Post-acquisition Inclusive Business Identity & Sustainable Growth

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ABSTRACT,
An inclusive business looking for resources to achieve sustainable growth can benefit from being acquired by a large commercial incumbent. However, the commercial dominance of the acquiring incumbent can gradually overshadow the acquired business' inclusive identity, depending on the degree of post-acquisition integration. This situation, referred to as post-acquisition 'mission drift', can be managed by the inclusive business by applying successful tension management practices. The purpose of this master thesis is therefore to examine how inclusive businesses can manage the tension between an inclusive and a commercial business identity to ensure sustainable growth and inclusiveness after being acquired by a commercial enterprise. Three cases have been examined, one for each identified degree of post-acquisition integration: full integration, partial integration, and separation / no integration. Sustainable growth was not achieved in any of the cases, with two cases even reporting unsustainable growth. This indicates that being acquired is not favorable for an inclusive business, as sustainable growth from an increased resource base is assumed to be the main driver behind being acquired. However, further research is needed to substantiate this claim, presumably on the inclusive business' post-acquisition debt financing structure.

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Keywords:
Inclusive business, acquisition, business identity, sustainable growth, post-acquisition integration

BA Master Thesis, The Netherlands

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1. Introduction

1.1 Poverty at the BoP

Poverty is a world-wide societal problem. Next to the low income levels, people living in poverty are generally faced with limited access to education and other basic services, social discrimination, exclusion (United Nations, 2019), illiteracy, undernourishment, premature mortality, and inadequate infrastructure access (Borchardt et al., 2018). This demographic is referred to as the 'bottom of the pyramid' (BoP), or 'base of the pyramid'. The BoP regards the poorest socio-economic groups of the global income pyramid, which mostly pertains to Southern Asia and sub-Saharan Africa. The threshold level for the BoP is based on the income per day at purchasing power parity (PPP) rates (Prahalad, 2005; Karnani, 2007), which varies across the literature. Prahalad (2005) provided a commonly used value of US$2.00, but various income levels have been used in the field, ranging from US$1.00 (Chikweche, 2013) to US$8.00 per day (Pitta, Guesalaga & Marshall, 2008). The United Nations provides their own measure for poverty, which is set at an income of below US$1.90 per day (United Nations, 2019). This measure is very similar to Prahalad's (2005) commonly used threshold. The amount of people living beneath the poverty line - and thus in the BoP - differs as well. According to the United Nations, 783 million people live in poverty. Prahalad's (2005) research regarded the BoP to contain 4 billion people. The total market value as a measure for the untapped potential also shows differing estimations. Prahalad's (2005) initial research indicated the BoP value to be $13 trillion at PPP, while he later corrected this by referring to a study of the International Finance Corporation that estimated the BoP market value at $5 trillion at PPP. On the other side of the spectrum, Karnani (2007) is rather sceptical about the potential of the BoP and values the market significantly lower at $0.3 trillion.

1.2 Inclusive Business at the BoP

Since Prahalad (2005) introduced the term 'bottom of the pyramid' (BoP), or 'base of the pyramid', a significant amount of attention has been put on its potential as an 'untapped' source for profitable business practices. Prahalad (2005) proposes that firms can help alleviate poverty, while at the same time earning profits by serving the 'untapped' value of the BoP markets. This closely resembles the concept of inclusive businesses, which entails companies that include the poor in their value chain, either on the demand size as consumers or on the supply size as producers or employees (Halme, Lindeman & Linna, 2012; Roundy, 2013). In essence, the aim of an inclusive business is to generate profit while reducing poverty.

Inclusive businesses often take the shape of small and medium-sized enterprises (SMEs). Due to their size, they are highly flexible and have the advantage of being able to design their business model specifically for inclusiveness by shaping their organizational culture and capabilities to be specialized for the BoP (Reficco & Gutiérrez, 2016). To become successful and make an impact as an inclusive business, sustainable growth is essential to reduce poverty, especially in case of a start-up. However, according to the U.S. Bureau of Labor Statistics (2018), 50% of start-ups will seize business within their first five years. While start-ups and other small firms are flexible in nature, they also often lack a wide range of necessary resources to grow sustainably (Lim et al., 2013).

Incumbent firms, on the other hand, do have a large pool of resources. Higher amounts of assets, capital, and an established market position and network provide incumbents with a significant advantage over new entrants (Hart, 2005). Borchardt et al. (2018) have argued that brand equity can be another important source of competitive advantage in low-end markets, because they establish a sense of trust for consumers. As BoP consumers live in poverty, making mistakes and thereby suffering from possible product malfunctions is unaffordable. Therefore, buying from established firms through known brands provides a sense of a desired minimum quality guarantee (Borchardt et al., 2018). Large established companies thus have an advantage on various levels compared to their smaller competitors. However, such large organizations often lack the necessary flexibility to be able to tailor to the needs of the BoP markets (Lim et al., 2013). Due to the dominant commercial focus and large company size, there is generally an inherent absence of specialized local knowledge and strong community ties that are important for successfully operating at the BoP (Adegbile & Sarpong, 2017).

1.3 Acquisitions

According to Baumol (2002), a small company and an established firm can complement each other in a 'David-Goliath symbiosis'. In case of inclusive businesses, a large incumbent seeking to become inclusive can acquire an inclusive business. Vice versa, an inclusive business looking for resources to achieve sustainable growth can benefit from being acquired by an incumbent. However, the acquisition of an inclusive business by a commercially-oriented large incumbent poses various problems.

1.3.1 Pre-acquisition problems

In case of inclusive start-ups, acquisitions generally suffer from a pre-acquisition 'liability of newness' (Roundy, 2013). New ventures lack a reliable history of competent business conduct, which makes it difficult for potential acquirers to assess the potential risk associated with acquiring the start-up. Furthermore, information asymmetries make the assessment more difficult, as incumbents do not have all inside information about the venture's prospects, contrary to the start-up's entrepreneurs. In combination with the venturesome nature of start-ups and their low chances for survival, it makes acquisition a high-risk investment for incumbents (Zott & Huy, 2007).

1.3.2 Post-acquisition problems

Various problems might arise after an acquisition has taken place. For example, the retention of key employees can prove to be difficult (Ahuja & Katila, 2001; Prabhy et al., 2005; Park et al., 2018). Key scientists might not agree with the acquiring company's vision and therefore leave the firm. If they can be retained, their tacit knowledge might be too difficult to transfer. When the knowledge is explicit enough to be transferred, scientists from the acquiring firm may be reluctant to adopt different practices, due to a lack of shared experience and/or mutual understanding (Park et al., 2018). An important post-acquisition aspect specific to the acquisition of an inclusive business regards its social nature. When an inclusive business is acquired by a commercially-oriented incumbent, tensions will inevitably follow from their inherently different business philosophies and the consequent priorities. Where a merger pertains to the equal joining together of two businesses, an acquisition regards purchasing another company to gain control over it. In case of the acquisition of an inclusive business by an incumbent, this means that the incumbent gains control over the inclusive business, which means that it can determine its future path. However, this also means that the commercial priorities of the incumbent can overshadow the inclusive business' social nature. This creates a sense of tension that can harm post-acquisition performance for both parties. Such a situation closely resembles the concept of 'mission drift', which in this case holds that an inclusive business can lose sight of its social mission by drifting towards the dominant commercial identity and consequent priorities of the acquiring organization (Ebrahim, Battilana & Mair, 2014).

1.4 Research Question & Rationale

For the purpose of this research, the focus will be on managing post-acquisition tension for the inclusive business. It is interesting to examine how inclusive businesses can assure their social nature after being acquired and becoming subject to the command of a commercially-oriented enterprise. Therefore, the focus of this research will be on the post-acquisition side, and not on the pre-acquisition element. Merely preventing mission drift by ensuring the social nature does not suffice as a successful acquisition on itself. The inclusive business needs to reap the benefits of the acquisition by achieving sustainable growth. Without it, the acquisition's initial purpose is not fulfilled for the inclusive business. Therefore, the main research question of this Master Thesis is:

How can inclusive businesses manage the tension between an inclusive and a commercial business identity to ensure sustainable growth and inclusiveness after being acquired by a commercial enterprise?

Prahalad (2005) introduced the term 'BoP' in 2005. Since then, various types of research have been done on uncovering its potential, with a suggestion of inclusive business (e.g. Agnihotri, 2017; Angot & Plé, 2015; Borchardt et al., 2018; Chatterjee, 2009; Hart, Sharma & Halme, 2016; Mohr, Sengupta & Slater, 2012). Also, a substantial amount of research has been done on the effect of acquisitions on the output of the acquired company (e.g. Andersson & Xiao, 2016; Desyllas & Hughes, 2010; Grimpe, 2007; Prabhu, Chandy & Ellis, 2005). However, there is not yet any research conducted that considers the two jointly. Specifically, the assumption that the commercial priorities of the acquirer will likely overshadow the social nature of the acquired inclusive business has not been examined in this context before, even though it is a highly essential business topic. It is also important to investigate to what extent keeping a social nature can coexist with creating sustainable commercial growth, because sustainable growth as the result of an increased resource base is assumed to be the dominant reason for seeking to be acquired.

By answering the main research question, this study can thus help inclusive business entrepreneurs manage an acquisition in such a way that the threat of mission drift can be minimalized, while ensuring sustainable growth.

2. Theory

2.1 Managing the tension between an inclusive and a commercial business identity

The terms merger and acquisition (M&A) are often used simultaneously in research. This will not be the case for the present research. A merger concerns an equal joining of two parties (Cassiman, Colombo, Garrone & Veugelers, 2005), while this is not the case when an inclusive business is acquired by a large commercially-oriented enterprise, which is the focus of the present research. In case of such an acquisition, the inherent business philosophies that go along with the two different business types can conflict with each other. Generally speaking this concerns the fundamental differences between social priorities on one hand from the acquired inclusive business, and commercial priorities from the acquiring enterprise on the other hand. These differences will inevitably result in tensions and hostility, which will harm both businesses (Barkema & Vermeulen, 1998). It is therefore important to examine how these tensions unfold more specifically. Smith and Lewis (2011) have identified various forms of organizational tensions, which they divided under four distinct categories: performing, organizing, belonging, and learning tensions. Their categorization provides a solid basis for examining tension that is the result of an inclusive business acquisition by a commercially-oriented large organization.

2.1.1 Performing tensions

The first category of tensions refer to ‘performing’, as in the performance of the organization. Performing tensions result from substantial differences in outcomes, such as performance metrics, goals, or the satisfaction of stakeholders. In the case of inclusive business acquisitions, outcome measures can differ vastly between the commercial and social side. Commercial performance outcomes are quantifiable, which makes them generally clear to measure, compare and interpret. For example, the increase in sales or profit after an acquisition could be a distinct measure of performance. Social performance outcomes, on the other hand, are generally qualitative in nature, which makes them ambiguous (Smith, Gonin & Besharov, 2013). These are often non-metric, which makes them difficult to measure objectively. Smith et al. (2013) explain this in their research by use of an example regarding organizations that aim to find employment opportunities for ‘severely disadvantaged people’. To measure the success of their social mission, it does not suffice to merely look at the amount of people they employ. The social mission inherently holds that the disadvantaged people grow beyond their status of being disadvantaged, which means that the underlying reason for their disadvantage has to be solved for the social mission to truly be a success. Social success then lies in the extent to which the quality of life has improved, which is difficult to measure. Because social performance measures are generally more difficult to measure, the commercial performance measures can be more favourable to employ. Such measures are clear to interpret and compare, which is more likely to foster collective trust (Porter, 1995). This is, however, still dependent on the nature and identity of the business. An inclusive business founded and run by a socially-oriented entrepreneur is still very likely to adhere to its social mission due to the strong commitment to the social mission for which it was founded (Smith et al. 2013). Another example comes from the work of Tracey, Phillips and Jarvis (2011). They illustrate that tension can come from the fact that failure in a certain area can still mean success in another. Aspire, a British social enterprise providing employment for the homeless, wanted to increase its social impact by launching a work integration organization. The project failed financially, but managed to create a separate organization that could still contribute to the social mission.

2.1.2 Organizing tensions

The second category, organizing tensions, refers to the way in which organizational internal dynamics are formed and take place. This consists of cultures, processes, practices and structures. A common difference of opinion in this category between an inclusive and commercial standpoint pertains to the process of hiring and training socially or commercially. From a commercial point of view, it would be the most logical to hire the best possible performers, so those candidates that can provide the highest return-on-investment. However, the nature of inclusive businesses lies in improving the life of the poor by including them in the value chain, thus possibly as employees. Their inclusive preference would then most likely lie on hiring employees from the poor demographic. This creates tension regarding which type of employee to hire. For example, Digital Divide Data, an American data service provider, had employed a significant amount of women that had been saved from the sex trafficking scene. This fitted well with the social nature of the business, but eventually resulted in a large financial loss, because the women lacked the necessary technical skills and attempts at training did not prove to be fruitful and commercially viable (Smith et al., 2013).

As mentioned before, another important way for inclusive businesses to contribute to the reduction of poverty is by building a supply chain around local suppliers (Sodhi & Tang, 2016). In that case, organizing tensions can play a role when the choice has to be made whether to source locally or not. From an inclusive point of view, local sourcing would be preferable as this would include poor suppliers into the inclusive business' value chain. However, the quality of those suppliers' products is generally inferior to that of for example

First World countries. From a commercial standpoint it would therefore be favourable to source from quality sources.

2.1.3 Belonging tensions

The third category of tensions concerns the identities to which subgroups within the organization feel they belong to, and its interactions with the organization. Tension arises when subgroups of employees, or even more so with leaders, adhere to opposing organizational identities, as is the case in a commercially acquired inclusive business. Social stakeholders, such as the inclusive business' founders, align organizational identity with a social mission. However, investors or suppliers, for example, adhere vastly more value to the commercial identity of the firm. This difference in priorities creates tensions that can be complicated to resolve. The company will want to satisfy all stakeholders as much as possible, but the extent to which they are opposed makes it that this will not always be a valid option (Smith et al., 2013).

Belonging tension can also result in issues with legitimacy. By following the social mission, an inclusive business will exhibit a sense of belonging to the poor. The poor are, however, associated with low quality standards. For prospective business partners this can therefore give out an unwanted signal of illegitimacy (Smith et al., 2013).

2.1.4 Learning tensions

The last category, learning tensions, regard different views on change, scale, growth, and innovation. These differences are rooted in opposing views on how these elements are subject to learning over time. On one hand, commercial priorities focus on quick financial development. As mentioned in the 'performing tensions' section, these financial measures are easily quantifiable. Changes in business practices can quickly show their effect on the consequent quantifiable measures, such as profit or turnover. These effects can then be examined and learned from for further adaptation. The short-term focus of commercial priorities is further exacerbated by the desire of investors for a quick return on investment. Social initiatives are often more long-term oriented, which often makes it a slower learning process. Objectives such as alleviating poverty naturally require a larger time horizon. This conflicts with the commercial desires of quick returns, which can create tensions (Smith et al., 2013).

2.2 Hybrid organizational identities

Organizational identity refers to those attributes of an organization that distinguish it from others (Pratt & Foreman, 2000). It concerns the characteristics that its members deem fundamental to its nature, uniquely descriptive, and persisting over time (Albert & Whetten, 1985; Whetten, 2006). Albert and Whetten (1985) refer to these as the central, distinctive, and enduring organizational characteristics. Hybrid organizational identities pose problems rooted in paradoxes. Hybrid identities exhibit differing juxtaposed organizational characteristics. Opposing identities prevailing in one organizational unit have an inherently large chance of creating tensions. In case of acquisition of an inclusive business by a commercial enterprise, the two separate organizational identities will suddenly become a hybrid organization together. One part of the hybrid is the socially-oriented inclusive business, while the other part is the commercially-driven acquirer. Hybrid identities conventionally develop gradually as a result of the core mission(s). In the case of an acquisition, however, the hybrid identity is created suddenly. The adaptation and integration process starts abruptly, which can result in friction between the two parties and their missions (Smith et al., 2013).

2.3 Post-acquisition Integration

2.3.1 Classifications in the literature

By combining research on hybrid business identities with acquisition research, I suggest the following: while pursuing multiple business identities as the result of an acquisition, firms need to employ a certain extent of separation, depending on the types of tension and the extent to which commercial priorities dominate the inclusive.

