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Chinese immigrants in network marketing business in Western host country context

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ABSTRACT

Many Chinese immigrants start their entrepreneurship business by joining major network marketing businesses in Western host countries. The willingness of these Chinese immigrants to undertake network marketing rests on the influence of the social environment of the network marketing organization. Network marketing specific self-efficacy, social competence and motivation for establishing one's own business are also hypothesized to play an important role in their engagement in entrepreneurial actions. Drawing upon Bandura's social cognitive theory and the immigrant entrepreneurship literature, the present study investigates whether the social environmental influence of a network marketing organization affects the extent to which Chinese immigrants develop the self-efficacy, social competence and motivation to establish their own business and how these variables affect the actions undertaken in the host country. The study is based on the sample of 194 Chinese immigrants in their adopted host country, Australia. The findings of the survey suggest that the social environment within network marketing organizations positively affects self-efficacy, which in turn positively affects the entrepreneurial actions undertaken by Chinese immigrants in conducting their network marketing business. Social environmental influence impacts positively on their motivation to establish their own network marketing business and social competence. However the effects of motivation and social competence on entrepreneurial action were not supported. Theoretical and managerial implications are discussed.

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Evidence in the literature shows many Chinese immigrants coming from the People's Republic of China (PRC) are drawn to entrepreneurship promoted by network marketing organizations and conduct network marketing businesses (Lin, 2007). Network marketing, also known as *direct selling* or *multilevel marketing*, is a system in which a manufacturer pays people outside the company to sell its products and services directly to consumers (Harris, 2004). In return, each salesperson is given the opportunity to build his or her own network marketing organization (NMO) by recruiting, training and motivating others to sell the same products and services (Harris, 2004; Vander Nat & Keep, 2002). NMOs have become one of the most successful types of organization in business in the past several decades (Sparks & Schenk, 2001, 2006), but only a small number of empirical studies in this area have been conducted in the literature.

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Besides the first full-scale study of NMO conducted by Biggart (1989) from a sociological perspective, the existing empirical studies in the literature mainly cover areas of transformational leadership (Sparks & Schenk, 2001), organizational socialization (Bhattacharya & Mehta, 2000; Sparks & Schenk, 2006), organizational citizenship (Sparks & Schenk, 2006), organizational identification (Pratt, 2000; Sparks & Schenk, 2006), entrepreneurial motivation (Kuntze, 2001), and ethnic entrepreneurship (Lin, 2007). Among these studies, Lin (2007) is the only one who focuses on Chinese immigrants in the network marketing business. Although these studies deepen our understanding of NMOs, a critical issue of how the entrepreneurship of network marketers contributes to their business success has not been given sufficient attention. What is even less known is how immigrants play an entrepreneurial role through network marketing business to contribute to the host countries' economies. In this study, we attempt to examine the factors affecting the Chinese immigrants' willingness to undertake entrepreneurial actions and establish their network marketing business in Australia.

Entrepreneurial action refers to behavior in response to a judgmental decision under conditions of uncertainty about a possible opportunity for profit (McMullen & Shepherd, 2006), or newly fashioned behavior through which to exploit unnoticed opportunities (Kuratko, Ireland, & Hornsby, 2001). Certain triggers (material rewards, creativity, or desire for autonomy) play a role in the decision to exploit an opportunity. For example, many entrepreneurs launch their own business venture because they want to be rewarded according to their effort, to create something new, or to be independent (Schaper & Volery, 2004). The main reason for Chinese immigrants to pursue self-employment and finally become more established business people is their labor market disadvantage because of their incompetence in their host country's language skills, their lack of education and specific career-related skills and the depreciation of their human capital, etc. (Chaganti & Greene, 2002; Collins, 2002; Iyer & Shapiro, 1999; Ley, 2006; Sequeira & Rasheed, 2006; Zhou, 2004).

Due to the difficulties in launching a new business venture (Schaper & Volery, 2004), many Chinese immigrants coming from PRC end their careers in restaurants as dishwashers with the lowest income (Collins, 2002), and become the vulnerable people being attracted to NMOs (Lin, 2007). NMOs promote themselves as a way of for the "ordinary" persons to launch their own network marketing businesses and attain wealth and status without entry barriers such as an ivy-league education, high social position, significant inheritance, or large amount of resources (Biggart, 1989; Kuntze, 2001).

One of the substantial differences between conventional small business owners and network marketing business owners is the method of operating a business (Biggart, 1989). In most cases, each conventional small business owner operates his/her business independently, whereas different network marketing business owners work collectively and operate their businesses together, in spite of the fact that each of them is responsible for his/her profit and cost (Bhattacharya & Mehta, 2000; Biggart, 1989). Collectively working together allows network marketers to share necessary resources and risks faced in operating their business (Bhattacharya & Mehta, 2000; Biggart, 1989), which substantially reduces the barriers or hurdles for Chinese immigrants to start their network marketing businesses (Bhattacharya & Mehta, 2000).

