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A STUDY ON FACTORS AFFECTING NETWORK MARKETER'S ENTREPRENEURIAL PERFORMANCE IN ETHIOPIA

By: Tekle Asfaw ID GSE/0859/06

Advisor: Dr. Rekshit Negi

**A Research Project Submitted to the School of Commerce Department
of Marketing Management, Addis Ababa University in partial
fulfillment of the requirements for The Degree of Master of Arts in
Marketing Management.**

**Addis Ababa University School of Graduate Studies
Department of Marketing Management**

May, 2016

Addis Ababa, Ethiopia

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Statement of Declaration

I hereby declare that **Factors affecting Network Marketers' entrepreneurial performance in Ethiopia** is project which wholly was the work of **Tekle Asfaw**. I have carried out the present study independently with the guidance and support of the research advisor, **Dr. Rekshit Negi**. Any other contributors or sources have either been referenced in the prescribed manner or are listed in the acknowledgements together with the nature and the scope of their contribution. And the study has not been submitted for award of any Degree or Diploma Program in this or any other Institution.

Tekle Asfaw

Date: May, 2016

APPROVAL

This is to certify that this thesis entitled “**Factors Affecting Network Marketers’ Entrepreneurial Performance in Ethiopia**” submitted in partial fulfillment of the requirement for the award of the Degree of Masters of Arts in Marketing Management, submitted to Addis Ababa University School of Commerce department of Marketing Management which was done by **Tekle Asfaw** is an authentic work carried out by him under my guidance.

Name of Advisor _____

Signature _____

Date _____

**Addis Ababa University School of Commerce Office of
Graduate Studies**

**FACTORS AFFECTING NETWORK MARKETER'S
ENTREPRENEURIAL PERFORMANCE IN
ETHIOPIA**

By TEKLE ASFAW

APPROVAL OF BOARD EXAMINERS

Chairperson, Board Committee

Name: _____

Signature: _____

Date: _____

External Examiner

Name: _____

Signature: _____

Date: _____

Internal Examiner

Name: _____

Signature: _____

Date: _____

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Abstract

This research was conducted to examine the effect of personal (self-efficacy belief), behavioral (motivation and commitment of network marketer's) and environmental factors (training and social cohesion that exist in NMOs) on the sales performance of network marketer's in Ethiopia. In conducting the survey, a total of 425 questionnaires were distributed to three NMOs namely DXN, EDMARK & FOREVERLIVING in Addis Ababa to be filled by active members of NMOs. From the distributed questionnaires 362 complete and usable questionnaires were collected for comprehensive empirical analysis. Both descriptive and inferential statistics was used to find mean score and to test hypothesis and to investigate research problem, objectives and questions. The result from descriptive statistics indicates that most network marketers earn negligible commission from their NMB. It was mostly those who joined early and got a lot of experience, that benefit the most from the business. The result of correlation analysis indicated that there is positive and moderate correlation between dependent variable sales performance and independent variables; motivation of network marketers, network marketer's specific self-efficacy belief, training provided by NMOs, network marketers commitment and social cohesion that exist among members of NMOs. From the regression analysis done it have been found that, social cohesion was the least important variable in predicting network marketer's sales performance, while commitment was very important variable in predicting sales performance. Social cohesion among members of NMOs was found to be insignificant in predicting sales performance. While the rest; motivation, self-efficacy, training and commitment were found to be a significant predictor of network marketer's sales performance. Motivation is important predictor of sales performance of network marketers and Ethiopian network marketers are extrinsically motivated hence, NMOs must target those individuals that are highly in need of financial success.

Key words: *motivation, social cohesion, self-efficacy belief, commitment, training and performance.*

Acronyms

NMO = Network Marketing Organization

NMB = Network Marketing Business

NM = Network Marketing

IBO = Independent Business Owners

MLM= Multi-Level Marketing

DSA = Direct Selling Association

SDT = Self-Determination Theory

WFDSA = World Federal Direct Selling Association

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CHAPTER ONE

1. INTRODUCTION

This chapter describes an introduction of the study and it contains; background of the study, statement of the problem, research question, objective of the study, significance of the study, scope and delimitation of the study, limitation of the study and operational definition of key terms.

1.1 Background of the Study

Network marketing, also known as direct selling or multilevel marketing, is a system in which a manufacturer (network marketing firm) pays people outside the company to sell its products and services directly to consumers (Harris, 2004). In return, each salesperson (network marketer) is given the opportunity to build his or her own network marketing organization (NMO) by recruiting, training and motivating others to sell the same products and services (Harris, 2004).

Network marketers are independent contractors who have no obligation to comply with the instructions of management (Harris, 2004). The relationship between network marketers and the NMO is neither an employment relationship nor a franchise relationship (Vander Nat & Keep, 2002). The only option for NMOs to regulate network marketers' performance behaviors is to influence their network marketers through creating a social environment, rather than to regulate the network marketers' behaviors through established policies (Biggart, 1989).

Many NMOs position network marketing as an opportunity for one to become "entrepreneur" without the substantial up-front cost in time and money typical in starting his/her own business. Entrepreneurship is one of salient features promoted by NMOs and pursued by network marketers (Biggart, 1989; Kuntze, 2001). NMOs often promote their programs through appeals to the entrepreneurial spirit and wealth creation impetus to attract ordinary people (Biggart, 1989). There is a substantial difference between the methods of operating a conventional small business and a network marketing business. In most cases, each conventional small business owner operates his/her business independently, whereas different network marketing business owners work collectively

and operate their businesses together, in spite of the fact that each of them is responsible for his/her profit and costs (Biggart, 1989, Bhattacharya & Mehta, 2000). Collectively working allows network marketers to share resources and risks faced in operating their business (Biggart, 1989, Bhattacharya & Mehta, 2000), which substantially reduces the barriers or hurdles for network marketers to start their network marketing businesses.

Researchers claim that the most important trait for the success of entrepreneurs is the need for achievement (e.g. Johnson, 1990). Achievement for network marketers is financial performance or success (Dai, 2012). The main entrepreneurial activities (action) undertaken by network marketers can be summarized as the combination of selling products, recruiting new network marketers and supporting and training them to do the same things (Biggart, 1989). The entrepreneurial action undertaken by network marketers, determines their financial performance (Dai, 2012).

NMO has occurred in business for over fifty years and made substantial contributions to the business world (World Federal Direct Selling Association, 2009; Kuntze, 2001; Biggart, 1989; Sparks & Schenk, 2001, 2006). Network marketing organization (NMO) is a growing form of business organization. According to the World Federation of Direct Selling Association (2009), there has been a growth in the number of individuals in network marketing business. However, Because of negative public image or lack of understanding of its economic impact (Peterson, Albaum & Ridgway, 1989), only a small number of empirical studies on NMO were conducted. The first comprehensive study of NMOs was conducted by Biggart (1989) from a sociological perspective. Other studies covers entrepreneurial motivation (Kuntze, 2001), ethnic entrepreneurship (Lin, 2007), and immigrant entrepreneurship performance (Dai, Teo, & Wang, 2007, 2010 & 2011; and Dai, 2012).

According to the studies of Dai (2012) on the entrepreneurial performance of Chinese immigrant in Australia, which developed a model of immigrant network marketers entrepreneurial performance based on social cognitive theory, and literature of immigrant entrepreneurship that identifies factors (influence of social environment in NMO, motivation, self-efficacy, desire for opportunity, social competence, human capital and actions undertaken) that determine immigrants' performance in pursuing entrepreneurship in the field setting of network marketing organization.

Social cognitive theory explains psychosocial functioning in terms of triadic reciprocal causation in which behavior, cognitive and other personal factors, and environmental events all operate as interacting determinants of each other (Bandura, 1986). Based which the study identify three dimensions: the influence of the social environment in NMOs (organizational training and social cohesion), personal and cognitive factors (self-efficacy), and factors of behaviors (motivation and commitment in conducting a network marketing business).

Social environment refers to the social setting of the NMO in which the members of the organization collaborate, interact and develop business (Biggart, 1989). The finding of Dai Fu's study indicate that social environment in network marketing organization positively affect network marketers motivation, desire for opportunity, self-efficacy, social competence and human capital.

Self-efficacy refers to individuals' conscious belief in their own ability to bring about desired results in the performance of a particular task (Bandura, 1997). The network marketers' desire for network marketing business opportunities, their self-efficacy, social competence and human capital, positively affect the actions undertaken, which in turn positively influences the financial performance outcomes arising from their network marketing business (Dai, 2012).

For a country like Ethiopia with low wage rate, network marketing company like Tiens, DXN, Edmark and Foreverliving can play a great role by providing entrepreneurial opportunity for the people to create their own network marketing organization and enjoy time and financial freedom without high resource requirement.

Currently there are four international network marketing companies in the country – US-based Forever Living, Tiens Group from China, and Malaysian companies Edmark and DXN (Capital News, 2013).

Tiens Health Products is the first China based direct selling company that manufactures and distributes Traditional Chinese Health Products Internationally. Tiens has developed and produced 37 nutrition supplements, which include wellness products and dietary supplements. Tiens Group opened a local branch in Ethiopia in 2007 (Capital News, 2013) and currently has more than 188,000 sales people and customer of the company. Beside the existence of network marketing organization and their positive economic

contribution to the country there is no any empirical study related to network marketing and network marketers in our country.

In order for network marketing organization to provide positive economic benefit continually they must succeed in their business operation. However, the success of network marketing organization (NMO) depend largely on the performance of its network marketer, which makes it necessary to understand what factors lay behind the performance of network marketers. So this study focuses on factors that affect network marketer's entrepreneurial performance.

The purpose of this study was to test whether the factors identified by Dai, Teo & Wang (2011) as factors affecting Chinese immigrant entrepreneurial performance can also affect Ethiopian network marketers' entrepreneurial performance. This is because, whether they are immigrant or not they share the same basic ground. Researchers explain the main reason for immigrants to pursue self-employment and finally become more established businesspeople is that they are disadvantaged in the labor market because of their inadequacy in the host country's language skills, their relative lack of education and specific career-related skills, the depreciation of human capital, etc. (Chaganti & Greene, 2002). On the other hand Ethiopian network marketers join network marketing organization to escape low payment employment in government offices and to have some job instead of staying unemployed. According to necessity theory, network marketers are pushed into entrepreneurship because they have no better choices for work or for making a living (Henrekson, 2005; Bergmann & Sternberg, 2007).

1.2 Statement of the problem

The total sales revenue of network marketing firms was \$182.8 Billion in 2014 and the average sales growth in the last three years was 6.5%, and 99.7 million people participated in direct selling activities (WFDSA, 2014). The share of Africa from sales revenue was 1.08 billion (0.6%), sales growth of 6.4% and 1.5 million people in direct selling activities (WFDSA, 2014).

The cost for an individual to start an independent direct selling business is typically very low, usually, a modestly priced sales kit is all that is required for one to get started, and there is little or no required inventory or other cash commitments to begin (WFDSA,

2014). This stands in sharp contrast to franchise and other business investment opportunities which may require substantial expenditures and expose the investor to a significant risk of loss (WFDSA, 2014). This presents huge entrepreneurial opportunities for Ethiopian youngsters to have their own network marketing business without devoting large resource. Besides that, direct selling provides important benefits to individuals who desire an opportunity to earn an income and build a business of their own; to consumers who enjoy an alternative to shopping centers, department stores or the like; and to the consumer products market (WFDSA, 2014). It offers an alternative to traditional employment for those who desire a flexible income earning opportunity to supplement their household income, or whose responsibilities or circumstances do not allow for regular part-time or full time employment (WFDSA, 2014).

Different studies indicate that the major challenges to NMO are 1) overcoming negative perceptions, 2) retaining existing network marketers, and 3) attracting new people (Granfield and Nicols, 1975; Biggart, 1989; Bhattacharya and Mehta, 2000; Sparks and Schenk, 2001 & 2006). On the other hand NMOs use the following strategies to attract new and retain existing network marketers; 1) creating a favorable social environment, 2) promoting entrepreneurial opportunities, and 3) influencing network marketer's behaviors (Bhattacharya and Mehta, 2000; Sparks and Schenk, 2001; Sparks Schenk, 2006).

Biggart (1989) suggests that the critical factor for a network marketing firm's success is its ability to engage with energies of a large number of people and shape them into a highly productive organization. This implies that NMOs success is affected by network marketer's performance.

Dai, Teo & Wang (2010) and Dai (2012) on the other hand argues that the causative relationship between psychological (self-efficacy, desire for opportunity, human capital and social competence), behavioral factor (action undertaken and motivation) and influence of social environment can comprehensively explain how immigrants are attracted to the network marketing business, take actions and achieve their successes. and, the effectiveness of the actions in pursuing entrepreneurship from network marketing business is determined by the network marketers' personal factors (self-

efficacy, desire for entrepreneurial opportunity, motivations, social competence and human capitals) and their environment (Dai, Teo & Wang, 2010; Dai, 2012).

However, because of negative public image or lack of understanding of its economic impact (Peterson, Albaum & Ridgway, 1989), only a small number of empirical studies on NMO were conducted. The first comprehensive study of NMOs was conducted by Biggart (1989) from a sociological perspective, while the existing empirical studies mainly cover areas of transformational leadership (Sparks & Schenk, 2001), organizational socialization (Bhattacharya & Mehta, 2000; Sparks & Schenk, 2006), organizational citizenship (Sparks & Schenk, 2006), legality and ethics in NMOs (Peterson &Albaum, 2011), entrepreneurial motivation (Kuntze, 2001), ethnic entrepreneurship (Lin, 2007), and immigrant entrepreneurship performance (Dai, Teo, & Wang 2010; and Dai, 2012). Besides, although large number of studies on entrepreneurship has been conducted, the examination of entrepreneurship process for NMOs has not been given sufficient attention (Dai, 2012). Many studies have overlooked the assessment of the network marketers' motivation, self-efficacy and the influence of social environment in NMO (training and social cohesion), as well as the network marketing business entrepreneurial commitment as central tenets of network marketers' performances in their network marketing businesses (Dai, Teo & Wang, 2011).

As far as the search for literature the studies which are made on network marketer's entrepreneurial performance by (Dai, Teo & Wang) were with perspective of Chinese immigrant entrepreneurship in Australia. However in Ethiopia, except some controversies regarding legal and ethical aspect of network marketing which was written on capital newspaper there was no any empirical studies on issues related to network marketer's performance, which provides the need to conduct research on network marketing. Therefore this study was conducted by focusing on sales people side of network marketing business and try to test effect of environmental factor (training and social cohesion in NMO), personal factor (self-efficacy) and behavioral factor (motivation and commitment) on Ethiopian network marketers' performance. Studying factors affecting Ethiopian network marketers' entrepreneurial performance was important because it provides managers of network marketing organization better chance to understand factors

behind their salespersons' performance which helps in developing strategies for attracting new and retain existing sales people.