Researchers have investigated the topic of hybrid organizations to come up with different classifications that are inherently quite similar. Classifications of Winterhalter, Zeschky and Gassman (2016), Pratt and Foreman (2006), and Grimpe (2007) are shown in table 1 to 3.

Table1: Winterhalter, Zeschky and Gassman (2016)

1) Organizational separation	Separate conflicting activities in two independent organizational units
2) Temporal separation	Execute conflicting activities in the same unit but at different times
3 Domain separation	Separate exploration and exploitation across domains, i.e. being explorative in one domain (e.g. in R&D) while being exploitative (e.g. in marketing) at the same time
4) Contextual ambidexterity	Be explorative and exploitative at the same time when the right context is provided

Table 2: Pratt & Foreman (2000)

1) Deletion	"Occurs when managers actually rid the organization of one or more of its multiple identities" (p. 29)
2) Compartmentalization	"Occurs when the organization and its members choose to preserve all current identities but do not seek to attain any synergy among them" (p. 26)
3) Integration	"Occurs when managers attempt to fuse multiple identities into a distinct new whole" (p. 30)
4) Aggregation	"Occurs when an organization attempts to retain all of its identities while forging links between them" (p. 32)

Table 3: Grimpe (2007)

1) Preservation	Complete retention of the acquired firm
2) Holding	Treat the acquired firm as a subsidiary, while imposing standardized systems and routines
3) Absorption	(Almost) complete absorption of the acquired firm
4) Symbiosis	'Best-of-both approach', but strategically complex

2.3.2 Synthesis of the classifications

The three tables presented above show the classifications of organizational separation in hybrid businesses as suggested in the literature. They are fairly similar, but also exhibit differences in their specific approach to integration and separation. To provide more clarity, instead of choosing one of these three and leaving the other two neglected, I will synthesize the three classification types into one. The classifications found in the literature divide the integration approaches into four categories, because next to some type of full integration and separation (no integration) they include two different degrees of partial integration. Attempting to synthesize their different approaches to partial integration into two distinct categories will result in the two becoming too similar in their links with the different types of tensions discussed in chapter 2.1, because the approaches to partial integration across the three tables overlap too much to be separated. Therefore, my synthesized classification will be made on the basis of three distinct and clear degrees of integration: full integration, partial integration, and separation (no integration).

The first category, full integration, is mainly based on Pratt and Foreman (2000) and Grimpe (2007), as they have both used a clear type of full integration in their classification. In

Grimpe’s (2007) absorption category an acquired firm is completely absorbed into the acquiring company, which is a form of full integration. Pratt and Foreman’s (2000) third category is named integration, which naturally resembles full integration. Winterhalter et al.’s (2016) contextual ambidexterity is not as clearly a full integration type as the other two, as it is contextually dependent. It nevertheless provides more than enough of a basis to support the full separation category.

The second category, partial integration, is found in all three classifications. It assumes that some degree of integration is employed, while attempting to establish a certain extent of separation at the same time. Winterhalter et al. (2016) have included two types of partial integration with temporal separation and domain separation. Temporal separation holds that the conflicting identities are pursued in one unit (integration), but at different times (separation). Domain separation goes the other way around by keeping the conflicting identities apart (separation), while pursuing them at the same time (integration). Grimpe (2007) has also included two partial integration types: holding and symbiosis. In ‘holding’, the acquired identity is kept as a subsidiary (separation), while the acquiring firm exerts control over it by imposing standardized procedures (integration). ‘Symbiosis’ as a ‘best-of-both approach’ attempts to pursue the different identities’ strengths simultaneously. This type of partial integration is generally the most difficult, as conflicting priorities will likely remain an issue of tension. In Pratt and Foreman’s (2000) ‘aggregation’ the two business identities are kept separately, while using an extent of integration by trying to create links between them.

The third and last category, full separation, is also found in all of the three classifications. Winterhalter et al.’s (2016) ‘organizational separation’ holds that the two identities are separately kept as two different and independent units. Pratt and Foreman’s (2000) ‘compartmentalization’ is very similar, because companies choosing this approach specifically refrain from any extent of integration whatsoever. In Grimpe’s (2007) ‘preservation’, the acquired business identity is also fully retained without any degree of integration.

The classification of integration approaches for managing hybrid identity tensions made for the purpose of this research, through a synthesis of three existing classifications from the literature, is presented in table 4.

Table 4: 3 Approaches to Integration for Post-acquisition Hybrid Business Identities (Boriglione, 2020)

1) Full integration	The two different business identities are merged together in one unit.
2) Partial integration	The two different business identities are kept as separate units within the company, but a certain degree of integration is present.
3) Separation / no integration	The two different business identities are separately kept as distinct units.

2.3.3 Linking the Approaches to Integration with Organizational Tension

In table 4 the various approaches to integration for post-acquisition hybrid business identities that are found in the literature have been synthesized into one comprehensive framework. To answer the main research question, it has to be understood how these various approaches relate to the types of tension that can arise from hybrid identities. Thus, for each of the three integration approaches a look needs to be taken into how the different types of tension can arise. To be able to give an answer to the main research question of the present study, the focus will be on the perspective of the inclusive business that is acquired.

Full Integration

1. Performing tensions

In the case of full integration, performing tensions are likely to arise. Social performance goals and commercial performance goals are not always necessarily mutually exclusive, which means that a valid effort can be made to try and pursue them simultaneously or sequentially, or search for some kind of middle ground. However, because social and commercial performance goals are often contradictory in their nature, they cannot always be pursued in an integrated manner. Decisions have to therefore be made by management on which performance goals to prioritize and at when to pursue them respectively. It is therefore likely that performing tensions will arise with full integration.

2. Organizing tensions

Similar to performing tensions, for full integration the amount and extent of organizing tensions is also expected to be high. The view on how organizational dynamics are formed will likely differ between the social and commercial unit. The previously explained example regarding the hiring process can again provide a useful case here. For full integration, the hiring process will also have to be integrated across the post-acquisition organization. This raises the question of whether to hire socially-oriented new employees, commercially-oriented, or somewhere in the middle. If primarily new socially-oriented employees are hired, tension from the commercial side will arise. Vice versa, if new commercially-oriented employees are hired, tension from the social side will arise.

3. Belonging tensions

Full integration will mean that the employees' sense of identity will be subject to change as a result of the acquisition. For instance, socially-oriented employees from the inclusive business will feel a pre-acquisition belonging to the social identity. However, because of the full post-acquisition integration, they will be somewhat forced to integrate their social identity and belonging with the commercial identity of the acquiring company. Thus, while they inherently feel a sense of belonging to the social identity, they are expected to change their belonging to be more commercially-oriented. Belonging tensions are therefore also expected to be high.

4. Learning tensions

By using full integration, socially-oriented employees will be forced to adapt to commercial organizational learning objectives, and the other way around for commercial employees. Differences of opinion between employees of the inclusive unit and employees of the commercial unit regarding long-term and short-term learning goals will likely result in a high degree of learning tensions.

Partial integration

1. Performing tensions

In the case of an inclusive acquisition, it can be possible to integrate the social and commercial identity to a partial extent. The extent to which performing tensions can arise is then dependent on how successful the business can be on both social and commercial aspects simultaneously. If commercial performance can be achieved without hurting social goals, partial integration can avoid performing tensions. However, if commercial and social performance goals conflict, partial integration for performance goals is not viable, which will result in a high degree of tension. The partially autonomous inclusive unit will then be subject to both social and commercial performance goals, which is highly likely to create tension. Because performing tensions are dependent on the compatibility of the performance goals, the likeliness for these tensions are on average expected to be moderate.

2. Organizing tensions

The way in which organizational processes take shape as a result of partial integration can have a differing effect on possible organizing tensions. Similarly to performing tensions, it depends on to what extent social and commercially-oriented processes are compatible. If they are, there will likely be no problems with organizing tensions. If they are not compatible, however, this will create tension in choosing which will be more important to pursue. In case of the inclusive unit, the social priorities will likely prevail, leading to dissatisfaction from the commercial HQ. As with performing tensions, organizing tensions are thus expected to be moderate.

3. Belonging tensions

With partial integration, efforts will be made to establish a common ground for organizational groups as much as possible. It can be difficult to join a social and commercial sense of belonging together because of their opposite orientations, but the two are not necessarily mutually exclusive. Stakeholders can for example very well feel a dominant belonging to the social identity, while at the same time at least accepting the commercial priorities as well. Inclusive employees will likely still adhere to their social identity, but the influences of the partial integration with a commercial sense of belonging can be the cause for tension. All in all, belonging tensions are generally expected to be low.

4. Learning tensions

When opting for partial integration, the degree of learning tensions will depend on the extent to which short-term and long-term goals are mutually exclusive or not. If a healthy compromise can be found between the two, both identities and their consequent priorities can be fulfilled simultaneously. However, if attaining a short-term commercial goal will automatically mean that a long-term social goal cannot be achieved, learning tensions will most definitely pose a problem. Given that the inclusive nature of the acquired firm will tend to favour long-term organizational learning, short-term commercial priorities exerted from higher commercial management can cause for tensions in the inclusive unit. This concludes learning tensions to be present to a moderate extent.

Separation / no integration

1. Performing tensions

By separating the social from the commercial business identity, performing tensions can be avoided the most likely out of the three approaches to integration. While the commercial unit can focus on its quantifiable and short-term oriented goals, the social unit can take its time to increase social welfare without focussing too much on, for instance, profit ratios. However, while the units are treated as separate, the overarching organization will still exert influence to some extent by imposing some standards. For the inclusive unit, this will mean that some commercial performance goals have to be met to satisfy the HQ. If these conflict with the unit's social performance goals, tension can still be an issue. Therefore, performing tensions are expected to be low to moderate.

2. Organizing tensions

While the different business units are separated, being under the command of an overarching organization still means that they can be subject to HQ's procedural demands to some extent. Organizing tensions within the separate units will, however, be likely to be kept to a minimum. Because the units are run separately without any degree of integration, they can employ their own organizational procedures and will not conflict with each other. Only the organization-wide policies can possibly result in tensions for the inclusive unit when these organizing policies are commercially-oriented. Similarly to performing tensions, organizing tensions are therefore again expected to be low to moderate.

3. Belonging tensions

Within the distinct units, the presence of belonging tensions is unlikely in organizational separation. Separating the two business identities into two units does not take away the two different identities in the organization. Members of the social unit thus feel they belong to the social identity of their unit within the company, without having to worry about the commercial identity. Belonging tensions are thus expected to be low.

4. Learning tensions

By separating the two identities into different business units, learning tensions can also be limited. The social business unit can focus on long-term learning processes while the commercial unit can pursue short-term learning processes. Learning tensions are therefore also expected to be low.

Table 5 shows an overview of the expected degrees of tensions per integration approach, as described in the preceding paragraphs.

Table 5: Expected degree of tension per post-acquisition integration approach

Tension type	**Full integration**	**Partial integration**	**Separation / no integration**
Performing	HIGH	MODERATE	LOW-MODERATE
Organizing	HIGH	MODERATE	LOW-MODERATE
Belonging	HIGH	LOW	LOW
Learning	HIGH	MODERATE	LOW

2.3.4 How the tension can be managed per integration approach

Full integration

In full integration, it is most important to make sure that the different pre-acquisition identities are brought together during the integration process. For instance, by training the newly acquired socially-oriented employees in a commercial way, these employees will then be hybrid-trained. Fostering a joint culture is also highly important, which can be done for instance by using team-building activities. An initial sense of resistance to the commercial dominance is to be expected from the inclusive employees, but they should also understand that in order to for an inclusive business or unit to achieve its social goals, commercial success is needed to a certain extent as well. If the inclusive employees are then additionally commercially trained to the correct extent, they are better equipped to find a balance between a social and commercial identity, so that they can fit better into the company and its hybrid mission.

Partial integration

In partial integration, the inclusive employees do not need to be fully trained to become half social, half commercial, as with full integration. However, a certain extent of commercial training will be very helpful in aiming to prevent tension as much as possible. By mild commercial training and gradually introducing commercial standards instead of directly imposing full commercial dominance, the inclusive acquired unit can ease into the commercial mind-set.

Separation / no integration

With organizational separation, or no integration, tensions between the inclusive and commercial identity of the organization can be avoided by having clear boundaries for the respective identities. The more those boundaries blur, the higher the chances get for conflict between them. Corporate HQ will require to set up some form of coordination to avoid conflicts across the separated units, because even though the units will be separately managed, they still fall under the same organization with some form of joint main goal. This coordination can take the form of for example intermediaries or multidisciplinary teams.

2.4 Sustainable Growth

'Sustainable growth' is a term that has received a wide range of attention in the business literature. The concept can be defined by the extent to which a company can grow while maintaining an environmentally friendly footprint (Hart et al., 2016). The term 'sustainable' then thus refers to sustaining the environment. Another view on the term sustainable growth refers to the extent to which the company can grow without the need for additional debt financing (Baumol, 2002). This means that it takes a look at how much the company can sustain its growth without being dependent on external financing. According to Prabhy et al. (2005), sustainable growth is dependent on the firm's ability to turn external knowledge into innovation outcomes.

For the purpose of this research, the concept of sustainable growth will be mainly focussed on the second definition as described above. Inclusive businesses can aim for environmental sustainability in certain cases, but it is not a necessary condition for being inclusive. In the context of an acquisition, for both the acquiring and the acquired party the main motivation for acquisition resides mostly in the general terminology of 'growth'. Datta and Grant (1990) explained that the main motive from acquisitions comes from aiming to achieve economies of scale or scope, either through eliminating redundant activities or sharing combined resources. It is therefore important to examine to which extent this goal is actually achieved post-acquisition. The assumption for an acquisition is that the combination of the two parties provides a greater benefit than the two separate. Thus, if more external debt financing is needed than the acquisition results in growth, the goal, the acquisition can be regarded as a failure in the sense of their growth synergy goal.

2.5 Inclusiveness

As mentioned before, inclusive businesses are aimed at including the poor into the company's value chain. This can take the shape on the demand size by alleviating its consumers' poverty, or on the supply side by employing 'poor' personnel or suppliers (Halme et al., 2012; Roundy, 2013). Essentially, the mission of an inclusive business is to reduce poverty while being commercially viable. Therefore, inclusiveness should be measured by the extent to which a company is able to alleviate poverty for its (potential) customers, employees, and/or suppliers. For customers, the alleviation of poverty can go in two general directions. On one hand, consumers' poverty can be alleviated by providing a useful product that is significantly cheaper than currently used substitutes so that the 'poor' consumer will save money. On the other hand, a company can alleviate poverty by providing a useful product that is qualitatively significantly better than currently used substitutes, if there are any direct substitutes at all. By doing so, the consumers' quality of life can be improved, which is also a way of poverty alleviation. The ideal form of inclusiveness regards providing products that are both cheaper and qualitatively better than currently used substitutes.

For the supply side, Smith et al. (2013) have argued that measuring inclusiveness should go beyond merely looking at how many people are employed, for example. They state that because an inclusive mission lies in helping the poor find better opportunities through employment, success should not only be measured by how many people are employed, but also by the extent to which they are able to enhance the self-esteem, health, social status, family stability, and subjective well-being of these individuals.

2.6 Tension Management and Sustainable Growth & Inclusiveness

In the previous sections it has been explained how the different approaches to post-acquisition integration can result in the various forms of tension. At first glance it seems like the approach with the least amount of tension should be the best option, which is separation or no integration. When the acquired inclusive business is not integrated into the acquiring commercial enterprise, it can remain as a separate entity. This means that the tension between the dominant commercial identity and the original inclusive identity will be kept to a minimum, so there will be no significant problems as a result from conflicting business identities. However, complete separation also means that the acquiring company cannot absorb the inclusive business' knowledge to its fullest extent. Arguing from logic, it can therefore be expected that sustainable growth is best achieved with a high degree of integration, as it allows the most for access to the acquiring company's resources to grow. Datta and Grant (1990) noted the same. They argued that economies of scale or scope are a post-acquisition goal, achieved through either eliminating redundant activities or sharing combined resources.

