

**Motivation in organisations operating on the basis
of a Multi-Level Marketing system: how do people
motivate themselves and others?**

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ABSTRACT

Up to this point, little attempt has been made to examine issues associated with motivation in companies operating on the basis of the Multi-Level Marketing (MLM) system. This paper attempts to examine such an 'exotic' system of distribution of goods and services and this thesis will contribute to existing literature by addressing the issue of how people motivate themselves and others in companies operating on the basis of Multi-Level Marketing system. This research will provide the basis for future research for MLM motivation. Theories of motivation will be critically evaluated and used as a benchmark to compare findings against. Secondary data analysis, observation and an exploratory questionnaire survey which was conducted with a sample of 100 randomly selected people involved in Multi-Level Marketing was undertaken in order to address the research question.

DECLARATION

I hereby declare that the following dissertation has been composed by me I declare that all verbatim extracts contained in the thesis have been distinguished by quotation marks and the sources of information specifically acknowledged All the research conducted was done so in conjunction with the requirements of the MSC in Management for the National College of Ireland

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TABLE OF CONTENTS

	Page
<i>Abstract</i>	i
<i>Declaration</i>	ii
<i>Acknowledgements</i>	iii
<i>Table of Contents</i>	iv
<i>A list of Tables, Figures & Charts</i>	vii
Chapter 1 Introduction	1
1.1 Introduction	1
1.2 Research Questions & Objectives	3
1.3 Outline of Chapters	4
Chapter 2 Literature Review Study Background & Context	6
2.1 Motivation in the Theoretical Presentation - The Concept of Motivation	6
2.2 Types of Motivation	12
2.3 Review of Selected Theories of Motivation	14
2.3.1 Systematics of the Theory of Motivation	14
2.3.2 Need Theories of Motivation	17
2.3.3 Process Theories of Motivation	25
2.3.4 Reinforcement Theories	34
2.4 Multi-Level Marketing	39
Chapter 3 The Ideas and the Essence of Multi-Level Marketing	46
3.1 Multi-Level Marketing Characteristics	46
3.2 Multi-Level Marketing History	53
3.3 MLM and Direct Selling in Poland	60
3.4 Market Saturation – as the MLM Problem	66

3 5 MLM and Pyramid Schemes	67
3 6 MLM Development Trends	71
Chapter 4 Methodology	73
4 1 Research Questions and Objectives	73
4 2 Introduction	74
4 3 Pragmatic Approach to Research	74
4 4 Inductive Approach (building theory)	75
4 5 Mixed Methods	76
4 6 Quantitative vs Qualitative Research	77
4 7 Research tools	79
4 7 1 Secondary Data Review and Analysis	79
4 7 2 Observation	81
4 7 3 Survey	82
Chapter 5 Methods of Motivation in MLM Organisations – Observation Results	85
5 1 Monetary Motivation	85
5 2 Contests	86
5 3 Motivation through Goals	87
5 4 Self-Motivation	88
5 5 Commendation in Motivation	89
Chapter 6 Methods of Motivation in MLM Systems – Survey Results	91
6 1 Purpose and Scope of the Research	91
6 2 Respondents Characteristics	91
6 3 Detailed Results of the Survey	95
6 3 1 Respondents' Perceptions on the MLM and the Results They Achieve	95
6 3 2 Self-motivation According to Respondents	106
6 3 3 Team Motivation According to Respondents	111

6.3.4 Respondents' Conversancy of the Major Motivation Theories	114
6.3.5 Overall Conclusions from Conducted Survey	117
Chapter 7 Final Conclusions	119
<i>Appendices</i>	121
Appendix 1	121
List of companies operating within the Polish market in a legal MLM manner	
Appendix 2	125
Questionnaire Form	
<i>References</i>	131

A LIST OF TABLES, FIGURES & CHARTS

	Page
<u>Tables</u>	
Table 1 An overview of definitions of motivation	8
Table 2 Systematics of selected theories of motivation	16
Table 3 Characteristics of groups of needs according to Maslow	18
Table 4 Comparison of Maslow and Alderfer classification of needs	21
Table 5 Examples of motivators and hygiene factors in Herzberg two factor theory of motivation	23
<u>Figures</u>	
Figure 1 Core Motivational Process	10
Figure 2 The Yerkes–Dodson an empirical relationship between arousal(motivation) and performance	12
Figure 3 Inequity as a Motivational Process	27
Figure 4 Adams’ Equity Theory diagram – job motivation	29
Figure 5 Goal-Setting Model	32
Figure 6 Schematic distribution of goods and services in direct sales company	48
Figure 7 Example of an expanding sales network in the company operating on the basis of Multi-Level Marketing	48
Figure 8 Exemplary distribution channel in traditional businesses	50
Figure 9 An example of distribution of goods and services through the MLM system	50
Figure 10 Exemplary, supported by many years of industry research, simulation of income apportionment in Network Marketing	52
Figure 11 Stages in the industry Lifecycle	71

Charts

	Page
Chart 1 Global Direct Retail Sales (in Billions of U S Dollars)	58
Chart 2 Global Salesforce Size (in millions of people)	59
Chart 3 Number of retailers cooperating in the direct selling industry in the years 2001 - 2011 (in thousands of people)	62
Chart 4 Retail sales in Poland in Direct Sales and MLM in the years 1997-2011 (in million Zloty)	63
Chart 5 Percentage of product groups in Direct Selling in Poland in years 2002, 2007 and 2012	64
Chart 6 The age structure of survey respondents	92
Chart 7 Respondents education	92
Chart 8 Place of residence	93
Chart 9 Industries in which respondents work	94
Chart 10 Factors which encourage the joining a company operating on the basis of MLM	96
Chart 11 Seniority of those cooperating with a MLM firm	97
Chart 12 The most important reasons for undertaking work with a firm operating in MLM system, given by people who work with the organisation for one year or less	98
Chart 13 Time devoted to work in MLM	99
Chart 14 Number of people in the team	100
Chart 15 Incomes derived from MLM	101
Chart 16 Dependence of income of over 10 000 PLN and the size of the network and working time	102
Chart 17 The level of satisfaction from cooperation with the MLM company	103
Chart 18 Ways of motivating employees used by MLM companies	107
Chart 19 Methods of self-motivation	109
Chart 20 Most motivating factors to work	110
Chart 21 Sources of knowledge about motivating others	111
Chart 22 Motivators used towards the team	113

Chart 23	The essence of team motivation in MLM	114
Chart 24	The level of knowledge of major theories of motivation	115
Chart 25	The level of practical use of major theories of motivation	116

CHAPTER 1

INTRODUCTION

1.1 Introduction

The financial crisis which engulfed all world economies, may in the future be subject to many economic, sociological, or psychological analysis, just as it was in the case with every previous crisis that swept the global economy or focused on one specific region so far. Nevertheless one thing is certain. Many companies were forced to reduce their employment aiming to survive in today's marketplace. People who get into private 'financial crises', losing their sources of income, must once again find their place in the surrounding economy and environment in which they live. So therefore, a lot of such people who come into contact either for the first time, or repeatedly with the company operating in the Multi-Level Marketing (MLM) system, can see their chance and potential opportunity in the market, which sometimes can become their new way of living. In spite of Multi-Level Marketing's bad opinion (Bacon 2009, Zıglar & Hayes 2006, Vander Nat & Keep 2002), everything actually depends on how they are able to motivate themselves to act and how they will be capable in motivating others to work and achieve increasing goals.

These are the companies operating in the Multi-Level Marketing system, that in times of the prevailing crisis are receiving increased attention and are developing most dynamically.

Moreover even in a strong economy, many people need supplementary income. *'As a result there will always be the need for Network Marketing'* (Zıglar & Hayes 2006, p 17)

The question of what makes people want to work, what impels them to action, what determines whether he or she wants to do something or not, and other similar issues concerned in this area, have and are constantly being investigated by management practitioners and theorists. As it can be seen later on in this dissertation, every subsequent theory of motivation has shed new light on this topic and allowed more understanding of what human behaviours depend on. However, during the analysis and discussion of these theories, it should be noted that human performance at work depends not only on the motivation (its excess may even harm), but also on how she or he perceives themselves in the organisation, how the individual is prepared to carry out assigned tasks, and what his or her talents are. These are inseparable elements.

Up to this point, little attempt has been made to examine issues associated with motivation in companies operating on the basis of the MLM system, therefore this paper attempts to provide reliable information on such an 'exotic' system of distribution of goods and services as the Multi-Level Marketing undeniably is. This paper is opened by discussing the underpinning theories surrounding motivation and demonstrating the concept of Multi-Level Marketing. Since there is currently a dearth in studies pertaining to the methods of motivation in MLM organisations, as such, the data for this study has been collected through a combination of available literature analysis, observation and an exploratory quantitative survey which was conducted with a sample of 100 randomly selected people involved in Multi-Level Marketing, to answer the following question: how do people motivate themselves and others and to provide the basis for future research for MLM motivation.

The chosen market for research is Poland, as it is the author's country of origin and when it comes to Multi-Level Marketing companies, it is a much bigger and better developed market compared to the Irish one (SELDIA Global Statistical Report 2011)

1.2 Research Questions & Objectives

The main aim of this research is to explore the issue of motivation in companies operating on the basis of a Multi-Level Marketing system. The research question posed in this initiative is to

- Define how MLM companies operate in practice
- Explore how people working in organisations based on the Multi-Level Marketing system motivate themselves and others

Hence the objectives of this research are tailored to

- Critically evaluate relevant theories of motivation and ascertain if such theories are applied within the context of MLM
- To define and understand Multi-Level Marketing specifically within the Polish environment, by analyzing its history, direct selling companies in Poland, market saturation as a problem of MLM, MLM and pyramid schemes, trends in the development of MLM
- To investigate different methods of motivation used in MLM companies
- By combining different research methods like secondary data analysis, observation, and questionnaire survey this paper will try to identify what motivated people in MLM and whether the findings lend towards any particular theory of motivation

1 3 Outline of Chapters

The first chapter of this thesis presents the reader with an introduction, research questions and objectives

On the basis of the available literature, chapter two will provide basic information about the complex area of motivation and a review of the Multi-Level Marketing literature. The definitions of motivation and motivation incentives will be discussed here, as well as the description of types of motivation. In order to familiarise the reader with current knowledge about motivation, this chapter will also explore selected core theories of motivation from Maslow's Hierarchy of Needs and Herzberg's Hygiene Factors to Expectancy, Goal-setting and Reinforcement Motivation theory which according to Hollyforde and Whiddett (2002, p. 5) tries to answer such questions as "Why do people make the choices they make?" or "What makes someone persist at one activity and yet quickly give up another?" or "To what extent is a person's behaviour a free choice?" Since this paper strives to provide reliable information on Multi-Level Marketing systems of distribution of goods and services and motivation issues in organisations operating in this system the emphasis will be on exploring the aspects of motivation which applies only to the work settings.

Chapter three explores research methodology

Chapter four addresses the idea and nature of the Multi-Level Marketing system. Moreover, the emphasis of this chapter will be on addressing the issue of people often having a completely erroneous idea about MLM, issues concerning market saturation and comparison of MLM's to pyramid schemes or Ponzi schemes. It will be explained here why this manner of distribution of goods and services has a great potential and is legal. At the end of this chapter there are described trends that have a significant impact on the development of

companies using MLM system for distributing their products and services, and what implications it will have for the participant of this distribution channel

Chapter five presents the most important and most frequently used by MLM leaders methods of motivation based on the conducted observation

Chapter six contains the results of the questionnaire survey, conducted for the purpose of this project among employees of six different companies operating on the basis of Multi-Level Marketing in Poland. Information will be analysed and presented

Chapter seven draws final conclusions

The research presented in this paper is to inspire to undertake an in-depth study among people working in MLM system and to develop a detailed motivation model in this specific channel of distribution of goods and services

CHAPTER 2
LITERATURE REVIEW
STUDY BACKGROUND & CONTEXT

At the start of this paper it quickly became apparent that there are not sufficient publications covering the topic of motivation in companies operating on the basis of Multi-Level Marketing system. Therefore research for this dissertation associated with MLM system will be carried out through both English and Polish-language sources.

On the other hand when it comes to motivation, which is a widely researched and reported subject, the availability of materials exceeds the actual possibility of exploring them all. Therefore it was narrowed to analyze only major motivation concepts.

2.1 Motivation in the theoretical presentation - The concept of Motivation

For a long time, many researchers and practitioners gave thought to people's behaviour and attitudes and the ways and tools that could affect them. These problems are analysed by different scientific disciplines, mainly related to psychology and are defined under the concept of motivation. However, for many years, they have also been an object of interest to theoreticians and practitioners of management, especially those of personnel management. This can evidently be seen by the number of academic and popular publications, which seek to describe the mechanisms of motivation of human behaviour within organisations. In today's world the ability of motivating employees in the organisation is one of the crucial factors affecting the overall success of the work of the manager and the

factor directly related with the success of managing people. At the same time, the knowledge and skills in this subject are useful on every level of our life (Pocztowski 2007)

There are many definitions of motivation. Most commonly motivation is *“defined as the force that compels us to action. It drives us to work hard and pushes us to succeed”* (Scuderı 2012). Motivation as a psychological mechanism is the inner strength of man that pushes him to take any action. It influences our behaviour and our ability to accomplish goals. These forces, among others, are urges, instincts, wishes and states of tension.

Allan (1996, p 15) describes motivation in simple terms as *“the force that drives people to do things”*. Generally motivation is what causes us to act. It can be also defined as the process that once initiated, gives guidance and maintains goal-oriented behaviours.

Moreover, Robbins (1997, p 168) defines work motivation as *“the willingness to exert high levels of effort towards organizational goals, conditional by the effort’s ability to satisfy some individual need”*

Robbins (2003, p 155) also defines motivation as *“the processes that account for an individual’s intensity, direction, and persistence of effort toward attaining a goal”*

In turn, Pocztowski (2007, p 202) describes motivation as *‘a process of conscious and deliberate impact on the behaviour of people in the labor process by creating conditions to enable them to meet their needs, as a result of their contribution to the specific objectives of the organization’*

Farther, Steers, Porter and Bigley (1996, p 8) characterize the motivation phenomenon as the one *‘primarily concerned with (1) what energizes human behaviour, (2) what directs or channels such behaviour, and (3) how this behaviour is maintained or sustained’*

A review of selected definitions of motivation and motivating is presented in Table 1

below

Table 1 An overview of definitions of motivation

MOTIVATION
<p>1 Martland (1995) <i>“the force or process which causes individuals to act in a specific way”</i></p>
<p>2 Vroom (1964) <i>“a process governing choice made by persons or lower organisms among alternative forms of voluntary activity”</i></p>
<p>3 Campbell & Pritchard (1976) <i>“Motivation has to do with a set of independent/dependent variable relationships that explain the direction, amplitude, and persistence of an individual’s behaviour, holding constant the effects of aptitude, skill, and understanding of the task, and the constraints operating in the environment ”</i></p>
<p>4 Jones (1955) <i>“ how behaviour gets started, is energized, is sustained, is directed, is stopped, and what kind of subjective reaction is present in the organism while all this is going on”</i></p>
<p>5 Atkinson (1964) <i>“ the contemporary (immediate) influence on the direction, vigor, and persistence of action”</i></p>
<p>6 Business Dictionary (2012) <i>“Internal and external factors that stimulate desire and energy in people to be continually interested in and committed to a job, role, or subject, and to exert persistent effort in attaining a goal</i></p>

Motivation results from the interactions among conscious and unconscious factors such as the (1) intensity of desire or need, (2) incentive or reward value of the goal, and (3) expectations of the individual and of his or her significant others "

7 Jones & George (2002)

"Psychological forces that determine the direction of a person's behaviour in an organization, a person's level of effort and a person's level of persistence "

8 MBA Knowledge Base (2012)

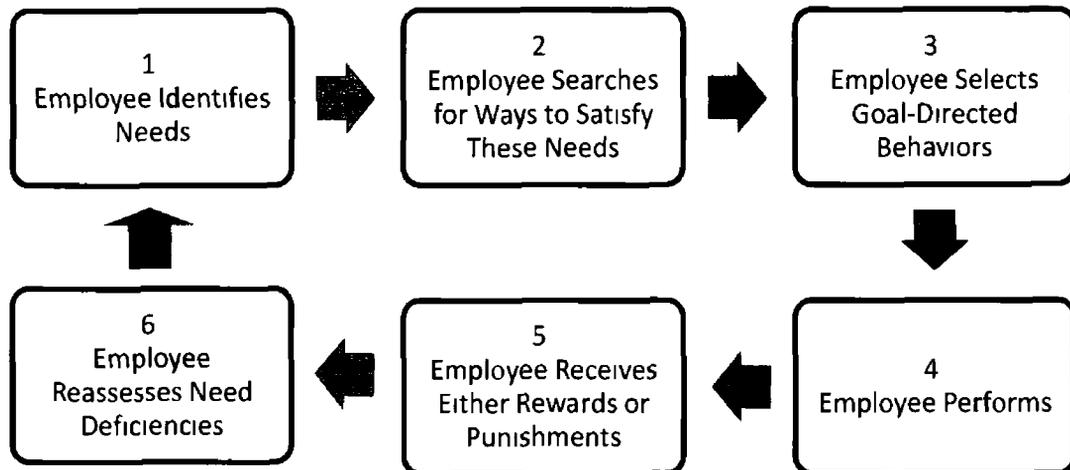
"Motivation can be defined as stimulating, inspiring and inducing the employees to perform to their best capacity Motivation is a psychological term which means it cannot be forced on employees It comes automatically from inside the employees as it is the willingness to do the work "

Source own work based on the books Motivation and Leadership at work The Motivation Handbook and the Internet

All forces, objectives, processes, impacts and factors affecting the motivation of the person, interact with each other and are interrelated (Pocztowski 2007) Therefore, the motivation to act can be represented schematically in the form of a process (see Figure 1), in which the person

- realizes the need (objective), which is unsatisfied,
- recognizes the opportunity to meet the needs (goals),
- takes action towards satisfying needs (objectives),
- reaches a certain level of performance, which is being evaluated,
- receives reward or punishment which either meets or not his needs,
- assesses the degree of satisfaction of needs, and as a result, he realizes new needs (objectives), or modifies existing ones (Pocztowski 2007)

Figure 1 Core Motivational Process



Source Hellriegel Slocum & Woodman (1995 p 172)

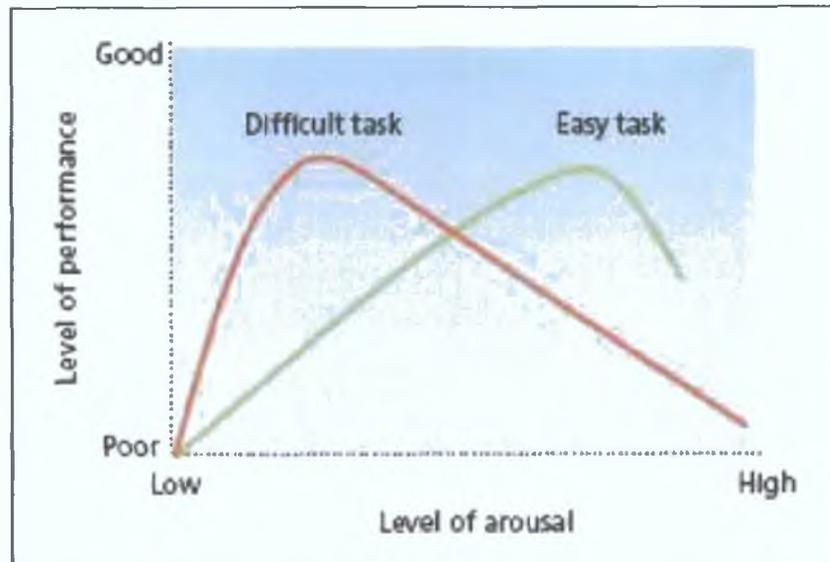
Everyone has different needs and everybody feels it in varying degrees of intensity. Some people expect acceptance, belonging to the group, others will want a higher income, and still others will hope that through more intensive work they will reach promotion. It is really valuable information apropos an employee, and helpful in his/her motivation. The need (or goal) is therefore a sense of the lack of something, which causes tension in the body (physical or psychological), and stimulates the activity of man's effort to meet this need (Steers et al 1996)

A number of theories of motivation try to explain all of the issues related to the identification of needs and their appeasement, selection of specific behaviours (formation, orientation, strength and duration). They pay attention mainly to the motivation steering

However, it is also worthwhile to pay attention also to the issue associated with intensity of motivation. It was found that the stronger the motivation the higher a person's activity and persistence will be in pursuit of the goal. But it also appeared that too intense motivation may impair performance or even completely paralyse it. This follows from the fact that strong emotional states interfere with human activities, deform and disorganize it. In situations where motivation is too strong, errors begin to occur more frequently, inhibitions appear, and the field of attention reduces, eventuates emptiness in the head and the scope of available associations reduces, some patterns of behaviour begin to solidify, despite the fact that it does not lead to desired effects (Purkis, Lipp, Edwards & Barnes 2009). It is also possible that the degree of activity of organisation falls to a level characteristic of the early stages of training in the field. It should be noted here that changes in performance depend on the intensity of motivation rather than the strength of the stimulus.

This dependence is a curvilinear, inverted U-shaped curve (Yerkes-Dodson law). Figure 2 illustrates the operational efficiency at performing easy and difficult tasks. Different tasks require different levels of motivation for optimal performance. It can be seen in this graph that the maximum performance of the task falls on the motivation of medium intensity.

Figure 2: The Yerkes–Dodson an empirical relationship between arousal (motivation) and performance



Source: <http://www.scribd.com/doc/36873316/Chapter-9>

2.2. Types of motivation

In the literature many different types of motivation can be found. It talks about monetary and nonmonetary motivation, often called an incentive motivation, fear motivation which involves consequences, achievement motivation- also commonly referred to as the drive for competency motivation, intrinsic or extrinsic motivation, positive or negative motivation and a few others.

Monetary motivation includes all these activities, which, through a financial element are supposed to spur a person to action. While nonmonetary includes motivators such as vouchers, various kind of passes, tickets, awards, organisational culture, supplementary health insurance, etc (Rose 2010).

Extrinsic motivation in simple terms is the motivation that comes from outside an individual. It is all the wide efforts that stimulate a person's motivation to accomplish a given task through specific activities that are more or less intense in relation to a person (Dermer 1975). However, if they are too strong it can weaken the self-motivation, which is revealed when a person seeks to meet the needs they feel. When intrinsic motivation is being replaced with external incentives, a phenomenon of perceiving the activity and behaviours which a given person carried out previously with pleasure, can appear now as the ones caused by essential extrinsic factors, not-appreciating internal causes. Therefore, the most optimal is to stimulate and maintain intrinsic motivation in others (Vroom, & Deci 1970).

The next kind of motivation are positive and negative motivation, which for the purposes of this work are wider discussed. In order to boost motivation, many different ways may be applied. It can be threatening to what a person has already achieved by applying a negative motivation using negative incentives, or by creating conditions that allow a person achieving the objectives and needs through the use of positive incentives or positive motivation.

Negative motivation is based on the activation from within a person of fear (anxiety, uneasiness), which creates a sense of threat and stimulates the action. Example such as the threat of an earnings decrease in the case of a task not being completed, or badly executed, the threat of reprimand, the threat of dismissal, etc. are negative forms of motivation. It turns out that in practice, negative stimuli are often used because they can easily and quickly launch a stronger desire and provoke greater energy to action. In this way employers do not have to incur any additional financial costs. However, it must not be forgotten that by applying a negative motivation to an employee, it triggers a sense of concern or even fear. A

person does not try to perform duties entrusted to her or him as well as possible, but only wants to satisfy the expectations of superiors, so that the employee will not run afoul of anybody. The application of negative motivation results in self-esteem reduction, adopting a defensive attitude, lack of courage in decision-making, loss of ambition, internal rebellion or loyalty decrease. Negative stimuli action is less favorable than positive stimuli action (Kozioł 2002).

Positive motivation involves creating more and better prospects for employees. Vision of fulfillment of his/her objectives comes along with an employee meeting the expectations placed upon him/her (for example, to achieve higher earnings, promotion, greater autonomy, additional trainings, company car, etc.). By building greater emotional involvement and commitment of employees, positive motivation leads to a higher activation and better utilisation of the employee's capabilities. The effectiveness depends on how real the promises made are and the employee's belief that success is possible (Kamery 2004).

2.3 Review of selected theories of motivation

2.3.1 Systematics of the theory of motivation

Effective motivation is conditioned by the right choice of rules, tools and motivators. To be able to make that choice, knowledge of models and theories of motivation is necessary. Over the years, a number of theories that seek to explain the phenomenon of motivation to work came into existence. In particular, intensive research on the issue of motivation began in the 1950s. During this period the most popular motivation theories were

formulated. Although they are now often criticized in subject literature, they are the basis for most modern concepts of motivating employees.

Matejun (2010, p. 77) in his book presents, recognized by J. L. Gray and F. A. Stark, two theoretical approaches to motivation:

-“a universalistic one, which is applied to larger human communities: the Maslow’s theory of hierarchy of needs, McClelland’s theory of need of achievement, Weber’s dual concept of hierarchy of needs, Herzberg’s two-factor theory

-individualistic one, taking into consideration individual differences between people: Adams’ equity theory, Skinner’s operant conditioning theory, Vroom’s expectancy theory along with its variants by Porter-Lawler”

Another common classification of motivation theories is dividing them for content theories of motivation and process theories of motivation (see Table 2). In the case of content theories, the emphasis is placed on the need. It is assumed that people will act or proceed in order to satisfy their needs. On the basis of these theories, the focus is on finding answers to the questions: what needs are people trying to satisfy and what factors induce them to taking the action (most often mentioned here are theories of Maslow, Alderfer, Herzberg, Weber and McClelland). These theories are very simple and useful tools in directing human behaviour. It should be determined (based on existing knowledge or observation) what needs individual persons want to satisfy, so that it is possible to steer and predict behaviours of the employee, creating conditions for their fulfillment (Steers & Porter 1987).