1.3 Research Questions

1.3.1 Main Research Question

How does the social environmental factor in NMO, the personal and behavioral factors of network marketers' affects network marketers' sales performance?

1.3.2 Specific Research Question

1) How does the motivation of the Ethiopian network marketers affect their sales performance?

2) How does the training in the Ethiopian NMO affect network marketer's sales performance?

3) How does the social cohesion, which exists in Ethiopian NMOs affects Ethiopian network marketers' sales performance?

4) How does the NMB specific self-efficacy of Ethiopian network marketers' affect their sales performance?

5) How does Ethiopian network marketer's commitment in conducting NMB affects their sales performance?

1.4 Objectives of the study

1.4.1 General objective

The general objective of the study was to describe and examine the effect of personal, environmental and behavioral factors of Ethiopian network marketer's on their sales performance.

1.4.2 Specific objective

1. To examine the influence of training in the Ethiopian NMO on the network marketers financial performance.

2. To examine the influence of social cohesion in the Ethiopian NMO on the network marketers financial performance.
3. To analyze the effect of Ethiopian network marketer's self-efficacy belief on their sales performance.
4. To examine the relationship between Ethiopian network marketer's motivation and their sales performance.
5. To examine the relationship between commitment in conducting NMB by Ethiopian network marketers and their sales performance.
6. To examine the effect of gender, age and educational difference on network marketer's sales performance

1.5 Significance of the study

Since there is no empirical studies on factors affecting network marketer's entrepreneurial performance for non-immigrant network marketers with the perspective Ethiopian social setting, this study can be used as empirical evidence in this respect. It also fills the gap in literature on network marketing organization. Understanding factors behind network marketer's performance can enhance success of NMO which in return provides huge employment opportunity.

The present study has two practical implications.

1. By understanding the factors affecting sales performance, NM business entrepreneurs are able to develop effective strategies to conduct their business activities.
2. The management of direct selling firms may apply the model applied in the current study to create an appropriate social environment within NMO and improve network marketers' productivity.

1.6 Scope and delimitation of the study

The focus of this study was to examine factors that affect network marketer's performance in Ethiopia by assessing the effect of training in NMO, social cohesion among members in NMO, network marketer's self-efficacy believes, motivation of

network marketer's and commitment of network marketer's in conducting NMB on network marketer's sales performance. The study scope is confined to the members of three NMOs in Addis Ababa namely DXN, Edmark and Forever living.

1.7 Limitations of the study

This study is limited to examining the factors which are influence of the social environment in NMOs (training and social cohesion), personal and cognitive factors (self-efficacy), and factors of behaviors (motivation and commitment in conducting a network marketing business) which believed to affect the entrepreneurial performance of network marketers.

In addition, since the survey was conducted in Addis Ababa it may raise question on the generalizeability of the finding to the entire country.

1.8 Operational definition of key terms

Influence of Social Env't in NMO; is characterized as the cohesive atmosphere in the organization, training provided by the organization, and encouragement and support between network marketers (Dai, 2012, p.233)

Cohesion in NMO; is the degree of trust, cooperation and dependability members feel from other members in their organization (Dai, 2012, p.58)

Training; is a firm specific training provided by NMO to its network marketers (Dai, 2012, p.58)

Encouragement and Support; is information, examples and supports offered by peers (Dai, 2012, p.58)

Self-efficacy; refers to individuals' conscious belief in their own ability to bring about desired results in the performance of a particular task (Bandura, 1994, p.2)

NMB specific self-efficacy; is network marketers' beliefs about their confidence and certainty of success from their NMB (Dai, 2012, p.58)

Motivation; reason to join and perform in NM business (kuntze, 2001, p.32)

Extrinsic motivation; is “the perceived ‘extrinsic’ rewards of money, fame, social standing, and anticipated power and freedom that are driving the desire” (Kuntze, 2001, p.34).

Intrinsic motivation; is “the pure enjoyment and sense of accomplishment in the work or endeavor” (Kuntze, 2001, p 62).

Entrepreneurial action or commitment; is defined as the act of a network marketer pursuing profits through selling products, recruiting new network marketers and supporting/training them to do the same thing (Dai, Teo & Wang, 2011, p.8)

Performance; is financial result (commission) earned by network marketer’s (Dai, 2012, p.235)

CHAPTER TWO

REVIEW OF RELATED LITERATURE

This chapter presents extent literature related to the subject of the study and organized in to three general categories which are; theoretical framework, empirical literature and conceptual framework. Under theoretical framework, different theories and constructs in this study are presented while in conceptual framework, relationship between constructs established.

2.1 Theoretical Framework

2.1.1 Social Cognitive Theory

Social cognitive theory explains psychosocial functioning in terms of triadic reciprocal causation (Bandura, 1986). In his causal model, behavior, cognitive and other personal factors, and environmental factors all operates as interacting determinant that influence each other bidirectionally. In the discussion of the determinants of human behaviors, Bandura (1986) argues that when environmental conditions exercise powerful constraints on behavior, they emerge as the overriding determinants; when situational constraints are weak, personal factors serve as the predominant influence in the regulatory system; the activation and maintenance of defensive behavior are an illustration in which cognition exerts the foremost influence. Behavior is powerfully controlled by beliefs (Bandura, 1986). Efficacy beliefs play a key role in shaping the course that individual lives take (Bandura, 2001). Based on social cognitive theory this study attempt to explain how Ethiopian network marketers become network marketers and explore entrepreneurial opportunities in network marketing business in three dimensions: the influence of the social environment in NMOs, personal and cognitive factors (self-efficacy, social competence), factors of behaviors (motivation and actions undertaken in conducting a network marketing business).

Social cognitive learning theory highlights the idea that much of human learning occurs in a social environment. By observing others, people acquire knowledge of rules, skills,

strategies, beliefs, and attitudes. Individuals also learn about the usefulness and appropriateness of behaviors by observing models and the consequences of modeled behaviors and they act in accordance with their beliefs concerning the expected outcomes of actions. In this study, social environment refers to the social setting of the NMO in which the members of the organization interact.

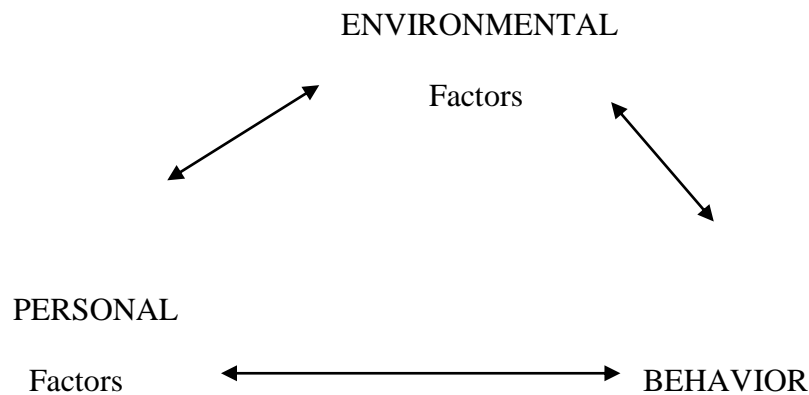


Figure 1: Bandura's Triadic Reciprocal Determinism between environmental, personal and behavioral factors (Bandura, 1986).

Social Cognitive Theory explains how people acquire and maintain certain Behavior patterns and provides the basis for intervention strategies (Bandura, 1997). Social Cognitive Theory is the framework for designing, implementing and evaluating programs that change people's behaviours (Bandura, 1997).

Since Social Cognitive Theory was introduced by Bandura (1986), it has inspired a large and diverse body of research in social psychology (McCormick & Martinko, 2004). This theory has been used as a conceptual framework for explaining a variety of human phenomenon including academic performance, achievement behavior, alcohol and drug abstinence, career choice, decision making, gender difference in performances, sport and motor performance, and different forms of political participation (McCormick & Martinko, 2004). Based on Social Cognitive Theory (Bandura, 1986), Dai (2012) developed a model of network marketer entrepreneurial performance which reciprocally determines network marketers performance by recognizing the presence of an interactive

or reciprocal relationship between social environment, personal & other factor, and behavioral factors for Chinese immigrant performance in Australian NMOS. This model contains three category of factors; i) influence of social environment in NMOS ii) personal and other factors (self-efficacy, social competence and human capital) iii) behavioral factor (entrepreneurial action, desire for opportunity and motivation) which through reciprocal causation affect performance.

2.1.2 Training

Training is part of Human Resource Development (HRD). Human resource development is concerned with training, development and education. HRD has been defined as an organized learning practice, conducted in a specific time period, to increase the opportunity of improving job performance and growth. Training is defined as learning that is provided in order to improve performance on the present job (Nadler, 1984).

Effective training and development programs aimed at improving the employees' performance. Training refers to bridging the gap between the current performance and the standard desired performance. Training could be given through different methods such as on the coaching and mentoring, peers' cooperation and participation by the subordinates. This team work enable employees to actively participate on the job and produces better performance, hence improving organizational performance (Nadler, 1984). Training not only develops the capabilities of the employee but sharpen their thinking ability and creativity in order to take better decision in time and in more productive manner (Nadler, 1984). Moreover it also enables employees to deal with the customer in an effective manner and respond to their complaints in timely manner (Nadler, 1984).

Training may also be an efficient tool for improving ones job satisfaction, as employee better performance leads to appreciation by the top management, hence employee feel more adjusted with his job (Nadler, 1984). Training is important and an imperative tool for the organization to revamp the performance of all the personnel for organizational growth and success. It is beneficial to both employers and employees of an organization. An employee will become more efficient and productive if he is trained well (Nadler, 1984).

Recognizing the role of training practices, enable the top executives to create better working environment that ultimately improves the motivational level as well as the performance of the workforce.

NMOs organize various training activities to help network marketers to obtain business competencies (Biggart, 1989; Pratt, 2000). One important outcome of these training activities is to increase individual network marketers' self efficacy in conducting their network marketing businesses (Bandura, 1986; Bandura, 1997).

In the literature of organizational training, two types of organizational training have been identified: i) general training; and ii) firm specific training (Becker, 1975). This thesis will focus on network marketing organization specific training.

2.1.3 Social cohesion

The social and motivational forces that exist between group members create a bond, or cohesion, among the members of the group, and that the stronger the bond, the greater the productivity of the group (Beal et al. (2003).

Mullen and Copper (1994) examined the long-held notion that cohesion is composed of interpersonal attraction, group pride, and task commitment. They concluded that task commitment was significantly related to performance and that interpersonal attraction and group pride were not independently related to performance.

One important reason for distinguishing between types of cohesion is that social cohesion has sometimes been linked to bad team performance-at least from the perspective of the goals of the larger organization (Beal et al. (2003). Recent evidence shows that it is social cohesion rather than task cohesion (or together with low task cohesion) that is responsible for any negative effects (Beal & Cohen, 2003).

Campbell and his colleagues (Campbell, 1990; Campbell et al., 1993) argued for a distinction between performance as behavior and performance as outcome. Put simply, performance is in the doing, not in the result of what has been done. The latter view of performance as outcome is fairly common in many areas of applied psychology, including the literature on cohesion and performance. As Campbell and others have pointed out, this latter view of performance does not take into consideration the many potential impediments to performance that are outside the control of the individual or

group of individuals. For example, group sales outcomes might depend heavily on location, time of year, and economic conditions—none of which are indicators of a group's ability to perform.

Cohesion–performance relations would be stronger when performance is conceptualized and measured as a behavior as opposed to an outcome, and measures of performance efficiency would have a stronger relation to cohesion than measures of performance effectiveness (Beal et al., 2003). Cohesion would be beneficial to groups whose patterns of team workflow required greater workflow between members. As team workflow increased, the cohesion–performance relation became stronger (Beal et al. (2003).

The cohesiveness - performance effect was stronger in smaller groups, and among real groups compared to artificial groups created in the laboratory. The separate contributions of different components of group cohesiveness were gauged, revealing that the relation between cohesiveness and performance is due primarily to the "commitment to the task" component of cohesiveness, and not the "interpersonal attraction" or "group pride" components of cohesiveness (Mullen and Copper, 1994).

In NMOs, most training programs are provided by experienced network marketers (Sparks & Schenk, 2001). Each of the network marketers are independent small business owners or contractors (Biggart, 1989), who have no obligation to comply with instructions from others (Sparks & Schenk, 2001). The pre-condition for running a successful training program is the cohesive environment in the NMO. The competition among NMOs is not encouraged (Sparks and Schenk, 2006).

2.1.4 Self-Efficacy

In Bandur's social cognitive theory, self-efficacy occupies a pivotal role. Perceived self-efficacy is defined as people's beliefs about their capabilities to produce designated levels of performance that exercise influence over events that affect their lives. Self-efficacy beliefs determine how people feel, think, motivate themselves and behave. Such beliefs produce these diverse effects through four major processes. They include cognitive, motivational, affective and selection processes. People with high assurance in their capabilities approach difficult tasks as challenges to be mastered rather than as threats to be avoided (Bandura, 1994). In contrast, people who doubt their capabilities shy away

from difficult tasks which they view as personal threats. They have low aspirations and weak commitment to the goals they choose to pursue (Bandura, 1994).

People's beliefs about their efficacy can be developed by four main sources of influence. The first and most effective way of creating a strong sense of efficacy is through mastery experiences. Successes build a robust belief in one's personal efficacy. Failures undermine it, especially if failures occur before a sense of efficacy is firmly established (Bandura, 1994). If people experience only easy successes they come to expect quick results and are easily discouraged by failure.

The second way of creating and strengthening self-beliefs of efficacy is through the vicarious experiences provided by social models. Seeing people similar to oneself succeed by sustained effort raises observers' beliefs that they too possess the capabilities master comparable activities to succeed. By the same token, observing others' fail despite high effort lowers observers' judgments of their own efficacy and undermines their efforts (Bandura, 1994).

Social persuasion is a third way of strengthening people's beliefs that they have what it takes to succeed. People who are persuaded verbally that they possess the capabilities to master given activities are likely to mobilize greater effort and sustain it than if they harbor self-doubts and dwell on personal deficiencies when problems arise. To the extent that persuasive boosts in perceived self-efficacy lead people to try hard enough to succeed, they promote development of skills and a sense of personal efficacy (Bandura, 1994). It is more difficult to instill high beliefs of personal efficacy by social persuasion alone than to undermine it.

The fourth way of modifying self-beliefs of efficacy is to reduce people's stress reactions and alter their negative emotional proclivities and misinterpretations of their physical states. People also rely partly on their somatic and emotional states in judging their capabilities. They interpret their stress reactions and tension as signs of vulnerability to poor performance. Mood also affects people's judgments of their personal efficacy. Positive mood enhances perceived self-efficacy; despondent mood diminishes it (Bandura, 1994). People who have a high sense of efficacy are likely to view their state of affective arousal as an energizing facilitator of performance, whereas those who are beset by self-doubts regard their arousal as a debilitator.

