

# ORGANIZATIONAL ROLES OF SALES PEOPLE IN THE NETWORK MARKETING CONTEXT

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This paper presents a framework for examining organizational roles of the sales people in network marketing context. The paper suggests that sales people role definitions should be broadened in response to changes in business environment. Performance measures in network type of environment should be re-evaluated, and in addition to sales related performance emphasis should be placed on networking behaviors supporting performance of actors within the network.

## 1. INTRODUCTION

Not so long ago sales people were mainly expected to sell the products to their customers outside the sales organization. Organizational and social boundaries between sales person and customers were clear and time span of their interaction – or mere transaction- was relatively short. In contrast, contemporary sales people are faced with extended expectations concerning their performance. Sales organizations are more and more often responsible for various aspects of the establishment, development and maintenance of long-term customer-relationships. In addition, sales people are expected to be good sports and loyal citizens of the organization in relation to their fellow-workers.

These changes reflect changes in our environment and managerial thinking in general (see Weitz & Bradford 1999). A well-established academic and managerial trend is to view business environments as networks of relationships between co-workers, customers and other actors. Furthermore, embedded social and business relationships are expected to last long, and boundaries between organizations as well as individual roles have become blurred.

As a consequence, sales managers are dealing with variety of new challenges. One of the key challenges is to redefine the criteria for excellent sales person performance. Not surprisingly, it has been argued that so far the majority of sales behavior studies have adopted a fairly narrow view of performance merely focusing on *in-role aspects* of it (e.g. sales volume, dollar sales, and managerial evaluations of sales effectiveness).

Only in recent years, the definition of performance has been extended to acknowledge other aspects of performance as well (MacKenzie & al. 1998). Concepts of pro-social behavior, extra-role behavior and organizational citizenship behavior (OCB) all illustrate behaviors, which contribute to the overall effectiveness of the organization, but do not necessarily affect

individual selling performance (Netemeyer & al. 1997). These behaviors have most often been viewed as *extra-role* behaviors in the sense that they are not explicitly included in the role definitions of the sales people.

In sum, boundary spanners and citizens of sales organizations are expected to successfully handle several relationships inside and outside of their organization. These expectations arise among managers, co-workers and customers as well as sales people themselves. This study argues, that in order to meet these expectations, sales people role definitions should in most organizations include behaviors, which have traditionally been excluded (or treated as extra-role behaviors) from their roles. Consequently, evaluation, compensation and training of the sales force should be based on thorough understanding of the content of these new roles.

## **2. PURPOSE OF THE STUDY**

Main purpose of the doctoral study in progress is to understand and explain sales people role behavior in a novel business context. This paper presents a framework for empirically examining sales people role behavior in the network marketing (NM) context.

Network marketing sales organization is particularly interesting study context for two reasons. Firstly, NM sales people roles explicitly contain diverse organizational tasks in addition to traditional personal selling (Dewandre & al. 1995). Secondly, NM organizations have not yet been empirically studied from this perspective. The study is therefore expected to contribute to the theories of sales people organizational roles, and also provide useful knowledge of NM practices.

Firstly, *the structure and characteristics of network marketing sales organization will be described* in order to understand sales people roles from NM company's perspective. Secondly, *NM distributors' role definitions will be examined*, and these definitions will be compared with NM organizations' definitions. Thirdly, *the impact of individual characteristics on distributors' role definitions*, and finally, *the impact of role definitions on work outcomes will be examined*.

Empirical research questions derived from these objectives are as follows:

