount of corn they produced forced them to rely on the coyotes. It was clear that the area was a BOP market segment.

This time the information she gave did not surprise us. “*The farmers in this area need urgent credit and training,*” but she added, “*They trust us as distributors, and they are open to our advice.*” As an example she said, “*Yesterday an old and very poor farmer came to the store with a fistful of earth and ask me what kind of bug was attacking his*



*crop.*” She was a committed leader in her community and showed real concern for the conditions of the farmers: *“I’m trying to improve their well-being, teaching them to buy insurance every crop season and to sign a Contract Farming Agreement so we can help them to sell their harvest.”* She was already implementing an incipient model of intermediation in the commercial channel for the crops.

In another round of interviews, we had the chance to visit and have a long talk with some commercial representatives and some top executives from MNCs. One of these executives told us a very revealing perspective of the downstream activities in the value chain; *“One of the strengths ANSA has is its people, the sales force, and the technical support this team provides to the market, especially to the distribution channel. But this distribution channel is also a disadvantage, because the farmer sees more of the local distributor than ANSA.”* The executive called this an *“eclipse effect.”* He was warning ANSA of the risk of positioning excessively the local distributor as the owner of the market; instead, he suggested that ANSA should take a more dominant presence with the final consumer.

Following these explorations is the sixth tension situated in the BOP Network (see Table 6), the struggle of these two opposite forces: Opening ANSA stores Vs. Developing current distributors. When discarding options and refining the available ones to convert them into actionable options, the solution began to take form. ANSA needed to develop a new commercial strategy completely designed for BOP markets. The decision was not easy. One option was to implement a business model that could be a chain of retailing stores owned and operated by ANSA. This business model would compete against the current local distributors, especially against those closer to BOP markets. The

distributors that had been crucial elements for the current position of ANSA would abandon the commercial agreement with the company. ANSA would have to develop its own relationships with final consumers, and would have to gain expertise in small-scattered markets. Another possible way of implementing this strategy would be to leverage the strong and faithful relationship with the current distributors and make them part of the model, linking their stores to the new business model, thereby taking advantage of their knowledge, insights, and assets. This way, ANSA would not compete against the local distributors, but would ally with them to compete against others. The President of the board describes the logic of this idea, *“I am not sure about the idea of a branded store, because farmers look for the owner of the store, they don’t want to do business with employees.”*

Another tension emerged located in the Strategizing element of the model (see Table 6) relating this new idea to ANSA’s current business model. This seventh tension was, from Within ANSA Vs. Within new business venture. The tension describes the struggle between the possible ways ANSA could realize the new strategy. One way could be that ANSA changed the current practice of doing business. The company would have to change policies about credit, marketing, and distribution and mainly create a new business process to satisfy the need of commercializing crops. This possibility would pressure the TMT because the risk of failure would seriously endanger the future of the company. The TMT like most of the business managers would not risk the current profitable practices to commit assets and human resources to an unexplored business model. The other way would be that ANSA would not change current practices, but instead implement this new idea as a spin off, as an incipient exploration of new markets in an isolated way. This would imply that a possible failure would not harm the current business

activities, except for the financial losses that initial investments could represent. The president emphasized, *“If we open new selling points under the name of ANSA we are going to lose a lot of our distributors and of course market share.”* Later he added, *“I think it is better to go step by step, let’s try with one or two stores.”*

ANSA TMT defined that they would allocate financial resources from the current working capital to invest in this new project, and also designate experienced personnel to form a task force headed by the CBO, who was the more immersed in the BOP project. Everything would then be contained in a new commercial, legal and taxing identity.

By the end of this phase, the following had become clear:

- TMT was onboard the BOP proposition
- We had to discard the JV with a MNC given the suppliers’ position and related experiences
- ANSA needed to get involved in the commercialization of the harvest; we did not know yet how
- The new venture had to be profitable and sustainable with minimum subsidies from ANSA
- ANSA formed a task force, and they were committed and enthusiastic
- Interviewed local distributors were ready to participate in any innovative project with ANSA
- The legal format for the new venture seemed to be a franchise model
- The commercial name of the new venture would be AgroEstacion

### **VI.3 Designing AgroEstacion**

The third phase of the strategizing process, Designing AgroEstacion, focuses on the origination of the new spin-off in ANSA. The main activities performed by the research team jointly with the designated task force and TMT were:

- Conduct workshops with ANSA executives
- Select major option (microfranchising)
- Transform task force into AgroEstacion team
- Design AgroEstacion business franchise concept and select distributors for partnership
- Design AgroEstacion plan, including processes, models, and manuals
- Begin initial training process for franchisees
- Sign bailment contract (equipment)
- Handle legal issues (registration, contracts, and trademarks)

Embedded into the decision of the detailed business model for the new enterprise, the eighth tension was located in the BOP network element of the model (see Table 6). It consisted of two competing forces: Franchised distributors Vs. Independent distributors. When designing the business model of the spin off, we needed to define the nature of the relationship with the distributors. ANSA TMT wanted to have significant control of the operations of the new distribution chain given the unexplored and complex business model. Therefore, on the one hand, a franchise approach would assure this control by designing tight procedures for each business process. The franchise approach could also assure that the positioning in the new markets would be ANSA property through developing a brand that covered an important territory in the country. The CEO said, *“Small distributors began to grow and transformed from being costumers to being competitors. They are very aggressive and fast.”* Even more important, the franchise approach allows selectively inviting, evaluating and separating from the business those franchisees that did not meet

expectations. On the other hand, independent distributors would maintain a lower profile, protecting the business strategy from predators such as the big MNCs. Those big companies could easily equal, or even surpass, the investment made by ANSA to attract those new markets.

