Control and Coordination of MNC:

a Comparative Study of Two Direct Selling Companies

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Abstract

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Title
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Research Problem
How direct selling companies control and coordinate their HQs-subsidiary-distributor’s relationship?

Purpose
To describe the concept of control & coordination mechanisms among HQs-subsidiary-distributor of MNC in direct selling business.

Method
Qualitative studies with two company case studies which are selected from direct selling business are implemented in this research. Data are collected from primary sources through semi-structure interview while secondary sources via company’s web sites, annual reports, news, and academic researches. Most collected data are related to control and coordination mechanisms within MNC and especially emphasize on distributor’s aspects.

Conclusion
To control and coordinate HQs-subsidiary-distributor’s relation in a direct selling business, companies need to implement not only the vertical control over their people but also the lateral way and as well as the price control mechanisms. All these three main mechanisms need to be blended together as the appropriate combination of them will help assist companies to achieve their goals successfully.

Keywords
Control & Coordination, direct selling company
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Vasteras, Sweden

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Wasa Suwanwong & Awika Teeraputranan
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List of Abbreviations
HQs             Headquarters
MNC             multi-national Company
Subs            Subsidiaries
1. Introduction

This section will present the overall introduction of the thesis. It comprises of the thesis background, research problem, purpose, target group, delimitation, definition and end with the disposition.

1.1 Research background

One of the most interesting industries in this era is direct selling industry as they have experienced a prominent international growth since 1990 (Nat & Keep, 2002). The sale volume has been increasing for a decade. Referring to a statistic data from Thai Direct Selling Association (TDSA, n.d.), the world revenue in direct selling industry is $74.9 billion in the year 1995 and has been rising up to $114 billion in the year 2007. Especially in Thailand market, the revenue has been accelerating from $50 million in the year 1997 till $1.3 billion in the year 2007 (TDSA, n.d.)

There are several reasons why growth rate in this market is high even in the world economic crisis. To begin with, many people focusing on baby boomers are reaching retirement and they are forced to find an extra income due to the recession period. To start a direct selling business is not required high investment while, return on that investment is very high. Moreover, it offers financial stabilities and prosperities better than being under employed by some companies as they may fire some employees out when facing serious financial situation (Reed, 2008). Besides, in the 21st century, internet has play an important role in the direct selling industry too as it provides independent sale representatives a world class customers, fast and convenience communications for customers. Last but not least, direct selling has been endorsed by authoritative figures namely Donald Trump, Robert Kiyosaki, and Warren Buffet who get involved in this industry (Crider, 2010). In sum, direct selling gives people opportunities who had encountered with hindrances of age, education, and sex to success in both personal and working life (TDSA, n.d.).

Concerning the topic of direct selling, the definition of direct selling has been widely mentioned by many scholars but it has been misunderstood with the direct marketing by several people. The definition of direct selling is the sale of consumer products or services (person-to-person) that does not depend on a permanent retail location and it is marketed through an independent sale representative whom referred as a distributor, consultant or other names (Madhavan, 2009). He/she is not employees of a firm but can get return in form of commission on sales (Madhavan, 2009). On the other hand, direct selling is different from direct marketing in that the operation of direct selling does not include telemarketing, mailed catalogues, infomercials, and direct response advertising (Peterson & Wotruba, 1996).

Additionally, with the emergence of globalization, international business has become important and inevitable. Several firms have engaged in global interaction and turn into Multi-
national Corporation. Because of the market imperfection, firms extend their managing across borders so as to exploit competitive advantage in foreign countries (Dunning, 2001) which is the early reason why MNC exited. Then, when the time passed by the focus has been shifted to various aspects. The outstanding aspect would be the organizational structure of MNC as nowadays the environmental factors including “forces for global integration” and “forces for national differentiation” has play an crucial role in MNC (Ghoshal & Westney, 2005, p.3). Therefore, MNC that need to survive in this difficult environment have to adapt themselves to a changing circumstance and, somehow, it leads MNC to be much more complex organizations.

Most importantly, the relation between HQs-subsidiary-distributor would be an issue that most imperative but difficult to manage. Thus, organizing the relationship among them is a main challenge for MNC. However, even, it is a challenge to manage their relation, but it can be viewed as the opportunity for MNC. The reason is it paves the way for any organization that can exploit those opportunity to success in global competition beautifully.

Control and coordination mechanism is a tool for MNC to manage HQs- subsidiary-distributor’s relation. Regarding to Clemmons & Simon (2001), a control is a process that use the power or authority to acquire a goal or target. It is used to handle the integration of activities within MNC as well. Moreover, control is an important mechanism because it helps to abate uncertainty or risk, ensures that goal of MNC between HQs- subsidiary-distributor will be in the same direction and etc. Coordination, referring to Clemmons & Simon (2001), is a part of organization that may be the same or vary in different organizations.

1.2 Research Problem

Nowadays, most direct selling companies have entered into international market as the trend of globalization. Coordinating across borders would be one aspect that has become vital to direct selling companies, as their emerging subsidiaries located in various countries may require differ control and coordination. Moreover, the organization structure of direct selling companies is very interesting in an aspect of control & coordination. As most direct selling companies have a core value that all of their people, especially independent distributors, need to think like they run their own business. It means that all distributors need to have an insight understanding not only all kind of products/services but also management skills as well. Thus, it makes us wonder how and which methods that HQs uses to control & coordinate with their people both employees and distributors in each subsidiaries and still maintain the same core value of the MNC even with a different in place, time and culture.

Additionally, the direct selling companies are interesting in the way of compensation. Distributors of the company can gain the compensation from recruitment sale on individuals and can also gain the benefit from their own sale. Moreover, the article “What is Direct selling?-Definition, perspectives, and research agenda (Peterson & Wotruba, 1996), states about the
knowledge that international and comparative analysis of direct selling needs to be created because the direct selling research is actually influenced and carried out only in the United States. The research about other countries and markets needs to be investigated further. And the result in other countries can be interrelated large scope for knowledge database. The various researches from various countries can gather to be integrated and generalized to compare across countries and markets.

As for various countries and markets in direct selling, how they control & coordination their people to achieve the same goal is captured our attention to conduct a research in MNC control & coordination between HQs-subsidiary-distributor in order to get insight understanding in control and coordination of leading direct selling MNC.

1.2.1 Research question

How direct selling companies control and coordinate their HQs–Subsidiary–distributor’s relationship?

1.2.2 Keywords

Control & Coordination mechanisms, direct selling

1.3 Purpose

Based on the background and the problem above, the aim of this study is to describe and understand the concept of control & coordination between HQs-subsidiary-distributor of MNC in the business of direct selling.

1.4 Target group

This research provide knowledge and information to entrepreneurs, business owners, general readers and etc, who need to understand how leading direct selling companies control & coordinate between HQs-subsidiary-distributor's relation across borders and what is the similarities and differentiations of their organizational coordination. Furthermore, this research provides the strength characteristics of managing across borders among sample companies and the result of this research can be beneficial to other direct selling companies and other private firms to see as an example in operating their internal structure in the future.

1.5 Delimitations

We have limited our research only to be carried on the direct selling companies finalizing and manufacturing in the health, wellness, homecare, nutritional supplements and personal care. This implies that the other kinds of manufacturing and finalizing are not investigated. Moreover, the research is limited to conduct the control and coordination among HQs, subsidiaries, and distributors only. It cannot be used to generalize other relationship of direct
selling companies. Also, this research delimits because it is focused only the past and present time. It does not conclude the future actions taken by these researched companies.

1.6 Definitions

For the overall research, the following terms will be used throughout this research. The definitions of these terms are as follows:

**Control:** The definition that will be used in this paper is based on (Clemmons & Simon, 2001) “Control is seen as a process that brings about adherence to a goal or a target through the exercise of power or authority.”

**Coordination:** (Clemmons & Simon, 2001) “A mechanism of coordination can be used for achieving integration among difference unit within organization. Cray as cited in stated that “coordination as compared with control should be less direct” (Clemmons & Simon, 2001).

**Direct selling:** A sale of a consumer products and services through person-to-person in a location that is not a fixed retail store. Marketing through an independent sale representative who are sometimes called as distributors, advisors, etc. (Peterson & Wotrubu, 1996; Direct Selling, n.d.)

1.7 Disposition

This figure is draw in order to present the outline of this thesis. It illustrates in the way that each section will be a foundation for the next one. To begin with, the introduction part will point out the interesting curiosities of conducting the research, then, theoretical framework part will scope our scattered knowledge into the highlight point. Following by the methodology part that will specifically focus on how the data will be collected. Then, the empirical part will be drawn from that tool. Last but not least, analysis part emerges based on the findings. Finally, this research will end with the conclusion and recommendation that are originated from analyzing the empirical finding by applying the theoretical framework.

![Figure 1: Disposition of the thesis 1](image-url)
2. Literature Review

The literature review will be presented in this section by applying knowledge from early articles and literatures about control & coordination mechanisms of MNC. After that, the analyzing conceptual framework of this research will be illustrated.

This section is based on the main theme theory that involve in our research question. To begin with, we would like to elaborate the control and coordination mechanisms in order to understand HQs-subsidiary-distributor’s relationship.

2.1 Vertical coordination

To achieve in HQs-subsidiary-distributor’s relation, the vertical coordination can be used as control mechanisms. With this style of coordination, role of management is very crucial (Ghoshal & Westney, 2005), as the higher levels need to control and coordinate tasks of their subordinates (Bolman & Deal, 2008). Concerning about the control of subsidiaries’ view, HQs normally takes control over their subsidiaries in almost all managerial tasks through implementing hierarchical and rules-oriented structure (Ghoshal & Westney, 2005; Bolman & Deal, 2008). Furthermore, this research has mainly based on the work of Bolman & Deal, Hennart and Ouchi in which the top managers exercise power through authority, rules & policies, and planning & control system (Hennart, 2005; Ouchi, 1980).