The main entrepreneurial activities undertaken by network marketers can be summarized as the combination of selling products, recruiting new network marketers and supporting and training them to do the same thing (Biggart, 1989; Bloch, 1996; Granfield & Nicols, 1975; Koehn, 2001; Pratt, 2000; Sparks & Schenk, 2001, 2006). Understanding how network marketers succeed through their actions is essential for theorists to comprehend the network marketing organization (NMO).

The purpose of the present study is to develop and test the model of network marketing business entrepreneurial action (Fig. 1). This study focuses on Chinese immigrants in Australia. We examine the effect of an entrepreneur's motivation, self-efficacy and social competence on the extent to which social environmental influence is associated with entrepreneurial actions undertaken by Chinese immigrants in the network marketing business.

Our study makes a number of contributions to the literature of NMO and the broader entrepreneurship field. It places factors associated with NMO social environmental influence, motivations, self-efficacy and social competence in the study of entrepreneurial actions in the context of NMO. By doing this with Chinese immigrants as the focus and showing the relationship between factors of NMO social environmental influence, motivations, network marketing specific self-efficacy, social competence and entrepreneurial action, our study provides the first empirical model of network marketing business specific entrepreneurial action, and testifies to the promise of this model, which proposes to become a research template for future NMO research.

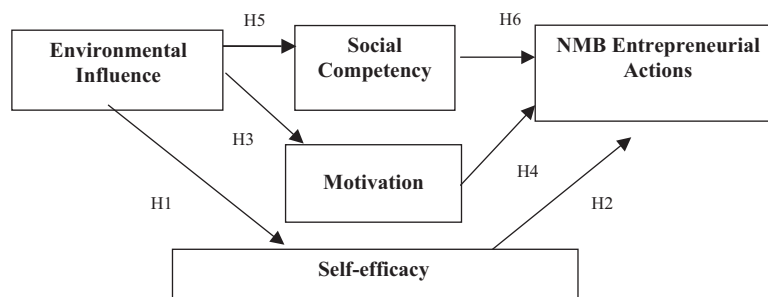


Fig. 1. Hypothesized model of network marketing business entrepreneurial action.

1. Literature review and hypotheses development

1.1. Environmental influence and network marketing business specific self-efficacy

Entrepreneurship requires decision and action (McMullen & Shepherd, 2006). Entrepreneurial action is affected by the amount of uncertainty and the willingness to bear uncertainty (McMullen & Shepherd, 2006). Whether this occurs, however, depends on how much one must rely on one's judgment, which, in turn, depends on the degree of uncertainty experienced in deciding whether to act (McMullen & Shepherd, 2006). However, people's judgments are not objectively rational (Bandura, 1986). Judgment relies on their belief in own efficacy, which influences the course of action that people choose to pursue (Bandura, 1997, 2001). Self-efficacy is "people's judgments of their capabilities to organize and execute courses of action required to attain designated types of performances" (Bandura, 1986, p. 391). Network marketing business specific self-efficacy in the present study is therefore defined as network marketers' beliefs of their capabilities to attain the expected results in conducting network marketing business activities.

Social cognitive theory suggests that an individual's self-efficacy is related to the attainments of others (Bandura, 1997), "... seeing or visualizing people similar to oneself perform successfully typically raises efficacy beliefs in observers that they themselves possess the capabilities to master comparable activities" (Bandura, 1997; p. 87). For many activities, there are no absolute measures of adequacy; therefore people must appraise their capabilities in relation to the attainments of others (Bandura, 1997). When the capabilities are gauged largely in relation to the performance of others, social comparison operates as a primary factor in the self-appraisal of capabilities (Bandura, 1997). When people see or visualize others similar to oneself perform successfully, this typically raises efficacy beliefs in observers that they themselves possess the capability to master comparable activities; they persuade themselves that if others can do it, they too have the capability to raise their performance (Bandura, 1997). Thus, an individual's action is influenced by one's environment (Bandura, 1986). In the present study, environmental influence is defined as the influence of NMO social environment characterized by the entrepreneurial atmosphere, training, encouragement and support between network marketers (Biggart, 1989; Sparks & Schenk, 2001).

In the social environment of NMOs, entrepreneurship is broadly promoted (Biggart, 1989; Kuntze, 2001; Lin, 2007; Pratt, 2000). NMOs recruit people who want to make money, but they must compete with salary-paying employers in satisfying workers' financial needs (Biggart, 1989). Unable to give a paycheck, NMOs offer network marketers something employers cannot give: a socially valued, independent status (Biggart, 1989). NMOs make ordinary people into "entrepreneurs" (Biggart, 1989). Our literature review shows a large amount of research into the entrepreneur's personality has been carried out and its major constructs have been identified as: needs for achievement (e.g. Collins, Hanges, & Locke, 2004; Zhao & Seibert, 2006); mindsets of innovation (e.g. Buttner & Grysiewicz, 1993); locus of control (e.g. Miner, 1990); and needs for autonomy (e.g. Lee & Tsang, 2001; Kisfalvi, 2002).