Our investigations suggested that the most suitable position for ANSA was to engage franchised distributors. In order to confirm this and make the smartest decision, the task force hired a legal firm to advise about the best way to sign distributors. They recommended adopting a franchise model through a Partnership Business Agreement (PBA). The leading legal advisor explained: *“The model we need to follow is to be a business platform for agribusiness and commercialization. It is a Partnership Business Agreement; it is not a regular partnership or an incorporated company. We have been reviewing options so we do not get all tied up with partners that may in the future want to leave, and we found that a Partnership Business Agreement is the most adequate for this project.”* The PBA had the following main elements (from the legal advisory firm’s report):

- *“Each signer company (AgroEstacion and the franchisee) maintains its own legal identity with federal, state, and local authorities. They also have the freedom to end the agreement after a previously established period of time (one year)*
- *AgroEstacion will supply, through this agreement, the outsourcing service of administration (IT, purchasing services, asset administration, and HR administration) and accounting to the franchisee*
- *AgroEstacion will supply the complete transformation, aesthetic and operational, of the local distributor store without cost to the franchisee*

- *The agreement will be signed for five years, with renewal possible for five years more.”*

The team needed to clarify an important uncertainty: What do the potential franchisees think about this approach? To explore this important issue, the CBO and leader of the implementation process, interviewed in ANSA Headquarters one of the selected distributors to validate if she would agree to sign the suggested PBA with AgroEstacion. He presented the preliminary AgroEstacion business plan, and he explained carefully the nature and conditions of the relationship between AgroEstacion and the franchisees. The simple and graphic answer to the question, what do you think? Was... *where do we sign?*

The more detailed design of AgroEstacion included the graphic image, the architectural design of the stores, the offered products and services, the legal figure and contracts, the taxation strategy, the outbound logistics, the IT infrastructure, the technical support, and the interaction with ANSA's distribution chain.

In addition, an important issue, probably the most critical part of the business model, needed to be decided: the corn inbound and commercialization strategy. This was a critical issue due to the novelty in the formal agricultural markets in Mexico, because it was the competitive advantage for the new business venture, and because it was required to engage the BOP markets effectively. Further, it was critical because ANSA did not have any expertise in that process. The president of the board advised: *“We should be careful to not offer something we don't know about; we should focus on what we are experts in.”*

As a result, the ninth tension was located in the strategizing process of the model (see Table 6). The tension is between Agrochemicals retail Vs. Corn brokerage. As just explained, the decision about integrating the corn commercializing process into the

business model was critical for the success or failure of the new venture. On the one hand, the proven success of ANSA had been in the retail process of agrochemicals. The hegemony of ANSA in the retail business would afford AgroEstacion success in the new market exploration. ANSA was a much-respected player, the second biggest in the retailing business. On the other hand, ANSA was an unknown player in buying and commercializing corn to big institutional and industrial buyers.

The MNCs' executives encouraged ANSA to enter into the corn brokerage activity. *"We had suggested to ANSA in the past to receive grain. When you become the recipient of the grain, the farmer will trust you and be more open to the advice you give to him."* They added *"ANSA has much more organizational, financial and human resources to successfully become a corn broker than any coyote, and they are making big money."*

AgroEstacion would be the instrument that ANSA needed to explore that new industry. The task force carried out research to know in detail the corn market and its players. They discovered that there is a legal contract that allows AgroEstacion to link the brokerage activity to the government financial support programs for BOP producers. From ASERCA (the federal government office that promotes agriculture): *"This type of agreement is basically a partnership or association by contract in which you, the administrator, search for a buyer for the crop."* As such, AgroEstacion could help the franchisees, using technology and knowledge to speed up the process and increase the number of potential buyers.

Another important question that the President of the board constantly raised during the process of designing the company was, *"How are we going to make money in this business?"* There were two possible ways for creating economic value, charging a fee for

providing business services to the franchisees, services such as administrative and accounting systems, taxation and legal advice, marketing and branding strategy, among others. The fee could be a percentage of the monthly revenues of the franchisee. This way is more similar to the traditional franchise model. The second way of creating value would come from the profits of the goods and agricultural services distributed by the franchisee. This second option relied on the potential increase of the volume of the products and services sold to the franchisees being the exclusive supplier of the franchisee.