On the other hand, inclusiveness is expected to be ensured the best through separation, as this allows the inclusive business the most freedom to stay on its social course and not suffer from mission drift towards commerciality. Nevertheless, for a completely successful acquisition, both sustainable growth and inclusiveness should be sufficiently achieved. To summarize, table 6 below presents the expected degrees of sustainable growth and inclusiveness per integration approach. These expectations are then further subject to how the identified types of tensions are managed. Successful tension management will sustain, and possibly stimulate, sustainable growth and inclusiveness. Contrarily, it can be expected that in cases of unsuccessful tension management, sustainable growth and inclusiveness will be harmed.

Table 6: Sustainable growth and Inclusiveness per Integration approach

	Sustainable growth	**Inclusiveness**
Full integration	HIGH	LOW
Partial integration	MODERATE	MODERATE
Separation / no integration	LOW	HIGH

3. Methods

The purpose of this research is to investigate how inclusive businesses manage the tension between an inclusive and a commercial business identity to ensure sustainable growth and inclusiveness after being acquired by a commercial enterprise. To examine this, qualitative research is the most appropriate, because while sustainable growth could be measured quantitatively, both the management of tension and inclusiveness need an in-depth qualitative investigation.

3.1 Sampling

To be able to choose the correct sample of cases for this research, a set of sampling criteria have been established. These have been based on the gathered knowledge of chapter 2. First of all, the cases regarded an inclusive business that had been acquired by a commercial enterprise. The acquiring firm had to be commercially-oriented. It is possible that they already pursued inclusive goals to some extent, but for it to fit into the sample the inclusive goals could only be a side goal, and not a main priority. Furthermore, it was necessary that the acquiring enterprise is larger in size than the acquired inclusive business. This research is aimed at examining how an inclusive business can sustain its social nature when coming under the control of a commercial enterprise. This thus holds that the acquiring firm overshadows the acquired inclusive business in terms of turnover, amount of employees, or preferably both. Another important criterion is that the post-acquisition company had to operate at the BoP with a significant focus on benefitting the people that live at the BoP under unfavourable circumstances. Lastly, the company needed to have at least fifty employees (full-time equivalents) to rule out small or micro-businesses.

3.2 Data collection

Three case companies have been selected on the basis of the established sampling criteria. In two cases primary research has been conducted, and in one case secondary research was applied. For the primary research it was necessary to conduct an interview with a representative of the inclusive business' side that had been involved in the acquisition and/or the post-acquisition integration process. All data has been anonymized as well as possible to guarantee privacy for the respondents, so that no sensitive information could be given away. This also ensured a better chance at receiving honest, and thus valid, answers from the interviewees by aiming to take away the possible inhibition of not giving out honest answers out of fear for providing competitively sensitive information. For the case of Company A -

Company B the CEO of Company A was interviewed. With Company X – Company Y, a managing director of Company X and a director at Company Y were interviewed.

In both cases, a combination of a survey and an interview has been used. The survey contains 17 closed-ended questions, all based on 5-point scales (see Appendix B). The first three survey questions also served as input for the beginning of the interview. The constructed survey was sent to the interviewee at least one week prior to the interview. By then checking back on those answers during the interview reliability of the data was increased. Sending the survey prior to the interview also allowed for the possibility of follow-up questions to be asked during the interview in case there were some striking survey answers.

For Fan Milk, unfortunately no respondent from the case company was available as participant for a primary data source. Therefore, secondary research was used by consulting online available information. Financial measures and other key performance indicators were obtained through annual reports and ORBIS. Other information was gathered from online news articles, Fan Milk's website, and Danone's website.

3.2 Operationalization

3.2.1 The management of tension between an inclusive and commercial business identity

The approaches a company can use to manage the tensions that arise form a hybrid business identity have been established in chapter 2.3 and table 4. The three different approaches are:

- Full integration
- Partial integration
- Separation

The first step in the empirical investigation regarded determining which one of these three approaches was used by the case companies. In most cases the companies will not directly know about their own situation under which of these categories they fall. It could also be that they think they use a certain approach, but in practice this turns out to be different. Therefore, to be sure, an empirical judgement has to be made.

To determine the degree of integration, a look was taken at the inclusive business' level of autonomy. This provides the nearest business-translation for measuring integration. Therefore, the first three items of the survey have been constructed on the basis of Datta and Grant's (1990) commonly used questionnaire to measure the degree of autonomy for an acquired firm's management. Their research divides autonomy into three decision-making segments: product / market decisions, operations decisions, and personnel decisions. The questions have been answered in the form of a survey by use of a 5-point scale.

Scale: 1 = [Inclusive Business] has full autonomy, 5 = [Commercial Business] has full authority

- *Question intro:* The following 3 items regard the period during and after the acquisition of [Inclusive Business] in which it was or was not integrated into [Commercial Business].

- To what extent is [Commercial Business] involved in [Inclusive Business]' decision making for developing and marketing new products?
- To what extent is [Commercial Business] involved in [Inclusive Business]' decision making in daily operations? (e.g. purchasing, or making/changing corporate policies)
- To what extent is [Commercial Business] involved in [Inclusive Business]' decision making for personnel decisions? (e.g. hiring, firing, or promoting)

Based on the answers to these three questions, the case companies could each be categorized into one of the three proposed integration approaches. Full integration would mean that the acquired inclusive business will be taken up in the commercial organization, which means there was no autonomy for the acquired unit and full authority for the acquiring commercial enterprise. If all three questions were answered by referring to a very low degree of autonomy, or none at all (high score for commercial enterprise's authority), the case company has been labelled as employing 'full integration'. If the answers were mixed, 'partial integration' will have taken place. Lastly, if there was a high degree of autonomy for all three decision-making segments, the 'separation' approach will have been used. The answers' corresponding points have been added together to lead to a conclusion based on the following values:

- 3 – 6 = Separation
- 6 – 12 = Partial integration
- 12 – 15 = Full integration

The three integration approaches have been linked to the four types of tension, as described in chapter 2.1 and 2.3. The next step concerned investigating which types of tension are or have been present in the company, if any, and how they were dealt with, or not. This step took place in the interview.

1. Performing tensions: to examine whether performing tensions are present in the case company, a look has to be taken into whether there are differences in how the inclusive

and the commercial business identity view performance outcomes. Accordingly, the following interview questions have been constructed:

- ❖ *Question intro:* When a company pursues both social and commercial goals at the same time, it can cause tension. For instance, a social goal of your business might be to strive towards expanding as much as possible into third-world countries, while a commercial goal might be to focus more on first-world countries, because that provides higher financial outcomes.
- Can you think of the biggest instances in which [Inclusive Business]' social and commercial goals were significantly different?
- Was this a problem for [Inclusive Business]?
    - Why / why not?
    - If it was a problem: what did you do to solve this problem?

2. Organizing tensions: for assessing whether organizing tensions have played a role in the company, it has to be examined whether there are differences in how internal organizational dynamics are shaped between the inclusive and commercial identities. The according interview questions are:

- ❖ *Question intro:* When the social and the commercial part of a company have a different view on how the internal processes and practices are formed within the company, it can cause tension. For instance, for the process of hiring, the inclusive priority would lie on hiring disadvantaged people, but the commercial priority would be to hire the best performers to provide the highest ROI.
- Can you think of the most significant instances in which there were different views on how internal processes should be shaped, specifically in the context of social vs. commercial?
- Was this a problem for [Inclusive Business]?
    - Why / why not?
    - If it was a problem: what did you do to solve this problem?

3. Belonging tensions: to determine whether the company suffers from belonging tensions, it should be examined whether employees feel significant differences regarding which organizational subgroup or identity they belong to. The following interview questions are aimed at examining this:

- ❖ *Question intro:* When social employees clash with commercial employees, it can cause tension. In the context of an acquisition, it could for example be that a commercial manager of [Commercial Business] becomes in charge of a division with socially-oriented employees of [Inclusive Business]. These can then clash in a wide range of related issues.

- Can you think of the most significant instances in which social employees clashed with commercial employees because they prioritized their social or commercial identity over the other?
- Was this a problem for [Inclusive Business]?
    - Why / why not?
    - If it was a problem: what did you do to solve this problem?

4. Learning tensions: to examine the presence of learning tensions within the case company, a look should be taken at whether significant differences can be found between inclusive and commercial employees regarding their view on how the company handles change, scale, and growth over the course of time. The following interview questions have been constructed to examine whether learning tensions are present in the case company:
    ❖ *Question intro:* When social and commercial employees have significantly different beliefs on how the company develops over time, it can cause tension. Commercial development goals are often more short-term oriented than social goals. This difference in time-focus can cause employees to clash.

- Can you think of the most significant instances in which social and commercial employees had different views on how [Inclusive Business] should develop over time?
- Was this a problem for [Inclusive Business]?
    - Why / why not?
    - If it was a problem: what did you do to solve this problem?

Firstly, it was necessary to analyse to what extent tension between the inclusive business' identity and the commercial business' identity was present; *how high is the tension?* This was done by looking at the amount of identified tensions for each of the tension categories: 0 tensions = LOW; 1 tension = MODERATE, ≥ 2 tensions = HIGH. The category of belonging tensions are an exception to this method of scoring, as it is expected that there will only be 0 or 1 instance of belonging tension per case. In theory it would be possible to have identity tensions between multiple business identities, but this research is focussed on identifying the division between social and commercial identities. As the measurement thus only regards two identities, only one instance of belonging tension would be possible, namely in a situation where employees are confronted with both a social and a commercial business identity at the same time. Therefore, for belonging tensions only a low and high score will be applied: 0 tensions = LOW; 1 tension = HIGH.

To then analyse how the tension between an inclusive and commercial identity was managed in the case company, the four items for the types of tensions that can cause post-acquisition problems have all been processed for analysis by following the same scheme:

Did the respondent name a problem related to the tension?

No: There were no problems identified, so there was no management needed

Yes: a) No effort was made to solve the problem: **no tension management**

b) An effort was made to solve the problem, but the problem was not solved: **unsuccessful tension management** / **OR** it was not practically possible to solve

the problem

c) An effort was made to solve the problem, and the problem was actually solved: **successful tension management** → How did they achieve this?

The analysis scheme was used for each interview item of tension separately, so that for each type of tension a different conclusion could be formed. That way, an analysis can be done on all four aspects of the integration tension types.

In case of option a (no management), the case company has identified no problems related to the tension between the businesses' identities. Therefore, no management of the tension was needed.

In case of option b (unsuccessful management / not possible to solve), the case company has actually identified a problem and made an effort to solve it, but they were not able to solve the problem. This could have been because the specific circumstances prevented them from solving it. For instance, if the solution to their problem was in the hands of the commercial acquirer, but they did not want to act on the problem, the acquired inclusive business was dependent on the acquirer. On the other hand, it could be that the inclusive business made a poor, wrong or insufficient effort to solve the problem (unsuccessful tension management). In that case, it was important to see what they did so that such actions could be avoided in similar situations.

In case op option c (successful management), the case company had identified a problem and solved it accordingly. In that case, finding out how they dealt with this problem could give valuable insights for answering the main research question of this paper.

3.2.2 Sustainable Growth

To determine whether and to what extent sustainable growth was achieved post-acquisition, the following metrics were assessed in the form of survey items:

- Turnover
- Net profit
- Market share
- Number of employees
- Short-term debt
- Long-term debt

The first two measures, turnover and net profit, are the most direct and commonly used key performance indicators (KPIs) for measuring direct financial growth on the debit side. Market share and the number of employees provide KPIs for the growth in company size other than strictly monetary measures. Sustainable growth refers to the extent to which the company can grow without the need for additional debt financing (Baumol, 2002). The growth part has been covered by the four aforementioned indicators, therefore following the definition of sustainable growth a look had to be taken at additional debt financing as well. Hence why short-term debt and long-term debt had been included as necessary measures. It was expected that the respondents could be reluctant to provide such direct competitively sensitive information. Therefore asking about the relative change, instead of direct numbers, was the next best option to ensure valid answers through the following scale:

Scale: >50% decreased | 10-50% decreased | (almost) no change | 10-50% increased | >50% increased

Turnover and net profit are highly important for assessing the growth on the middle to long term, but less important for the short term, because these are common to decrease for both parties as a result of a costly acquisition. Thus, growth on the short term would be predominantly determined by the increase in market share and number of employees. Growth on the middle and long term would be predominantly determined by the increase in turnover and market share, because these show absolute financial growth. To then determine whether this growth has been sustainable or not, short-term and long-term debt have been examined.

Sustainable growth refers to the extent to which growth can be achieved compared to the amount of additional debt financing needed (Baumol, 2002). Thus, in order for growth to be regarded as sustainable, the growth must be higher than the additional debt financing. To determine whether a case company has achieved sustainable growth, a point system was added to the scale:

(-2)>50% decreased | (-1)10-50% decreased | (0)(almost) no change | (+1)10-50% increased | (+2)>50% increased

- For turnover, net profit, market share, and number of employees:

(+4)>50% decreased | (+2)10-50% decreased | (0)(almost) no change | (-2)10-50% increased | (-4)>50% increased

- For short-term and long-term debt:

The scores for the two types of debt were doubled compared to the debit-side indicators, because there are only two debt indicators versus four on the debit-size. The results for all six measures were added together. If the score was 0 or lower, sustainable growth was not achieved. A positive score meant that sustainable growth was achieved, as the gained growth was greater than the debt incurred.

3.2.3 Inclusiveness

Inclusiveness involves various qualitative, ambiguous, and non-standardized metrics (Ebrahim & Rangan, 2010; Epstein, 2008), creating challenges for measuring and comparing social mission success. Measuring it objectively is difficult, because the concept of 'poverty alleviation' that is inherent to inclusiveness is partly subjective, and there are many ambiguous factors present. As mentioned in chapter 2.5, to validly examine inclusiveness, ambiguous indicators such as social status or health should be taken into account. However, as also acknowledged by Smith et al. (2013), such indicators are too ambiguous to measure in a valid manner. Therefore, for the purpose of this research, the best alternative has been employed to still be able to ensure validity. The quantifiable measures that are closest to the definition of inclusiveness have been used. As defined in chapter 2.5, inclusiveness is a two-fold principle. It can be pursued by developing and selling products that increase the life of the poor, or by including the poor in the company's value chain to alleviate their poverty. To measure the extent to which poor people were included in the value chain (supply side), the following scale was used:

Scale: 0-20% | 21-40% | 41-60% | 61-80% | 81-100%

- Amount of 'poor' people employed at the BoP (in % of total company employees)
- Amount of 'poor' suppliers from the BoP (in % of total company suppliers)

These first two measures for the inclusiveness were compared from pre-acquisition to post-acquisition. To check whether the acquisition has had an effect on the inclusive business' value chain social impact, a look was taken at whether these two indicators had risen compared to before the acquisition. Therefore, the following question was placed after each of the first two measures:

Scale: >50% decreased | 10-50% decreased | (almost) no change | 10-50% increased | >50% increased

- To what extent has this percentage developed compared to before the acquisition?

For measuring to what extent inclusiveness was achieved by selling products that increase the life of the poor (demand side), a look was taken at three things. First of all, the most clear-cut indicator for examining inclusiveness on the demand side regards specific sales at the BoP. The higher the percentage, the more inclusively inclined the business will be. Then, inclusiveness on the demand side was divided into two aspects. The life of the poor at the BoP can be improved by providing products at a significantly lower price than substitutes, or by providing products that provide a significantly higher quality than substitutes. A combination of the two would be ideal, but not a necessary condition for inclusiveness. Accordingly, the following three questions have been developed:

Scale: 0-20% | 21-40% | 41-60% | 61-80% | 81-100%

- Sales at the BoP (in % of total company sales)

Scale: > 50% cheaper | 10-50% cheaper | comparable price | 10-50% more expensive | >50% more expensive

- Price difference of the company's product(s) with their closest substitute (in %)

Scale: >50% higher quality | 10-50% higher quality | comparable quality | 10-50% lower quality | >50% lower quality

- Quality difference of the company's product(s) with their closest substitute (in %)

To determine whether inclusiveness was ensured, a point system was added to the scales. As mentioned before, a division was made between the supply side and the demand side. Inclusiveness can be ensured by scoring positively on at least one side. It could be, for instance, that the company's inclusive focus is on providing products to the poor at a significantly lower price than current substitutes. Then it did not necessarily have to employ the poor alongside this to be deemed inclusive. Scoring positively on both sides would of course be ideal, but not necessary. If the company did not score positively on either of the sides, it could be concluded that inclusiveness was not ensured.