Kuntze (2001) suggests that network marketers are entrepreneurial dreamers rather than entrepreneurs because they perform highly routine selling and recruiting behaviors, innovation is neither necessary nor welcome. Contrary to Kuntze's suggestion, Biggart (1989) comments that entrepreneurship in the network marketing industry is more than a type of economic action; "It is a powerful social ideal that came about with emergence of capitalism" (p. 163). The network marketing approach is bound up in the idea about patriotism (in the context of USA), equality, freedom, and free enterprise (Biggart, 1989). The sense of innovation for network marketers is reflected in pursuing "opportunities" in creative ways (Biggart, 1989).

According to social cognitive theory, the network marketer's perceptions of network marketing business should be affected by the NMO social environment. We predict that network marketers' self-efficacy in pursuing entrepreneurial opportunities from network marketing business is positively influenced by their social environment in an NMO.

One of the most important activities in an NMO social environment is the organizational training provided by the NMO and other network marketers (Biggart, 1989; Pratt, 2000; Sparks & Schenk, 2001). Under the philosophy of "anyone can do it" promoted by NMO (Biggart, 1989; Pratt, 2000), many inexperienced people have been attracted to NMOs (Kuntze, 2001). Organizational training is essential for the success of an NMO and its network marketers (Sparks & Schenk, 2001), as it helps network marketers obtain business skills and knowledge (Eden & Aviram, 1993; Gist, 1989; Schwoerer, May, Hollensbe, & Mencl, 2005; Tai, 2006; Zhao, Seibert, & Hills, 2005).

Researchers divided the organizational training offered by firms into two main types: (i) general training and (ii) firm specific training (Becker, 1975; Gattiker, 1995). General training provides trainees with skills that are useful in more than one job or firm (Becker, 1975), while firm specific training tends to the on-the-job, which specifically increases trainees' productivity only in the firm that is providing the training (Becker, 1975; Mainga, Hirschsohn, & Shakantu, 2009). Private firms are reluctant to provide general training, as it enhances the market value of employees' skills to outside options and may cause employee turnover (Leuven, 2005; Mainga et al., 2009).

Compared to organizational training provided by a conventional firm, organizational training provided by NMOs has several unique features such as (i) the trainees are independent network marketers who own the network marketing businesses and personally take responsibility for them (Biggart, 1989; Sparks & Schenk, 2001); (ii) most training is provided by other network marketers (Sparks & Schenk, 2001); (iii) network marketers share the knowledge and skills with each other (Pratt, 2000); and (iv) in some circumstances, organizational training is used as a method to attract (motivate) new network marketers (Bhattacharya & Mehta, 2000). Organizational training in NMO provides two sources for trainees to raise their self-efficacy. Firstly, it gives opportunities to trainees to be exposed to successful network marketers and obtain vicarious

experiences (Bandura, 1986, 1997). Secondly, it lets trainees practice business skills and knowledge and obtain the mastery experience (Bandura, 1986, 1997).

Researchers suggest that many training programs and efforts are aimed at changing individuals' efficacy belief (Choi, Price, & Vinokur, 2003; Malone, 2001). The underlying rationale of this argument is Bandura's (1986) notion that enactive mastery, defined as repeated performance accomplishments, is an important pre-condition for the development of self-efficacy (Axtell & Parker, 2003; Bandura, 1986). Schwoerer et al. (2005) found that training experiences designed to equip participants to cope independently with a challenging work situation had a positive influence on self efficacy. Tai's (2006) findings, for example, suggest that trainees' familiarity with the training contents is positively related to their self-efficacy and training motivation. Thus, self-efficacy is malleable (Eden & Aviram, 1993). Based on social cognitive theory, we predict that training positively influences a network marketer's self-efficacy in conducting network marketing business.

Hypothesis 1. Social environmental influence of NMO is positively associated with Chinese immigrant network marketers' self-efficacy in achieving business success.

1.2. Network marketing business specific self-efficacy and NMB entrepreneurial action

In the present study, network marketing business (NMB) entrepreneurial action is defined as NMB specific entrepreneurial actions undertaken by network marketers in their businesses. Bandura (1997) claims that "people's level of motivation, affective states, and action are based more on what they believe than on what is objectively true" (p. 2). People's beliefs in their efficacy influence the course of action they choose to pursue, how much effort they put forth in given endeavors, and how long they will persevere in the face of obstacles and failures (Bandura, 2001). "Unless people believe they can produce desired effects by their actions, they have little incentive to act" (Bandura, 1997, pp. 2–3). Therefore, self-efficacy is an important determinant of human behavior (Forbes, 2005). Individuals tend to avoid tasks about which they have low self-efficacy and, conversely, are drawn to towards tasks about which they have high self-efficacy (Bandura, 1986; Forbes, 2005). Self-efficacy is a significant determinant of performance that operates partially independently of underlying skills (Bandura, 1986, 1991). Thus, we anticipate that the level of Chinese immigrants' network marketing specific self-efficacy is positively associated with their NMB entrepreneurial actions. Hypothesis 2 is proposed as follows:

Hypothesis 2. Chinese immigrant network marketers' self-efficacy is positively associated with their NMB entrepreneurial actions.

1.3. NMO social environment influence and motivation for establishing network marketing business

Social cognitive theory suggests that people's behaviors are influenced by their social environment (Bandura, 1986). "As social beings, they observe the conduct of others and the occasions on which it is rewarded, ignored or punished" (Bandura, 1986, p. 283). Observed outcomes can affect people's level of motivation (Bandura, 1986). Social environment created by NMO plays an important role in motivating network marketers (Bhattacharya & Mehta, 2000; Biggart, 1989; Sparks & Schenk, 2006).