This was not a simple business decision between one of these options. The struggle between these two possible ways of making profits is the tenth tension located in the Value Co-creation element of the model (see Table 6): The tension between being Exclusive supplier to franchisees Vs. being Provider of business services. The task force, now already transformed into the initial AgroEstacion team, assessed the two possible ways and suggested centering the business model on the volume of revenues that the BOP markets can represent given the number of potential customers now attended by the coyotes. The task force evaluated profits in a consolidated way, adding the revenues and profits that corn brokerage could bring. The Commercial Manager in the taskforce said, *“The real business in AgroEstacion is selling the corn. Additionally we will learn a new way of selling agrochemicals, and collect risk-free accounts.”*

#### **VI.4 Implementing AgroEstacion**

Once designed in detail, the new AgroEstacion was ready to see the light and begin operations. This fourth phase of strategizing to engage the BOP, Implementing AgroEstacion, included the following activities:

- Design the commercial and cross-learning processes (for ANSA and franchisees)



- Conduct workshops with the research and AgroEstacion teams
- Launch first two franchise stores
- Initiate the second training process for franchisees
- Design the Growth Forum

At this point TMT had decided that AgroEstacion would be a microfranchise business. Microfranchise is the adaptation of the general franchise concept to engage the BOP. As explained before, authors in business literature added the “micro” suffix to indicate that the target market of this business model is the BOP population. It also refers to a social orientation of the goals in the company, and that the level of investment of the franchisee is lower than in the traditional franchise.

One of the keys to successful franchising is the appropriate selection of franchisees. Now that, it is very important to decide very carefully the profile of the franchisees. Equally important is the selection of the persons to become the first franchisees. The eleventh tension emerged related to this challenge: Resourceful franchisees Vs. BOP Representative franchisees. This tension is located in the Value Co-creation element of the integrated model. On the one hand, the AgroEstacion Team wanted resourceful collaborators in the distribution chain of the new company. Rather than financial resources, there was a strong need for knowledge, organizational and physical resources. Knowledge resources would allow franchisees to understand deeply their BOP customers, the kind of crop they are producing, the potential of the region for production, and the potential and reliability of each producer in the region. Organizational resources would allow them to administer a store, have reliable employees that could help professionally in the stores, and be able to

learn and manage the basic systems that they would implement. Finally, physical resources would include important issues such as a strategically located store. On the other hand, to make AgroEstacion a truly BOP oriented project it was desirable to select BOP farmers and distributors with a difficult position to promote their current conditions to a better one. In simpler words, it was important to select those that needed the franchise to survive.

*“This is not a charity institution, we need the best allies, at least at the beginning”* concluded the leader of the AgroEstacion project, who used to be the Credit Manager in ANSA. He knew very well the profile and capabilities of each possible candidate as franchisee. *“I very much like Florinda (name was changed to protect privacy) to be one of the first franchisees. She is very active. She has earned the respect of the regional producers. She is intelligent and learns fast. She is already beginning to receive corn to collect accounts. She is very willing to innovate. She has two daughters that help in the in the store, her husband is a BOP farmer... She is one of them,”* said the CBO. The criteria were clear; AgroEstacion needed BOP distributors deeply immersed in that market, but those distributors needed to be resourceful to help consolidate the AgroEstacion project.

At the end of this research, the AgroEstacion team had selected three distributors to become AgroEstacion franchisees. Nevertheless, they decided to concentrate initially on two distributors. The third, a candidate from the Jalisco region, did not yet have access to the BOP network required and did not participate in or have knowledge of resources related to grain commercialization, which was an important resource to ensure the franchise's consolidation. *“There are some distributors that heard about AgroEstacion, and they are interested in getting into a partnership with us, but... I think that many of them do not qualify to be an AgroEstacion franchise. Some of these distributors owned resources in*

*their network, but they also had additional characteristics that disqualified them to be in a PBA with ANSA.”*

At this stage, a twelfth tension was the struggle between AgroEstacion as an ANSA's revenues booster Vs. AgroEstacion as an independent business unit, localized in the strategizing element of the integrated model (see Table 6). The CBO as the leader of the project affirmed: *“ANSA's managers supported the project with specific activities, but no longer play an active-operative role. It is the new task force which invests most of its time in reconfiguring ANSA's relationship with the franchisee candidates and in crafting AgroEstacion.”* This tension related to the separation or close relationship of ANSA as a company and AgroEstacion as a spin-off. On the one hand, ANSA's TMT wanted to separate the new venture from ANSA to control any kind of harmful consequences of changing ANSA's current business focus. This separation would also allow evaluating real results of this project and it would develop a real differentiation strategy from the current one. On the other hand, having a closer relationship would make it easier to obtain the original purpose of the project, giving ANSA a long-lasting strategy. Considering AgroEstacion as an additional business line within ANSA would allow ANSA to hold a stronger position in front of MNCs.

Operating AgroEstacion independently would make the operation of the new venture more costly, and eventually the lack of corporative support, such as financial, human, logistic, and organizational resources from ANSA, could make AgroEstacion die before consolidation. For these reasons, the managerial decision was to adopt an intermediate solution, to both maintain AgroEstacion as an independent company to be

able to evaluate and contain any harmful consequence of the BOP orientation, but also to share resources and strive to make synergies between the two entities.

### **VI.5 Planning Growth**

Once AgroEstacion was operating, the CBO and his team needed to follow up on controls and measurements, to evaluate the benefits of the spin-off and the convenience of growing or stopping the project. The financial results for the two initial franchisees were evident, with increased productivity than before implementing the microfranchise. The BOP population that engaged with each of the two franchisees was growing. The problem was that the size of operation of the franchisor was not big enough to consider it financially successful. In order to be profitable for ANSA, AgroEstacion needed to expand its operation and enlarge its network. To be profitable, the project needed at least seven franchisees operating. Growth was urgent.

