

HUMAN RESOURCE MANAGEMENT IN SOCIAL ENTERPRISES: INSIGHTS FROM SERVING THE RURAL BASE OF THE PYRAMID

ABSTRACT:

Serving rural communities in developing countries has proven to be challenging due in part to the lack of infrastructure, of public services and of skilled human resources that characterize these regions, also known as the base of the pyramid (BoP). Organizations delivering products and services to this segment of the market often require trained personnel. Unfortunately, the education levels of individuals living in these communities is extremely low and, in most cases, limited to the ability to read and write. We study how social entrepreneurs manage their human resources to serve effectively rural communities in developing countries. Our focus is on selection and recruiting, training and compensation practices. We analyze and compare these practices by two social enterprises that have effectively served rural BoP communities for more than 10 years. Our comparative analysis suggests a systematic human resource approach that relies on local community leaders, whose development include training and compensation methods that respond to the context limitations.

INTRODUCTION:

Serving rural communities in developing countries has proven to be challenging not only to social entrepreneurs but also to multinational corporations (MNCs). The lack of infrastructure and public services, information problems, informality, unskilled labor, illiteracy and no access to credit characterize the segment of the market identified by some scholars as base of the pyramid (BoP)—households living in extreme poverty and unable to meet their basic needs (Prahalad & Hart, 2002; Prahalad, 2005, Vachani & Smith, 2008; London & Hart, 2004). Previous research on how to do business at the BoP have looked at how MNC or social enterprises overcome these institutional voids (Parmigiani & Rivera-Santos, 2015, London & Hart, 2004; Seelos & Mair, 2007; Pedraza et al., 2009; Vachhani & Smith, 2008). Ways in which MNC have dealt with such voids include collaborating with local NGOs, governments, and entrepreneurs, to carry out operations in these communities.

However, these local organizations must overcome labor market voids (i.e., the lack of skilled labor) that exists in these communities to effectively delivery products and services in rural isolated areas. Even if in the future technological innovations such as drones and 3D printers might help entrepreneurs reach rural isolated communities, effective delivery to these regions requires more than dropping a package in the right place or deploying a new “app.” Delivering products and services (e.g. basic healthcare services and the provision of medications) among this population requires trained personnel with some degree of specialized knowledge.

The main objective of this paper is to analyze how social entrepreneurs serving the rural BoP implement their human resources management practices. We focus on three practices that are particularly relevant due to the labor market voids found in these communities: selection and recruitment, training and compensation. To explore this question, we conducted a comparative analysis of two social enterprises that serve the rural BoP in Nicaragua—one of the poorest

countries in western hemisphere: Acción Médica Cristiana (AMC) and AMÓS Health & Hope. Both enterprises operate in isolated geographic areas and provide healthcare related products and services through local leaders recruited, trained and compensated specifically for this purpose. We develop a systematic approach of how organizations operating in this context can perform their HRM practices as to overcome the limitations pose by the labor market void that characterizes this setting.

Our paper proceeds as follows. We begin by discussing Human Resource Management research on the challenges to and practices for operating at the base of the pyramid. The paper continues with a methods and data section where we describe our research methods. Then, we include an overview of Acción Médica Cristiana, and AMÓS Health and Hope approach to HRM management. Next, we analyze the recruiting, training and compensating practices that these organizations use to deliver its products and services. Then, we develop our proposed systematic approach to HR practices for unskilled labor at rural BoP. We finish with a conclusion section where we look at managerial and scholarly implications and suggestions for future research.

HUMAN RESOURCES MANAGEMENT AND ORGANIZATIONAL PERFORMANCE
Human resources management (HRM) contributes to creating and sustaining organizational performance and competitive advantage (Arthur, 1994; Huselid, 1995; Huselid & Becker, 1996; Gerhart & Milkovich, 1992; Wright & McMahan, 1992). However, operation management scholars rarely study human resources practices (Ahmad & Schroeder, 2003), as shown by the fact that less than five percent of the publications in this field between 1986 and 1995 address this topic (Scudder & Hill, 1995). Moreover, the studies that do so focus mainly on manufacturing facilities in developed countries. Research exploring HRM in organizations delivering services or humanitarian aid, particularly at rural isolated communities of the supply chain, is lacking; thus,

research is needed to explore these practices for organizations operating in different strategic contexts (Ahmad & Schroeder 2003).

Prior research on HRM has found that financial returns on investments in *high performance work practices* (HPWP) are both economically and statistically significant (Becker & Huselid, 1998; Combs, Ketchen, Hall & Liu, 2006; Huselid, 1995). More specifically, studies have shown that organizational performance is likely to be enhanced when an organization adopts: a) recruiting and selection systems consistent with its strategy; and b) training and development strategies guided by performance management systems and the organization's objectives (Becker & Huselid, 1998). Pfeffer (1994; 1998) also includes selective hiring of new personnel and training among the list of HR practices of "what effective firms do with people." Other HPWPs include incentive compensation and performance management systems (US Department of Labor, 1993). Studies have shown that implementing HPWPs decreases turnover and improves both the organization's productivity rate and its financial performance (Arthur, 1994; Gerhart & Milkovich, 1992; Huselid, 1995).

According to Pfeffer (1994; 1998), organizations seeking to improve their performance through HRM should recruit the right people in the first place. To achieve such a goal, the author recommends that organizations consider the following. First, they need to have a large applicant pool from which to select. Second, organizations need to be specific when defining the critical skills and attributes required of their employees. Third, they must hire people with the skills and abilities consistent with the particular job requirements and the organizations' mission and strategic goals (i.e., cultural fit). Finally, organizations must screen primarily on attributes that are difficult to change through training. Multiple rounds of screening and involvement of senior management in the selection process are also recommended, as these actions signal that the

organization takes the selection process seriously (Pfeffer, 1998). Once the new hires join the organization, training is an essential component of high-performance work systems and can generate multiple benefits for individuals and teams, as well as for the organization as a whole (Aguinis & Kraiger, 2009; Pfeffer, 1998). Training collaborators from BoP rural communities pose particular challenges. Regarding compensation practices, previous research has explored different contingent mechanisms (e.g. profit sharing, stock ownership, pay for skill, gain sharing) and its relationship with employee performance (Pfeffer, 1998).