Under the social environment of NMO, events are hosted regularly and successful network marketers emotionally share their personal stories with others (Biggart, 1989; Kuntze, 2001). The given impression of network marketers is a group of disadvantaged people in the society (Kuntze, 2001). For example, Kuntze (2001) claims those who are socially disadvantaged are more likely to respond to network marketing organizations' entrepreneurship promotions and Biggart (1989) suggests that most network marketers are women. Many researchers suggest that women are at disadvantaged positions in the organizations (e.g. Cotter, Hermsen, Ovadia, & Vanneman, 2001; Kirchmeyer, 2005; Stroh, Brett, & Reilly, 1996). Immigrants are also a group of disadvantaged people (Chaganti & Greene, 2002). Disadvantaged people are apt to be influenced by those "successful" network marketers (Kuntze, 2001).

A significant amount of theoretical development has occurred in identifying the significance of immigrant entrepreneurship (Chaganti & Greene, 2002; Iyer & Shapiro, 1999; Ley, 2006; Sequeira & Rasheed, 2006; Zhou, 2004). Chaganti and Greene (2002) define the immigrant entrepreneurs as "Individuals who, as recent arrivals in the country, start a business as a means of economic survival" (p. 128). Researchers explain the main reason ('incentive' might be better) for immigrants to pursue self-employment and finally become more established businesspeople is that they are disadvantaged in the labor market because of their incompetence in the host country's language skills, their lack of recognized educational qualification and specific career-related skills, the depreciation of human capital, etc. (Chaganti & Greene, 2002; Iyer & Shapiro, 1999; Ley, 2006; Sequeira & Rasheed, 2006; Zhou, 2004). These explanations are supported by the literature of necessity entrepreneurship (e.g. Bergmann & Sternberg, 2007; Block & Keollinger, 2009; Henrekson, 2005). According to Necessity Theory (Bergmann & Sternberg, 2007; Henrekson, 2005), immigrant entrepreneurs are pushed into entrepreneurship because they have no better choices for work or for making a living. Immigrant entrepreneurs acquire the resources to launch new ventures from two major sources: families and the social network in their ethnic enclave (Sequeira & Rasheed, 2006). For financial capital, the majority of immigrant entrepreneurs depend upon their families and loans from relatives and friends (Sequeira & Rasheed, 2006). The family provides a convenient and low cost source of support (Iyer & Shapiro, 1999).

Launching new business ventures can be a long and difficult process (Schaper & Volery, 2004); barriers or hurdles faced by would-be immigrant entrepreneurs include hard reality, lack of capital, compliance costs (Choo & Wong, 2006; Schaper & Volery, 2004), lack of skills and confidence (Choo & Wong, 2006). Therefore, many Chinese immigrants coming from the PRC end their careers in restaurants as dishwashers with the lowest incomes (Collins, 2002). However, working as dishwashers should not be the best choice for many Chinese immigrants because people usually move to other countries for positive reasons (Frey, 1996). “They are looking for a new or better job, improved quality of life, lower cost of living, greater security, and so on” (Frey, 1996, p. 37).

NMOs promote themselves as a way for ordinary persons to attain wealth and status (Biggart, 1989; Kuntze, 2001; Pratt, 2000). The entrepreneurship promoted by NMO is particularly attractive to Chinese immigrants coming from People's Republic of China (PRC, Lin, 2007). Many Chinese immigrants coming from PRC lack financial resources and/or basic knowledge of conducting private businesses in the Western world (Wan, 2001; Brown, 2007), but they are able to develop social networks and organize events in their communities (Wan, 2001; Brown, 2007). One important strategy utilized by NMO to attract prospects is to create a social environment with many successful network marketers (Bhattacharya & Mehta, 2000; Pratt, 2000; Sparks & Schenk, 2001, 2006). According to the social cognitive theory (Bandura, 1986), examples set and stories told by successful Chinese immigrant network marketers may influence other Chinese immigrants in NMO social environment. Thus, we predict NMO social environmental influence is positively related to Chinese immigrant network marketers' motivations in conducting network marketing business, which in turn, is positively related to actions taken in conducting network marketing business.

Hypothesis 3. Social environment of NMO is positively associated with Chinese immigrant network marketers' motivation for establishing network marketing business.

Hypothesis 4. Chinese immigrant network marketers' motivation is positively associated with their NMB entrepreneurial actions.

1.4. NMO social environment influence and social competence

One of the salient characteristics in the social environment of NMO is cohesion (Sparks & Schenk, 2006). The way for NMOs to conduct their business activities is similar to running a social movement through network marketer's social networks (Biggart, 1989). Similarly, Sparks and Schenk (2006, p. 166) noted that “a key to maintaining a successful social network lies in developing cohesion among network members” (Spark & Schenk, 2006, p. 166).