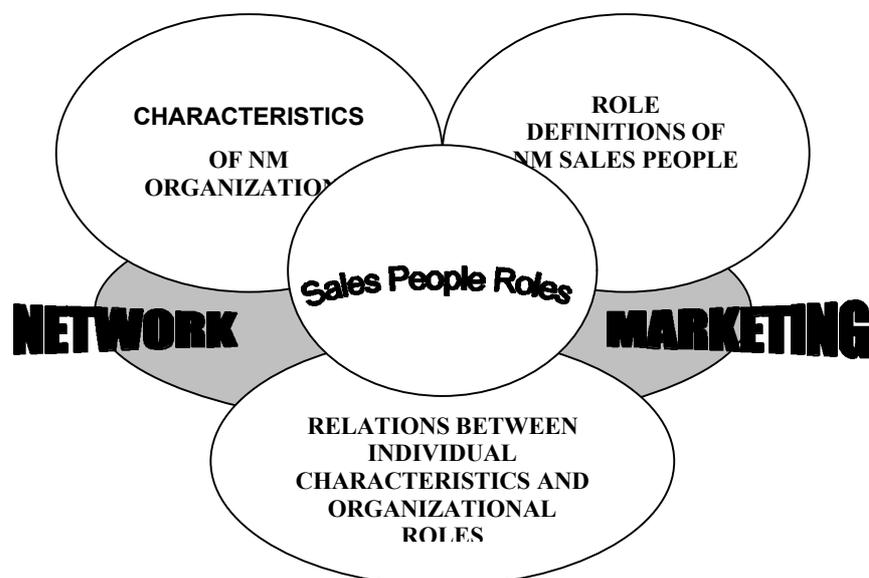
Q1: What kinds of organizational roles NM business provides for sales people? What kinds of marketing behaviors NM companies expect their sales force to perform?

Q2: How do distributors define their own role among organizational roles, what kind of behaviors do they include in their role and how intensive these behaviors are? How do these definitions compare with organizations' definitions?

Q3: To what extent are sales people role definitions determined by their individual characteristics (goals, personality and demographics)? To what extent are work outcomes (satisfaction, commitment, and financial outcomes) determined by role definitions?

Thus, the study will provide insights into sales people roles from three slightly different perspectives (Figure 1). This paper is divided into sections, which follow the structure of Figure 1.

**Figure 1. Insights into Sales People Roles in Network Marketing Context**



### **3. CHARACTERISTICS OF NETWORK MARKETING ORGANIZATION**

Context of the study – network marketing – is fast expanding and controversial form of direct selling. Network marketing refers to a manner in which NM companies organize their direct selling functions. Marketing channel of a NM company consist of independent sales people which create and maintain a network type of sales organization (see DSA, 1998; WFDSA, 1998).

Network marketing sales people (NM distributors) genuinely build their business on their social networks by introducing, training and motivating new members in their organization. To a significant extent, distributors are responsible for and have the control over customer and distributor portfolio of the NM company.

Aside from the recent works of few researchers (Brodie 1999, Coughlan and Grayson 1998, Croft and Woodruffe 1996, Herbig and Yelkur 1997) there is only limited amount of research on NM practices, especially on the sales organization. However, specific characteristics of NM business provide an interesting context for examining sales people roles. Firstly, NM distributors are *independent contractors* (i.e. non-employees) of a principal company. Distributor contracts detail the conditions for allowed performance within the organization, as well as the rights and obligations following particular performance. Distributors are typically allowed to 1) purchase the products on a discount, 2) retail them to end-customers and receive sales bonuses in return, and 3) introduce new members into their down-line and receive bonuses based on their sales volume<sup>222</sup>.

<sup>222</sup> Networking distributors' financial rewards are typically based on total sales volume of the distributor network they have established. In addition to commissions based on personal sales volume, distributors are rewarded on the basis of the sales volume of the people they have recruited into the organization (i.e. down-line organization). For example, a focal distributor's network commissions may be based on the sales volume, which is generated by personally recruited distributors on his first level, and the distributors they have recruited and so on, successively down to his fourth level.

Secondly, relationships between distributors have some specific characteristics as well. Most importantly, the relationship between a focal distributor and a new distributor is informal i.e. no formal contracts whatsoever are involved. However, a new distributor is 'positioned' on the first level of the down-line of a focal distributor that has 'recruited' him. The focal distributor thus becomes his 'sponsor', and is expected to introduce the company policy to him (the term mentor might be more illustrative). On return, the principal company rewards the sponsor financially for the sales generated by new member. Although no legal obligations are involved, these 'sponsorship'-relations form financial ties between distributors in the network.

However, no specific behaviors are required from the sponsor in the process of creating down-line organization. Certain amount of personal selling is required in order to receive network bonuses, but in terms of acting with the down-line, passive and active sponsors are on the same line. Thus, financial rewards are based purely on sales performance rather than behavior. Following that no obligations relate to the membership of the organization as such, and no organizational (i.e. legal) authority relates to the distributor relationships, all performed distributor behaviors –sales related as well as other behaviors- are discretionary by definition. As distributors are independent contractors (i.e. non-employees) of NM company, *they decide themselves into which organizational role and in what manner they start to aim after joining the organization.*

### **3.1 Distributor Roles from NM Company's Perspective**

According to Katz & Kahn (1978), role behavior refers to the recurring actions of an individual, appropriately interrelated with the repetitive behaviors of others so as to yield a predictable outcome.