As researchers, we suggested integrating an executive advisory board as part of the original project to boost growth. The idea was to invite influential persons from diverse fields—business, academia, and government—to join the board and contribute new ideas and viewpoints, but more important, to contribute through their networks. Even if the board was not yet confirmed and operating, the objective of expanding networks was important. The first move was to introduce the AgroEstacion business model to suppliers and governmental officials.

It is important to remember that the aim of the project within ANSA was to develop a long-term sustainable strategy, and strengthen the company's position in front of the

suppliers, all of them MNCs, validating the value contribution of ANSA. In September 2015, the CCO shared important news: one of the MNC suppliers' top managers called ANSA to express his company's interest in signing a partnership contract with ANSA to open seventeen direct sales stores in different parts of Mexico. The purpose would be to shorten the commercial chain in specific crops, such as sugar cane, vegetables, and berries. These crops are by definition not produced by BOP farmers. *"They just want to push us to open these stores, giving \$25,000.00 USD per store in cash and \$25,000.00 USD in merchandise, with the unique condition that the stores must be strongly oriented toward their brand and present advertisement related to their company."* The proposed partnership would be exclusively an investment through merchandise and capital with ANSA, the MNC would have no legal ownership of the stores or interest in owning ANSA's stocks.

Even though the offer of the MNC to JV with ANSA would validate the AgroEstacion idea, it was a competing force for the project, revealing the thirteenth tension identified in the strategizing process (see Table 6): AgroEstación Vs. AgroaliANSA. AgroaliANSA is the eventual name of the new JV with a MNC that wanted to take advantage of the expertise that ANSA developed with the implementation of AgroEstacion. Although the new project is not focusing on BOP markets, and is targeting completely different customers, regions and crops, the new company will compete for the attention of the TMT, distracting them away from AgroEstacion to a new project. As the CBO stated, *"AgroaliANSA does not compete with AgroEstacion for customers they are in totally different segments, but it is distracting economic and human resources from ANSA."*

During the firm's Christmas party in 2015, the CCO from this MNC told ANSA's CBO and CCO that his company wanted them to travel to Brazil, to their regional office, to meet with their Brazilian counterparts who are reaching the BOP market in a project that also does brokerage of crops. Meanwhile, in AgroEstacion the management team is ready to incorporate the next two franchisees. The growing effort requires attention, and ANSA's full financial commitment. By the end of this research, both projects were advancing in parallel. We will have to wait to know how compatible these projects can be. Whether the traditional markets will grab the attention and resources from any other project in ANSA, or whether the BOP strategy will prevail despite the tensions that businesses experience every day.

## **VI.6 Synthesis of the Strategizing Process**

As a synthesis of the dialectical analysis, I present a table (see Table 6) that illustrates tensions founded in each element of the Integrated Model for BOP Strategizing. I assigned each tension an ordinal number as they appeared chronologically in the strategizing process.

A second dimension in a dialectical analysis is to identify the category of each tension. Considering that, a tension is a struggle of bipolar opposites for control, an event-based concept that happens in a given moment of time. These are the tensions I identified and described in the previous sections. Another important concept for dialectical analysis is the tension category that refers to the source of the tension and identifies the possible cause of it. I made a generalization of the causes of the tensions in the BOP strategizing process in ANSA trying to identify a deeper, perennial cause of the tensions. Further, I focused on business managers' maneuvering in the organizations to eventually solve or

diminish contradictory forces. These maneuvers aim to harmonize the forces in order to reach the business goals; otherwise, unattended tensions can cause organizational paralysis and chaos. ANSA managers achieved the harmonization of the tensions in four possible ways:

- 1) By trying to solve the tension separating the forces in different spaces or business entities
- 2) By separating the contradictory forces in a temporary way, addressing one of the forces first and the other later
- 3) Solving the tension by a synthesis, accommodating both forces in a mutual adapted position
- 4) By acceptance of the contradiction and its influence in the organization, maneuvering not to solve it, but to coexist with it.

In Table 6, I show the tensions, the categorization of the tensions, and the managerial maneuvers observed in AgroEstacion's strategizing BOP process.

<b><i>Table 6. Synthesis of the Dialectical Analysis of the Strategizing Process</i></b>				
<b><i>Strategizing Locus</i></b>	<b><i>Tension</i></b>	<b><i>Tension Category</i></b>	<b><i>Managerial Maneuver</i></b>	<b><i>Maneuver Category</i></b>
Firm Network	1. Supplier goals vs. ANSA practices	Performing Tension	Adopting a BOP oriented business strategy to reconcile both antagonist positions, providing MNCs additional revenues coming from new markets and giving ANSA the chance to deepen its competitive advantages, which	Synthesis

			were the knowledge of regional markets and the leadership with small and dispersed markets.	
	4. One supplier vs. Multiple supplier	Organizing Tension	ANSA continued with the diversification practice in buying and distributing products and technology from different suppliers. ANSA had to develop a very innovative and powerful strategy to, on one hand, satisfy MNCs' ambition for new markets and revenue growth, and on the other hand keep the bargaining power that ANSA had developed at that time.	Acceptance
BOP Network	5. ANSA quality proposition to farmers vs. current farmer practices	Organizing Tension	ANSA had to make many changes in the organization and in the traditional way of doing business to engage BOP effectively, <i>"provide hybrid seeds on loan to farmers and recoup the debt after the harvest."</i> Just what the coyotes used to do, but the difference would be that ANSA was a well-known and trustworthy player and had better chances to co-	Synthesis