2.1.1 Authority

There are various ways to coordinate individuals, units, or group within MNC. Bolman & Deal (2008) asset that the most basic method of control and coordination is to give formal authorities to a designated person. They add that the authorities are responsible for keeping an action to be aligned with company’s goals or objectives. Those responsibilities can be achieved by making decisions, solving conflicts, correcting mistakes, evaluating performance, rewarding benefits or distributing punishments. The chain of command of that obligation is based on hierarchy or bureaucracy. However, in order to understand the line of authorities between HQs–subsidiary-distributor in international market, it would be better to get an insight about organizational structure of MNC first. The concept of Sölvell and Zander (1995) can be used to explain the organizational forms in which implying the chain of authority as well as the structure of each MNC will indicate how the power will be used in each situation. Moreover, their idea of distinguishing organizational structures is related to the earlier work of Perlmutter’s study (as cited in Hedlund, 1986) that assesses the structure of organizations as ethnocentrism, polycentrism and geocentrism likewise.

The first type of organizational form is home-based MNC that represents a limited geographical area of HQs. It refers that core functions of a firm will be executed from a center of a firm
where the “brain of the firm is placed” and it also allies with ethnocentric perspective (Hedlund, 1986). The core functions consist of strategic decision making, research & development, and engineering while peripheral activities including local adaptations, sales, and services will be performed by subsidiaries. Besides, the matters of learning, experimenting, and innovating are emphasized in the center or HQs whereas the important of subsidiaries are highlight on international efficiency and exploitation. (Sölvell & Zander, 1995). This form of MNC implies that almost all authorities are laid in HQs.

Moreover, in home base model, the company can act as an insider to connect with other firms such as customers and suppliers. In addition, a company has a connection with local research or educational facilities. This company can gain the rapid information to develop in each local market. Learning activities and experimentation are important for home base model because the local manufacturing can help the company to get the competitive advantage by enhancing a economies of scale. It also reduces the cost in component of product in global network. Moreover, selective tapping is used in home-based model to upgrade core technology in home-base, but the company chooses selectively tapping for international in each market to gain the knowledge for advanced buyer. The information of the market is transferred back to the home base. And the research & development foreign departments can also selectively tap with leading universities to gain more competitive advantage. (Sölvell & Zander, 1995)

The extended version of home-base model is called multi home-based MNC (Sölvell & Zander, 1995). As this model is related to polycentric perspective, it focuses on various centers in different home base (Hedlund, 1986). Multi home-based has many centers and each of them is able to execute core activities within its own business’s field (Sölvell & Zander, 1995). Each center possesses more authorities and responsibilities for their markets and resources. The multi home-based can gain strategic alliance and foreign acquisition from long term investment abroad. There is separating base for individual line of business in home country and abroad .This is the way for company to get direct access for advanced customers, specialized labor pool, and competent competition with rival companies. The crucial role for the function is to coordinate all business units.

2.1.2 Rule & Policy

This formal control and coordination comprise of rules, policies, standards, standard operating procedures and other kinds of company’s standards that are available in form of written documents and those are used as organizational instructions for setting standard behaviors (Martinez & Jarillo, 1991). Rules and policies will ensure ways of finishing tasks, managing personal issues, handling external actor environment namely, customers, suppliers, and etc. By following those rules and policies, similar situations that happen in organization will be treated in the comparable ways that will abate “particularism” (Bolman & Deal, 2008).
It implies that in the same situation persons will be handled similarly, regardless the social position, wealth, or etc. (Bolman & Deal, 2008) Interestingly, a procedural justice approach mentioned by Lin & Hsieh (2010) is considered important as well. As rules and policies launching from HQs need to be judged fairly by subsidiaries. The fairness judgment brings about a good behavior, voluntary cooperation and compliant action that will pave the way to a valuable contribution of subsidiaries, thus, finally lead to effective control and coordination.

In addition, differentiated fit is another approach that is used to control and coordinate HQ-subsidiary-distributor’s relation. It applies an appropriate formal structure of controlling relation from HQs to fit with each subsidiary’s environment. Indeed, differentiated fit focuses on the combination of a controlling form by playing an attention to a complexity of local environment and local resources possessed by each subsidiary. The environmental complexity emphasizes on a local competition that firm encounters in their market and a technological dynamic which is concerning about the product and process innovations. The structure of differentiation consists of centralization, which HQs exercises hierarchical control over subsidiaries, and formalization. Also, company’s policies and system may vary based on national organization. Thus, the more local complexity is, the higher autonomy of subsidiary is. While the more resources possessed by subsidiaries are, the lower level of centralization are, but they still have higher degree of formalization from HQs in which formalization implies to standing orders, manuals, job descriptions, procedures, etc. It implies that the hierarchical system is still embedded in this approach; even it was concerned about the uniqueness of subsidiaries within MNC. (Nohria & Ghoshal, 1994)

2.1.3 Planning & Control System

Regarding to Martinez & Jarillo (1989), planning can be refer to systems and processes such as strategic planning, marketing planning, budgeting, scheduling time frame, and goal setting that target for directing and advising the action of each unit in MNC. Performance control and behavior control helps the company to solve an agency problem (Eisenhardt, 1989) because each of them can fit with specific situation to be conducted in the organization. To begin with, performance control according to Hennart’s idea is considered as following the planning system as individuals or employees will be informed about their opportunities for working in advance. The benefit will be rewarded regarding to the output in which the commission or bonus will be notified earlier. Performance control and price control can be called as output control that relies on the evaluation of records, files and performance reports (Martinez & Jarillo, 1989). Moreover, the performance control requires actual results regardless the methods and processes that are used to reach those results. This control works best when the objective is clear and measurable as it can be seen as powerful incentives to motivate higher performance. However under the ambiguous and incalculable circumstances, performance control is become less effective equipment to reach company’s goals (Bolman & Deal, 2008).
Moreover, the performance control helps companies to solve an agency problem because it will minimize shirking cost and reward upon performance, then, the conflict of interests between owners and employees will be abated (Eisenhardt, 1989). Some aspects of price system from Hennart (2005) and Ouchi (as cited in Hennart, 2005) mention that the role of price is used to measuring individual’s performance as well as HQs and subsidiaries’ relation too.

On the contrary, behavior control pinpoints on personal behavior instead of performance evaluation. Ouchi (as cited in Hennart, 2005) and Martinez & Jarillo (1989) have agreed that hierarchy involve with behavior control. Hierarchy control will channel the subsidiaries’ work with the centralization way of command. HQs always make an order of what and how to do toward their subsidiaries. The hierarchical control provide an easy monitoring to HQs and harnessing all unites within MNC to having the same goal. Furthermore, Ouchi (1980) adds that hierarchical control is centralized information which the use of behavior constraint. It does not give the reward to individuals for their outcome in the market price, but for them to follow the managerial direction. Individuals gain fixed amount for the managerial order. However, boss is the only person who is responsible to make decision, then, the spending time for communication may take a long time to make a progress. Also, individual have low motivation to inform boss to maximize the profit of organizations. Because the reward doesn’t come from the performance, individuals are likely to shirk or avoid working in which shirking cost can happen from the cost of monitoring behaviors. Also, the geographical distance will increase the shirking cost of using hierarchical control. Even there are some drawbacks of implementing hierarchical control, it is wildly used in many organizations especially in the situation that a manager knows their subordinate’s tasks very well and the cost of cheating is more that the cost of shirking. (Hennart, 2005). Thus, it is simply said that behavior control will be used for programming tasks but performance control implements for ownership tasks. For example, a clerk will be paid through hourly or monthly wages while a stock owner/entrepreneur will be paid by performance-based (Eisenhardt, 1989).

However, Hennart (2005) proposes that to avoid the drawback of performance control, behavior control is presented as it can complete the error of performance control; on the contrary performance control can correct the flaws in behavior control as well. Both of them are proclivity to be in different department in organizing cost of transaction. Performance control can motivate individuals about the opportunities of cooperation and incentive to maximize output, but individuals can cheat for the process of the output. The hierarchy can resolve this problem by the control of behavior. As it is difficult to measure outcome, the hierarchy is more attractive methods. Moreover in performance control, information conveys to all the individuals for their needs and desires, individuals may not have all the knowledge for information. Then, centralized system can complete this error by providing the compact information for efficiency.
2.2 Lateral Coordination

To survive in sophisticated and complicated international market, firms need to search for alternative ways to control and coordinate the relationship among HQ-subsidiary-distributor’s relation (Ghoshal & Westney, 2005). Since the formal one would be suitable only with the stable and simple organization (Bolman & Deal, 2008). Therefore, mechanisms with more subtle and informal structure are introduced to cope with ever changing MNC (Martinez & Jarillo, 1991). There are three subtle mechanisms that will be presented in this research including meeting, coordinating roles, and socialization (Bolman & Deal, 2008; Martinez & Jarillo, 1989; Ouchi, 1980).

2.2.1 Meeting

Regarding to Bolman & Deal (2008), meeting can be classified as formal and informal exchange of knowledge and information. They claim that normal firms have usually had a formal meeting for making policies, setting strategic planning or launching new campaign, which mostly aims to handle stable or simple issues. On the contrary, an informal meeting target to manage sluggish matters and build up things together in fast and turbulent circumstances (Bolman & Deal, 2008). It implies that the constantly informal contacts and meeting lead to an increase in the work performance in an uncertainty situation. Moreover, it can be stated that “hologram” which is one characteristic of heterarchy can get along with this mechanism (Hedlund, 1986). As under the hologram all information and knowledge will be spread throughout the MNC by arranging corporate conferences, employee’s rotation, and management trips, with those activities knowledge and information will be passed from one person to others continuously (Hedlund, 1986). Then, it will increase quality of meeting to be more effective.