Human Resources Management to Serve the Base of the Pyramid

BoP refers to the global poor, most of whom live in developing countries. Approximately three to four billion people live at the BoP and have an income of less than \$2 a day (Prahalad, 2005; Prahalad & Hart, 2002). Delivering goods and services at the BoP pose multiple challenges due to poor roads, communications, and electricity infrastructure; information problems; lack of knowledge and skills; illiteracy; informality; and no access to credit (Vachani & Smith, 2008; London & Hart, 2004; Holguín-Veras et al., 2012; Parmigiani & Rivera-Santos, 2015). Khanna and Palepu (1997) refer to these market failures or the lack of proper entities to supply organizations' needs as *institutional voids*, including the market labor one (i.e., limited availability of skills and knowledge) that constrains organizations' operations and growth possibilities at the BoP. Thus, enterprises operating at BoP markets need to overcome are low education levels and, often, illiteracy (Vachhani & Smith, 2008; World Bank, 2000).

Previous research on how to do business at the BoP have looked at how MNC or social enterprises overcome these institutional voids (Parmigiani & Rivera-Santos, 2015, London & Hart, 2004; Seelos & Mair, 2007; Pedraza et al., 2009; Vachhani & Smith, 2008). Ways in which MNC have dealt with such voids include collaborating with local NGOs, forms of government and

entrepreneurs, to carry out operations in these communities or to help them build local capacity through training. Another way to overcome the labor market void include maintaining high value-added processes at MNC headquarters in developed countries, while allocating those requiring less-skilled labor in the developing countries where they want to operate (Parmigiani & Rivera-Santos, 2015).

Some scholars have addressed HRM at BoP. In their study on strategies to reach the BoP, Vachani and Smith (2008) briefly discuss how Gyan Shala, an Ahmedabad-based NGO, delivers low-cost education to children in rural India by recruiting teachers who live in the community, providing them with solid and constant training, and closely monitoring and assisting them to ensure they deliver quality instruction. Battilana and Dorado (2010) conduct an in-depth study on how two former NGOs in Latin America, which later became commercial microfinance institutions providing services to the poor, perform their recruiting and training practices. The study discusses how, through their HR practices; these two organizations reach a balance between the two institutional logics (i.e., banking and development) so that they can have a sustainable operation. Our study seeks to contribute to this stream of research by analyzing specific HRM practices—recruiting, training, and compensation—in two social enterprises in Latin American BoP, a context that has been understudy.

Due to the dual—social and economic—mission of social enterprises and the BoP precarious conditions, social entrepreneurs might not simply apply HRM practices from traditional businesses serving mainstream markets with leaders from rural communities and expect the same results. The limited pool of skilled candidates in this segment of the population, as well as the difficulty of physically reaching some of these communities, can hinder traditional recruiting processes. These conditions might also require a revision of traditional monitoring and supervising

mechanisms, supporting network and teaching methodologies when training these BoP collaborators. Finally, compensating staff in a social enterprise that seeks to generate social value for the community and often has limitations in terms of its financial resources also demand a revision of the traditional methods to reward personnel. Thus, the need learn about what works in these contexts.

METHODS

By 2016, Nicaragua was the poorest country in Central America and the second poorest in the Western Hemisphere (CIA, 2017). By 2017, its population was approximately six million (CIA, 2017). With a GDP per capita of \$2,151 by 2016, 29.4 percent of the country's population lived below the national poverty line (CIA, 2017). This percentage increased in rural areas to 50.10 percent, where communities had limited access to public services, including health and education (World Bank, 2018). In these areas, close to 40 percent of the total population had no access to potable water and more than two thirds had no electricity services (World Bank, 2018). Additionally, reaching these communities was often difficult due to extremely deficient infrastructure. The above conditions pose multiple administrative challenges for organizations providing products or services to this population.

Asociacion Médica Cristiana and AMOS Hope and Health are our two research sites. Both organizations are non-governmental organizations proving healthcare related services to rural communities in Nicaragua whose population belong to the BoP and exhibit the socioeconomic conditions described before. They have also served this segment of the population for at least 10 years, suggesting that they have done so effectively as it is extremely difficult to survive in this market.

Local university students founded AMC in 1984. Their goal was to empower impoverished communities to implement their own health and development models. In 2000, AMC launched a

program called *Ventas Sociales de Medicamentos* (VSM) to improve the access to essential drugs, through a network of social pharmacies (i.e., low-cost drugstores). The program achieved financial sustainability by 2008, selling the medications at affordable prices in rural and geographically isolated communities in Nicaragua. By 2014, AMC owned 20 VSMs and managed 68 franchises by 2014, all in rural Nicaragua. See Prado, Calderón and Zúñiga (2016) for a detailed case study of AMC.

Doctors David Parajón and Laura Chanchien founded AMOS in 2007 to improve access to healthcare for the poorest Nicaraguans. Its intervention in rural areas consists of empowering the community and a group of local leaders to develop and operate a network of community health promoters (CHP). The organization trained and supervised the CHP to provide medical consultations and follow-up care for children and women in reproductive age, as well as to collect basic healthcare data, analyze it and make decisions to face the issues affecting the community. AMÓS also established a “base home” in each community where it operated, for CHPs to see patients and keep their medical records and health supplies. AMÓS funds its operation through donations from churches, universities and international NGOs. It also generates revenues through a guesthouse facility (approximately 20 percent of total income) in Managua. By 2016, AMÓS worked in 25 isolated rural communities around the country. See Pearson, Prado and Selva (2017) for a detailed case study of AMÓS.

Table 1 provides a description of these two organizations and their business models.

Table 1 around here

Data Collection

To explore AMC's and AMOS' recruiting, training and compensating practices, we use qualitative data collected through ethnographic techniques (e.g. participatory observation), in-depth interviews, and review of archival data. We visited Nicaragua in two occasions. The first visit was from July 29 to August 8, 2014; the second took place from May 23 to May 26, 2017. During these visits, the researchers interviewed representatives from AMC and AMOS central offices and visited various rural communities where these organizations operated.

In the first visit to Nicaragua, we collected data on AMC. Besides the data collection in AMC headquarters in Managua, we travelled to the South Atlantic Autonomous Region (RAAS), specifically to the communities of Bluefields, Orinoco, Tasbapauni, and Kukra River. We participated in AMC supervision visits to the local pharmacies, providing us the opportunity to observe the process. RAAS is one of the most geographically isolated and impoverished regions in Nicaragua, where skilled labor is a scarce resource. Reaching these communities included a one-hour flight in a small plane and motorboat rides (from two and half to five hours long) down the river. No roads are available to reach these areas.

