

# Knowledge-Oriented Technologies & Network Marketing Direct Selling Organizations (NMDSO)

## *Some Preliminary Insights into the Nature and the Goals of Shared Knowledge*

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**Abstract:** The work extends the sales and organization literature by analyzing the nature and the goals of knowledge sharing within networkers' downlines in Network Marketing Direct Selling Organizations (NMDSO). The main results of the research, based on a qualitative methodology and referred to Lyoness network in Italy, acknowledge the relevance of knowledge sharing & creation via digital technology, distinguish the nature of knowledge sharing and identify the main goals.

## 1 INTRODUCTION

A recent study by PricewaterhouseCoopers International Limited (PwC, 2014) describes the *Orange World* – one of three emerging organizational models- as networks of autonomous, specialized operations. The *orange company model* lays the foundation for its success on operational flexibility, lean staffing, collaborative partnerships and minimal fixed costs. This kind of organization makes extensive use of technology to run the business, coordinate a largely external workforce and support its relationships with third parties. PwC consultants show how the adoption of disruptive technologies increases speed and favours employee recruitment. Moreover, technology itself “keeps these networks together, often on a task-by-task basis, with social media heightening the connectivity upon which the Orange world depends” (PwC, 2014).

Some local academic contributors underline long since that enterprise and distribution models -such as *direct selling network marketing companies* (NMDSO) – represent (network) organizations coordinating large amounts of autonomous sales force. They underline that in NMDSO people have come to realize that they can enjoy more flexibility and varied challenges by working independently, supported by knowledge sharing. In fact, networkers base their careers on the collaboration with the up-

lines, and benefit in various ways from the support given by the company itself. As such, NMDSO represents an (old) example of the present and future Orange organization, and probably one of the most interesting research objectives where the connection of autonomous salespersons generates knowledge sharing and creation, thus enabling performance and success (Guerini, 2003; Guerini, 2013; Gross, 2008).

More specifically, network marketing is largely based on personal interaction and embedded knowledge, whereas technology offers the means to enable and support knowledge-related activities (Cabitza and Locoro, 2014).

On the basis of the described features NMDSO and especially the web-enabled type of collaboration within downlines can be analysed with the aim to find out the nature of the interchange, the goals and preferred applications. Due to the lack of literature on this peculiar kind of organization, a possible research path includes a preliminary research of exploratory nature, with the aim of verifying, NMDSOs' membership in the Orange world, and the nature and goals of knowledge sharing and creation within downlines.

## 2 BACKGROUND

Though academic literature includes a huge number of publications referred to the impact of technology

on sales activities and performance, none of these studies directly refers to NMDSO. At the same time, there are no publications that explicitly refers to the issue of knowledge oriented technologies, and their different capability in supporting the different core and peripheral activities of direct sales (for a review of the main contributions, see (Groza , et al., 2012) ).

Network marketers and their downlines, represent also a peculiar example where the analysis of the technology-mediated relation between salespeople and customers and the analysis of the intra-organizational aspects merge, as networkers and downlines components represent both customers and distributors of the products.

A recent survey (Guerini and Minelli, forthcoming 2017) aims at acquiring knowledge about the digital support used and developed by Italian networkers. It directly addresses DiDIY that is an *activity* for the creation, modification or maintenance of objects or services in the digital domain, which develops a mindset as well (Mari, 2014). Based on the hypo-thesis of a potential reshape of the networker’s role due to the impact of DiDY, the above mentioned research will also investigate how coordination and control mechanisms are going to change within NMDSO and networker’s downlines as a consequence of digital knowledge sharing and creation.

The cited survey is a part of a research program. Prior to the launch of a survey, intended to acquire knowledge on the use of digital technologies by networkers and to identify DiDYers, the same research project addressed the issue of knowledge sharing and creation, thus verifying the nature and the objectives of knowledge sharing within network marketers communities. This paper is illustrates the results obtained in the first research phase.

### 3 METHODOLOGY AND RESEARCH QUESTIONS

The importance of informal networks or communities of practice emerged in the Nineties. By way of definition, Wenger et al. (Wenger , et al., 2002) have defined a community of practice as «a group of people informally bound together by shared expertise and passion for a joint enterprise». While communities of practice are pervasive in society and organisations, more recently organisations have recognised the central role that these communities play in managing knowledge.

Starting from the observation of *virtual* communities of practice comprised of networker

marketers - highly frequent on social media such as FB, YouTube and Twitter in Italy- this work extends the sales and organization literature by moving beyond salespeople’s role as knowledge *gatherers* to their role as *knowledge sharers* with the staff belonging to the personal downline. Following Kaplan and Haenlein (Kaplan and Haenlein, 2010), we define social media as “a group of Internet-based applications that build on the ideological and technological foundations of Web 2.0, and that allow the creation and exchange of User Generated Content” (p. 61).

Frequent interactions and communication exchanges with networker’s downlines also promote new knowledge and this is “recreated in the interaction within communities of practice, that is in the message exchanges of their members and in the free flows of content and narratives that the KITAs host and help accumulate” (Cabitzza and Locoro, 2014).