Bolman & Deal (2008) emphasize that since there has been a highly diffusion of information technology in the year 1980, the growth of computer has connected everything to global network. These communication devices create the network structures within and between MNC. Besides, Martinez & Jarillo (1989) also add that an informal communication device build up the creation of a network between personal contacts among managers. It can be seen that the problem of creating personal contacts with other persons in a distant area will be mitigated by the emergence of the advance communication devices like the internet, video conference, and etc.

2.2.2 Coordinating roles

This mechanism enhances managers from diverse departments to coordinate with other departments both within and across country in order to solve problems, share ideas, or initiate new things. It is implemented through direct contact among managers, integrated department,
temporary & permanent teams. (Martinez & Jarillo, 1989). Besides, it focuses on helping individuals or group to link their efforts with others in MNC through persuasion and negotiation (Bolman & Deal, 2008). Nohria & Ghoshal (1994) believe that informal communication aims more at coordinating and sharing of knowledge and information than at controlling. Thus, informal communication is introduced wildly so as to reduce conflicts and increase performance within firms. Particularly face-to-face communication is most popular and effective tools for coordination. (Bolman & Deal, 2008)

2.2.3 Socialization

Ouchi (as cited in Hennart, 2005) claims that apart from implementing the hierarchical control and price system, socialization is another mechanism for control and coordination in MNC. Socialization can be seen as indirect control rather than hierarchical one that has an impact on individuals’ action. Besides, socialization can be viewed by various scholars. To begin with, Nohria and Ghoshal (1994) views socialization as the control mechanism called shared values. Share value can be classified as the normative-cultural control that actions will be constrained by the common value built by organizational members of that community. The mechanisms to build these common values are selection, training, open communication, rotation of managers, and socialization among HQs, subsidiaries, and distributors. Moreover, in the case of absence control from HQs, subsidiaries that hold in share value are able to pursue their MNC's goal incessantly. Thus, share value can reduce the divergence of interest and conflicts in organization while it will increase trust and give the harmony in the organization.

Next, Ouchi (1980) views socialization in a perspective of clan theory that will be used to solve the problem of agency theory and can be supplementary in hierarchical and price control. Clan needs common value in individuals such as labor union, occupation group, and a corporate. It works best when there is a low incongruence and high performance ambiguity. Thus, if any company had implemented hierarchical control and encountered problems with evaluating performance, clan theory can help reduce that problem. Clan system does not mediate through a contract and monitoring but it comes from the values that individual's interests are agreed to be the same. Clan is different from bureaucracies because it does not need a clearly expressed evaluation. It can be transfer among employees but it cannot be an explicit measurement. The monitoring is unimportant in clan system.

Moreover, in recent year Ouchi (as cited in Hennart, 2005) adds that socialization can be called as cultural control that individuals do not have to be controlled but only need to be involved with the philosophies, values, goals of the organization. It can reduce the cost of the corporation as individuals do not have to be informed how to act, and they do not have to be observed and monitored as well. Even though, the socialization is flexible for individuals, the corporation still needs to prepare for the social interaction, training, and communication. The
organization should have some resource managements to spread out the information. Therefore, Hedlund (as cited in Ghoshal & Westeny, 2005) mentions about the management in heterarchical organization. First, the organization should have the nervous system, so the information can be flexible and multidimensional in the system. Then, the information is circulative rather than indicating. Second, HQs comprises of many people with long experiences, and have the hologram quality, so the information can be transferred throughout the organization. Then, everyone can work to support and replace one another. The core center can provide the information and memory to get the global exploitation. Third, the organization should enhance people in the organization to develop capacities for strategic thinking and action. The open communication in the organization must be established. The strategic plans and opportunities for development of top level could be set up in every part in the organization. Then, the reward should be given for a global rather than local profit. Finally, the organization should develop the corporate culture. Regarding to Solvell and Zander (1995), corporate culture is important for the integration of organization to transfer the knowledge and information throughout the organization.

2.3 Price control

Price control is one of the mechanisms uses to manage economic activities that arise from transaction cost and agency problem (Hennart, 2005). The agency problem arises from the goal incongruence between principals and agents since, agents have different goals. Then, they may pursue their own interests which differ from the interests of principals and it finally leads to conflict in goal of the whole MNC. Moreover, it is very difficult for the principals to monitor behaviors of agent appropriately as a result of information asymmetry which is a situation when agents have more information than principals. This advantage of agents derives from knowledge specialization, managerial discretion, and a complexity in local environment and strategies. In order to solve these economic activities, price control, hierarchy, and socialization have been introduced (Hennart, 2005; Ouchi, 1980). Anyway, hierarchy and socialization have been mentioned above so that price control will be discussed more in this section.

Price control is to reward agents upon its action as each has to collect information, make decision by themselves, then reward will be given at a market price so that the conflict among principals and agents can be reduced as the agent is proclivity to follow the principal's interest to maximize the benefit for himself (Hennart, 2005; Eisenhardt, 1989). Price control can be mentioned differently regarding to each scholar such as out-come based contract by Eisenhardt (1989) and market exchange by Ouchi (1980), even price control are named diversely, the main concept still emphasize on the outcome of each agent/individual. Ouchi (1980) adds that price control work best when the goal incongruence is increasing while the performance is decreasing. Price control is suitable for the easily-measured performance. It
gives the power for agents to harness their own direction. Also, principals do not have to control or monitor their agents. The output reward can save cost from top level management as agents can continue working without managers and accountants hiring (Hennart, 2005; Ouchi, 1980). However, price control is somehow difficult to implement as it is not easy to evaluate or measure individual performance, to reach congruence goals in organization, and to avoid the cheating cost (Hennart, 2005; Ouchi, 1980). Hennart (2005) adds that rewarding based on individual performance can be cheated, thus price control will be used till the cost of cheating more than the cost of shirking.
3. Conceptual Framework

In this section, all the theories that we have applied will be presented. The mechanism of control & coordination will be presented. Additionally, the concept of control & coordination also will be developed to explain the relation of HQs-Subsidiary-Distributor.

Regarding to the purpose of this thesis is to understand the concept of control & coordination between HQs-subsidiary-distributor’s relations of MNC in direct selling business. The basic foundations of control and coordination of MNC are defined to develop into a conceptual framework. This concept will scope our scattered knowledge into the highlight theme of MNC coordination.

Based on figure 2 below, the study focuses on three different aspects of control and coordination. First perspective emphases on vertical coordination which is consist of authority, rule & policy, and planning & control system. Second perspective of lateral coordination pins point on meeting, coordinating rules, and socialization and the last one is price control (Bolman & Deal, 2008; Hennart, 2005; Ouchi, 1980). Moreover, the ideal and concept of control and coordination from other scholars will be used in this study as well namely characteristic of home base and heterarchy, differentiated fit, share value, and etc.

Since direct selling business has a complex organization that enable both liberating and controlling toward their people (GroB & Jung, 2008). Thus understanding only relation between HQs and subsidiary is not enough so that this research has extended knowledge to cover control & coordination of distributors within subsidiary as well. Therefore, the three mechanisms of control and coordination also apply in distributor level.

Nevertheless, in some situations, “...vertical coordination might be efficient but not effective while lateral coordination is more effective but costlier” (Bolman & Deal, 2008). And the pure use of price control might result in an agency problem. Therefore, the optimal blend of control and coordination mechanism is depended on how MNC design a form of control and coordination that work for each circumstance in particular time.

Thus, these blend mechanism will be used to elaborate on how direct selling companies control and coordinate with their subsidiaries and distributors across border.
Figure 2: Conceptual Framework
Source: Own model
4. Research method

This section focuses on the method that will define field of the study. The implemented method will be illustrated here. The qualitative case studies will be analyzed with semi-structure interviews as a primary data while most secondary data will be collected from company’s annual report so as to answer the research question.

4.1 Research Strategy

There are two main methods to use in conducting an academic research; qualitative and quantitative methods. Qualitative method is subjective approach that focuses on examining and reflecting on the perceptions so as to gain an insight in social and human activities while, quantitative method is an objective approach that emphasize on collecting and analyzing numerical and statistical data (Hussey & Hussey, 1997). As there are two ways of conducting a research, the choice of choosing is depend on the field of research’s study.

It is simply stated that qualitative method is much more flexible using non-numerical data while quantitative method is concrete and formal using statistical or numerical data (Saunders, Lewis, & Thronhill, 2007). However, this research applied the qualitative method because the research aims to study from many variables that are hard to explain in a qualitative way. We believe that quantitative approach would be able to clarify and resolve the research problem effectively as the qualitative method is dependable (Ghauri & Grohaug, 2002). Also, the qualitative method equips the approach to link with one variable which is connected to the others to get broader and deeper understanding. (Fisher, 2007)

4.2 Research design

Research design is a mean to connect the information deriving from research problem, analysis, and conclusion (Yin, 1989). It can be classified into five ways including experimental design, cross-sectional design, longitudinal design, case analysis design, and comparative design (Bryman & Bell, 2003).