Once on site, the data gathering process consisted of semi-structured interviews of the VSM managers (i.e., the dispensers) and some of their local beneficiaries, as well as participatory observation methods. Through participatory observation, the researcher can identify the social dynamics and interactions between the individuals. As part of the group, the researcher has the ability to share the point of view of the individuals because he is part of the group's social dynamic (Bechky & Ockhuysen, 2011). More specifically, participatory observation provides the opportunity to collect the data and evidence to interpret the reality from the perspective of the community. Our participatory observation took place during the on-site field supervision visits (training and evaluation) conducted by the VSM Program Director and the VSM Field Supervisor.

During these supervisions, we took field notes based on our observations of the process and the interactions between those that were present. At the end of the supervision, we held informal conversations with the VSM dispensers and took notes on them.

In the second visit to Nicaragua, the authors interviewed representatives of AMÓS at its headquarters in Managua. We also travelled to the Boaco Department, specifically to Kumaika Sur community (four hours by four-wheel drive in an unpaved). Boaco department was the first place where AMÓS established the Health Promotor Program. AMÓS supervision team was onsite, so we joined them in the supervision process.

Once onsite, the data gathering process consisted of semi-structured interviews with AMÓS Supervision team, the health promotor of Kumaika Sur, and the local committee that supports the promoter. We also conducted participatory observation methods at a house visit led by the promoter and at a supervision session. The onsite visit focused on supervision of the promoter’s task and impact evaluation.

We complemented this fieldwork with data collected through archival sources provided by the organizations. **Table 2** describes in detail our data sources.

Table 2 around here

Data Analysis

Qualitative research is appropriate when seeking to understand the “how” of a process, to provide detailed information about setting or context, and to emphasize the voices of the participants in a specific process. Given that our analysis seeks to identify *how* are these social enterprises operating in rural BoP communities to implement their HRM systems, we studied the main

characteristics of these organizations' recruitment and selection, training and compensating processes. After collecting the data, we compared these two cases to identify their similarities and differences.

Three strengths of case study research stated by Benbasat et al. (1987). First, researchers can study the phenomenon in its natural setting and generate meaningful theory from observing actual practices. Second, the method allows researchers to answer the questions of *why*, *what*, and *how* with a relatively full understanding of the complexity of the whole phenomenon. Finally, the cases lend themselves to early, exploratory investigations, when the variables are still unknown and the researchers do not understand the phenomenon clearly. Given that scholars have not extensively studied managing personnel in rural communities in developing countries, we believe that developing these two cases and comparing them is an appropriate method to develop a framework on how organizations could do it effectively. Case study research usually combines data collection methods such as interviews, observations, archives, and questionnaires (Eisenhardt, 1989).

We coded the data collected in the field separately for each organization, using three HRM practice categories—selection and recruiting, training, and compensating. We also reviewed the manuals where organizations described their HR practices and classified the data using the same categories. Once we had the data coded for each organization, we analyzed AMC and AMOS' HRM practices through a comparative analysis to find the patterns and similarities between their practices (Eisenhardt, 1989). Multiple cases typically provide a stronger base for theory building (Yin, 1994) and comparing them helps determine if the finding is idiosyncratic to an individual case or a pattern replicated by several cases (Eisenhardt, 1991). We propose a systematic approach to conduct these HRM practices at rural BoP context.

MANAGING HUMAN RESOURCES: ACCIÓN MEDICA CRISTIANA APPROACH

Human resources was one of the key elements of the AMC's VSM project. This organization required two types of personnel—administrative and operational. The former was in charge of the administrative tasks such as purchasing, quality control and testing, supervision, general management. The management team centralized most of the decisions in Managua. Erlin Rugama, VSM Project Director, and Luis Lindo, Field Supervisor, performed strategic roles for the effective operation of the organization. Rugama's responsibilities included overseeing the operation of the program; managing the relationships with suppliers; performing job candidate interviews; and training VSM dispensers. Lindo's responsibility for visiting each of the VSMs in the different territories and for the supervision visits, the selection and recruitment process, the on-site training, and the overall management of the VSM network. Both of them were graduates from the Pharmacy School, University of Leon. Together, they were in charge of selecting and recruiting, training, and managing the network's operations.

The operational human resources—the dispensers—were assigned to different VSMs operating at the community level. **Figure 1** presents VSM organization chart. Dispensers had multiple responsibilities. Their tasks included a) managing the overall VSM operation; b) assuring quality of the product through standardized pharmaceutical practices; c) handling the inventory (e.g., order placement); d) keeping financial and operational forms up to date and properly filled out; and e) managing the working capital in order to pay their own wages, utilities, and local expenses. Since the available labor at the community level often lacked the know-how to perform these tasks, AMC provided training in two main areas: managerial and technical. The organization also developed standardized procedures, basic financial and operational control forms (to be filled out by hand) and operation manuals for the dispensers to consult in case of doubt.

Figure 1 around here

MANAGING HUMAN RESOURCES: AMÓS HEALTH AND HOPE APPROACH

As AMC, AMOS has two types of collaborators: administrative/technical and operational. As seen in **Figure 2**, AMOS's management team for its community interventions include a Program Director and Supervision teams. These two roles perform mainly administrative and technical tasks that coordinate with the community health promoters in the ground. The Program Director works from Managua's office and it is physician. The Supervision teams often composed by one physician and two nurses, who conduct field visits to approximately nine communities every six weeks. During these visits, the team trains and supervises the community health promoter, accompanies her to a house visit, meets with the health committee.

To support the responsibilities of these management team, the organizations has a statistician, a field assistant for projects on sanitation and a person in charge of coordinating all the logistics for the field visits. All the above roles can be considered administrative or technical, are not tied to a specific community but instead report to the program manager in Managua and they are high skilled labor.

The second type of collaborator at AMOS are the Health Promoters (CHP), who are low skilled labor and are local leaders from the different communities where the enterprise intervenes. Among the CHP responsibilities are giving consultations in the *base house* (i.e. local community centers where CHP delivered the health services and meets with the community committee), as well as visiting the homes of the inhabitants of the community and following up the patients with medical treatment. In addition, it identifies the health problems that affect the community and carries out tests on pregnant women and newborns as part of the pre and post-natal follow-up.