On the other hand, in the process theories, the needs are only one element of the process by which people decide how to proceed in order to satisfy their needs and how to assess these

needs when they reach objectives (Hollyforde & Whiddett 2002, Hellriegel, Slocum & Woodman 1995)

Table 2 Systematics of selected theories of motivation

GROUP	THEORY	AUTHOR
CONTENT THEORIES	Hierarchy of needs theory	Abraham Maslow
	ERG theory	Clayton Alderfer
	Two factor theory	Frederick Herzberg
	Acquired needs theory	David McClelland
PROCESS THEORIES	Expectancy theory	Victor Vroom Edward E Lawler Lyman W Porter
	Equity theory	J Stacy Adams
	Cognitive evaluation theory	Edward L Deci Richard Ryan
	Goal setting theory	Edwin Locke
	Reinforcement theory	Burrhus Frederic Skinner
	Social learning theory	Albert Bandura

Source Karas (2003 p 14)

2 3 2 Need Theories of Motivation

Maslow's Hierarchy of Needs Theory

Despite many remarks and objections to the theory of hierarchy of needs, it still remains one of the most popular motivational theories. This theory assumes that each person feels needs, which can be divided into five key categories:

- 1) physiological needs
- 2) safety needs
- 3) social needs
- 4) esteem/ego needs
- 5) self-actualization needs (Maslow 1943 in Vroom, et al 1970)

Table 3 shows general characteristics of each of these groups with examples of the needs of daily life and work environment.

Maslow sub-divided those needs to the needs of lower-order (physiological, safety and belonging) and higher-order needs (esteem and self-actualization). According to the author, any person may satisfy their needs in a particular sequence, as adopted by Maslow's hierarchy of needs from physiological to self-actualization. It eventuates, that only after addressing the need which is lower in the hierarchy, it is possible to proceed to meet one of the being needs. The need which has been met ceases to be a motivating factor for behaviour anymore. Thus, only unmet needs are motivators for action. Only the need for self-actualization will never be fully satisfied. The author assumes that at this level the more that needs are being met, the more they will keep growing (Hollyforde, et al 2002).

As work progressed Maslow came to the conclusion that the hierarchy of needs may change and it does not have a universal character. He also said that needs of a higher level develop much later than the needs of lower order (Maslow 1943 in Vroom, et al 1970)

The source of the popularity of this theory of motivation is in its lucid structure which enables its application to persons without previous psychological preparation, on the basis of experience and intuition (Maslow 1943)

Table 3 Characteristics of groups of needs according to Maslow

Categories of need	General description	Examples of needs	
		In daily life	In work environment
Physiological needs	The basic issues of survival and biological function	-air -food -sex -desire -shelter	-wages -lighting -sanitary -temperature -rest breaks
Safety needs	The need for a stable psychological and emotional environment	-residence -clothing -life free of worries -physical safety -stability	-continuity of employment (economic security) -safe working environment -social security system and pension scheme -unemployment/retirement benefit -tied accommodation
Social Needs	Belonging and love needs, the need for acceptance	-family -social relationship -friendship -group membership	-sense of community -collaborative forms of work, such as team work -social interaction, e.g. parties and meetings, social events crews
Esteem/ego needs	External the need for recognition and respect, to feel appreciated and valued	-prestige and social status -recognition	-positions, job titles -important projects -staff room -company car

	Interior the need for a positive image in your own eyes		
Self-actualization needs	Continuous development and personal growth	-achievements - responsibilities -autonomy	-performing tasks giving the possibility of self-actualization -participation in training giving a chance to pursue more ambitious tasks and challenging projects -autonomy in work -participation in management -opportunities for innovation and creativity -opportunity to reach full career potential

Source amended from Karas 2003, p 17

ERG Theory of Motivation

Clayton Alderfer's ERG theory of motivation was developed based on the theory of Maslow's hierarchy of needs. Alderfer has identified three groups of needs, from where the name of his theory comes up

- existence needs - physiological needs and the basic material necessities of life
Maslow's counterparts are the physiological and safety needs
- relatedness needs - individual aspiration for maintaining significant interpersonal relationships, getting public fame and recognition. Maslow's social needs and external component of esteem needs are example of this class of needs
- growth needs - needs associated with the desire for enhancing one's own personality, personal and professional self-development and advancement. They correspond to

Maslow's intrinsic component of esteem needs and self-actualization needs (Hollyforde & Whiddett 2002)

Table 4 presents the comparison of the theory of Maslow and Alderfer

An important feature of the ERG theory is the thesis that a person can be guided by the desire to meet more than one need at the same time. A person may also simultaneously feel a desire to meet the needs of existence, relatedness and growth. In the case of failure to meet the needs of a higher level, a person will look for opportunities to meet the needs of a lower order, to a much greater extent (i.e. a tendency to increase the employee's income in a situation where there is no way to meet good interpersonal relationships with other colleagues) (Steers, et al 1987)

Although in the ERG theory, critical remarks raised under the Maslow's theory were included, Alderfer has never completely explained the issue related to the regression of needs. The question of how long the organisation can motivate employees by continually meeting only one of the needs (in the absence of higher-order needs), and whether there is a level of satisfaction from which lower-order need can be fully satisfied, are still open to discussion. Unfortunately, the ERG theory does not answer these questions.

Table 4 Comparison of Maslow and Alderfer classification of needs

TYPES OF NEEDS		GENERAL NEEDS DESCRIPTION
A MASLOW	ALDERFER	
1) Physiological needs	Existence needs	Basic life needs
2) Safety needs		The need to feel secure and safe
3) Belonging and love needs	Relatedness needs	The need for love and acceptance, for affiliation with other
4) Esteem/ego needs		Social status and recognition
5) Self-actualization needs	Growth needs	Self-esteem such as self respect and achievement
		The quest of reaching one's full potential as a person

Source own work based on Hellriegel Slocum & Woodman (1995)

Two-Factor Theory

In 1956 Frederick Herzberg published his two-factor theory of motivation, which made a substantial contribution to the knowledge of motivation in organisations. Based on interviews conducted among accountants and engineers, he has demonstrated the existence of two factors: motivators and hygiene factors.

Motivators arise from intrinsic conditions of the job itself (e.g. challenging work, recognition, responsibility), such as recognition, achievement, or personal growth, and are a source of positive satisfaction. In contrast, hygiene factors can dishearten one at work and cause job dissatisfaction. They are directly related to working conditions and these aspects include interpersonal relations, supervisory practices, principles of operation of the

organisation and remuneration. Very important is the idea that job satisfaction is not simply the opposite of job dissatisfaction (Hackman & Oldham 1976)

According to this theory, the process of motivating work consists of two stages. In the first, managers must assure that there are proper hygiene factors, like adequate wages or safe working conditions. By providing them at the appropriate level managers still do not provide motivation, just make subordinates feel no dissatisfaction. Only in the second stage employees should be given a feel of motivational factors (e.g. the will of achievements, and recognition). Through this, staff will be able to feel a higher level of satisfaction and motivation to work (Hitt, Black & Porter 2009). Examples of hygiene factors and motivators are presented in Table 5.

Table 5: Examples of motivators and hygiene factors in Herzberg two factor theory of motivation

Motivators	Hygiene Factors	
<ul style="list-style-type: none"> • Achievement • Recognition • Work Itself • Responsibility • Advancement • Growth 	<ul style="list-style-type: none"> • Supervision • Company Policy • Relationship with Supervisor • Working Conditions • Salary • Relationship with Peers • Personal Life • Relationship with Subordinates • Status • Security 	
Extremely Satisfied	Neutral	Extremely Dissatisfied

Source: <http://kelas.wordpress.com/2008/10/18/organisasi-industri-6/>

Additionally in Herzberg's theory there is the possibility of increasing job satisfaction in a situation when job dissatisfaction is not lessening and vice versa. At the same time, it has to be noted that focusing only on the hygiene factors, e.g. wages, will not provide effective motivation itself. High salary will only result in lack of dissatisfaction, while motivation can be achieved exclusively through the use of motivators (Hollyforde, et al. 2002).

Need for Achievement Theory

In his study, David McClelland and his research team have focused their attention on the, proposed by Maslow, higher-order needs - the need for belonging, esteem and self-actualization. This theory is particularly important in executives' motivation. By virtue of their positions, salaries, and often age, these persons have already met the needs of a lower-order, so their actions are guided primarily by higher-order needs (Hollyforde, et al 2002)

Based on studies, McClelland identified three main groups of needs that affect human behaviour

- the need for achievement (nAch)
- the need for power (nPow) – the need to have an impact on other people, to exert influence on others, to be in control of one's surrounding
- the need for affiliation (nAff) – the need for creating and maintaining positive relationships with others and the need for being accepted by others (Hollyforde, et al 2002)

According to McClelland a man feels all these needs at the same time, however they vary in degree and intensity, but it is the dominant one that motivates certain behaviours. Along with the course of experience, people acquire or develop these needs. The most essential idea in this theory is that the need can be taught. For example, individuals who feel the need of a very little merit, through interactions, with an increase in the intensity of feeling this need may be increased. Simultaneously, McClelland noted that along with being more successful and along with job advancements, the need for power increases (Hollyforde, et al 2002, Karas 2003)

2 3 3 Process Theories of Motivation

Expectancy Theory

Expectancy theory was developed by Victor Vroom, together with the contribution made by L W Porter and E E Lawler to its development, and is one of the most commonly accepted theories explaining the process of motivation. According to this theory, the incentive to take an action or behave in a certain way is a result of what an individual wants to achieve, and its belief that this result is possible to achieve. However, the most essential behind the motivation is the outcome of this certain behaviour (Oliver 1974)

This theory is based on three basic theorems

- a) Human behaviour is determined by the interaction of both endogenous and exogenous factors
- b) People are diverse when it is of feeling needs, objectives and priorities
- c) An individual selects the behaviour from available alternative options, guided by the subjective assessment of the extent to which individual behaviour can lead to the desired results and best satisfying individual needs (Karas 2003)

In Vroom's theory motivation depends on the relation of three expectations factors

- expectancy – “the perceived likelihood that a particular behaviour will result in a particular outcome”
- valence – “affective orientations toward particular outcomes”
- instrumentality – “the perception that an interim outcome will lead to another, important outcome” (Hollyforde, et al 2002, p 76)

The Expectancy theory assumes that motivation is the product of expectancy, instrumentality and valence. It follows that if any of these variables is zero, motivation is not present. For example, it is assumed that people are motivated to work hard in order to get promoted. However, if a person finds out that he or she is not able to reach an adequate level of efficiency to gain promotion, why should he/she even bother? He may also not believe that increased effort will lead to promotion, so he will give up without even trying. In the third case, a person may not attach considerable importance to the promotion, therefore he/she may also assume that there is no need to make the effort (Hitt, et al 2009)

Managers attempting to use Vroom's theory should, remembering that each person has their own individual desired outcome, maximize employee expectancy, instrumentality, and valence in such a way that it will also contribute to achieving the organisational objectives

Hitt, et al (2009, p 309) propose five key ways that a manager can potentially influence employees' motivation

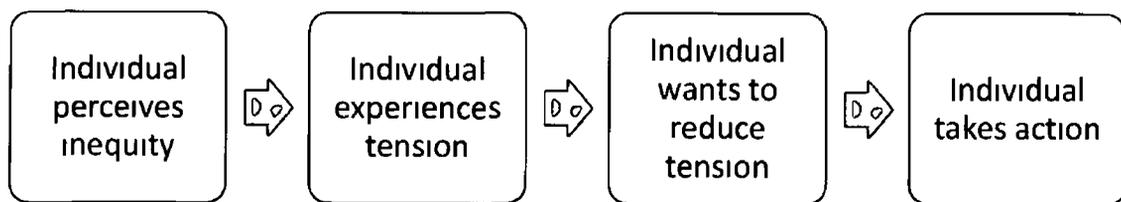
- *Identify rewards that are valued*
- *Strengthen subordinates' beliefs that their efforts will lead to valued rewards*
- *Clarify subordinates' understanding of exactly where they should direct their efforts*
- *Make sure that the desired rewards under your control are given directly following particular levels of performance*
- *Provide a level and amount of rewards that are consistent with a realistic level of expected rewards'*

Porter and Lawler have developed later on Vroom's idea and ascertain that there are two particularly important variables in the process of motivation the value of awards for their work and the likelihood of completion of the work on the assumed level. As a result, higher performance may lead to greater satisfaction, they make that a person receives two types of awards, external (promotion, pay raise) and internal (higher self-esteem, an awareness of their accomplishments). Then a person compares if in his/her mind rewards are 'fair' in comparison to the amount of effort put forth. If the award is perceived as 'fair', it brings an individual satisfaction (Koziol 2002)

Equity Theory

The essence of Equity theory by J. Stacy Adams is a perceived feeling of inequity in favor of the other persons that motivates a person. If a person believes that, compared to other, was treated unfairly, this individual will seek to eliminate such discomfort (Hollyforde, et al 2002, Hitt, et al 2009)

Figure 3 Inequity as a Motivational Process



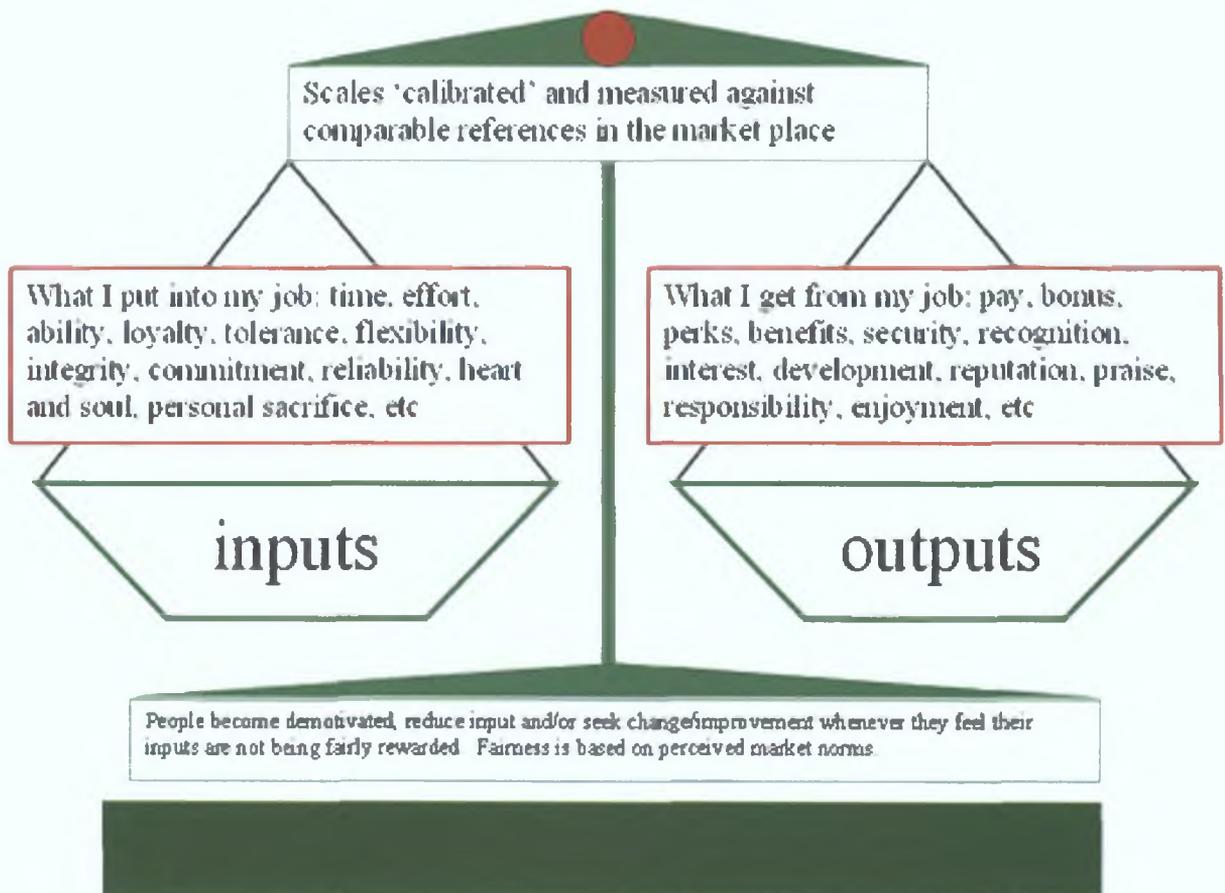
Source: Hellriegel, Slocum & Woodman (1995, p. 195)

Inequity occurs when people believe that the rewards they receive for the work are worse in comparison with others, within or even outside their organisation. If people perceive this inequity, then they may deal with it in different ways

- altering inputs
- altering outcomes
- reduce the effort in the work
- eventuate in changes in money, asking for better treatment
- change the basis for comparisons, so that they turn out more favourable, either "*changing the referent group*" or "*trying to change the inputs or outputs of the referent group*"
- "re-interpreting the situation so as to rationalize any differences" (Hollyforde, et al 2002, p 64)
- change the situation by transferring or leaving the job (Steers, et al 1987)

Figure 4:

Adams' Equity Theory diagram - job motivation



© design alan chapman 2001-4 based on J S Adams' Equity Theory, 1963. More free online learning materials are at www.businessballs.com.

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Cognitive Evaluation Theory

Cognitive evaluation theory was formulated in 1971 by E L Deci. It was developed on the basis of work of R de Charms- The Internal Affective Determinants of Behaviour, in which the author expressed doubts that intrinsic factors of motivation, such as self-actualization and autonomy, are independent of extrinsic factors of motivation. During the study, R de Charms demonstrated that the use of extrinsic rewards, such as financial compensation, with people who used to complete tasks solely for the purpose of obtaining the intrinsic reward, causes an overall decrease in the level of motivation.

The key part of Deci's theory is about the locus of control (locus of causality), which has two extremes: internal locus of control, where an individual feels his or her behaviour is self-directed, external- where the individual feels his or her behaviour is directed by others or by the environment (Hollyforde, et al 2002).

On the basis of many empirical studies, E L Deci and R M Ryan have discovered that the use of extrinsic motivation in order to enhance performance of activities, which were caused in the first place by intrinsic factors, may result in displace or weakening of intrinsic motivation. According to this concept, the reason why a person would undertake an activity is intrinsic motivation associated with the need to self-determining and to feel competent (Steers, et al 1987). For management, this means that motivating systems should be developed so as to operate with both monetary and non-monetary rewards including salary raises, bonuses, promotions, but also motivation strengthening sense of autonomy and self-actualization (e.g. participation in management and training participation).

Goal-Setting Theory

The Goal-setting theory was formulated by E. Locke and it assumes that goal setting is essentially linked to task performance. People are motivated to act, by setting the objectives, which are by them both acceptable and achievable. These goals give people direction in their work, communicate what is expected of them by superiors and the entire organisation, and give the opportunity for self-direction in behaviour. Locke says that goal setting can improve individual performance and job satisfaction. However, it is important, that managers and team leaders collaborate with other people while setting goals in order to properly select and formulate them (Schermerhorn 2008).

Effectiveness and efficiency of this theory is being determined by

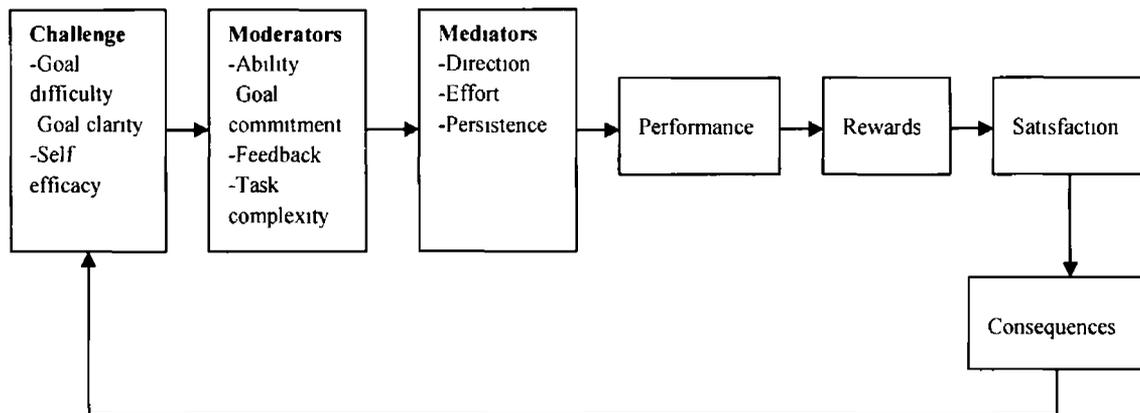
- the scope of employee participation in the process of setting goals,
- the degree of acceptance of the objectives,
- the difficulty of goals,
- the degree of objectives concretization,
- task feedback,
- employee self-efficacy

Participation of an employee in the process of setting goals and targets has a direct impact on the degree of acceptance and commitment into their realization, and a positive effect on the strength of motivation. Employee with clearly defined goals appears to work harder to attain the goal knowing what level of performance is expected from him. During the research it was also demonstrated that when an employee has a certain degree of autonomy in implementing the goals and their adoption and implementation of the tasks undergo regarding co-workers, it is followed by an increase in motivation.

Locke also said that the higher the degree of goals concretisation (more specific goals), the overall level of employee motivation increases. Less focused general or vague goals may decrease level of motivation (Hellriegel, et al 1995)

During the goal implementation an employee should receive feedback on an ongoing basis about outcomes and the degree of goal achievement entrusted to him. By receiving regular feedback, the employee may strengthen existing activities (in the case of positive feedback) and make the necessary adjustments in the case of critical evaluations (Buhler 1988)

Figure 5 Goal-Setting Model



Source as in *Theory of Goal Setting and Task Performance* by Locke & Latham (1990 p 253)

A significant influence on the success of attaining goals also involves the employee's subjective belief that he or she is capable of achieving appointed goals. The stronger the belief, the more likely that in case of any obstacles in the attainment of goals, an individual's

performance not only will not fall off but it will result in a further increase of efforts. For those with low beliefs, the situation may be reversed (Steers, et al 1996)

During completion of the assigned tasks and goals, it is very important that there is no situation where one team's goals are contrary to the objectives of another team. This can lead to unhealthy competition within the organisation. At the same time, attention should be paid to the fact that the employee can focus only on set goals, ignoring other important aspects of their work. Therefore, tasks should encompass as large an area of operation of the person as possible.

Tips for managers willing to apply the Goal-setting theory are

- goals should be specific - they lead to greater efficiency than general statements such as 'do your best'
- goals should be challenging - they must be seen as realistic to achieve, but more difficult goals result in higher performance
- goals should be well accepted and create goal commitment - people work harder to achieve these goals that they accept and believe in, and give up those imposed on them
- priority goals should be properly explained to employees - make sure that expectations are clear as to which goals must be attained first and why
- employees should be rewarded for achieving goals - positive achievements should not go unnoticed, people have to be rewarded for doing what was intended (Hellriegel, et al 1995, Steers, et al 1996)

2 3 4 Reinforcement Theories

Reinforcement Theory

Another name of this theory is instrumental learning. It was developed by BF Skinner, on the basis of laboratory experiments and E. Thorndike's critical analysis of I. P. Pavlov's work. Skinner conducted his research on rats and pigeons, which were placed in a specially isolated environment (the Skinner box). During the research, it was found that animals modified their behaviour based on rewards and punishments received in the past. These behaviours which have been rewarded (by e.g. water or food) were repeated in the future, while the behaviours that were punished (e.g. sharp light or electric shock) were obliterated. If there was no effect on the behaviour of animals, most often they did not repeat such behaviour.

On the basis of these experiments, Skinner has formulated the theory that people whose behaviours result in positive consequences, will repeat these behaviours in the future. However, behaviours causing unpleasant (negative) consequences are unlikely to be repeated.

There are four reinforcement strategies used in shaping the behaviour:

- positive reinforcement - possibility of receiving a reward is being directly associated with occurrence of desired behaviour
- negative reinforcement - there is being implemented system that allows and encourages employees to avoid the undesirable from the organisation perspective behaviours (e.g. a financial penalty for delay in goals execution)

- punishment - the aim is to eliminate undesirable behaviour by following it with undesirable consequences (e.g. a financial penalty, reprimand)
- extinction - discourages workers exhibiting certain behaviour, by not providing any positive consequences as a result of certain behaviour (e.g. a manager notices that an employee who is behaving destructively receives positive reinforcement from his colleagues, hence the manager will advise his subordinates to stop expressing positive approbation in relation to particular behaviour of a given employee) (Hitt, et al 2009, Hollyforde, et al 2002)

While using reinforcement theory, special attention has to be paid to positive reinforcement, as it should be the main element of motivational strategy. The reward should be given to a person only when there is behaviour that one wants to strengthen, and as soon as possible after the occurrence of the behaviour. It is at this point the reinforcing value of the reward will be greatest.