For the supply side, the following point system has been constructed:

Scale: (-2) 0-20% | (-1) 21-40% | (0) 41-60% | (+1) 61-80% | (+2) 81-100%

- Amount of 'poor' people employed at the BoP (in % of total company employees)
- Amount of 'poor' suppliers from the BoP (in % of total company suppliers)

The two scores were added together. A positive score will thus have meant that inclusiveness was ensured. If the score was 0 or lower, inclusiveness was not ensured on the supply side.

For the demand size, the following point system has been constructed:

Scale: (+2)> 50% cheaper | (+1)10-50% cheaper | (0)comparable price | (-1)10-50% more expensive | (-2)>50% more expensive

- Price difference of the company's product(s) with their closest substitute (in %)

Scale: (+2)>50% higher quality | (+1)10-50% higher quality | (0)comparable quality | (-1)10-50% lower quality | (-2)>50% lower quality

- Quality difference of the company's product(s) with their closest substitute (in %)

The two scores were added together. A positive score will thus have meant that inclusiveness was ensured. If the score was 0 or lower, inclusiveness was not ensured on the demand side.

3.3 Validity & Reliability

Russell, Gregory, Ploeg, DiCenso and Guyatt (2005) have developed a five-step list to ensure validity and reliability in qualitative research.

a) *The case study research question is clearly written, propositions (if appropriate to the case study type) are provided, and the question is substantiated*

The research question has been clearly written and substantiated in chapter 1: *How can inclusive businesses manage the tension between an inclusive and a business identity to ensure sustainable growth and inclusiveness after being acquired by a commercial enterprise*

Propositions were not appropriate for this particular case study, because the sample size was too small to make valid conclusions about propositions. However, there were several expected results deducted from the theory that have been explained in chapter 2 in table 5 and 6. Together, they form the input for table 7 below.

Table 7: Expected tension, sustainable growth and inclusiveness per integration approach

	Tension	**Sustainable growth**	**Inclusiveness**
Full integration	HIGH	HIGH	LOW
Partial integration	MODERATE	MODERATE	MODERATE
Separation / no integration	LOW	LOW	HIGH

- If there is *successful management of tension*, sustainable growth and inclusiveness are expected to be *increased*
- If there is *no / unsuccessful management of tension*, sustainable growth and inclusiveness are expected to be l*owered*

b) Case study design is appropriate for the research question

To determine whether case study design is appropriate, Yin (2003) established a list of criteria:

- The focus of the study is to answer “how” and “why” questions

The first criterion was met, because the research question is a “how” question

- You cannot manipulate the behaviour of those involved in the study

The interview and survey questions have been constructed with specific care to minimize the chance of ‘manipulation’ of the respondents’ behaviours. Furthermore, this research was not involved with the matter of the study in itself. The subject revolved around the acquisitions that have already taken place in the past, which means that the researcher did not have any direct influence on those matters, as with obtrusive research methods.

- You want to cover contextual conditions because you believe they are relevant to the phenomenon under study, or the boundaries are not clear between the phenomenon and context

The importance of this research lies in covering the relevant context of the acquisition and the post-acquisition integration process.

c) Purposeful sampling criteria appropriate for case study have been applied

- At least one case was needed per integration type
- The case involved the acquisition of an inclusive busines by a commercial business
- The acquiring company had to be a commercial business. It could have inclusive goals, but not as the primary business motive
- The acquirer had to be larger than the acquired inclusive busines
(higher turnover, amount of employees, or both)
- The post-acquisition company operates at the BoP
- The post-acquisition company has >50 FTE

d) Data are collected and managed systematically (reliability)

The data were collected across all cases via use of the same interview and survey. They were also be processed via the same analysis schemes. The questions have been constructed with specific care to minimize the chances for bias and to make sure that the respondents answer the questions as honestly as possible. Questions about information that could possibly be competition-sensitive were posed in such a way that respondents would not have to be afraid about giving away competition-sensitive information. For example, when asking about post-acquisition turnover development, the respondents were not asked to provide specific financial values. Instead, they were asked to provide a percentual change. This provided the same intrinsic information for the research' analysis input, but decreased the competition-sensitiveness and therefore increased the chances for the respondents to answer the questions honestly and thus provide valid information. Furthermore, the respondents were explained prior to the interview that it would be possible to anonymize their data. By doing so, this again decreased the respondents' inhibition about giving away certain information.

During the interview, data was constantly verified by summarizing the key points after the respondent had provided an answer. By doing so, it was verified that my interpretation of the interviewee's answer was in line with what was actually meant. If the answer was misunderstood, the interviewee could immediately notice and reiterate.

Lastly, in the survey the respondents were given the option to add any further comments regarding their given answers, or to ask any additional questions. This opportunity increases the likelihood for a better understanding of the respondents' answers, and to address any misconceptions.

e) The data are analysed correctly

The data analysis plans have been provided in the operationalization chapter (3.2). An explanation to all of the steps in the analysis has been provided to ensure that all the data could be analysed correctly.

3.3.1 Triangulation

To further improve the validity of this research, both method triangulation and data triangulation have been used. First of all, data triangulation has been used by gathering data in the form of interview results, survey results, and information available online. This was further strengthened by conducting the survey one week prior to the interview and then reviewing the relevant questions during the interview. Furthermore, the respondents reviewed their given information one last time before submission of this master thesis. The relevant processed data regarding their case was sent to them (chapter 4, 5 and 6) so that they could review that their provided information was accurate. For the Company X and Company Y case, triangulation was extended by interviewing one respondent from both companies.

Lastly, method triangulation has been used by conducting an interview, conducting a survey, and by using online search.

4. Results

4.1 Company A – Company B

4.1.1 Case background

Company A is company in the food sector. Company A has been recently acquired by Company B. After integration, Company A became a business unit within Company B. Company B changed Company A’s name after the acquisition to make the brand fit in the acquiring company’s total portfolio; all their business units have Company B’s name in their unit title.

4.1.2 Integration approach

Company B has full authority over the personnel decisions of Company A, and almost full authority over daily operations and the development and marketing of new products. The name and brand of Company A are no longer used, as the acquired business has been renamed following the integration into Company B. Thus, the case can be classified as full integration.

4.1.3 Sustainable growth

Turnover, net profit and market share have increased slightly post-acquisition, while the amount of employees has slightly decreased. On the other hand, short-term debt has decreased slightly, while long-term debt has increased significantly. In total, this corresponds to a score of 0, indicating that sustainable growth has not been achieved, nor has it been failed. Turnover, net profit, market share and short-term debt have developed positively, while the amount of employees and the long-term debt have taken a negative turn. This makes it that the positive post-acquisition developments have been equalized by the increase in long-term debt and the decrease in amount of employees. Therefore, the post-acquisition growth that has been achieved cannot be regarded as sustainable.

4.1.4 Inclusiveness

On the supply side, Company A’s customers are not represented by poor people, while roughly half of their supply chain is made up of suppliers that employ the poor. It can be concluded that Company A is not inclusive on the supply side. Their social nature has changed negatively post-acquisition, as indicated by the CEO during the interview. This can also be seen in the survey, where it was indicated that the percentage of poor suppliers had decreased.

A large portion of Company A's sales comes from poor countries (61-80%), which is an increased percentage compared to before the acquisition. However, there is no price and quality difference with substitutes. It can therefore not be concluded that inclusiveness was increased, but it was also not necessarily lost on the demand side.

Both the supply side and the demand side scored an average of 0 points on the survey scales, meaning that inclusiveness receives a neutral score.

4.1.5 Tension management

Performing tension: No performing tensions have been identified for the case of Company A. "We were able to accomplish our future plans because of the acquisition", according to the (former) CEO. Company A's main goal is to deliver goods all year round to the supermarkets in its customer chain. Before the acquisition, this goal was too big to pull off. However, together with Company B they are able to achieve the scale together to accomplish their goals. Both parties want the same to this respect, meaning that there are no learning tensions present.

Tension management: There is no tension identified in this category, so no tension management was needed.

Belonging tension: *Company A vs. Company B belonging*

As the case of Company A concerns an example of full integration, belonging tension is present to a noticeable extent. "Many people did not agree with the new vision for Company A", said the (former) CEO. The vast majority of Company A's employees still adhered to the social and autonomous nature of the pre-acquisition Company A. The fact that Company B had a different, less social view on Company A's future path gave rise to a significant degree of belonging tension.

Tension management: Many people left the company because of the belonging tension. They could not come to terms with the new identity of the post-acquisition integrated version of Company A, and therefore decided that leaving the firm was the only solution. To that extent, leaving the firm was a viable solution to solving the belonging tension. This can thus be regarded as a form of *successful tension management*.

Organizing tension: *Centralized decision making vs. Autonomy*

Company A allowed their employees to enjoy a relatively large degree of freedom and autonomy in their jobs. The autonomy in their jobs was what most employees enjoyed so much, but that changed after the acquisition by Company B. Now, they had to report to the centralized HQ of Company B. “Company A used to be its own HQ, but now you are directed by for example a CFO in Africa, or someone in the US telling you what to do”, said the CEO. This shift in autonomy has caused a significant amount of tension within the firm. Many people left, others adopted the new governance structure. The former commercial manager quit, because he could not agree with the governance style of Company B. Before the acquisition, he had the responsibility over the whole organization’s commercial aspects. Now, he was internationally governed by Company B’s HQ.

Tension management: Many meetings have taken place between Company A and the commercial manager on one side and Company B’s board on the other about the governance structure, in an attempt to find a common ground. However, Company B did not want to compromise. They chose their own vision and consequent path for Company A. Company A tried to see to what extent their old vision could still hold up within Company B, “but in the end Company B says no, it’s our call”, said the CEO. This means that even though efforts were made to solve the problem, it was not actually solved. The conclusion for this tension is thus that it was part of *unsuccessful management*.

Organizing tension: *Commercial vs. Social hiring*

One of Company A’s inclusive initiatives was that it was in contact with service centers of multiple municipalities to employ status holders. Company A paid for their training and guidance, because they felt that it fulfilled a social mission and that it tied highly loyal new employees to the organization. Company B, however, had no intention of continuing this inclusive hiring path in cooperation with the municipalities.

Tension management: This situation of tension has not been solved, as Company B calls the shots for Company A’s hiring practices. Company decided that such an initiative was not important to the post-acquisition business unit within the firm. No efforts were made to change this, because they know their position within Company B. *No tension management* was thus applied.

Learning tension: *Production company vs. Trading platform*

Company A had carefully built up a credible position within the market, with their trusted trading channels and their choice of loyal customers. They functioned mostly as a trading platform, with roughly only a small portion of their business being dedicated to their own production of goods. Upon acquisition, Company B took those trading platforms in use, but changed the core focus of the business. As the newly denoted business unit, the focus shifted from the trading platform to being a production company, with their own production being scaled-up to a significant majority instead of the small portion it was before.

Tension management: When asked about how Company A dealt with the change in vision, the (former) CEO explained:

> "It's out of our hands. They acquired us for the full 100%, and then choose their own path. The identity has changed, but we knew that beforehand. If you sell the company, you know that it's not your call anymore about what happens next. If I sell my car to you, I can't decide anymore whether you keep it yellow or paint it black."

Therefore, no effort was made to resolve the identified tension, which means that there was *no tension management*.

Learning tension: *Mainstream market vs. Social responsibility*

Environmental sustainability and socially responsible business conduct were priorities that ranked highly on Company A's corporate agenda. They had a certification in socially responsibly business conduct. Company A put a lot of time and effort into third world countries, even though the commercial viabilities are not always optimal there. "It gave us a very good brand image, which provided us with a lot of benefits from retailers and suppliers. This was a highly valuable asset for us", the CEO explained. However, Company B had a significantly different view. They were less interested in the social brand image, which was evident from the fact that they decided to change the established brand name of Company A. Company B wanted to serve the mainstream product market, rather than the sustainable niches that Company A previously focussed on.

Tension management: This learning tension was - similarly to the other identified learning tension - not solved, because Company A felt that it was out of their hands. Company B had a different view on how to serve the market, and to what extent socially responsible business conduct goes along with that. Because Company B had such a high degree of authority, the tension could not be solved. Therefore, *no tension management* was applied.

4.2 Company X – Company Y

4.2.1 Case background

Company X is active in the energy sector. Company Y announced their acquisition of Company X roughly two years ago. According to Company Y's representative, Company Y is currently in the process of integrating three of its companies (Company X, Company Q and Company R) together into one business line called Company S. Company X and Company Q have been recently acquired, while Company R has been developed internally. Company Q and Company X sell similar products, but Company Q operates at a higher customer segment. Company R is smaller, and internally founded by Company Y.

It has to be noted that the interview with Company X's representative was conducted at an earlier time, during which integration into Company S was not yet distinctively active. The respondent did note that the interview was being conducted during an interesting time for Company X, because the recent acquisition of Company Q posed some speculation about integration efforts between the two companies by Company Y, but at that time the respondent could not yet fully confirm his suspicions. The interview with Company Y's representative was conducted at a later time period, during which, according to the respondent, the Company S integration process was indeed developing. Thus, because this is an ongoing process, there are some data and speculations about the effects of the Company S integration on Company X' identity tensions, but the full extent of the consequences this might have for Company X cannot be examined at this time for this research

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4.2.2 Integration approach

Company X has remained its own authority in decision making regarding the development and marketing of new products. For the daily operations, Company X has a high extent of autonomy, but there is some authority of Company Y present. Personnel decisions received a middle score, indicating that Company X and Company Y have a balanced extent of authority in Company X's personnel decisions. Based on these findings and the consequent according scores (Appendix D), the categorization of Company X' integration into Company Y falls on the border of *separation* and *partial integration*. However, given that Company X is currently involved in the process of Company S' integration, it would not be correct to categorize Company X' integration into Company Y as 'separation'. Therefore, in this case *partial integration* is the best of the three categories to describe Company X's degree of post-acquisition integration into Company Y, or in other words Company Y's approach to the integration of Company X.

4.2.3 Sustainable growth

On the positive balance side, all four indicators have increased significantly after Company X' acquisition. While net profit has increased by 10-50%, turnover, market share, and the amount of employees have all increased with more than 50%. On the other hand, both short-term and long-term debt have also increased by more than 50%. In total, this means that Company X receives a negative score for sustainable growth, indicating that the company has not been able to achieve sustainable growth following its acquisition by Company Y. Its turnover, net profit, market share and amount of employees have all significantly increased post-acquisition, which is a distinctly positive sign on itself. However, the sustainable growth holds that this growth should be achieved in accordance with a healthy debt ratio. The fact that both Company X' short-term and long-term debt have increased beyond 50% as well shows that the significant positive growth had come at the cost of a large amount of debt financing. While this is not necessarily an indicator of poor financial business conduct, it does mean that the post-acquisition growth achieved by Company X cannot be regarded as sustainable. In fact, their growth should be regarded as unsustainable based on the data.

4.2.4 Inclusiveness

Inclusiveness on the supply side refers to including the poor into the company's value chain as employees, suppliers, or both. Company X' employees and suppliers are virtually not represented by the poor population, both being indicated at 0-20% of Company X' total amount of employees and suppliers. The acquisition does not seem to have had an effect on the supply side inclusiveness of Company X. Inclusiveness on the supply side is therefore not present.

Inclusiveness on the demand side refers to providing products that are useful to the lives of the poor at a lower cost and/or a significantly higher quality for a comparable price. Company X' products are priced comparatively to substitutes, but have a significantly higher quality, with its quality rated at more than 50% higher than available substitutes. Company X can thus be regarded as being inclusive on the demand side of the spectrum. Its consumers consist for 81-100% of 'poor' countries, strengthening the inclusiveness; the higher the percentage, the more Company X' business impact is directed towards the poor, the more inclusive the business is. In combination with the significantly increased market share (>50%), thus reaching a larger base of poor consumers, it can be concluded that Company X increased its inclusiveness post-acquisition, specifically on the demand side.

4.2.5 Tension management

Performing tension: *Short term vs. Long term focus*

Company X and Company Y's views are very aligned in the sense that they want to reach as many households as possible. The performing tension does not come from that mission itself, but from how to more specifically accomplish that mission. Because Company Y is a large commercial enterprise, their objectives are relatively more short-term in the grand scheme of things. Bonusses, for example, are based on quarterly targets. Attaining some of the short- and medium-term targets proved to be too difficult at times for Company X, because Company Y pushed for results that were not realistic in Company X' eyes. In essence, the difference came down to "investing for the future or investing for a better EBITDA", according to Company X' interviewee. EBITDA – Earnings Before Interest, Taxes, Depreciation and Amortization - is a financial performance measure that can be used as an alternative to net income / profitability (Investopedia, 2020).