The Promoter, in agreement with the Health Committee -who will be in charge of implementing local strategies to address the community's health challenges. (i.e. five to six locals who agree to belong to this committee to support the promoter's work), offered talks to the community about healthy life practices and disease prevention, in accordance with the needs and problems identified in home visits and consultations at the base house. In the base house, the community has a center where they could request health exams and receive the necessary primary care.

The work of the Promoter allowed him to refer some patients to the doctors at the Ministry of Health (MINSA), in case treating the disease was beyond his abilities or equipment. Finally, the CHP promotes MINSA health programs, such as the Community Health and Nutrition Program (PROCOSAN), Integrated Childhood Illness Care (IMCI), Childbirth Plan or youth empowerment.

Figure 2 around here

ANALYZING RECRUITING, TRAINING AND COMPENSATING PRACTICES FOR BOP PERSONNEL

This section describes AMC's and AMÓS human resource practices for its network of dispensers and health promoters working at the rural isolated communities. We focus on recruiting, training and compensating practices. We believe that these practices are decisive for organizations' performance at the BoP, particularly to overcome the labor-market void present in this context. The type of incentives used might be strongly dependent on whether a corporation, an NGO or an HO delivers the products and services at the BoP.

These organizations establish contractual relationships at rural isolated communities that range from employment to volunteering, with compensation practices that vary accordingly. Nevertheless, their recruiting and training practices at a BoP—independent of the type of contractual agreements they establish with collaborators at the communities—need to be adapted to respond to the limitations of the context.

Recruiting and Selecting

Recruiting personnel to work at rural isolated communities is a challenging process, particularly if the organization seeks to hire members of the communities in which they operate. Management often has to get directly and actively involved in the selection process to identify potential candidates. Advertising for a vacant position in these communities is not an option. Traditional mechanisms (i.e., newspapers, recruiting agencies, and online channels) are not likely to be available in these places. As most community members know each other, word of mouth is one of the most reliable mechanisms for searching and spreading information in these communities. Therefore, to identify suitable candidates for dispenser positions, both organizations rely on community members to recommend local candidates.

As part of its recruiting strategy the administrative team engages in a dialogue process with the community and their leaders. In the case of AMC, the process starts when representatives of the VSM management team—Program Director or Field Supervisor—visit the location and attend a meeting of the Community Board (CB) to make a presentation about the VSM project, its objectives and its potential benefits for the town. This board often includes government officials, representatives from religious organizations, and local leaders. AMC representatives who have had previous contact with the community coordinate with CB members to schedule the presentations.

At the CB meeting, the VSM representative explains what VSM is looking for, including the candidates' ideal profile and the tasks and responsibilities they would need to perform if they were chosen as a dispenser. Community members recommend two or three potential candidates, who are later interviewed and assessed by the VSM management team directly. The on-site recruiting process can take approximately four days.

By inviting community members to recommend local candidates and participate in the selection and recruiting processes, AMC seeks to promote their engagement with the local VSM.

As Rugama stated:

Hiring a dispenser recommended by community members has three positive consequences. First, the community embraces the VSM as its own project and feels partly responsible for its success. Second, the dispenser feels social pressure from their neighbors to manage the VSM responsibly and honestly, as her image within the town is at stake. Third, the community contributes to take care and protect the VSM assets. For instance, we cannot afford to hire a security guard at each establishment, but the community helps us look after our infrastructure against burglary.

AMÓS' recruitment process also occurs on-site. It starts visiting the community and having meetings with community members. In their case, they gather as many people of the community together, and start building a relationship of trust with them, using community engagement and empowering strategies. AMÓS community engagement methodology include Dr. Roy Shaffer's SHOWeD method¹. The method helps the management team to conduct meeting through a problem solving perspective in the community.

During meeting, AMÓS works together with the community identifying leaders who will be considered for the job. After that, they ask the community to select in a poll who will be the health promoter. At rural isolated communities, management teams cannot be on top of operations on a daily basis due to the isolation of these areas. If community members are involved in the

¹ The Beyond the Dispensary by Roy Shaffer, 1986. AMREF.

establishment of the operations, they are more likely to support it by playing—even if indirectly—a monitoring and supervising role.

Hiring local personnel recommended by the community contributes to its members' engagement in the project. And, clearly, the community leaders would likely know better which local individuals could best fulfill the necessary requirements for the position.

It might also happen that personal interests could influence these leaders' recommendations (e.g., they might recommend their own relatives). Regarding such potential conflicts of interest, in the case of AMC, Rugama stated that “[to] address these issues, we conduct individual follow up interviews to the recommended candidates, where we seek to confirm their qualities, skills and suitability for the position.” Despite this risk, organizations operating at the BoP benefit from relying on and engaging community members in their recruitment processes to help them identify suitable candidates to manage their operations at rural isolated communities.

Selection and recruitment of personnel to work at rural isolated communities also benefits from having established and standardized criteria and processes. Both organization have a clear profile of potential candidates. They consider considers education (AMC, > primary school and second year of high school; AMÓS, at least know how to read and write), as well as preferred gender (female), they also require candidates to have the support and recognition of their community. AMC considers previous work experience (preferably in a health-related field) and minimum age (>20 years old). AMÓS consider the health promoter as a role model for the community, so leadership abilities, good principles and values are core aspects for the organization, more than previous experience or management abilities

Both organizations also assess other “non-written” individual characteristics by interviewing the candidates. These characteristics include values and attitudes, which are easier

to evaluate by personally interacting with the candidates. During the interview process, the management team evaluates these traits through specific questions and observation methods, seeking to determine whether they are aligned with the organization's core values and culture. For instance, VSM dispensers should share the organization's Christian faith—independent of the religion that the person practices—and its orientation towards service. Similarly, having good interpersonal skills, a willingness to learn, and an organized mindset are other individual features that they search for in candidates.

AMC and AMÓS state these requirements in the written guidelines for recruitment, verifies them in the interview and, in the case of AMC, assesses the mathematical performance of the candidate through a basic test; an elementary level of math is necessary to run the VSM operation (e.g., filling out the forms for inventory management and tracking the sales transactions).