			finance the inputs with the support of the MNCs.	
	6. Opening ANSA stores vs. Developing current distributors	Belonging Tension	ANSA leveraged the strong and faithful relationship with the current distributors and made them part of the model, linking their stores to the new business model. Taking advantage of their knowledge, insights, and assets. This way ANSA would not compete against the local distributors, but would ally with them to compete against others.	Spatial Separation
	8. Franchised distributors vs. Independent distributors	Belonging Tension	AgroEstacion adopted a microfranchise model through a Partnership Business Agreement (PBA) given its advantages: <ul style="list-style-type: none"> <li>- It assures that the positioning in the new markets would be ANSA property.</li> <li>- Franchise allows selectively inviting, evaluating and separating from the business those franchisees that did not</li> </ul>	Synthesis

			meet expectations.	
Strategizing	7. From inside ANSA vs. Within new business venture	Organizing Tension	ANSA would treat this new idea as a spin-off, as an incipient exploration of new markets in an isolated way. Thus, a possible failure would not harm the current business activities, perhaps just for the financial losses that initial investments could represent. <i>“... it is better to go step by step, let's try with one or two stores.”</i>	Spatial Separation
	9. Agrochemicals retail vs. Corn brokerage	Organizing Tension	AgroEstacion will experiment a completely new industry, corn brokerage, the construction of the commercialization channel for crops would allow increasing the number of customers served by the company.	Synthesis
	12. AgroEstacion as an ANSA revenues booster vs. AgroEstación as an independent business unit	Organizing Tension	Adopt an intermediate solution, to maintain AgroEstacion as an independent company, to be able to evaluate and contain any harmful consequence of the BOP orientation, but also to share	Synthesis

			resources to make synergies	
	13. AgroEstacion vs. AgroaliANSA	Learning Tension	Both new ventures will run parallel, targeting different markets and learning from each other, the managerial maneuvers to balance the struggle for gaining attention and resources are yet to be developed.	Temporal Separation
Value Co-creation	2. Profit generation vs. Social commitment	Performing Tension	ANSA's TMT accepted to strategize BOP, prioritizing the economic purpose of the company above social commitment, accepting that if they can achieve both, it would be even better.	Acceptance
	3. Emergent BOP engagement vs. Deliberate BOP engagement	Organizing Tension	AgroEstacion implies a deliberate BOP engagement, in this stage it seems that TMT could commit to a conscious strategy to target BOP segment, but not necessarily in the entire company, but in a new business line.	Spatial Separation
	10. Exclusive supplier to franchisees (volume of the revenues) vs. Provider of business services	Performing Tension	The economic benefit would come from the profits of the goods and agricultural services distributed by the	Synthesis

			franchisee. This second option relies on the potential increase of the volume of the products and services sold to the franchisees being the exclusive supplier of the franchisee.	
	11. Resourceful franchisees vs. Representative franchisees	Belonging Tension	AgroEstacion needed BOP distributors deeply immersed in that market, but those distributors needed to be resourceful to help consolidate the project.	Synthesis

## VII DISCUSSION

As discussed earlier in the literature review of this dissertation, existing research on microfranchising focused on the social, commercial, financial, and even political benefits to local communities (Christensen, Parsons, & Fairbourne, 2010) (J. Fairbourne, 2007) (Magleby, 2007). However, I found few studies in the literature that described the managerial challenges that business organizations deal with when engaging the BOP through microfranchising. Some studies described tensions that organizations experience when changing business orientation, but no one offered a detailed empirical account of how contradictory forces affect the endeavor of implementing a microfranchise model with the BOP.

This literature review on value co-creation, business ventures engaging the BOP, and poverty alleviation through profit generation, found few studies that explained conditions which guided firms to engage the BOP (London & Hart, 2011; Penh, 2009; C.

K. Prahalad & Ramaswamy, 2004). I found even fewer qualitative process studies that described the processes through which organizations and managers make decisions when engaging with lower income population. Further, I found no studies that proposed a conceptual theory of the major contradictory forces a company faces as it implements microfranchising to engage the BOP.

Looking to address these gaps, this piece of engaged scholarship research used dialectics to analyze the strategizing processes to engage BOP in a Mexican agribusiness to answer this research question: How do organizations maneuver contradictory forces while using microfranchising to engage the BOP? In doing so, it provides three major contributions. First, it offers an empirical account of how contradictory forces shaped a Mexican agribusiness's efforts to implement microfranchising to engage with BOP farmers. Second, it presents a conceptual contribution that shows how existing theoretical concepts can enlighten the analysis of a strategizing process to engage BOP. Third, it contributes to business practice with managerial lessons that can help better maneuver contradictory forces and co-create value with BOP segments in agribusiness and other industries, as well.

### **VII.1 Empirical Contribution**

Companies in all latitudes permanently need to expand their revenues and areas of influence. Those companies face, on a daily basis, tensions between the stockholders asking for bigger benefits, and saturated, thus less-profitable, traditional markets. Companies have therefore begun to explore emerging economies to satisfy growth pressures. Those economies have a common characteristic, the presence of an unexplored and growing BOP population (London & Hart, 2004).

