

Available online at www.sciencedirect.com

ScienceDirect

journal homepage: <http://www.elsevier.com/locate/kjss>

Structural equation modeling of a potentially successful person in network marketing

Rattana Hiranpong ^{a,*}, Pasu Decharin ^b, Natcha Thawesaengskulthai ^c

^a Technopreneurship and Innovation Management Program, Chulalongkorn University, Bangkok 10330, Thailand

^b Faculty of Commerce and Accountancy, Chulalongkorn University, Bangkok 10330, Thailand

^c Department of Industrial Engineering, Chulalongkorn University, Bangkok 10330, Thailand

ARTICLE INFO

Article history:

Received 12 December 2014

Received in revised form

18 February 2015

Accepted 24 February 2015

Available online 3 February 2016

Keywords:

Network marketing,

Phalanuphap,

Structural equation modeling,

Successful person

ABSTRACT

This study developed a structural equation model to explain the attributes of a potentially successful person in network marketing. The researcher collected data on 400 network marketers, from 10 companies, who had been in business seriously for at least 2 years. The results showed that a potentially successful person in network marketing exhibited four latent variables: 1) unsatisfied valued life-desire discrepancy 2) effectiveness of choice in closing the gap on discrepancies 3) Phalanuphap—power to move people, and 4) assertiveness when significant others have become an obstacle. There is a causal relationship between these latent variables and success in network marketing, and the structural equation modeling of potentially successful persons in network marketing which was developed in this study fits well with the empirical data.

Copyright © 2016, Kasetsart University. Production and hosting by Elsevier B.V. This is an open access article under the CC BY-NC-ND license (<http://creativecommons.org/licenses/by-nc-nd/4.0/>).

Introduction

In Thailand, network marketing is an important type of business which relates to many people. In 2002, the total market value of direct-sales business (including both single-level and multi-level direct-sales marketing) equaled 27,760 million baht, and increased to 68,700 million baht in 2012 (Chunhachacharachai, 2013). The number of people involved in Thailand's direct-sales marketing consisted of up to 10,900,000 direct-sales members (both consumers and businessmen) in 2012, which is the highest number in the

Asia–Pacific region (World Federation of Direct Selling Association, 2012).

Although the size is big and the growth rate is high, only a few succeed in network marketing. Taylor (2011) found that only 1 out of 238 distributors could gain benefits from network marketing. The average failure rate and loss rate of network marketing distributors was 99.6 percent, which is higher than the failure rate for starting a small businesses which is only 61 percent.

Distributors who fail in network marketing waste their money and time and lose their confidence. Organizations and existing distributors waste time and money in training

* Corresponding author.

E-mail address: nickee_k@hotmail.com (R. Hiranpong).

Peer review under responsibility of Kasetsart University.

<http://dx.doi.org/10.1016/j.kjss.2016.01.009>

2452-3151/Copyright © 2016, Kasetsart University. Production and hosting by Elsevier B.V. This is an open access article under the CC BY-NC-ND license (<http://creativecommons.org/licenses/by-nc-nd/4.0/>).

new distributors and cannot expand their business continuously.

How could the failure rate of network marketers be decreased? This paper investigates one solution to this problem. The development of a structural equation model (SEM), based on reviewing the literature and interviewing the experts, to explain a potentially successful person in network marketing, could help network marketers to recruit more potentially successful people to their network and decrease the rate of failure in the business.

Literature Review and Research Framework

From related literature, the researcher observed the following gaps. Firstly, there is no study focus only on factors related to a person “before” joining network marketing. Secondly, studies on causal relationships between variables and success in doing network business are very few. Thirdly, factors which were explored in previous studies can be measured based on many theoretical concepts, including leadership and motivation among others. Nevertheless, these theoretical concepts might not be appropriate for the study in the network marketing context.

After reviewing the literature and interviewing successful network marketers, a research framework was developed. There are many factors affecting success in network marketing. In this study, only factors related to individuals “before” joining network marketing were studied.