This study proposes a broad distributor role categorization (or typology of distributor roles). The categorization is based on researcher's pre-knowledge of the industry, written documents (handbooks, promotional material, distributor contracts) collected from several network marketing organizations operating in Finland, and eight expert interviews conducted in autumn 1999 (Appendix 1.)

Network marketing companies explicitly offer several organizational role opportunities for their distributors. These roles can be classified in term of *behaviors* and *intensity*. *Behaviors* refer to product usage, direct selling and networking tasks, which distributors may perform in the sales organization. *Intensity*, then, refers to the extent of effort and importance distributors tap on their roles.

Figure 2. presents a typology of distributor roles from NM company's point of view. It provides a somewhat rough classification of distributor roles similar to almost all network marketing organizations. Each individual joining a network marketing organization and starting from the scratch is faced with these kind of role opportunities - independent on his/her individual characteristics or characteristics of the particular network marketing organization.

Each category contains certain behaviors as well as obligations and benefits related to these behaviors. Characteristic for behaviors in this context is that they are successively inclusive – product selling includes product purchases, and networking includes both product purchases and selling. This principle is most explicitly stated in NM compensation plans, and reflected in the obligations and benefits related to behaviors. In other words, direct selling distributors

have same benefits than products purchasing distributors *and additional* benefits related to selling behaviors, networking distributors have same benefits than purchasing and selling distributors *and additional* benefits related to networking behaviors etc.

Also the intensity of behaviors is present in this typology. As well as all behaviors, also the intensity in which they are performed, are discretionary by nature. Intensity of behaviors is indicated e.g. by

1. frequency of purchases (occasional or regular),
2. effort placed on behaviors (hours per week spent on behaviors),
3. centrality of the role to the distributor (how important distributor role is in comparison with other roles in life), and
4. dynamics of the role (is distributors perception of his current vs. future role static or dynamic.)

**Figure 2. A Typology of Network Marketing Distributor Roles**

		BEHAVIORS		
		Product purchases	direct selling	networking
INTENSITY	high	Regular product user. Purchases the products and in return receives discounts.	Full-time direct selling distributor. In addition to product purchases, sells the products to end-customers and in return receives sales bonuses. May proceed in organization's status hierarchy.	Full-time networking distributor. In addition to direct selling, introduces new distributors into the organization, to his <i>down-line</i> . In return, receives bonuses based on the sales volume of the down-line.
	low	Occasional product user. Purchases the products and in return receives discounts.	Part-time direct selling distributor. In addition to product purchases, sells the products to end-customers and in return receives sales bonuses. May proceed in organization's status hierarchy.	Part-time networking distributor. Introduces new distributors into the organization, to his <i>down-line</i> . In return, receives bonuses based on the sales volume of the down-line.

### 3.2 Match between Role Definitions

The above typology offers a suitable framework for understanding what kinds of organizational task NM distributors are expected to perform, and on what grounds they are compensated. From distributors perspective the categorization illustrates *the role opportunities* in the organization. These role opportunities form a *role opportunity structure* in which each distributor operates more or less successfully.

In an ideal case, distributor's role definition is in accordance with company's definition. Matching definitions will most likely lead to effective co-operation between the company and distributor in terms of distributor performance and corresponding compensation. In each category, as distributor's performance matches the company's expectations, the company compensates the distributors accordingly. This in turn may lead to positive work outcomes (e.g. optimal sales volume, network size, satisfaction and commitment).

Unfortunately, ideal cases are rare in real life. Mismatch between the company's and distributor's definitions is likely to lead in ineffectiveness in financial and psychological (dissatisfaction etc.) terms. In network marketing industry there are many examples of serious problems resulting from different types of mismatch (see Poe, 1995; Wirthlin Worldwide 1996).

For example, as the entry to the organization is relatively low, some distributors (either naively or deceitfully) recruit new members to their organization by over-promising future outcomes and under-delivering support. In other words, sponsoring distributors leave new members without necessary information, support and training. This results in people joining NM organizations with unrealistic expectations. These people typically perceive themselves as networking distributors in terms of expected financial compensation, but have no comprehensive knowledge of required behaviors. Disappointed distributors may direct their frustration towards the entire NM industry, and these negative experiences harm the industry significantly.