Tension management: When asked about how Company X tried to resolve this issue, the respondent replied by stating that “resolved is a strong word”. Multiple open discussions have been part of the process, in which both parties recognised each other’s different needs. In the end they came up somewhere in the middle. Both parties had to compromise on their wishes to make the relationship work. Company X does whatever they can to meet Company Y’s short-term needs, while Company Y lets Company X pursue their long-term goals of increased social impact. Thus, an effort was made to solve the problem and the problem was actually solved, which is regarded as *successful tension management.*

Organizing tension: None identified

No organizing tensions have been identified by the respondents as of yet. Company X is fully in charge of their personnel decisions. This is still the case in the integrated Company S, because the entities’ country-based businesses still remain the same and keep their local decision making authorities. The main internal business processes continue on a country-to-country basis and there is little overlap between the three entities’ operating countries. This means that if Company X, for example, is the only of the three entities operating in a certain country, they keep their organizing authority for that country’s unit of Company S.

Tension management: There is no tension identified in this category, so no tension management was needed.

Belonging tensions: None identified

No belonging tensions have been identified by the respondents as of yet. The initial integration process of Company X within Company Y has kept Company X as a separate business unit, with only moderate integration. Company X and Company Y employees - or social and commercial employees as related to in this paper – have not been integrated together, meaning that belonging tensions have not been an issue.

At the moment, the integration with Company S is still an ongoing process. As explained, the three respective businesses continue to operate in their respective country-based units. To that respect, the organizations will remain the same for the nearby future, meaning that the current process of integration will likely not lead to any new belonging tensions. When the process develops and centralized decisions are being made by Company S related to the respective businesses’ country-based units, the situation might change extensively, giving rise to possible belonging tensions. Nevertheless, the current situation does not provide any occurrences of belonging tensions.

Tension management: There is no tension identified in this category, so *no tension management* was needed.

Learning tensions: *Energy delivery portfolio focus vs. Portfolio development*

In the grand scheme of things, Company X' relationship with Company Y seems to have been so successful because their visions are so well-aligned. Both want to reach as many households as possible, in a profitable manner. In that sense, the commercial and social performance goals of Company Y and Company X are very similar. However, the exact way to get to that goal is noted to differ. There has been some conflict here between Company Y and Company X regarding their product portfolio. Company Y is an energy-based company, and wants to keep its focus there. Company X is also energy-based, but also wants to extend its portfolio towards inclusive practices. This difference in portfolio focus has proved to cause tension between the two parties.

***Tension management*:** Attempts to alleviate the tension have been made by recurring arguments that resulted in an 'agree to disagree' solution. At that time, Company X had the autonomy to make their own decisions regarding their portfolio. Therefore, as long as Company X conforms to Company Y's broader goals - within their fitting portfolio scope, of course - , they can pursue their own desired portfolio path. Both parties agree to disagree on Company X' portfolio development, but in the end Company X have the autonomy to decide for themselves. Thus, an effort was made to solve the problem and the problem was actually solved, which means that in this respect *successful tension management* was practiced*.*

Learning tension: *Economic vs. Social expansion*

There is a difference of economic versus social goals between Company Y and Company X in their views on expansion. Company X, in their inclusive nature, want to expand as rapidly as possible to new countries to increase their impact. However, this is not always economically optimal given the available funds. Company Y and Company S want to create a strategic plan on a country-by-country basis to examine what the best place is to put the funds. They are more economically focussed, rather than socially dispersed. Naturally Company X takes the commercial viability into account, and Company Y and Company S find social impact highly important, but their views on the balance between the two differ to that extent.

Tension management: The issue on the rapid expansion drive from Company X versus the diligent market selection by Company Y has not yet been resolved, as it is still an ongoing process within the developing Company S. Thus, no effort has yet been made to solve the problem, and the problem was therefore not solved. This means there is *no tension management* yet, because it is an ongoing and developing situation that cannot be solved until the full scope of the problem is clear.

When reviewing the data for the Company X – Company Y case, it became clear that there were some tensions found that could not be directly categorized into one of the pre-identified types of tension. They regard more general and overarching topics, the specific nature of which will be further explained in the respective sections. This newly identified type of tension will therefore be referred to as *overarching tension*.

Overarching tension: *old vs. new management*

Both Company X' and Company Y's leadership have changed recently, which has been a source of tension. Company X' acquisition was finalized roughly two years ago, when a new CEO was appointed at Company Y within two weeks after that. A little more than a year later, Company X's CEO left. An internal (highly ranking) member of Company X took over as the new CEO. Company Y's change of leadership brought some tension between them and Company X, likely because Company Y's new management had a different view on the agreements made with Company X by the previous management regarding the company's autonomy. It was assumed by the interviewee that there was a difference between both parties regarding the desired level of Company X' autonomy, this ultimately encompasses all four types of tension. It is therefore categorized as an overarching tension.

Tension management: In essence, the tension was resolved by the former CEO of Company X stepping down and an internal member taking over as new CEO. After both Company Y and Company X had gained a new CEO, the two could continue with a clean slate in that sense. Both started their new journey around the same time, giving the opportunity for a fresh simultaneous start that could guide both parties in the same directions parallelly. In that case, there are no authority differences resulting from a previously established autonomy habit, which presumably was the case for Company X' former CEO. Changing CEO thus eliminated the source of the tension, which can be regarded as a solution to the problem. Therefore, *successful tension management* was employed.

Overarching tension: Company S vs. Company X

A new possibly major source of tension comes from a currently ongoing development of Company Y's business line Company S. For now, the three separate brands within Company S continue to exist under their own names, but their business management will be integrated into Company S. Company X's initial integration into Company Y following the acquisition can be seen as its first integration phase, and the integration that is ongoing now into Company S can be regarded as its second integration phase. The three companies are being integrated together to obtain scale and to create positive revenue synergies.

Company S receives a certain amount of funding from Company Y, and with that amount of funding they need to make a range of three decisions; where to accelerate business, where to keep the positions without the need for extra investment, and where to cease business. This decision is being made on a country-to-country basis, and on a product line-to-product line basis, rather than on a company-to-company or brand-to-brand basis. This strategic roadmap is created by Company S' executive committee, which include management members of the three constituent companies or brands. This roadmap then has to be approved by Company Y's strategic management team and the CEO. Decision making authority is thus moving away from Company X to Company S. This is likely to cause some form of tension, but the way in which this will actually manifest itself in practice cannot yet be identified.

Tension management: As the specific form in which the newly developing situation between Company S and Company X will give rise to tension is not yet known, there is *no tension management* yet to be applicable.

4.3 Fan Milk – Danone

4.3.1 Case background

Fan Milk Limited (Fan Milk) is a Ghana-based retailer and manufacturer of frozen dairy products, mainly operative in the West-African market. In 2013, the company was initially acquired by Dubai-based private equity firm the Abraaj group and European food-multinational Danone (Financial Times, 2013). In 2019, Danone expanded its stake in the company from 51% to 100% (Doobia, 2019).

Fan Milk's main distribution channel consists of individual micro-franchisees, which are individuals as distributors using branded Fan Milk bicycles and coolers. Franchisees pay upfront costs of $55, and can then enjoy Fan Milk's franchise goods, as well as benefits such as free bike repairs (Fan Milk, 2020).

4.3.2 Integration approach

Fan Milk was acquired and kept as a separate entity, classifying as 'separation / no integration'. The only instance that was found in which Danone has an influence on Fan Milk's business practices regards their product decision making. Because one of Danone's corporate aims is to provide healthy foods, they are changing the design and production of some of their flagship brands, such as with Fan Milk. Some ingredients are changed, following their vision of using new organic and non-GMO product lines (Danone, 2020a).

4.3.3 Sustainable growth

Fan Milk’s turnover fluctuated highly through the last 8 reported years, between as low as $55mln to as high as $101mln. However, comparing the last year before the acquisition (2012: $78.4mln) and the last reported fiscal year (2019: $78.5mln), their turnover is roughly the same. Net profit, however, has drastically decreased from $14.4mln in 2012 to $4.5mln in 2019. The amount of employees has increased significantly from 444 in 2012 to 623 in 2019.

The measure for Fan Milk’s market share is not directly available. In order to calculate it, Fan Milk’s total sales has to be compared to the total market sales of Ghana’s (frozen) dairy market (Investopedia, 2020). However, that information is not available. To come to an similar conclusion, a look will be taken at the Fan Milk’s total sales compared to the market’s average sales, rather than its total sales. The measure for market share was included in this operationalization to examine the firm’s growth in the market. Even though measuring against the average of the market will not give the same exact information as measuring against the total market, an estimation for relative growth will still serve the same intended purpose. In 2012, Fan Milk’s revenue was $78.4, while the market’s average was $76.5; Fan Milk sat at 102.5% of the market average. In 2019, Fan Milk’s revenue was $78.5, while the market’s average was $79.3; Fan Milk sat at 98.9% of the market’s average. Following these measures, Fan Milk’s market position thus declined.

Furthermore, short-term debt increased from $16.6mln (2012) to $18.3mln (2019), and long-term debt increased from $1.9mln (2012) to $2.7mln (2019). This means that Fan Milk on one side only managed growth in number of employees, while on the other side significantly increasing its debt financing. Sustainable growth was therefore not achieved. In fact, it could the opposite could actually be concluded.

4.3.4 Inclusiveness

On the supply side, Fan Milk employs almost all of their employees at the BoP. They are the micro-franchisees that sell Fan Milk’s products as bicycle-based street vendors. They receive an inform through Fan Milk, the option for savings, free bike repairs, and training.

Furthermore, Fan Milk has set up an initiative called Pick-it, through which it promotes its mission for an environmentally sustainable value chain. A waste-processing center has been established through which over 300 workers are hired as waste pickers. Fan Milk’s aim is to become ‘wase positive’ through this initiative by aiming to recycle more plastic than it uses in its production by the year 2022. “We are proud to be one of the first companies in Africa to re-think its business model and leverage the circular economy in order to have a positive impact on both the local communities and the environment. Pick-it is a project that allows both value creation and inclusive development in Ghana by turning waste into resources" (Cousté, 2018).

The exact percentage of 'poor' suppliers is not known, but is estimated to lie around the 21-40% mark. One of Fan Milk's goals is to impact the rural economy by sourcing more than 50% locally by 2025 (Fan Milk, 2020), indicating that that current number lies significantly below 50%.

Thus, inclusiveness is achieved on the supply side by systematically employing the poor through a system of micro-franchising.

On the demand side, Fan Milk provides its product at a comparable price to competitors, but it has recently increased its pricing. Well-known and commonly purchased products such as FanIce and FanYogo have seen a price increase from GH¢1.00 to GH¢1.20 and from GH¢4.17 to GH¢5.00 respectively (The Ghana Report, 2019). The quality of Fan Milk's products has slightly increased over time, as the focus on healthy ingredients and a wider healthy product portfolio have increased. Products such as SuperYogo - a vitamin-enriched yoghurt drink – have grown in popularity across Western-Africa, sustaining Fan Milk's mission in the provision of healthy food across the continent.

All in all, demand side inclusiveness is slightly present, but the main driver of Fan Milk's inclusive success comes from the supply side through the micro-franchisees.

4.3.5 Tension management

There is a significant amount of information available online about both Fan Milk and Danone's business practices, vision, and mission. They have been compared side-by-side to examine where possible tensions might lie, whether it be performing, organizing, belonging, learning, or overarching. However, only one instance of possible tension could be identified. It could be expected that tensions are kept to a minimum, because of the separation / no integration approach. Nevertheless, the practices, vision and mission from both companies are in sync on many levels.

First of all, both companies' mission statements are highly similar:

> Fan Milk: *"we shall produce high quality, nutritious and refreshing products to our consumers. We are committed to achieving excellence in all areas of our corporate endeavour, whilst adding to stakeholder value."* (Fan Milk, 2020)
> Danone: *"Bringing health through food to as many people as possible"* (Danone, 2020b)

Furthermore, both companies have a socially-inclined focus on the well-being of the planet next to the well-being of its people. Danone has launched its 'One Planet. One Health' initiative, through which it operates for a joint revolution in people's and the planet's health.

One of Danone's key fundamentals is to 'preserve and renew the planet's resources' (Danone, 2020b), which is completely in line with Fan Milk's Pick-it initiative, as explained before.

Danone even shows a preference for long-term development over short-term, where the opposite is expected for such large commercial enterprises: "in an increasingly volatile and complex environment, Danone strives to strengthen its model of growth through disciplined resource allocation, efficiency gains and cost optimization with a permanent balance in managing the short, mid and long-term horizons. The company therefore favours strategic growth opportunities that create long-term value over tactical short-term allocations" (Danone, 2020b).

The only source of tension that could be identified comes from an investment cut in 2014. Danone continually invests capital in Fan Milk, but in 2014 their investment was reduced to $5.8mln. Revenue had not been turning out the way it was expected and hoped, because of electricity shortages that led to distribution and electricity problems. In total, the electricity shortages, poor road infrastructure, and water supply issues were the main reasons why revenue growth was not achieved for Fan Milk, which caused Danone to decrease its investment. "We have scaled it down at our last board meeting due to the fact that we are waiting for the market to move again" (The Dairy Reporter, 2014). Even though the investment was lower than anticipated, Danone reiterated the importance of Fan Milk and the Ghanaian market. Nevertheless, the reduced investment has likely brought some tension to the table. Fan Milk needs as much as funding as possible to expand its business across Africa to serve its mission; the more financing, the better that mission can be served. Its acquisition by Danone was presumably aimed at gaining investments to grow its market potential. Receiving less investments thus means that that initial goal is hampered, creating the possibility for tension.

The reduced investment in Fan Milk can be regarded as an instance of learning tension. Where Fan Milk would want investments to continue flowing in to serve both short-term and long-term needs, Danone makes the investment-cut decision based on their short-term scope. On the short term, the situation had aggravated. If Fan Milk and Danone would have been on the same wavelength, Danone would have made extra investments rather than lower investments to improve Fan Milk's deteriorated situation, so that long-term growth was increased.

It is, however, unfortunately not known how Fan Milk has exactly dealt with this situation. It can only be assumed that Fan Milk is predominantly dependent on its own revenue streams combined with the investments of Danone. The only thing they can do is wait until the situation in Ghana improves regarding electricity availability, road infrastructure and water supply. As soon as that improves, operations will be running more smoothly and investments from Danone will go back up.

5. Analysis

5.1 Full integration: Company A - Company B

5.1.1 Management of tension

Table 8: Tensions in theory vs. practice

Theory	**Company A - Company B**
Performing tension HIGH	0 tension found
Organizing tension HIGH	2 tensions found: - Centralized decision making vs. Autonomy - Commercial vs. Social hiring
Belonging tension HIGH	1 tensions found: - Company A vs. Company B belonging
Learning tension HIGH	2 tensions found: - Production company vs. Trading platform - Mainstream market vs. Social responsibility
Overarching tensions have not been identified in the theory	0 tensions found

Table 8 shows a comparison for the case of full integration between the expected degree of tension and the tensions found for Company A – Company B. No performing tensions were found. It was expected that performing tensions would be highly present in a situation of full integration, but that was not the case for this specific example.

Organizing tensions were identified regarding decision making authority and hiring practices. These organizing tensions were also expected to be present to a high degree. With two instances of these tensions, that is also the case. Organizing tensions could be resolved if an effort was made to balance the goals, or pursue them sequentially. However, Company B follows their own path of vision rather than keeping Company A's initial vision. Thus, for organizing tensions Company A has no solutions to pursue for solving the problems of tension; it is out of their hands.

Belonging tensions were expected to be significantly present, as full integration of two contrasting business identities is likely to create tension. The case of Company A – Company B was not highly different to this respect. Because the tension seemed to be unbearable for some employees, they left the firm. Even though this is as much a consequence of the problem as it is the solution at the same time, it can be regarded as a solution, as the problem was solved by it. However, it should not be treated as a desirable practice. It would be like euthanising your beloved dog because it barks too often. Sure, the dog stopped barking, which means that the problem is solved, but such a solution is highly disproportionate to the problem.