According to Bandura (1994), there are four major psychological processes through which self-beliefs of efficacy affect human functioning; Cognitive processes, Motivational Processes, Affective Processes, and Selection Processes. In this study two issues will be related to network marketing specific self-efficacy which is perceived difficulty and confidence (Krueger, 1993).

2.1.5 Motivation

To be motivated means to be moved to do something. A person who feels no impetus or inspiration to act is thus characterized as unmotivated, whereas someone who is energized or activated toward an end is considered motivated (Lunenburg, 2011). Self-Determination Theory distinguished between different types of motivation based on the different reasons or goals that give rise to an action. The most basic distinction is between intrinsic motivation, which refers to doing something because it is inherently interesting or enjoyable, and extrinsic motivation, which refers to doing something because it leads to a separable outcome.

Expectancy theory is a cognitive process theory of motivation that is based on the idea that people believe there are relationships between the effort they put forth at work, the performance they achieve from that effort, and the rewards they receive from their effort and performance. In other words, people will be motivated if they believe that strong effort will lead to good performance and good performance will lead to desired rewards (Lunenburg, 2011).

Expectancy theory is based on four assumptions (Vroom, 1964). One assumption is that people join organizations with expectations about their needs, motivations, and past experiences. These influence how individuals react to the organization. A second assumption is that an individual's behavior is a result of conscious choice. That is, people are free to choose those behaviors suggested by their own expectancy calculations. A third assumption is that people want different things from the organization. A fourth assumption is that people will choose among alternatives so as to optimize outcomes for them personally.

The expectancy theory is based on these assumptions that have three key elements: expectancy, instrumentality, and valence. A person is motivated to the degree that he or

she believes that (a) effort will lead to acceptable performance (expectancy), (b) performance will be rewarded (instrumentality), and (c) the value of the rewards is highly positive (valence).

Lunenburg (2011) suggests, Leaders should try to increase the belief that employees are capable of performing the job successfully. And indicate that the way to do it is by; selecting people with the required skills and knowledge; providing the required training and clarifying job requirements; providing sufficient time and resources; assigning progressively more difficult tasks based on training; following employees' suggestions about ways to change their jobs; intervening and attempting to alleviate problems that may hinder effective performance; providing examples of employees who have mastered the task; and providing coaching to employees who lack self-confidence. In this study two issues will be examined related to motivation that is extrinsic motivations and intrinsic motivations.

2.1.6 Entrepreneurial Commitment or Action

An individual can only earn profits if he or she recognizes that the opportunity exists and has value and then takes action (McMullen & Shepherd, 2006). Identifying entrepreneurial opportunities is the first step in the process of entrepreneurship (Pretorius, Millard & Kruger, 2006). However, even if a person possesses the prior information necessary to discover an opportunity, he or she may lack commitment to take entrepreneurial action because of an inability to see new means-ends relationships (McMullen & Shepherd, 2006). McMullen and Shepherd (2006) suggest that many theoretical explanations as to why prospective entrepreneurs choose to pursue a possible opportunity can be classified into two simple conceptualizations of the role that uncertainty plays in preventing action: i) the amount of uncertainty perceived; and ii) the willingness to bear uncertainty. The amount of uncertainty is considered to be the barrier between prospective entrepreneurs and entrepreneurial action (McMullen & Shepherd, 2006). Entrepreneurial actions are any newly fashioned behaviors through which entrepreneurs exploit opportunities that others have not noticed or aggressively pursued (Kuratko, Ireland & Hornsby, 2001). Entrepreneurial action is defined as the extent of activities undertaken by network marketers in conducting their businesses (Dai, 2012). In this study issues related to entrepreneurial commitment under investigation was the hours

spent in conducting network marketing business, such as, recruiting, products selling, and training related activities.

2.1.7 Network marketing organization

The concept of Multilevel Marketing or referral marketing is a method of product distribution. The products are moved through independent distributors. The distributors are given an opportunity to introduce other distributors to the business. Instead of incurring massive media advertising and sales promotion cost, the savings are passed on to distributor consumers. Distributors share the large revenue that normally goes to the middleman. At the same time products are available to consumers at wholesale prices (korothe, 2011).

Multi-level marketing (MLM), otherwise known as network marketing, evolved to reach out to customers who were either beyond the reach of conventional bricks and mortar retailers or who need to be convinced face-to-face by someone they trusted to buy pricey, high involvement products (Spire, 2011). The world's most successful MLM firms have been equally successful at two things. The first is creating products that people want to buy through network sales rather than other channels. The second is perfecting a process for recruiting, training and motivating sales representatives (Spire, 2011).

A belief in entrepreneurialism and a belief in the transformative power of products are the two most important bases for network marketing organization to attract newcomers to the business (biggart, 1989). Some scholars describe network marketing as a method of non-store retailing because it involves face-to-face communication between a sales representative and a potential buyer (Vander Nat & Keep, 2002).

Although it have a lot of advantages such as: securing distribution and sales quickly at a relatively low fixed cost, gaining consumer acceptance for a new product particularly when this involves a new entrant in that product industry, gaining entrance to a market while avoiding excessive promotional and advertising expenses as well as potential price wars and earning a potentially higher rate of return on sales by eliminating large outlays for media advertising (Granfield & Nicols, 1975), the usual public image of network marketing organization (NMO) is negative. Multilevel marketing (MLM) is a retail channel of distribution that has a negative image in the minds of many individuals and is

under increasing scrutiny by government regulatory agencies around the globe (Albaum & Peterson, 2011). This can be because of the association of network marketing to pyramid scheme and the level of internal consumption. Pyramid schemes compensate participants for recruiting other participants into the scheme, Without regard to the generation of actual product sales (Coughlan, 2012). But, NM is the business in which distributors earn income from their own retail sales and from sales made by other direct and indirect recruits, that is, people they have recruited to sell, and people their recruits have recruited, into the direct selling organization as distributors (Vander Nat & Keep, 2002). In addition, a distributor's own sales include products consumed by the distributor himself or herself, that is, internal consumption. However, although recruitment of others to join an MLM network is encouraged, no rewards are given for the simple act of recruitment (Albaum & Peterson, 2011). According to Albaum (2008), there is no pyramid if a product/service is being sold, the fee for becoming a distributor is fair and reasonable, there is no inventory loading, and buyback is available.

According to Biggart, the main difference between bureaucratic organizations and network marketing organization is the view about workers social relation. The bureaucratic organizations seek to exclude non-work social relations in order to control workers, whereas the network marketing industry pursues profits in the opposite way, by making social networks serve business ends (Biggart, 1989).

Challenges, a network marketing organizations facing, are how to overcome the obstacle of negative public image (Bloch, 1996), attract as many people as possible to join the sales force of the network marketing business, and maintain and control the sales force (Msweli and Sargeant 2001).

2.1.8 Network marketing organization strategies

The major area of competition between network marketing firms occurs in the labor market (Granfield & Nicols, 1975). NMOs vigorously compete against each other to attract full and part time sales people (Granfield & Nicols, 1975). In order to attract people into their businesses, most NMOs have no recruitment criteria at all and anyone willing to try is welcomed through their open door policy (Biggart, 1989; Kuntze, 2001). Many network marketers do not have any experience in sales prior to joining the NMO (Biggart, 1989). The strategies used by NMOs include creating a favorable social

environment, promoting entrepreneurial opportunities, and influencing recruits' behavior (Sparks & Schenk, 2001).

2.1.8.1 Promoting entrepreneurial opportunities

NMOs often promote their programs through appeals to the entrepreneurial spirit and wealth creation impetus to attract ordinary people (Biggart, 1989; Kuntze, 2001). Many NMOs position network marketing as an opportunity for one to become “entrepreneur” without the substantial up-front cost in time and money typical in starting his/her own business or buying into a franchise (Kuntze, 2001), they have traded heavily as an easy way of entry into entrepreneurship (Biggart, 1989).

The core components of entrepreneurship involve discovering and exploring opportunities (Ensley, Pearce & Himieleski, 2006). Entrepreneurship requires action; it typically involves a meso-level phenomenon, in which personal initiative influences system-wide activity and outcome (McMullen & Shepherd, 2006). Uncertainty constitutes a conceptual cornerstone for most theories of the entrepreneur (McMullen & Shepherd, 2006). McMullen and Shepherd (2006) suggest that many theoretical explanations as to why prospective entrepreneurs choose to pursue a possible opportunity can be classified into two simple conceptualizations of the role that uncertainty plays in preventing action: i) the amount of uncertainty perceived, ii) the willingness to bear uncertainty.

High needs for achievement is the most important trait of entrepreneurs (Zhao & Seibert, 2006). The need for achievement refers to the concern for long-term involvement, competition against some standard of excellence, and unique accomplishment (Choi, 2006). A high need for achievement would drive individuals to become entrepreneurs primarily because of their preference for situations in which performance is due to their own efforts rather than to others factors (Zhao & Seibert, 2006). Such need is characterized by: i) a high interest in tasks which require a considerable level of skill and problem-solving ability; ii) a tendency to set moderately difficult goals; iii) a preference for concrete and quantitative feedback; and iv) a pursuit of satisfaction which is derived from the task itself and task performance (Zhao & Seibert, 2006).

Entering into the business world requires the entrepreneur to have, or obtain, numerous resources. However, network marketing business is the option for those who do not have access to resources and want to enter the business, because it does not require substantial resources (Biggart, 1989; Kuntze, 2001).

The way of promoting entrepreneurship adopted by network marketing particularly appeals to those individuals, who are entrepreneurship oriented with less education, or inexperienced, or being short of adequate financial resources (Kuntze, 2001).

2.1.8.2 Influencing network marketer's behavior

The relationship between network marketers and the NMO is neither an employment relationship nor a franchise relationship (Vander Nat & Keep, 2002). The only option for NMOs to regulate network marketers' performance behaviours is to influence their network marketers through creating a social environment, rather than to regulate the network marketers' behaviours through established policies (Biggart, 1989). NMOs organize various training activities to help network marketers to obtain business competencies (Biggart, 1989). One important outcome of these social influences and training activities is to increase individual network marketers' self- efficacy in conducting their network marketing businesses (Bandura, 1986; Bandura, 1997).

2.1.8.3 Creating favorable social environment

A review of the literature suggests that the main strategies adopted by NMOs in creating a favorable social environment could be classified as macro- and micro-level strategies. At the macro-level, the main strategy is to create a non-competitive business environment within it and network marketers are taught to help each other rather than compete with each other (Bhattacharya & Mehta, 2000). With the minds and hearts of the dispersed workforce management, NMOs develop educational programs to change the network marketers' way of thinking and feeling about themselves in relation to their organization (Pratt, 2000).

The micro-level strategies focus on network marketing business specific communications, working attitudes and the relationship between individual network marketers (Sparks & Schenk, 2001; 2006). Sparks and Schenk (2006) examined socialization communication, organizational citizenship behaviors and sales in NMOs.

They found a positive correlation between sponsors' socialization communications and their recruits' organizational citizenship behaviours and feelings of unit cohesion. The result of study by Spark and Shenk, (2006) indicate that cooperation in and of itself does not hinder the financial performance of individual distributorship. A study of the relationship between individual sponsors and recruits is also found in the literature (Sparks & Shenk, 2001). It suggests that network marketing firms establish elaborate systems of support through which network marketers receive guidance and leadership from each other. This study also points out two components of the organizational support systems, including the relationship between sponsors and recruits and informal work groups of network marketers created by sponsors for their recruits, which play crucial roles in the work relationship among network marketers (Sparks & Shenk, 2001). In their study, Sparks and Schenk (2001) have explored the impact of sponsors' transformational leadership on recruits' job satisfaction, perception of their group's network marketing members, and a belief in the purpose of their work, finding positive correlations between them.

2.2 Empirical Studies of Network Marketing Organizations

Bhattacharya and Mehta (2000), in their research paper, claim that the average distributors in network marketing organization earn very little money. Network marketing organizations differ from traditional firms which don't have any type of sales store and their distributor's not only sales product but also recruit others to do the same (Bhattacharya and Mehta, 2000). According to them distributor's exploits the social ties they have with others. These distributors recruit and sales among their friends, relatives and acquaintances and their social lives revolve primarily around parties, meetings, rallies, brand building seminars (Bhattacharya and Mehta, 2000). They also state that the trend in NMOs performance is good. Network marketing organization has been doing very well in recent times However, their success is unpredictable (Bhattacharya and Mehta, 2000). Their finding indicate that, The average distributors get very less money and they have formed close knit and exclusive social groups. Different individuals give different weight to social satisfaction. Social output is generated by social efforts and at the same time economic efforts also have some social productivity.

Ouyang and Grant (2004), by focuses on a theoretical model of NMOs that is behavior rational, illustrates how NMOs convert social network into sales opportunity by incorporating the size of sales force with individual contacting rate and sales people's persuasive rate. According to them The NMO label is particularly descriptive because, unlike single level direct selling organizations, sales in NMOs are dependent upon the active recruitment activity of direct salespeople who recruit, train, and supervise new direct salespeople who become part of recruiter's downlink (Ouyang & Grant, 2004). In return the recruiting salesperson receives compensation for the sales of downlink members as well as their own sales. This promise to pay downlink commissions serves as a powerful incentive to accept membership in NMOs (Ouyang & Grant, 2004).

The author tried to find out how NMOs capitalize social network into sales opportunities and finally developed the model which is capable of proving various real situations in NMOs practices. The model suggests that, the successful NMOs are those with the contact rate and the persuasive rate dominating the quitting rate i.e. how many people an IBO have contacted and persuade them is higher than how many people quit the organization. Unsuccessful NMOs are those with the quitting rate is dominated the contact rate and the persuasive rate i.e. how many people leave the organization is higher than how many people contacted and persuade(Ouyang & Grant, 2004).

The study of Wotruba, Brodie and Stanworth (2005), focuses on Turnover of Salespeople of direct marketing organizations which impact on size and continuity of revenue generation of salespeople. According to them the turnover rate of direct selling organization is high and intention to quit differ significantly between Multilevel (ML) and Single level (SL) forms of direct selling organizations. In addition, direct salespeople are self employed, not company employees and therefore they have to develop some skills and characteristics for development of their business. Their compensation and incentives are based on individual sale and sale of their down line as they are not getting any salary from organization. Direct selling firms operates fewer than two organizational structures namely Multilevel (ML) and Single level (SL). In multilevel organization, direct selling people recruit, train and supervise other direct selling people who become part of the recruiter's down line. In single level organization, salespeople do not build an organization through recruiting and training but concentrates on selling and getting

compensation on their own sales. They also state that multilevel direct seller's shows significantly greater organizational commitment than single level direct sellers.