In addition to the type of reinforcement, the frequency of its occurrence is important (Weisbord, Charnov & Lindsey 2009). There are four options:

- fixed-interval - provides reinforcement at fixed intervals, regardless of behaviour, but does not provide a sufficient number of incentives to work, because employees know that regardless of their behaviour they will receive a particular type of award (e.g. monthly salary)
- variable-interval - provides reinforcement at different time intervals (e.g. the manager carries out surprise inspections at different intervals, so the staff do not

know when they will be controlled trying to maintain a good level of work all the time, anticipating praise or some other reward)

- fixed-ratio - provides reinforcement after a fixed number of repetitions of a particular behaviour, regardless of what time elapsed between them and provides a high level of motivation, because the employee knowing, for which number of positive behaviours will be rewarded, will seek to achieve this number as soon as possible in order to win a prize (such as bonuses, praise)
- variable-ratio - provides reinforcement after a variable number of behaviours. This way employees can be motivated most effectively to maintain the desired behaviour, since the employee will seek to increase the frequency of their occurrence, because each such case will increase the likelihood of receiving the reward (Griffin 1996, Hollyforde, et al 2002)

Many people criticized Skinner for translating behaviours observed on animals directly to humans, who are much more complicated in terms of behaviour and emotions than animals. However, despite this, his research has been used in developing a model for behaviour modification (Organisational Behaviour Modification - OBM), which is a motivational strategy based on the principle of systematic behaviour reinforcement desired by the organisation and ignoring or punishing undesirable behaviour. When using this strategy it should be very carefully determined what actions of employees are welcomed and will be rewarded and which are undesirable and will be punished or ignored (Karas 2003)

Social Learning Theory

Social learning theory is an attempt to integrate Skinner's reinforcement theory and Locke's goal-setting theory. It was developed by A. Bandura on the basis of N. Miller and J. Dollard's work. The social learning theory assumes that a person's behaviour is determined not only by personal experiences but also by observation of phenomena occurring in surrounding environment.

Bandura has conducted an experiment in which children aged 3 to 6, divided into three isolated groups, were watching three different versions of the same film, which featured adult aggressive behaviour toward toys.

In the first version an adult was rewarded, in the second an adult was punished and in the third adult behaviour did not elicit any positive or negative consequences. Among the group of children who watched a film in which an adult was punished, in the later stage of the experiment showed a much less hostile behaviour towards toys than children who have watched the version where the adult was rewarded for aggression. The surprising result of the experiment was that children who had watched the version where the aggression was left without any response, there was a high level of aggression for the toys among this group of children, comparable to the group of children who watched the video of rewarding aggression.

After this experiment, Bandura has ascertained that human behaviour depends up on his personal direct experiences and the experiences of people from the nearest surrounding (social group) posing for the models of behaviour and as role models. In this way the individual operates in a social context and is modeled and shaped by his/her

environment, also affecting both directly and indirectly other people (Bandura & Wood 1989)

Bandura stated that the individual's process of learning new behaviours through observation of people's behaviour proceeds in four successive stages

- attention - an individual selects the model to follow, observes its behaviour and the consequences of these behaviours
- retention – an individual actively transforms and restructures gained information in the form of rules and conceptions, remembers modeled behaviours and the consequences of these behaviours
- reproduction – an individual processes remembered information, adopt some patterns of behaviour and translates it into his/her own way of behaviour
- reinforcement – the environment reacts to the individual's performance of observationally learned behaviour by award, punishment, or it is ignored, and this affects the individual's future behaviour (Bandura, et al 1989, Karas 2003)

The conclusion that follows from this model is that there is a possibility of shaping the behaviour of employees by providing them with an appropriate model of behaviour, as a positive or negative pattern To accept master modelling it should

- in the subjective individual evaluation, include similar features to the individual (e.g. a similar position, a similar system of values)
- be a person of importance to the individual (for example, one who occupies a managerial position)

- give possibility of direct observation and assessment of the model behaviour

In this theory it is also important that the individual is subjectively convinced of his/her skills and abilities (self-efficacy) Faith in their own abilities helps an individual to take on new challenges requiring increased effort while weak belief in their capabilities will cause the individual to avoid the implementation of more complex tasks (Karas 2003)

2 4 Multi-Level Marketing

Multi-Level Marketing has many different names You can often meet with such denominations as Network Marketing, MLM (Multi-Level Marketing), Marketing Multi tier, Network Marketing, multi-level sales and other variations of these names Other terms for MLM include pyramid selling and referral marketing All names mentioned above are functioning parallel and refer to the same type of distribution of products and services

' The term Network marketing refers to direct selling companies, which organize their sales through a multilevel sales organization'' (Oksanen-Ylikoski 2006, p 4)

Zıglar & Hayes (2006, p 2) defines Network marketing as *' a system for distributing goods and services through networks of thousands of independent salespeople, or distributors The distributors earn money by selling goods and services and also by recruiting and sponsoring other salespeople who become part of their downline, or sales organization Distributors earn monthly commissions or bonuses on the sales revenues generated by their downline''*

Network or Multi-level Marketing is one of the most popular direct selling forms of distribution channels, however when it comes to the literature there has been little attention to the study of the potential drivers of channel performance in MLM companies. While many studies examine salespeople's performance, reasons for engaging in Network Marketing (example Zıglar & Hayes 2006 or Yuasa 2006), the motivation behind customers' choice of MLM over regular retail or customers attitudes toward MLMs (Constantin 2009). Only a few position from literature come near the issue of motivation from MLM employee context. There is little previous research that scrutinizes the motivation behind distributors' performance in network marketing firms. The issue of motivation in the Network Marketing field has received limited attention from scholars, therefore this thesis undertakes the task of investigating methods of motivation that are being used amongst MLM employees to fill an identified understudied gap.

Salciuviene, Reardon & Auruskeviciene (2011) examine antecedents of channel performance in a Multi-Level Marketing (MLM) channel. In their research, they focused on measuring the following issues: locus of control, trust, shared values, commitment and channel performance. The results of their study show that investing time in maintaining a good relationship between leaders and employees increases employee commitment which also positively affects their economic benefits, and provide important information for team leaders willing to engage people from their network in work. Moreover, their study, which was aimed at examining performance efficiencies of MLM channels in transitional economies, suggested an existence of relationship between locus of control and distributor commitment – *“the higher the locus of control, the higher the commitment of distributors to their upline managers, and consequently to the network marketing company”* (Salciuviene,

et al 2011, p 97) They also pointed out that there exists a positive relation between building trust and commitment, and shared values and trust. This suggests that leaders in Multi-Level Marketing companies should see shared values, building trust and commitment and locus of control as a key contributor to employee motivation.

The paper by Joyce & Soo (2011) which investigates *“the influence of perception of MLM companies and agent attributes on the willingness to undertake MLM as a career among youth”* also underlines the fact that relationship marketing is based on trust, shared values, personal bonds, empathy, communication and reciprocity.

Bacon (2009) focused on investigating the relationship between high performance work practices and MLM distributors' success.

Sparks & Schenk (2001) emphasize in their paper the one fact that, although most MLM members join Network Marketing companies for the purpose of obtaining additional income, in fact many of them who decided to join in MLM rows connect it with 'higher-order values'. They state, *“some members identify so strongly with the benefits of products they represent that selling them assumes a special importance e.g., educational toys advance the cause of children, weight management programmes enhance self-confidence, and so on. Other members view MLMs as a way to strengthen family ties by working from home. Still others believe that MLMs are a means for women to control their own professional destinies through entrepreneurship opportunities many view as less available through traditional corporate avenues”* (Sparks, et al 2001, p 855). Although their study encompassed only women, it seems that to successfully motivate their employees, leaders may try to appeal to these higher order values, for example making employees believe that

MLM job fulfils certain values and needs. They suggest that creating sense of higher work purpose may be treated as a way of motivation used by leaders toward MLM employees.

The literature also suggests that direct selling employees strive to achieve independence, freedom and self-determination, while not losing their sense of individuality. Groß & Jung (2009) who concentrated on observing German branch of the Amway Corporation while studying organisational practices and processes have found that people who engaged in MLM particularly appreciate the self-responsibility for success and failure. Groß and Jung noticed that distributors engagement in MLM not only depends on higher sales or recruiting numbers, "*but they are also honoured with a whole set of labels that show their status within the company*" (Groß, et al 2009, p 361), which indicate both the level of professional success and one's value as a person. Groß and Jung attended internal meetings where they have learned that new distributors are being motivated by '(1) videos with luxurious journeys, big cars, and other signs of opulence, (2) tributes to distributors who have climbed up the career-ladder, and (3) speeches from successful members' (Groß, et al 2009, p 362). They also learned about practices called 'dream building' and 'sensegiving' under Amway's rule of 'following one's own dream'. 'Dreambuilding' practice consists of *reminding an individual of what one can have (e.g., a new car, a better family) and/or what one can become (e.g., wealthy) it creates a type of identity deficit or a misfit between who one is and who one wants to become*" (Pratt 2000, p 467 in Groß, et al 2009, p 362). 'Sensegiving' practice is there to provide an employee with new wishes and meaning. They also identified that most MLM employees motivate themselves by their individual goals. Moreover, Amway has a well-developed system of rewards, which include additional commissions for achieving extra effects.

Roha (1997) examined advantages and disadvantages of MLM on The Pamper Chef company example. The emphasis is on the possibility of getting rich in a relatively short time. In order to achieve it, according to Roha research, distributors have to recruit new distributors and motivate them to recruit new distributors/recruiters and so on. To do that, the examined company offers distributor shares of sales made by new recruited distributors (compensation plan) but it also offers the increase in percentage retained from own sales in relation with the growth of downline. Leaders in this company motivate others distributors in monthly meetings, with monthly issued newsletters filled with selling tips and new ideas and statistics encouraging not to give up too soon.

Sreekumar's (2007) study, which does not pertain directly to the issue of motivation in MLM, mentions that "*members who progressively advanced through the network will get opportunities to attend weekly meetings, share his success stories with other members, get rewards for performance*" (Sreekumar 2007, p 184).

Another research by Coughlan & Grayson (1998) attended to understand distributor performance in response to the incentive provided. Although, a very in-depth detailed study examining how change in incentives foster employee emphasis on either network-building activities or decision to spend this time on selling products, the incentives (rewards issued for either recruiting or selling, to which author refers throughout whole document) are not being specified more closely. The only distinction made by author is that "*it is generally believed that both non-monetary and monetary factors motivate NMO [Network Marketing Organisation] distributors to sell*" (Coughlan & Grayson 1998, p 403).

Yuasa (2006) in her research investigated Japanese Maple company operating on the basis of Network Marketing (MLM), which gathers over 200 000 housewives from all over

Japan She managed to identify motivators used by Maple leaders (over there called agents) towards distributors who, as Yuasa identified, joined the company because Maple appealed to their 'freedom' For Japanese housewives getting recognition and being praised is completely new and amazing experience, which gives them power and confidence Thus, the company prepares "*various small dreams and objectives in the form of campaigns or contests These reachable objectives encourage distributors to sell more and give them a feeling of achievement*" (Yuasa 2006, p 225) The contests are organized on monthly basis but there is also the biggest annual contest where the prize is in form of overseas travels, overseas workshops with a fabulous ceremonies prepared specially for winners

Maple in the process of motivation appeals to the housewives' basic desires - desire for approval, recognition and esteem Every small contests or campaigns also results in showy commendation ceremonies '*These social rewards seem especially attractive for the housewives joining Maple*' (Yuasa 2006, p 226) Leaders also effectively motivate distributors by making use of the Maple three poetic messages from Maple handbook 'Do you love your current self?' 'Didn't you give up your dreams?' and 'Tomorrow you can shine more'

Yuasa in interviews with housewives also discovered that most of them want to become agents, because an agent is the icon of success Therefore the main motivator used by Maple company pertains to employee dreams, while employees mainly motivate themselves with the prospects of success

Mariam (1997) in her dissertation ("The role of yager support system in increasing Amway Distributors motivation") undertook investigation of a role of Yager Support System in increasing motivation which she connects with Maslow's hierarchy of needs The

Indonesian author had a chance to work for the Amway company for a year and she found connotations between each element of Yager Support System and each group of needs of Maslow's hierarchy. The Amway's Yager support consists of reading books, listening to tapes (motivation tapes and training tapes), attending meetings, doing consultations and being 100% users. Although she did not find any direct relation of Yager Support system to the physiological level of needs, she discovered that the role of Yager Support in fulfilling safety needs is to teach distributors how to build quickly their own network in order to achieve so called passive income (not generated personally). As confirmed by Mariam's questionnaire, distributors fulfil social needs by attending meetings, which also increases their motivation. On this level, "*associating with uplines also increases motivation*" (Mariani 1997, p 23). Mariani associated fourth from Maslow's needs – esteem need with reading books element from Yager Support System. Surveyed distributors claim that both company books and motivation tapes kept them motivated. The last of Maslow's needs, self-actualization, Mariani does not relate directly with the Yager support System, however she claims that this level of needs can be obtained through the Amway business.

To sum up, despite very limited literature on the motivation among MLM employees topic, some general ideas as to the methods used to motivate employees in companies operating on the basis of the MLM system may be drawn based on the above review. However, this also confirms the existing gap that the author hopes to bridge by the findings of this research.

CHAPTER 3

THE IDEAS AND THE ESSENCE OF MULTI-LEVEL MARKETING

3.1 Multi-Level Marketing characteristics

In considering characteristics of Multi-Level Marketing it will be helpful to define again what is meant by the term Network Marketing (MLM)

The MLM system generally is a way of distributing products or services consisting of the maximum shortening the road between the producer and the final recipient (client) and using for its purposes advertising via a network of distributors and customers. This system envisages for its participants a share in company profits made directly proportional to trades made. The method of recruiting new distributors also provides bonuses for gaining new and effective distributors. Additional motivation are commissions paid for sales made by recruited distributors (network, personal structure) even after ceasing the active sale of products. *“Multi-level Marketing networks are unique in that their efficiency and effectiveness depends more on relationship networks than measurable transportation, warehousing and traditional logistics chains”* (Salciuviene, Reardon & Auruskeviciene 2011, p. 90)

Xardel (1993, p. 3) defines Multi-Level Marketing as *‘ a marketing strategy in which the sales force is compensated not only for sales they personally generate, but also for the sales of others they recruit, creating a downline of distributors and a hierarchy of multiple levels of compensation’*

This type of business was developed in the USA and flourished in the Polish market at the beginning of political transformation in the 90's

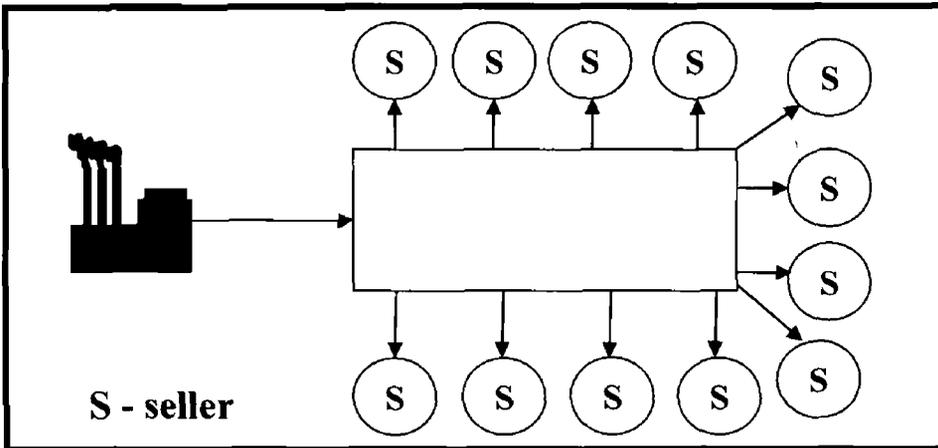
Network Marketing in a straight line stems from direct selling, which is one of the oldest forms of trade and involves the provision of consumer goods directly to the customer, while MLM is a rapidly growing form of this distribution channel

Direct selling is a form of distribution of goods and services (the oldest distribution channel in history), involving the direct break-in by the vendor to the customer, away from fixed retail location. This is often the customer's home or some other convenient location. This form of selling is based on personal presentation and demonstration of the product or service and providing answers to eventuating questions by sales representatives, also referred to as consultants or distributors, etc. It provides *'a powerful channel of distribution for companies with innovative or distinctive products'* (Seldia 2012). Person-to-person selling allows customer to carefully acquaint with the product, test it and form an opinion, in his/her own home, in the time convenient for the customer and often also in the circle of acquaintances (DSA 2012). According to Direct Selling Association, 15.8 million people in the U.S. are involved in direct selling, \$28.56 billion in total US sales, there are \$117 billion sales worldwide (www.directselling411.com)

In direct selling, every distributor's objective is to make as many transactions as possible. Therefore, the company needs a large number of well-trained sales people (see Figure 6). Their income depends directly on how much she or he sells, and how highly they have developed their selling skills. However, it was noticed, that there are only few people who are excellent sellers and can close a large number of deals. This fact was used in developing the first concept of Multi-Level Marketing system, where the essence is to make

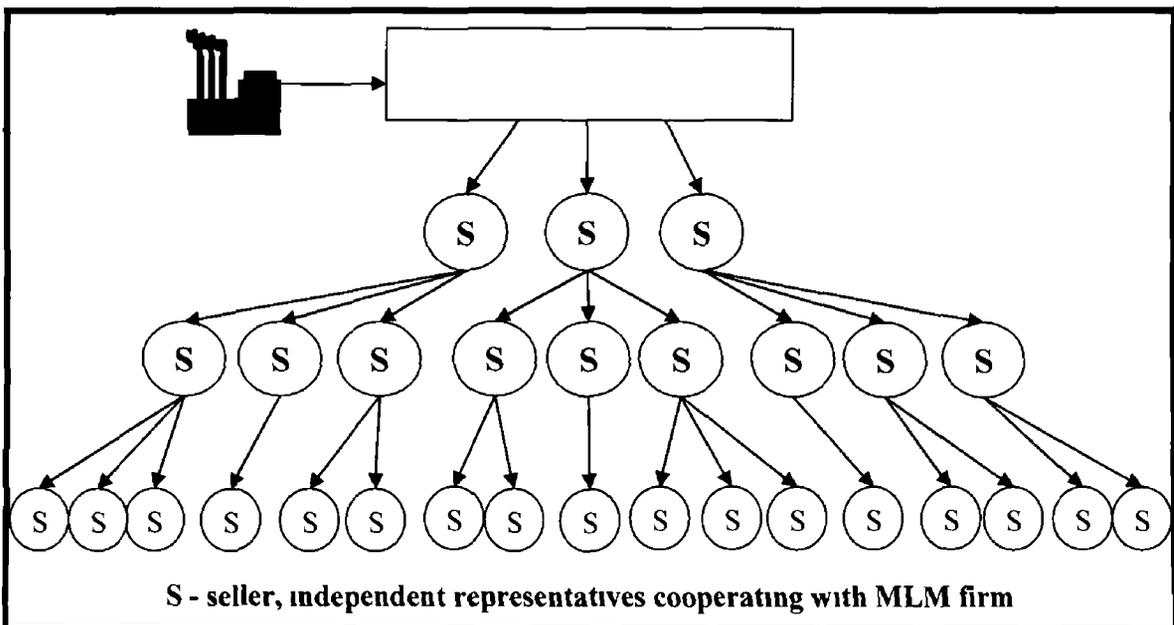
relatively small individual sales by a large number of people who are organized into a network of sales force organized on an expanding roots basis (see Figure 7) (Dewandre & Mahieu 1996)

Figure 6 Schematic distribution of goods and services in direct sales company



Sources Szajna (1994 p 56)

Figure 7 Example of an expanding sales network in the company operating on the basis of Multi-Level Marketing



Source Szajna (1994 p 56)

Accordingly, direct customer service sets on creating the greatest satisfaction, shortening the road between producer and customer, and where building one's own sales network is absolutely allowed. Any person who enters a MLM organisation has to purchase a license (for a small fee) and acts as an independent entrepreneur (not salaried employee of the company) but in close contact with the company, while respecting the rules of organisation functioning. Further, each of these individuals can distribute products of the company without any additional middleman, and is granted the opportunity of recruiting more people (building a downline), who also can do what she/he does (called sponsoring). Each of these new people also has the right to sponsor more people and thus the network keeps growing. Revenue is calculated on what the person has sold (commission or bonuses on the sales revenue generated) and also from what his/her network has generated (Bremner 1999).

The significant advantage of MLM system is that joining the network does not require large capital and to become a distributor the individual does not need to know any advanced sales techniques that are often applied, in the case of a direct sale, by canvassers or peddlars. When joining this kind of organisation every new 'member' is provided with sales training, and the new marketer receives proven step by step instructions to follow as to how to reach established goals. And it is only this person's conscious decision whether he or she will conform to it or not (Dewandre, et al 1996).

Network' marketing differs from the traditional distribution of goods and services by several elements. For one thing, it differs in the way the business operates. In the traditional system of sales there are many intermediate links between producer and consumer (advertising agencies, wholesalers, retailers, etc) (see Figure 8). And each of these

intermediaries contributes to the final price of goods. In Network Marketing these middle links are replaced by the distributors, who act as independent entrepreneurs and procure directly from the manufacturer for their own needs and then sell products straight to customers. They also took over all aspects of finding customers, advertising or distribution (see Figure 9).

Figure 8: Exemplary distribution channel in traditional businesses



Figure 9: An example of distribution of goods and services through the MLM system



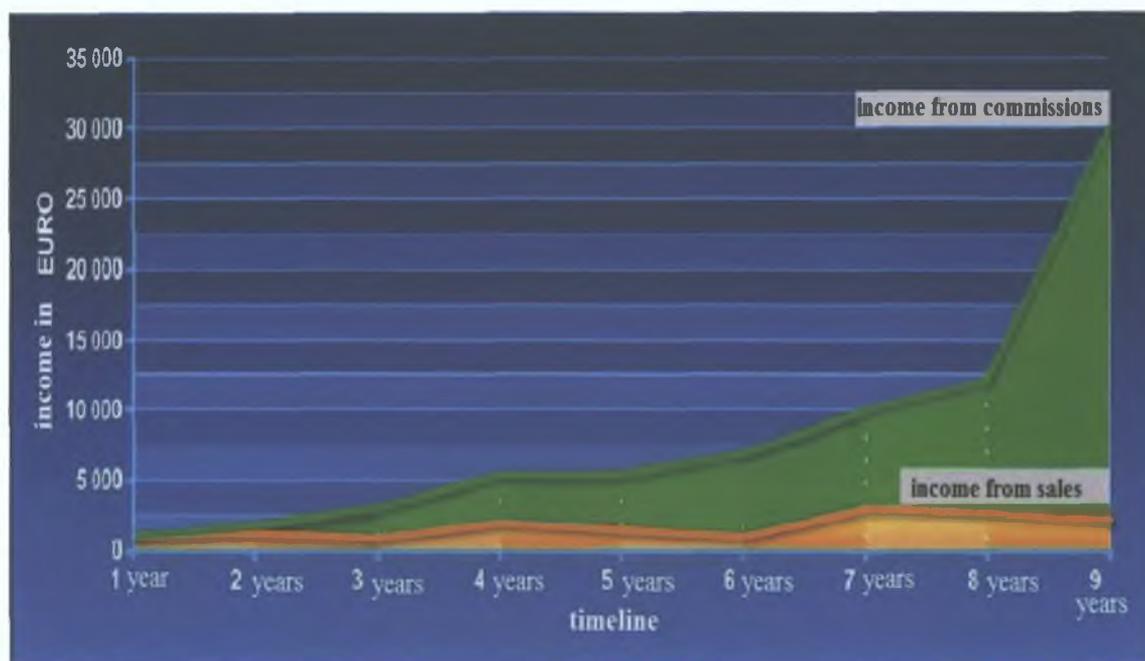
In MLM, the manufacturer avoids large costs associated with advertising, and has the opportunity to showcase its products to a wide range of people. It is based on the best form of advertising- 'word of mouth'. The distributor goes to people, he or she knows, and recommends them something he uses himself, providing full service and knowledge about the product. Thanks to this, the producer is spared the expense typically associated with

middlemen and can concentrate on producing, improving and perfecting its products (in direct sales or MLM products or services that are of poor quality or faulty have no right to exist) (Zıglar, et al 2006)

Secondly, another is the system of generating income. Due to the fact, that in MLM distributors are involved in buying, product demonstration, customer search, advertising, sales, customers service and recruiting more distributors, the manufacturer does not have to bear the costs associated with marketing. Money saved in this way is spent on profits payout for distributors, according to the rules prevailing in this particular company (called a marketing plan). Two of the most important components of distributor's income are profits from sales plus bonuses from personal sales and from a self-constructed network of distributors. Consultants' income is unlimited and highly depends on the amount of work that he/she puts into the job (Gonzales 2008)

Thus, in the MLM company every person does two types of operations. One is to demonstrate, and recommending and selling products for which a distributor receives a direct commission (wholesale margin), the same as in direct sales. The second type of operation includes building network of distributors, from which a distributor also receives a commission based on the turnover of his/her group. The commission is paid by the company and its amount depends on the turnover worked out by the network as a whole (Dewandre, et al 1996). As it is shown in Figure 10, over time the income generated by the distributor himself begins to have only a marginal meaning in comparison to the commission which is paid for the turnover generated by the network structure.

Figure 10: Exemplary, supported by many years of industry research, simulation of income apportionment in Network Marketing



Source: Kajdanowicz (2005, p.14)

Thirdly, in MLM there is practiced direct sale. This means that it is not the customer who looks for the goods but it is the distributor looking for the customer. He fully takes care of his customer's service. Additionally, he is also his own client which affects its turnover. Some of the organisations operating on the basis of Multi-Level Marketing indeed even promote to buy products only for one's own needs and concentrate on building a network of people who will be doing their shopping likewise.