A moderate extent of belonging tension while a high extent was expected, is thus less than anticipated.

A high degree of organizing tensions was expected, and a high degree was found. Again, Company B calls the shots, and Company A can only accept their fate. The organizing tension regarding the centralized decision making, however, was fought against by Company A. Meetings with Company B's board were set up in an attempt to create a common ground and see to what extent the old vision could hold up within the new post-acquisition unit. This did, however, not result in a solution for Company A's side, as Company B played the 'ownership card' again to follow their own desired path. Company A thus did make several attempts to improve their situation, but it did not work. Therefore, it will be regarded as *unsuccessful tension management*.

Learning tensions were expected to be found to a high extent, which was also found; one regarding Company A's core business and one regarding their initial drive for social responsibility. None of the learning tensions were solved, however, as both were qualified as 'no management'. Lastly, overarching tensions had no expectations yet, but had they been pre-identified, they likely would have been expected to a high degree as well.

Table 9: Tension solutions and tension management

Tension	**Solution**	**Tension management**
Performing tension: *n/a*	No tensions identified	(No tension management)
Belonging tension: *Company A vs. Company B belonging*	Employees leaving the company	Successful tension management
Organizing tension: *Centralized decision making vs. Autonomy*	Meetings to find a common ground / see to what extent old vision could hold up	Unsuccessful tension management
Organizing tension: *Commercial vs. Social hiring*	"It's out of our hands"	No tension management
Learning: *Production company vs. Trading platform*	"It's out of our hands"	No tension management
Learning: *Mainstream market vs. Social responsibility*	"It's out of our hands"	No tension management
Overarching tension: *n/a*	No tensions identified	(No tension management)

5.1.2 Sustainable growth

Company A's post-acquisition growth was similar to its need for external debt financing, so the achieved growth cannot be regarded as sustainable. It was expected that for a case of full integration sustainable growth would be the highest. The higher the degree of integration, the more direct access to the acquiring firm's resources, the better the possibilities for sustainable growth. The case of Company A – Company B is thus not in line with the expectations. The fact that four out of the five identified tensions were not resolved might have had an influence on this as well. It is likely that if there had been a possibility for more tensions to be resolved, that the firm's growth would have increased, and/or its external debt financing decreased, ultimately allowing for an increased likelihood of sustainable growth.

5.1.3 Inclusiveness

Inclusiveness was also not ensured, as both the supply and the demand side received a neutral score on average. Company A's inclusive nature has deteriorated as a result of the acquisition, because Company B's focus for the company was and still is diverting away from Company A's initial social nature. For full integration it was expected that inclusiveness would take a hit, so that is in accordance with the expectations. Because Company A has no authority anymore, there is not much that can be done at this point to regain their inclusiveness back. An attempt has been made to find a common ground in meetings with Company B's board, but to no effect.

5.1.4 Case summary

Company A – Company B is a case of full post-acquisition integration. Tension management was virtually not present, as Company B exercises strong authoritative decision making. Company A was unable to manage the tensions, as it was all 'out of their hands'. This lack of successful tension management is associated with a decrease in inclusiveness and a lack of sustainable growth.

5.2 Partial integration: Company X - Company Y

5.2.1 Management of tension

Table 10: Tensions theory - practice

Theory	**Company X – Company Y**
Performing tension MODERATE: *Depends on the compatibility between commercial and social performance goals*	1 Tensions found: - Short term vs. Long term focus
Organizing tension MODERATE: *Depends on the compatibility between commercial and social processes*	0 Tensions found

Belonging tension MODERATE: *Commercial and social sense of belonging not necessarily mutually exclusive, but possibilities for tensions*	0 Tensions found
Learning tension MODERATE: *Depends on compatibility between commercial and social learning focus*	2 Tensions found: - Energy delivery portfolio focus vs. Portfolio development - Economic vs. Social expansion
Overarching tensions have not been identified in the theory	2 Tensions found: - Old vs. New management - Company S vs. Company X

Table 10 shows a comparison for the case of partial integration between the expected degree of tension and the tensions found for Company X – Company Y. Since Company X' acquisition, the company has been partially integrated into acquirer Company Y. In this post-acquisition period until now, one instance of performing tension was found. It was expected that performing tensions would be present to a moderate extent, which is exactly the case here.

There were no organizing and belonging tensions found for Company X, while an average of one tension per type was expected. However, this is not necessarily illogical. With partial integration, there can be a slight variation in tension intensity per category. It could be that some areas are more prone to tension than others. Both types of tensions are similarly dependent on the compatibility between social and commercial processes. In the case of Company X, it therefore seems that the processes regarding organizing and belonging are practically compatible.

Two instances of learning tensions were found; one regarding Company X' product portfolio and one referring to its expansion at the BoP. This tension intensity is higher than expected. In this case, Company X' ideas on future development were significantly different from Company Y's idea about Company X. The expansion performing tension could therefore not be solved. The portfolio performing tension, however, was solved by an 'agree to disagree' conclusion and making compromises. In the end, Company X' final decision making authority allowed them to follow their own path. Partial integration, as opposed to when there had been full integration, allowed for this to be possible. Overall, this approach to solving the problem fits the theory. Company X' desire for an extended inclusive portfolio did not exclude Company Y's desire for energy services, which made compromise a viable solution.

Two types of the newly identified overarching tensions were identified, namely regarding the old and new management, and Company S' priorities as opposed to Company X'. As overarching tensions had not been pre-identified as a tension category, there were no specific theoretical solutions identified either. While the 'Company S versus Company X' tension was not yet solved, as it is part of an ongoing process, the management tension was solved by the CEO stepping down and a highly ranking internal member taking over as the new CEO. This type of solution has not been identified in any of the theoretical tension solutions, and it is quite a radical one. As proven by the change of management within Company Y, a change of leadership can have a significant effect on the company's path. Changing CEO is therefore not a solution that should be sought after, but should rather be seen as a consequence that changes – and in this case solved – the situation. Nevertheless, changing CEO is regarded as a solution to the problem because the tension was actually resolved through this. Such a solution is similar to the employees leaving the firm in the Company A – Company B case.

Table 11 shows a summary of the types of tensions found in the case of Company X – Company Y, as well as whether and how they were solved. In total, five instances of tensions were found. Three of which were solved accordingly, being regarded as 'successful management'. The other two tensions have not (yet) been resolved. In both cases, the tension management is regarded as 'no management' rather than 'unsuccessful management', because the tensions refer to ongoing processes that are yet to develop into a concise situation that can be acted upon. In total there have been five instances of tension identified across five categories of tension. On average, this is regarded as a moderate extent of overall tension intensity, which is in line with the expected degree of tension for partial integration. Per category, however, there is quite a spread. Performing tensions are moderate, as expected, but organizing and belonging tensions came out lower, while learning (and overarching) tensions came out higher.

Table 11: Tension solutions and tension management

Tension	**Solution**	**Tension management**
Performing tension: *Short term vs. Long term focus*	Multiple open discussions, ending in compromises	Successful tension management
Organizing tension: *n/a*	No tensions identified	(No tension management)
Belonging tension: *n/a*	No tensions identified	(No tension management)
Learning: *Energy delivery portfolio focus vs. Portfolio development*	'Agree to disagree' in combination with final decision making authority	Successful tension management
Learning: *Economic vs. Social expansion*	Not resolved	No tension management
Overarching tension: *Old vs. New management*	Change of CEO	Successful tension management
Overarching tension: *Company S vs. Company X*	Not (yet) resolved	No tension management

5.2.2 Sustainable growth

Company X has not managed to achieve sustainable growth following its acquisition by Company Y; their growth did not manage to exceed their need for external debt financing. According to the theory, a moderate extent of sustainable growth was to be expected following an approach of partial integration.

With five instances of tension identified, and three of them resolved, tension management is regarded to be good in three instances and 'no management' to be applicable in two cases. Unsuccessful tension management has not been applied in any of the instances, which means that the unsustainable growth is not in line with the theory.

5.2.3 Inclusiveness

Inclusiveness is achieved by Company X on the demand side. The theory suggests that a moderate degree of inclusiveness is expected in the case of partial integration. Three instances of successful tension management, two times no management, and no case of unsuccessful management together make a strong case for inclusiveness to be sustained and/or increased. Company X already had a noteworthy demand side inclusiveness present pre-acquisition, but by increasing their market share post-acquisition their inclusiveness has increased even further. This is in line with the expected growth of inclusiveness.

5.2.4 Case summary

Company X – Company Y represents a case of partial post-acquisition integration. Company X has tried to manage the tension between an inclusive and a commercial business identity by using an 'agree to disagree' approach, having multiple open discussions with Company Y, and by changing CEO. These successful tension management approaches are associated with a slight increase in inclusiveness and a significant increase in growth of the company post-acquisition, but the growth could not be regarded as sustainable as the external debt financing exceeded the achieved growth..

5.3 Separation / no integration: Fan Milk - Danone

5.3.1 Management of tension

Table 12: Tensions theory - practice

Theory	**Fan Milk - Danone**
Performing tension LOW-MODERATE	0 Tensions found:
Organizing tension LOW-MODERATE	0 Tensions found
Belonging tension LOW	0 Tensions found
Learning tension LOW	1 Tension found: - Decreased vs. Increased investment
Overarching tensions have not been identified in the theory	0 Tensions found:

Fan Milk has been kept as a separate entity under the Danone umbrella. Because it has not been extensively integrated into the post-acquisition company, tensions were expected to be kept to a minimum, as can be seen in table 12. Only one instance of tension has been found in the form of a learning tension, concerning the decreased investment from Danone in 2014. There was no evidence found that the tension is still present to this day, nor was there any evidence that it was not solved. It can safely be assumed that this was a one-time problem that lead to this instance of tension, as there were no news articles found on similar issues between Fan Milk and Danone.

All in all, the case of Fan Milk's tension management is in line with the expected degree of tension. It was expected that tensions would be kept to a minimum, and they did.

5.3.2 Sustainable growth

Fan Milk was not able to achieve sustainable growth post-acquisition. The company's KPIs mostly decreased, while debt increased. Sustainable growth was expected to be low for a case of separation / no integration, but the case of Fan Milk presents an even worse image than anticipated. It was expected that the sustainable growth would be low, not necessarily negative as is the case here.

5.3.3 Inclusiveness

Inclusiveness, on the other hand, was favourably achieved and sustained. There is an indication that Fan Milk managed inclusiveness on the demand side by providing healthy products, but its recent price increases put the demand side inclusiveness at an uncertain position. The supply side of the story, however, is clearly regarded as inclusive. Fan Milk employs micro-franchisees at the BoP, while further increasing their inclusiveness through the environmentally-oriented initiative Pick-it. This high extent of inclusiveness is in line with the expected pattern.

5.3.4 Case summary

Fan Milk – Danone poses a case of separation / no integration. Tensions were kept to a minimum, as expected; only one instance of tension was identified. Whether or how this was solved is not known, but it is evident that sustainable growth was not achieved; Fan Milk's KPIs declined, while their external debt financing grew. However, they did manage to increase their (supply side) inclusiveness, as expected.

6. Discussion

When an inclusive business is acquired by a large commercial enterprise, the post-acquisition integration process can create tension between the inclusive and commercial identity of the respective parties involved. The aim of this master thesis has been to examine how inclusive businesses can manage this post-acquisition tension in such a way that their inclusive identity is ensured. At the same time, sustainable growth is an equally important factor, as the underlying motive for being acquired is ultimately ‘growth’. The main research question was therefore:

How can inclusive businesses manage the tension between an inclusive and a commercial business identity to ensure sustainable growth and inclusiveness after being acquired by a commercial enterprise?

The Fan Milk – Danone case did not provide new insights into how the post-acquisition tensions between an inclusive and commercial business identity were managed. Fan Milk attained an increase in inclusiveness post-acquisition, but did not manage to grow sustainably. One instance of tension was identified, but it was not known whether this situation was eventually solved - and if so, how.

Company A - Company B provided five instances of tension, one of which was successfully solved. However, the solution – employees leaving the firm - was more a consequence than desirable practice. Furthermore, even though the identified source of tension was relieved, sustainable growth and inclusiveness were not ensured.

The Company X – Company Y case has provided two practical solutions, and one similar to Company A – Company B’s solution of the employees leaving the firm, namely the CEO leaving. The other two, an ‘agree to disagree approach’ and having multiple open discussions with Company Y provided workable solutions to the identified problems of tension. The case also provided a slight increase in inclusiveness and a significant increase in growth of the company post-acquisition, but the growth could not be regarded as sustainable. The solutions are therefore promising, but did not succeed in ensuring both post-acquisition inclusiveness and sustainable growth.

6.1 Theoretical contributions

First of all, a theoretical contribution has been made by consolidating the post-acquisition integration classifications of Winterhalter, Zeschky and Gassman (2016), Pratt and Foreman (2006), and Grimpe (2007) together into one comprehensive classification synthesis of three integration approaches: full integration, partial integration and separation / no integration. Four identified types of tension (Smith & Lewis, 2011) were then examined in the context of these three integration approaches, while a fifth, new type of tension was identified: overarching tension.

The fifth type of tension – overarching – had not been identified in the theory beforehand. These tensions are a result of the new ownership structure that develops post-acquisition, leading to a difference of view on authority or autonomy. Such instances of tension can have a link with several other types of tensions, therefore being referred to as overarching. For example, the Company S vs. Company X overarching tension refers to the new situation of integration between Company S and Company X. It could encompass a performing tension regarding Company S wanting to cease Company X' business line in certain BoP countries, while also containing a belonging tension between Company X' employees' identity and the newly created Company S identity. A typology of overarching tensions had not been identified beforehand, as Smith and Lewis' (2011) constructed framework has been used. They considered the types of tension separately, without having identified the possibility for multi-level overlap. As this was not the case, a theoretical contribution has been made by extending Smith and Lewis' (2011) framework.

Full integration

Table 13 shows the expected degrees of tension versus the degrees of tension found in the cases. It can be seen that for the case of full integration, there is a discrepancy between the expected and found degree of performing tensions. It was expected that the higher the degree of integration, the more Company A has to be involved with Company B's commercial performance goals. This seems not to be the case, most likely because Company B has already changed Company A' inclusive vision towards the commercial side by moving away from its social brand and focussing on mainstream production rather than inclusive niches. Because Company A had no choice but to adapt, no performance tensions prevailed. The employees that could cause a possible source for performing tensions had already left the firm.

Organizing tensions were present to a high degree, which was as expected. Company A did not succeed in solving the organizing tensions regarding the centralized decision making and the social hiring via municipalities, because of the dominant authority of Company B.

Belonging tensions were identified to a high extent, which was also expected. Following the full integration approach, Company B imposed their own will and vision on Company A, thereby shifting its business identity away from the social side and towards commercial dominance; mission drift. In this case, the combination of full ownership, full integration, and a commercial focus lead to Company A's changed business identity. According to the (former)

CEO the core business values still remained the same, but the data made it evident that the social nature had changed.

A high degree of learning tensions was present in the case, as expected. Both the shift towards mainstream markets instead of niches, and focussing on producing rather than serving as a trading platform caused for instances of tension. Again, this can be attributed to Company B's dominance in decision making by following their general corporate vision instead of Company A's original identity.

Lastly, it would have been likely that overarching tensions were present to a high degree, just as was expected for the other four types of tension. Especially in the case of full integration, overarching tensions could be present through the commercial enterprise's overarching commercial identity dominance. With Company B's centralized practices, exerting continuous influence from its HQ towards Company A, overarching tensions would be expected. They were, however, not identified. It could be that they have manifested themselves in more specific forms. It is likely that in the beginning of the integration phase, overarching tensions such as 'old vs. new management', similar to Company A, were present, but that such tensions have led to multiple specific tension instances. The 'centralized decision making vs. autonomy' tension and 'commercial vs. social hiring' tension could logically stem from an original overarching tension of 'old vs. new management'. Considering that the category of overarching tensions was identified in a case that was at the beginning of the integration phase, that would make perfect sense.

Furthermore, in general it could also be that there are still going to develop multiple sources of tension in the case of Company A – Company B, because the acquisition has taken place so recently. The integration is not in its starting stage anymore, but it is still a relatively young process. It is very likely that over time, more instances of tension will continue to appear.