Finally authors conclude that intensity to quit is significantly greater for single level than for multilevel salespeople. Multilevel and single level respondents were compared on the basis of demographic and personal history variables and found that there is a significant differences in age (SL are younger), education (SL are less educated), income (SL have lower income), experience (SL other selling experience while less experience in self employment).

Coughlan and Grayson (1998), in their research paper "Network marketing organizations: Compensation plans, retail network growth, and profitability"

They state that Network marketing organizations, or NMOs, are retail selling channels that use independent distributors not only to buy and resell product at retail, but also to recruit new distributors into a growing network over time. Commissions and markups on personal sales volumes and net commissions on the personal sales volumes of down lines are the methods of compensation commonly used to motivate NMO distributors (Coughlan and Grayson, 1998). In their paper they developed, analyze, and calibrate a dynamic decision model of the growth of retail NMO. It shows how compensation and other model parameters affect distributor motivation, sales, and network growth and profitability. They claim that it is important for the distributor's point of view to have a good compensation and incentives plans to remain in the business and earn reasonable profit. MLM is non-store retailing and assumed that all IBOs are non-salaried IBOs whose compensation results from sales commission and profit margin added to maximum retail price.

Delgado and Hector (2006), examines the impact of the recruiting and training practices. Additionally, it incorporates a study of the up-line support, within the context of this industry, on the satisfaction and success levels of the participants. The recruiting phase is characterized by an aggressive "employee" (potential participant) search by the "employer" (up-line), which concentrates around the recruiting of relatives and acquaintances (Delgado and Hector, 2006). The training program is handled by existing participants who, by virtue of their experience in the current network marketing company

assume the role of trainers. Their research examines the impact of training program on the satisfaction and success levels of its participants.

By examining the impact of up-line support on its network in the same manner that conventional employees perceive immediate management and organizational support (Delgado and Hector, 2006). The authors conclude that, Network marketing participants are affected by the support they perceived from their up-line. The results indicated that the recruiting method had no effect on the satisfaction and success levels of participants. However, the success and satisfaction levels of the participants were affected by the recruiting practices of the network marketing industry. Additionally the satisfaction and success of the participants were affected by the training practices of the network marketing distribution channel. It appears that the trainer's lack of training does have a negative effect on the trainees. Similarly, the level of management involvement was found to be positively related to the level of satisfaction and success of participants.

Sparks and Schenk (2006), in their research paper “Socialization Communication, Organizational Citizenship Behaviors and Sales in a Multilevel Marketing organization” take the concept of organizational citizenship as one of the variables in their study. Organizational citizenship is defined as: “discretionary, not directly or explicitly defined by the formal system and that in the aggregate promote the effective functioning of the organization”. Sparks and Schenk (2006) named the behaviors comprising organizational citizenship as an “extra role” behavior. “Extra role” behaviors are particularly important in NMOs, because many of these behaviors largely operationalise the co-operative culture of network marketing businesses (Sparks & Schenk, 2006). Their study applied Social identity theory as foundation for theoretical model in order to examine how the tools of socialization; namely communication produce certain outcomes among network marketers. Their model incorporates the variable “socialization communication”. According to Sparks and Schenk (2006), socialization communication is defined as “communication content and practice directed toward teaching organizational members the information necessary to function in their organizations” (Sparks & Schenk, 2006). The results of Sparks and Schenk’s (2006) study demonstrate that socialization communication is positively associated with organizational citizenship behavior and organizational cohesion.

Mathews, Manalel and Zancharias (2007), in their research “Network Marketing: Exploitation of Relationship-Myth or Reality”

Their objective includes examining the exploitation of the relationship in network marketing and to study the IBOs of network marketing companies having a positive attitude towards the organization. They conclude that there is exploitation of relationship in network marketing. People start their business with network marketing because of persuasion by friends, relatives and colleagues (Mathews, Manalel and Zancharias, 2007). Network members who were in the business for the last two years, contacted relatives more than the friends and colleagues to join the business as a channel member while those who had more than two years experience contacted friends more than relatives and colleagues. In short the network marketing exploits the relationships namely friends and relatives.

Peterson and Albaum (2011), in their research paper “the Ethicality of Internal Consumption in Multilevel Marketing” by focusing on ethicality of internal consumption in MLM, They explain that internal consumption means when IBOs in MLM organization purchase and consume the products and services of their organization. The research paper states that internal consumption are common everywhere in any organization and such criticism of this aspect of multilevel marketing as being unethical and fraudulent are misplaced.

The study concludes that there does not seem to be anything inherently unethical about IBOs purchasing products and services from MLM organization or any other organization at discounted rate. It has been observed that MLM IBOs tends to sale their products and services that they personally use.

Vander and Keep (2002), in their research paper “Marketing Fraud: An approach for differentiating Multilevel Marketing from Pyramid schemes”

The researchers focused on how multilevel marketing is different from pyramid schemes. According to them, multilevel marketing is a way of distributing products or services in which the distributors earn income from their own retail sales and from retail sales made by their direct and indirect recruiters. Members at any level of a multi-level marketing model can make income through the company’s products and/or services without signing up any new members. As a form of direct selling, MLM involves non-store retailing

based on face-to face communication between a selling representative and a potential buyer. Contrary, pyramid schemes are only based on recruitment of members and there is no any product or services to offer and to generate the business. A pyramid scheme is a non-sustainable business that involves the exchange of money, usually in the form of a sign-up fee, and usually has no product or service. The only people that are able to make money on a pyramid scheme are the people at the top of the pyramid and this may lead to a fraud and misguide the society (Vander & Keep, 2002).

Pratt (2000), in his research article “The Good, the Bad and the Ambivalent: Managing Identification among Amway distributors”

The research focused on The IBOs (Distributors) of Amway, a Network Marketing Organization (NMO) practices and process involved in managing IBOs identification. How organization attempts, succeed and fail to change and how members view themselves in relation to the organization.

The researcher indicate that Amway provides equal opportunity to all people regardless of background, nationality or other differences-to further their own achieving through personal effort and initiatives. This opportunity is not limited to those have special skills, education or large amount of capital to invest. However, success in network marketing is possible for those who are willing to commit themselves to sincerely build their business relationship. The most successful IBOs spend considerable amount of time for personally teaching new members how to build the business, it means how to sale the product and sponsor others. IBO’s initially do the business on a part time basis on paying of nominal joining fees and are not legally employees but act as an Independent Business Owner (IBO) and follow legal and ethical guidelines set by organization. The researcher concludes that lovers, haters of Amway and those who are neutral or ambivalent towards Amway are clearly defined. The lovers and ambivalent are potential members to develop the business. The other finding of Pratt is the company enhances its business through dream building of members and conducting programs for developing positive attitude towards the business and the company.

Pratt and Rosa (2003), in their research paper “Transforming work-family conflict into commitment in Network marketing organizations,” throws light on how network marketing organizations provide strong commitment to their members in this age of

network marketing trends. Network marketing organizations don't have the central business location and they spread all over the country. Members have to work independently taking support and guidance of their up lines. They state that making workers into family practices is the important strategy for mentoring the people and getting the things done by systematic way. The distributors noted that many friendships can be made through such type of work and have a good relationship and form good family. Bringing family into work practices involved physically and psychologically integrating a distributor's family into work. They make family members part of their business. Network marketing organizations ask distributors to focus their initial sales and recruiting efforts on family and friends (Pratt and Rosa, 2003). Amway ask their distributors to set business goals and these goals are translated into dreams of what distributors want to attain. IBOs involve spouses and children in their goal setting and dream building. In this practices family can work together and stay together and enjoy the family life.

The researchers found and suggest that organization can help their members to manage the work family interface in ways that affirms the importance of family members and also increase their commitment to their work.

Chonko, Wotruba and Loe, (2002), in their research paper "Direct Selling Ethics at the Top: An Industry Audit and Status Report," states that Ethics is important in direct selling organization. If ethics are not followed by sales people, it will contribute to loss to bottom line and indirectly lose customer (Chonko, Wotruba and Loe, 2002). Self regulation by industry has become an important strategy in improving the ethical environment. This study audits the direct selling industries and their code of ethics as it complies with the Federal Sentencing Guideline(FSG) and establishes a benchmark against which subsequent ethics research in the direct selling industry can be compared. Based on the analysis of executives responses they concludes that there is less unethical behavior opportunities of practices in DSA members in direct selling than that of non members do direct selling.

The study of Kuntze (2001) identifies the differences of the characteristics between ordinary entrepreneurs and network marketers. Kuntze (2001) suggests the major differences between traditional entrepreneurs and network marketers include: i) network

marketers are less innovative than traditional entrepreneurs; and ii) network marketers' need for achievement is extrinsically motivated but traditional entrepreneurs exhibit intrinsic motivation in terms of career achievement; iii) network marketers have more an external locus of control compare to traditional entrepreneurs; and iv) network marketers have more symbolic (rather than rational) motivations to approach the entrepreneurial function than do traditional entrepreneurs. Kuntze (2001) applied symbolic self-completion theory to explain network marketers' motivations. Symbolic self-completion theory suggests that when important symbols – indicators of self-definition – are lacking, individuals will use indicators of attainment to define themselves as competent and accomplished in these self-defining areas (Wicklund & Gollwitzer, 1981). Kuntze (2001) suggests that network marketers are entrepreneurial dreamers rather than real entrepreneurs, because network marketers prefer the title of entrepreneurship over actually doing what it entails (Kuntze, 2001).

Dai (2012), in his research “A Model of Network Marketing Business Entrepreneurial Performance” identifies factors that affect network marketer's performance based on social cognitive theory and argues that the causative relationship between psychological, behavioral and environmental elements of the model can comprehensively explain how immigrants are attracted to the network marketing business, take actions and achieve their successes. Performance is determined by actions, as with no action, no entrepreneurial results will be achieved (Shane & Venkataraman, 2000).

The effectiveness of the actions in pursuing entrepreneurship from network marketing business is determined by the network marketers' personal factors (self-efficacy, desire for entrepreneurial opportunity, motivations, social competence and human capitals) and their environment. The financial results are determined by actions undertaken in conducting network marketing business activities and the human capital (Dai, 2012).

His study identifies three dimensions: the influence of the social environment in NMOs, personal and cognitive factors (self-efficacy, social competence and human capital), factors of behaviors (motivation, desire for opportunity and actions undertaken in conducting a network marketing business). The finding of His study indicate the positive relationship between influence of social environment in NMOS and network marketers

specific self-efficacy, motivation, social competence, desire for entrepreneurial opportunity and human capital.

Training activities and social influences in the context of NMOs are two principal sources of information (enactive mastery experiences and vicarious experiences) from which network marketers may obtain their self-efficacy beliefs in conducting network marketing businesses (Dai, 2012). The influence of social environment in NMO is characterized as the cohesive atmosphere in the organization, training provided by the organization, encouragement and support between network marketers (Biggart, 1989; Sparks & Schenk, 2001).

Dai, Wang, and Teo (2007), in their research “Performance of Entrepreneurial Chinese Immigrants in Network Marketing Organizations” attempts to develop model of network marketer’s entrepreneurial action. They applied social cognitive theory to identify factors that affect Chinese immigrant network marketer’s entrepreneurial action. According to Dai, Wang, and Teo (2007), the willingness of Chinese immigrants to undertake network marketing rests on the influence of the social environment of the network marketing organization, Network marketing specific self-efficacy, social competence and motivation for establishing one’s own business are predicted to play an important role in their engagement in entrepreneurial actions. Their study was mainly driven by social cognitive theory and the literature of immigrant entrepreneurship. The focus of study is on the effect of NMO social environmental influence, motivation (pursuing business opportunities), network marketing specific self efficacy, and social competence on the entrepreneurial actions undertaken by network marketers. However, their finding do not support the positive relationship predicted between i) motivation and entrepreneurial action undertaken in conducting network marketing business, and ii) social competence and entrepreneurial action undertaken in conducting network marketing business.

Dai, Wang, and Teo (2010) similarly attempted to develop model of network marketer’s entrepreneurial action by adding additional dimension to identify factors that affect Chinese immigrant network marketer entrepreneurial action. They applied Social Cognitive Theory, Theory of Planned Behavior, entrepreneurial intention, and ethnic entrepreneurship in order to analyze the impact of social environmental influence in NMOS on immigrants’ self-efficacy in NM business, their desire for opportunities, social

competence, and human capital which in turn may affect their entrepreneurial action undertaken in conducting network marketing business. The finding of their analysis shows that the social environment within NM organizations positively leads to the development of immigrants' self-efficacy in NM business, their desire for opportunities, social competence, and human capital. These factors have led to an increase in the activities undertaken by Chinese immigrants in conducting their network marketing business. Social environment also impacts positively on their motivation to participate in NM business. These factors have a positive impact on their financial performance outcome (Dai, Wang & Teo, 2010).

Leadership or relationship of leaders to the followers, peers and mentors in network marketing organization is studied by Trajanovska (2013). The finding indicates that leaders in network marketing believe that leadership can be learned, and they view their role as provider of technical support rather than a motivator. Leaders in network marketing start their career with materialistic reasons as their primary motivator (Trajanovska, 2013).

Empirical studies conducted in relation to factors affecting network marketer's entrepreneurial performance for non-immigrant network marketers, have overlooked the assessment of the network marketers' motivation, self-efficacy and the influence of social environment in NMO, as well as the network marketing business entrepreneurial actions undertaken as central tenets of network marketers' performances in their network marketing businesses. In addition, in Ethiopia except some controversies regarding legal and ethical aspect of network marketing which is written on capital newspaper there is no empirical studies on issues related to network marketing, which provides the need to conduct research on network marketing.