The perennial contradiction of profit enforceability vs. market saturation is a challenge in which business managers have developed diverse skills, and on which business education have focused for a long time. In spite of this, the BOP markets present unexperienced challenges to managers given the totally different tensions faced in this business engagement with low income populations (Sheth, 2011). This dissertation provides a detailed empirical account of the strategizing process that ANSA followed to engage BOP.

As such, this piece of research offers to scholars empirical insights about a strategizing process that was conducted following theoretical models such as Dynamic Capability Theory (K. M. Eisenhardt & Martin, 2000; Tashman & Marano, 2009; Teece et al., 1997), Options Driven Thinking (Bowman & Moskowitz, 2001; Faulkner, 1996; Kogut & Kulatilaka, 1994), and the Integrated Model for strategizing BOP (Cazares et al., 2015). These empirical insights illustrate how the theoretical models behave in a practical context. For the practitioners, this longitudinal case study offers a vivid narrative of the challenges, tensions, and managerial maneuvers that a TMT faced in its endeavor to design and implement a sustainable business strategy based on the microfranchise concept (J. S. Fairbourne, Gibson, & Dyer, 2007). This longitudinal case study provides practical experiences of a Mexican retail company in the agribusiness industry in different phases of the strategizing the BOP engagement, and the process of implementing a microfranchise. These experiences can help business managers to reflect about undertaking or avoiding a BOP engagement.

The narrative includes relationships with multinational companies that operate in Mexico. The dissertation describes the tensions multinational companies suffer

and cause in emerging economies (Cheung & Belden, 2013), illustrating managerial interactions between MNCs and the local partner that owns the insights of the market. In addition, it offers a detailed description of the maneuvers that Mexican and transnational companies engaged in and the outcome of such decisions and actions.

The case also provides a detailed description of internal processes of a strong local retail company, the challenges ANSA faced in the selection and recruiting of microfranchisees, the role of insider distributors, and the details of business environment in the Mexican agriculture industry. This empirical account is a valuable contribution to BOP literature given the lack of practical examples of microfranchising efforts. All this narrative constitutes the empirical contribution of this dissertation.

## **VII.2 Conceptual Contribution**

The use of dialectics as the independent theory that helped to form this research, allowed systematizing the observation of the chronological events in the strategizing process (Bjerknes et al., 1991). It also facilitated an understanding of the strategizing processes as triggers of organizational change (Van de Ven & Poole, 1995). As such, this study contributes to exemplify the use of dialectics as a theoretical lens to analyze business processes, and to demystify the dialectics frequently associated with Marxism (Wimelius, 2011).

As practically shown in the results section (see Table 6), I based the analysis of the strategizing process on dialectical concepts. As explained previously, this long process of designing a strategic plan in ANSA, and later the implementation process of the plan, implied in the creation and launch of AgroEstacion was sectioned using the Integrated Model for Strategizing BOP (Cazares et al., 2015). This model allowed making four

sections of activities not ordered chronologically, but the nature of the strategizing activity aroused the tensions. The four elements of the model were: 1) Firm Network, 2) BOP network, 3) Strategizing, and 4) Value Co-creation.

Tension is the first theoretical lens I used in the data reduction process (Miles & Huberman, 1994). I reduced the vast information retrieved in data collection by identifying opposite forces struggling for control (Van de Ven & Poole, 1995). According to my findings, tensions are important obstacles in and drivers of the development and implementation of a business strategy; they are time and resource consuming and sometimes the cause of abandoning a business venture; however, when approached constructively, they can significantly inform and help shape the strategizing process.

The use of the tension categories developed by Smith, Gonin, & Besharov (2013) allowed not only classifying the tensions and observing possible patterns. Importantly, these categories refer to the origin of the tension, which allows you to be conscious of the nature of the tension, the origin of it, and a possible course to address it (Smith, Gonin, & Besharov, 2013):

- Performing tensions emerge from divergent outcomes, such as goals, metrics, and stakeholders
- Organizing tensions emerge from divergent internal dynamics, such as structures, cultures, practices, and processes
- Belonging tensions emerge from divergent identities among subgroups, and between subgroups and the organization
- Learning tensions of growth, scale, and change emerge from divergent time horizons



Acceptance, spatial separation, temporal separation, and synthesis—the categories of managerial maneuvers proposed by Van de Ven & Pole (1989)—allow, in a similar way, to use them not just as descriptive tools, but also as strategizing guides. Managers may design managerial maneuvers based on scientific knowledge avoiding the exclusive use of heuristics-based management, especially when they have scarce experience in BOP engaging strategies (Simon, 1979). This dialectical analysis synthesized in Table 6, allowed presenting the results of this research and proposes the use of the categories of tensions not only as a descriptive tool, but also as a strategizing one. It is a conceptual contribution of this research to the use of dialectics in the important arena of business strategy.