In spite of the fact that each of network marketers is responsible for his/her profit and cost in operating their businesses, network marketers work together and operate their businesses collectively (Bhattacharya & Mehta, 2000; Biggart, 1989), which allows them to share resources required and risks faced in operating their business (Bhattacharya & Mehta, 2000; Biggart, 1989). Working together substantially reduces the barriers or hurdles for Chinese immigrants to start their network marketing businesses (Bhattacharya & Mehta, 2000). Therefore, social competence is one of the important capabilities for network marketers to operate their businesses.

Social competence is considered as the ability of a person to communicate and cooperate with others (Kauffeld, 2006); it is defined as the overall effectiveness of a person's performance in interacting with others on a face-to-face basis (Zhang, Souitaris, Soh, & Wong, 2008). In a business context, social competence is measured in four areas: (1) social perception; (2) impression management; (3) persuasiveness; and (4) social adaptability (Baron & Markman, 2003). Zhang et al. (2008) argue that socially competent people are able to read other persons accurately, to make a good first impression, to be persuasive and have lower psychological barriers to exchanging private information with strangers. Importantly, Hoehn-Weiss, Brush, and Baron (2004) assert that social competence can be learned.

Social cognitive theory suggests most human behavior is learned by observation (Bandura, 1986). “By observing others, one forms rules of behavior, and on future occasions this coded information serves as guide for action” (Bandura, p. 47). Observing the actual performances of others and the consequences of them fosters the social learning (Bandura, 1986). According to the social cognitive theory proposed by Bandura (1986), we argue that a person's social competence is influenced by his/her social environment. This argument is supported by evidence in the literature (Schoenrock, Bell, Sun, & Avery, 1999; Soenens & Vansteenkiste, 2005). Thus, we propose Hypothesis 5 as:

Hypothesis 5. NMO social environmental influence is positively associated with Chinese immigrant network marketer's social competence.

1.5. Social competence vs. NMB entrepreneurial action

Evidence in the literature shows social competence is positively related to entrepreneurial success (Baron & Markman, 2003), business performance and academic achievement (Porath & Bateman, 2006). Business performance relies on actions (McMullen & Shepherd, 2006). Without actions, nothing will happen (McMullen & Shepherd, 2006). The main actions of network marketing organizations are selling products, recruiting new network marketers and supporting and training them to do the same things (Biggart, 1989; Bloch, 1996; Granfield & Nicols, 1975; Koehn, 2001; Pratt, 2000; Sparks & Schenk, 2001, 2006), which involve many interactions between network marketers and their prospects. The effectiveness in interacting

with others is the mark of social competence (Baron & Markman, 2003). Social competence is one of the important abilities for network marketers to conduct their business. Based on social cognitive theory, we anticipate that the higher the level of social competence a network marketer possesses, the more actions he/she will take to conduct his/her business.

Hypothesis 6. The higher the level of a Chinese immigrant network marketer's social competence, the more NMB entrepreneurial action he/she will take.

2. Methods

2.1. Data collection

Data was collected from Chinese immigrant network marketers who distribute products for a major direct selling firm in the states of New South Wales, Victoria and Queensland, Australia. We followed Chen et al's (1998) approach in collecting the data. The questionnaires were personally distributed to and collected back from respondents at Chinese immigrant network marketing training venues. The total completed questionnaires were 194 and the response rate was 44.3 percent.

2.2. Demographic statistics

The setting for this research was provided by network marketing organizations in Australia. All subjects ($N = 194$) were Chinese immigrant network marketers (males 27.8%, females 72.2%). The ages of subjects ranged from 18 to 60 years and above, with the majority in the range of 41–60 years old (56.7 percent). Respondents ($N = 194$) spoke English at levels of native (1.0 percent), frequent (8.2 percent), competent (40.7 percent), a little (37.1 percent), no English (10.3 percent) respectively. 2.6 percent respondents did not report their English capabilities. Education of the respondents ranged from PhD degree (3.2 percent) to high school certificate (8.1 percent). Among the respondents, 73.1 percent have university degrees. The length of network marketing business engagement ranged from 1 to 119 months, the average length being 29.6 months ($SD = 22.80$ months). Average working hours in conducting network marketing business/per week was 24.04 h, with a range from nil to 70 h ($SD = 15.7$ h).

2.3. Measurement

2.3.1. NMO social environmental influence

According to the characteristics of the social environment of NMO identified in the literature review, the NMO social environmental influence was measured from three perspectives, cohesion, peer support/influence and training. Items for measuring peer support/influence were adopted from Sparks and Schenk (2006, 2001), items for measuring training were developed in the present study

2.3.2. Motivations for conducting network marketing business

The motivation for Chinese immigrant entrepreneurs conducting network marketing business was measured with the extent to which Chinese immigrants were being encouraged to establish their own network marketing businesses. Items in for this measurement were developed in the present study

2.3.3. Network marketing specific self-efficacy

The measure for network marketing business specific self-efficacy was developed on the basis of Krueger's (1993) notion. Krueger's (1993) scale for measuring self-efficacy contains five items, which reflect two main themes, perceived difficulty and confidence

2.3.4. Social competence

Social competence was measured from two perspectives, social perception and expressiveness. Items for measuring social competence were adopted from Baron and Markman (2003).