So network marketing is based upon attracting partners to join the network and participate in direct selling. In both these operations success depends on the ability of motivating yourself to work (in MLM relationship of boss-subordinate type does not exist) and your partners, with whom you interact. This is a system that puts everyone on an equal

footing, and those who tried to boss around in the group were not successful. Therefore, a specific feature of the MLM system is that it is impossible to succeed without also helping others in achieving success. As it was shown above, revenues in this business are dependent directly on how successful people are sponsored by you. Thus, the most essential skill turns out to be the ability of self and others' motivating (Dewandre, et al 1996)

At present, Multi-Level Marketing is becoming increasingly popular, easy to get started and effective opportunity for all those who, by working hard, want to gain some additional income. This kind of business is popular precisely due to the fact that it does not require large investments and it is for everybody. Education, experience or a person's age does not matter, where does a person come from or what he or she did in the past - none of it really matters. What matters is a little courage, commitment and how much effort a person will put into network expansion and perseverance (Babener 1992)

3.2 Multi-Level Marketing history

The origins of direct selling date back to 1885 when the Nashville publisher, Tennessee, decided to sell the Bible using the direct selling method. A year later, in 1886, in New York, California Perfume Co. is founded, which later transforms into Avon Products Inc (Kenney 2012)

The first company, which decided to distribute their products through Multi-Level Marketing system, was the American company producing dietary supplements – California Vitamins. In 1934, it began to distribute their vitamins through direct selling. However, as soon as the 1940s, this company has clearly stated that it was much easier to find many

people selling small amounts of vitamins than to have few massive retailers. So the company began increasing its turnover by building a multi-level network of sellers. Despite the fact that individual turnover of each distributor was not very big, globally it was giving a quite sizeable sum. Although the system used by California Vitamins was far from how present MLM companies function, this is the first known, fully documented marketing plan with developed in details principles of cooperation between the company and its distributors (Szajna 1994, Amway website)

The marketing plan, which was developed in order to encourage new distributors to work, to search and train new associates, also assumed that a distributor could get 3% from newly created groups' turnovers (Szajna 1994)

With time, the company has changed its name to Nutrilite Food Supplement Corporation, still operating on the basis of Multi-Level Marketing system. However, over time things inside the company began to go wrong. Internal war between the Nutrilite Products Incorporated, which manufactured all dietary supplements and Mytinger and Casselberry, which dealt with the distribution (Nutrilite Corporation was actually consisted of two companies) began. Many distributors then decided to leave the company and try on their own. Among others that have left were two Americans of Dutch origin: Rich DeVos and Jay Van Andel, who were one of the best distributors in the company. Together with them, many other distributors from their network have also separated from the firm. Van Andel and DeVos decided to establish their own company, keeping it in the MLM spirit. They have promised their distributors great earning opportunity and participation in benefits of the business. In 1959, using experience gained in Nutrilite, Andel and DeVos started their new business notwithstanding rebuilding significantly well-known to them MLM system.

They called their new company Amway. They kept their promise – today Amway is the largest and most dynamic Multi-Level Marketing company in the world (Szajna 1994, Conn 1987)

Due to the fact, that Amway cofounders have perfected a system of the network structure and calculation of premiums, introduced new appropriate products ideas, now not Nutrilite but it is Amway that is called 'the god father' of Multi-Level Marketing. Additionally, several years after the launch, Amway bought the Nutrilite company. Currently, 98% of the company offered products are consumable products and product of everyday use (Szajna 1994)

Today, Amway operates in over 80 countries, has 65 research laboratories that refine and develop new products, has got over 700 patents and over 500 in the registration and its net sales exceeds 9.2 billion dollars. This state of affairs is thanks to more than 3 million independent entrepreneurs cooperating with the company and spreading MLM ideas among others. The company consistently leads the strategy, at the center of which, are distributors. Every aspect of its operational activities is set so as to ensure distributors receive professional development and to motivate them to achieve ever greater turnover, concurrently increasing commissions paid to each distributor (Conn 1987, www.amway.pl)

Another historically Multi-Level Marketing company is Shaklee, which was founded in 1956, also by a former Nutrilite distributor - Forrest C. Shaklee (Abbott 2009) whereas historically the first European MLM company is Kleeneze Homecare. It was established in 1923 in Bristol, Great Britain by H. Crook (www.kleeneze.co.uk). Originally it operated as a direct sales company, while in 1969, benefiting from Amway models it moved over to the MLM system.

Many companies treaded in Amway's successful footsteps, beginning with the distribution of their products through the MLM system. However, many of them went bankrupt in the first years of their activity not being able to meet the challenges they were facing in the market or competition with the traditional trade. There also emerged companies focused on fraud and concealing illegal pyramid schemes under the guise of MLM. Many of these cases ended up in courts.

In 1970s, Federal Trade Commission (FTC), which is responsible for leading US companies to trade in a fair way and in accordance with law, like most state and bureaucratic institutions, had a problem catching up with new and innovative approaches to markets and distribution. Therefore, Amway, which was becoming more and more visible, was accused by the FTC of being an illegal pyramid scheme (pyramid selling) and that it is nothing more than just a complicated form of cheating. In 1974 the FTC made a complaint against Amway. After several years of trial, the case ended with an official legalization of whole marketing plan. In 1979, the FTC issued a decision confirming the legality of the Amway company, its principles used in building a distribution network and the way premiums are paid out. It was officially stated that Amway is not a pyramid scheme. This way, the Amway's marketing plan became a model to follow for many other companies (Conn 1987).

Amway's success gave new impetus to the development of the entire Multi-Level Marketing industry. In the years 1979-1984, hundreds of new MLM companies started out and, according to the U S Direct Selling Association, more than 1 million people joined this type of business (Ludbrook 1996). The largest development of companies operating on the basis of Multi-Level Marketing was reported in Japan. In contrast, in countries such as Great Britain, France, Australia or Germany, the process of acceptance of new forms of products

and services distribution by the society was very slow. It is important to note here that even a giant like Microsoft copied the idea of MLM in distribution products with the Microsoft Business Solutions family.

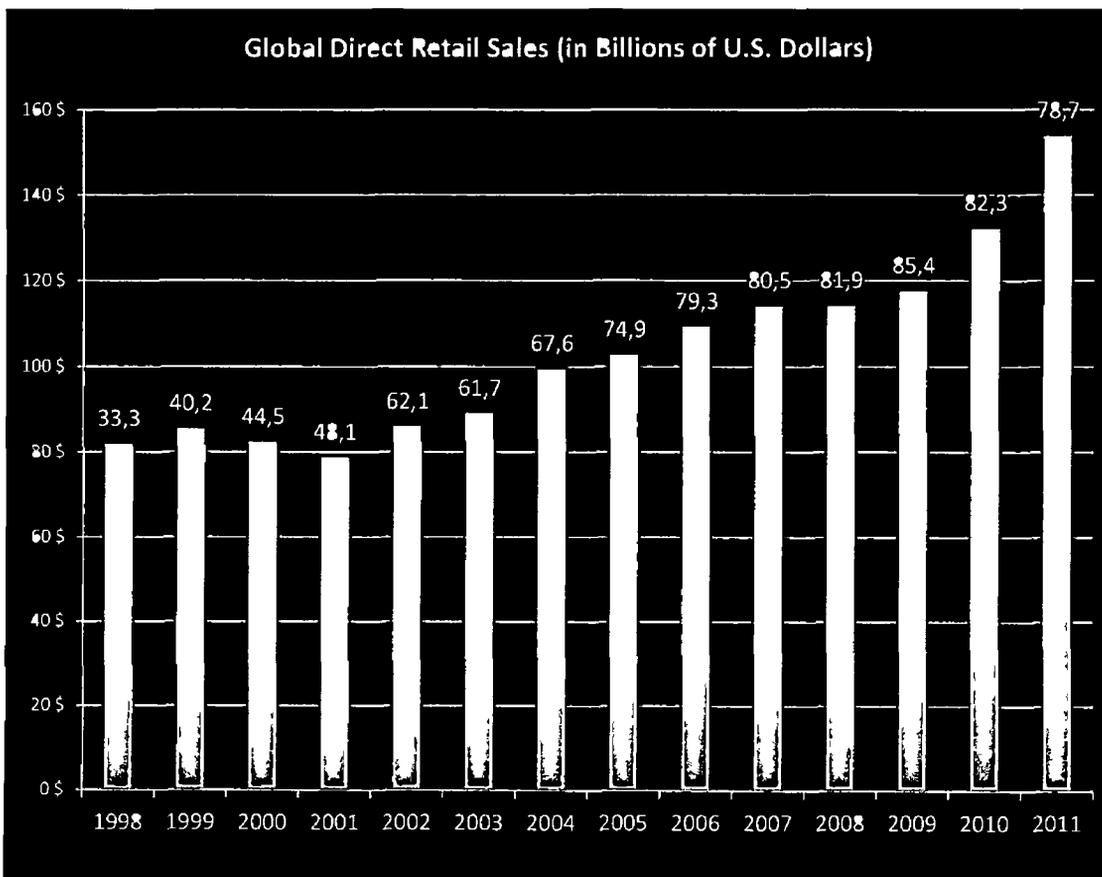
Today, in Germany, Multi-Level Marketing and direct selling is no longer an 'exotic' industry. This form of distribution has become a vital part of the economy and in 2008 more than 778 000 people were linked with it and it generated turnover which reached 8.86 billion dollars.

Industry growth statistics given by the World Federation of Direct Selling Associations (WFDSA) confirm that this new way of distributing goods and services has become an important branch of the global economy. According to WFDSA:

- in 1979, after the legalization of Amway marketing plan by the FTC, in the U.S. there were 1 million people registered as working in Network Marketing. By 2002 this had risen to 11 350 000,
- at the same time an annual turnover in the U.S. market increased from \$ 4.5 Billion to about \$ 27.8 Billion U.S. dollars,
- in the period between 1987 and 2008 the annual turnover of the companies that were registered in WFDSA increased from \$ 30 Billion to \$ 113 Billion (see Chart 1),
- in 1987 there were 8.4 million Network Marketing workers registered around the world. By 2002 this number increased by 38.7 million people, up to 47.1 million registered Network's workers. In 2008 this number reached 66 million people (see Chart 2),

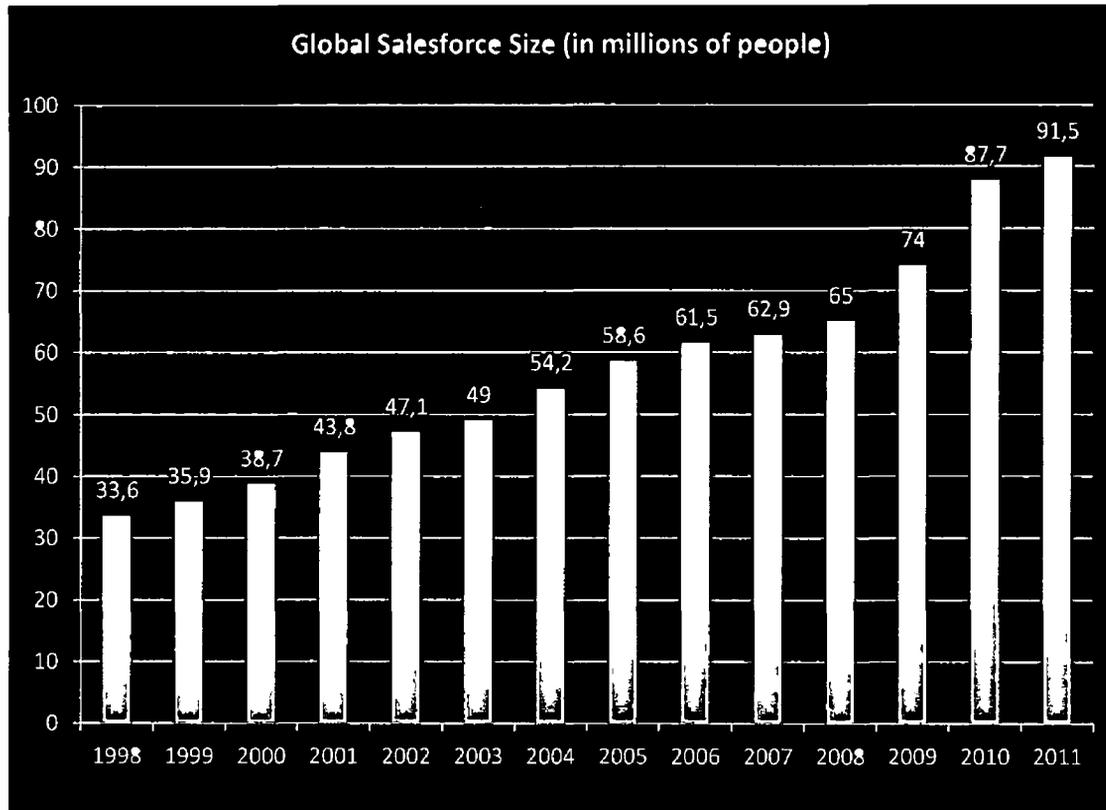
- in 1992-2002 MLM companies generated in total a turnover of \$848 160 000 000 USD, of which about 50% (this is 424 080 000 000) was paid in commissions to registered collaborators of MLM companies,
- in 2010 it is estimated that worldwide retail sales by Direct Selling Associations members accounted for more than US\$114 Billion through the activities of more than 87 million independent sales representatives (WFDSA)

Chart 1 Global Direct Retail Sales (in Billions of U S Dollars)



Source own work on the basis of World Federation of Direct Selling Association

Chart 2



Source own work based on World Federation of Direct Selling Associations

Above statistics show that no other branch of the global industry presents this type of systematic growth, pointing out that it is from 25 years

“Today at the beginning of the 21st century, direct selling is a dynamic, vibrant and growing sector of trade providing earning opportunities to millions of salespeople around the world”

(www.seldia.eu)

3.3 MLM and Direct Selling in Poland

Direct selling and MLM arrived in Poland at the start of the political transformations. However, the start was botched, because there were many errors made. This stemmed from the fact that people who have addressed this venture were completely unprepared, without the adequate knowledge and expertise of the topic. People cooperating with companies in the MLM industry still feel its effects today.

But the biggest problem of that period was inundation of pyramid schemes, which arrived to Poland from different countries (mostly from the USA, Australia and Germany). In the places of its birth, the whole illegal aspect of pyramid schemes came to light pretty quickly, but in new market such as Poland, which additionally after the transition was receptive to all new possible things, pyramid schemes could do whatever they wanted with a completely unaware society, and virtually without any control from state authorities (Janiga & Wyrzychowski 2005).

Despite initial problems, the idea of MLM has defended itself and survived on Polish market. *“According to latest figures released by the Federation of Direct Selling Associations (FEDSA), the direct selling market in Europe has held its strong position during the global economic crisis. The total European sales volume, including non-EU countries, reached €14.2 billion in 2009, while EU sales reached €10.7 billion. Leading direct selling markets in Europe are Germany (€2.7B), Italy (€2.4B), Russia (€2.3B), France (€1.7B) and UK (€1.6B). Direct sales are also strong in Scandinavia. More than 4 million people are currently involved in direct selling in the EU. More than three-quarters of those are women, while more than 3 out of 5 are self-employed”* (Industry News 2011).

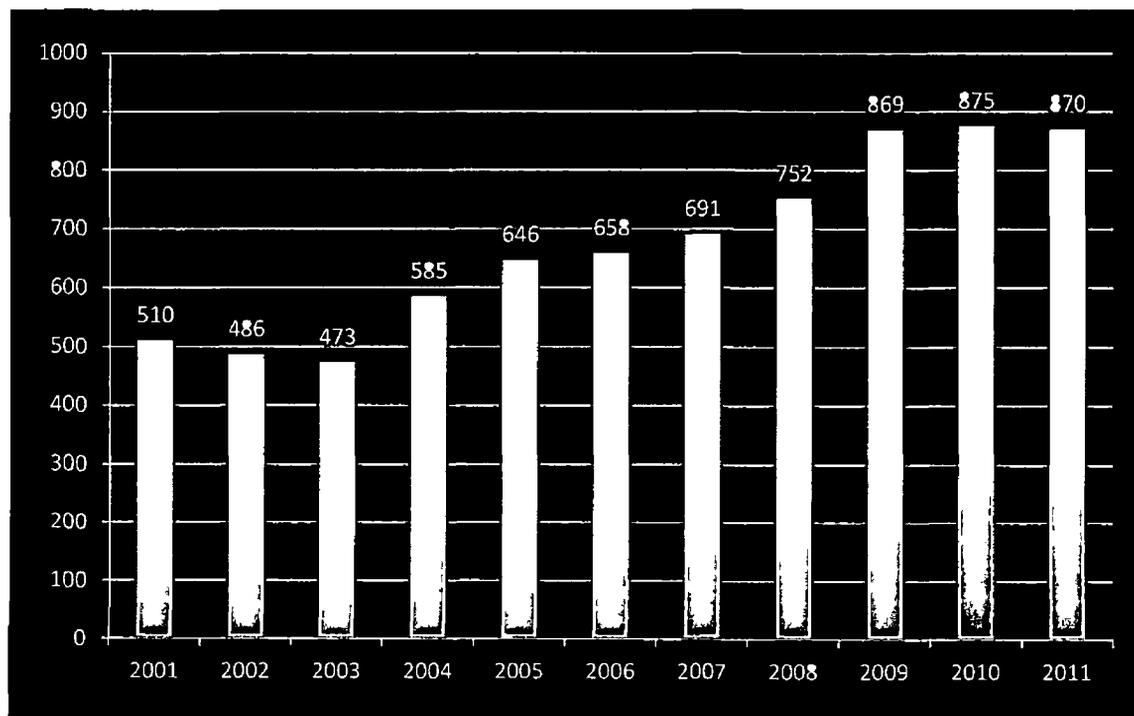
In 2011, FEDSA changed its name to SELDIA. Recently issued by SELDIA with cooperation with the World Federation of Direct Selling Associations, data (2012) reveals that direct selling is Europe's largest provider of independent business opportunities. *"It is a large and growing sector within the non-store retail trade in Europe. Direct sales volume shows a constant growth over the last five years. Over 4 million people are engaged in direct selling in European Union, a figure that goes up over 11 million for the whole European continent. Direct selling companies offer in Europe permanent employment to over 25,000 people and 76% of the products they sell are manufactured in Europe. Total sales turnover in European Direct Selling represents over 17 billion Euros. Over 11 million of persons are active in direct selling in Europe out of which 84% are women"* (www.seldia.eu)

According to Direct Selling in Europe – 2011 Retail Sales Report provided by SELDIA (2012) total sales turnover in Poland in 2011 reached €585,35 million, which represents a 4% increase in comparison to 2010. There are 870,000 direct sellers in Poland from which 88% are women (for a detailed breakdown of number of retailers cooperating in the direct selling industry between the years 2001 and 2011 see Chart 3). 60% of all direct sellers do it part-time, for the other 40% it is their primary or only source of income.

Last year, each product's category contribution in direct sales did not change significantly. Poles still most often choose cosmetics (69%). Kitchen appliances occupy the second place, and the third is taken by supplements and dietary articles. Looking at the statistics for year 2011, it should be noted there was a fairly significant increase in household appliances participation when compared to previous year (from 10% to 13.4%) and a similarly significant increase in sales of nutritional supplements (from 8.5% to 11.6%). According to Mirosław Lubon, CEO in Direct Selling Association of Poland (DSA Poland or DSAP), last

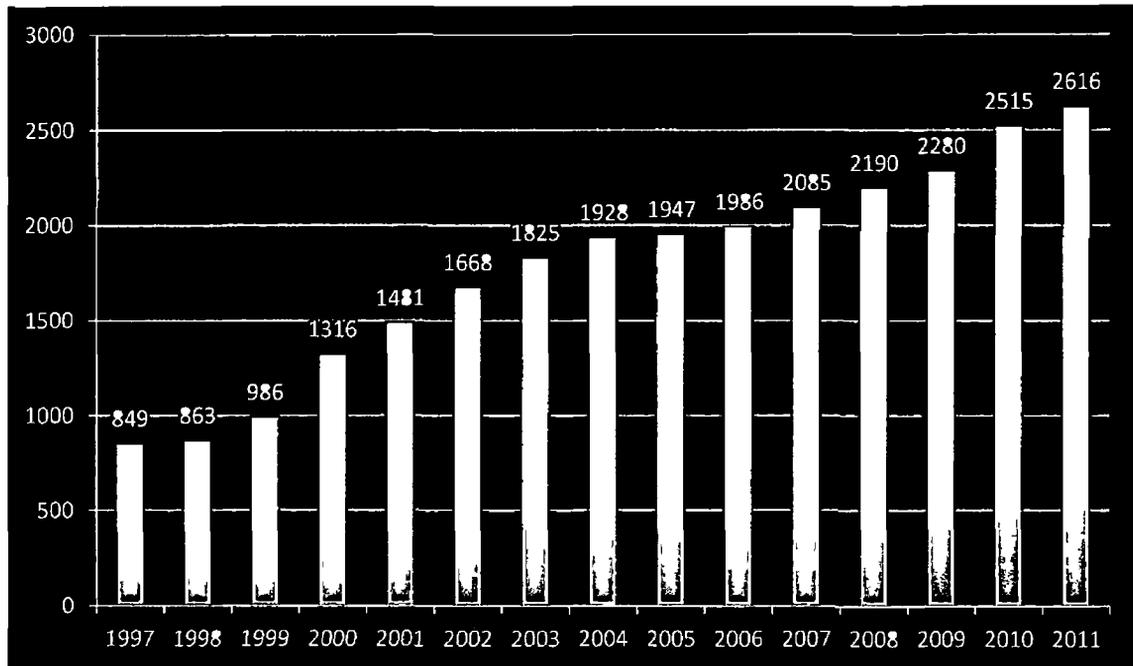
year's results, as well as results from previous years, shows that the industry is growing - slowly, but steadily, which is one of the characteristic features of developed markets, and to a large extent is the Polish market of direct sales. One of the differences between the Polish and many Western European markets is the number of sellers, which, despite a slight decline last year, remains at a high level. This shows that many people see this sector as a good source of temporary work and additional income. It is not without significance especially considering the current situation on the labour market, especially for women and people over 50 years of age (DSA Poland)

Chart 3 Number of retailers cooperating in the direct selling industry in the years 2001 - 2011 (in thousands of people)



Source: own work based on World Federation of Direct Selling Associations and The European Direct Selling Association Statistics and Gorzynski (2008)

Chart 4 Retail sales in Poland in Direct Sales and MLM in the years 1997-2011 (in million Zloty 1 Euro≈4 Zloty)



Source own work based on Direct Selling Association of Poland statistics

Revenues of companies (operating in Poland only since the early 1990s) in 2010 exceeded 2,5 Billion Zloty (PLN) (see Chart 4), achieving 2,6 Billion PLN in 2011. The largest increase was recorded in 2000 by as much as 33%. In 2011, in Polish market net sales increased by 4% in comparison to the year 2010. These statistics and data from earlier years may indicate that this sector in Poland enters its maturity stage. However, according to the analysis conducted by CASE-Advisors Ltd, development potential is large, because the Polish direct selling market account for less than 3% of whole European market and is 10 times smaller than the German market.

An increase in other product groups' participation will also have an impact on the development of the Polish market. At the moment the largest share of direct sales is held by

cosmetics (69% in 2012). However, with an increasing market, cosmetics share decreases in favor of other groups, such as home electronics and appliances, as well as nutritional and dietary supplements and others (see Chart 5) (Wyborcza Magazine 2012).

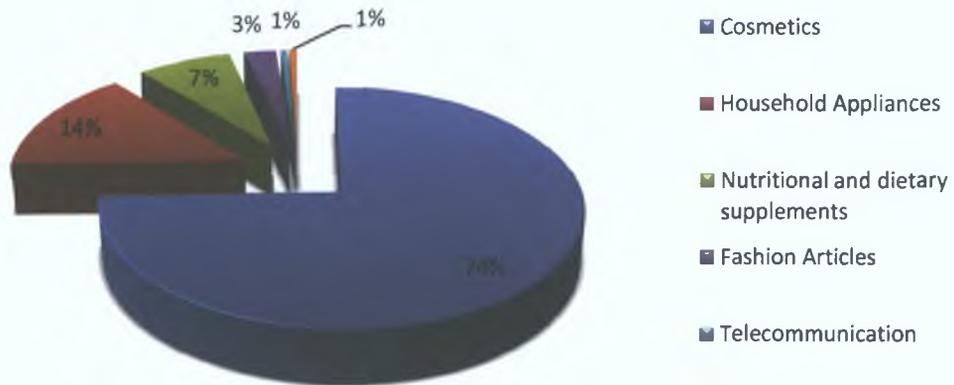
This follows from the fact that in direct sales and Network Marketing there are more and better goods and services available, which have higher quality and efficiency and have more favorable terms of purchasing in relation to existing consumer law. This is due to the consumer's weariness with continuous advertising in the media and the need for contact with a counselor who will give advice, help and support in selecting a service or product, i.e. an individual approach to the consumer - which cannot be offered by traditional stores and retail chains. This shows that direct sales and MLM industry increasingly consolidates its position in the Polish economy, and among Polish customers keeps growing the confidence and trust toward this form of distribution of goods and services.