Partial integration

For the case of partial integration (Company X – Company Y), performing tensions were expected to a moderate degree, and they were present to this extent as well. One instance of performing tension was identified, namely regarding Company Y's priority of short-term commercial goals (EBITDA) versus Company X' desire for long-term social investments. This instance of tension was resolved through multiple open discussions, which lead to a fruitful compromise.

No organizing tensions were identified, where a moderate extent was expected. The actual scope of Company X' position within Company S is not fully clear yet, so the tensions that could arise from that integration process cannot yet be identified. The current situation is that Company X enjoys an above average degree of autonomy, which would explain why they have no issues regarding organizing tensions. The higher the degree of autonomy, the lower the chances for Company Y’s dominance on the subject of organizational processes, the lower the chances for organizational tension.

Belonging tensions were expected to not be present. Because with partial integration the units will not be fully integrated, employees will have a lower chance of being subject to conflicting identities. Especially in this case, where Company X is currently still relatively on the separated, autonomous side of partial integration. This could change with the integration into Company S, but as of now it is expected that the units will remain their country-based autonomy, which also means that they remain their low chance of being subject to belonging tensions.

Learning tensions were expected to a moderate degree, while a high degree was identified. The difference of opinion between the firms on product portfolio and expansion come from a misalignment in view; Company X wants to expand its portfolio and its countries of operation, while Company Y essentially prefers the opposite. The expansion tension has not been resolved, but the portfolio tension could actually be resolved by Company X through exerting their decision making autonomy and committing to an ‘agree to disagree’ conclusion with Company Y. That there is a high degree of learning tensions can be attributed to the misalignment between Company X’ and Company Y’s identities; Company X is an inclusive BoP based firm, while Company Y is a multinational commercial enterprise.

Lastly, two overarching instances were found; ‘old vs. new management’ and ‘Company S vs. Company X’. This is fairly logical, because Company X is currently involved in the beginning stages of the still-developing integration process with Company S. Overarching tensions, generally referring to Company S’ authority over Company X’ current autonomy, are likely to arise in the beginning of the integration process. The ‘old vs. new management’ tension had already been resolved through the change of CEO. It is expected that, as the integration process matures, the ‘Company S vs. Company X’ tension will develop into one or more different instances of tension within the pre-identified framework of four tension types.

Separation

Performing and organizing tensions were expected to be absent, unless the inclusive unit would be subject to some degree of general HQ policies. In this case, none of such Danone-HQ orders were identified for Fan Milk. Belonging tensions were also not present, because Fan Milk is kept as a separate entity under Danone. As expected, their own sense of belonging could stay intact as a result of the ‘no integration’ approach.

Learning tensions were also expected to be absent, but one instance was found regarding the decrease in Danone’s investment towards Fan Milk. It was expected that learning goals would not be an issue, but this example proved that wrong. While Fan Milk would want to continue its expansion with as many funds as possible, Danone invested less into Fan Milk because of the circumstances in Fan Milk's primary operating country; Ghana. If the two companies were fully aligned in their learning goals, Fan Milk would have continued their investment in Fan Milk to get them through and over the difficult times, instead of decreasing their investment for it and 'waiting for the market to move again'. This showed that even though it was expected that learning tensions would not be present to provide a problem, it turned out it did. The expected degree of learning tensions should be adapted to low-moderate, similar to performing and organizing tensions.

Table 13: Expected vs. found degree of tension per post-acquisition integration approach

Tension type	**Full integration**		**Partial integration**		**Separation / no integration**	
	Expected	*Found*	*Expected*	*Found*	*Expected*	*Found*
Performing	HIGH	LOW	MODERATE	MODERATE	LOW-MODERATE	LOW
Organizing	HIGH	HIGH	MODERATE	LOW	LOW-MODERATE	LOW
Belonging	HIGH	HIGH	LOW	LOW	LOW	LOW
Learning	HIGH	HIGH	MODERATE	HIGH	LOW	MODERATE
Overarching	n/a	LOW	n/a	HIGH	n/a	LOW

Sustainable growth and Inclusiveness

Table 14 shows the expected sustainable growth and inclusiveness versus the sustainable growth and inclusiveness found in the cases. In general, it can be seen that none of the cases managed to achieve post-acquisition sustainable growth. Following the used definition of sustainable growth (Baumol, 2002) and the presumed intention of the acquisition – gaining resources to achieve growth -, this indicates that the acquisition has not been a success. However, there could be more in-depth financial aspects at play that have not been, or could not have been uncovered through this research. This master thesis was not to gain in-depth insights into financial structures of acquisitions, but the specifically needed factor for answering the question 'was the acquisition successful?' might lie in those more complicated financial structures.

For the full integration case, inclusiveness was not achieved. It has actually decreased on the supply side. This is generally in line with the expectations, as it was assumed that the higher the degree of integration, the higher the company's identity would shift towards the commercial side, ultimately weakening its inclusive identity.

For the partial integration case, inclusiveness was actually achieved, specifically on the demand side. A moderate extent of inclusive gain was expected, which means that it is slightly higher than expected. This is likely because Company X' autonomy, as scored by the respondent in the survey, was ranked relatively high. It sat at the border of partial integration and separation / no integration, which pushes the expected degree of inclusiveness more towards the positive side, as was found in the case.

For the separation / no integration case, a high degree of inclusiveness was expected post-acquisition. The case showed this indeed, as both the demand side inclusiveness and the supply side inclusiveness have increased. The separation / no integration approach combined with the well-aligned social vision between Danone and Fan Milk make for a solid foundation for stimulating inclusiveness.

Table 14: Sustainable growth and Inclusiveness per post-acquisition integration approach

Integration approach	**Sustainable growth**		**Inclusiveness**		
	Expected	*Found*	*Expected*	*Found*	
				Demand side	*Supply side*
Full integration	HIGH	NO	LOW	NO	NO / DECREASED
Partial integration	MODERATE	NO / DECREASED	MODERATE	YES / INCREASED	NO
Separation / no integration	LOW	NO / DECREASED	HIGH	SLIGHTLY INCREASED	YES / INCREASED

6.2 Practical contributions

The focus of this research on inclusive business acquisitions was on the side of the acquired inclusive business. For the case of full integration, no specific solutions were found to solve the identified tensions. This would require further research, or there might be no solutions, because it has been found that in the examined case of full integration the acquired business' authority had dissolved to the extent that they no longer had any significant control over their identity-path. Judging on this case, therefore, there is a valid chance that if a company is subject to, or chooses, the approach of full integration they lose their ability to maintain their inclusive business identity.

For the case of partial integration, three solutions to solving identity tensions have been presented: using an 'agree to disagree' approach, having multiple open discussions with the acquiring company, and changing CEO. In practice, the last solution is more of a consequence than a planned solution. It could be used as a solution, but it would not be advised. The solution is disproportionate to the problem.

For separation / no integration, only one example of tension was found, but with no specific solution. Future research might offer a better insight into a specific solution to the identified tension.

In the examined cases, full post-acquisition integration has provided relatively high degrees of tension, but no sustainable growth and no benefit for inclusiveness. Partial integration provided moderate to high degrees of tension and unsustainable growth, but a significant increase in demand side inclusiveness. Separation / no integration provided a low degree of tension and unsustainable growth, but a slight increase in demand side inclusiveness and a significant increase in supply side inclusiveness. This indicates that separation / no integration would be the favourable post-acquisition integration approach across the three cases, as it provides the most favourable combination of a low degree of tension with a significant increase in inclusiveness. However, their growth was unsustainable, which is an undesirable outcome of an acquisition. As mentioned in the previous section (6.1 Theoretical contributions), neither case of post-acquisition integration has provided sustainable growth, while that is the assumed intention of an acquisition. There could be unidentified financial matters at play, but as the term 'unidentified' suggests, they have not been uncovered in the cases.

Based on the findings of this research, it can be recommended for an inclusive business to not engage in an acquisition, as all three examined cases of post-acquisition integration have not managed to achieve sustainable growth. More specifically, partial integration and separation / no integration have actually shown their growth to be unsustainable, meaning that their additional debt financing was larger than their growth. Nevertheless, more research into this topic is needed to fully substantiate this claim.

If an inclusive business does decide to engage in an acquisition and tensions arise, two possibly viable solutions have been identified: multiple open discussions and/or an 'agree to disagree' approach. This does, however, depend on the degree of autonomy for the inclusive business. The more autonomous, the higher the chances these solutions will work. For performing, organizing, and learning tensions these could likely provide a viable solution. In case of belonging tensions, however, it will be more difficult. Multiple open discussions could help in solving the problem, but an 'agree to disagree' approach would not offer a solution. It would mean that the problem would remain the same, as the identity tension will remain intact between the parties involved.

6.3 Limitations

The foremost limitation of this research regards the time and resource constraints accompanying the process. Finding relevant cases fitting the research scope and then gaining proper access to those cases proved to be difficult. To achieve optimal usefulness of the research, there should be strived towards obtaining data saturation; "the point at which no new information or themes are observed in the data" (Guest, Bunce & Johnson, 2006; p. 59). Guest et al. (2006) found that in their research saturation occurred in twelve interviews, or in the most basic themes at six interviews. For the present research, in total only three sets of primary data could be accessed from two cases in total. The third case had to be filled with secondary data, which is suboptimal. The data was gathered mainly from news articles and annual reports, rather than from a company representative. Primary data gathering would have been preferential, as this would have increased the probability for valid data.

Furthermore, it was preferred that representatives from both acquisition parties were interviewed as a part of data triangulation. However, for the Company A – Company B case this was not possible. The Company X – Company Y case was examined at a period that was both interesting and difficult at the same time. The integration with Company S was in an early phase at the time of the interview with Company Y’s representative, and in an even earlier stadium with Company X’ interview. Therefore, the information provided about the same two companies across a span of mere weeks already gave out such a disperse set of information. Both interviews yielded highly useful data, but where it was intended for them to overlap as much as possible, they became more sequential than anything. This therefore comes at the cost of data triangulation, but it did provide a large basis of useful new information.

6.4 Implications for future research

This master thesis provides a fruitful basis for future research. First of all, it adds to the existing literature by researching the management of identity tension, sustainable growth and inclusiveness jointly. Separately, the three are already highly important for business practice. Jointly, they are even more important. In the case of an acquisition, especially in the case of an inclusive business being acquired by a commercially-oriented enterprise, the three variables are essential to both the businesses’ success. It is important to investigate how keeping a social nature can coexist with creating sustainable commercial growth, because sustainable growth as the result of an increased resource base is assumed to be the dominant reason for seeking to be acquired. None of the three cases reported sustainable growth, which is unexpected, as sustainable growth is generally a dominant factor for acquisitions.

It was expected that successful tension management could increase a firm’s post-acquisition sustainable growth and inclusiveness. The fact that Company A - Company B presented only one case of successful tension management, along with four instances of no or unsuccessful tension management, leaves room for speculation. It can be speculated that if Company A was able to manage its identified tensions successfully their sustainable growth and inclusiveness would have improved. However, as this was not the case, this leaves room for future research into a case for separation / no integration. The same goes for the case of

Fan Milk – Danone, in which no instances of tension management were identified, while the company only managed to achieve inclusiveness, but not sustainable growth.

Furthermore, as mentioned in sections 6.1 and 6.2, further research is needed to substantiate the claim that being acquired is not favourable for an acquisition because it provides no evident sustainable growth. It could, for instance, be that unidentified financial matters are at play regarding the debt financing. This could be uncovered through the analysis of more similar cases, and/or a more in-depth financial examination of the single cases at hand, particularly regarding the debt financing structures.

This research thus highlights the importance of investigating how inclusive businesses can manage the tension between an inclusive and a commercial business identity to ensure sustainable growth and inclusiveness after being acquired by a commercial enterprise. It provides a springboard for future research into this topic to ensure that inclusive businesses can have a set of viable options to sustain a successful post-acquisition outcome.

6.5 Conclusion

This research has contributed to the field of inclusive business acquisitions by investigating how inclusive businesses can keep their inclusive identity and achieve sustainable growth from being acquired. This was done by dividing acquisitions into three categories of integration approaches, and examining five different types of post-acquisition identity tensions for each of the integration approaches. For the cases of full integration and separation / no integration, no specific solutions to the identified tensions were found. In the case of partial integration, however, the company solved their tensions by an 'agree to disagree' solution, discussions with the acquiring company, and by changing CEO. This enabled them to grow their business and slightly increase their inclusiveness, but the growth was achieved not sustainably. Sustainable growth was not achieved in any of the cases, with Company X – Company Y and Fan Milk – Danone even reporting unsustainable growth. This indicates that being acquired is not favorable for an inclusive business, as sustainable growth from an increased resource base is assumed to be the main driver behind being acquired. However, further research is needed to substantiate this claim, presumable on the inclusive business' post-acquisition debt financing structure.

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Appendix A: Interview Protocol

Q1. How has [Inclusive Business]' identity changed as a result from the acquisition by [Commercial Business]?

Q2. What efforts did [Inclusive Business] make to keep its inclusive nature while being acquired by [Commercial Business]?

Q3 varies per case and is based on striking answers from the survey.
Q3. In the survey you answered […]. Could you please elaborate more on why you gave these scores?

Intro Q4 - Q7: There will now be 4 sets of questions about situations in which a difference between an inclusive and commercial identity can cause tension.

Q4. *Intro:* When a company pursues both social and commercial goals at the same time, it can cause tension. For instance, a social goal of your business might be to strive towards expanding as much as possible into third-world countries, while a commercial goal might be to focus more on first-world countries, because that provides higher financial outcomes.

- Can you think of the biggest instances in which [Inclusive Business]' social and commercial goals were significantly different?
- Was this a problem for [Inclusive Business]?
    - ➢ Why / why not?
    - ➢ If it was a problem: what did you do to solve this problem?

Q5. *Intro:* When the social and the commercial part of a company have a different view on how the internal processes and practices are formed within the company, it can cause tension. For instance, for the process of hiring, the inclusive priority would lie on hiring disadvantaged people, but the commercial priority would be to hire the best performers to provide the highest ROI.

- Can you think of the most significant instances in which there were different views on how internal processes should be shaped, specifically in the context of social vs. commercial?
- Was this a problem for [Inclusive Business]?
    - ➢ Why / why not?
    - ➢ If it was a problem: what did you do to solve this problem?

Q6. *Intro:* When social employees clash with commercial employees, it can cause tension. In the context of an acquisition, it could for example be that a commercial manager of [Commercial Business] becomes in charge of a division with socially-oriented employees of [Inclusive Business]. These can then clash in a wide range of related issues.

- Can you think of the most significant instances in which social employees clashed with commercial employees because they prioritized their social or commercial identity over the other?
- Was this a problem for [Inclusive Business]?
    - Why / why not?
    - If it was a problem: what did you do to solve this problem?

Q7. *Intro:* When social and commercial employees have significantly different beliefs on how the company develops over time, it can cause tension. Commercial development goals are often more short-term oriented than social goals. This difference in time-focus can cause employees to clash.

- Can you think of the most significant instances in which social and commercial employees had different views on how [Inclusive Business] should develop over time?
- Was this a problem for [Inclusive Business]?
    - Why / why not?
    - If it was a problem: what did you do to solve this problem?

Appendix B: Survey

When an inclusive business is acquired by a large commercial enterprise, it can happen that the commercial dominance of the acquiring enterprise gradually overshadows the social nature and identity of the inclusive business. Therefore, the purpose of this research is to investigate how inclusive businesses manage the tension between an inclusive and a commercial business identity to ensure sustainable growth and inclusiveness after being acquired by a commercial enterprise.

This survey is aimed at gaining a first insight regarding to what extent [Inclusive Business] has been integrated into [Commercial Business] post-acquisition, and to examine the primary outcomes of the acquisition. The expected duration is 5-10 minutes.

NOTE: if you have any additional comments regarding your answers, there will be an option to do so at the bottom of the survey.

Intro Q1 – Q3: The following 3 items regard the period during and after the acquisition of [Inclusive Business] in which it was or was not integrated into [Commercial Business].