### **VII.3 Managerial Lessons**

Consistent with engaged scholarship (insert ref), an important objective in the research design of this dissertation was to be able to provide lessons for how business managers can maneuver contradictory forces when co-creating value with the BOP. This objective responds to the need for relevance in business research. Drawing on the theoretical literature and the empirical findings from ANSA and the AgroEstacion project, I suggest a number of managerial lessons related to the strategizing process to engage BOP through microfranchising:

*Lesson 1: Be aware of tensions in a strategizing process. Tensions can precipitate, slow down, and even collapse a strategizing process.*

This lesson suggests that independently of the strategizing method companies adopt, managers responsible for the strategy should identify and assess the degree of influence of tensions (Smith et al., 2013). Not being aware of arising tensions could paralyze the management team causing loss of time and resources in leading with a

conflictive organizational climate (Van de Ven & Poole, 1995). During the AgroEstacion strategizing process, we witnessed how tensions in upstream relationships maintained ANSA's strategy static. Once the TMT was aware of the opposite forces involved in an uncomfortable relationship with their MNC Suppliers, they were able to analyze the forces, generate options, and intentionally work in a sustainable strategy to address the conflict.

*Lesson 2: Tensions arise entangled. They emerge any place, any time in the companies involved in strategizing processes. One tension relates to other tensions in the same space or in different space, in the same time or in different time.*

As we could observe in the chronological analysis of tensions in ANSA's strategizing process (see Table 5), tensions arose not only during the planning stage. Other tensions emerged during the implementation process, and old tensions, apparently addressed, re-appeared in the growing phase. Managers involved in strategizing processes should be aware that tensions are manifestations of a perennial struggle of opposite forces (Van de Ven & Poole, 1995), managerial maneuvers can solve or harmonize those tensions, but because they are caused by a perennial struggle, they can arise again at any unexpected time.

*Lesson 3: Tensions can constructively support strategizing when properly handled. Managers can address tensions in multiple ways, and the possible resolution of the tensions relates to the cause of the tension.*

As we learned in the strategizing process of ANSA, TMT systematically used Options Driven Thinking (Faulkner, 1996), as a tool to develop possible solutions for the most difficult strategic situations (Fichman, Keil, & Tiwana, 2005). We also observed that ANSA's TMT designed and implemented multiple managerial maneuvers along the project

that I later categorized in the different types of maneuvers: Acceptance, spatial separation, temporal separation, and synthesis. Even though categories exist and are shown to be very useful in designing the managerial solution to tensions, it is true that one category of maneuvering could involve an undefined number of possible solutions and multiple variations of each of them.

*Lesson 4: The most frequent tensions in a strategizing process to co-create value with the BOP are those that arise from divergent internal dynamics, such as cultures, structures, processes, or practices.*

If we observe the dialectical analysis of the strategizing process in ANSA, we see that six out of thirteen of the observed tensions relate to the resistance to change the organization's structure, practices, or culture. It was difficult for ANSA to learn a new business process, corn brokerage. The decision to accept BOP proposition as a deliberative strategy was also a source of tension. The change that implied moving from independent distributors to franchised distributors was also an important source of conflict. As described by Prahalad & Hart (2002), the lack of knowledge about the BOP markets is the main source of resistance to engage in these social-oriented business ventures (Sheth, 2011).

*Lesson 5: BOP engagement causes many more tensions than traditional business strategizing processes, but it can also provide profitable and much more sustainable strategic positions in industries.*

It is important to remember that strategizing BOP engagement requires a deep understanding of BOP needs (C. Prahalad & Hart, 2002), which requires full immersion of the decision makers of the companies in those markets (Khanna, Palepu, & Sinha, 2005). If MNCs decide to do business engaged with the BOP, the best way to do that successfully

is with a local partner (Sheth, 2011). Sharing benefits and sharing costs are principles of the successful business engaged with the BOP, and managers evaluating entering into these ventures need to be aware of that. Business managers have to conceive BOP markets not as a source of profits, but as profit co-creators, product co-designers, and co-producers (Vargo & Lusch, 2004). This new way of conceiving business strategy encouraged ANSA TMT to endeavor this new risk to aspire to achieve a more enduring and sustainable position in the agricultural industry.

## **VIII CONCLUSION**

This longitudinal case study centered on a family-owned, medium size retail company in the agrochemical industry to present an in-depth examination of the strategizing process to engage BOP through microfranchising. This research has revealed important insights and helped understand this process in the context of engaging low-income populations with the aim of socially promoting them while being able to satisfy the stockholders' profit expectations, in a word, co-creating value. The perspective of the research was dialectical analysis, which centered the attention of the evidence in capturing and describing the different tensions and contradictory forces; different stakeholders were involved in. The results suggest that ANSA, without the strategizing process described in the case, could have no longer maintained the outstanding performance it had usually experienced. Further, our investigation revealed a quite lengthy process that was complex, full of tensions related to cultural, organizational, commercial and even political aspects of the business. It also described the diverse actors negotiating, interacting, maneuvering, and creating alliances.

As a piece of engaged scholarship, the findings of this research delivered practical suggestions for managers involved or interested in strategizing processes with BOP. The research shows those implications as lessons or suggestions such as being aware of tensions in a strategizing process and knowing how to best maneuver them. Tensions arise entangled, they emerge any place, any time in the companies involved in strategizing processes. One tension relates to other tensions in the same space or in a different space, in the same time or at different times. Managers can address tensions in multiple ways, and the possible resolution of the tensions relates to the cause of the tension. The most frequent tensions in a strategizing process to co-create value with the BOP are those that emerge from divergent internal dynamics, such as structures, cultures, practices, or processes. BOP engagement causes much more tensions than traditional business strategizing processes, but it can also provide profitable and much more sustainable strategic position in industries.