2.3 Conceptual framework and hypothesis development

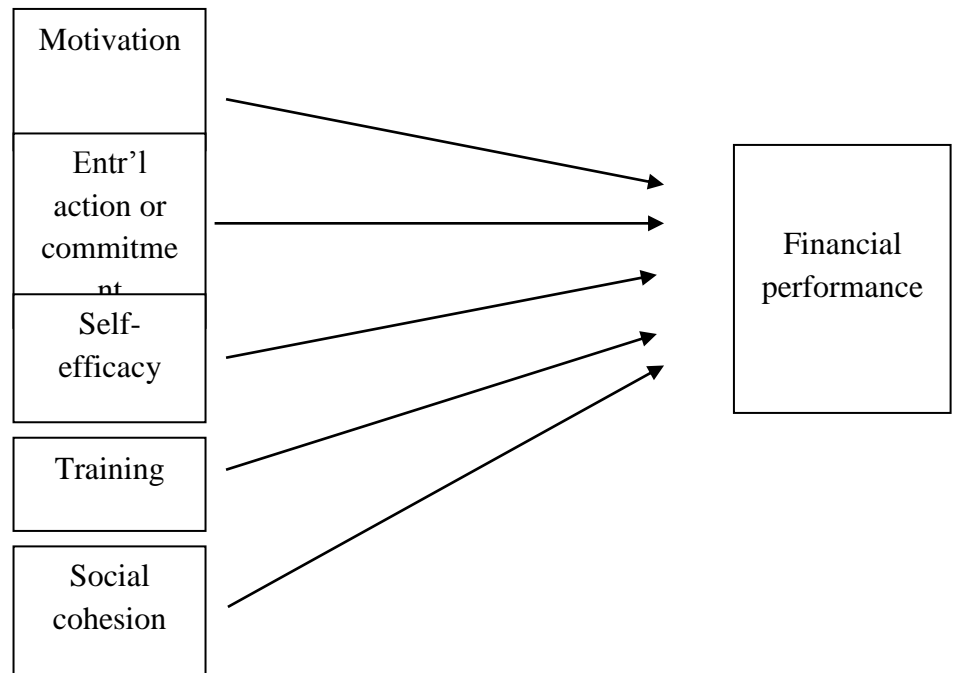


Figure1. Conceptual framework

2.3.1 Influence of Training in NMOs on network marketer's Sales Performance

The influence of social environment in a NMO is characterized as the entrepreneurial atmosphere, training, encouragement and support between network marketers (Biggart, 1989; Sparks & Schenk, 2001). One of the most popular activities in a NMO is the organizational training provided by the NMO and other network marketers (Biggart, 1989). Organizational training in NMOs provides two sources for trainees to raise their knowledge and skill about the business. First, it provides opportunities for trainees to be exposed to successful network marketers and obtain vicarious experiences (Bandura, 1986, 1997). Second, it lets trainees practice business skills and knowledge and obtain the mastery experience (Bandura, 1986, 1997). Training activities and social influences in the context of NMOs are two principal sources of information (enactive mastery experiences and vicarious experiences) from which network marketers may obtain their experience

for conducting network marketing businesses (Dai, 2012). Training and development is a critical process, which seeks to improve the performance of workers in the organization (Cum, Cowden & Karodia, 2014). Thompson (2004) supports the view that poor service results from a lack of the skills and knowledge needed to achieve performance objectives. Noe *et al.* (2003) point out that, by means of training, new knowledge, skills and changing attitudes are communicated to employees in order to raise awareness of their current knowledge and skills. These researchers point out that, as employees undergo training, their confidence can be increased and their value can be confirmed as well. Literature reveals that effective employee training leads to an increase in quality as a result of potentially fewer mistakes. From literature above it can be said that, training in NMOS can positively affect the network marketers' financial performance.

2.3.2 Network Marketing Business Specific Self-efficacy and Sales performance

Bandura (1997) suggests that “people’s level of motivation, affective states, and action are based more on what they believe than on what is objectively true”. People’s belief in their efficacy influences the course of action they choose to pursue, how much effort they apply to given endeavors, and how long they will persevere in the face of obstacles and failures (Bandura, 2001). “Unless people believe they can produce desired effects by their actions, they have little incentive to act” (Bandura, 1997). Therefore, self-efficacy is an important determinant of actions. The basic principle behind Self-Efficacy Theory is that individuals are more likely to engage in activities for which they have high self-efficacy and less likely to engage in those they do not (Bandura, 1994). Self-efficacy has influence over people's ability to learn, their motivation and their performance, as people will often attempt to learn and perform only those task for which they believe they will be successful (Lunenborg, 2011).The positive relationship between self-efficacy and financial performance is also supported by the evidence obtained from the study of immigrant entrepreneurship in network marketing organization (Dai, Teo, and Wang, 2007&2010; Dai, 2012). According to Dai, (2012) level of Chinese immigrants’ network marketing specific self-efficacy is positively associated with their entrepreneurial actions undertaken in conducting network marketing business. The empirical finding from the

studies made by a group of Dai, Teo, and Wang in (2007 & 2011) has a similar finding which indicates that there is positive correlation between the level of Chinese immigrants' network marketing specific self-efficacy and entrepreneurial actions undertaken in conducting network marketing business.

Based on literature above its possible to say that individual network marketer's level of self-efficacy can affect amount of effort or entrepreneurial action they will undertake in conducting network marketing business.

2.3.3 Social cohesion in NMO and Sales performance

One important reason for distinguishing between types of cohesion is that social cohesion has sometimes been linked to bad team performance—at least from the perspective of the goals of the larger organization (Beal et al., 2003). Recent evidence shows that it is social cohesion rather than task cohesion (or together with low task cohesion) that is responsible for any negative effects (Beal et al., 2003).

Cohesion—performance relations would be stronger when performance is conceptualized and measured as a behavior as opposed to an outcome, and measures of performance efficiency would have a stronger relation to cohesion than measures of performance effectiveness (Beal et al., 2003). Cohesion would be beneficial to groups whose patterns of team workflow required greater workflow between members. As team workflow increased, the cohesion—performance relation became stronger (Beal et al. (2003).

The cohesiveness - performance effect was stronger in smaller groups, and among real groups compared to artificial groups created in the laboratory. The separate contributions of different components of group cohesiveness were gauged, revealing that the relation between cohesiveness and performance is due primarily to the "commitment to the task" component of cohesiveness, and not the "interpersonal attraction" or "group pride" components of cohesiveness (Mullen and Copper, 1994).

2.3.4 Motivation and financial performance

To be motivated means to be moved to do something. A person who feels no impetus or inspiration to act is thus characterized as unmotivated, whereas someone who is energized or activated toward an end is considered motivated (Beal et al., 2003). People

have not only different amounts, but also different kinds of motivation. That is, they vary not only in level of motivation (i.e., how much motivation), but also in the orientation of that motivation (i.e., what type of motivation) (Beal et al., 2003). Orientation of motivation concerns the underlying attitudes and goals that give rise to action which is the why of actions (Ryan & Deci, 2000).

Self-Determination Theory distinguished between different types of motivation based on the different reasons or goals that give rise to an action. The most basic distinction is between intrinsic motivation, which refers to doing something because it is inherently interesting or enjoyable, and extrinsic motivation, which refers to doing something because it leads to a separable outcome. Their research has shown that the quality of experience and performance can be very different when one is behaving for intrinsic versus extrinsic reasons.

Kuntze (2001) claims that one of the major differences between network marketers and successful entrepreneurs is that network marketers are motivated more extrinsically while successful entrepreneurs are motivated more intrinsically in conducting their businesses.

Extrinsic motivation is a construct that pertains whenever an activity is done in order to attain some separable outcome. Extrinsic motivation thus contrasts with intrinsic motivation, which refers to doing an activity simply for the enjoyment of the activity itself, rather than its instrumental value. According to expectancy theory motivation, people will be motivated if they believe that strong effort will lead to good performance and good performance will lead to desired rewards.

Using expectancy theory, Renko find that a range of start-up motivations positively relates to firm emergence through energizing entrepreneurs to expend effort (Renko et al. 2012). They found a particularly strong effect of financial motivations on effort. Based on this it is possible to predict that people with high extrinsic motivation can make high effort to attain some separable outcome (financial gain).

2.3.5 Action Undertaken or Commitment and Sales

Performance

Some authors point out that NMOs promote themselves as a way for ordinary people to pursue entrepreneurial opportunities and attain wealth (Biggart, 1989; Kuntze, 2001), but

evidence shows that most network marketers make little or no money from their network marketing business (Sparks & Schenk, 2006). Only a small number of network marketers who joined an NMO early and are on the top of the organizational structure make money (Sparks & Schenk, 2006). However, the study of Dai, (2012) indicates that many Chinese immigrant network marketers in Australia who joined an NMO much later than others have achieved better financial results. Which implicate that financial performance is not about joining NMOs early but exerting maximum effort or being committed.

Entrepreneurial commitment is the volume of activities taken by network marketers in their businesses, which include; selling products, recruiting new network marketers and providing support/training to them (Biggart, 1989). To achieve entrepreneurial results, entrepreneurial commitment must be there (McMullen & Shepherd, 2006). Without commitment, nothing will happen.

According to Dai (2012), the level of immigrant network marketer's entrepreneurial commitment determines their sales performance. From this the student researcher can predict that the volume of activities network marketers undertake in conducting their business can determine their sales performance.

2.3.6 Hypothesis

H1; training in NMO is positively and significantly associated with network marketers' sales performance.

H2; Network marketers' self-efficacy belief is positively and significantly associated with their sales performance.

H3; Social cohesion in NMO is positively and significantly associated with network marketers' sales performance.

H4; Network marketers' extrinsic motivation in conducting network marketing business is positively and significantly related to their financial performance.

H5; Network marketers' entrepreneurial commitment in conducting network marketing business are positively and significantly related to their sales performance.

H6; There is significant performance difference due to difference in gender, age and education.

H6.1 There is significant difference in performance due to difference in gender

H6.2 There is significant difference in performance due to difference in age

H6.3 There is significant difference in performance due to difference in education

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

This chapter explains the research design and research method. In relation to research design, Cross sectional study with deductive strategy is chosen as it can effectively answer the research question.

This chapter is organized as follows: chapter introduction, research approach, research design, population and sampling, data collection instrument, reliability and validity, data analysis techniques and ethical consideration.

3.1 Research Approach

Research approach, is a strategy or philosophy utilized in research work (Saunders, 2009). Generally there are two research approaches or strategy which is deductive strategy and inductive strategy (Saunders, 2009). With a deductive strategy, the researcher deduces a hypothesis on the basis of what is known about a particular domain and of theoretical considerations in relation to that domain (Bryman & Bell, 2007). Starting from hypotheses deduced from theory, the data are found to either confirm the hypotheses (in a way support the theory), or does not confirm the hypotheses thus the theory needs to be appropriately modified or rejected (Bryman & Bell, 2007). An inductive research strategy involves a movement that is in the opposite direction from deduction (Bryman & Bell, 2007); it involves the building of theories based on the data. With an inductive stance, theory is the outcome of research. In other words, the process of induction involves drawing generalizable inferences out of observations (Bryman & Bell, 2007).

In this research deductive approach is used because, social cognitive theory of Bandura which establishes daidic reciprocal causation between environmental, personal and behavioral factors is used to develop hypothesis. In addition expectancy theory of motivation is also used in hypothesizing the relationship between financial motives and level of effort.

Research method; is method employed for collecting data to address the research questions of interest. One of the most common ways to classify research method is to make a distinction between quantitative and qualitative research (Myers, 2009).

The current study was quantitative research, because the reality of the phenomena (the training, social cohesion, motivation, self-efficacy, action undertaken or commitment and performance) in NMO is assumed to be objectively given; and these phenomena can be described by measurable properties.

Quantitative research is related to objective measurement and statistical analysis of numeric data to understand and explain phenomena (Ary, et al., 2002). In this research method, data is quantified and statistical methods are used in the data analysis that aims to give a result that are representative to the whole population. The primary goal of this research method is to seek evidence about a characteristic or a relationship and to use statistical inference to generalize obtained results from a sample to a population (Patrick, 2008).

Qualitative research is an approach that study phenomena in their natural settings, without a predetermined hypothesis. In this research approach, data is verbal or visual and it aims to provide insight and understanding of the given phenomena which avoids numeric data and gathers information through interviews and observation (Ary, et al., 2002). In general, quantitative research is associated with a positivist research perspective, while qualitative research is associated with an interpretive research perspective. Positivist designs seek generalized patterns based on an objective view (measurable property) of reality independent of the observer (researcher) and his or her instrument, while interpretive designs seek subjective interpretations of social phenomena from the perspectives of the subjects involved (Anol, 2012).

3.2 Research Design

Three possible types of research designs that can be undertaken while conducting research: (i) exploratory, (ii) descriptive and (iii) explanatory studies. An exploratory study pertains to research that aims at shedding new light on a given subject and is often done to clarify the general understanding of a certain problem. Descriptive studies on the other hand, aim to describe persons, occurrences and situations. Lastly, explanatory

studies are studies that show relationships between variables in order to explain certain problems or events (Saunders, *et al.*, 2007). For the purposes of this research report, both the exploratory and descriptive approaches were followed.

Bryman and Bell (2007) outline five different research designs: 1) experimental design; 2) cross-sectional or social survey design; 3) longitudinal design; 4) case study design; and 5) comparative design. The current research adopts the cross-sectional or social survey design from positivist general category. In Cross-sectional field surveys, independent and dependent variables are measured at the same point in time (Bryman & Bell, 2007). The cross-sectional design entails the collection of data for more than one case (usually quite a lot more than one) and at a single point in time in order to collect a body of quantitative or quantifiable data in connection with two or more variables (usually many more than two), which are then examined to detect patterns of association (Bryman and Bell, 2007).

3.3 Population and sampling

3.3.1 Defining the population

The target population of this study was network marketers who are members of FOREVER LIVING, EDMARK and DXN network marketing organization in Addis Ababa. The reason for selecting Addis Ababa is; first due to its convenience and second because more than 88% operation of network marketing organization in Ethiopia is undertaken in Addis Ababa and more than 88% of distributors lives in Addis Ababa. FOREVER LIVING have 17,000 distributors and three training venues or distribution shop, EDMARK on the other hand have 14,000 distributors and two training venues or distribution shop and DXN have 9,500 distributors and single training venues or distribution shop. However, not all the registered members were actively engaged in the business.

3.3.2 Sample Selection Method

There are several ways in which potential participants can be selected for inclusion in a research study, and the manner in which participants are selected is determined by several factors, including the research question being investigated, the research design being

used, and the availability of appropriate numbers and types of study participants (Geoffrey, p. 52, 2005). It is typically not practical to include every member of the population of interest in a research study. Time, money, and resources are three limiting factors that make this unlikely. Therefore, most researchers are forced to study a representative subset of the population of interest (Geoffrey et'al., 2005). In this study, the target populations were clustered in to three different clusters by considering one NMO as one cluster. Since the survey was conducted on three NMOs, there were three clusters. As I have indicated on the target population part, members of NMOs which were actively engaged in the business were very limited. Foreverliving which had more than 17,000 registered distributors had only 800 active network marketers' which conduct the business at least ones a week. Edmark similarly had 600 active members which conducts the business at least ones a week. DXN on the other hand had 550 active network marketers'. Thus, only active network marketers' were considered to be included in to the sample. Since I was able to find the list of those active members from all three NMOs shops, the respondents were systematically selected from the list.

3.3.3 Sample Size

It is impossible to survey the entire population of a particular study because of limited funding and time. Therefore it is necessary to survey a sample of the population as an alternative in order to formulate predictions about the entire population. According to Sekaran (2009), sample size 300-500 is already adequate for most of the research. Nunnally & Bernstein (1994) suggested that, in order to reduce sampling error, a sample of at least 10 subjects per variable or item is needed. So on this study 384 DXN, FOREVERLIVING & EDMARKs network marketers was surveyed.