Q1. To what extent is [Commercial Business] involved in [Inclusive Business]' decision making for developing and marketing new products?
[Scale 1 to 5: 1 = [Inclusive Business] has full autonomy, 5 = [Commercial Business] has full authority]

Q2. To what extent is [Commercial Business] involved in [Inclusive Business]' decision making in daily operations? (e.g. purchasing, or making/changing corporate policies)
[Scale 1 to 5: 1 = [Inclusive Business] has full autonomy, 5 = [Commercial Business] has full authority]

Q3. To what extent is [Commercial Business] involved in [Inclusive Business]' decision making for personnel decisions? (e.g. hiring, firing, or promoting)
[Scale 1 to 5: 1 = [Inclusive Business] has full autonomy, 5 = [Commercial Business] has full authority]

Intro Q4 – Q17: The following items regard post-acquisitions outcomes.

Q4. To what extent has [Inclusive Business]' turnover developed post-acquisition?
Scale: >50% decreased | 10-50% decreased | (almost) no change | 10-50% increased | >50% increased

Q5. To what extent has [Inclusive Business]' net profit developed post-acquisition?

Scale: >50% decreased | 10-50% decreased | (almost) no change | 10-50% increased | >50% increased

Q6. To what extent has [Inclusive Business]’ market share developed post-acquisition?
Scale: >50% decreased | 10-50% decreased | (almost) no change | 10-50% increased | >50% increased

Q7. To what extent has [Inclusive Business]’ amount of employees developed post-acquisition?
Scale: >50% decreased | 10-50% decreased | (almost) no change | 10-50% increased | >50% increased

Q8. To what extent has [Inclusive Business]’ short-term debt developed post-acquisition?
Scale: >50% decreased | 10-50% decreased | (almost) no change | 10-50% increased | >50% increased

Q9. To what extent has [Inclusive Business]’ long-term debt developed post-acquisition?
Scale: >50% decreased | 10-50% decreased | (almost) no change | 10-50% increased | >50% increased

Q10. What percentage of [Inclusive Business]’ employees can be categorized as ‘living in poverty’ before you employed them?
[0-20% | 21-40% | 41-60% | 61-80% | 81-100%]

Q11. To what extent has this percentage developed compared to before the acquisition?
Scale: >50% decreased | 10-50% decreased | (almost) no change | 10-50% increased | >50% increased

Q12. What percentage of [Inclusive Business]’ suppliers can be categorized as ‘employing the poor’ before you employed them?
[0-20% | 21-40% | 41-60% | 61-80% | 81-100%]

Q13. To what extent has this percentage developed compared to before the acquisition?
Scale: >50% decreased | 10-50% decreased | (almost) no change | 10-50% increased | >50% increased

Q14. What percentage of [Inclusive Business]’ sales comes from ‘poor’ countries?
[0-20% | 21-40% | 41-60% | 61-80% | 81-100%]

Q15. To what extent has this percentage developed compared to before the acquisition?
Scale: >50% decreased | 10-50% decreased | (almost) no change | 10-50% increased | >50% increased

Q16. To what extent are [Inclusive Business]’ products/services cheaper than substitutes?
Scale: >50% cheaper | 10-50% cheaper | comparable pricing | 10-50% more expensive | >50% more expensive

Q17. To what extent do [Inclusive Business]' products/services provide a higher quality than substitutes?

Scale: >50% higher quality | 10-50% higher quality | comparable quality | 10-50% lower quality | >50% lower quality

Q18. If you have any additional comments about the questions or would like to elaborate on some of your answers, please do so below or reach out to me via email.

[Text box]

Appendix C: Company A – Company B survey results

Survey results 'integration approach' (Q1 – Q3)

Scale 1 to 5: 1 = Company A has full autonomy, 5 = Company B has full authority]

Q1. To what extent is Company B involved in Company A's decision making for developing and marketing new products?	**4** (Company B almost full authority)
Q2. To what extent is Company B involved in Company A's decision making in daily operations? (e.g. purchasing, or making/changing corporate policies)	**4** (Company B almost full authority)
Q3. To what extent is Company B involved in Company A's decision making for personnel decisions? (e.g. hiring, firing, or promoting)	**5** (Company B full authority)

3 – 6 = *Separation*
6 – 12 = *Partial integration*
12 – 15 = *Full integration*

Survey results 'sustainable growth' (Q4 – Q9)

(-2)>50% decreased | (-1)10-50% decreased | (0)(almost) no change | (+1)10-50% increased | (+2)>50% increased

Q4. To what extent has Company A's turnover developed post-acquisition?	**4** (10-50% increased)
Q5. To what extent has Company A's net profit developed post-acquisition?	**4** (10-50% increased)
Q6. To what extent has Company A's market share developed post-acquisition?	**4** (10-50% increased)
Q7. To what extent has Company A's amount of employees developed post-acquisition?	**2** (10-50% decreased)

(+4)>50% decreased | (+2)10-50% decreased | (0)(almost) no change | (-2)10-50% increased | (-4)>50% increased

Q8. To what extent has Company A's short-term debt developed post-acquisition?	**2** (10-50% decreased)
Q9. To what extent has Company A's long-term debt developed post-acquisition?	**5** (>50% increased)

The scores for the first four survey items of sustainable growth relate to the positive balance side. They were scored 4, 4, 4 and 2, corresponding to +1, +1, +1 and -1 respectively, totalling

+2. On the other side, the debt has been scored 2 and 5. This corresponds to +2 and -4, totalling -2 → +2 on the positive balance side and -2 on the debt side makes 0.

<u>Survey results 'inclusiveness – supply side' (Q10 – Q13)</u>

Scale: (-2) 0-20% | (-1) 21-40% | (0) 41-60% | (+1) 61-80% | (+2) 81-100%

Q10. What percentage of Company A's employees can be categorized as 'living in poverty' before you employed them?	**1** (0-20%)
Q12. What percentage of Company A's suppliers can be categorized as 'employing the poor' before you employed them?	**3** (41-60%)

Scale: >50% decreased | 10-50% decreased | (almost) no change | 10-50% increased | >50% increased

Q11. To what extent has this percentage developed compared to before the acquisition?	**3** ((almost) no change)
Q13. To what extent has this percentage developed compared to before the acquisition?	**2** (10-50% decreased)

For inclusiveness on the supply side, Company A's representative scored the percentage of employees the lowest option of involving the poor, while scoring the percentage of poor suppliers at 41-60%; roughly half. A score of 1 and 3 combine to a total of -2 + 0 = -2. Q13 shows that the amount of poor suppliers has slightly decreased post-acquisition.

<u>Survey results 'inclusiveness – demand side' (Q14 – 17)</u>

Scale: 0-20% | 21-40% | 41-60% | 61-80% | 81-100%

Q14. What percentage of Company A's sales comes from 'poor' countries?	4 (60-81%)

Scale: >50% decreased | 10-50% decreased | (almost) no change | 10-50% increased | >50% increased

Q15. To what extent has this percentage developed compared to before the acquisition?	**4** (10-50% increased)

Scale: (+2)> 50% cheaper | (+1)10-50% cheaper | (0)comparable price | (-1)10-50% more expensive | (-2)>50% more expensive

Q16. To what extent are Company A's products/services cheaper than substitutes?	**3** (comparable pricing)

Scale: (+2)>50% higher quality | (+1)10-50% higher quality | (0)comparable quality | (-1)10-50% lower quality | (-2)>50% lower quality

Q17. To what extent do Company A's products/services provide a higher quality than substitutes?	**3** (comparable quality)

For the demand side of inclusiveness, a look will primarily be taken at the scores for cost and quality difference with substitutes. The respondent scored cost difference a 3, translating to 0 points on the point scale. Quality difference was scored a 3 as well, indicating a comparable quality. Totalling the score of demand side inclusiveness to 0 + 0 = 0.

Appendix D: Company X – Company Y survey results

Survey results 'integration approach' (Q1 – Q3)

Scale 1 to 5: 1 = Company X has full autonomy, 5 = Company Y has full authority]

Q1. To what extent is Company Y involved in Company X' decision making for developing and marketing new products? **1** (full autonomy)

Q2. To what extent is Company Y involved in Company X' decision making in daily operations? (e.g. purchasing, or making/changing corporate policies) **2** (almost full autonomy)

Q3. To what extent is Company Y involved in Company X' decision making for personnel decisions? (e.g. hiring, firing, or promoting) **3** (both equal authority)

3 – 6 = *Separation*
6 – 12 = *Partial integration*
12 – 15 = *Full integration*

Survey results 'sustainable growth' (Q4 – Q9)

(-2)>50% decreased | *(-1)10-50% decreased* | *(0)(almost) no change* | *(+1)10-50% increased* | *(+2)>50% increased*

Q4. To what extent has Company X' turnover developed post-acquisition? **5** (>50% increased)

Q5. To what extent has Company X' net profit developed post-acquisition? **4** (10-50% increased)

Q6. To what extent has Company X' market share developed post-acquisition? **5** (>50% increased)

Q7. To what extent has Company X' amount of employees developed post-acquisition? **5** (>50% increased)

(+4)>50% decreased | *(+2)10-50% decreased* | *(0)(almost) no change* | *(-2)10-50% increased* | *(-4)>50% increased*

Q8. To what extent has Company X' short-term debt developed post-acquisition? **5** (>50% increased)

Q9. To what extent has Company X' long-term debt developed post-acquisition? **5** (>50% increased)

The scores for the first four survey items of sustainable growth relate to the positive balance side. They were scored 5, 4, 5 and 5, corresponding to +2, +2, +1 and +2 respectively, totalling

+7. On the other side, the debt has been scored 5 and 5. This corresponds to -4 and -4, totalling -8 → +7 on the positive balance side and -8 on the debt side makes -1.

<u>Survey results 'inclusiveness – supply side' (Q10 – Q13)</u>

Scale: (-2) 0-20% | (-1) 21-40% | (0) 41-60% | (+1) 61-80% | (+2) 81-100%

Q10. What percentage of Company X' employees can be categorized as 'living in poverty' before you employed them?	**1** (0-20%)
Q12. What percentage of Company X' suppliers can be categorized as 'employing the poor' before you employed them?	**1** (0-20%)

Scale: >50% decreased | 10-50% decreased | (almost) no change | 10-50% increased | >50% increased

Q11. To what extent has this percentage developed compared to before the acquisition?	**3** ((almost) no change)
Q13. To what extent has this percentage developed compared to before the acquisition?	**3** ((almost) no change)

For inclusiveness on the supply side, Company X' representative scored both the percentage of employees and the percentage of suppliers the lowest option of involving the poor. Both scores are 1, combining a total of 0 points. The change in Q11 and Q13 show no significant change.

<u>Survey results 'inclusiveness – demand side' (Q14 – 17)</u>

Scale: 0-20% | 21-40% | 41-60% | 61-80% | 81-100%

Q14. What percentage of Company X' sales comes from 'poor' countries?	**5** (81-100%)

Scale: >50% decreased | 10-50% decreased | (almost) no change | 10-50% increased | >50% increased

Q15. To what extent has this percentage developed compared to before the acquisition?	**3** ((almost) no change)

Scale: (+2)> 50% cheaper | (+1)10-50% cheaper | (0)comparable price | (-1)10-50% more expensive | (-2)>50% more expensive

Q16. To what extent are Company X' products/services cheaper than substitutes?	**3** (comparable pricing)

Scale: (+2)>50% higher quality | (+1)10-50% higher quality | (0)comparable quality | (-1)10-50% lower quality | (-2)>50% lower quality

Q17. To what extent do Company X' products/services provide a higher quality than substitutes?	**1** (>50% higher quality)

For the demand side of inclusiveness, a look will primarily be taken at the scores for cost and quality difference with substitutes. The respondent scored cost difference a 3, translating to 0 points on the point scale. Quality difference was scored a 1, indicating more than 50% higher quality than substitutes. This translates to +2, totalling the score of demand side inclusiveness to +2.

Appendix E: Fan Milk – Danone survey secondary data

Survey results 'integration approach' (Q1 – Q3)

Scale 1 to 5: 1 = Fan Milk has full autonomy, 5 = Danone has full authority]

Q1. To what extent is Danone involved in Fan Milk' decision making for developing and marketing new products?

Q2. To what extent is Danone involved in Fan Milk's decision making in daily operations? (e.g. purchasing, or making/changing corporate policies)

Q3. To what extent is Danone involved in Fan Milk's decision making for personnel decisions? (e.g. hiring, firing, or promoting)

The exact values for the first three questions could not be determined based on secondary data. The only indication for Danone's involvement in Fan Milk regards Q1 (developing and marketing new products):

> "Danone is transforming the way in which the food and beverages of its flagship brands are designed and produced, notably by reducing the number of ingredients, and proposing new organic and non-GMO product lines" (Danone, 2020a)

3 – 6 = *Separation*
6 – 12 = *Partial integration*
12 – 15 = *Full integration*

Survey results 'sustainable growth' (Q4 – Q9)

(-2)>50% decreased | (-1)10-50% decreased | (0)(almost) no change | (+1)10-50% increased | (+2)>50% increased

Q4. To what extent has Fan Milk's turnover developed post-acquisition?	**3** ((almost) no change)
Q5. To what extent has Fan Milk's net profit developed post-acquisition?	**1** (>50% increased)
Q6. To what extent has Fan Milk's market share developed post-acquisition?	**2** (10-50% decreased)
Q7. To what extent has Fan Milk's amount of employees developed post-acquisition?	**4** (10-50% increased)

(+4)>50% decreased | (+2)10-50% decreased | (0)(almost) no change | (-2)10-50% increased | (-4)>50% increased

Q8. To what extent has Fan Milk's short-term debt developed post-acquisition? **3** ((almost) no change)

Q9. To what extent has Fan Milk's long-term debt developed post-acquisition? **4** (10-50% increased)

The scores for the first four survey items of sustainable growth relate to the positive balance side. They were scored 3, 1, 2 and 4, corresponding to 0, -2, -1 and +1 respectively, totalling -2. On the other side, the debt has been scored 3 and 4. This corresponds to 0 and -2 totalling -2 → -2 on the positive balance side and -2 on the debt side makes 0.

<u>Survey results 'inclusiveness – supply side' (Q10 – Q13)</u>

Scale: (-2) 0-20% | (-1) 21-40% | (0) 41-60% | (+1) 61-80% | (+2) 81-100%

Q10. What percentage of Fan Milk's employees can be categorized as 'living in poverty' before you employed them?

Q12. What percentage of Fan Milk's suppliers can be categorized as 'employing the poor' before you employed them?

Exact percentages for the two measures could not be given, but the percentage of poor employees is estimated to be significant (>61%). The percentage of suppliers is expected to be around the 21-40% percentile group, as Fan Milk's goals is to impact the rural economy by sourcing more than 50% locally by 2025 (Fan Milk, 2020), indicating that that current number lies significantly below 50%.

Scale: >50% decreased | 10-50% decreased | (almost) no change | 10-50% increased | >50% increased

Q11. To what extent has this percentage developed compared to before the acquisition? **4** ((almost) no change)

Q13. To what extent has this percentage developed compared to before the acquisition? **3** ((almost) no change)

It is expected that the percentage of poor employees has grown in accordance with the increase in number of employees (as seen in Q7). The number of suppliers shows no indication of growth, other than an intention to increase towards 2025.

Survey results 'inclusiveness – demand side' (Q14 – 17)

Scale: 0-20% | 21-40% | 41-60% | 61-80% | 81-100%

Q14. What percentage of Fan Milk's sales comes from 'poor' countries? **5** (81-100%)

Scale: >50% decreased | 10-50% decreased | (almost) no change | 10-50% increased | >50% increased

Q15. To what extent has this percentage developed compared to before the acquisition? **3** ((almost) no change)

Scale: (+2)> 50% cheaper | (+1)10-50% cheaper | (0)comparable price | (-1)10-50% more expensive | (-2)>50% more expensive

Q16. To what extent are Fan Milk's products/services cheaper than substitutes? **3** (comparable pricing)

Scale: (+2)>50% higher quality | (+1)10-50% higher quality | (0)comparable quality | (-1)10-50% lower quality | (-2)>50% lower quality

Q17. To what extent do Fan Milk's products/services provide a higher quality than substitutes? **3** (comparable quality)

For the demand side of inclusiveness, a look will primarily be taken at the scores for cost and quality difference with substitutes. The respondent scored cost difference a 3, translating to 0 points on the point scale. Quality difference was scored a 3 as well, totalling the score of demand side inclusiveness to 0.