Components of a potentially successful person in network marketing

Unsatisfied valued life-desire discrepancy (DESIRE)

From previous studies on motivation to join network marketing, Adagbon (2007) and Changbangjong (2012) proposed a list of incentives but no conceptual framework. Wannakulpong (2010) used McClelland's Acquired Needs while Tan (2003) used Vroom's Expectancy Theory.

There are various motivation theories. Findings from the interviews with two highly successful network marketers indicated that these two people joined network marketing because they had an unsatisfied valued life-desire discrepancy. This is particularly relevant to cognitive dissonance theory which indicates that a discrepancy increases dissatisfaction that causes changes in thoughts, attitude, and behavior (Mehay, 2012). This theory fits very well with the network marketing context because recruiting people into network marketing depends on motivating and changing beliefs, attitudes, and behavior.

Ineffectiveness of career choices in closing the unsatisfied discrepancies (INEFFE)

Decision making on whether to join a network business depends on the rationality of each individual which Brown (2004) (as cited in Sumalee, n.d.) explains is based on two components.

The first is the evaluation of the efficiency of alternatives in achieving the goal. In the context of network marketing, a reasonable person will evaluate all possible alternatives to see

whether they can close the discrepancy. If the person considers that their present job and all possible alternatives are ineffective to achieve the targeted goal (that is, to have more money and to have enough time to do things as desired), when hearing about an opportunity in network marketing, that person will have a higher tendency to become stimulated to enter network marketing than those whose available alternatives may be able to reduce or close the existing discrepancy.

Secondly, the actions are stimulated by self-interest. This dimension has similar characteristics to the level of unsatisfied valued life-desire discrepancy.

Therefore, only the first dimension of rational choice theory has been included in the model.

Phalanuphap—power to move people (PHALA)

Existing research on network marketing has used a variety of theories to explain leadership. Kitkamhang (2010) used a trait approach to emphasize leaders' qualities and skills. Veerachivin (2004) and Wongklud (2008) used behavioral school theories of leadership to study leaders who were successful in network marketing. Moreover, theories considering leaders and followers have been used in research related to successful network marketers too, especially transformational leadership theory (Somboonma, 2008; Wannakulpong, 2010).

Transformational leadership theory might be able to explain the relationship between leaders and followers better than the trait and behavioral approach in a network marketing context. However, it still can't explain the way that leaders move their followers in all dimensions—for example, it does not explain how leaders can force others to follow. But there is another theory which is able to explain this relationship in a more thorough way—the Phalanuphap theory (Chareonwongsak, 2014).

Chareonwongsak (2014) explains that the attribute of a person which allows him/her to drive other people to do or not do something to a certain extent is called Phalanuphap which consists of four elements: 1) Power (ability to “force” other people to follow even though they do not want to); 2) Influence (ability to “persuade” other people to agree and follow); 3) Sutta or Admired Trust (ability to make other people follow because they believe, trust, and have confidence in their leaders) and 4) Ba-ra-mee or Epitomized Respect (people are willingly to follow because they respect the good deeds that a person has been committing throughout their life and follow them as inspiration).

Importantly, Chareonwongsak (2014) also explained that the foundation of Phalanuphap consists of 30 factors that are also included in the model. They are: 1) money, 2) reputation, 3) position in organization/society, 4) knowledge, 5) role, 6) education, 7) rank or title, 8) award, 9) connection, 10) experience, 11) family background, 12) estate (*ta-nun-dorn*), 13) physical attraction, 14) brand, 15) personality, 16) expertise, 17) performance, 18) rhetoric, 19) foresight, 20) first move, 21) patronage, 22) ideation, 23) information, 24) culture, 25) tradition, 26) skills, 27) virtues, 28) favor, 29) popularity, and 30) damagability. Knowing the foundation of Phalanuphap will be helpful in developing the structural equation model of a potentially successful person in network marketing, since

Download English Version:

<https://daneshyari.com/en/article/364326>

Download Persian Version:

<https://daneshyari.com/article/364326>

[Daneshyari.com](https://daneshyari.com)