Also the match between distributors' role perceptions is important requirement of effectiveness in NM context. In other type of mismatch situation a sponsoring distributor may allocate too much resources (time, information etc.) to distributors, which would be totally satisfied with less. For example, 'regular product users' may not need any training, information or help from their sponsor, as their role in the organization is simply to purchase the products for their own use. Furthermore, they might feel uncomfortable and annoyed about frequent contacts by their sponsor, which would again lead to dissatisfaction.

The above examples – although oversimplified - emphasize the importance of the role match in effective management of a NM organization. As we take the time dimension to our consideration, the importance becomes even more apparent. At any point of time there will be distributors aiming at changing roles in the future as well as distributors totally satisfied with their current role, in each category. For example, some people consider themselves as networking distributors from the day one, and some may perceive themselves as purchasing members although they have recruited new members in their down-line. In order to understand the dynamics of the organization, it is as important to identify distributors' desired future roles, than it is to identify their current role.

#### **4. ROLE DEFINITIONS OF NETWORK MARKETING SALES PEOPLE**

The second step of the study is to examine how distributors actually perceive their role in the organization's opportunity structure. Figure 3. presents the construct of distributor role, which in this context refers to distributor's own perception of his organizational role (how does he/she determine his current/future role), behaviors associated with the role and the intensity of the role in terms described earlier.

#### **Figure 3. Distributor Role Definition**

<b>DISTRIBUTOR ROLE DEFINITION</b>
Identification of organizational role
Behaviors associated with the role
Intensity of behaviors

Perhaps the most challenging issue at this phase is related to conceptualization and operationalization of networking distributors' behavior. How to define and measure networking behavior?

The analysis of the qualitative study and literature review indicate that in direct selling context the concept of organizational citizenship behavior captures important aspects of networking distributor's role behavior. Descriptions of 'networking' practices have proved to be similar to the definitions of organizational citizenship behavior to a significant extent. Therefore, measures of OCB will be applied in this study too.

Of several different types of extra-role performance, the one that has received most attention in marketing literature has been organizational citizenship behaviors, OCBs (Netemeyer et al.1997). OCB is defined in several ways and the conceptual domain of this construct is still evolving. According to Organ's (1988) definition, OCB represents individual behavior that is 1) discretionary 2) not directly or explicitly recognized by the formal reward system, and 3) that in the aggregate promotes the effective functioning of the organization.

By discretionary Organ (1988 p. 4) means behavior, "that is not an enforceable requirement of the role or the job description, that is, the clearly specifiable terms of the person's employment contract with the organization; the behavior is rather a matter of personal choice, such that its omission is not generally understood as punishable". In the personal selling context, OCBs are viewed as discretionary behaviors on the part of the salesperson that directly promote the effective functioning of an organization, without necessarily influencing a salesperson's sales productivity (Netemeyer et al. 1997).

Apparently, organizational citizenship behavior covers important aspects of networking behavior, especially those related to maintenance and development of down-line distributor relationships. Behaviors such as helping other people in the organization, socializing new members to the organization, courtesy towards others, conscientiousness in organizational tasks, civic virtue etc. all account for the overall effectiveness and functioning of the organization.

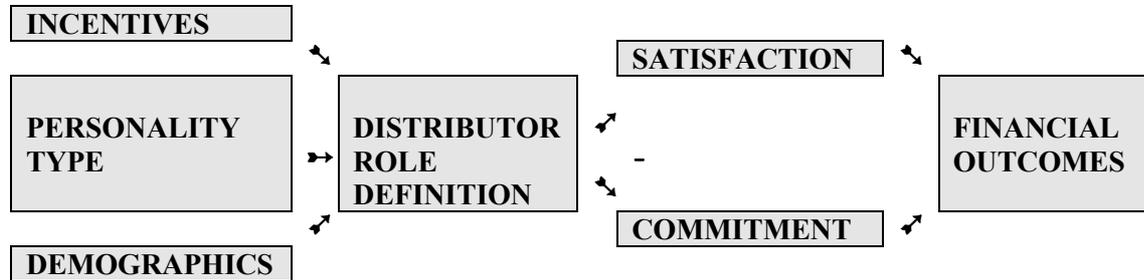
In this context OCBs seem to be considered as in-role behaviors relevant for maintaining and developing an effective distributor network, which in turn may lead to a profitable business of a focal distributor (discussion about OCB's and sales unit effectiveness, see e.g. Podsakoff et al. 1994). Furthermore, networking also includes recruiting and direct selling behaviors. In sum, in this study networking behavior is conceptualized in terms of recruiting, direct selling and organizational citizenship behaviors.