Chart 5: Percentage of product groups in Direct Selling in Poland in years 2002, 2007 and 2012



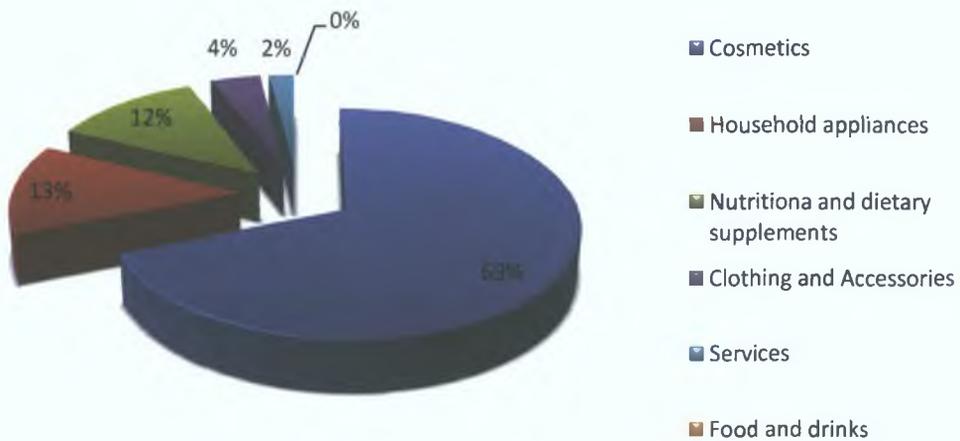
Source: own work based on Direct Selling Association of Poland statistics

Product Groups in Direct Sales in 2007



Source: own work based on Direct Selling Association of Poland statistics

Product Groups in Direct Sales in 2012



Source: <http://m.wyborcza.pl/wyborcza/55,105226,11681694,,,,,11681813.html>

3 4 Market Saturation – as the MLM problem

In many discussions about the future of Network Marketing there are questions posed regarding market saturation. In other words, what will happen if we assume that the development of distribution networks will occur exponentially. Whether there will be enough people to produce goods and services to work in other areas of the economy, since everybody will become MLM distributors somewhere along the network. These fears, maybe justified, but are rather unrealistic. For over 50 years of the existence of system and idea of MLM, as distributors there are registered some 87,7 million people which is less than 1.26% of the entire human population. Besides, most MLM companies' collaborators do not make any steps towards sponsoring more people. With all this it should be noted that

- world population keeps growing, hundreds of thousands of people reach their maturity and becomes new potential distributors
- the situation of many people changes, and for this reason they are becoming interested in new opportunities, which previously they did not consider
- new market and outlets are opening up all the time, many MLM companies are still doing their business locally or have just begun their international expansion
- many people after the initial euphoria and the collision with the fact that without a job they will not be able to achieve anything resign from any further activity
- many also return again to the MLM industry after some period of time
- a lot of middle aged or elderly people seek in MLM additional securities for retirement

- in the most dynamic development of distribution networks, the number of new distributors did not counterbalance population growth (you can often hear saying among people working in MLM 'Your best collaborator is currently playing in the sandbox')
- from year to year new people enter labour market, who may be potential partners in business based on the MLM idea
- no product on the market attained such a saturation so that there were no new clients (almost everyone has devices such as TV, washing machine or a mobile phone but still they are being produced and sold)

Thus looking at the above information, no one predicts saturation of the whole world with MLM distributors. If that was going to happen, in the USA - the home of Network Marketing, a lot more people would be cooperating, but only about 3.5-4% of American society do (Szajna 1994)

3.5 MLM and pyramid schemes

After looking at the products distribution model and incomes in the MLM system, someone may ask a question about whether is it not a case of disguised pyramid scheme or Ponzi scheme or inventory loading

SELDIA defines pyramid scheme as *'a fraudulent scheme characterized by the investment of funds for the right to recruit more people into the program and thereby receive a percentage of their investment. Recouping the initial investment and profits for a participant depends upon the recruitment of more participants, as in a chain letter, rather*

than on the sale of products to consumers. Its structure resembles a pyramid, with only a small percentage of participants at the top generally recouping their funds before the scheme collapses. There are four hallmarks to pyramid schemes: (1) substantial start-up costs, (2) the potential for participants to be stuck with large amounts of unsold inventory, (3) few or no sales to consumers, and (4) compensation based predominantly on recruitment rather than product sales. Similar terms include Ponzi scheme, chain letter scheme, endless chain scheme."

This illegal system applies to many countries, including Poland

Thus, direct selling and MLM are not a pyramid scheme or Ponzi scheme, and the way MLM organisations function, and what distinguishes them from any other illegal scheme, was established in 1975 before the Supreme Court of the United States during the case "FTC vs Amway 93FTC618 "(see page 56 of this paper) Also in Poland, the position on this issue has been taken by the Office of Competition and Consumer Protection

' Besides the typical pyramid schemes there exist selling methods, which have some similarities, and are often confused. These methods are often called 'multilevel marketing' or 'network marketing', as a sales or marketing methods rely on the fact that the purchaser buying a product at the same time acquire the right to sell certain products in exchange for a commission or interest on turnover. The same applies to subsequent purchasers. Multilevel marketing structure resembles the structure of a pyramid. The objective of this form of marketing is different than the purpose of a pyramid scheme. MLM is the method of sale. Commission or interest on the turnover are a gratification for the sale of certain products and are part of the system.

In this case, there can be no question, of paying into a certain amount in order to obtain the right to participate, as an essential element is the sale of goods. The participant buys products at a fixed price, and the goal is to sell it at a profit. The recipient does not pay for participation but for the product. Recipients, who do not want or cannot sell products, are not

victimized” (The adopted position of the Office of Competition and Consumer Protection on the area of pyramid sales 2003) (full text available at <http://ww2.senat.pl/k5/dok/sten/oswiad/borkowsk/3101o.htm>)

Other laws that govern functioning of firms from the direct sales and MLM sector are (they relate to consumer protection)

- The Act of 16 February 2007 on competition and consumer protection
- The Act of 27 July 2002 on special conditions of consumer sales
- The Act of 2 March 2000 on the protection of consumer rights and liability for damage caused by dangerous products
- The Act of 16 April 1993 on unfair competition
- The Act of 23 August 2007 on combating unfair commercial practices

The conclusion can be drawn from the above that in the Polish legislation the issue of MLM has also been settled and it is a legal activity from the perspective of Polish law. As of today, from a consumer perspective, this distribution channel is the most protected form of shopping.

With the purpose of the distinguishing pyramid schemes from legitimate companies operating in the MLM industry, one should note that in the pyramid schemes and commercial pyramids

- There is built a network - as in the MLM
- Need to recruit new people - in MLM there is no such obligation
- Nothing is traded - in the MLM product or service is the foundation of business

- You cannot withdraw without loss - in MLM it is commonly accepted that the company buys back products from distributor when he resigns from further cooperation

In Appendix 1, a full list of companies operating on the Polish market in a legal manner can be seen

This list probably does not exhaust all firms, because every day new companies emerge and more international companies seek to sell their products and services on Polish territory. However, this list allows visualising how many companies there are operating in Poland in this industry in a legal manner.

However, every now and then there are eventuating companies which pretend to be operating on a MLM system, while their real purpose is to wheedle money and deceive others (pyramid schemes or Ponzi schemes or inventory loading). Such situations have happened, and will happen in the future with more and more intensive development of the whole sector. In every industry and every society 'black sheep' occur.

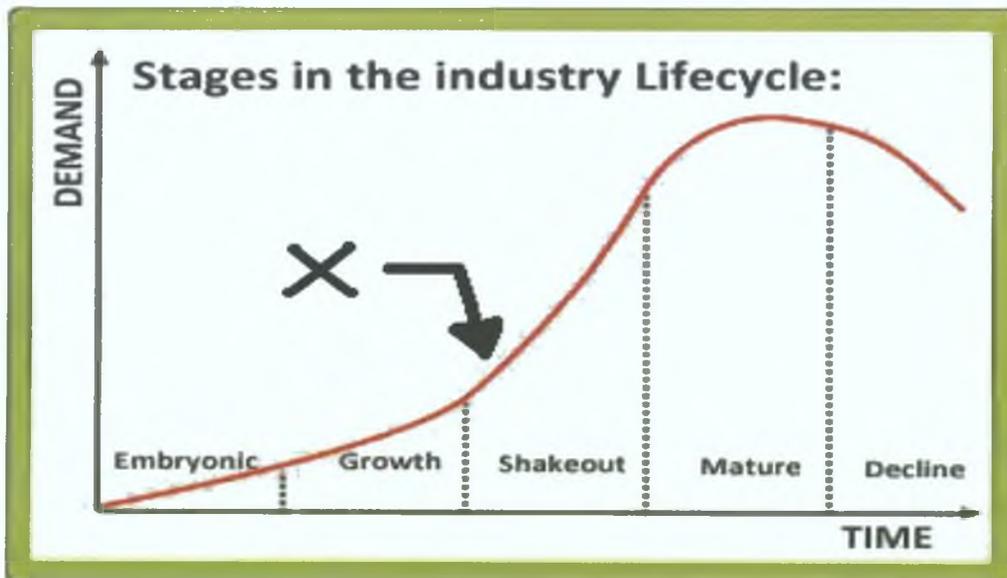
That is why education in the MLM subject and providing the general public with real facts about the functioning of this type of company is so important. At present, promotional activities in Poland are undertaken by Direct Selling Association of Poland as it brings together companies from the direct selling sector. Additionally, each company separately on its own in many manifold ways promotes the idea of MLM. Many Polish magazines undertook this subject matter publishing just reports about direct sales and the MLM sector in Poland (Grudzien 2009).

Also noteworthy is the fact that at the German Fachhochschule Worms University, direct selling and MLM is a course module, conducted by prof. Dr. Michael M. Zacharias.

3.6. MLM development trends

According to Ludbrook (2006), world famous trainer and expert of the MLM market, the network marketing industry is currently in the 'Shakeout' phase within an industry development cycle model (see Figure 11). So, it is at the moment in the phase of the greatest increase of interest of this type of business. This means, in the moment when the biggest increase in the interest of this type of business will follow upon. Ludbrook estimates that by 2016 the turnover generated by this branch of the economy will grow by 100% to over \$ 200 billion. Except that it will be big companies that will benefit most. The largest companies currently constitute about 50% network marketing sales and it will be them who, by new improvements and 'proven success' will gain the most during this growth. Thus, the turnover of largest companies will increase in a decade from around \$ 50 billion to at least \$ 160 billion dollars (Ludbrook 2006).

Figure 11:



Source: as in Ludbrook (2006, p.55)

According to Faith Popcorn's BrainReserve, to succeed any project or idea should coincide with at least four major trends of our society's life. And it is MLM that fits into trends, which from many years Faith Popcorn's Brain Reserve has successfully predicted. Trends that fit into the MLM industry development include caring for the environment, longer life, health care, consumer fatigue.

Besides the above, in many publications regarding MLM tendencies such as these can be also specified: lifestyle, additional income, proven success.

It is the above trends and MLM idea assumptions that will almost certainly cause that, over the next decade, the MLM industry will experience tremendous growth and 100% increase in its turnover.

As Schopenhauer said: *"All truth passes through three stages. First it is ridiculed. Second it is violently opposed. Third, it is accepted as being self-evident."* Similar trends could be observed so far in the case of network marketing. Initially the industry was scoffed at, then there were intense efforts to combat it using various forms of accusations and yet it continued to grow. Today, MLM is something obvious and it is only a matter of time until society will accept it as a credible part of the economy, the way goods and services are distributed, and as a business and financial opportunity (Ludbrook 2006).

CHAPTER 4

METHODOLOGY

4.1 Research Questions and Objectives

The main aim of this research is to explore the issue of motivation in companies operating on the basis of a Multi-Level Marketing system. The research question posed in this initiative is to

- Define how MLM companies operate in practice
- Explore how people working in organisations based on the Multi-Level Marketing system motivate themselves and the others

Hence the objectives of this research are tailored to

- Critically evaluate relevant theories of motivation and ascertain if such theories are applied within the context of MLM
- To define and understand Multi-Level Marketing specifically within the Polish environment, by analyzing its history, direct selling companies in Poland, market saturation-as a problem of MLM, MLM and pyramid schemes, trends in the development of MLM
- To investigate different methods of motivation used in MLM companies
- By combining different research methods like secondary data analysis, observation, and a questionnaire survey this paper will try to identify what motivated people in MLM and whether the findings lend towards any particular theory of motivation

4 2 Introduction

As mentioned in Chapter One the market chosen as the target for this research is the Polish market. The direct selling industry (including MLM) in Poland is well developed, well-diversified, popular and constantly growing (SELDIA Global Statistical Report 2011, Appendix 1). Moreover, the author of this dissertation has the advantage of being brought up in a family where one of its members was actively involved in Multi-Level Marketing for many years. The author also has wide work experience in companies operating in the MLM system. This factor itself grants easy access into Polish MLM companies through different relationships with MLM employees (family members, friends, friends of friends, former work colleagues, etc.)

This chapter is devoted to describing the research tools and research methods used in order to address the topic and collect the relevant data required to address the research questions of this study. The chapter is structured following Saunders' (2009, p 108) research 'onion'-philosophies, approaches, strategies, choices, time horizon, techniques and procedures.

4 3 Pragmatic approach to research

According to Saunders (2009, p 108) *'the research philosophy you adopt contains important assumptions about the way in which you view the world'* and its choice depends upon the research question one is seeking to answer. The pragmatist's philosophy adopts the approach where *'in designing your research methods the most important consideration is your research question'* (Saunders, et al 2009, p 109).

The pragmatic approach to science is a certain methodology with philosophical assumptions and test procedures. As mentioned above, its use is often due to a certain research problem.

(question) where the use of this method appears to be best suited. This method avoids the researcher getting caught up in philosophical debates about the suitability of the chosen approach including concepts like truth and reality (Saunders, et al 2009, Alzheimer Europe website 2009). The assumptions of the pragmatic approach define the way of data collection and formulation, and mixing of quantitative and qualitative approaches (strategy). Mixing of approaches can occur in different phases of the research process or in one or several of its phases, as it was recognized by pragmatic researchers who claim that using only one method has its limitations, while using different methods can be complementary. They are the extension of the postulate of triangulation.

Triangulation refers to the use of quantitative research to corroborate qualitative research findings or vice versa” (Hammersley 1996 in Bryman & Bell 2007, p 645). Thus the conducted research is based on data triangulation.

4.4 Inductive approach (building theory)

In order to gain a better understanding of the nature of motivation in companies operating on the basis of Multi-Level Marketing this study will adopt an inductive approach. Saunders, et al (2009, p 126) define induction as the approach where ‘*theory would follow data rather than vice versa as with deduction*’”. As stated by Saunders (2009) the research task when adopting this approach is to make sense of collected data and as a result to formulate the theory, not the opposite way.

“The purposes for using an inductive approach are to (1) to condense extensive and varied raw text data into a brief, summary format, (2) to establish clear links between the research objectives and the summary findings derived from the raw data and (3) to develop of model

or theory about the underlying structure of experiences or processes which are evident in the raw data” (Thomas 2003, p 1)

An inductive approach is likely, as in this case, to be particularly concerned with the context, which here represents the MLM industry. In order to collect data a variety of methods, which assist in obtaining a more holistic understanding of the research problem, were considered and selected (Saunders, et al 2009)

The area of motivation among MLM employees was not a previously popular subject of studies. The amount of existing data is simply insufficient to frame hypothesis without fully understanding this new and exciting topic. Therefore it seems that this approach is much more appropriate. Such an approach facilitates an exploratory, reflective stance to be taken with existing theory, as well as facilitating the analysis of data and generation of new theory (Saunders, et al 2009). This approach is also associated with the risk related to time constraints and the possibility that no particular trends or patterns will emerge.

4.5 Mixed methods

The next three layers on Saunders’ research ‘onion’ depict chosen research design, which should be consistent with elected research philosophy, based on research question and objectives.

Mixed methods occur when within the same research project at least one quantitative and one qualitative method are applied/utilised. Pragmatism grants the freedom of using any of the methods, techniques and procedures typically associated with both quantitative and qualitative research in order to address the research questions under study. Different

techniques may be used at the same time, as well as one after the other. It is possible to transform qualitative data into quantitative data and vice versa; however, it is not commonly practiced to transform quantitative data into qualitative data (Alzheimer Europe 2009, Morgan 2007). Sometimes, in order to enhance research quality, qualitative and quantitative methods are used simultaneously, which is the approach taken in this study (Saunders, et al 2009, Alzheimer Europe 2009).

The mixed method research design seems to be most appropriate to this research as it is important to attain as more and as complete as possible information regarding MLM employees' motivation through the usage of a few different methods, rather than completely relying on only one.

4.6 Quantitative vs Qualitative Research

Quantitative research refers to the systematic empirical investigation of social phenomena and is generally associated with the positivist/postpositivist paradigm (Alzheimer Europe website 2009). Central to this methodology is the process of measurement and it most often involves collecting and converting data into numerical form, which results in the creation of statistical calculations and conclusions (Jankowicz 2005, Given 2008). The purpose of quantitative research involves quantifying data and generalizing results from a sample of the population of interest (Snap Surveys 2012). Quantitative research is sometimes followed by qualitative research in order to explore some findings further. *"The main emphasis of quantitative research is on deductive reasoning which tends to move from the general to the specific (sometimes referred to as a top down approach)"* (Alzheimer Europe 2009, p 1). The sample usually involves a large number of

cases representing the population/group of interest of randomly selected respondents. Specific for quantitative method are structured techniques such as questionnaires or telephone interviews. Statistical data analysis ensures that findings are conclusive. A very important principle of quantitative research is objectivity (Saunders, Lewis & Thornhill 2009, Morgan 2007, Snap Surveys 2012)

Qualitative research strives to gain an understanding of underlying reasons and motivations and uncovers underlying trends, meanings and patterns of relationships.

'Qualitative research is the approach usually associated with the social constructivist paradigm which emphasises the socially constructed nature of reality. It is about recording, analysing and attempting to uncover the deeper meaning and significance of human behaviour and experience, including contradictory beliefs, behaviours and emotions. Researchers are interested in gaining a rich and complex understanding of people's experience and not in obtaining information which can be generalized to other larger groups' (Alzheimer Europe 2009). The approach used by qualitative research, in contrast to quantitative research where the hypotheses are pre-determined, tends to take the inductive form, which means that the data is being collected first and then the conclusions and theories are drawn (Alzheimer Europe 2009). Sample usually involves a small number of non-representative cases including only particular respondents selected to fulfil a given quota. Data collection in this method takes place through unstructured or semi-structured techniques (like interviews or focus groups). As contrasted with quantitative research methods the outcomes are not conclusive and cannot be applied to make generalization in

terms of wider population of interest. Instead it provides with a basic understanding of tested phenomena. This method does not involve mathematical models (Bryman, et al 2007)

This research design involved use of both research methods

4.7 Research tools

4.7.1 Secondary data review and analysis

Crossen (1997) defines secondary data simply as ‘second-hand’ analysis, where someone else has already gathered information or data, or it was collected for some other purpose than the one under consideration. Very often it is a combination of the two (McCaston 2005)

‘The distinction between primary and secondary data depends on the relationship between the person or research team who collected a data set and the person who is analyzing it. This is an important concept because the same data set could be primary data in one analysis and secondary data in another. If the data set in question was collected by the researcher (or a team of which the researcher is a part) for the specific purpose or analysis under consideration, it is primary data. If it was collected by someone else for some other purpose, it is secondary data’ (Boslaugh 2007, p 1)

There are few advantages of working with secondary data and the main one is economy, simply because the data has been already collected by someone else, hence the researcher does not need to start from scratch and devote resources to this part of the research. However, because the data is already collected it can be very time consuming for the researcher to analyze all the data. Basically *“secondary data analysis is an ideal focus for researchers who prefer to spend their working hours thinking of and testing hypotheses*

using existing data sets (Boslaugh 2009, p 3) Another important advantage of using secondary data is the breadth of data available

There are also disadvantages of using secondary data simply because it is inherent in its nature. The data was not collected to answer specific research questions. Generally speaking, a researcher may be looking for a particular set of information which may not have been collected or it may not have been collected in the right geographic region or within a particular period of time or with the emphasis on the particular context and so on.

To sum up, many times a researcher is forced to work with existing data where variables may have been defined or categorized differently than the researcher would have chosen (Boslaugh 2007)

However despite its disadvantages *“if secondary research and data analysis is undertaken with care and diligence, it can provide a cost-effective way of gaining a broad understanding of research questions”* (McCaston 2005, p 1)

What the author considers particularly important when engaging in secondary data analysis is that it is *also helpful in designing subsequent primary research and, as well, can provide a baseline with which to compare your primary data collection results. Therefore, it is always wise to begin any research activity with a review of the secondary data”* (McCaston 2005, p 1) It also helps to identify the theory that drives the inquiry.

Since the characteristic element of this type of data analysis and review is that it involves collection and analysis of a vast array of information, it is easy to deviate along the process and become overwhelmed with the data volume. Therefore it is crucial that during this process researcher remained focused on the purpose of gathering all the information and constantly keeps in mind why certain data is being collected (McCaston 2005)

4.7.2 Observation

If the research questions try to discover what people do, to get to the root of 'what is going on' the best way to gather data is to watch them (Saunders, et al 2009). Thus with projects concerned with human behaviour, particularly with discovering the meaning humans attach to actions, like in this project, another valuable tool that the researcher should employ to supplement other methods is observation (Saunders, et al 2009). Therefore, as it was mentioned before, in order to gain a complete understanding of how people motivate themselves and the others in companies operating on the basis of Multi-Level Marketing, the author has decided to make use of the knowledge she possessed during many years of contact with MLMs. The author had a chance to work in a couple of different MLM companies, has a lot of friends working in the MLM industry and her family member has been actively involved in MLM for almost fifteen years. This is the example of participant observation which in theory is defined as "*the researcher attempts to participate fully in the lives and activities of subjects and thus become a member of their group, organization or community. This enables researchers to share their experiences by not merely observing what is happening but also feeling it*" (Saunders, et al 2009, p 290).

So participant observation occurs when the researcher (as the author of this paper did) enters into a specific social environment and observes the community from the inside (as one of its members) participating with it in everyday life.

The advantage of this method is that the observer adopts the point of view of the community group and 'tastes in the life and culture of its members. Therefore as an insider, the researcher has better access to data, recognizes the meaning of actions, knows people, feels a sense of the situation and the whole organisation and can learn by experience. The researcher

can take notes or use any other way to record his observations (i.e. photography, video, audio)

The disadvantage is that the person running the test must take the point of view of the object at the same time renouncing his own view, stereotypes and beliefs about the test, which is not always easy (Bryman, et al 2007)

The observation method will provide additional qualitative data

4.7.3 Survey

The term questionnaire is a *'general term to include all techniques of data collection in which each person is asked to respond to the same set of questions in a predetermined order'* (Saunders, et al 2009, p 360)

In addition to observation and secondary data analysis, the questionnaire (available at the end of this paper, in appendix 2) was developed based on a rigorous review of the literature. Some questions ideas were taken from previous surveys on motivation area and amended to fit the research question (Bacon 2009, p 100, ProProfs- Employee Motivation Survey 2008, Sparks & Schenk 2001). Specifically the purpose of the questionnaire was to gather information from people involved in Multi-Level Marketing regarding the topic of motivation. This research tool provides a quicker way of gathering required data and it can cover a much larger scale, and is less time consuming from the respondents point of view than interviews.

As there was nothing similar done in terms of quantitative research the questionnaire has been developed on the basis of an existing literature regarding both motivation and

Multi-Level Marketing, and the author's knowledge gained through years of contacts with MLM companies. Before distribution to destined participants the survey was initially firstly piloted in order to eliminate any flaws in the questionnaire design, to ensure that it facilitates understanding regarding what the respondents are being asked to do. The survey pilot test was done among the author's class colleagues. Pilot testing is a form of qualitative research used in development of quantitative surveys.

The questionnaire contained five sections. The first part of the questionnaire was designed to measure respondents' perception on the MLM and the results they are achieving (questions 1-7). The set of first three questions sought to find the answers as to what influenced employees' choice the most for seeking employment within a MLM company, how long have the employees been working for the company operating on the basis of Multi-Level Marketing, and what is the industry that the responder's company operates in. The next three questions pertained to the time that respondents spent working in Network Marketing and how it translates into his/her effects (results measured by the size of the existing network and income he/she gains). The next question was designed to establish whether the MLM employment is the respondent's main employment or a source of supplementary income. The remaining questions from this part of questionnaire pertained to the respondent's satisfaction from cooperation with MLM company, advantages and flaws of the MLM work.

The second set of questions related to the motivation and what methods respondents use to motivate themselves (self-motivation according to respondents).

The third section was designed to explore underlying ways of team motivation according to respondents (questions 17, 18 and 19). This section concentrated on exploring issues like

where respondents distil their knowledge from, motivators that they use toward their team or whether the knowledge and ability to motivate is important in a business based on Multi-Level Marketing

The next section of this survey was designed to measure the respondents' conversancy of the major motivation theories (which are discussed and presented in the previous chapter) and if so, whether they actually make a use of this knowledge in their work. In order to ensure that respondents do really know the assumptions of listed theories, they were asked to provide a short description of every theory that they marked as known to them.

The last section (questions 22-25) does not directly answer the posed research question, rather it is design to provide context, demographic characteristic of respondents and include respondents' gender, age, education and place of residence.

The objective of the questionnaire was to gather a valuable set of qualitative data for further quantitative analysis. For this reason and to ensure that the rate of response will be 100% or very close, the author personally distributed and assisted in the whole process of the questionnaire fulfilment. The sample comprised of 100 randomly selected MLM employees from six different companies operating in the Polish market. The majority of participants were from insurance and financial services industry (41%), cosmetics industry (2 companies- 21%), wellness (19%), so called multi-business (the Amway company is classified as the multi-business as it does not concentrate its operations in one particular industry) (10%), and telecommunication (9%).

CHAPTER 5
METHODS OF MOTIVATION IN MLM ORGANISATIONS –
OBSERVATION RESULTS

5.1 Monetary Motivation

The main motivator, the most commonly used in companies operating on the MLM system, is the monetary motivation. It is a promise that, under certain conditions, a person will get promoted to a higher position in the career plan, and also a higher commission level (assuming that the sales structure has been properly developed and several other predetermined conditions were met). For many people, the initial money earned in the industry, confirms the genuineness and veracity of this type of business. Every following advancement is associated with a person's increase in income, which also translates somehow into a person's motivation. Initially, revenues are small (with time it will be turned away, only if the person will not quit - see Figure 10), therefore the monetary incentive alone may not be sufficient and further properly coordinated activities are needed.

Another element of the monetary motivation are bonuses (premiums) that are granted under certain conditions. This may be granted for

- promoting into a specific position in the career plan in a very short time – this motivates to intensive effort in order to quickly achieve results and specific goals

- maintaining a certain level of commitment for a specified time (i.e. monthly own turnover, monthly number of new people acquired to the structure, etc) - this provides motivation to sustain regularity in operations
- fulfilling other requirements

5.2 Contests

Many companies often organize contests with various prizes, but the most common reward is foreign holidays. This introduces a spirit of competition into the whole organisation, because well-designed contest gives everyone equal chances, so that 'novice' had an equal chance with the 'old-timer' who works with the company for a while now. Another option is that it is possible to qualify for such a trip under certain conditions, which guarantees the departure after performing a particular job.

