CHAPTER I

INTRODUCTION

1.1. Background

Nowadays highly dynamic, environment socio economic and politic has an important change comparing the previous era. In the domain of organizational communication, the existence of homogenous, stable and uncontested ideologies in contemporary organizations has been challenged. Needs and wants in the society change and do not constant in this postmodern era, so organizations make efforts to adapt their services and products to reach their consumers at the right time in the right place. For it the classic vertically integrated multidivisional organization marketing, so successful in the 20th century is unlikely to survive in some part of the market in such an environment.

Using an efficient channel adapted with a good strategy communication is one of the ways to be competitive in the market. The evidence indicates it will be replaced by a new form of networks organization where the communication network will be the essences of the matter of communication. Increasingly, marketing is moving away from a focus on individual transactions and toward a focus on building value-laden relationships ruled by the communication network to consumers.

Communication network is a set of devices connected by communication. By a network, we mean the channels through which messages pass from one person to another. Communication networks facilitating the exchange of information within the organization, and ensuring the flow of information between the organization and the external environment in which it exists.

Choice of communication network depends on: the nature of the group's tasks, the extent to which group members need to communicate with each other to achieve group goals.

The small group of network marketing is considered important because of the rise of capitalism and it's one of the markets tools to promote goods and services. So it's interesting to know more about a small group communication in network marketing. We are attracted to study the Freedom Faith net Global case: first of all, because the network marketing become more popular here in Asia and it's amongst the top five (05) of successful network marketing in Asia. Also, it's the first successful network marketing who made a good positioning in the niche market of Africa, like Cameroon, Senegal, Ivory Cost, and New Guine Bisao, who only take 3 years to conquer those market if others networks who try to penetrate the African market take 2 years to rise and fall. Also what make this organization important to study is the fact that happen inside it, where one year ago it had a change of company partner who work with the organization.

During more than 10 years Freedom Faithnet Global was working with a Chinese company known as "Winalight", and as network marketing organization their work is to promote the company's allies product. But by some management conflict, they made end on their contract with that company and recently work for a new one called "JM Ocean Avenue". For that change happen in the organization, communication have to be reoriented, new product have to be assimilate, and strategy have to be organize to fits one the successful of the new company they supporting. So as essence of network marketing the member make it worthy via sharing using medium who fits with their needs on communication. So for those reason why we made this study about network marketing, especially the small group communication inside a network communication like FFG to determinate how communication are process between the members like the up-line and down-line to make.

FFG network in Surabaya is composed by some sub-groups and each group is lead by a leader known as mentor due to their job of mentoring their down-line, so here the mentor is the up line high level leading the down line. The member who formed these groups has a different back ground and different level of education but as a definition of support system: "Support system is a system of standard work, so whoever the person is, from any background, they will still be able to integrate to the business, as long as they want to follow and work within the system (Dwyer, Schurr, and Oh 1987; Peterson 1995)[1]." The essential way to reach the goal in a kind of system here is just to follow the lead of those successful persons to have a clue of successful skills. Historically FFG was founded on 1995, as a support system to promote the product of the company Winalite until September 2014. Who was specialized on the product made with nanotechnology, after that they swift to support another organization known as JM Ocean Avenue.

Therefore, communication inside the multilevel marketing is important to understand because there we will see how the up line motivate their down-line and the way how they will maintain the development of the network marketing organization in that organization change. How communication functions in terms of task, process, or relational/group maintenance that's one of an interesting point leading us to study this case. Every organization has their system, plan, and their own way of communication to make it working.

Also, examining communication networks is the new line structural approach to understanding communication among individuals in the group. Most people are familiar with networks in terms of highways, telephone lines, and water pipes, but interpersonal communication networks in groups are composed of more abstract communicative style and are sometimes more difficult and complex to understand. Communication networks are characterized by the exchange of information between humans. By observing who talks to

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[1]New Directions in Group Communication by lawrencer R. Frey

whom and what information is connected to which people, we can infer a communication network.

Alba (1982) notes that group networks are composed of patterns of contact and communication among people who interact more with each other than with members of larger networks[2]. Alba's affirm that the interaction individual in a small group as like as exchange of information is more frequent than a large group network; also small group communication is appropriate field to study a network communication strategy, because of the size and the circulation determinate of the information.