Because of the poor literature on this topic, the issue of knowledge sharing in the virtual communities of networkers was addressed with an exploratory research, intended to analyse the nature and the goals of knowledge sharing within downlines.

Two focus groups (Liamputtong, 2011) were organized in July 2016, involving eight networkers each, with the aim of analysing that *situated* knowledge artifact, not yet investigated so far.

Table 1: Main activities of the participants in the focus groups.

Which is your main activity?	First focus group	Second focus group
Only/mainly network Marketing	4	5
Mainly other activities	4	3

Both were composed of homogeneous salespeople in terms of career path (all having achieved remarkable steps in the network career path), whereas gender and age varied, as per the universe of network marketers in Italy and worldwide.

Table 2: Experience of the participants in the focus groups.

How long have you been in practice?	First focus group	Second focus group
Less than 3 years	3	2
Between 3-5 years	2	3
More than 5	3	3

Table 3: Composition by gender of the focus groups.

Gender	First focus group	Second focus group
Male	5	4
Female	3	4

Table 4: Composition by age of the focus groups.

Age	First focus group	Second focus group
18-30	2	1
31-50	4	5
Over 50	2	2

All networkers worked for *Lyoness*, they came from different Italian towns, knew each other and took part comfortably in the focus groups.

The objectives of the two focus groups were: a) to verify the (perceived) importance of virtual knowledge sharing and creation within networkers downlines; b) to classify the nature of knowledge sharing and /or creation within those types of communities; c) to pinpoint the main benefits obtained thanks to technology in a typical high touch activity, i.e. previously based on personal interaction.

The organization of the second focus group aimed at confirming the results collected during the first one and allowed a more immediate categorization of the answers and comments given.

## 4 RESEARCH RESULTS AND DISCUSSION

As far as the findings are concerned, both groups underlined – first of all - the *engagement* in knowledge sharing/creating of networkers. As such NMDSO marketing firms can be definitely considered learning organizations (Guerini, 2013; Nonaka, et al., 2006; Argyris and Schon, 1978) and knowledge sharing is a fundamental activity of every networker engaged in continuous learning, via frequent interactions with his up-line and its downline, and with the firm.

At the same time, in the case of network marketing activities, this seems far more important than in pure direct selling activities. Networkers confirm the extensive use of technology to run the various core activities, coordinate workforce and support its relationships with third parties and prospects. Networkers also affirm they use different

applications depending on the type of relationships, clearly distinguishing between their collaboration with the company, or with the downlines. Though there was not full agreement (60%), most of them stated that nowadays digital technology keeps networks together, with social media heightening the connectivity. The latter capability is strictly reduced to intra-downline relations, whereas it doesn't fit for horizontal relationships between different networkers teams, and within vertical relationships with the headquarter.

The main findings about the nature of the knowledge shared in social media groups suggest a distinction between *the sharing of information about the activity* and the *ideological considerations*.

Downlines share, on a daily basis, huge quantities of information about the company, its marketing and compensation plan, the role of the team or persons involved, as well as their status and upgrade, sharing also verbal information, links and/or photos (Kaplan and Haenlein, 2010)).

Information technology is increasingly used by personnel engaged in network marketing activities also as a means to encourage collective action in support of the advancement of an ideology or idea (Oh, et al., 2013). In this sense the analysed types of organizations rely heavily on information, whereas community-building, and action-oriented messages, using the taxonomy of Lovejoy and Saxton (Lovejoy and Saxton, 2012) seems to merge in a 'ideology-sharing' category.

For them, this is considered part of the sales activity, frequently communicated (by the NMDSO as well) much more as *a typical way of life* rather than as an alternative distribution model for goods and services. In this case the downlines interact frequently to share contributions by bestseller Authors in the field of network marketing, videos and posts that lay the foundation of the network marketing ideology. The ideology-sharing concretely occurs, on the basis of the narration done during the focus groups, by researching, analysing and diffusing interesting contributions or by generating new contents by commenting them, and posting the results in all the social networks in which they are active (FB personal page and group, Youtube, personal site if existing).

Referring to the goals that motivate the sharing of information, *economic benefits* are mostly cited. Being compensation plans in network marketing activities structured so as to reward collaboration between people, sharing appears a rational, utility maximizing behaviour. Furthermore, there are signs of both positive and negative influences of economic

incentives on sharing behaviour (Davenport and Prusak, 1998; Bock, et al., 2005; Kankanhalli, et al., 2005) as networkers underline, during the conversations within the focus groups, that “economic benefits are the reason for avoiding knowledge sharing with different downlines” (horizontal relationships). This behaviour has a potential negative impact on the network as a whole in terms of coordination and success.

It is interesting to underline that discussion converged, as the focus group components stressed, that knowledge sharing is considered by owners also as a way of ‘helping people’, thus solving their ‘problems’ and favouring a ‘better future of all people involved’. More clearly, networkers add to economic benefits *personal gratification* as an important by-product of knowledge sharing, collaboration and networking. In this case, the interaction via FB and Whatsup allows networkers to keep in contact continuously with recently engaged workforce and favour their motivation, training and the appraisal of the ideology.