The additional asset of such holidays, apart from rest and fond memories, is the fact that you are surrounded by the best people from the organisation. This gives an opportunity to exchange ideas and to draw experience from the best. During these kinds of trips, special training sessions and individual workshops with both leaders and company management are also organised.

The person who takes part in the trip also gets an additional tool for motivating his/her team. By presenting their own example they motivate others to repeat the success.

Besides company holidays, among prizes may also occur other things, from cash bonuses to material prizes or some specialized trainings. It all depends on how the contest will be organized and what goals the company management wants to achieve.

Additionally, besides corporate competitions, often practiced are smaller ones, organized directly by the structures' team leaders, without firm participation. Such competitions are limited only by the leader's imagination and company code of ethics.

5.3 Motivation through goals

Observing structure leaders in the MLM, it can be seen that they very often use one particular motivator. They stimulate dreams and, together with their associates, determine goals. This is particularly important during the individual coaching. During such meetings, leaders try to find out what the individual purpose is, what is it that he/she wants the most and as many as possible details associated with it. The next step is to establish a financial dimension of these dreams (if possible, how much they cost and how real is its implementation deadline).

Having already collected this data, the goal has to be 'broken down' into prime factors and determined sequence of actions needed to be undertaken in order to achieve the target, which is defined by the dream and the financial value of this dream. This financial sphere next translates into a picture of a team that any given person should build to be able to achieve certain turnover. Having this information, the next step is to jointly determine what actions should be taken step by step to achieve the objective of the structure, its

generated turnover and commissions paid, which will translate directly to the opportunity of realizing the dreams described at the top

Going that way a person has all the time before him the dream, and work that he/she has to do is a tool to achieve it. Through participation in the process of determination of dreams, goals and specific steps, the person identifies him/herself with them. Therefore they have towards them positive attitude, and then can easily take up this task, because he/she knows what is waiting at the end of the road.

In this way, MLM leaders more or less consciously apply Locke's Goal-setting Theory (see p 31). If the goal is set at an appropriate level, accepted by the individual and achievable within the limited time, it is one of the most effective motivational tools used by MLM leaders.

5.4 Self-Motivation

Perhaps the most important factor in motivating others is to ensure internal self-motivation. Therefore, self-motivation is very important. There will not always be someone close at hand who will motivate you after encountering a failed conversation with a potential customer, when enthusiasm and willingness to work will be at a minimum.

In such situations, you should find something that will make you want to carry out planned activities, something that will make the desire to work return despite feeling of defeat and apathy.

Advice given by MLM leaders here comes down to 'Find something that is important to you, what will motivate you to act and think about it as often as possible in the

morning, during the day at your leisure time and at night before going to bed ' For everybody it will be something else buying a new car, taking the family on a dream trip or maybe a willingness to engage in humanitarian aid through financial or personal contributions Everyone has different goals and dreams but you must determine what it is (it is not always going to be easy) and think of it as often as possible

During this thought process a person's subconscious will focus on the goal and will not pay attention to failure In this way, you can re-awaken in yourself the enthusiasm and the desire for further action

5.5 Commendation in Motivation

There are many different theories of motivation, but in practice in each of them there can be a reference found to one important element, which more or less every person wants This is the cheapest motivator both in traditional business as well as in organisations based on network marketing system It is recognition People usually do not receive praise for a job well done Most probably that there may be found people who had never been praised Thus, every MLM leader knows how valuable and important, in the motivation process, recognition is Often during various training, seminars or meetings people are being recognized for every little success for first promotion, minimum turnover realization, for sponsoring a certain number of people in the last month, etc In addition, many leaders keep pace on developments in their structure and often express appreciation and congratulations by telephoning immediately after a well done job or achieved success The last common element in this topic is also a person's recognition in company's internal bulletin

In this way, a person feels appreciated for the work and effort he or she put in, gains faith in what he/she does and the energy to keep working to become awarded again

It has to be noted that often praise and recognition are often underpinned by little gifts (like flowers, self-development self-improvement books or ones related to work in the organisation) This is a way to show that praise and compliments are sincere, and that it is not a mechanical act, unthoughtfully applied to every person Therefore, it must be ensured that these are really sincere unique appreciations as a person expects

CHAPTER 6
METHODS OF MOTIVATION IN MLM ORGANISATIONS- SURVEY
RESULTS

6 1 Purpose and scope of the research

For the purpose of this study there was an anonymous survey conducted among 100 randomly selected people, operating in the Multi-Level Marketing, and living within the territory of Poland. The aim of this study was to obtain information about the knowledge people operating in MLM possess on the area of motivation and how they translate it into concrete actions and the results they achieve. This survey enables also to determine whether this knowledge is learned or used intuitively.

The respondents' task was to answer 25 questions, of which 2 were open questions and 3 that constituted a Likert scale. Due to the fact that questionnaire results may be useful for people working in MLM system, at the end of the survey there was space left for typing an e-mail address, where the results of this survey will be sent.

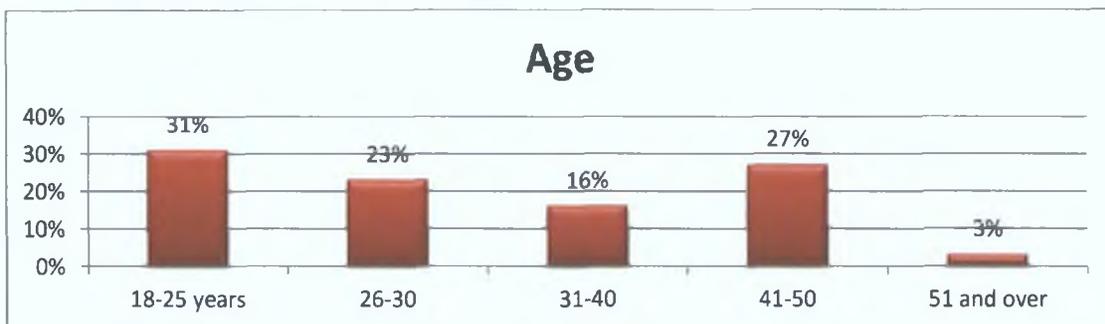
The survey results are presented below. The questionnaire survey is placed at the end of this paper in the Appendix 2.

6 2 Respondents characteristics

The study involved 100 people and their demographics are presented in this section. Within the sample group, 39% were women and 61% were male. People aged 18-25 years represented 31% of respondents. The second largest group comprised of people aged 41-50

years, who accounted for 27% of all respondents. Finally, there were 3 persons aged 51 and over (which represents 3% of all respondents). Looking at the age structure it can be easily seen that young people dominated (under 30), they constitute 54% of the respondents (see Chart 6).

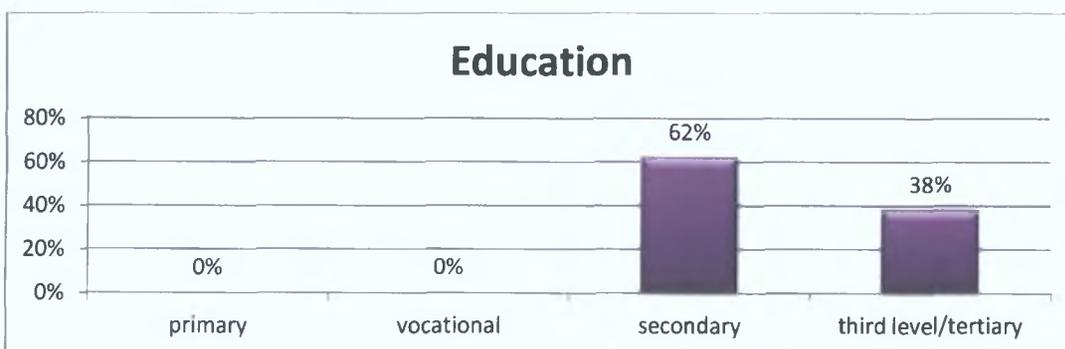
Chart 6: The age structure of survey respondents



Source: own work

Chart 7 presents the structure of subjects' education. Most people (62%) are those with secondary education and 38% have third level/tertiary education. This illustrates that the people working in the companies based on the MLM system are generally well-educated.

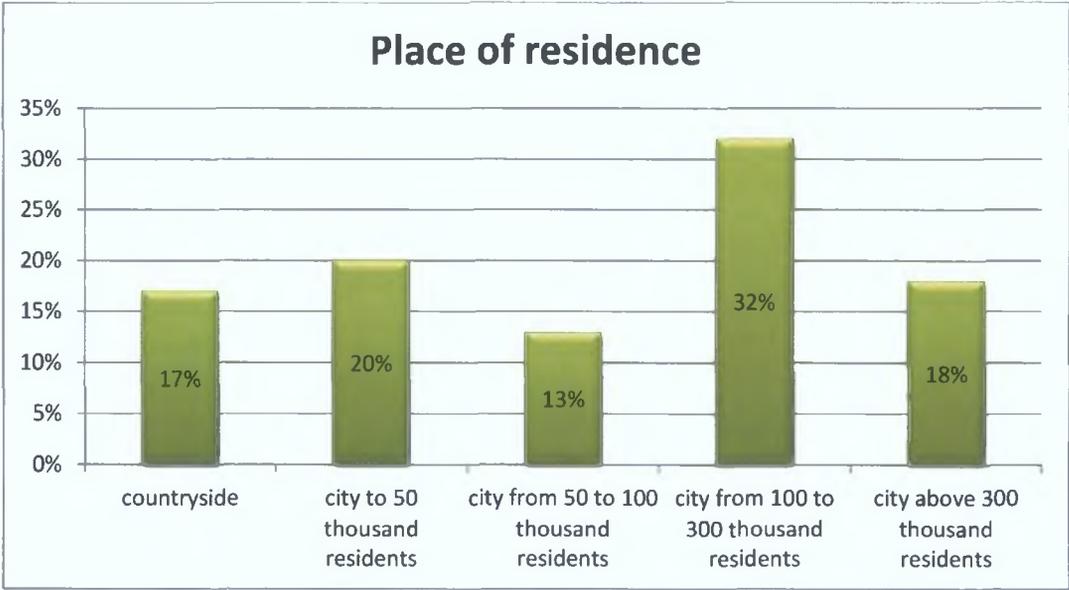
Chart 7: Respondents education



Source: own work

If we look at Chart 8, where respondents' place of residence was presented, it can be seen that the largest group are people living in towns of 100 to 300 thousand residents. Roughly comparable number comprises of people living in rural areas, in towns up to 50 thousand population and in major cities of over 300 thousand residents. Respondents living in rural areas were 17%, in small towns of up to 50 thousand residents- 20% and 18% in the largest cities. Relatively few respondents, only 13%, live in cities from 50 to 100 thousand residents.

Chart 8: Place of residence



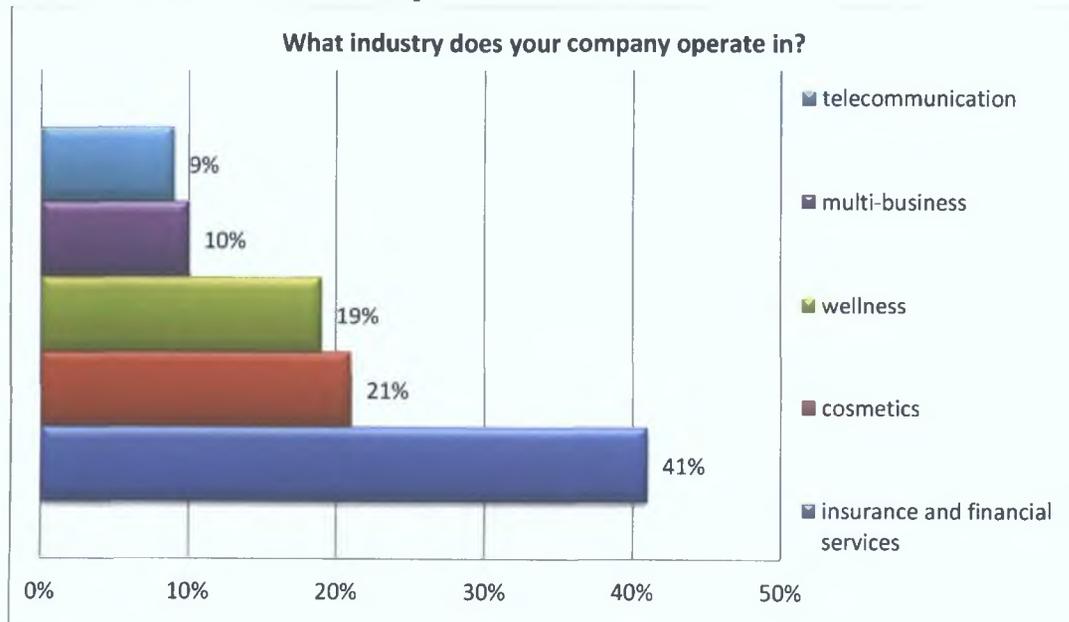
Source: own work

In summary, it appears that the sample group are mainly young males (18-30 years), with secondary or third level/tertiary education, who live mostly in cities with more than 100 thousand residents.

In question 3 of the survey, participants had to answer the question, in which industry their company operates in. Although, the surveys have been distributed on a predetermined fixed amount per company and each form was coded the survey contained the question regarding the respondents industry and its answers distribution can be seen in Chart 9.

Most respondents work in the insurance and financial services (41%). On the next place there is the cosmetics industry, which supports 21% of the respondents. Not much less, 19% of respondents are working in the wellness industry. Among all the respondents there is also a group of 10% working in the multi-business industry and 9% from the telecommunication industry.

Chart 9: Industries in which respondents work



Source: own work

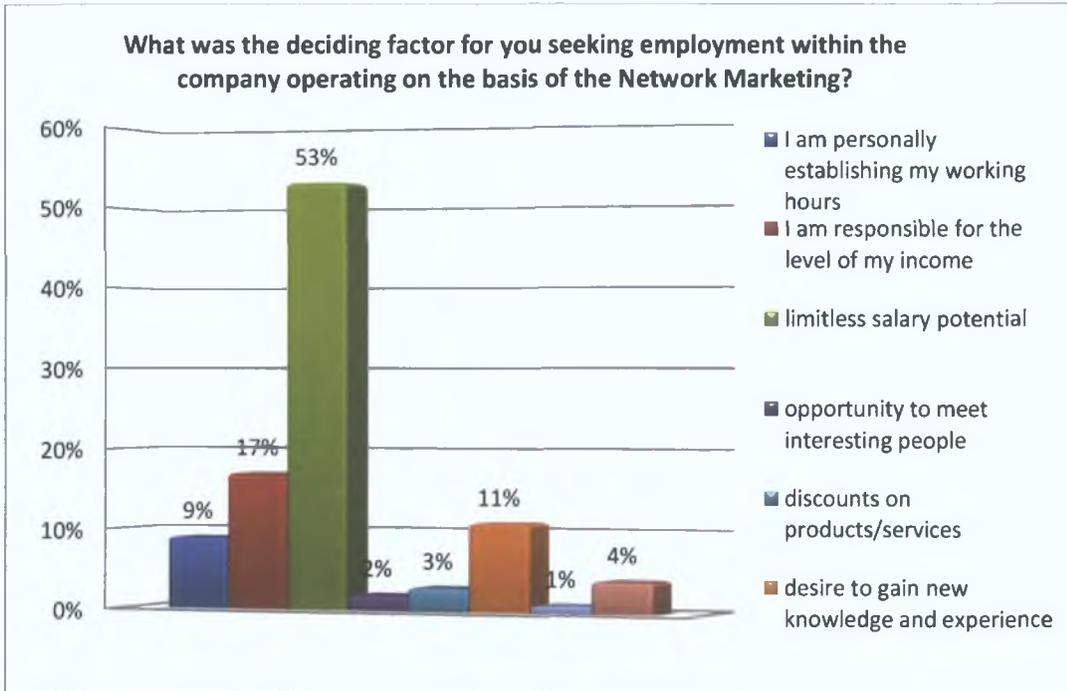
6 3 Detailed results of the survey

6 3 1 Respondents' perceptions on the MLM and the results they achieve

In the first question respondents were asked about the most important factor to them for seeking an employment within the company operating on the basis of the MLM system. As shown in Chart 10, more than half of respondents (53%) indicated unlimited income. The second most popular answer, was the answer, that they alone are responsible for the level of their income (17%). The desire to gain experience was expressed by the group of 17% of respondents, and the possibility of flexible working time, only 9%. As you can see from the answers to this question, the desire to meet new people, a discount when purchasing products/services and access to interesting training, are the most important elements in making collaboration with the company in the MLM system. This does not mean that they are not important. Among others there were also responses with respect to matters relating to finances and independence. One person wrote that it was important for the product and financial opportunities that result from the marketing plan.

It should be noted that this question was related to one key factor, however, in the course of the study there appeared a feedback that for a lot of people there were several such factors. After all, it is clear that finance and unlimited income, are factors that mainly encouraged respondents to join MLM.

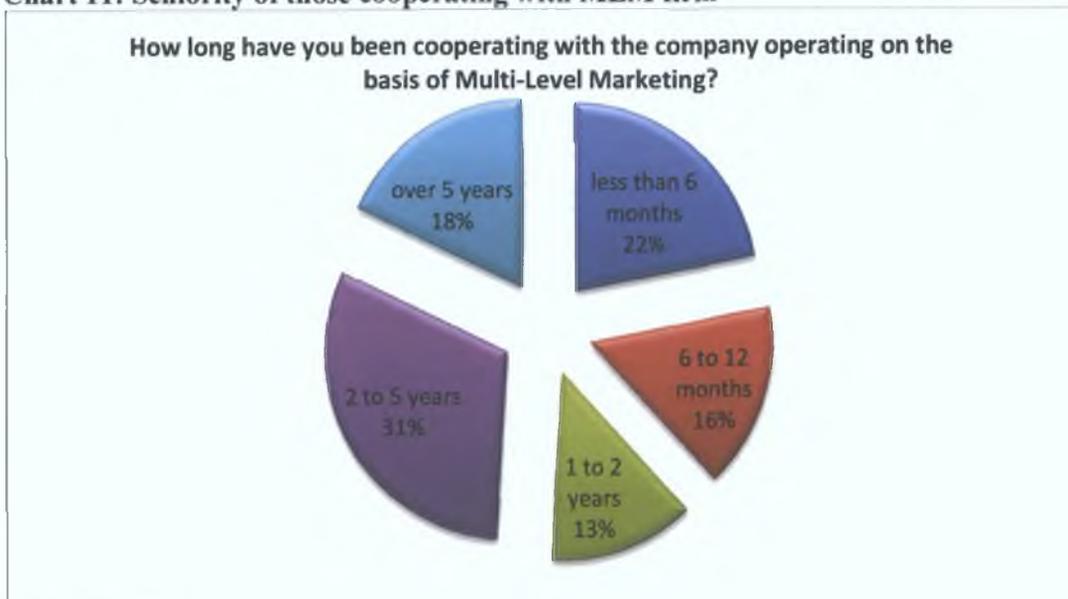
Chart 10: Factors which encourage the joining the company operating on the basis of MLM



Source: own work

The next question that was asked pertained to how long the respondent has been working in the company operating within the MLM system. The largest group consists of those that have been working up to one year (38%), in the next place, there are those that work from 2 to 5 years (31%) and those who work over 5 years (18%). The least of all answerers (13%) is a group of respondents cooperating with MLM 1 to 2 years. This is graphically illustrated in Chart 11 below.

Chart 11: Seniority of those cooperating with MLM firm



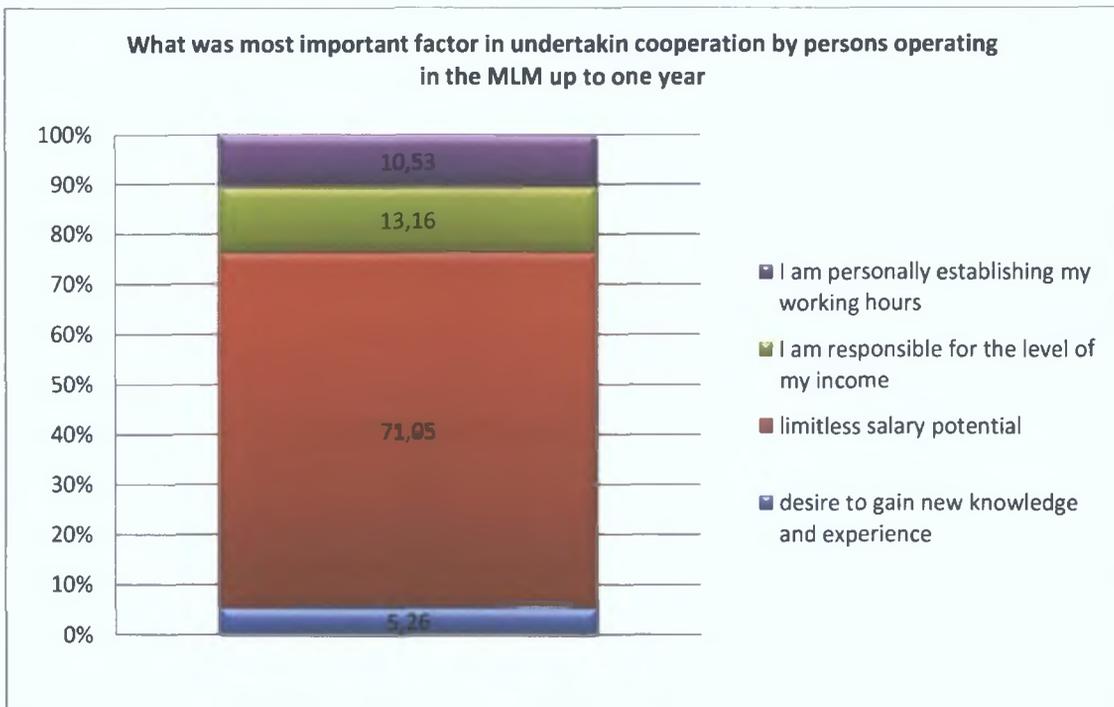
Source: own work

Due to the fact that over time people's memories change and sometimes human memory is volatile, only the responses of answerers who have undertaken the cooperation with the MLM company in the past year were combined with the data from question pertaining to the deciding factor for seeking an employment in MLM companies. Thanks to this combination, it is possible to get the most approximate reasons for undertaking the cooperation of the new people. This relationship is presented in the Chart 12.

There were 38 people who met the above criteria (of which represents 38% of the total study sample). Among them as many as 71.05% (representing 27 people from this group) answered that the most important factor was the unlimited salary potential. Therefore, it confirmed the previously presented statement that the most important factor in making cooperation with the company operating through the MLM system are financial

opportunities that are presented to people. The distribution of the other answers can be seen on the Chart 12.

Chart 12: The most important reasons for undertaking work with firm operating in MLM system given by people who work with the organisation for one year or less

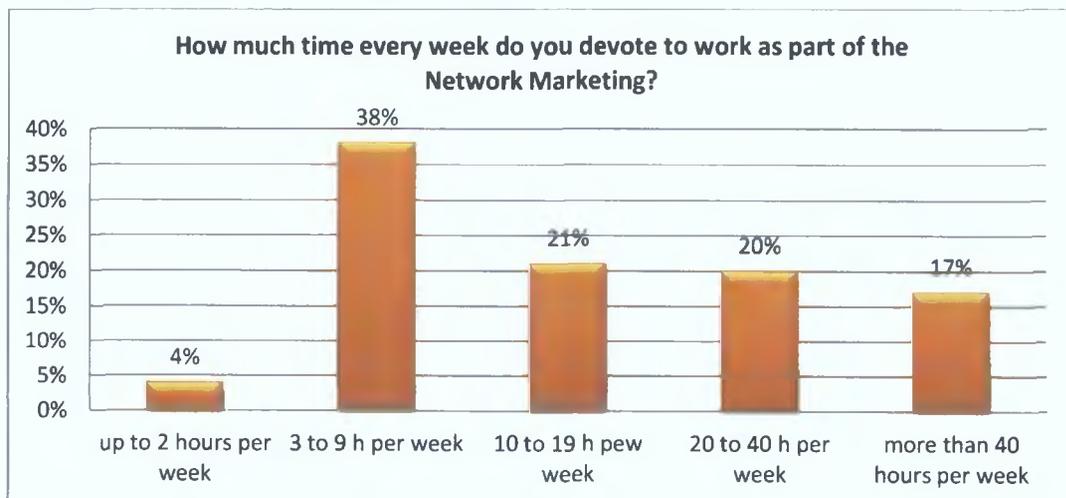


Source: own work

The next three questions were related to the amount of time respondents devote on working in Network Marketing and how it translates into his/hers effects (measured by the size of the network and the income they obtain).

In Chart 13 it shows how much time per week respondents spend on work in Network Marketing. The largest group of as many as 38% are individuals who devote 3 to 9 hours per week in order to develop their business based on the Multi-Level Marketing. Ranges from 10 to 19h and 20 to 40h per week were chosen by almost the same number of respondents, respectively, 21% and 20%. Those who spend the most on these activities, which means they worked more than 40 hours per week (which is more than regular full-time job), comprise for 17% of all respondents. In contrast, only 4% of respondents stated that they devote for this activity only 2 hours or less weekly.