The sample size for the study is determined by using confidence interval approach. Furthermore, 95% confidence level is applied, as shown below

Thus, the total sample size was 384.

$$Ss = \frac{z^2 p(1-p)}{e^2}$$

Where Ss = sample size

Z = confidence level Z = 95% = 1.96 from Z table

$e = \text{error margin } e = 5\% = 0.05$

$P = \text{the largest possible proportion } p = 0.5$

Based on this the total sample size 384 plus 10% (for any incompleteness of the questionnaires) overall 425 questionnaire were distributed to respondent in training venues or shops in proportion to the list of active members of FOREVERLIVING, EDMARK & DXN. Generally, 174 respondents were from FOREVERLIVING, 128 respondents were from EDMARK and 123 respondents were from DXN.

3.4 Data collection instrument

The instrument used to collect data in this research is questionnaire which is developed through search for existing measurement for the variables in literature. The development of the questionnaire was gone through two major steps: i) item generation; ii) finalizing the questionnaire. The main objective of this step was to search for the existing measurements for the variables and generate proper items for the scales used to measure the variables. From the literature, the measurements for variables have been found

The questionnaire has six sections. The first section is about personal detail which includes Age, gender, marital status, education, time of joining the business (experience), engagement in other business and commission earned. Section two is related to motivation in NMB. Items for both extrinsic and intrinsic motivations were adopted from Kuntze (2001) by avoiding few items with similar meaning. To measure motivation five point Likert scale was used. Section three is related to social cohesion in NMO. Four Items related to social cohesion was adopted from Sparks and Schenk (2006). To measure social cohesion five point Likert scale was used. The fourth section was about training in NMOs which was adopted from Dai (2012). In this section too, five point Likert scales was used to measure training in NMOs. Section five was related to network marketing business specific self-efficacy belief. The construct of self-efficacy was expressed with two themes: i) perceived degree of difficulty and ii) confidence. Items related to both degree of difficulty and confidence was adopted from Krueger (1993). Five point Likert scale was used to measure item in section five using 1= strongly disagree to 5 = strongly agree. Section six was related to entrepreneurial action or level of commitment. This

section consists two items adopted from Sparks & Schenk (2006). Five point Likert scale was used to measure commitment in terms of hours allocated for distributorship work.

The items generated from different literature are presented as follows:

No.	dimension	No. item	source
1	Extrinsic motivation	9	Kuntze (2001)
2	Intrinsic motivation	7	Kuntze (2001)
3	Cohesion	4	Sparks & Schenk (2006)
4	Firm specific training	4	Dai (2012)
5	Perceived Degree of difficulty	6	Krueger (1993)
6	Confidence	4	Krueger (1993)
7	Entrepreneurial action or commitment	2	Sparks & Schenk (2006)

Table 3.1: Items from different literature

3.5 Reliability and Validity

There are two major criteria which applied to evaluate the quality of the study. These are validity and reliability.

Validity is concerned with whether the findings are really about what they appear to be about (Souners et. al., 2003). Validity defined as the extent to which data collection method or methods accurately measure what they were intended to measure (Sounders et. al., 2003). There are different types of validity in measurement procedures;

Face validity; refers to whether an indicator seems to be a reasonable measure of its underlying construct “on its face” (Anol, 2012). To ensure face validity of measurement procedure pilot study on 20 respondents was conducted to examine the face validity of

questionnaire items and to make sure the instructions in the questionnaire were adequate and appropriate adjustment have been made.

Content validity; Content validity is an assessment of how well a set of scale items matches with the relevant content domain of the construct that it is trying to measure (Anol, 2012). Content validity is the degree to which elements of an assessment instrument are relevant to and representative of the targeted construct for a particular assessment purpose. Items used to measure construct in this study are all generated from previous research.

Reliability refers to the absence of random error, enabling subsequent researchers to arrive at the same insights if they conducted the study along the same steps again (Yin, (2003).To increase the reliability of the survey, five-scale system (Likert scale) questionnaires was used. The reliability in such scale is higher compared to a two- scale system (Hayes, 1992). Five is an effective choice since the reliability decreases if the number of response options is greater than five (Hayes, 1992). Additionally, cronbach's alpha was used to test the internal consistency of a construct. Cronbach's alpha result was (0.94).

3.6 Data Analysis Technique

All statistical procedures will be conducted using Statistical Package for Social Science (SPSS) version 22 software and relevant data analysis needed to answer the research questions were carried out. The data analysis was made by using both descriptive and inferential statistics. Descriptive statistics such as frequencies, percentages, means and standard deviations were used to summarize and present the data. In addition to this, Pearson correlation coefficient was used to show the association between the independent and dependent variables and other important variables. Paired sample T test was also used to make comparison between intrinsic and extrinsic motivation. Finally to examine the predicting ability of the independent factor on dependent variable, multiple regressions were conducted. In addition, ANOVA test was also conducted to examine performance difference among different age groups, and educational level, and between male and female.

3.8 Ethical Considerations

In the context of research, according to Saunders, Lewis and Thornhill, (2001:130), “... ethics refers to the appropriateness of your behavior in relation to the rights of those who become the subject of your work, or are affected by it”.

The data was collected from willing sample respondents without showing any unethical behavior or forceful action. The results or a report of the study was used for academic purpose only and response of the participants was kept confidential and analyzed in aggregate without any change by the researcher. In addition, the researcher respects the work of previous investigations or study and cites appropriately those works that has been taken as a basis.

CHAPTER FOUR

RESULTS AND DISCUSSION

This chapter presents the data analysis and discussion of the research findings. To test all the hypotheses, data were analyzed using SPSS version 22. An alpha level of .05 was used for significance in all data analysis. The chapter starts by describing the nature of the study sample or profile of the respondent using descriptive statistics. Next to that variable descriptive statistics are presented. Multiple linear regressions were also employed to test hypothesis and achieve the study objective that focuses on identifying the most important underlying factors of sales performance. Pearson correlation coefficient and cronbach's alpha were used to test goodness and internal consistency of the measure.

Response rate

The survey was carried out in three NMO which include DXN, FOREVERLIVING and EDMARK in Addis Ababa. Out of the total distributed questionnaire of 425, 92.9% (395) response rate has been attained. After completion of the fieldwork phase, the data analysis phase followed. Before that the data file editing had to be conducted. Editing refers to “The process of checking the completeness, consistency, and legibility of the data and making the data ready for coding and transfer storage” (Zikmund et al., 2010). The data file was checked for errors in terms of values that fall outside the range of possible values for a variable (Pallant, 2010). No abnormal values were found. However, some missing data were identified. In total 33 questionnaires were not filled properly and they had a lot of missing data. Therefore, 362 questionnaires were properly filled and were used for the final analysis.

4.1 Descriptive Statistics

Descriptive analysis refers to “The elementary transformation of raw data in a way that describes the basic characteristics such as central tendency, distribution and variability” (Zikmund et al., 2010).

4.1.1 Demographic profile of Respondents

Before starting the analysis of the data some background information such as demographic data, is useful in order to make the analysis more meaning full for the readers. The samples of this study have been classified according to several background information collected during supplementary questionnaire survey. The purpose of the demographic analysis in this research is to describe the characteristics of the sample such as the number of respondents, proportion of males and females in the sample, range of age, education level, marital status, and etc from the perspective of performance in NMO. Each frequency distribution of demographic variables is presented below.

Age range of the respondent

Age is one of the factors that define consumer behavior. In this study the respondents are divided into five sub groups according to their ages. These groups are 18 to 30 years, 31 to 40 years, 41 to 50 years, 51 to 60 years, and above 60 years. The results are presented in Table 4.1.

age of the respondent					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	18-30	254	70.2	70.2	70.2
	31-40	92	25.4	25.4	95.6
	41-50	16	4.4	4.4	100.0
	Total	362	100.0	100.0	

Table 4.1: Age category of Respondents (Source: Questionnaire survey)

It can be seen from table 4.1 the total age distribution of the respondents is between 18 and 50 and 95.6% of the respondents are aged between 18 and 40. Out of the total respondents 70.2% were aged between 18 and 30 which implies that network marketing business in Ethiopia is largely pursued by youngsters. This may be because NMB is a recent phenomenon in Ethiopia and the use of social media as a way of attracting friends into NMB has made older aged people out of the business due to less usage of social media's.

Sex of the respondent

sex of the respondent					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	male	172	47.5	47.5	47.5
	female	190	52.5	52.5	100.0
	Total	362	100.0	100.0	

Table 4.2: Sex of Respondents (Source: Questionnaire survey)

As it can be seen from the table 4.2 above, 172 respondents were male and the remaining 190 were female which are 47.5% male and 52.5% female.

Educational level of the respondent

Educational level plays a vital role in access to employment and choice of employment type. In the questionnaire survey educational level was classified into five subcategories which include School Certificate, Diploma, Bachelor Degree, Masters Degree and PHD. However, the respondents ranged from School Certificate to Masters Degree.

what is your level of education					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	school certificate	157	43.4	43.4	43.4
	diploma	80	22.1	22.1	65.5
	bachelor degree	111	30.7	30.7	96.1
	master degree	14	3.9	3.9	100.0
	Total	362	100.0	100.0	

Table 4.3: Educational level of Respondents (Source: Questionnaire survey)

According to result presented in Table 4.3 the educational profile indicates that out of the total sample 65.5% of the respondents have school certificate and diploma, 30.7% of the respondents have first degree and 3.9% of the respondent have post graduate qualification. This may be because network marketing is good option for those that lack opportunity in the current labor market due to their low education level. Currently, the minimum wage rate set by the government for the holder of first degree is 1499, which is very low in relation to living costs. So the employing companies demand for less than first degree qualification is very low because first degree is already cheap in the market. Kuntze (2001) claims those who are socially disadvantaged are more likely to pursue entrepreneurial opportunities from network marketing business. In addition, NMO does not have any requirement, it's only your interest to join no one else can force you to not join. Network marketers are more likely to run network marketing business as this type of business is available to everybody who wants to try (Biggart, 1989).

Marital status of the respondent

marital status of the respondent					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	single	221	61.0	61.0	61.0
	married	138	38.1	38.1	99.2
	divorced	3	.8	.8	100.0
	Total	362	100.0	100.0	

Table 4.4: Marital status of Respondents (Source: Questionnaire survey)

According to the result presented in table 4.4 out of the total respondents 61% are singles, 38.1% married and 0.8% divorced.

Occupation of the respondents

On the questionnaire survey there was yes or no question whether they have another job and part-time worker at NMO or they have no another job and full-time worker at NMO.

besides NMB do you have other job					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	yes	145	40.1	40.1	40.1
	no	217	59.9	59.9	100.0
	Total	362	100.0	100.0	

Table 4.5: Occupation of Respondents (Source: Questionnaire survey)

The result presented in table 4.5 indicates that 59.9% of the respondent said they have no other job or they are full-time working at NMO. And the remaining 40.1% have other job and working part-time at NMO.

Experience of the respondent

To analyze the experience of the respondent in network marketing organization, the question of when did you fill in the form and join this network marketing organization was raised in the questionnaire insisting the respondent to specify the year and the month. However, at the time of entering data in to the software, the experience was indicated using years only by approximating the months in to nearest year.

when did you join NMO					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1.00	43	11.9	11.9	11.9
	2.00	92	25.4	25.4	37.3
	3.00	83	22.9	22.9	60.2
	4.00	33	9.1	9.1	69.3
	5.00	50	13.8	13.8	83.1
	6.00	30	8.3	8.3	91.4
	7.00	19	5.2	5.2	96.7
	8.00	10	2.8	2.8	99.4
	9.00	2	.6	.6	100.0
	Total	362	100.0	100.0	

Table 4.6: Experience of Respondents (Source: Questionnaire survey)

The result presented in the table 4.6 above indicates that 77.3% of the respondent has experience of below three years. And the maximum or longest experience is nine years of experience.

4.1.2. Descriptive Statistics of Underlying variable

Every variable in the questionnaire has been examined by several statements. The mean values are presented in Table 4.7, together with standard deviation of values for each variable items. The standard deviation is defined as the spread or variability of the sample distribution values from the mean (Hair et al., 2007).

Descriptive Statistics					
	N	Min.	Max.	Mean	Std. Deviation
MOTIVATION					
how important it is contributing to companies success for motivation	362	1.00	5.00	3.2541	.99670
how important it is to keep learning for motivation	362	1.00	5.00	3.2017	.99622
how important it is to make a lot of money for motivation	362	1.00	5.00	4.0912	.82883
how important it is to be challenged for motivation	362	1.00	5.00	2.7790	1.08416
how important it is to get rich quickly for motivation	362	1.00	5.00	3.9365	.95543
how important it is to be innovative for motivation	362	1.00	5.00	3.2486	1.07814

how important it is to be free to name your own hours for motivation	362	1.00	5.00	3.3702	1.04523
how important it is to be free to work from wherever for motivation	362	1.00	5.00	3.6851	1.04484
how important is personal accomplishment for motivation	362	1.00	5.00	3.6133	1.05244
how important is to have influence and create impact on community for motivation	362	1.00	33.00	3.3039	1.94849
how important is to buy all toys cars boats vacation homes for motivation	362	1.00	5.00	3.5414	1.13845
how important it is to have a fun for motivation	362	1.00	5.00	2.8204	1.18547
how important it is to have financial security for motivation	362	1.00	5.00	3.4669	1.09659
how important it is to better use skills for motivation	362	1.00	5.00	2.9530	1.16053
how important it is to be successful entrepreneur or business person for motivation	362	1.00	5.00	3.3094	1.20634
how important it is to have own business without financial pressure for motivation	362	1.00	5.00	3.3094	1.26901
SOCIAL COHESION					
there is a great deal of trust among fellow member in my organization	362	1.00	5.00	3.5608	1.01124

the member of my organization are very cooperative with each other	362	1.00	5.00	3.5083	1.12449
the member of the organization believe they can depend on each other concerning our distribution	362	1.00	5.00	3.7735	1.00611
the member of the organization support each others' work	362	1.00	5.00	3.2293	1.29987
TRAINING					
the training I receive in this network marketing organization are effective	362	1.00	5.00	3.7403	1.07810
the training provided by this NMO is essential for me to operate my NMB	362	1.00	5.00	3.9088	1.03404
through training I have obtained large amount knowledge about NMB	362	1.00	5.00	3.8867	1.03987
without training I will not be able to establish my NMB successfully	362	1.00	5.00	3.7459	1.08454
SELF-EFFICACY BELIEF					
it is easy to conduct my current NMB	362	1.00	5.00	3.2901	1.15375
it is easy to introduce my current NMB to others	362	1.00	5.00	3.4448	1.13298
it is easy to recruit others to participate in my NMO	362	1.00	5.00	2.8453	1.09309
it is easy to train others to conduct their NMB	362	1.00	5.00	3.2541	1.18464

it is easy to lead a NMO	362	1.00	5.00	3.2348	1.13499
it is easy to sell the products to others	362	1.00	5.00	3.1381	1.26655
I am certain of success in conducting my current NMB	362	1.00	5.00	3.5442	1.31452
I know enough to conduct NMB	362	1.00	5.00	3.4033	1.38763
I am sure of myself in communicating with others effectively	362	1.00	5.00	3.5939	1.29703
I am sure of myself in developing new leaders in my organization	362	1.00	5.00	4.0028	.89473
COMMITMENT					
hours per week devoted to distributorship work	362	1.00	5.00	3.5552	1.19021
number of sales workshops held per month	362	1.00	5.00	2.9199	1.19403
Valid N (listwise)	362				