2.3.5. NMB entrepreneurial actions

In the present study, we defined NMB entrepreneurial actions as activities taken by network marketers in their businesses, including selling products, recruiting new network marketers and supporting and training them to do the same things. Two newly created items were used to measure this variable: (i) times ('numbers') of actions taken every week and (ii) hours spending on actions every week.

2.4. Assessment of measures

We assessed the measures' performance by estimating several measurement models using AMOS 17. We began with separate measurement models for the NMO social environmental influence, network marketing specific self-efficacy and social competence measures because these constructs consist of two subscales respectively. Table 1 presents the results for evaluating the psychometrics of the scales used in the present study.

Table 1
Results of psychometric properties of scales.

	χ^2	Df	ρ	χ^2/df	GFI	AGFI	NFI	CFI	RMSEA	RMR
NMO social environmental influence	66.89	41	0.007	1.632	0.942	0.907	0.941	0.976	0.057	0.026
Network marketing specific self-efficacy	12.094	8	0.147	1.512	0.980	0.946	0.981	0.993	0.051	0.016
Social competence	13.024	8	0.111	1.628	0.979	0.944	0.968	0.987	0.057	0.025
Motivation/entrepreneurial actions	32.028	10	0.031	3.203	0.962	0.929	0.954	0.981	0.060	0.067

According to Dawes and Massey (2006), these results are indicative of acceptable fit, except the result of the measurements for motivation and NMO entrepreneurial actions is indicative of a marginally acceptable fit. All of the fit statistics, such as, GFI, AGFI, NFI, CFI, RMSEA, and RMR results were considered acceptable enough to establish the validity of the measurement model used in the present study (refer to Table 1).

To examine the convergent validity of these measures, the average variance extracted (AVE) for each construct was calculated. The results of the calculations exceeded 0.50 for all sub-scales, which suggests the convergent validity was established. The discriminant validity was established by comparing the AVE for each construct with the squared correlation between each pair of constructs. To satisfy this test, the squared correlation for each pair of constructs should be less than the variance extracted for each individual construct (Dawes & Massey, 2006; Fornell & Larcker, 1981).

Reliability analysis reveals that the alpha coefficients for all the resultant scales are 0.75 or higher, which suggests that for each construct, there is a reasonable degree of internal consistency between the corresponding indicators. Overall, these measurement results suggest that it is appropriate to proceed with evaluation of the structural model.

3. Results

We fitted the data to the model illustrated in Fig. 2 using AMOS 17. While estimation of the hypothesized model produced a significant chi-square statistic ($\chi^2 = 676.238$, $df = 452$, $\rho < 0.01$), other fit indicators suggest adequate model fit: CFI = 0.926, RMSEA = 0.051. Fig. 2 and Table 2 give the standardized coefficients for the structural model.

3.1. Hypotheses tests

Hypothesis 1 predicts a positive relationship between NMO social environmental influence and Chinese immigrant network marketers’ self-efficacy in achieving business success. The path coefficient leading from NMO social environmental influence to network marketing specific self-efficacy is positive and significant ($\beta = 0.5510$, $\rho < 0.001$), supporting the first hypothesis. In Hypothesis 2, we predict a positive relationship between network marketing business specific self-efficacy

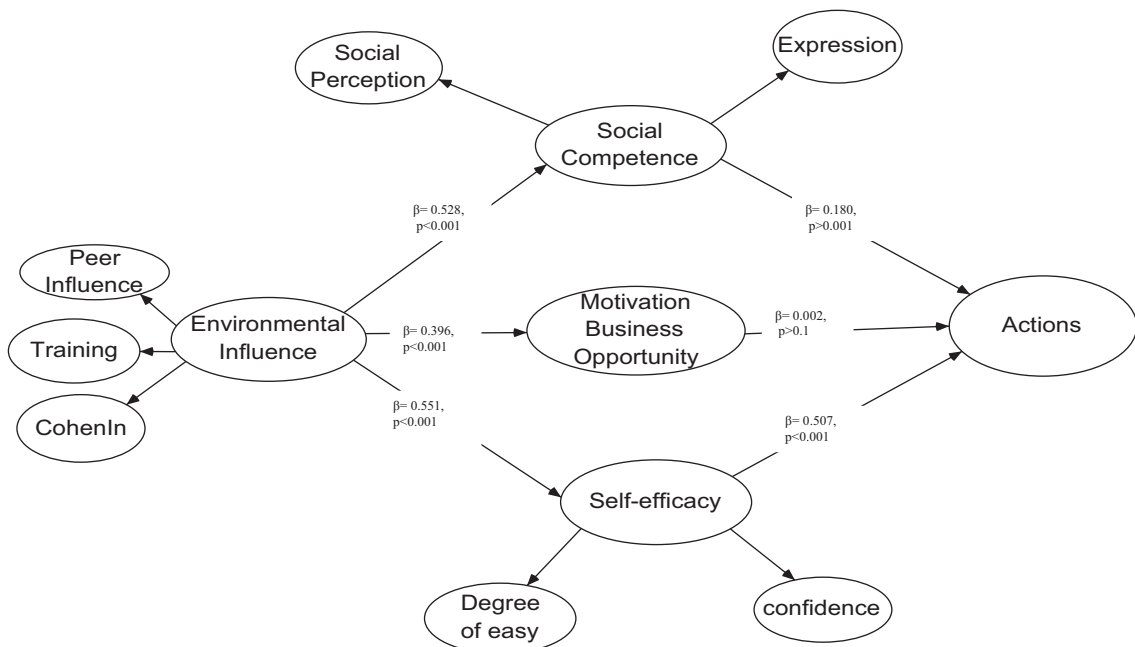


Fig. 2. Model of network marketing business entrepreneurial action.