Groups are very often defined according to what networks emerge. Here small group is a few people engaged in communication interaction over time, in both face to face and/or computer-mediated environments, which have common goals, norms and have developed a communication pattern for meeting their goals in an interdependent manner.[3]So by the way how we interpret this theory of small group; here who focus on a communication interaction where individual inside it gives meaning on the communication and message they share for a purpose of reaching a goal. A small group is one of ways to study communication interaction; how the flow of information between individual who interact give meaning to the communication interactions, also small group communication can be easily monitored.

Monge and Eisenberg (1987) have described three major approaches to networks: the relational, positional, and cultural approaches. As we have concerning one of a definition of network from the web "free dictionary", it defined a network as "something resembling an openwork fabric or structure in form or concept …"[4] If we refer to the concept and structure of a communication interaction, we can pursue that communication interaction is an element who formed the network despite of function and symbol in an communication interaction, the

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[2]Small group decision making; communication and the group process by B. Audrey Fisher and Donald G. Ellis. Third edition
[3] communication in small group, theory, process, skills by john F. cragan sixth edition
[4] www.thefreedictionary.com/network

concept of an network vehicle communication to reach a communication goal. So hear our primary concern, is with the relational approaches who will conduct us on interaction between the individual.

Group networks are relational in that they focus on the direct communicative connections between members of a network; the emphasis is on describing the network and identifying who is in what role. Describing the network like in our study, where we have a network that uses a promotional communication using a channel and support electronics, also the mouth of word by using symbols. And identifying our case study where we can analyze those who talk and classify the stakeholder in a small group.

When a member of a small group interact sharing information between individual, style of communication can be describe when we do the observation of it: because communication network style has a different orientation in a group, that's depend on the organization of the group or on the goal of the group. So on it we have the circle network flow, where the communication process on the circle, chain network flow where the flow of communication between individual is discontinued, also the "Y" network flow where the shape of the communication style formed a "Y" as the wheel who have the same concept as forming a wheel, the last style is the all channels; where the communication flow makes a zigzag style like the flow of information can circulate everywhere.

Not all small group communication can be adapted on our case study, because of the different form and function group; we must be careful on the choice of group who will fits on the network communication. Discussion groups are an example of a different and difficult to study on terms of network communication, because it has a limited established network. There may be some members who are designated leaders, for example, but over time the process of communicating significantly alters networks and allows the group's members to perform a variety of functions and occupy many roles. So even though networks are usually

thought of as stable relationships, they change over time because relationship and people change.

Nevertheless, as the process of group interaction continues, members use some linkages very frequently and others quite sparingly; thus, a network emerges during group interaction, and this network reflects the developing social structure of the group. There are some interesting concepts that apply to group networks. They are relatively easy to understand and to measure, so they can be very useful for beginning group analyses. The most common network measurements are size, reachability, destiny, and centrality (Tichy, 1981)[5].Network size simply refers to the number of people to which a person is linked. It is possible to establish the size of the network as a whole.

Using various points of comparison, studies comparing communication networks have revealed many differences between the types of networks. In terms of speed and efficiency, for example, centralized networks (such as the wheel and the chain) are found to be superior to decentralized networks (such as the circle, the least centralized). But this finding is tempered by a further comparison in terms of problem-solving accuracy: centralized networks solve simple problems most accurately, but decentralized networks are more accurate in solving complex problems.

In terms of group efficiency, the members of decentralized networks experience greater satisfaction with their group experiences than do members of groups employing a centralized network. In short, whereas centralized networks are considered superior in terms of accomplishing task (at least simple ones), decentralized networks foster more cohesive groups and appear to have an advantage in performing more complex tasks. The networks marketing who's the subject of our study here focus on the exchange and sharing information. It fits with the decentralized network, because in the small group of network

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[5]Small group decision making; communication and the group process by B. Audrey Fisher and Donald G. Ellis. Third edition

who's the subject of our study; the stakeholder doesn't depend on the organization or on a hierarchy, the individual inside the group are independent on the way how the will reorient their communication strategy to reach their goal.

By the relation of network marketing and small group, it could however be discussed what small group is; "two or more persons who are interacting with one another in such a manner that each person influences and is influenced by each other person" (Shaw, 1981, p.8)"[6]. A group is a social constructed concept, not a reified entity that is assumed to exist in some objective sense. As a socially constructed concept, a group is not a container with a fixed location, static boundaries/borders, or an existence apart from the environments within which it is embedded but, instead, is characterized by permeable boundaries, shifting borders, and interdependence with its contexts. Our small group communication network is more adapted on this concept, because as network marketing our group has their network around the world forming a subgroup of network. The social construction of a group occurs via groupthink activities; these activities are the primary means by which group members interact to create a shared reality that binds them together into a group.