Table 4.7: Descriptive statistics of the items (Source: Questionnaire survey)

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
motivation	362	1.50	5.00	3.4145	.64502
training	362	2.00	5.00	3.8847	.85678
selfefficacy	362	1.30	5.00	3.4033	.88019
socialcohesion	362	1.50	5.00	3.5559	.83828
commitment	362	1.00	5.00	3.2583	1.09279
performance	362	.00	35000.00	3178.7293	5948.97654
Valid N (listwise)	362				

Table 4.8: Descriptive statistics of the variables (Source: Questionnaire survey)

If the estimated standard deviation is large, meaning that response distribution values do not fall close to the mean of the distribution, the responses are inconsistent. On the other hand, if the estimated standard deviation is small, which means response distributions are close to the mean, the responses are consistent (Hair et al., 2007; Sclove, 2001). The level of standard deviation boundary is supposed to vary according to the applied range of scale. For the purpose of this study, the boundary for 5-point Likert scale defined by Sclove (2001) is employed. Thus, response distributions with sigma less than 1 are considered as consistent; while response distributions with sigma more than 1 are considered as inconsistent. From the variables measured with Likert Scale which includes motivation, self-efficacy, training, commitment and social cohesion, only commitment was with standard deviation of more than one which implies that the response is inconsistent for the variable commitment and consistent for the other four variables. The standard deviation of commitment was high because the relationship between network

marketers and network marketing organization is not employment relationship so there is no standard working hour and no one can force any network marketers except motivating and creating favorable social environment so that they can spend more time on distribution work. In general high means express high agreement with the statement, while low means stand for lower agreement. Therefore in the study sample, the mean score of training as 3.8847 (0.85678), score for training was relatively high. However, the mean score of commitment 3.2583 (1.09279) was relatively low. The mean score for social cohesion 3.5559 (SD=0.83828), that of motivation was 3.4145 (0.64502) and the mean score and standard deviation of self-efficacy belief was 3.4033 (0.88019). In order to see the earning of network marketers the question of, during last four months period, averagely, how much commission did you earn monthly was raised. The mean earning of the respondent was 3178.73 with standard deviation of (SD=5948.97654). The standard deviation is high because the earning of the respondent is greatly varied between zero and 35,000.

4.2 Validity and Reliability

There are two paths that need to be addressed to reduce the measurement error which assure the integrity of the measure: validity and reliability tests. In contrast to validity test that relates to what should be measured; reliability test is more to do with the consistency of how a set of variables is measured. If we have assured that the instrument has reached the validity level, we still have to consider the reliability.

4.2.1. Validity Analysis

Face validity; refers to whether an indicator seems to be a reasonable measure of its underlying construct “on its face” (Anol, 2012). To ensure face validity of measurement procedure pilot study on 20 respondents was conducted to examine the face validity of questionnaire items and to make sure the instructions in the questionnaire were adequate and appropriate adjustment have been made.

4.2.2 Reliability Analysis

Reliability test is more to do with the consistency of how a set of variables is measured. Reliability refers to the absence of random error, enabling subsequent researchers to

arrive at the same insights if they conducted the study along the same steps again (Yin, (2003). To see the internal consistency of the measures cronbach's alpha for items under each variables was conducted and the result is presented in the table 4.10 below.

Variables	Cronbach's Alpha	N Items
Motivation	.897	16
Social Cohesion	.817	4
Training	.912	4
Self-efficacy	.926	10
Commitment	.865	2
Over all	.941	36

Table 4.9 (source: questionnaire survey)

4.3 Statistical Assumptions

4.3.1 Normality Test

According to (Yi, 1988) one of the first thing that should be taken care of before delving in to the main part of the analysis is to check whether the data are normally distributed or not. For this checking, (Yi, 1988) suggests that, the standardized skewness distribution result and a Kurtosis result must be between the ranges of +2 or -2.

Descriptive Statistics					
	N	Skewness		Kurtosis	
	Statistic	Statistic	Std. Error	Statistic	Std. Error
motivation	362	.154	.128	-.111	.256
training	362	-.475	.128	-.861	.256
selfefficacy	362	-.041	.128	-.823	.256
socialcohesion	362	-.108	.128	-.839	.256
commitment	362	-.086	.128	-.883	.256
performance	362	2.809	.128	8.471	.256
Valid N (listwise)	362				

Table 4.10 (source; questionnaire survey)

The result in the above table indicate that only performance distribution is with skewness and kurtosis greater than -2 or +2.

4.3.2 multi-collinearity

In order to enhance the regression analysis, collinearity statistics was tested. VIF (variance Inflation Factor) measures multicollinearity, that is whether the independent variables are highly correlated or not. If correlated, their significance on the dependent variable will be affected. As the value of VIF shown in Table 4.12, it is not five and above and tolerance was above 0.1 the variables are not highly correlated and hence the regression analysis will see clearly the significance of the coefficients on the dependent variable, Cohen (1988).

Coefficients ^a			
Model		Collinearity Statistics	
		Tolerance	VIF
1	motivation	.820	1.220
	training	.621	1.609
	Self-efficacy	.444	2.252
	Social-cohesion	.358	2.793
	commitment	.620	1.613

a. Dependent Variable: performance

Table 4.11 (source; questionnaire survey)

4.4 Correlation Analysis

This study employs the correlation which investigating the strength of relationships between the studied variables. According to (Hair et al., 2007) “measures the linear association between two metric variables” Correlations were calculated in two stage as measures of relationships between the independent (predictor) variables and (outcome variable) dependent variable. This test gives an indication of both directions, positive (when one variable increases and so does the other one), or negative (when one variable increases and the other one decreases) (Pallant, 2010).

The test also indicates the strength of a relationship between variables by a value that can range from -1.00 to 1.00; when 0 indicates no relationship, -1.00 indicates a negative correlation, and 1.00 indicates a perfect positive correlation (Pallant, 2010). For the rest of the values is used the following guideline: small correlation for value 0.1 to 0.29; medium for 0.3 to 0.49; and large for 0.50 to 1.0 (Pallant, 2010). All basic construct were included into the correlation analysis. The result tabulated in Table 4.11

Correlations							
		MT	TR	SE	SC	CM	SP
MT	Pearson Correlation	1	.208**	.285**	.232**	.409**	.392**
	Sig. (2-tailed)		.000	.000	.000	.000	.000
	N	362	362	362	362	362	362
TR	Pearson Correlation	.208**	1	.389**	.586**	.435**	.365**
	Sig. (2-tailed)	.000		.000	.000	.000	.000
	N	362	362	362	362	362	362
SE	Pearson Correlation	.285**	.389**	1	.725**	.479**	.435**
	Sig. (2-tailed)	.000	.000		.000	.000	.000
	N	362	362	362	362	362	362
SC	Pearson Correlation	.232**	.586**	.725**	1	.500**	.415**
	Sig. (2-tailed)	.000	.000	.000		.000	.000
	N	362	362	362	362	362	362
CM	Pearson Correlation	.409**	.435**	.479**	.500**	1	.506**
	Sig. (2-tailed)	.000	.000	.000	.000		.000
	N	362	362	362	362	362	362
SP	Pearson Correlation	.392**	.365**	.435**	.415**	.506**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	
	N	362	362	362	362	362	362

** . Correlation is significant at the 0.01 level (2-tailed).

Table 4.12: (source: questionnaire survey)

As per table 4.11 the coefficients shows that the five factors measuring sales performance of network marketers were all positively correlated with sales performance of network

marketers within the range of 0.365 to 0.506, all were significant at $p < 0.01$ level. All independent variables show a medium level of positive relation with the dependent variable (sales performance).

4.5 Regression Analysis

To analyze the conceptual framework several independent variables were entered into the multiple regression equation. This section reports the results of multiple regressions conducted. Multiple regression analysis is “an analysis of association in which the effects of two or more independent variables on a single dependent variable are investigated simultaneously” (Zikmund et al., 2010, p.584). According to Hair Jr. et al. (2007), Multiple Regression Analysis, a form of general linear modeling, is an appropriate statistical technique when examining the relationship between a single dependent (criterion) variable and several independent (predictor) variables. They explained that idea of using multiple regression analysis is to use the independent variable whose values are known to predict the single dependent value selected by the researcher. In this study step-wise multiple regressions were conducted in order to examine the relationship of network marketers motivation, training provided by NMO, social cohesion among members in NMO, network marketers self-efficacy belief, and network marketers commitment with network marketers sales performance.

The results of this analysis indicate how well a set of independent variables is able to predict the dependent Variable. Furthermore, it shows how much unique variance in the dependent variable is explained by each of independent variables (Pallant, 2010). The Multiple Regression analysis assumes that the relationship between a single dependent variable and each independent variable is linear.

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.591 ^a	.350	.340	4831.57128

a. Predictors: (Constant), commitment, motivation, training, self-efficacy, social cohesion

b. Dependent Variable: performance

Table 4.13: (source: questionnaire survey)

The model in the above table 4.12 shows how much of the variance in the measurement of sales performance is explained by the model. Based on this, model coefficient of determination or R^2 obtained indicates that 35% (adjusted R square of 34% with estimated standard error 4831.57) of the variation in the measurement (sales performance) function can be explained by motivation, training, social cohesion, self-efficacy and commitment. The R^2 was low which indicates there are other variables that determine the level of performance of network marketers. For instance, inclusion of experience in to the model raised the R^2 to .515 which indicates the predicting power of the factors rises to 51.5%. The remaining 48.5% can be explained by the factors not included in the study.

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	4465413350.403	5	893082670.081	38.257	.000 ^b
	Residual	8310492865.067	356	23344081.082		
	Total	12775906215.470	361			

a. Dependent Variable: performance

b. Predictors: (Constant), commitment, motivation, training, self-efficacy, social cohesion

Table 4.14 (source: questionnaire survey)

In testing the hypothesis of no linear relationship between the predictor and dependent variables, i.e., $R\text{-square} = 0$, the Analysis of Variance (ANOVA) is used (Robert, 2006). Table 4.13 presents the F statistics to test how well the regression model fits the data. If the f-statistics is big and the significance level less than 0.05 then the hypothesis of no linear relationship between the independent variable and dependent variable is rejected. Thus in this study F-statistics with 38.257 and significance value of 0.000 the regression model fits the data.

The strength of each predictor (independent) variable influence on the criterion (dependent) variable can be investigated via standardized Beta coefficient. The regression coefficient explain the average amount of change in dependent variable that caused by a unit of change in the independent variable. The larger value of Beta coefficient that an independent variable has, brings the more support to the independent variable as the more important determinant in predicting the dependent variable.

Coefficients ^a								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-15990.206	1699.770		-9.407	.000		
	motivation	1824.886	435.426	.198	4.191	.000	.820	1.220
	training	801.918	376.510	.115	2.130	.034	.621	1.609
	Self-efficacy	1193.658	433.561	.177	2.753	.006	.444	2.252
	Socialcohesion	265.358	506.976	.037	.523	.601	.358	2.793
	commitment	1478.267	295.495	.272	5.003	.000	.620	1.613

a. Dependent Variable: performance

Table 4.15 (questionnaire survey)

Among the five constructs, the multiple linear regression analysis revealed that network marketers motivation, self-efficacy belief, and commitment and training provided by NMO was a significant predictor of network marketers sales performance at 5% significance level. But social cohesion among members in NMO have an effect however, the effect is not significant at 5% level of significance. The effect of all independent variables was positive: network marketer's motivation (Beta= .198, P=.000), training

provided by NMO (Beta=.115, P=.034), network marketer's specific self-efficacy belief (Beta=.177, P=.006), social cohesion among members of network marketing organization (Beta=.037, P=.601) and commitment in terms hours spend performing network marketing activity (Beta=.272, P=000). The standardized Beta coefficient for commitment was higher than other variables and lower social cohesion which indicates that commitment is very important factor in predicting performance and social cohesion is with little importance in predicting the dependent variable.

Hypothesis	Results	Reason
H1; training in NMO is positively and significantly associated with network marketers' financial performance	Supported	$\beta=0.115$, P=0.034
H2; Network marketers' self-efficacy belief is positively and significantly associated with their financial performance	Supported	$\beta=0.177$, p=006
H3; Social cohesion in NMO is positively and significantly associated with network marketers' financial performance	Rejected	$\beta=0.037$, p=0.601
H4; Network marketers motivation in conducting network marketing business is positively and significantly related to their financial performance	Supported	$\beta=0.198$, p=000
H5; Network marketers' entrepreneurial actions or commitment in conducting network marketing business are positively and significantly related to their financial performance	Supported	$\beta=0.272$, p=000
H6.1 There is significant difference in performance due to difference in gender	Rejected	F=0.937 Sig=0.6
H6.2 There is significant difference in performance due to difference in age	Supported	F=3.369 Sig=.000
H6.3 There is significant difference in performance due to difference in education	Supported	F=2.335 Sig=.000

Table 4.16: Result (source: questionnaire survey)

4.6 Sales Performance Based on Age, Sex and Educational Level

A one-way ANOVA test was performed to examine whether the means of all the groups were different. The test whether the groups' mean between different groups are the same is represented by the F-ratio (which represents the variance between the groups divided by the variance within the groups. A large F ratio indicates that there is more variability between the groups (caused by the independent variable) than there is within each group (referred to as the error term).

ANOVA						
		Sum of Squares	df	Mean Square	F	Sig.
sex of the respondent	Between Groups	12.298	52	.236	.937	.600
	Within Groups	77.978	309	.252		
	Total	90.276	361			
age of the respondent	Between Groups	41.072	52	.790	3.369	.000
	Within Groups	72.453	309	.234		
	Total	113.525	361			
what is your level of education	Between Groups	91.150	52	1.753	2.335	.000
	Within Groups	231.955	309	.751		
	Total	323.105	361			

Table 4.17: (source: questionnaire survey)

The F-statistics for Age (3.369, $p=.000$) and educational level (2.335, $p=.000$) shown on the table 4.16 above indicate that there is significant sales performance difference between different age group and level of education. The F-statistics for sex (0.937, $p=0.6$) indicate that there is not significant performance difference between male and female.