As expected, this dissertation has limitations that may become opportunities for upcoming studies:

1. As I used the case study approach, this report has the advantages of focusing on multiple stakeholder perspectives and in their context, and dynamics (Mason, 2002). However, involving a single case the findings are not generalizable from the perspective of the sample to population principle.
2. This study is limited to a private, family-owned organization, in a unique industry in Mexico. As such, variations in the findings may appear in research involving public, institutionalized companies, in different industries or in different regions.
3. Interviews and focus groups based on past events could have biased this research with information filtered out that does not fit or ignores other group's opinions. For

- that reason, I attempted to mitigate this bias where possible through triangulation and verification.
4. This report is the result of a longer study that began as a team action research that we reported at a conference (Cazares et al., 2015). The evidence and collected data is in a common data file. These early activities helped collect interesting data, but they also shaped this study, especially through the use of the Integrated Model for strategizing BOP (Figure 2).
  5. While dialectics proved to be a practical and strong framework for looking at these processes, it is not the only perspective through which complex processes and organizational change may be analyzed. Certainly, future research may provide valuable insights on these data using different perspectives or theoretical frameworks.

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## APPENDIX

<i>Table 7. General Theoretical Concepts</i>			
<i>Area</i>	<i>Concept</i>	<i>Definition</i>	<i>References</i>
BOP concepts	BOP: Base/Bottom of the Pyramid	<ul style="list-style-type: none"> <li>• Lowest section of the world's pyramid</li> <li>• Occupants are often heterogeneous across multiple dimensions</li> <li>• They typically earn per capita income equivalent to US\$3,000 per year or less</li> <li>• Individuals at the BOP constitute the majority of humanity (more than 4 billion people!)</li> </ul>	(London & Hart, 2011) (Sen, 1999)
	Asset Hexagon	A framework to understand the BOP population that addresses “what business should know” about BOP in six quadrants—human, natural, financial, physical, social, and political—and incorporating additional human, social, and political aspects to make a broader definition of poverty (inspired by the Sustainable Livelihoods Approach)	(Penh, 2009)
	Social erosion	A “vicious cycle”: poverty is environment-linked, including factors such as access to education, justice, equal opportunities, life expectancy, food security, and so on	(Reardon & Vosti, 1995)
	Value co-creation	<ul style="list-style-type: none"> <li>• Joint creation of value by the company and consumer</li> <li>• Customers co-construct the product and service</li> <li>• Joint problem definition and problem solving</li> </ul>	(C. K. Prahalad & Ramaswamy, 2004)

Microfranchising concepts	Microfranchise	Replicating business systems at the grassroots micro-level with the intent being to alleviate poverty; it mirrors a franchise except on a smaller scale, with the intent being to benefit those at the BOP rather than to merely elevate the wealthy	(J. S. Fairbourne et al., 2007)
	Microfranchisee	A person or entity (BOP) to whom the right to conduct a business is granted by the microfranchisor.	
	Microfranchisor	The company owning/controlling the rights to grant microfranchises to potential microfranchisees. The licensor or hub company.	
Dialectics concepts	Dialectics Theory	<p><i>Dialectics</i> is an analytical tool for explaining relations and understanding change in society.</p> <p>The theory begins with the Hegelian assumption that the organizational entity exists in a pluralistic world of colliding events, forces, or contradictory values that compete with each other for domination and control. These oppositions might be internal to an organizational entity if it has several conflicting goals or interest groups competing for priority.</p>	<p>(Bjerknes et al., 1991)</p> <p>(Van de Ven &amp; Poole, 1995)</p>
	Tension	Struggle of bipolar opposites for control. An <b>event-based concept that happens in a given moment of time</b> , it can be observed and eventually solved or harmonized.	(Van de Ven & Poole, 1995)

	Contradiction	A contradiction can be viewed as a relation between two opposite aspects of a phenomenon. It refers to a <b>permanent condition of contradictory forces that have struggled historically for a dominant position</b> . This can eventually be solved or diminished by balancing or harmonizing the forces, by a complete domination of one by the other, or by a mutual adaptation.	(Van de Ven & Poole, 1995)
	Change	The outcome of tensions between opposing forces based on their relative strength. If the non-dominant force gains strength, the relative balance will be affected, causing change in some direction.	
	Tensions Categories	<p><b>Performing Tensions:</b> Tensions that emerge from divergent outcomes, such as goals, metrics, and stakeholders.</p> <p><b>Organizing Tensions:</b> Tensions that emerge from divergent internal dynamics, such as structures, cultures, practices, and processes.</p> <p><b>Belonging Tensions:</b> Tensions that emerge from divergent identities among subgroups, and between subgroups and the organization.</p> <p><b>Learning Tensions:</b> Tensions of growth, scale, and change that emerge from divergent time horizons.</p>	(Smith & Lewis, 2011)

	Maneuver Categories	<b>1. Acceptance</b> , keeping tensions separate and appreciating their differences	(Poole & Van de Ven, 1989)
		<b>2. Spatial Separation</b> , allocating opposing forces across different organizational units	
		<b>3. Temporal Separation</b> , choosing one pole of a tension at one point in time and then switching	
		<b>4. Synthesis</b> , seeking a view that accommodates the opposing poles.	