Table 2
Summary of hypotheses and effects.

Relationship	Hypothesis	Regression weights	Sig. level
Social environmental influence → Self-efficacy	H1	0.551	$\rho < 0.001$
Self-efficacy → Actions	H2	0.507	$\rho < 0.001$
Social environmental influence → Motivation	H3	0.396	$\rho < 0.001$
Motivation → Actions	H4	0.002	Not supported
Social environmental influence → Social competence	H5	0.528	$\rho < 0.001$
Social competence → Actions	H6	0.180	Not supported

and entrepreneurial actions. The path corresponding to this hypothesis is positive and significant ($\beta = 0.507$, $\rho < 0.001$). Thus, **Hypothesis 2** is supported. The third hypothesis predicts that social environment of NMO will be positively associated to Chinese immigrant network marketers' motivation in conducting network marketing business. Supporting **Hypothesis 3** is a positive and significant path coefficient from social environmental influence to motivation ($\beta = 0.396$, $\rho < 0.001$). The fourth hypothesis predicts that Chinese immigrant network marketers' motivation will be positively associated with their actions in conducting network marketing business. This prediction is not supported, as the path from motivation to entrepreneurial action is positive but not significant ($\beta = 0.002$, $\rho > 0.10$). In **Hypothesis 5**, we expect NMO social environmental influence to positively relate to Chinese immigrant network marketers' social competence. This prediction is supported ($\beta = 0.529$, $\rho < 0.001$). In **Hypothesis 6**: we predict Chinese immigrant network marketers' social competence is positively related to the entrepreneurial actions in conducting network marketing business. This prediction is not supported either, as the corresponding path coefficient is positive but nonsignificant ($\beta = 0.180$, $\rho > 0.10$). The results of these hypotheses tests are summarized in **Table 2**.

3.2. Test of the rival model

Although the data provide a defensible fit to our model, we cannot rule out the possibility that the rival model may offer superior explanatory power. To examine this possibility, we tested a less-restrictive model by freeing one plausible path.

Does social environmental influence directly affect entrepreneurial action? The relationship between environmental influence and entrepreneurial action may not be completely mediated by the intervening variables postulated in the model. To see whether a direct relationship is supported by our data, we freed the path from environmental influence to entrepreneurial action. Doing so, produced $\chi^2 = 122.757$, $df = 86$, $p = 0.006$, $CIF = 0.967$, $RMSEA = 0.047$. Contrary to our expectations, freeing this path improved model fit; the data support a direct relationship between social environmental influence and entrepreneurial action ($\beta = 0.336$, $p < 0.001$).

4. Discussion and implications

The main objective in the current research is to develop the model of network marketing business entrepreneurial action and explain the reasons for Chinese immigrant business network marketers to conduct network marketing business in Australia. The data was collected during various training sessions conducted by a NMO for Chinese immigrant network marketers in the states of New South Wales, Victoria and Queensland.

From developing and testing the model of network marketing business specific entrepreneurial action, we attempt to examine the factors affecting Chinese immigrants' willingness to undertake NMB entrepreneurial actions and establish their network marketing business in Australia. Previous research studied some attributes in NMO, such as, leadership styles (Sparks & Schenk, 2001), organizational socialization (Bhattacharya & Mehta, 2000; Sparks & Schenk, 2006), organizational citizenship (Sparks & Schenk, 2006), organizational identification (Pratt, 2000; Sparks & Schenk, 2006), but none of them explained what factors influence network marketers' actions in conducting network marketing business, which leave a gap in the literature of NMO studies. Our study has partly filled this gap.

Besides the literature of NMO studies, this study was mainly driven by social cognitive theory and the literature of immigrant entrepreneurship. Drawing on this literature, we focused our study on the effect of NMO social environmental influence, motivation (pursuing business opportunities), network marketing specific self-efficacy, and social competence on the entrepreneurial actions undertaken by network marketers. From this study, we found that NMO social environmental influence positively affects motivation (pursuing business) (**Hypothesis 3**), network marketing specific self-efficacy (**Hypothesis 1**) and social competence (**Hypothesis 5**). These findings partly support social cognitive theory. Social cognitive theory explains human behaviors in terms of a triadic, dynamic and reciprocal interaction of environment, personal factors, and behavior (Bandura, 1986). One of important constructs of social cognitive theory is the bi-directional interaction between behavior and the environment. According to social cognitive theory, persons' behaviors will determine the aspects of their environment to which they are exposed, and behaviors are, in turn, affected by that environment (Bandura, 1986). Our findings suggest that network marketers' motivation for pursuing network marketing business, network marketing business specific self-efficacy and social competence are affected by NMO social environment.