Experimental design aims to find relationship between manipulating and control variables with making a comparison before, after, or both. Cross-sectional design is to study a causal relationship at a particular point in time. Longitudinal design is concentrate on specific change in contexts such as study many times with different situations to find out the influences of manipulating variables within a period of time. Case analysis design is used to study in a particular subject with deeper involvement in order to solve and understand problems more clearly. Last, comparative design is a comparative study between two or more case studies. (Bryman & Bell, 2003; Fisher, 2007)

However, in this research we have implemented case analysis design because it provides an in-depth understanding of a specific situation (Fisher, 2007). Besides, case studies give a “holistic
account” of the research’s subject. Moreover, the inter-relationship among all factors, namely people, groups, policies and technology are highlighted (Yin, 1994 as cited in Fisher, 2007).

4.2.1 Choice of companies

In this research, our case study has been chosen based on two main factors. First, the company must be MNC operated in direct selling industry. Second, the company needs to have subsidiary in Thailand and registered in Thai Direct Selling Association (TDSA) because (Peterson & Wotruba, 1996) suggest direct selling research from other countries needs to be conducted rather than in the United States only. Therefore, there is diversity of research to compare across the market.

Having searching for the company, we found that even though there many direct selling manufacturer nowadays, only 29 companies, out of those 200 companies (About DSA, n.d.), have been registered in TDSA (TDSA, n.d.). 28 companies produce consumer goods (ibid, n.d.). Then, 5 companies are randomly chosen and have been contacted via e-mail. Finally, only 2 companies were willing to participate; Nu Skin and Amway.

4.3 Data Collection

4.3.1 Primary data

Primary data defines as the information that has been collected for a particular purpose directly from primary sources. The point is that the data is unique until it will be published, no one can access to this data. There are many methods for collecting primary data namely questionnaires, interviews, focus group interviews, observation, and so on. Questionnaire is popular but difficult to use including closed and open questions. Next, interview is used to gain an insight understanding of something including personal interviews (structured, semi-structured, and in-depth interviews), telephone interview, and email interview. Then, Focus group is conducted by a moderator with a small group of respondents. Last, observation is to record behavior patterns of people, events, and objects. (Primary & Secondary Data Collection Methods, n.d.)

Semi-structured interviews are chosen as the main method for conducting this research. The pattern of this interview allows the interviewers to still focus on their main topics and at the same time, it also lets the respondents to answer the question freely (Fisher, 2007). The interviewers have some issues to ask the interviewee and the interviewee can answer about the experiences and incidents. This will allow the new question to emerge during the conversation. And the interviewer can choose the incident and persuade the interviewee to describe in full detail.
Regarding to our case studies (Nu Skin and Amway), interviewing with two managers of Nu Skin and Amway in Thailand supports the useful information to find out in a research question. Ms. A position as a sale manager in Amway for more than 10 years and before that she has been one of distributors in Thailand subsidiary and was labeled in high level of the country, while Ms. N positions general manager of Nu Skin for 12 years. Therefore, we believe that with long experiences of both interviewees the answer that we received from them can be trustable. The interviewing was held in April 17, 2010 for almost 2 hours through telephone with MP3 recorder and will be transcribed from Thai into English language.

E-mail interview also applied here. Even this method having limitations, for example, difficult to identify the respondent, limit the spontaneous questions, answers tend to be shorter, and etc. However, it is another way to provide a chance to get a feedback and it is not costly. By this research, we also email the questions to target interviewees. This can help us to gain the descriptive information more easily. Ros-Martin as cited in (Santamaria & Ni, 2008) says that an email interview is beneficial that the distance between an interviewer and interviewee would be discarded and the interviewee can have adjustable time to manage and answer the questions effectively.

4.3.2 Secondary data
Secondary data is data which has been collected by others for different purposes in which it can be in quantitative data or qualitative data. Secondary data includes paper-based sources (books, journals, periodicals, directories, research reports, annual reports, newspapers, magazines, and etc.), electronic sources (CD-ROMs, on-line databases, the Internet, videos, and broadcasts), official or government sources, unofficial or general business sources, European Union source, and international sources. However, using secondary data is required careful treat as Jacobsen as cited in (Jansson & Hasselgren, 2008) claims that secondary data is very informative and it is collected for different purposes. Thus, we have to carefully select the data, so it can be reliable and trustworthy. (Primary & Secondary Data Collection Methods, n.d.)

Therefore, this research has collected secondary data from academic journals, annual reports, electronic news, and the Internet.

4.4 Trustworthiness and Credibility
Guba as cited in (University of Johannesburg, n.d.) claims that implemented data does not degrade the relevance of qualitative research. To ensure that the research attains a trustworthiness and credibility, data needs to gain the following criteria. (Guba’s as cited in University of Johannesburg, n.d.)
1. Truth Value: it implies that data should be regard as credibility which can gain from using different data collections and resources to obtain information. This research has used various kinds of sources such as interview, annual report, and academic literatures, etc to gain diverge knowledge for making comparative finding. (Guba’s as cited in University of Johannesburg, n.d.). Moreover, this research also applies several methods for collecting data including in-depth, semi-structured, telephone, and email interview.

2. Applicability/Transferability: to ensure that others can apply the findings for their further researches or for their different research purposes. There are many ways to achieve this aspect such as implementing a nominated sample, time sampling, working contextually, and dense descriptions of the research method. (Guba's as cited in University of Johannesburg, n.d.). This research adopts dense description.

3. Consistency/Dependability: to ensure that the result of the study will be the same, in case of research renewal under the similar circumstance. Actions that will enhance consistency including maintaining a dependable audit, dense description of the research method, stepwise replication, and peer examination. (Guba's as cited in University of Johannesburg, n.d.). Our research adopts a dense description in which the data are coded and analyzed for a week before writing a comparison results.
5. Empirical Findings

This section, the findings will be presented including the background and other related information of two companies. All data has been collected through interviewing, web site, news and other sources. The two companies will be presented one by one starting from Amway and then Nu skin.

5.1 Amway Corporation

5.1.1 Company background

Amway has been established by Rich DeVos and Jay Van Andel in 1959. They started their company by launching a home care product first. Then after 50 years ago, Amway has more than 450 high quality products that are sold throughout the world. Amway is one of the largest companies in direct selling business in which they market their products through direct selling and muti-level marketing. (About Amway, n.d.)

Amway Thailand was found in May 4, 1997 and has become a member of Thai Direct Selling Association in 1998 (TDSA, n.d.). The company has started to grow and finally in the year 2008, the sale volume has reached 360 million USD and has more than 300,000 distributors with 700,000 members and 400 employees throughout the country. (About Amway Thailand, n.d.)

5.1.2 Organizational structure

![Organization chart](source)

In 2000, Amway has reformed their organization in order to increase work performance and bring up new ways and ideas of doing business to enchant organizational capacities. Amway set up Alticor Inc as a holding company to operate three sub-companies including Amway Global, Quixtar, and Access Business Group.
Corporation which is a direct selling company, Quixtar which operates in e-commerce North America, and Access Business Group LLC which is a manufacturer and distributor of quality product worldwide for Amway Corporation, contract customers, Alticor Corporation Enterprise, and other companies around the world. (Wisetpanit, n.d.; Jawprawat Amway, n.d.)

Amway has more than 13,000 employees worldwide and has over 3 million distributors which fully react to their local culture. Amway HQs is located in Ada, Michigan on a land of 280,000 square meters. This large community consists of research & development centers, warehouses and offices, and 40 manufacturing facilities with 9 diverse manufacturing areas and 24 production lines. HQs is a self-contained community that include its own water treatment plant, recycling facility, power generator plant, shuttle bus service, trucks and trailers, a fire section, and even its own railroad. (Amway HQs, n.d.)

5.1.3 Business strategies

Jay Van Andel and Rich DeVos have set up company’s fundamentals as a guideline in ethical and operational standards that will pave the way for both company and its distributors to follow. Amway believes that people have the right to get freedom to make their own future as well as to have time and resources to take care of their families. In addition, Amway will always give distributors hope and opportunity to receive reward according to their performance (About Amway, n.d.).

Amway markets their business through Multi-level Marketing (MLM). MLM is a sales system for selling products and services through network of distributor in which distributors is not employees of the company (Nat & Keep, 2002). MLM works through recruiting a new member in which a person who has been invited to join a company called a downline while a person who invites others called an upline. Distributors earn income both through the sales of products (personal selling) and through the commission receiving on the sales from their downlines. The successful MLM businesses include Avon, Tupperware, Nu Skin and Amway (Ward, n.d.). However, multi-level marketing is not the same as Pyramid Scheme. Pyramid scheme is a plan that a person needs to pay for the right to recruit others in which it offers opportunity to make money by inviting more people. The main characteristics of Pyramid plan are that it requires large initial investment and there is a direct payment for recruiting and as well as there is a heavily emphasizing on recruiting with little focus on selling a product. (Ward, n.d.)

Amway Thailand has set up marketing strategies for this year 2010 by focusing on three main issues. To begin with, company will emphasize on customer’s needs by increasing a number of products to be sold in Thailand. Second, company also focuses on strategic plans that aim to generate high performance in both company’s operation and their distributors such as implementing a cost optimization plan to reduce the overall costs of Amway Thailand. Last,
company highlights on initiating new products and services to be more innovative and give the most beneficial to distributors and customers such as launching new incentive plans, sale promotion plans, and so on. The recent marketing plans include building brand awareness by launching a new campaign which is “brand opportunity: Amway is not a spare tire”. Next, implementing a new management program called Relationship Management to help company to grab more customers’ attention. (Marketing War, 2010)

5.1.4 Governance system

Amway is a private company that owned by Van Andel and Devos’s families. The company has governed by a Board of Directors of those two families. As Amway has reformed their organization in 2000 and established Alticor Inc as a parent company. The governance system has been adapted to get along with new organization. However, main leaders are still based on founder’s relatives as this company has not been listed to any stock exchange yet. Although Amway has operated under founder’s relatives, Amway Thailand has board of directors from Thai nationality only and each has different responsibilities such as marketing, corporate communications, finance, and etc (Resource Center, n.d.). Moreover, all of employees are Thai and there are more than 400 employees working throughout the country (ibid, n.d.).