4.7 Intrinsic Vs Extrinsic Motivation

In order to compare the intrinsic and extrinsic motivation of Ethiopian network marketers paired sample T test was conducted between items under intrinsic motivation and extrinsic motivation and the result is presented on table 4.17 below

Paired Samples Statistics					
		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	intrinsicmotivation	3.1243	362	.77764	.04087
	extrinsicmotivation	3.5571	362	.76528	.04022

Table 4.18 (source: questionnaire survey)

The mean score of intrinsic motivation (3.1243, $SE=0.04087$) and that of extrinsic motivation (3.5571, $SE=0.04022$) with mean difference of (0.43278, $P=0.000$) indicate that Ethiopian network marketers are extrinsically motivated to join NMO.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

This chapter will summarize findings, make conclusive remarks and formulates recommendations that enhance Ethiopian network marketers' performance.

5.1 Summary of Findings

From demographic point of view network marketing is a business of youngsters. The survey result indicates that 95.6% of the respondents were below age of 40 years. In relation to educational level the survey result indicates that, 65.5% of network marketer's have a qualification of not more than Diploma. 59.9% network marketers were with no other job or lack opportunity to get employed at other companies. Network marketing is recent phenomena in Ethiopia, the survey result on the experience of network marketers indicate that 60.2% of the network markets had experience of not more than 3 years.

The study result on performance of Ethiopian network marketer's indicate that 35.9% of the network marketer's earn nothing from their NMB and 60.8% network marketer's earn less than 1000 ETB. Different factors affect network marketer's performance. From personal profile, experience in NMO found to be the highest predictor of network marketer's sales performance with correlation coefficient higher than all other independent variables .i.e. (0.681).

The hypothesized positive relationship between sales performance and variables of (motivation, training, social cohesion, self-efficacy belief and commitment) was found. However, the relationship between social cohesion and performance was not significant. Based on data analysis in the previous chapter, result of descriptive analysis indicates that mean score of the training (3.88, SD=0.85678) was highest while that of commitment (3.23, SD=1.09279) was the lowest. However, the result of correlation and regression analysis indicate that commitment was, highly correlated with and good predictor of network marketer's sales performance with correlation coefficient of (0.506) and ($\beta=0.272$). The correlation result for motivation (0.392) was the lowest among predictor

variables. However, in the case of regression result, social cohesion ($\beta=0.037$) was the list important and insignificant variable in predicting sales performance.

In the NMO, the sales force is generally paid through a commission system (Harris, 2004) which provides maximum selling motivation in terms of monetary compensation. The paired sample T test made between items of intrinsic and extrinsic motivation indicate that the mean score extrinsic motivation (3.5571) was higher than that of intrinsic motivation (3.1243). The mean difference of intrinsic and extrinsic motivation (.43278, $P=000$) which indicate that there is significant mean difference between them and Ethiopian network marketers are extrinsically motivated.

The result ANOVA indicates that there was a significant sales performance difference among different age group and educational level. However, being male or female does not significantly affect performance.

5.2 Conclusion

Kuntze (2001) suggests the major differences between traditional entrepreneurs and network marketers include: i) network marketers are less innovative than traditional entrepreneurs; and ii) network marketers' need for achievement is extrinsically motivated but traditional entrepreneurs exhibit intrinsic motivation in terms of career achievement; iii) network marketers have more an external locus of control compare to traditional entrepreneurs. The survey result was also indicated that Ethiopian network marketer's is also extrinsically motivated.

Extrinsic motivation is a construct that pertains whenever an activity is done in order to attain some separable outcome. Extrinsic motivation thus contrasts with intrinsic motivation, which refers to doing an activity simply for the enjoyment of the activity itself, rather than its instrumental value (Ryan & Deci, 2000). According to expectancy theory motivation, people will be motivated if they believe that strong effort will lead to good performance and good performance will lead to desired rewards. Motivation is important predictor of sales performance of network marketers and Ethiopian network marketers are extrinsically motivated

The main entrepreneurial activities undertaken by network marketers that need commitment can be summarized as the combination of selling products, recruiting new

network marketers and supporting and training them to do the same things (Biggart, 1989). The hours spent in conducting these activities determine the level of commitment of network marketer's. The entrepreneurial commitment undertaken by network marketers, determines their financial performance (Dai, 2012). The study result has also indicated that commitment in terms of hours spent in conducting network marketing business activity is a good predictor of sales performance. Without spending sufficient amount of time to conduct the NMB it is impossible to achieve sales success.

In the NMO, the sales force is generally paid through a commission system (Harris, 2004) which provides maximum selling motivation in terms of monetary compensation. However, most network marketers earn negligible amount from their distributorship (Sparks and Schenk, 2006). The survey result has confirmed the same thing. The result indicates that 60.8% of network marketer's earn not more than 1000ETB.

To achieve the success, network marketers need to attract as many people as possible to join them and establish their new network marketing business (Granfield & Nicols, 1975). Important strategy applied by NMOs to attract the members is to create a social environment to meet their members' social needs (Bhattacharya & Mehta, 2000). In this environment, the values of organizational cohesion (Sparks & Schenk, 2001), mutual supports between the members (Sparks & Schenk, 2001, 2006) have been promoted; the members of NMOs are able to obtain a sense of belonging (Pratt, 2000; Sparks & Schenk, 2006). Social cohesion in NMOs is important for attracting and retaining network marketers, however its contribution in sales performance of network marketers' is small.

One of the most popular activities in a NMO is the organizational training provided by the NMO and other network marketers (Biggart, 1989). Organizational training in NMOs provides two sources for trainees to raise their knowledge and skill with the business. First, it provides opportunities for trainees to be exposed to successful network marketers and obtain vicarious experiences (Bandura, 1986, 1997). Second, it lets trainees practice business skills and knowledge and obtain the mastery experience (Bandura, 1986, 1997). Thompson (2004) supports the view that poor service results from a lack of the skills and knowledge needed to achieve performance objectives. There is positive relationship between training and sales performance of network marketer's.

People's belief in their efficacy influences the course of action they choose to pursue, how much effort they apply to given endeavors, and how long they will persevere in the face of obstacles and failures (Bandura, 2001). "Unless people believe they can produce desired effects by their actions, they have little incentive to act" (Bandura, 1997). The network marketers' specific self-efficacy belief is important predictor of sales performance.

5.3 Recommendations

The critical factor in a network marketing company's success is its ability to engage the energies of thousands of people and shape them into a highly productive organization (NMO) (Biggart, 1989). Challenges, a network marketing organizations facing, are how to overcome the obstacle of negative public image (Bloch, 1996), attract as many people as possible to join the sales force of the network marketing business, and maintain and control the sales force. To overcome the effect of negative public image and attract as many people as possible requires identifying target areas that much the need of those people. As it's evident from this study and a lot of previous studies, network marketers are a group disadvantaged in current lobar market due to low educational qualifications. For example, there are a lot of technical and vocational training centers for which the job opportunities after graduations is very low. So targeting such technical and vocational training centers, colleges that educate people at certificate and diploma level is helpful to find people in need of such a business as an escape route to unemployment. As extrinsic motivation is significantly correlated with sales performance, NMOs must target those individuals that are highly in need of financial success. To accomplish these NMOs should consider individual that lacks opportunity in labor market.

In network marketing business, network marketers are independents contractors who have no obligations to comply with the instructions of the management in network marketing firms (Msweli and Sargeant, 2001; Harris, 2004). Important strategy applied by NMOs to retain the members is to create a social environment to meet their members' social needs (Bhattacharya & Mehta, 2000), which was labeled the human being's spiritual needs by Groß (2010). In this environment, the values of organizational cohesion (Sparks & Schenk, 2001), mutual supports between the members (Sparks & Schenk, 2001, 2006) have been promoted; the members of NMOs are able to obtain a sense of

belonging (Pratt, 2000; Sparks & Schenk, 2006; Groß, 2010). Success in network marketing business requires not only attracting but also retaining as much members as possible in order to have large number of people in the business. Since retaining is must, NMOs must create internal cohesive environment in which the members can develop sense of belonging. If new network marketers conduct their businesses independently, many of them may find the barriers to the launch of the business are too high, due to lack of experience and/or resources (Biggart, 1989; Kuntze, 2001). If a group of network marketers work together and share their experiences and resources with each other, they should be able to overcome these barriers.

Effective training and development program is aimed at improving the employees' performance. Training refers to bridging the gap between the current performance and the standard desired performance. One of the most popular activities in a NMO is the organizational training provided by the NMO and other network marketers (Biggart, 1989). Organizational training in NMOs provides two sources for trainees to raise their knowledge and skill about the business. First, it provides opportunities for trainees to be exposed to successful network marketers and obtain vicarious experiences (Bandura, 1986, 1997). Second, it lets trainees practice business skills and knowledge and obtain the mastery experience (Bandura, 1986, 1997). NMOs organize various training activities to help network marketers to obtain business competencies (Biggart, 1989; Pratt, 2000). One important outcome of these training activities is to increase individual network marketers' self-efficacy in conducting their network marketing businesses (Bandura, 1986; Bandura, 1997). Beside developing business competencies training in network marketing organization should also focus on changing the way of thinking of network marketers' so that they can feel confident about success in doing the business.

5.4 Feature Studies

- It is important that future research continues in this direction with further improvement and extension of the model. Future research may consider adding and examining factors, such as desire for opportunity, social competence and experience because these factors are essential for network marketers success in conducting NMB.

- Different finding can also be derived if social cohesion is conceptualized as task commitment or if performance is measured as behavior not as outcome of what is being done.

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Appendix

Questionnaire to be filled by network marketers

Dear respondent,

My name is Tekle Asfaw. I am postgraduate student at Addis Ababa University School of Commerce. I am conducting a research study on “Factors affecting network marketers entrepreneurial performance” In partial fulfillment of Master of Arts Degree in Marketing Management at Addis Ababa University school of commerce (AAUSC) . I request you to participate in this research by filing the provided questionnaire. The finding of the study would be very important for academicians, managers of NMOs and for you too. Therefore, your response is highly valuable and there are no identified risks from participation in this study and participation is completely voluntary. The report of the study will only be communicated in aggregate form to protect the identity of the respondents and the finding of the study will be used only for academic purpose.

Part I.

Personal detail

Please select the choice that best describes you by placing “√” mark

1. Age group;

A) 18-30 () B) 31 – 40 () C) 41 – 50 () D) 51 – 60 () E) Above 60 ()

2. Gender; A) Male () B) Female ()

3. Marital status

A) Single () B) Married D) Divorced ()

4. Besides conducting the network marketing business, do you have the other job?

A) Yes (), B) No () Please specify your occupation _____, Full time () Part time ()

5. Level of education

A) School Certificate () B) Diploma () C) Bachelor () D) Master () E) PhD ()

6. When did you fill in the form and join this network marketing organization? (Please specify the year and month) _____

7. During last four months period, averagely, how much commission did you earn monthly? Please specify _____

Part II

Importance,

For each reason of starting or owning your own business, rate in terms of how important it is for your motivation to become a network marketing business entrepreneur. Please use the following 1 to 5 scale and place “√” mark on the option that best describes you or your opinion

1. is not important for me at all
2. Is only a slightly important for me
3. Is a moderately important for me
4. Is an important motivation for me
5. Is a very important motivation for me

No.	Statements	Not imp. 1	2	3	4	Very imp. 5
1	To directly contribute to a company's success					
2	To keep learning					
3	To make a lot of money					
4	To be challenged					
5	To get rich quickly					
6	To be innovative					
7	To be free to name my own hours					
8	To be free to work wherever I want-including from home					
9	For personal accomplishment					
10	To have influence over and create a positive impact upon my community					
11	To buy all of the toys, cars, boats, vocation homes – have always wanted					
12	To have fun					
13	To have financial security					
14	To better use my skills					
15	To be known as a successful “entrepreneur” or business person.					
16	To start up my own business without financial pressure					

Part III

The social cohesion in NMO

For each statement about social cohesion in your NMO please indicate the level of your agreement using the following 1 to 5 scale. Place “√” mark on the option that best describes you or your opinion

1. Strongly disagree (SD) 2. Disagree (D) 3. Neutral (N) 4. Agree (A) 5. Strongly agree (SA)

No	Statements	1 SD	2 D	3 N	4 A	5 SA
1	There is a great deal of trust among fellow member in my organization					
2	The member of my organization are very cooperative with each other					
3	The member of my organization believe we can depend on each other for advice and support concerning our distributorships					
4	The members of my organization support each others' work					

Part IV

Training in NMOs

For each statement about training in your network marketing organization please indicate the level of your agreement using the following 1 to 5 scale. Place “√” mark on the option that best describes you or your opinion

1. Strongly disagree (SD) 2. Disagree (D) 3. Neutral (N) 4. Agree (A) 5. Strongly agree (SA)

No	Statement	1 SD	2 D	3 N	4 A	5 SA
1	The trainings I received in this network marketing organization are effective					
2	Training provide by this network marketing organization is essential for me to operate my network marketing business					
3	Through the training provided by this network marketing organization, I have obtained large amount of knowledge about network marketing business					
4	Without training provided by network marketing organization, I won't be able to establish my network marketing business successfully.					

Part V

Network marketing business specific self-efficacy believes

For each statement about your confidence and certainty of success in conducting NMB below, please indicate your level of agreement using the following 1 to 5 scale. Place “√” mark on the option that best describes you or your opinion

1 Strongly disagree (SD) 2 Disagree (D) 3 Neutral (N) 4 Agree (A) 5 Strongly agree (SA)

No	Statements	1 SD	2 D	3 N	4 A	5 AS
1	It is easy to conduct my current network marketing business					
2	It is easy to introduce my current network marketing business to others					
3	It is easy to recruit others to participate in my NM organization					
4	It is easy to train others to conduct their NM business					
5	It is easy to lead a network marketing organization					
6	It is easy to sell the products to others					
7	I am certain of success in conducting my current network marketing business					
8	I know enough to conduct network marketing business					
9	I am sure of myself in communicating with others effectively					
10	I am sure of myself in developing new leaders in my organization					

Part VI

Entrepreneurial action or commitment

For each statement about amount of time devoted for conducting network marketing business below, indicate the amount of time using the following 1 to 5 scale. Place “√” mark on the option that best describes you.

1 for less than 5hrs 2 for 5-10hrs 3 for 11-20hrs 4 for 21-40hrs 5 for more than 40hrs.

No	Statement	1	2	3	4	5
1	Hours per week devoted to distributorship work					
2	Number of sales workshops held per month					