## **5. RELATIONS BETWEEN INDIVIDUAL CHARACTERISTICS AND ORGANIZATIONAL ROLES**

Third objective of the study is to examine how individual characteristics of distributors determine their role definitions, and furthermore, how role definitions determine the work

outcomes of the distributors. Figure 4. presents several individual characteristics and work outcomes of distributors, which will be analyzed in terms of their relation to distributor roles.

**Figure 4. Individual Characteristics, Role Definitions and Work Outcomes of Distributors**



## 6. STATE OF THE STUDY

The study has progressed by using diverse empirical data and previous studies interactively. The empirical data will be analyzed by using both qualitative and quantitative methods. The results will be triangulated in order to create as comprehensive picture of distributor roles as possible. So far, the interview data (Appendix 1.) as well as written company material has been collected and partly analyzed. The study will continue by conducting a survey in May. The survey data will be used to test the framework (Figure 5.)

The questionnaire will be mailed to 1500 active NM distributors (product purchases during past couple of months) of LR-International Cosmetic and Marketing Oy. An informative teaser was already mailed to LR-distributors in March.

The questionnaire has been pre-tested in several phases. The first ruff version of the questionnaire was commented by two NM distributors, two researchers and two representatives of NM organization. The questionnaire was further developed by taking their comments into consideration and by selecting and adapting existing suitable measures from the literature.

The second version was tested in a focus group consisting of nine NM distributors and two company representatives of four NM organizations. At first, the participants were asked to fill in the questionnaire, and mark any comments and questions that would arise during the process. After that, each question and also other issues, which the participants brought up, were discussed. The discussion took about two hours (including 20-40 minutes for filling the questionnaire). It was video-taped for further analysis. The same version was also delivered to five other distributors and six researchers, who will evaluate and comment it.

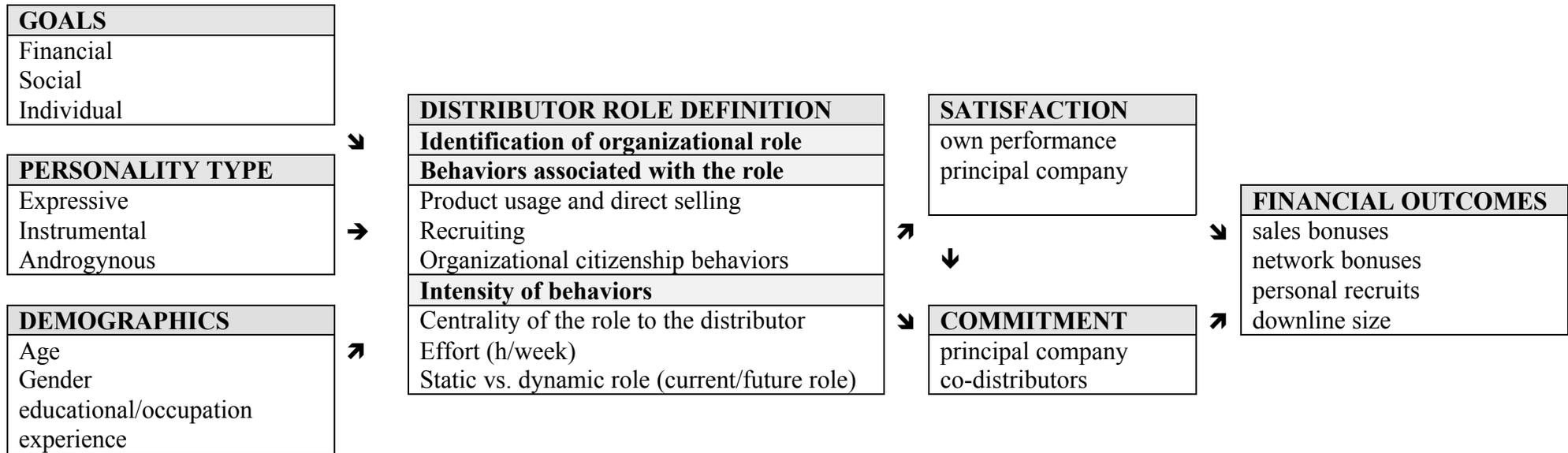
The test data will be coded and analyzed to the extent that the limited data allows. After that, the final version will be evaluated by a representative of LR-Cosmetics, who will check the fit of the questionnaire to their organization (Each company uses slightly different terms. So far the questionnaire is developed for common use, in case it will be applied in more than one organization).