Concerning about distributors, Amway has recognized the importance of their distributors so that Amway has provided a space for qualified distributors to have a voice in the way business operated. To have a right to vote, distributors need to be a member of a cabinet in which only distributors who labeled in Executive Diamond or higher and at least 25 years operated in the business (as distributor) are eligible for nomination. During the review, executive committees will consider the overall contributions of each candidate and vote unanimously. These groups will listen to ideas of distributors and propose or advice improvement plans to Amway to run the business forward. Even though the executive committees have the right to do something on their own, they still need to participate in meeting which is sometimes held by Amway head base. (Ms. A, personal communication, April 17, 2010)

In Amway business, there are three main groups that have outstanding roles. A distributor is person who can make a purchase at whole sell price and able to resell Amway’s products. Moreover, distributors can coach/sponsor others to become their sub-distributors (downline) or members and get benefit from the profit share from both of them as well. Second, a member is a person who can purchase products at whole sell price but cannot resell or sponsor others. Last, a client is a customer who is pleased only to buy products from distributors and not interested in being a member of Amway. (Wisetpanit, n.d.; About Amway, n.d.)

Notwithstanding, in Amway business no one has to walk alone (Resource Center, n.d.). It means that apart from Amway’s itself, there are upline people that will take a good care of their distributors. An upline is a person who sponsors others to become their downline and he/she
will provide advices, guidance, and support all about Amway information. There is a general way to become successful distributors in Amway business; this proved way will be advised by an upline (see further in Appendix). (About Amway, n.d.)

To become distributors, individual has to sign the registration agreement and pays for business service and support fees. Beside, distributors should abide by all of these requirements such as code of ethics, business rules & regulations, product rules & regulations, and rules of conduct with will be given after an applying stage called as business reference guide. Then an upline will come to help that distributor (downline) to do business and he/she could be called as an advisor, teacher, friend forever even, one day their downline is no longer belong to Amway community. This is what people in Amway think as all of them are bond together like relatives (Ms. A, personal communication, April 17, 2010). However, at the first step of learning phase, an upline will teach their downline everything namely, writing business plan, presenting products, sponsoring others, acting and thinking in a positive way, and the most important learning is Amway Code of Conduct. However, it is not a must to do but in order to do right in Amway business and to be a good distributor, following Amway Code of Conduct is one way to prevent all distributors from getting lost. Second phase, distributors should get used to with Amway's products by using it yourself as studying from an upline or from a company may be not enough to build up a confidence not as much as you have used it yourself. Since you have direct experiences about that product then, this positive enthusiasm from your experiences will create an interesting story telling that is able to capture customer’s attentions. Selling Amway's product is not door to door selling in which distributors should start selling product through their relative like families, friends, co-workers, and others that they are familiar with and not just selling directly to them. Instead they can share experiences and opinions about products to these customers as most people prefer to use high quality products. Furthermore, distributors should teach customers how to apply products effectively because if customers cannot use it correctly, they will think that Amway's product is expensive comparing to other brands. (About Amway, n.d.; About Amway Thailand, n.d.)

Last phase, distributors should attend the meeting regularly because every time they miss it, they might loss some useful information. Meeting is seen as an education, training, and motivation for distributors. In Amway Thailand, meeting will take place at the center in which it can be located at Amway office or other places supported by distributors labeled in a high position. Center is look like a learning place that not only provides information and knowledge related to Amway’s product but also creates a positive thinking, self-confidence, and self-esteem as well. In Thailand, most distributors who labeled in a high level normally set up a center for their group in which it can be located at their house or others. Meeting creates business environment that stimulates and enhances others to work harder and smarter, and it cultivate can-do attitude toward distributors. It can be said that “no meeting no Amway” (Ms.
A personal communication, April 17, 2010). Moreover, Amway also provides a learning center which is an online training course that aims to help distributors sell products, run business, and build up a confidence to achieve goals. Additionally, business support materials are proposed to distributors as an additional help such as magazines, flip charts, books, audio tapes. Some distributors earn additional income from selling these materials. Anyhow, it is up to distributor's decision whether to buy it or not? It cannot be forced, it depend on the consideration among other things the cost, benefits, time commitment associated with the purchase and use of that materials. However, the contents of the meeting need to meet the company's requirements and be approved by HQs first. (About Amway, n.d.; About Amway Thailand, n.d.)

5.1.5 Company operation

- Sales & Marketing
Amway markets their business through a direct selling and multi-level marketing which is proved to be a good method for selling and marketing since their inception. However, in mid 90s, Amway has implemented a useful online service program. This helps company in many ways such as lifting up the quality of delivery system to be more convenience and faster for distributors, and increasing customer's awareness by adding more advertising through e-commerce sites. (About Amway, n.d.)

Amway Thailand has turned into doing advertising for past few years ago in order to create brand awareness to help distributors to increase their sales because there are high competitors in the market. As normal direct selling companies do not have to focus on doing advertising, they use to sell products through distributor's presentation. However, this thinking has been changed because of high competition in the market, many companies have to launch several marketing campaigns to stimulate the market and grab customer's attention. (About Amway Thailand, n.d.)

- Research & Development
Amway has played most of their attention to product's research & development because they believe that products are the key success for this business. Amway has 97 laboratories and 710 professional support staffs around the world, 13 quality testing laboratories, 18 of the PHD specialists are renowned scientists at the HQs. At present, over 450 consumer products are launched including health supplements, personal care, skin care and cosmetics, home tech and home care. Even most of their research centers are located in HQs, but some are situated in other countries like Japan or China because the company needs to gain local knowledge and resources for product's improvement. (Amway HQs, n.d.)
-Production

Amway has shifted production’s responsibility from Amway to Access Business Group after reforming organization in 2000. After that, Amway can reduce the overall cost of production and bring higher quality products to meet with higher market competition. (About Amway, n.d.)

Moreover, when there is a new product launched, company will arrange training section for distributors each country to demonstrate all necessary information about that product. (Ms. A, personal communication, April 17, 2010)

-Distribution

Amway uses a combination of direct selling and multi-level marketing to distribute their products. It implies that Amway market their products through an independent distributor network not door to door selling in which distributors will earn income and other incentives in several ways in which it will be mentioned below. (Distribution of Amway, n.d.)

5.1.6 Company’s benefits

As Amway is a direct selling company, their people who work for organization can be categorized into two types. First, employee is a person who has been paid monthly and receives other benefits. Two-month fixed bonus and extra bonus which is based on company’s performance each year will be paid. Annual physical checkup, medical support, insurance, pension fund are also provided to each employee. (About Amway, n.d.)

Second type, Amway reward their distributors for selling products and for sponsoring others to do the same. A reward plan is based on “the Amway Business Owner Compensation Plan” (About Amway, n.d.). This plan is realizable and can create work, income, and stability to distributors regardless of time entering. It means that individual who has just becomes a distributor can success as much as other distributors who came in first because the gist of doing this business is depend on their own performance (Ms. A, personal communication, April 17, 2010).

Business Reference Guide is the way for distributors to follow comprising of various rules and practices. However, concerning about the reward system, distributors earn income from four various ways. First, they earn from retail profit on product sales to customers. Second, monthly extra bonuses reward. Third, annual bonuses will be given at 0.25 percent reward for distributors possess Emerald, Diamond, and Executive Diamond level respectively. Last one is other cash awards and business incentives relying on group’s performance. Moreover, sales incentive programs have been renewed annually by Amway. Those are special plans that do not come from HQs. At present, these incentive plans have a purpose to reward distributors who has a constant and stable business growth and followed rules and practices of Amway continuously (see further in Appendix). The next incentive program for this year is Champion Bonus Program. This program also enhances distributors to put more effort on their work. It
rewards distributors by giving 1 USD for every 1 point of sales volume but before having a right to get that reward; distributors need to meet at some requirements. Last, product’s return rate program is applied for distributors labeled at Platinum level who have capability to provide information all about Amway’s products to their downline effectively and can reduce the product return from their group. Reward will be calculated based on percentage of product return for the whole period of this program. (Sale Incentive Program, 2009)

Amway proposes more than thirty levels of job ladder for distributors to climb up. Each time a distributor goes to an upper level, it implies higher benefits that they will get from Amway. In order to climb up into higher levels, distributors need not only points from their personal selling, but also the sale volume from their downline’s sales as well. (Ms. A, personal communication, April 17, 2010)

Moreover, apart from incentive in form of cash reward, Amway also proposes interesting beneficial plans for their distributors. These plans have been implemented for a long time and its can be seen as tradition for Amway Thailand since long times ago and it is still effective nowadays. This plan is called Travel with Amway in which Amway will reward their distributors who can reach their goal by inviting those distributors to join business seminars held in both within and outside countries. These worldwide annual seminars will invite remarkable distributors from around the world to meet in order not to reward their distributors for dedicate effort but also to create fruitful business environment and to share outstanding experiences with one another. Besides from joining seminars, Travel with Amway also takes their distributors to travel in interesting places such as visiting New York City, cruising in Alaska, and etc. (About Amway, n.d.)