As mentioned before, operating at rural isolated communities makes it difficult for management teams to supervise the operative personnel performance on a daily basis. Supervision visits are constant, in visits take place every six and two months, for AMC and AMÓS respectively, and between those visits, dispensers and health promoters need to have the ability to work almost in isolation (i.e., without constant supervision by their superiors). Both organizations implemented controls that require this kind of personnel to regularly fill in forms, keep records, and comply with specific standards to place orders, handle the inventory, and to keep record of medical consultations and follow-up visits.

As discussed previously, the probability of finding individuals with specialized knowledge in these communities is extremely low. AMC and AMÓS are aware of this and are willing to provide the necessary training. The management team and supervision team transfer some of this knowledge directly during its supervision visits (see more on training in the next section).

However, the operative personnel must be self-taught on many of the topics. Considering that, both organizations provide guidelines and manuals for this purpose. Therefore, it is important that these individuals have an inherent willingness to learn, as they will continuously need to acquire knowledge on how to manage a pharmacy, store and prescribe medications, and diagnose diseases.

Interpersonal skills also are difficult to teach but are valuable for dispensers' and health promoter's performance. In their daily tasks, personnel working at rural isolated communities interact with customers and representatives from other community organizations, as well as with the management team and peer to peer contacts. Therefore, candidates should have good social skills, as they need them to perform effectively.

Table 3 around here

In sum, the process of evaluating values and attitudes in potential candidates also benefits from having a set of pre-defined criteria and procedures to follow. As observed in both recruiting strategies, effective recruiting of local personnel to work at rural isolated communities focuses as much on values and attitudes as on a set of skills that can be acquired through training.

Training and Compensating

AMC and AMÓS provide to their operational personnel training in two areas: managerial and technical. Managerial training consists of developing the necessary skills for them to effectively operate the VSM and base house. In the case of AMC, the VSM management team teaches them how to manage inventory; place orders; receive, store and return merchandise; keep records; and track transactions (e.g., sales, expenses and profits). This training also aims to teach dispensers

AMC's operating standards and procedures. AMÓS focus training in how to fill forms and keep records of medical consultations and community activities.

The technical training focuses on teaching them how to diagnose symptoms and prescribe medication accordingly. Both organizations teach how to use a manual called *Buscando remedios*, which describes symptoms, diseases and possible treatments. This technical training shows them how to provide advice and information for the treatment of minor ailments; to decide when and what medicines to recommend; to check dosage to ensure that medicines have been correctly and safely labeled; and to advise customers on adverse side-effects.

They have developed a structured training program aimed at giving new hires a comprehensive overview of how the organization operates, while offering the trainees the opportunity to acquire knowledge in several areas. Once they have hired a new dispenser or health promoter, she receives 110 hours of initial training, or six-week full time training, by AMC and AMÓS personnel respectively.

In the case of AMC, they divided training into five stages. The first stage encompassed 30 hours (i.e., five days) of face-to-face training, combining theory and practice. The second stage requires the dispenser to spend 30 hours (five days) as an intern in a real VSM location, working under the direction of a certified dispenser with more than five years of experience. Twenty self-study hours, during which the trainee solves practical problems that she would likely encounter while managing a VSM, constitutes the third stage of the training. The next stage consists of another 30 hours (five days) of one-on-one *in situ* training, during which dispensers can clear up questions that came up during the internship practice and receive feedback from the VSM training team. Finally, once a year, dispensers from all around the country come together for five days in a location chosen by AMC—often Managua or a beach resort. This annual retreat has multiple

objectives, including networking, presentation of AMC annual results and training. AMC schedules at least two days of the meeting for updating and refreshing dispensers' managerial and technical knowledge.

In the case of AMÓS, they structure training session in three training modules of two weeks' full-time activities. Training team focus on theoretical and practical aspects about community organization, basic first aid and health promotion activities, medication prescription, counseling and data gathering using record sheets forms. Also, they establish continuous education session during supervision meeting; supervisor team reviews the record sheets and accompanies the health promoter to field visits. They identify mistakes together; and supervisor reinforces topics in which the health promoter has problems, both agree on aspects that should improve for the next supervision meeting. As AMC does, once a year AMÓS brings all health promoters together from all around the country to AMÓS' facilities in Managua. With this annual retreat, AMÓS seeks to improve managerial and technical knowledge, and to share annual results and develop teambuilding activities.

At the end of each of these stages and modules, the training teams of each organization evaluate whether the personnel have achieved the training goals. To accomplish this, the team uses multiple methodologies, such as case discussions, individual case analysis, exercises related to both managerial and technical issues, and role-playing. As in other management areas, AMC and AMÓS have developed a set of written guidelines and standards for conducting these evaluations.

Therefore, along with the managerial and technical aspects of the operation, new entrants receive a training module focused on how to organize the community to solve its own problems, reinforcing leadership training. AMÓS considers communitarian organization as a main aspect

that helps the health promoter to run operations, so they reinforce leadership abilities and community engagement strategies that the health promoter can apply. In AMC's case, training modules also include a discussion of the different leadership styles to help dispensers understand the pros and cons of each of them. For example, through a case study, the trainee explores how to effectively coordinate a meeting, invite different stakeholders, provide information, and facilitate communication. In Rugama's words: "We need to make sure that every dispenser receives the training to become a leader within its community."

Table 4 around here

In sum, effective delivery of products and services at rural isolated communities requires an integral training of the human resources oriented towards the development of operational (managerial and technical) and leadership skills.

Variability management: A standardize set of forms to lower costs, maximize efficiency, and improve communication and controls between the headquarters and operative personnel, is required while working in isolated rural areas. As mentioned before, some of these forms keep records and controls over sales, expenses, medicines dispatched with and without a prescription, number of persons served, number of treatments provided, inventories, and medicine orders. Personnel receive training on how to fill out these forms and use their information to make better management decisions.

Putting control systems and standard procedures into effect is likely to increase the performance of organizations operating at rural isolated communities, as they can compensate for the lack of daily supervision over community-level distributors. However, for these instruments

to be effective, the organization has not only to make sure they are as easy as possible to use, but also has to train its personnel at rural isolated communities to use them correctly.

Managing the Unexpected: Although organizations can standardize some of its practices, there might still be cases in which dispensers need to make technical decisions about issues not predefined in the training materials. Manuals can be a handy resource under these circumstances. However, if the manual does not provide guidelines to solve the situation, having access to highly-skilled and knowledgeable resources within the organization can help overcome the problem. For example, in these cases, AMC encourages dispensers to communicate with either the local health community leader—whenever available—or any of the members of the VSM management team. Lindo and Rugama are on-call and can be reached on their mobile phones to support dispensers in these situations. Therefore, dispensers can access a formal network of support to effectively manage the unexpected.