Self-efficacy belief occupies a pivotal role in the causal structure of social cognitive theory (Bandura, 2001). According to social cognitive theory, people's belief in their efficacy influence the course of action they choose to pursue, how much effort they put forth in given endeavors, and how long they will persevere in the face of obstacles and failures (Bandura, 1986, 2001; Forbes, 2005). In our study, we found that network marketing specific self-efficacy positively affect NMB entrepreneurship actions undertaken by network marketers (*Hypothesis 2*). This finding also supports social cognitive theory.

Our literature review suggests immigrants are motivated to pursue self-employment because of their incompetence in the host country's language skills, their lack of education and specific career-related skills, the depreciation of human capital, etc. (Chaganti & Greene, 2002; Iyer & Shapiro, 1999; Ley, 2006; Sequeira & Rasheed, 2006; Zhou, 2004). Chinese immigrants tend to be motivated to pursue self-employment through conducting network marketing business (Biggart, 1989; Collins, 2002; Frey, 1996; Kuntze, 2001; Pratt, 2000). We predicted that this motivation should be positively related to action undertaken in conducting network marketing business (*Hypothesis 4*). However, our finding does not support this prediction. The reason may be explained by the motivations/actions we measured being not completed. In our study, we only measure business related motivations/actions, but network marketing businesses are run very much like social movements (Biggart, 1989) and the satisfaction network marketers want to obtain include both social need and economical need (Bhattacharya & Mehta, 2000).

Although we have found the evidence in the literature that social competence is positively related to entrepreneurial success (in the current study, we operationalized entrepreneurial success as business performance) (Baron & Markman, 2003; Porath & Bateman, 2006), and business performance relies on actions (McMullen & Shepherd, 2006), our prediction of positive correlations between social competence and the actions was not support by our finding (*Hypothesis 6*). The reason may be explained due to the incompleteness of the measurement for actions because it does not include social activity related actions.

Our study examines the relationships between the NMB entrepreneurial action and the factors of immigrants' development of network marketing business in NMOs by using the sample of Chinese immigrants in Australia. It makes a number of contributions to the literature of NMO and entrepreneurship. First, this study makes a contribution to the literature of ethnic entrepreneurship (e.g. Chaganti & Greene, 2002; Collins, 2002; Sequeira & Rasheed, 2006). The findings of the present study suggest that influence of positive social environment is critical for immigrants to develop confidence in relation to entrepreneurship to conduct their own businesses in their host countries.

Second, it fills a gap in the NMO literature because of the limited research into the influence of NMO social environment on how Chinese immigrants engaged in network marketing businesses. This study develops and investigates the model, presenting the relationships between organizational environment support and network marketer psychology and between their psychology and actions, which have not been researched in previous studies. The findings of our study indicate that organizational environmental influence is significantly related to the immigrants' motivation, social competency and self efficacy.

Third, statistical evidence in our study, based on the large sample, tests the conceptual model with a structural modeling equation using AMOS. Previous empirical research on performance in NMO has been hampered by the widespread reliance on anecdotes and assertion, rather than statistical evidence. The findings in the current study have managerial implications for organizations conducting direct selling business. According to Harris (2004), direct selling firms' main sales forces are network marketers. By understanding the factors affecting NMB entrepreneurial actions undertaken by network marketers in conducting their businesses, the management of direct selling firms is able to develop effective strategies in managing the sales forces.

Furthermore, with the sample of Chinese immigrants in Australia, our study has shown that immigrants with a high education level and low language proficiency, like the Chinese immigrants in our sample, can succeed in their own business contributing to the economies of the host countries under the appropriate social environment. Their skills and positive psychological state can be developed effectively through proper training and social support. Our findings suggest NMO social environment plays an essential role for the network marketers' success.

Despite specifically contributes to the NMO literature and the effects of immigration on the entrepreneurial undertaking of Chinese immigrants, the current study has its limitations. The main limitation is that the sample of this study only focused on Chinese immigrants in Australia. To generalize the findings of this study, more studies with heterogeneous samples are needed. Another limitation is that the result obtained from testing the rival model implies there might be some room to improve the structure of the model of network marketing business specific entrepreneurial action.

It is important that future research work continues in this direction with further improvement and extension of the model. The findings of the present study do not support our original assumptions which state that motivation and social competence lead to entrepreneurial actions. The results may manifest that the link between social support and entrepreneurial action of the immigrants in the host country is a complex process which may involve more interactive factors. Future research may thus consider adding and examining moderating or mediating factors to extend the current model. Future studies should also consider network marketing organizations in different cultural settings to examine whether the variables contributing to the entrepreneurship behavior vary in the various cultural contexts.

5. Conclusion

Both NMO business and immigrant entrepreneurship have increasingly become interactive and important in some economies. Consequently, there is the need for research that sheds light on the understanding of effective strategies for their

development. In this study we aimed to make a contribution toward this end and hope that the study stimulates further research in these important areas. The findings of the present study indicate that Chinese immigrants require the social environment in network marketing organizations to develop their confidence in conducting their own businesses in their host country.

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