5.2 Nu Skin Enterprise

5.2.1 Company background

In 1984, Nu Skin was found by Blake Roney who has a great hope for the future and graduated with a business degree. His friend Sandie Tillotson Roney, his sister Nedra Roney and himself began their business with personal care products on 15 October 1984. (Ms. N, personal communication, April 17, 2010)

Now Nu Skin is a global, leading direct selling company with sale revenue of $ 1.2 billion in 2008 and there is a global network of 761,000 active independent distributors and preferred customers. The distributors of executive level are about 31,000 who play a vital role in distributor’s network and growth of business. Nu Skin Enterprise operates in 48 markets worldwide. They distribute premium-quality and innovative care personal products and nutritional supplements that are channeled under the Nu skin and pharmanex brands. They
market their business by using a direct selling platform and multi-level marketing in all markets. (Nu Skin, 2009)

Nu Skin began the operation in Thailand in March 13, 1997 by the brand of Nu Skin Personal Care (Thailand) Ltd. There are 3 walk-in centers in Bangkok to serve an increasing network of distributors. The walk-in-center is the place to purchase products, submit new distributors, attend trainings, and seminars. And now Nu Skin Personal Care (Thailand) Ltd. is one of the members of Thai Direct Selling Association (TDSA). (Nu Skin, 2009)

5.2.2 Organizational structure

The company has expanded their business in 48 markets. The market is segregated in five geographic regions as this following North Asia, Americas, Greater China, Europe, and South Asia Pacific. Thailand is in regional executive management in South Asia Pacific. Mrs. Melisa Quijano is the president of Southeast Asia Region and Mrs. Pakapun Leevutinun is the general manager in Nu skin Thailand and she has a duty to supervise all day-to-day strategies and operation. (Managemet team : Nu Skin, n.d.)

5.2.3 Business strategies

The founders of Nu Skin make a decision to establish this company with the value of “all of the good, none of the bad” which they try to produce the good ingredient for all customers and generous opportunity for the distributors since 1984 (Nu Skin: Value, n.d.). Moreover, there are three strategies that Nu skin follows. The first one is to introduce unique tools and initiatives. The second is to develop compelling and innovative products under a distinctive brand. Third is to offer the motivation and rewarding distributor incentives. (Nu Skin, 2009).

The foundation of Nu Skin’s sale & distribution system is network marketing with the mixing of a direct selling and multi-level marketing. They distribute and sell products through independent distributors who are not employees. The distributors purchase products from Nu Skin and resale to end users. They also provide the subscription for customers who purchase products directly from the company to get a product discount. (Nu Skin, 2009)

There is a forward-looking statement which involves in plans and objectives of company’s management for future operation. It aims for future economic performance in countries where the company operates. The plans are initiated to promote various kinds of products. And the company believes that global sales commission will drive revenue growth for the company. (Nu Skin, 2009)

5.2.4 Governance System

Nu Skin mediates the regulations and distributor activities in each market in order to guarantee that distributors will obey the local laws and standards of distributor’s agreement
which is obligated by the company's policies and procedures. Published distributor policies
and procedures are created to follow each specific market. Moreover, they also control
distributors to ensure that distributor activities must maintain at a level of playing field for
distributors. It can control distributors not to disadvantage on other distributor's activities.
There is an agreement that the distributors must present the products and business
opportunities ethically and professionally. Distributors must follow this agreement with the
signed contract. (Nu Skin, 2009)

Subsidiaries in foreign jurisdictions are under control of foreign exchange control, transfer
pricing, and custom laws that regulate of fund between subsidiaries, management services,
contractual obligation, the payment of distributor commission. (Nu Skin, 2009)

What's more, some distributors might have specific requirements where the country based on
regulatory condition. There are review reports of alleged distributor behaviors. If the company
finds out that distributors misbehaves form the policies and procedures, the company may end
the distributor's rights. Also, it can give distributor sanctions, such as warning, probation,
withdrawing award, suspension of privileges of distributorship, and withholding commission
until the investigation is satisfied. As the regulation and operation are different in any counties,
Nu Skin still maintains its global regulation. (Nu Skin, 2009)

Moreover, Nu Skin has some global rules that all subsidiaries need to follow such as paying
point-of-sale taxes, converting the sale into a single currency, and paying the distributors one
time a month (Nu Skin, 2009). All of these tasks need to be treated the same by all subsidiaries.
Furthermore, distributors cannot sell products more expensive or cheaper than the price that
company has set regarding to the company's standard in which the price is fixed at any
currency around the world (Ms. N, personal communication, April 17, 2010).

5.2.5 Company operation

- Sales & Marketing

Nu Skin markets their business with the direct selling and multi-level marketing, which are a
person-to-person approach and ability to recruit others. Nu Skin's values make the products
reachable to everybody. Products can be consumed through independent sales representatives
which is called distributors. The company tries to use personal explanation, so the consumers
can understand the nature and quality of products. (Nu Skin, 2009)

A new technology of the company equips the internet-based and telecommunication service.
This would lead to the global management team to be competent by thinking globally and act
locally. This policy gives the company to have the global vision but with specific focus on local
market. The local distributor is the vital role for achieving in business because they know the
business very well, so they can give confidence for the local market and good communication.
Moreover, they can set the spirit of the Nu Skin in each market. The major duty for local management is to increase brand recognition and loyalty. (Nu Skin, 2009)

Multi-level marketing is the useful way for the company to market and distribute the products. Their structure is established by sponsoring of new distributors. It provides the opportunity for people to establish their own business organization. People can be awarded from hard work, creativity and services. It only needs the small investment and little administration to run a business with Nu Skin. (Nu Skin, n.d.)

The company does not pay commissions for sponsoring new distributors and it is not required for distributors to recruit others. Many distributors try to sponsor additional distributors because they will gain additional profits from the sale of their downline and company provides the financial incentives for distributors who succeed in teaching and building a distributor network as well. (Ms. N, personal communication, April 17, 2010)

-Research & Development

The company has invested a huge effort in the research and development, so the company can be competent in product innovation. There is primary research and testing laboratory in the office in HQs Provo, Utah. In this center, the company invests in Pharmanex, Nu Skin research facilities, professional and technical personnel. There are other some research facilities in China. The Pharmanex research is implemented in China because the company can benefit from many well-educated researchers, scientific labor pool, low cost that gives the company the opportunity to set up the research for lower cost than in the United States. (Nu Skin, 2009)

The company is engaged in joint research projects with many famous universities and research institutions in Asia, Europe, and in the United States. Some university research centers are Tuffs University, Purdue University, and Stamford University which is located in Thailand. Additionally, the company uses the product ideas for Nu Skin and Phamanex from strategic licensing and other relationships with vendors to get the direct research of innovative offerings. (Nu Skin, 2009). As for Nu Skin Thailand, there is a development research project with research center collaborating with Stamford International University in Thailand. All these research projects will be informed though the Nu Skin research center in China such as Peking University and in United States of America. All the result in research development projects gets the Nu Skin to penetrate the Asia market better. (Ms. N, personal communication, April 17, 2010).

-Production

The company gets products from the head base in Utah, United States and in Zhejiang Province, China. Moreover, they plan to build more facilities in China, so they can gain the large amount of inventory to support their supply chain in the future. However, the company seeks the products from the third-party manufacturing which located in the United States. To gain
the high quality product, the company has a contract production from manufactures that can be reliable. The company tries to maintain good affair with suppliers and try to start the new ongoing relationship with other suppliers. (Nu Skin, 2009)

-Distribution

Using independent distributor’s channel is a tool to distribute products because Nu Skin’s products are innovative and premium–quality, differentiated from others that need to be presented personally. Moreover, it gives the opportunity for customers to test and compare products with others; finally, this will lead to courage to repeat purchase. (Nu Skin, 2009)

For a past few years, the company tries to keep the distributor more engaged in Nu skin by supporting the resources for the distributors. It supplies service tailored to the needs of distributors in each market. The loyalty of distributor provides personalized distributor services and maintained product return policy. Increasing effective distributors underpins the important to Nu Skin Company. (Nu Skin, 2009)

There are many supporting supplements for distributors such as internet support, product samples, brochures, magazines, and other sales and marketing material at no cost. The executive level has responsibility to recruit and educate new distributors with respect to products, global compensation plan, and a successful distributorship. (Ms. N, personal communication, April 17, 2010)

For training programs, there are training meetings, distributor conventions, web-based messages, distributor focus group, regular telephone conference call and other personal contract distributors. These trainings and learning can circulate the flow of information in the market. Also, the company provides walk-in, telephonic, and web-based product fulfillment and tracking services. In walk-in retail centers, there are meeting rooms, which distributors can use it for training and sponsoring activities. (Ms. N, personal communication, April 17, 2010)

Also, there are other trainings which are not controlled by Nu Skin directly. The executive distributors always have a weekly meeting at their house to train and educate about the path way for Nu Skin distributorship such as demonstrating for the products, writing a business plan, motivation speech, discussion room. All of these training above gave the new distributors to be equipped with the information and knowledge on how to do a business and regulation of Nu Skin. (Ms. N, personal communication, April 17, 2010)

5.2.6 Company’s benefits

There are two rewarding systems in Nu Skin organization. The first one is fixed salary paid one time a month for the work of employees in the Nu Skin. And the second rewarding system is global compensation plan for Nu Skin distributors. As rewarding system for distributors, the
Development of global distributor compensation plan has been created in order to motivate distributors to market, sell products, and establish sale organization. Distributors benefit from the single commission check each month for all product sales. The global compensation plan allows independent Nu Skin distributors to sponsor in 48 markets. (Nu Skin, 1997)

Distributors can gain money from two fundamental ways. First it can gain money from retail make up on sales of products and second on a series of commission on product sales of their downline (see Appendix 3). (Nu Skin, 2009)