Dispensers also reach out to their peers to enhance responsiveness. Information exchange with knowledgeable, more experienced peers from other communities has proven to also be useful for dispensers to deal with unexpected situations. The network of peer dispensers constitutes more of an informal support system. In sum, complementing the training programs with access to formal and informal support networks strengthens the local distributors' performance by providing a mechanism to address unexpected variability (gray areas) in the operations at rural isolated communities.

Sharing best practices: Continuous education is key for training programs. The annual retreats mentioned above provide operative personnel with the opportunity not only to network and get to meet know each other, but also to share experiences and discuss the challenges they face in the field. By organizing these retreats, AMC and AMÓS facilitate knowledge exchange and

sharing of best practices among their personnel, who work by themselves in isolated communities year-round.

Monetary and non-monetary compensation: For operative personnel located on the ground, AMC and AMÓS pay adequate salaries compared to an agricultural worker (monthly full-time salary is \$125), that it is one of the main tasks carried out in the areas where they operate; also the health promoter improves her leadership status in the community. Due to the work he does with the organization, the health promoter manages resources and leads the actions carried out jointly with the organization, reinforcing his position as community leader.

Therefore, joint training programs delivered to human resources working at different locations at rural isolated communities positively contribute to the strengthening of the network and the improvement of the operational system.

A SYSTEMATIC APPROACH TO HRM PRACTICES AT BOP

Considering AMÓS and AMC in-depth case studies, we explore how an organization that operates at the BoP fills in the labor market voids in these regions by implementing a set of strategic and sustainable human resource management practices. We propose a systematic approach to implementing these practices at rural isolated communities. **Figure 3** depicts a flow diagram of the different components of this approach.

We argue that by using these practices, organizations can not only improve the performance of their human resources at rural isolated communities, but also effectively deliver products and services to the BoP. If operations management systems that standardize processes and procedures along social and organizational networks were to accompany these HRM practices, the probability of achieving these results would increase.

Figure 3 around here

Our proposed systematic approach to effective HRM at rural isolated communities includes the following practices. First, a consulting process with community leaders to help identify suitable local candidates increases the community members' engagement in and commitment to the project, as well as the likelihood of finding the right people. Second, hiring criteria based as much on values and attitudes as on knowledge and skills allow the organization to recruit candidates with traits that are difficult to teach. Interviews and interaction with the candidates in their local contexts are useful for recruiters to assess these individual traits—more difficult to evaluate than knowledge and skills—and to judge the candidate's fit with the organization's culture. The above two practices can make for more effective results when recruiting personnel at rural isolated communities.

Training local human resources to deliver products and services at rural isolated communities is strategic for an organization operating at the BoP, given the lack of skilled labor in these contexts. As shown in **Figure 3**, our proposed systematic approach includes three practices that are likely to increase the effectiveness of training programs at rural isolated communities: First, individual training programs delivered *in-situ* should be integral to preparing human resources to work with little supervision in their local communities—i.e., they should address managerial, technical, and leadership skills. To achieve the expected impact, instructors could rely on multiple pedagogic techniques, including lecturing, case studies, video clips, self-teaching and internships.

Second, implementing supportive mechanisms to complement the training allows human resources at rural isolated communities to leverage other sources of knowledge and information. These mechanisms include: a) standardized operations management systems (OMS) consisting of,

among other things, manuals, forms, and controls that compile information and describe procedures for decision making and task implementation; and b) access to either formal or informal networks of experts (e.g., the organization's management team and more-experienced peers) to consult with in case of unexpected situations.

Third, the organization can organize events or find opportunities for its human resources working at rural isolated communities to share their knowledge and experiences. These interactions can result in continuous improvement of the organization's OMS. Providing such opportunities to meet also helps to strengthen networks among peers, thus increasing the level of support and responsiveness of informal networks. These three practices would contribute to more-effective training programs for the organization.

This systematic approach to selection, recruitment and training practices is likely to improve human resources' performance at rural isolated communities. As a result, the organization's overall operation could also be positively affected, thus increasing the likelihood that the delivery of products and services in these BoP communities is done effectively.

CONCLUSIONS

Organizations serving the BoP must overcome the labor market void (i.e., the lack of skilled labor) that exists in these communities. Therefore, human resource management at rural communities become strategic for these organizations to effectively achieve their mission. In this paper, we explored how two Nicaraguan-based NGO that delivers medicines and healthcare services at the primary healthcare level to BoP communities overcomes this void by implementing a set of recruiting and training practices at these communities. We propose a systematic approach to HRM in this environment. This approach describes a set of practices that could enhance the effectiveness of the recruiting and training practices at rural isolated communities and, as a result, they are likely to improve the human resources' performance in these challenging contexts.

We contribute to the human resource management literature. HRM scholars have already established the positive impact of recruiting and training practices in overall organizational performance (Becker & Huselid, 2006; Huselid, 1995; Combs et al., 2006). As Huselid and Becker (2011) suggest, the field would benefit from a better understanding of strategic workforce differentiation (i.e., identifying which jobs are strategic within an organization and applying differentiated human resource practices accordingly within the organization). In this sense, our study explores HRM for those people working at rural isolated communities, who hold strategic positions within the organization. Without these human resources, the delivery of products and services at the BoP would not be complete, no matter how many and how effectively operations management systems are implemented at the headquarters. Those who live and work in these isolated communities are the ones who make the actual delivery. However, given the challenging conditions of operating in these communities and the characteristics of this workforce, they require human resources practices that are different from those applied to the personnel working at the organization's headquarters. Therefore, our proposed systematic approach to recruiting and training at rural isolated communities responds to the call for research in this direction.

Our research also contributes to the BoP literature (London & Hart, 2004; Parmigiani & Rivera-Santos, 2005; Seelos & Mair, 2007). Scholars in this field have found that corporations can reach this segment of the population by developing alliances with NGOs or local organizations that either are familiar with the local context or already have a presence in these communities (Parmigiani & Rivera-Santos, 2015; Prahalad, 2005; Seelos & Mair, 2007; Vachani & Smith, 2008). Nevertheless, research on how these organizations actually manage their human resources at rural isolated communities is lacking in this field. Therefore, our proposed systematic approach for HRM in these contexts goes a step beyond and provides insights in this direction.