All variables in this study will be self-repot measures. I also ask the respondents to give their distributor ID-number in order to match the data with company records on financial

outcomes. Measures are partly applied from tested measures, partly developed for the purposes of this study.

The survey data is expected to offer several useful opportunities to examine the relations between constructs in Figure 4. In part the decisions concerning this phase will depend on the results of the first-level analysis (Q2), especially on what kinds of categories will be formed. One possibility is to analyze each role category separately, and examine whether there are category specific differences in relations between examined concepts. Figure 5. combines the above constructs into a more detailed framework.

**Figure 5. Framework for Examining Distributor Roles in Network Marketing Context**



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## **Appendix 1.**

### **Description of the Qualitative Study**

**Purpose:** Purpose of the study was to gain practitioners' insights into network marketing practices and role behaviors.

**Informants:** Members of the Board of the Association for Direct and Network Marketing Entrepreneurs elected in autumn/1998.

#### **Selection criteria (also used in selecting members for the board):**

The appropriate informant should possess extensive practical experience, professional approach and views of Finnish network marketing business. These qualifications the informant was anticipated to have gained through:

1. working experience as network marketing distributor
2. knowledge about industry development in Finland during 1990's
3. contacts with distributors operating in variety of direct selling networks as well as with people working in Finnish network marketing companies
4. contacts with professionals operating with direct selling networks (consultants, trainers, officials, media etc.)

**Semi-Structured Interviews:** The interviews were conducted during a four-week period in November 1999. The background and the purpose of the interviews were shortly explained to the informants beforehand on the telephone, when asking for their approval for the interview. All selected informants approved.

The interviews took place in meeting rooms. For a start, the interviewer explained the purpose of the study, anonymity in report etc. for the informants, and answered the questions that informants may had.

All interviews followed specific themes/structure presented. After the first interview some themes were included in the interviews. The interviewer lead and controlled the discussion to certain extent, to ensure that all themes were properly covered in every interview. After the interview the informants also had the opportunity to read the copy of the semi structured questionnaire, and they were also offered the opportunity to add information or ask questions if necessary.

The approximate time for the interview was 1,5 hours. All the informants also expressed their availability to help and give more information in the future if needed. All interviews were taped, and they are currently being transformed into word documents.

**Members of the Board of the Association for Direct and Network Marketing  
Entrepreneurs (elected in autumn/1998)**

<b>Informant</b>	<b>Age</b>	<b>Occupation</b>	<b>Experience in network marketing</b>	<b>Principal network mar</b>
<b>Male</b>	46	Entrepreneur (part-time networker; in addition insurances, housing)	Since 1997	Since 1999: HomCareJe - jewellery & accessor - household cleaning p - personal care produc
<b>Female</b>	44	Entrepreneur, (part-time networker; in addition consultant in textile industry)	Since 1994	Since 1995: Prendimi - underwear - cosmetics
<b>Female</b>	40	Entrepreneur (part-time networker; in addition catering)	Since 1994	Since 1999: HomCareJe HomCareJeunique - jewellery & accessor - household cleaning p - personal care products
<b>Female</b>	50	Entrepreneur (part-time networker; in addition entrepreneurship training)	Since 1993	Since 1999: PartyLite - decorative candles &
<b>Male</b>	48	Entrepreneur (full-time networker)	Since 1993	Since 1993: GNLD - household cleaning p - personal care produc
<b>Male</b>	54	Entrepreneur (part-time networker; in addition candy franchise)	Since 1994	Since 1997: EcoWay - household cleaning p
<b>Male</b>	53	Entrepreneur (part-time networker; in addition constructions)	Since 1994	Since 1994: HerbaLife - nutritional products - personal care produc
<b>Male</b>	56	Entrepreneur (part-time networker; in addition farmer)		GNLD - household cleaning p - personal care produc