Nu Skin compensation is paid by how successful distributors are in setting the starting network that can gain by working with the business organization. The distributors’ direction, training, and motivation to support others to succeed paid off for the distributors. (Ms. N, personal communication, April 17, 2010)

Concerning the commission bonuses, distributors can achieve specific requirements including completing 100 points in personal sales volume per month. Distributors are paid consolidated monthly commission by local currency for the distributor own product sales and for product sales in their downline network. The commission is paid by percentage. But it can be varied depend on the number of distributors at each payout level based on global compensation plan. The commission payout as the percentage of total sales is modified from time to time. Enhancement of Nu Skin global compensation gets the distributor’s motivations. The policy aims at flexibility to grant expectations is very important in retaining distributor loyalty. (Nu Skin, 2009) & (Ms. N, personal communication, April 17, 2010)

Nu Skin provides abundant compensations and incentives, so the distributors can get motivation and reward for distributing its product. Company usually revises its plan to support distributors for creating the business. The incentives provide additional commissions and early income for new distributors that are keen on building their sale organizations and gaining the reward for positive business building behavior. It also supplies for trips and recognition affair for distributors that can achieve in a higher level. Additionally, company continues supporting product subscriptions and loyalty programs in many incentive forms. It is believed that this will help lift up the level of distributor’s recognition, accountability, and goal setting. (Ms. N, personal communication, April 17, 2010)

Distributors have to show the company receipt of commissions which is derived from retail sales and substantial personal sales efforts. Moreover, company provides all sales supplements such as videotapes, brochure, and audiotapes for marketing products but cannot use media advertising to promote the products. Also, distributors must promote the product by personal contact or literature approved by Nu skin. And distributors cannot use Nu skin trademarks without Nu skin consent. (Ms. N, personal communication, April 17, 2010)
6. Analysis

In this section, the empirical finding will be analyzed according to our conceptual framework. The two companies will be analyzed one by one respectively in order to discover the control and coordination mechanisms that those two companies have been implemented in their organization and end with the contrast comparison between those companies.

6.1 Amway case study

6.1.1 Vertical coordination

- Authority

Regarding to subsidiary aspect, one way to investigate the line of authority in Amway is to look at their organization structure. Hedlund (1986) mentions that muti home-based model is concerning about the company’s business activities as He claims in muti home-based structure that the subsidiary has a power to execute core business activities for their own center. Amway can be categorized as a muti-home base organizational structure and reasons are as following. Even, many leadership members of Amway HQs are founder’s relatives, but they still give a room for other subsidiaries to run their operation by themselves. Thailand board of directors is solely Thais and responsible for each different division (About Amway Thailand, n.d.). The board of Thailand subsidiary is capable of making decisions in many managerial issues such as marketing ideas, business strategies, promotions, incentive programs, and so on. For example, Amway Thailand has initiated cost optimization program to control operational expenses within organization in 2009 (Marketing War, 2010). Also, the champion bonus program has just released in 2010 to stimulate distributor’s performance (Sale Incentive Program, 2009). Although, the production matter is beyond Thailand board’s responsibility, manufacturing has been located in many countries not only at the HQs which are based on where Amway can most gain benefit from exploiting local resources. However, all production and manufacturing matters are in charge of Access Business Group LLC only in order to standardize a product quality throughout the world. However, the board of Thailand subsidiary needs to keep the Thailand’s goal to be aligned with HQs and always give an importance to the corporate value as a gist of all business activities. Besides, any activity that has an impact on the company need to be verified by HQs first as Amway has to maintain their core principles and image to be the same all around the world.

An outstanding feature of Amway is the significance of distributors. As distributors are self-employed, they are not necessary to follow any formal authority in which each one is not legally subordinate to one another (Ms. A, personal communication, 17 April, 2010). No one can tell or order distributors what to do in their working life. However, Amway is implementing through multi-level marketing in which each distributor is able to recruit and
sponsor new distributors. Those new distributors become downline of recruiting person whose name can be called as an upline by new distributors. Because of this way of marketing, an upline can control their downline through advising, teaching, and other means. It represents implicit way of hierarchy. Moreover, Amway has more than 30 levels of job ladder; it implies that anyone who possesses higher level represents higher status and recognitions from the company. This rank of position is seen as a hierarchical status in other companies. It means that a successful distributor labeled in higher level can exercise power that gain from the success to others (Ms. A, personal communication, 17 April, 2010). Besides, a successful distributor who can climb up into a specific level can be regarded as a manager by the company and be able to share or propose ideas to the board as well.

- **Rules & Policies**

Regarding to subsidiary's aspect, Amway Corporation has operated over 80 international markets around the world in which it is seem as a difficult task for the company to response abruptly and correctly to the local needs. Thus, a board of directors of each subsidiary is appointed from local people so as to satisfy various requirements arising from local environments. For example, the board of Thailand is Thais and most rules and regulations about business, products, and ethics are adopted according to Thai environment already (About Amway Thailand, n.d.). Regarding to the differentiated fit approach (Nohria & Ghoshal, 1994), it highlights on local environment complexity; local competition and technological dynamic, and as well as resource possessed. Amway has a high level in local environment complexity because Amway is leading company in this industry; many competitors try to compete with them by launching almost the same products to Amway. Thus, HQs has less centralized control over Amway Thailand as company need to use local knowledge to manage that environment complexity. However, HQs cannot leave Thai subsidiaries to make all decisions by themselves, hence; the formalization ways of control has been implemented. Many activities, namely marketing campaign or incentive program, have to ally with some rules from HQs. For example, contents in training programs need to be approved to be align with Amway Code of Conduct (Ms. A, personal communication, 17 April, 2010).

Concerning distributors’ aspect, Amway believes that only the dedicate effort in working is not enough for distributors to achieve goals but they have to pursue working according to the Amway's route. Amway has provided a self-help manual or a business reference guide for distributors after completed registration period. This manual is one of the best learning tools that an upline always recommends their downline to carefully read and put it into practices (Ms. A, personal communication, 17 April, 2010). It is seen as organizational instructions that control distributors to act proper and, finally, it will lead to standard behaviors for the whole corporation based on the idea of Martinez & Jarillo (1991). Normally a manual content is almost standardize for all countries only some adjustments have been made regarding to local
laws and regulations. Therefore, it is possible that a distributor in one country can recruit new distributor in another country where Amway has established affiliate markets (Business Reference Guide, 2010). The manual comprise of how-to guide including rules, regulations, tips on business management, and award system. Therefore, this manual will diminish “particularism” as it will pave the way for all distributors to handle things similarly regarding to Bolman & Deal (2008).

Regarding to a procedural justice of Lin & Hsieh (2010), Amway launches a compensation plan that can be used throughout the organization. Even though there is a change, the main content is still the same for all subsidiaries in order to increase fairness within MNC.

Notwithstanding, Amway has mentioned themselves as a company with offering freedom to their people but previous distributors believe that the company does not provide freedom as distributors are pressured to comply with company's rules and upline’s advices as well.

- Planning & Control system

Over 50 years of establishing, Amway has continued to be guided by founder’s vision and values. Referring to subsidiary’s perspective, most planning activities from all subsidiaries need to ally with the idea of helping people to have better life by concentration on principles, people, and products. These help the company to direct an action of subsidiaries to move in the same way as Martinez and Jarillo (1989) mention planning can be refer to systems or processes that aim to advise the action of each unit in MNC. The example of planning for Amway is the outstanding online service program plan that had been implemented ten years ago (around mid of 90s) by HQs, and, nowadays it is available for almost all subsidiaries including Thailand. This program enhances and increases Amway’s capabilities in many aspects such lifting up a quality of delivery system, and increasing customer awareness through e-commerce (About Amway, n.d.). Apart from the whole corporation planning, Amway Thailand still has its own marketing plan that has set up to response to Thai market only. The concepts aim at three main themes including consumer focus, performance driven, and innovation. Thus, new marketing activities, namely product promotions, new product introduction, product training, and so on need to be adapted and added more value in order to get along on those marketing concepts and market circumstances.

As for the control system, Amway HQs has implemented both of behavior and performance control. The behavior control has been used for employees who are paid monthly as most tasks for employees is programming tasks like accounting, financing, IT supporting, and so on. These employees will be paid based on their obedience to the orders. Next, Amway has emphasized on a performance control for their employees and distributors as the company always enhances the fundamental freedom of them by setting many incentive programs to reward them. However, the performance will be less effective if the outcome cannot measure (Bolman
& Deal, 2008). Thus, Amway has a rewarding plan that can be trust and measurable since 1959, Amway has been paying monthly performance bonuses to distributors relying on their outcome with no exceptions and no excuses until present.

### 6.1.2 Lateral coordination

#### - Meeting

As mentioned in the self-help manual, meeting is one of the most important means that bring about successful distributors (About Amway Thailand, n.d.). This kind of meeting is considered as informal form of meeting (Bolman & Deal, 2008). For distributors, the content of the meeting will often be changed and most distributors are told to attend the meeting every week especially new recruits as the meeting will help educate distributors to run their Amway’s business and teach how to coach/sponsor others to do the same (Ms. A, personal communication, 17 April, 2010). However, as distributors are not employees of the firm, those suggestions cannot be forced, but are offered for achievement. Regarding to subsidiary's aspect, the formal meeting is also conducted in Amway as well since the top-manager level must participate in this meeting in order to strengthen the strategy of the company which is held by Amway HQs. And there are also distributor meetings at Amway office held by Amway Thailand. Based on (Bolman & Deal, 2008), both of informal and formal meetings can help Amway to circulate and exchange information within organization very well. Moreover, as a result of information technology, Amway provide learning center where distributors can have an online meeting or training with others in a distant area and finally can create a web of connection based on Bolman & Deal’s idea (2008).