The challenges of operating in these communities and the characteristics of this workforce require some variations in traditional human resources practices compare with those used by firms serving mainstream markets. For instance, traditional recruitment practices in urban and mainstream markets tend to rely on the use of regular media, such as newspapers, radio, and social networks. However, in rural areas, organizations need to be more creative to access the pool of potential candidates and must rely more on community organizations to do so. In terms of training, for example, mainstream markets offer easier access to sources of knowledge close to the workplace, whereas human resources in remote rural areas must work harder to find and develop such sources. Thus, organizations serving secluded rural areas need to implement standard operations management systems to replace the ready availability of training teams. Scholars and practitioners need to better understand how to manage this labor force and its different socioeconomic and cultural characteristics.

For organizations serving the BoP, the impact of hiring and training local community members goes beyond individual and organizational benefits to add value to communities as a whole. In hybrid organizations that pursue a social mission, for example, hiring a local individual and train her on healthcare practices to run the local VSM, benefits the community as a whole by providing know-how that otherwise would not have been available. This community member is likely to deploy its capacities in the local context.

Our study does have some limitations, which open avenues for further research. First, even if we provide a description of an organization's recruiting and training strategies that have worked in the BoP context, empirical testing of the impact of a systematic approach to HRM at rural isolated communities would be a logical follow-up to this study. Future research could explore the impact of different models of compensation for the performance of these human resources.

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TABLE 1
AMC and AMÓS' Business Model and Target Population.

Year of inception	Products	Business model	Target Population	Other population segments
1984	Low-cost, high-quality (generics) drugs	<p>Acción Médica Cristina: Not-for-profit organization (1) AMC manages a network of social pharmacies (owned and franchised) in rural areas administered by community leaders, trained to diagnose, prescribe and sell medications to the community members. <i>Operation is financially sustainable due to the sale of generic drugs in VSM stores.</i></p>	Rural BoP communities in the Nicaraguan Caribbean and Pacific coastlines (RACCS (3), RACCN (4), Matagalpa, León)	Minister of Health, franchises, donating organizations
2007	Healthcare services at primary level of attention	<p>AMÓS Health & Hope: Not-for-profit organization (2) AMÓS improves access to health care for poorest people of Nicaragua. AMOS developed a network of community health promoters with community leaders, which the organization trained to provide medical consultations and follow-up care on diseases AMÓS <i>Operation is primary funded by donations of churches, universities and NGOs, and from a guesthouse at AMÓS facilities.</i></p>	Rural BoP communities in Nicaragua, especially in five rural departments (Boaco, Chinandega, RACCS, Chontales, Matagalpa)	Population from Managua that attends El Samaritano Clinic

(1) See Prado, Calderón & Zúñiga (2016).

(2) See Pearson, Prado & Selva (2017).

(3) South Caribbean Coast Autonomous Region

(4) North Caribbean Coast Autonomous Region.

TABLE 2
Summary of Data Collection

Data source	AMÓS Health & Hope	Asociación Médica Cristiana
<i>Formal and informal interviews</i>	12 interviews (20 - 80 minutes)	18 interviews (45 - 90 minutes)
	Medical Director (2)	President of Acción Médica Cristiana
	Executive Director (2)	Health Programs' Director
	Program Director (1)	VSM Program Director (E. Rugama) (1)
	Monitoring and Evaluation specialist	VSM Field Supervisor
	AMÓS Zika Project Manager	VSM Warehouse Manager
	Two Field Supervisors	VSM Accountant
<i>Field visits and observation</i>	Health promotor in Boaco	Four visits to VSM managers in rural areas
	Health committee in Boaco	Six local users from rural communities
	One field visit to Nicaragua (4 days)	One field visit to Nicaragua (12 days)
<i>Documents and secondary sources</i>	Headquarter offices & clinic, Managua	Headquarter offices, Managua
	Rural community in Boaco	Four rural communities in South Atlantic
	Annual reports, powerpoint presentations, case studies (3), job descriptions, policies, trainee manuals, finance and accounting data, internal- and external communication.	

(1) We conducted three interviews with each of these organization representatives

(2) We conducted two interviews with this organization member

(3) See Pearson, Prado & Selva (2017); Prado, Calderón & Zúñiga (2016).