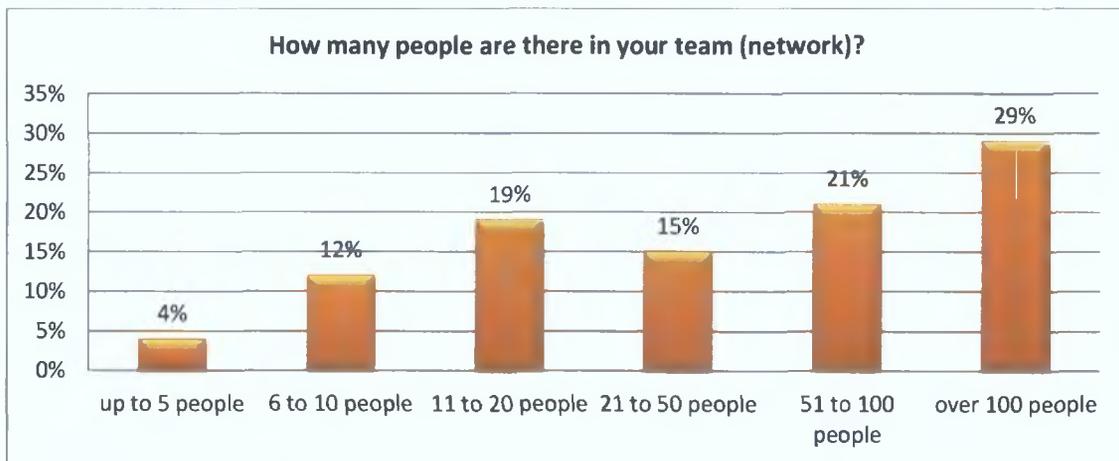
Chart 13: Time devoted to work in MLM



Source: own work

If we look at the next chart, which represents the number of people in surveyed teams, it can be seen that the largest group of respondents comprise of a team of over 100 people (29%). 51 to 100 people in the team have 21% of all respondents and between 21 and 50- 15%. 19% of the respondents can boast of a team of 11 to 20 people. While the team of up to 10 people have got 16% of the respondents (this data is presented on the Chart 14).

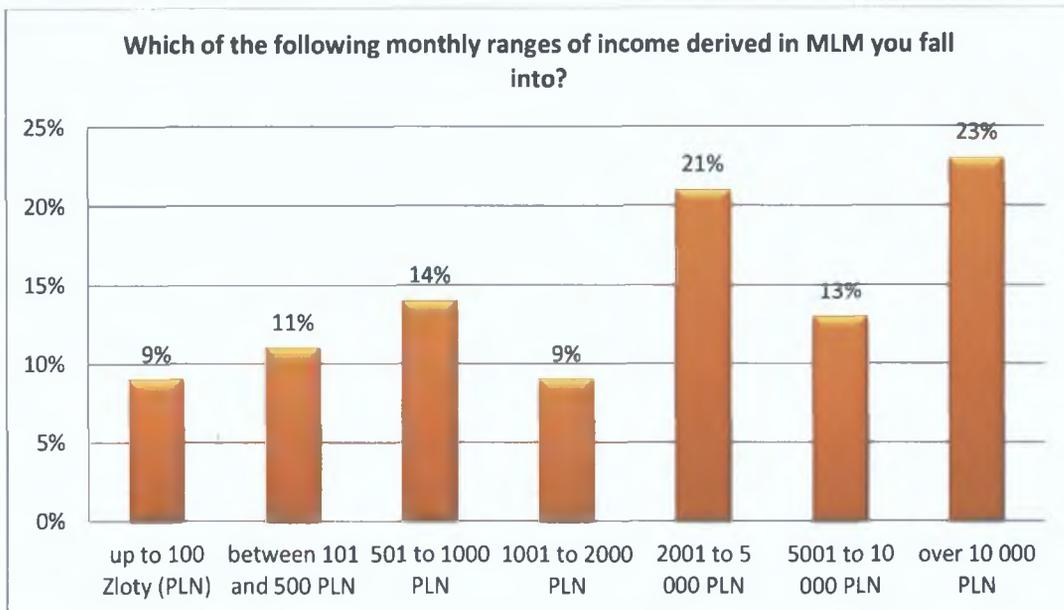
Chart 14: Number of people in the team



Source: own work

Distribution of income generated by the respondents from working in MLM can be seen on Chart 15. It can be read from it that the largest group constitute people achieving a monthly income of up to 1,000 Zloty (1Euro= \sim 4Zloty, 1 € = \sim 4PLN). They represent 34% (of which 9% of respondents achieve an income of less than 100 PLN per month). The highest income, more than 10 000 PLN per month is earned by 23% of respondents. Also a large group, as 21% are people whose earning rests between 2001 and 5000 PLN per month.

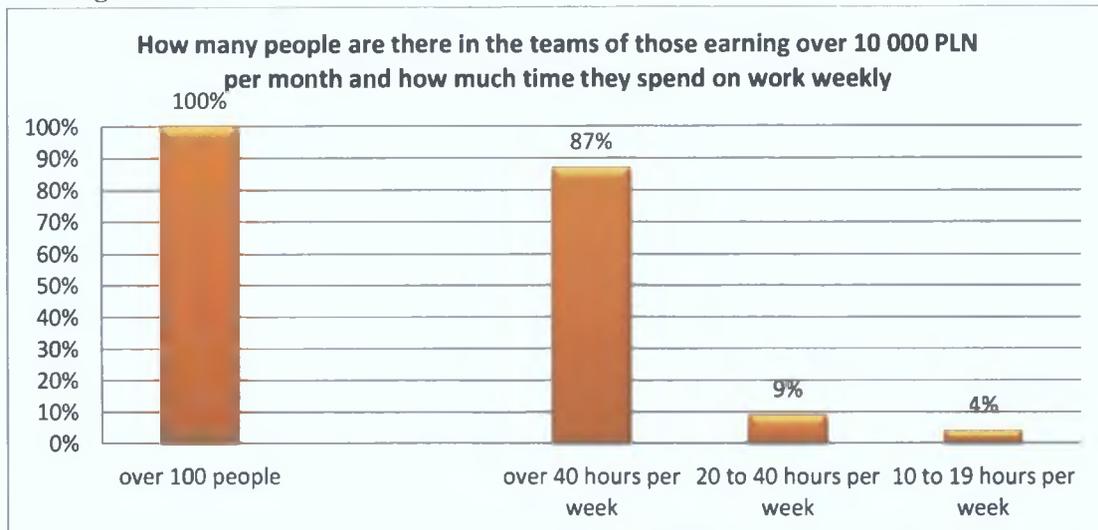
Chart 15: Incomes derived in MLM



Source: own work

In order to verify what are the characteristics of those earning over 10 000 PLN per month (as in line with previous secondary data and observation results, financial possibilities are the major incentive when seeking employment within the MLM), Chart 16 has been developed. It presents the relationship between the achieved income and the amount of time these people spend weekly on work and how big their structure is.

Chart 16: Dependence of income of over 10 000 PLN and the size of the network and working time



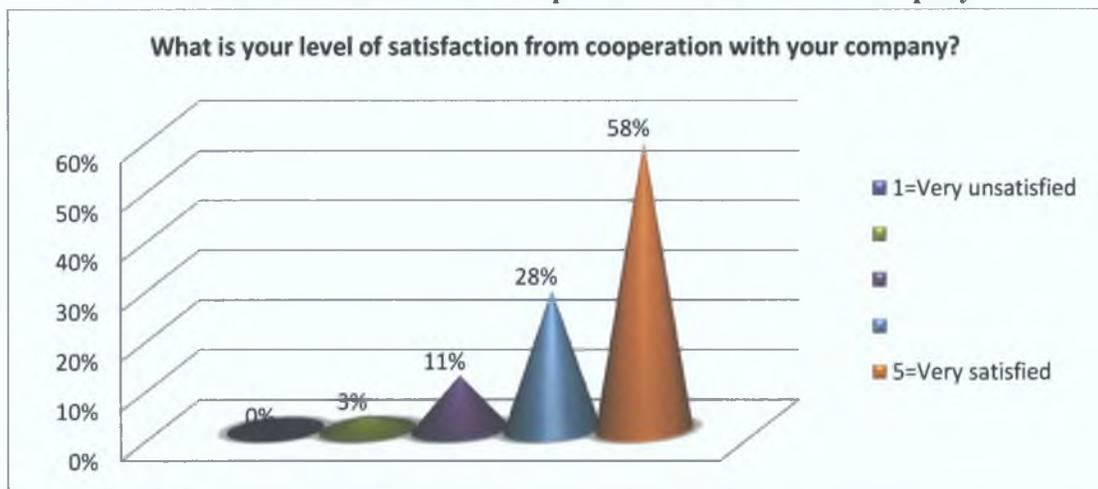
Source: own work

In this group there were 23 people, and all indicated that their team consists of more than 100 people. 87% (20 people) of them have indicated that they spent time of over 40 hours a week for working in Network Marketing. 9% (2 persons) of this group work 20 to 40 hours a week, and 1 person (4%) work 10 to 19 hours. For the whole group, it is also the only source of income. So it can be seen here clearly that people who have had achieved great financial success devote to their work over 40 hours per week (more than full-time) and their team consists of more than 100 people. Therefore this proves that a lot of money in this type of business will not be making people who do not want to devote enough time to work on the extension of their structure (network).

In the next question, which pertained to whether the income derived from the MLM is the only respondents' income and 68% of respondents answered that yes, and 32% have other sources of income.

The last question in this part of the survey was related to the level of satisfaction from cooperation with the company. The majority of respondents (97%) indicated they were pleased to be working with MLM and only 3% said that they tend to be dissatisfied. This data is presented on Chart 17.

Chart 17: The level of satisfaction from cooperation with the MLM company



Source: own work

Therefore it can be seen that if someone undertakes work in the framework of Network Marketing, he or she is overwhelmingly satisfied based on the sample results.

The next two questions in the survey were open-ended questions and respondents were supposed to enter using their own words three advantages and drawbacks of working in the MLM system.

In the question concerning the advantages, respondents gave a total of 216 responses.

Despite this large number, they can be grouped into four categories:

- Independence, flexible working hours - 69% of respondents
- The financial possibilities - 47% of respondents

- Personal and professional development - 47%
- Working with people contact with people - 24% of respondents
- Other - 30% of respondents

Frequently, as many as 69 times, responses falling under the category of independence and flexible working hours occurred. Respondents in different ways underlined how they appreciate the fact that they do not have a boss, that they establish their own working time and decide when to have 'days off', etc. However if we look at Chart 9, where respondents were choosing the main reasons of seeking employment in MLM, it can be seen, that in the first question this category there were 9% of respondents. Thus, probably the advantage resulting from the independence, the absence of boss and flexible working hours start to be appreciated over time.

In the next group regarding financial possibilities, there were 47 responses. Most often they were associated with the limitless salary potential and that the income is directly related to the effort put in to work, and not from the decision of the boss or manager.

The same amount of response occurred in the category of personal and professional development. 47 answerers stressed that possibility of learning new skills, personal development, the possibility of overcoming their mental barriers and practical learning of entrepreneurship is an important advantage while working in MLM system.

For 24 people, the opportunity to work with people, meeting new persons (not only from their own country but also from all over the world in the case of expansion into international markets), was the advantage of working in MLM. This follows from the fact that a human being is a social creature and cannot stay closed in 'four walls' without the ability of making new contacts. Even those people who are financially successful still feel

the need for further contacts with other people In Network Marketing, it often translates into mutual assistance in achieving greater and greater successes

In the other category 30 answers that were given which touch on issues such as the quality of products and services that are offered, opportunities for international team development, work for pleasure, travelling abroad and others

In the next question, which was also an open one and was asking to list up to three drawbacks of working in Multi Level-Marketing, respondents gave 107 answers So it can be already easily noticed only by the numbers of responses that respondents see more advantages than disadvantages of working in MLM, which although should not be surprising, since a reasonably acting man would have noticed a lot of flaws and not engage in this kind of affair

In this question there was not that clear division between the answers as in case of advantages However there can be extracted several major groups

- Personal - 29%
- Financial issues - 27% of respondents
- Opinion of MLM among society - 22% of respondents
- Lack of cons - 13% of respondents
- Other - 16% of respondents

In the first group, to which qualified 29 replies, appeared such issues like the incompetence of people with whom they work, lack of a boss who would be able to compel them to work or inability to compel others to do their jobs Also mentioned as a disadvantage was 'an open door policy', which may result in the emergence in the company of people whose intentions are not always good, which then affects the whole MLM

In financial matters 27 respondents have mentioned such disadvantages as low initial income, unstable income, deferred gratification (work effects often occur after a longer time), etc

Those who listed as a con society opinion about MLM, often made reference to the beginnings of MLM industry in the early nineties in Poland, which as it turns out still has an impact on opinions circulating about this industry. Lack of knowledge about MLM and lack of marketing campaigns promoting this business also appeared under this category.

There is also a category of 'no cons', because 13 respondents only granted such an answer to this question.

Among the answers that have been classified as other there were also given answers such as the need for self-discipline, the need to having motivation in order to achieve something, or frequent failures, which further reduces the motivation. Several respondents mentioned as a disadvantage that one has to be an expert in many areas, or to read a lot to acquire the necessary knowledge in this field.

Therefore as it can be seen by the above answers, what for some is pros (i.e. development, education) for others may be cons. Everybody subjectively perceives what is beneficial for him/her and what is not, and whether he or she shall continue engaging in the Network Marketing or not.

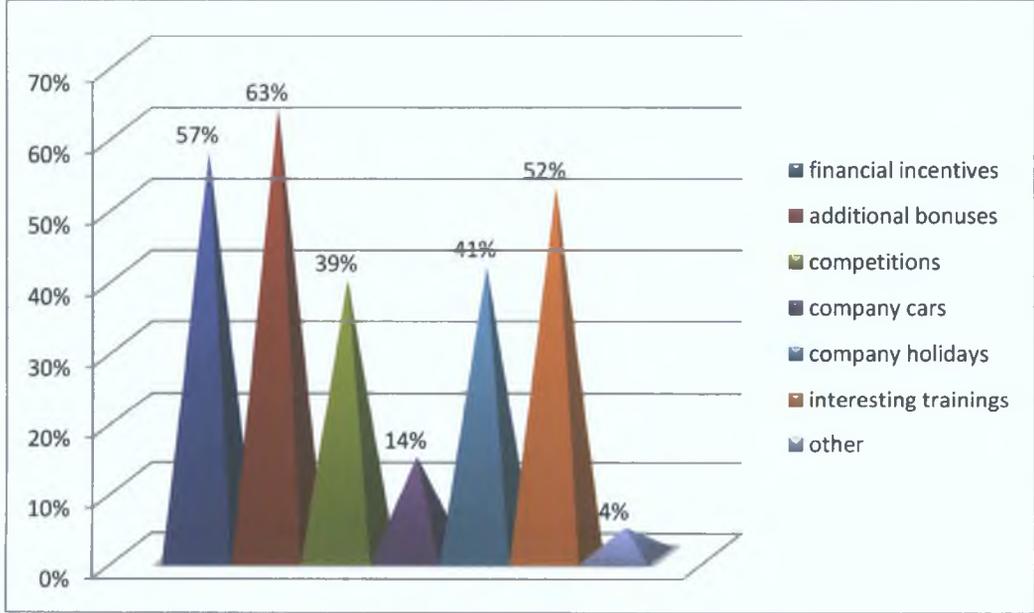
6.3.2 Self-motivation according to respondents

The next set of questions pertained to motivation and methods that are being used in order to motivate oneself. When asked whether maintaining daily motivation is essential to

work in a Multi-Level Marketing system, 94% of respondents answered that yes while only 6% said that it is not important.

When asked about the methods that are being used by MLM companies to motivate their employees (the question required to select up to 3 responses), the majority of respondents mentioned the financial issues (financial incentives associated with promotion 57% of respondents, and additional bonuses for achievements 63% of respondents). Almost often, the answer that the company motivates through possibility of participation in interesting training (52% of respondents) occurred. Contests and corporate holidays are also often used to motivate (39% and 41%). On the other hand, a company car was indicated only by 14% of respondents. Visualization of these answers can be seen in the Chart 18.

Chart 18: Ways of motivation of employees used by MLM companies



Source: own work

In the next question, which concerned the type of motivation that has a greater impact on subjects, 93% of respondents said that a greater impact on them was positive motivation, that is, to achieve something (goals, plans, dreams, etc), and only 7% of respondents said that it is negative motivation, which means basically to avoid something unpleasant, that works for them

The next three questions were designed to examine how respondents motivate themselves to action and achievement of the objectives set before them

In the question pertaining to the ways of self-motivation to action (this question required selecting maximum amount of three answers), results of which can be seen on the Chart 19, the most popular response was to self-motivate by dreams. It was chosen by as many as 87% of all respondents. As it can be clearly seen, it is the most widely used method to motivate oneself to take action. 39% of respondents also stated that they force themselves to act in order to gain the 'momentum', and 33% said that they are already motivated enough so that they do not have to do that. Only 7% of respondents claimed that they are not motivated at all, and 15% waits for someone else to motivate them. Within this question there appeared two 'other' answers, where one person wrote in that her child who is seriously ill motivates her to work toward financial security. The second person entered that he was motivated by providing for his family a certain status and lifestyle.

Chart 19: Methods of self-motivation



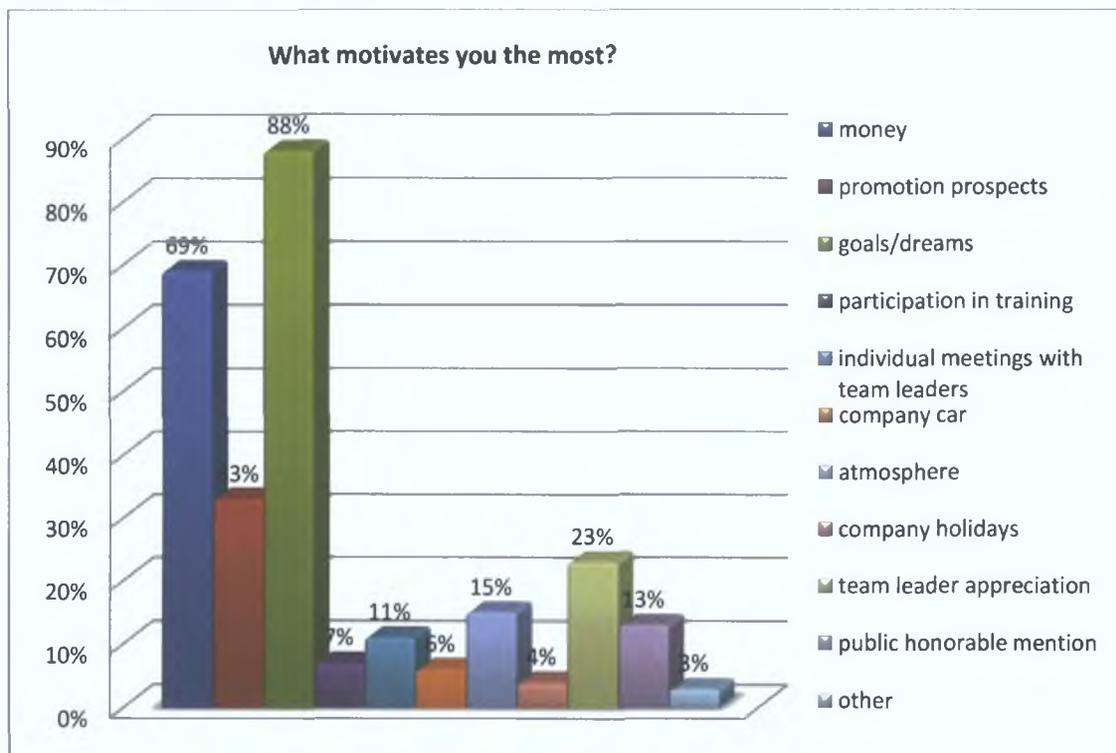
Source: own work

When checking the answers to this question that were given by individuals who earn over 10 000 PLN monthly, it turns out that they all have indicated that they motivate themselves through their dreams and 47% of them are motivated enough that they do not need to do this. Thus the conclusion is that those are the people strongly directed toward achieving their dreams and have a very strong intrinsic motivation.

In the next question the respondents were asked to choose three factors that motivate them the most. As it can be seen on Chart 20 the majority of respondents, as much as 88%, marked the goals /dreams answer, which is consistent with the previous question. Money is also an important motivator for 69% of the respondents. While the promotion prospects was chosen by only 33% of respondents, and team leaders appreciation have indicated 23% of respondents. The next positions belong to: 15% - atmosphere (although this also can significantly demotivate), 13% - public honorable mention, 11% - individual meetings with

team leaders. Participation in training, company cars and company holidays were marked by accordingly 7%, 6% and 4% of respondents. 3% of respondents indicated other motivating factors.

Chart 20: Most motivating factors to work



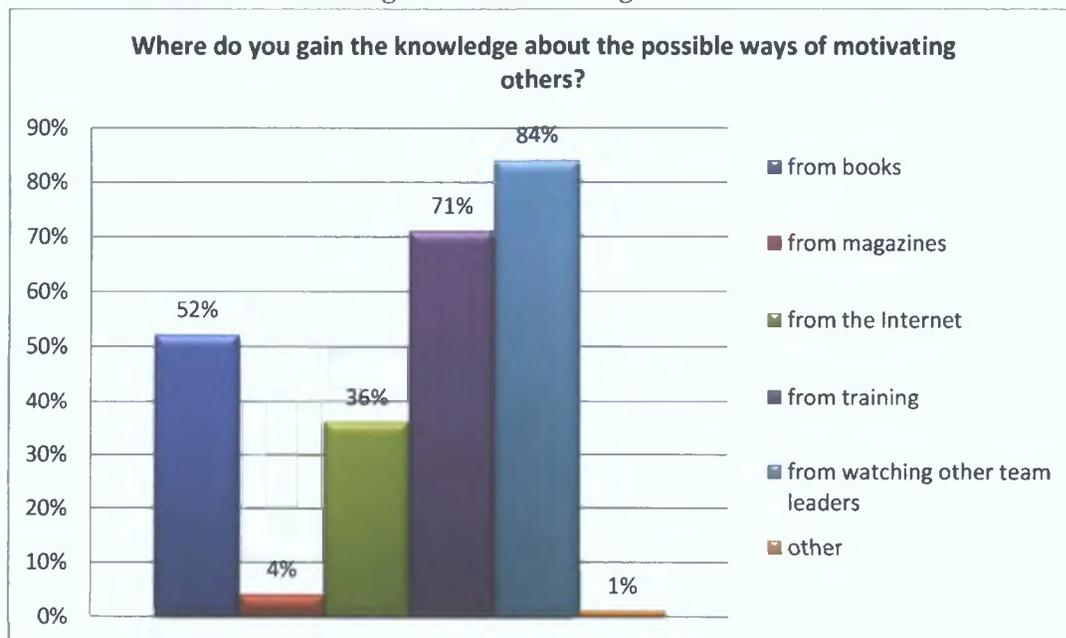
Source: own work

When respondents were asked whether they consider themselves to be a person with a high level of motivation, 80% of respondents ticked boxes on the agree (from which 65% strongly agree and 15% agree) side and 20% disagreed or strongly disagreed. This shows that the test group is doing very well with the self-motivation.

6.3.3. Team motivation according to respondents

The next three questions were related to issues associated with the motivation of the respondents' own team. Chart 21 presents answers to the question about where do respondents gain the knowledge about possible ways of motivating other people. As many as 84% of respondents stated that they gain knowledge from observing others, thus replicating only best practices. Additionally, 71% of respondents stated that they gain their knowledge from trainings. Most likely, if this training is led by networks leaders, it is also through observation. The books are used by 52% of respondents, and 36%- the Internet. Magazines devoted to the subject are hardly used (only 4% of respondents). In the survey there was one other answer, but it is related to attaining knowledge from the leaders.

Chart 21: Sources of knowledge about motivating others

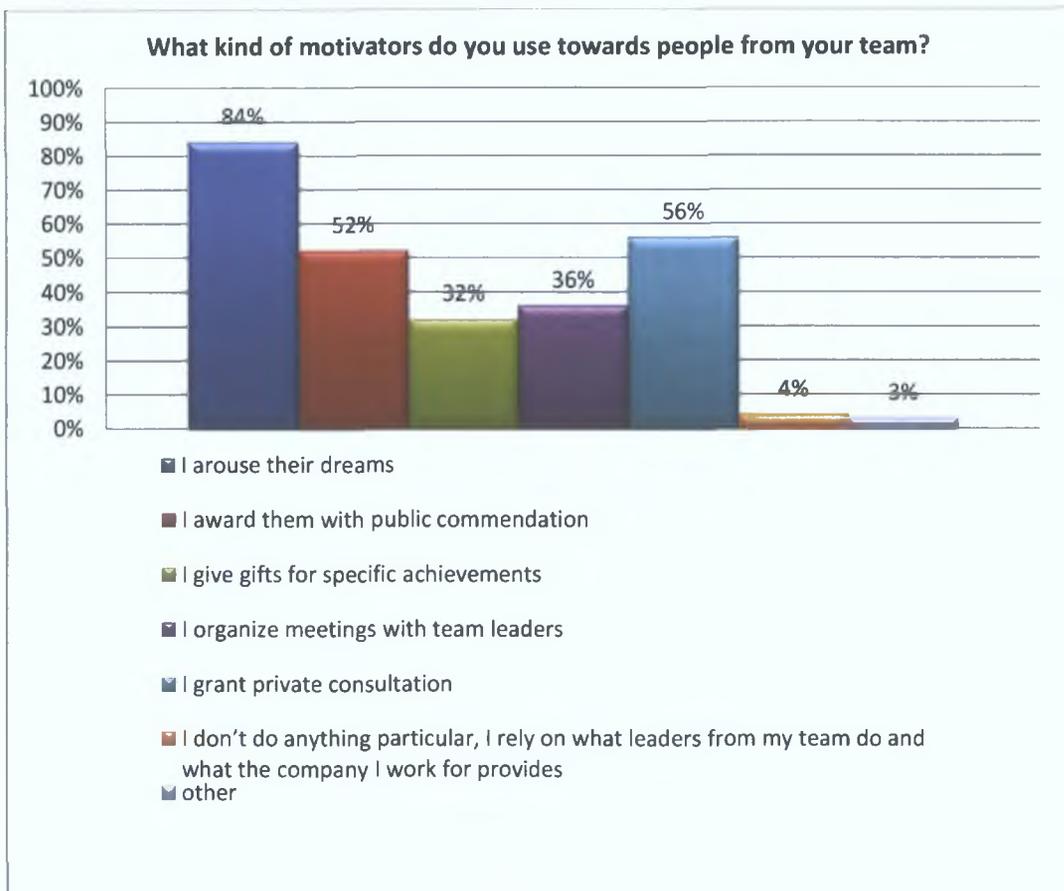


Source: own work

Therefore one can make an observation that the development of the business based on MLM system is rely largely on the duplication of best proven practices and behaviours

Chart 22 presents motivators that respondents use toward their teams. Again, it may be seen how important and often dreams and goals are used. Developing dreams, seems to be an effective way in motivating to work in the MLM. This answer was marked by 84% of the respondents. Private consultation grants 56% of respondents, while 52% awards and appreciates team members in a public forum. 36% of respondents indicated that to motivate his team he organises meetings with team leaders. However, 32% feel that giving gifts for certain achievements is effective. Only 4% of respondents stated that they do not use any motivators toward their team. After checking the number of people these answerers have got in their team, it turned out that they all ticked up to 5 people. Thus, such an attitude might have been expected among those who rely heavily on a lot more experienced people. The remaining 3% of the respondents chose option 'other', where they indicated that they become actively involved in working with people who need their help.