In addition, this research will be focalized on one of network marketing organization working in Asia, known as Freedom Faith Net Global (FFG) a network marketing organization localize in Indonesia Jawa Timur specifically the subgroup in the city of Surabaya.

One of the choices to study this case is also to make clear and help others in their future research about small group inside a network marketing organization. As we know, the network marketing known as multi-level marketing is labeled and also conceptualized as a worst disappointed business; so some people think negatively when we proposed them to integrate or invest in network marketing. So this study will make clear how multi-level

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[6]Communicating in group and teams sharing leadership by Gay Lumsden and Donald Lumsden

marketing depend on the masters of the strategy communication between up line and the down line who affect the dynamism of the individual inside the group as like as an another organization and another business.

Therefore, some researches was done about network marketing, but focalize especially on the study of the external communication; like the analyze of the way how to communicate to the potential member, clients; also research on the networks of small groups is fast emerging as an area of study (Lazer& Katz, 2003b). Tensions in groups have been studied in terms of conflict (task, process, and relationship; Jehn, 1995, 1997), minority influence (Moscovici, 1985), decision making and group polarization (e.g., Brauer& Judd, 1996), and conformity and deviance (e.g., Packer, 2008)[7].

The intended audience is small group researchers who are curious about how network ideas and methods can enhance their understanding of small group phenomena. Indeed, in recent years, a number of small group scholars have called for more theory and research that attends to the group's external environment (e.g., Stohl & Putnam, 2003) and how a group manages its relationship with strategic outsiders (Ancona & Caldwell, 1992). Network theory offers a structured way of conceptualizing and measuring external ties and their impact. Ties may spring from individual group members or from the group as a whole. Ties may connect groups or members to external individuals, groups, or resources.

Network marketing firms offer a very interesting arena for investigating how people make sense of one another, despite their incompatible ideologies and under such conditions; what strategies they employ to present themselves. Network marketing firms are institutions which intermingle the meanings of close personal relationships and practical business relationships; these relationships are very different, and even contradictory, in many aspects.

[7] Journal of Network theory and small group Nancy Katz; Harvard University David Lazer; Harvard University Holly Arrow; University of Oregon Noshir Contractor; University of Illinois at Urbana-Champaign

So here the problematic is formulated as; is it the communication between up-line and down-line in a small group of network marketing organization is effective to maintain business relationship in spite of the divergence of the stake holder who formed the small group?

This research is very clear and the limitations in the amount of data that will be used. Freedom Faith net Global (FFG) has a large network around the world like those in Indonesia, Singapore, Malaysia, Australia, Thailand, Vietnam, HongKong, USA, some part of Africa, etc. More a network is wider more it's benefic for the firm and more it's become complex (Dwyer, Schurr, and Oh 1987; Peterson 1995). So only a data from Indonesia, especially from one of a FFG subgroup in Surabaya lead by Mr. Sudjianto will be the sample of the population we will study.

So the population can't be totally representative because of the different of location, individual and society where the stakeholder integrate on the network marketing willn't have the same reaction with different style of communication. This subgroup was chosen because of a large down-line it represents comparing to others sub-group operate in the organization, also it's the most prosperous in the FFG Surabaya. Therefore, it will be very interesting to understand the scenario between the up-line and down-line in this subgroup.

1.2. Research question

For fulfilling this research the interesting questions is:

1. Is the communication use by up-line as mentor influenced the down-line performance in a small group of network marketing?

2. How the mentor process with the diversity inside the small group network communication to make the group more effective?

1.3. Research objectives

For finding the effective answer of these research questions, the research objectives can be resumed as follow:

1. To carry out research into the co-existence of communication between the up-line and down-line; examine what strategy the up-line apply to make dynamics their down-line, in spite of organizational change.

2. To carry out the types of communication used to break the communication barriers create by differences of back ground.

1.4. Research contribution

It's already argued previously in this chapter that it would be very interesting to analyze the communication influences made by the mentor to increase effectively the out-put of their down-line in a group dynamic of an organization network marketing. Especially when it concerned about organization change: where the life cycle is on the stage of decline to another organization on the stage of introduction.

The contributions of this study are:

1. To fill the gaps in the communication network strategy between the up-line and down-line in different contexts.

2. To make a contribution both to the theory regarding strategy communication network between up-line and down-line as well as giving some insight for those who want to be involve in network marketing. Also how the importance of communication between the up-line and the down-line influence the development of the network in spite of different individual in a group.