FIGURE 1
AMC, VSM Division Organization Chart

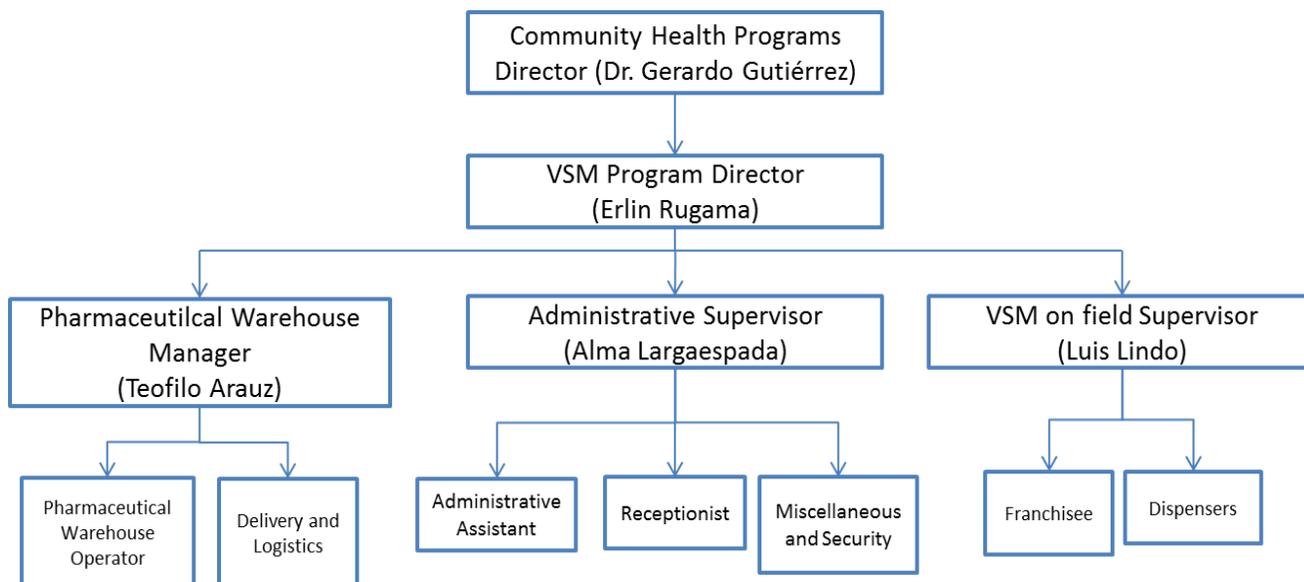


FIGURE 2
AMÓS Health & Hope, Supervision Team Chart

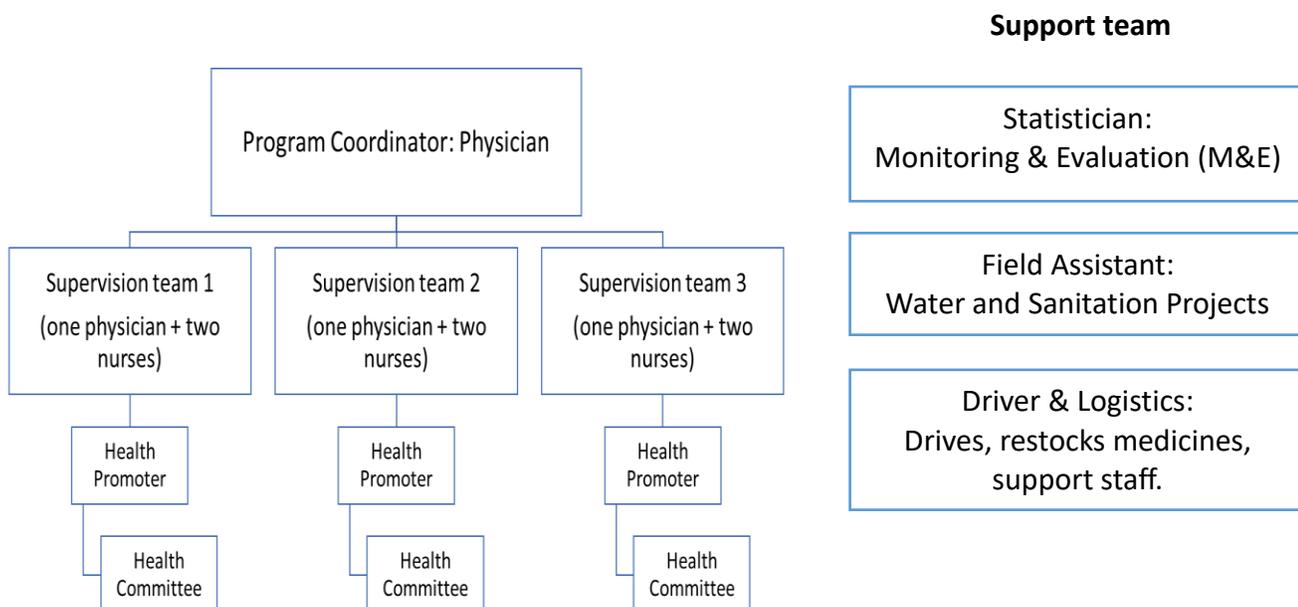


TABLE 3
Recruitment and Hiring Criteria

	AMÓS Health & Hope	Acción Médica Cristiana
Location criteria	Hiring individuals from communities where services will be provided, regardless of whether they had medical training.	Hiring individuals from communities where services will be provided, regardless of whether they had pharmaceutical or management training.
Identifying candidates	Candidates are recruited through AMÓS personnel immersing in the rural communities, developing trust and ties with local people and then asking them to select local leaders.	Candidates are recruited through AMC personnel immersing in the communities, having meetings with local organizations and identifying a pool of local leaders.
Competencies and education background	Local leaders must know how to read and write, to have high community engagement, and to be a role model (values and practices) for the community. Priority is given to women that are community leaders.	Local leader with complete primary education, high community engagement and similar religious values as the organization. Priority is given to women that are community leaders.

TABLE 4
Training, Supervision and Compensating Practices.

	AMÓS Health & Hope	Acción Médica Cristiana
Training topics	Focusing on basic medical training and community empowerment strategies.	Focusing on basic pharmaceutical knowledge, leadership & management
Initial training	Six weeks full-time theoretical and practical training about community organization, basic first aid and health promotion activities, medication prescription, counseling and data gathering using record sheets forms.	110 hours theoretical & practical training about basic healthcare activities, medication prescription, preservation of the quality of the medicines, basic warehouse management, drugstore management and community organization (includes 30 hours' internship in a VSM).
Evaluation	Writing pre and post-test, oral and practical exams that demonstrate skills acquired by the health promoter during initial training	Practical exams that demonstrate skills acquired by the leader during training and simulates real situation and activities in the VSM
Supervision	Bimestrial two-day supervision meeting on-site.	Biannual two-day supervision meeting on-site.
Continuing education	During supervision meeting, supervisor team reviews the record sheets and accompanies the health promoter to field visits. They identify mistakes together, supervisor reinforces topics in which the health promoter has problems, both agree on aspects that should improve for the next supervision meeting. One-on-one meetings.	During supervision meetings, supervisor team evaluates the dispenser with a scorecard considering financial and pharmaceutical indicators, thought observation, record sheets analysis, and interviews with clients. Score has to be 70 or higher, in cases that the dispenser scores less than 70 in several supervision meetings, she is replaced.
Reach out support	Organization has an open line by telephone in which health promoter can call for help or information.	Dispenser can call other VSM members or Erlin and Lindo for help or information.
Teambuilding activities	Annual two-day retreat in Managua for all members of the organization.	Annual two-day retreat in Managua for all members of the organization.
Monetary compensation	Health promoter receives a half-time salary, equivalent to \$75 (1) Health committee are volunteers No performance based incentives	Dispenser receives a full-time salary, ~\$200 (formal employees since four years), No performance-based incentives.
Non-monetary compensation	Health promoter improves his/her leadership status in the community.	Health promoter improves his/her leadership status in the community.

(1) The monthly salary for a job in agriculture in Nicaragua full time is \$125.

FIGURE 3

A Systematic Approach to Recruiting and Training at Rural BoP Communities