Moreover, in the context of network marketing, sharing through social networks serves as an incentive for saving economic resources (Luchs, et al., 2011). In network marketing activities the organization of events is frequent and common (and will persist in future). At the events all downline components participate actively by accompanying new members, potential customers and future networkers. Nevertheless, if the knowledge sharing occurs via social networks, instead of vis-à-vis, the speediness and the advantage of cost-saving become the main reasons for non-personal interaction.

At the same time, both focus groups confirm that a fundamental dimension of virtual interactions via social networks is represented by the enjoyment derived from the activity itself. Social networks appear to be ‘a way of handling life’. Being the contents of information shared multimedia, and thanks to the variety of stand-alone and built-in social media services currently available, networkers underline the fact that ‘entertainment’ and ‘joy’ are part of their lives, and ‘entertainment an important reason for interacting via social networks’. On the basis of what networkers mention during the focus groups, conversation mediated by technology include every aspect of the networkers’ lives. Photos and videos regarding their private sphere are part of the information sharing. Nevertheless, frequent interchange includes posts, videos, texts dealing about aspects of our ‘existence as human beings’ that encourage, through emotional arousal, also the likelihood of sharing news (Berger, 2011).

Enjoyment has been regarded as an important factor in sharing-related activities, such as information system use (van der Heijden, 2004), and information sharing on the Internet (Nov, 2007; Nov, et al., 2010). A study on the continued use of social networking services established that enjoyment is a primary factor, followed by the number of peers and usefulness (Lin and Lu, 2011). Social networking services and similar service design used elsewhere can be seen to especially promote relatedness (see (Hamari and Koivisto, 2015), and e.g., (Deci and Ryan, 1985; Ryan and Deci, 2000) on relatedness), which is a major determinant for intrinsically motivated use such as enjoyment.

Finally, some questions were addressed to the impact of knowledge sharing in network marketing activities fostered by social media. Within downlines, knowledge sharing has been defined as the main source of knowledge, its impact judged as ‘very high’, its value defined as ‘incomparable’; with the words of the interviewees: “without interaction, collaboration and knowledge sharing, network marketing wouldn’t be network marketing”; “social media modify the way we share knowledge and information by rendering that all much easier, faster and more agreeable”; “the continuity allowed by cheap technology in interaction and collaboration makes it possible to reach 1 billion clients worldwide in a limited number of years, which is our network’s goal.”

## 5 CONCLUSIONS AND LIMITATIONS

This study has several limitations. They include issues related to: (a) sampling, (b) possible researcher influence, and (c) participants’ level of honesty and accuracy. The study was also limited to one network and networkers came all from one country.

Nevertheless, we contributed to the elimination of the general *lack of context* regarding knowledge sharing in social media, as indicated by Kümpel et al, (Kümpel, et al., 2015) in reference to qualitative and situation-related research about news sharing. Respondents had the opportunity to further develop their thoughts and provide reasons for their individual and collective sharing behavior.

The qualitative approach was suitable and appropriate to the study for the richness of the information obtained allowing researchers to gain preliminary insights into the research problems and to develop propositions to be validated

quantitatively (Creswell, 2005). As clarified in the Introduction, the research project is comprised of a series of steps. The results of the preliminary focus groups encourage the launch of a survey intended to acquire knowledge on the use of digital technologies by networkers and identify DiDYers. This study offers some preliminary insights on the relation between knowledge-oriented technologies and NMDSO by analysing the nature and the objectives of the web-enabled collaboration.

The 'social web' (Stroulia, 2013) offers the means of socializing the advantages of the network marketing model, considered primarily a 'way of life', in which autonomy, joy and amusement, but also altruism, generosity and personal gratification play a great role. Though the means of the social web, network marketers benefit from cost-reduction, increased efficiency and personal gratification as well.

At the same time, the study seems to offer also some preliminary insights into the 'knowledge artefact' construct as well, and can be useful both to inform the design and to evaluate the impact of knowledge-oriented technologies in the communities of practice that adopt them and adapt them to their ever-evolving bodies of knowledge.

In details, knowledge artifacts appear to be embedded in culture: in this case the network marketing culture, being the research results highly homogenous.

Besides networkers found some difficulties in defining clearly the correlation between applicative used/objectives and outcome. A further effort by the Authors will be, thus, directed to the investigation of the knowledge oriented platforms that best support knowledge sharing and creation in NMDSO, depending on the complexity of their aims. Nevertheless, it is apparent that the above mentioned social media represent the main application used so far for virtual knowledge sharing and creation. Networker marketers have also proved to be knowledge sharing agents highly active within their personal and professional network.

Thus, the general recommendation to focus more on theory building could be combined with the suggestion to subdivide theory building about knowledge exchange via social media, not only considering organizations and individuals but also persona/professional networks.

Thirdly, this culture-bound, context related research results deductively sustain the call for a theory based on a multidisciplinary approach that could positively be impacted from advances in information technology, economics, marketing, organization and psychology.

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