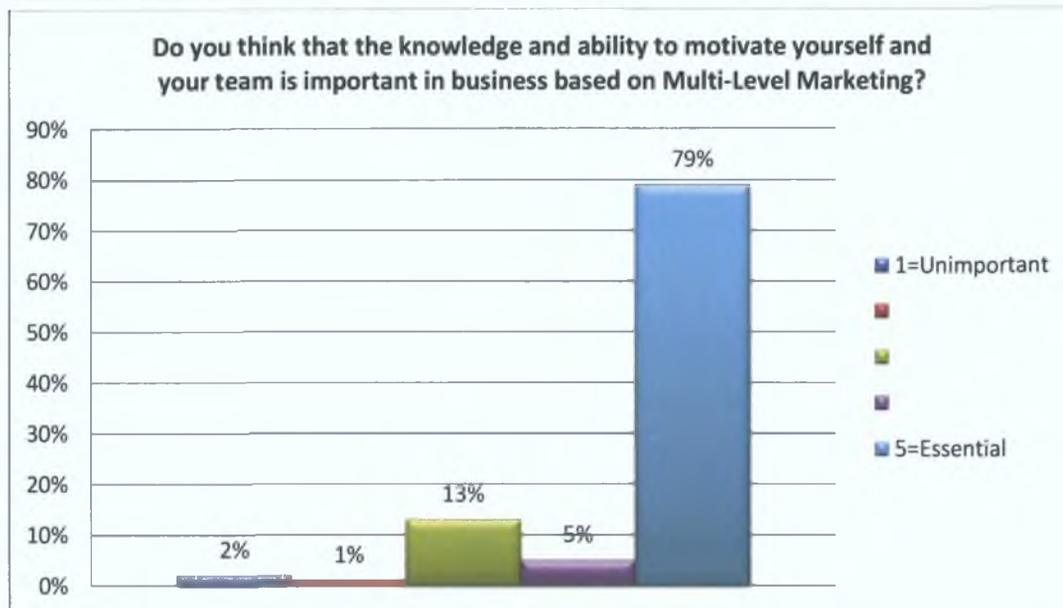
Chart 22: Motivators used toward the team



Source: own work

In the last question of this section of the survey asked whether the knowledge and ability to motivate yourself and a team is important in the business based on Multi-Level Marketing. As it turned out 84% of respondents said it was either essential or very important, while 13% of respondents ticked level 3 on Likert scale which may be basically summarized as they consider it to be important but admit that there are other more important skills. For the remaining 3% of those surveyed this skill does not matter while cooperating with a company operating in Network Marketing (see Chart 23).

Chart 23: The essence of team motivation in MLM



Source: own work

6.3.4. Respondents' conversancy of the major motivation theories

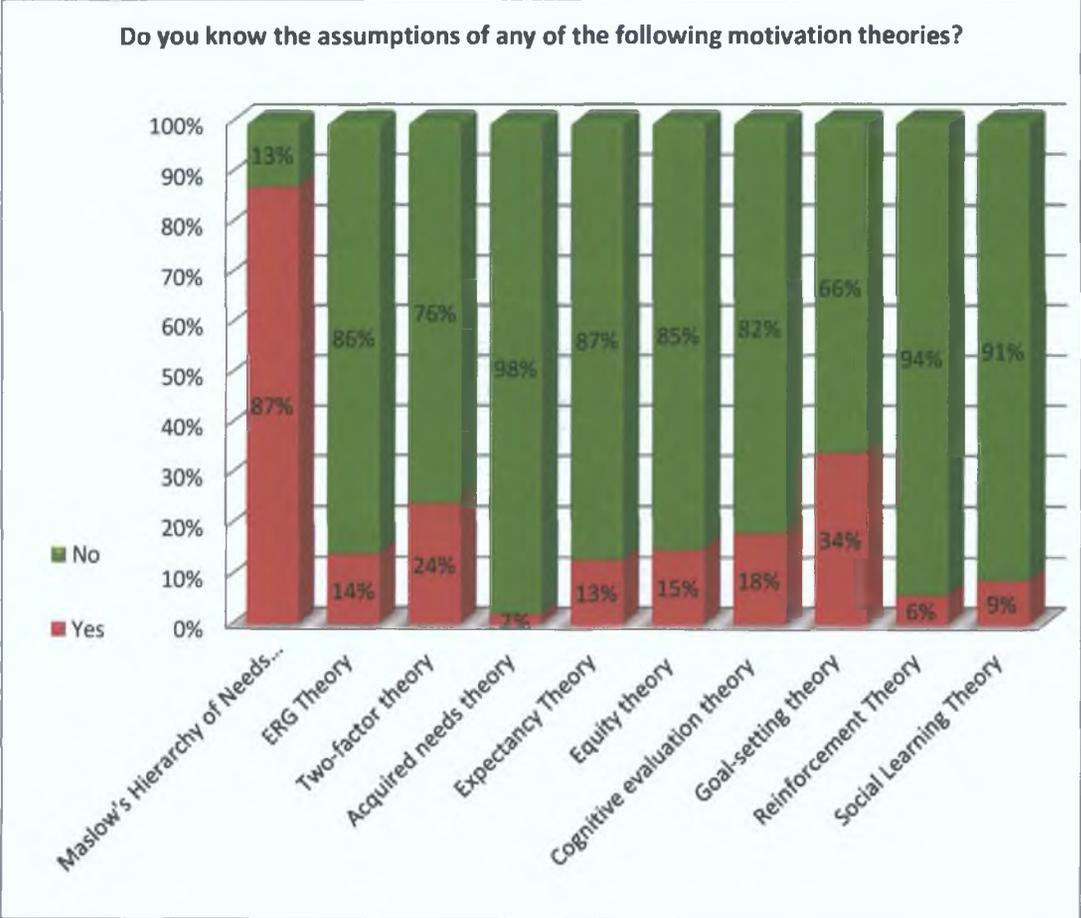
The last two questions of the survey were related to whether the respondents have ever met with major theories of motivation (which are discussed and presented in this paper), and whether they follow/apply them in their everyday work.

Firstly, the respondents were answering the question of whether they know the assumptions of listed theories of motivation. As shown in Chart 24, most of these theories are known to a very small extent.

The most common is the theory of Maslow's Hierarchy of Needs. Surprisingly as many as 87% of respondents indicated that they know its assumptions and as it can be seen in the Chart 25, which presents the answer to next question, 60% of respondents declared that they use this theory in practice. The second well-known and commonly used theory is

the Locke's Goal setting theory, which is known by 34% of respondents and is being used by 19% of respondents. 24% of respondents indicated that they know the assumptions of Herzberg's Two-factor theory, from which 13% claim to use it on day to day basis.

Chart 24: The level of knowledge of major theories of motivation

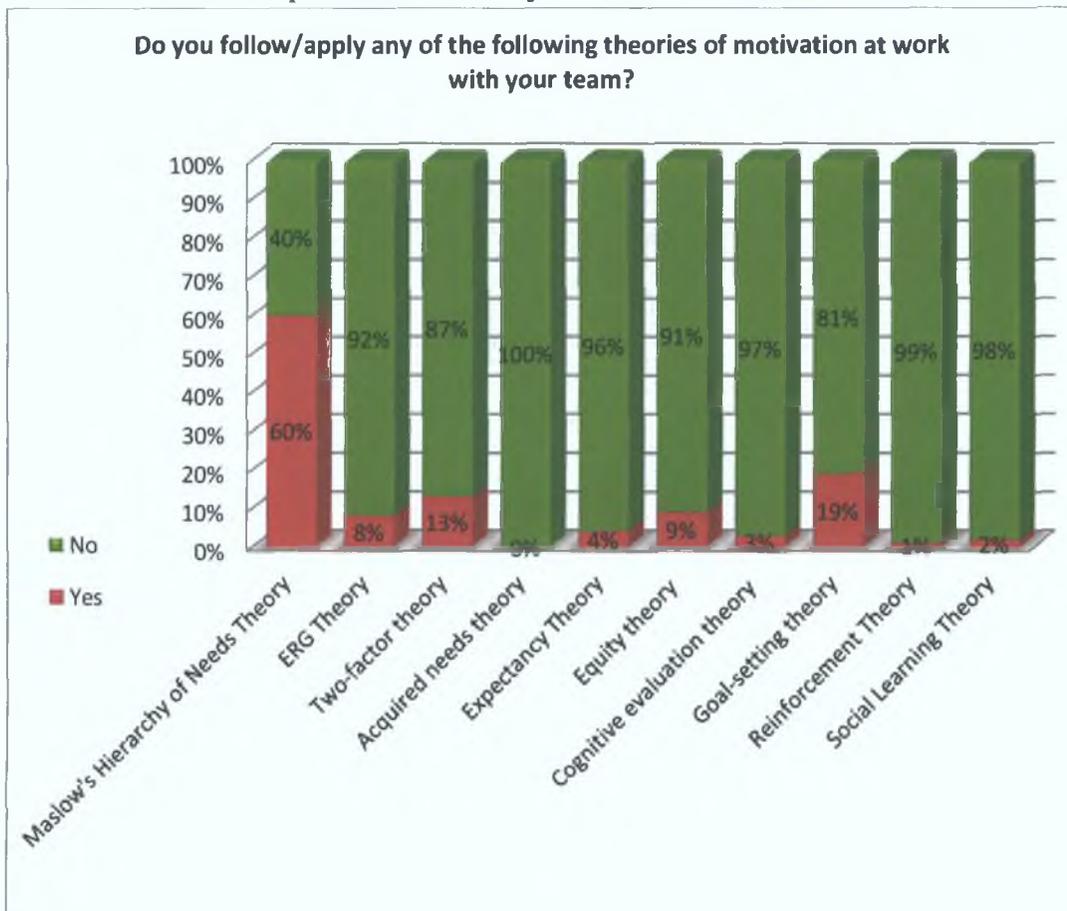


Source: own work

All the other theories are known by less than 20% of all respondents, and are used by less than 10%. And so: Cognitive evaluation theory knows 18% and 3% of the respondents

use it. Equity theory is known to 15% and 9% of those surveyed use it. ERG Theory is known to 14% and 8% make a use of it. Expectancy Theory is known by 13%, and 4% use it. Social Learning Theory is known to 9% and 2% of the respondents use it. Reinforcement Theory is known to 6% and 1% claims to use it, while the Acquired Needs theory is known to 2% of respondents, and nobody uses it.

Chart 25: The level of practical use of major theories of motivation



Source: own work

6 3 5 Overall conclusions from conducted survey

As it is evident in the results of the survey, for people beginning work with a company operating on the basis of MLM system, substantial meaning has been assigned to the possibility of achieving financial success. To get to it one needs to get strongly involved and work hard to build up a large sales network. As the results show, the best spend as much as 40 or more hours a week on working in MLM. People exhibiting such strong involvement are focused on achieving their goals and realizing their dreams. Thanks to the fact that they are able to strongly motivate themselves, they can easily cope with any failures appearing along the way to success (in the initial stage, mainly these are frequent refusals associated with purchasing the product or cooperation). Perhaps this is why, in many MLM sales networks, great emphasis is on awakening dreams and setting goals. If this is done, this person knows where it is all going and even if he or she fails somewhere along the way, he or she will be able to motivate him/herself again.

The next step in the development of such a person is the ability to motivate others, which most people acquire through observation of their leaders and participation in training. Without this ability, the respondents claim that it is much harder to succeed in the Multi-Level Marketing industry.

It should be borne in mind that it is constant work with people and each person is different, for every individual different motivators work and everyone expects something different. That's why flexibility is so important in motivating others.

Although in MLM practice is repositioned over anything else, it seems, if taking into account respondents' low level of knowledge of the theory of motivation, one might be

tempted to assert that if they deepen this knowledge they may generate additional positive results through a wider range of methods and factors motivating employees and colleagues

At the end, however, it is worth recalling Yerkes-Dodson law (see Figure 2), which claims that there is an empirical dependence of the intensity of motivation and efficiency (performance) On the other hand, too much motivation should not be overdone either

CHAPTER 7

FINAL CONCLUSIONS

This paper is based on the analysis of literature, observations and a questionnaire survey. Being discussed here is a fairly unusual distribution channel, which is a dynamically booming direct selling's 'younger brother' - Multi-Level Marketing. Today among society there are many myths and vague hints tied to this industry, thus the author felt that it is very important to present the full details of this topic by utilization of these different research methods.

In the MLM sales networks, just as in any other organisation where there is a group of people, there is the problem of motivating others to work, and motivating in the first place yourself. This paper presented various concepts related to motivation and motivating people to action. However, it has to be kept in mind that each person is different and most likely it will never be possible to 'confine' the entire human personality into a set of charts and graphs. In the process of motivation as many factors as possible need to be taken into account, while an extensive knowledge of contemporary motivation theories will allow for easier selection of these incentive motivators and ways that will be most appropriate for a given individual. This is particularly important during individual meetings between MLM leaders and the members of their team, which are largely used for planning, setting goals and stimulating intrinsic motivation.

According to the conducted observations and survey, motivation by setting goals and arousing dreams is the most frequently used method of motivation. Also respondents

stimulate themselves to action using their dreams and goals motivators. The financial results achieved by 'the best', confirm that this is a pretty effective way.

Ability to motivate and develop motivation in yourself and others is certainly a valuable element in every aspect of life. Especially among those working in the MLM that build their sales networks this skill is crucial in order to effectively motivate new people who in the early stages are vulnerable to frequent refusals. There is only very few people who automatically have high intrinsic motivation, that regardless of what is going on around them and what adversity they encounter, they will keep striving for success. Most people to be able to achieve early success need for the initial momentum extrinsic motivation. Then encouraged by these successes and every new achieved goal such people strengthen their own intrinsic motivation. If only the process will contain more leadership, then he or she will sooner or later become able to produce their own internal self-motivation at a sufficiently high level.

Most often MLM leaders when introducing new people to the organisation strive for this state of affairs. It is worth it to 'spy' on how they do it and replicate their best practices. That is the MLM system - duplicating actions of those who have achieved success.

Appendices

Appendix 1

COMPANY NAME	PRODUCTS
4Life Research	Wellness
7 RED Sp z o o	Wellness
AAC "RAINBOW" Sp z o o	household appliances
ACN Communications Polska Sp z o o	Telecommunication
ACT Polska Sp z o o	cosmetics, cleaning agents
AKTIO Business and Invest Group	Insurance
Akuna Polska Sp z o o	Wellness
AMC Alfa Metalcraft Corporation Sp z o o	household appliances
Amway Polska Sp z o o	cosmetics, household appliances, wellness
Ananda Sp z o o	Wellness
Aroma Group	cosmetics, wellness
Auxilia	insurance consulting
AVON Cosmetics Polska Sp z o o	Cosmetics
AQUAcell s c	filters for water treatment
Best For Life	Wellness
Betterware Poland Limited Sp z o o	household appliances
CalVita International	wellness, cosmetics
Cawa Poland Ltd	Cosmetics
Centrum Odszkodowan „Tarcza” Sp z o o	Compensation
Clubfreedom	Tourism
Collagen Beauty International s c	Cosmetics
Creation Direkt Poland	nanotechnology, wellness, cosmetics
Cristian Lay Sp z o o	cosmetics, jewelry
Diamond Distribution Company Sp z o o	wellness, cosmetics
DLF Sp z o o	Household appliances, wellness, IT
Dr Nona International Sp z o o	cosmetics, wellness
DSA Financial Group S A	financial and insurance products
ECPP Sp z o o	Compensation
Ecoflow	Wellness

Eco World Poland	microfiber products
EDS Everyone Sp z o o	Telecommunication
En101 Inc	language courses
EMG	Wellness
EMKA design S C	leather goods
Europartner Sp z o o	Financial – Insurance advising
European Financial Group Sp z o o SKA	financial and insurance products
Europejskie Centrum Oszkodowan SA	Compensation
Faberlic Poland Sp z o o	Cosmetics
Finclub Poland Sp z o o	Wellness
Flavon Group Polska	Wellness
Forever Living Products	cosmetics, wellness
FMG International S A	financial and insurance products
FM GROUP Polska	perfumes, cosmetics, cleaning agents, telecommunication
For Mor Polska	cosmetics, wellness
Ganoderma Natura Polska Sp z o o	wellness, cosmetics
Golden Drop	groceries, wellness
HANKIN Sp z o o	Wellness
HERBALIFE Polska Sp z o o	cosmetics, wellness
HMI/ HMP Polska Sp z o o	financial and insurance products
Inter-Vita Sp z o o	Wellness
Internet Technologies & Telecommuncations Polska	Telecommunication
Jean Careno Poland Group	Cosmetics
K-LINK-POLAND	Wellness
KLM Sp z o o	cosmetics, household chemicals
Konzeption S A	financial and insurance products
Korporacja Agentow Zawodowych s c	financial and insurance products
Lampe Berger Polska Sp z o o	Household appliances
Lifestyles Poland	(in liquidation)
LR Health & Beauty Systems Sp z o o	cosmetics, wellness
Lyonesse Poland Sp z o o	Shopping community
M&M Network Organisation	Telecommunication
Mary Kay Cosmetics Poland Sp z o o	Cosmetics

MAYBE Laretta Larix Perfume	Cosmetics
MegaLife Sp z o o	Wellness
Mentor Cosmetics	Wellness
Multi-Tax	Tax refund
MVC Parfums Pologne	Cosmetics
Natura Vitalis	Wellness
Nature's Sunshine Products	Wellness
NexEurope	Wellness
Nova Nutria GmbH	Wellness
Novision Sp z o o	financial and insurance products
NSA AG	Wellness
Nu Skin Enterprises	cosmetics, wellness
Optidee	Wellness
Oriflame Poland Sp z o o	Cosmetics
OVB Allfinanz Polska Spółka Finansowa Sp z o o	financial and insurance products
PartyLite Sp z o o	Household appliances
Perfect Harmony	Wellness
Polskie Doradztwo Finansowe Sp z o o	financial and insurance products
PM INTERNATIONAL	wellness, cosmetics
Profi-Technik	tools and accessories for power tools
Pro Futuro S A	telecommunications services
Protector Sp z o o	Compensation
Provida Sp z o o	financial and insurance products
Raypath International	Household appliances
Sigma Pro7	financial and insurance products
Store For You Polska Sp z o o	Online shop
Tahitian Noni International	cosmetics, wellness
Grupa Tiens	cosmetics, wellness
Trisana Polska Sp z o o	wellness, cosmetics
Tupperware Polska Sp z o o	Household appliances
Vegas Cosmetics Polska	Cosmetics
Vemma Europe	Wellness
Vision Polska Sp z o o	cosmetics, wellness
Vorwerk Polska Sp z o o	Household appliances

Wendor	Lingerie
WGS – Polska	Household chemistry
World Alliance Mercantile Co Sp z o o	cosmetics, wellness
Zepter International Sp z o o	cosmetics, Household appliances

Source <http://networkmagazyn.pl/strona/lista-firm/>

The questionnaire form

The purpose of the survey is to examine the importance of motivation among those working in companies based on Multi-Level Marketing (Network Marketing) and the methods of motivation being used. This survey is anonymous and intended solely for the purpose of this thesis. Please answer frankly.

The questionnaire consists of 26 questions and its fulfillment will take approximately 15-20 minutes. Thank you in advance for your time.

1. What was the deciding factor for you seeking employment within the company operating on the basis of the Network Marketing?

- I am personally establishing my working hours
- I am responsible for the level of my income
- limitless salary potential
- opportunity to meet interesting people
- discounts on products/services
- desire to gain new knowledge and experience
- access to interesting training
- other

2. How long have you been working with the company operating on the basis of Multi-Level Marketing?

- less than 6 months
- 6 to 12 months
- 1 to 2 years
- 2 to 5 years
- over 5 years

3. What industry does your company operate in?

- Wellness (dietary, nutrition supplements, etc)
- beauty (cosmetics)
- financial and insurance services
- household appliances
- telecommunication
- other

4 How much time every week do you devote to work as part of the Network Marketing?

- up to 2 hours per week
- 3 to 9 hours per week
- 10 to 19 hours per week
- 20 to 40 hours per week
- more than 40 hours per week

5 How many people are there in your team?

- up to 5 people
- 6 to 10 people
- 11 to 20 persons
- 21 to 50 people
- 51 to 100 people
- over 100 people

6 Which of the following monthly ranges of income derived in MLM you fall into?

- up to 100 Zloty (PLN)
- between 101 and 500 PLN
- 501 to 1000 PLN
- 1001 to 2000 PLN
- 2001 to 5000 PLN
- 5001 to 10 000 PLN
- over 10 000 PLN

7 Is the income earned while working in MLM your only income?

- Yes
- No

8 What is your level of satisfaction from cooperation with your company?

Very unsatisfied---1__ ---2__ ---3__ ---4__ ---5__ ---Very satisfied

9 Please list up to 3 advantages of working in a MLM system

-
-
-

10 Please list up to three disadvantages in the MLM work system that you see

-
-
-

11 In your opinion, is maintaining daily motivation essential in working in the Multi-Level Marketing system?

- yes
- no

12 How does the company with whom you work, motivate its employees? Please select up to 3 responses (not including the actions taken by team leaders)

- financial incentives
- additional bonuses
- competitions
- company cars
- company holidays
- interesting trainings
- other

13 What kind of motivation has a greater impact on you?

- to achieve something (goals, plans, dreams etc)
- to avoid something (penalties, failures, consequences, etc)

14 How do you motivate yourself to action? Please select maximum of 3 answers

- I motivate myself with my dreams
- I wait until somebody else motivates me
- I force myself to act in order to pick the 'momentum' up
- I am motivated enough that I do not need to do it
- generally speaking I have no motivation for action at all
- other

15 What motivates you the most? Please select up to 3 answers

- money
- promotion prospects
- goals/dreams
- participation in training
- individual meetings with team leaders
- company car
- atmosphere
- company holidays
- team leader appreciation
- public honorable mention
- other

16 Do you consider yourself as a person with a high level of motivation?

Strongly Disagree---1__ --2__ ---3__ ---4__ ---5__ ---Strongly Agree

17 Where do you gain the knowledge about the possible ways of motivating others?

Please select up to 3 answers

- from books
- from magazines
- from the Internet
- from training
- from watching other team leaders
- other

18 What kind of motivators do you use towards people from your team? Please select up to 3 answers

- I arouse their dreams
- I award them with public commendation
- I give gifts for specific achievements
- I organize meetings with team leaders
- I grant private consultation
- I don't do anything important, I rely on what leaders from my team do and what the company I work for provides
- other

19 Do you think that the knowledge and ability to motivate yourself and your team is important in business based on Multi-Level Marketing?

Unimportant---1__ ---2__ ---3__ ---4__ ---5__ ---Essential

20 Do you know the assumptions of any of the following motivation theories?

yes	no	
—	—	Hierarchy of Needs Theory (Abraham Maslow) - Maslow's pyramid
—	—	ERG Theory (Clayton Alderfer)
—	—	Two-factor theory (Frederick Herzberg's motivation-hygiene theory)
—	—	David McClelland Acquired needs theory
—	—	Expectancy Theory (Victor Vroom)
—	—	Equity theory (J Stacy Adams)
—	—	Cognitive evaluation theory (Edward L Deci, Richard Ryan)
—	—	Goal-setting theory (Edwin Locke)
—	—	Reinforcement Theory (Burrhus Frederic Skinner)
—	—	Social Learning Theory (Albert Bandura)

If yes please give short (literally in few words) description of each known theory

(If you need more space please use the back of this form)

21 Do you follow/apply any of the following theories of motivation at work with your team?

yes	no	
—	—	Hierarchy of Needs Theory (Abraham Maslow) - Maslow's pyramid
—	—	ERG Theory (Clayton Alderfer)
—	—	Two-factor theory (Frederick Herzberg's motivation-hygiene theory)
—	—	David McClelland Acquired needs theory
—	—	Expectancy Theory (Victor Vroom)
—	—	Equity theory (J Stacy Adams)
—	—	Cognitive evaluation theory (Edward L Deci, Richard Ryan)
—	—	Goal-setting theory (Edwin Locke)
—	—	Reinforcement Theory (Burrhus Frederic Skinner)
—	—	Social Learning Theory (Albert Bandura)

22 Gender

- Woman
- Man

23 Age

- 18-25 years
- 26-30 years
- 31-40 years
- 41-50 years
- 51 and over

24 Education

- primary
- vocational
- secondary
- third-level/tertiary
- other

25 Place of residence

- countryside
- city of 50 thousand residents or less
- city of 50 to 100 thousand residents
- city of 100 to 300 thousand residents
- city above 300 thousand residents

26 In order to ascertain the results of this survey, please enter your e-mail address to which they will be sent

Thank you for completing the survey

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