Interestingly, not only new recruits but also most distributors are willing to join the meeting (Ms. A, personal communication, 17 April, 2010). Existing distributors may want to share their experiences to downlines or to cheer up them to have a positive thinking toward their life, as well as to update new information from others. Since, famous persons are invited as a guest speaker to talk in interesting topics that sometime does not related to Amway but it is often concern about how to think positively, how to live your life happily. Therefore, attending the meeting is a kind of tradition for distributors in Amway Thailand.

#### - Coordinating roles

Regarding to subsidiary’s aspect, Amway Thailand has been divided into seven divisions. Each has their own responsibilities that explicitly separate from one another. However, some projects require various specialities to complete in a complicated task regarding to Martinez & Jarillo (1989). For example, new products about whitening are special for Asian market only but most researchers and developers are western people that may be have less expert than person who live in Asian. Therefore, Amway HQs has decided to move the production plant to
Japan and also brought some specialists from HQs to work with local one in order to increase product quality to satisfied target customers. Moreover, a global project launched by HQs needs a lot of cooperation from diverse teams. For example, new corporate identity (Amway Brand Signature) has just been launched to all markets this year in 2010. The new design was inspired by the image of the ripple effect. It represents that Amway has a positively ripple impact on people’s way of life and the community. In order to implement this new identity, it is a must that each leader has to have the same understanding and cooperate with each other to present it to the market. Only marketing person is not enough to create customer awareness, but also head of business relation and others need to be part of this project too.

Regarding to distributors’ aspect, coordinating roles are implemented for distributors as well. Since knowledge and information need to be exchanged among all of them, a coordinating role can help to spread these valuable knowledge and information to distributors all around the world.

- Socialization

Regarding to distributors’ aspect, Amway persuades their distributors to believe in their principles (freedom, family, hope, and reward) so as to let its lead their distributor’s life without being told what can do and cannot. As known that distributors can ignore company practices because they are not an employee just only a contract member, the hierarchical control from the company is less effective. However, most distributors still follow the company way of practices (Ms. A, personal communication, 17 April, 2010). It is explicitly seen that Amway has strong corporate value that can lead people to reach the same goals. However, creating value or belief for a person who is not an employee is not easy. Nohria & Ghoshal (1994) mention that the mechanisms to build up share value come from informal ways of communications not a formal one. Thus, Amway has implemented an incredible mean to convey messages to distributors through educating. New recruits are advised or taught by an upline at the center. A lot of seminars, training, and guest speakers are arranged to help downlines. Moreover, distributors are asked to go to the center every week, not only to join those activities but also to be in a positively thinking environment that uplines will help downline when they encounter with a problem in doing Amway’s business (Ms. A, personal communication, 17 April, 2010). Again, going to the center is not enforcement, but it is requested by an upline. And it can be seen as a normative control that comes in a form of advices in which distributors will be told how to think, act, and behave as a good distributor such as how to think in successful ways or how to have a good personality, likewise what Nohria & Ghoshal (1994) state that actions will be constrained by normative-cultural control formed by members of that community. Moreover, normative control still plays a role in protecting the company from the failure of distributors. Distributors are tough that whenever they fail, it is because they did not put an enough effort to work or they work in an incorrect
way (Ms. A, personal communication, 17 April, 2010). Thus, some former distributors think that these advices are too much control on both actions and thinking.

Furthermore, socialization or clan theory in the view of Ouchi (1980) can be seen as a mean to solve agency problem. In an ambiguous situation, socialization will help the company undergo that event successfully. As regards HQs and Thai subsidiary, Amway has a group of cabinet that are built up from a selected distributors to let distributors to have a voice in the company (About Amway, n.d.). Amway has been following the belief of the co-founders since it was established until now. The belief comprise of freedom, family, hope, and reward. All of these seen as a corporate value for the whole company as Amway Thailand has carried on those beliefs and put it into practices. Hennart (2005) mentions that company does not need to use control mechanisms, if their people believe in philosophies, values, and vision of the organization. Almost all business activities of Amway Thailand have aligned with those concepts such as one recent marketing strategy for 2010 is to focus on strengthen the brand with the slogan of "The Opportunity Brand: Amway is not a spare tire" (Marketing War, 2010). It aims to change customers’ perceptions toward Amway as people get used to think that Amway is a supplementary or a part-time job that creates only additional income to distributors. This campaign will make customers understand that Amway can provide benefits as good and as much as other kinds of job. Even this campaign emphasizes on rebranding, the core concept still implies to freedom, family, hope, and reward as usual. It is believe that even in the absence of control from HQs, Amway Thailand is able to operate to meet global goals in which it get along with the ideal of Norhria & Ghoshal (1994).

6.1.3 Price System

Eisenhardt (1989) mentions that price control is one mechanism that helps to manage agency problem. For distributors, Amway has implemented this strategy and Amway believes that income is generated from distributors’ performance. If they work hard, they will be paid more while if they are lazy, they get less. Besides, everyone can climb up into higher level regardless who come first or later. Moreover, with the good compensation plan, the performance of each distributor will be able to calculate precisely as one condition of price control is that it will work best when the outcome is measurable regarding to Hennart (2005) and Ouchi (1980).

As for HQs and Thai subsidiary, price control will abate the goal incongruence and help to reduce cost of monitoring. Hence, Amway is a direct selling company that markets their business through multi-level marketing (MLM). MLM implies that the company will reward their people depended on their performance in which it is the same as price control mentioned by Hennart (2005). However, the sales system of MLM earns money by selling products and through commission of other downline's sales, but not from the introduction of recruiting other persons into the business which is called “Pyramid Scheme” (Ward, n.d.). The Amway
plan is not a Pyramid scheme which is illegal in many countries including Thailand. Because Amway does not require large initial investment and heavily focus on recruiting people like pyramid plan.

6.2 Nu Skin Case study

6.2.1 Vertical coordination

- Authority
Concerning home-based model from (Sölvell & Zander, 1995), focusing on subsidiary's perspective, Nu Skin is based on home-based structure because the core strategic function is still in Utah, United States of America while subsidiary can perform only peripheral activities. It implies that most authorities still rely on HQs management team, even Nu Skin Thailand does have one person who position as regional general manager in that management team, but she is responsible for managing day-to-day company operations and strategies such as initiating local sale & marketing programs, rewarding benefits, solving a conflict, and distributing a punishment within country. Nu Skin exploits local resources by using the selective tapping method in which Nu skin will act as the insider to collaborate with many researchers, including the university project in Stamford International University in Thailand and other Asia markets (Ms. N, personal communication, 17 April, 2010). It helps Nu Skin to learn and experience in Asia market to response to local customers better.

Regarding to distributors’ perspective, distributors that exist all around the world do not necessary to follow any Nu Skin’s rules and regulations because they are not an employee of the company. They are just a contract people and really do have only contract agreement with the company. Thus, the Nu Skin cannot implement formal authority directly to their distributors. However, even though the formal authority is less effective, Nu Skin applies other means to control their distributors indirectly. Since a distributor can recruit new one to become one of their downline, it is enable an upline to control their downline through teaching, advising, and training.

- Rule & Policy
Concerning subsidiary's perspective, there are 48 international markets around the world, so it is not easy for the company to implement the same rules & policies for the whole organization on the right track. Therefore, the concept of differentiated fit (Nohria & Ghoshal, 1994) which focuses on local environment complexity; local competition and technological dynamic, and resource possessed can be implemented here. A local complexity and resource possessed of Nu Skin Thailand is not much high because most Nu skin products are unique, then, there is less competition in the market. Although the company is in the intensive product
and process innovation, all research & development are done outside Thailand. Moreover, as mentioned above, Nu Skin Thailand was established due to the benefit of international efficiency and exploitation based on the idea of Sölvell & Zander (1995). Thus, Nu Skin Thailand does not emphasize on possessing local resources much. Therefore, it implies that there is a centralization of control over Thailand managers. Regarding to distributors’ perspective, formalization is also applied in Nu Skin such as company's practices, self-help manual and so on and as mentioned by Sölvell & Zander (1995) formalication is regarding as rules and systems of the company that may change based on nation. Thus, some of them have been adapted to local environment in order to response to local market on the right spot. Nu Skin presents formalization in form of company's supplements, such as internet support, product samples, brochures, magazines, and other sales and marketing materials, and these supplements are viewed as self-help manual of guideline for distributors to follow Nu Skin’s standard. These supplements are standardized for all distributors but it may be adjusted with the rules and regulation of each country. Thus, it still can solve the problem of particularism as Bolman & Deal (2008) mentions particularism occurs when persons are treated differently under the same situation. Even though all Nu Skin’s distributor and subsidiaries can perform a business locally and uniquely, they still need to follow rules and policies in the organization.

Besides, although there is uniqueness in each subsidiary and some rules are needed to be adapted to local environment, each subsidiary is responsible to follow global rules of the company such as administrative rules. This rule applies for distributors to paying point-of-sale taxes, to convert the sale into a single currency, and to pay the distributors one time a month. All of these tasks need to be treated the same by all subsidiaries. Moreover, some company’s rules for distributors is quit the same throughout the organization for example distributors cannot sell products more expensive or cheaper than the price that company has set regarding to the company's standard in which the price is fixed with at any currency around the world (Ms. N, personal communication, April 17, 2010).

The procedural justice in Nu Skin is very important, so the company launch the same global compensation plan to be equaled for every subsidiaries and distributors. The fairness in this policy leads to the voluntary cooperation and create good behavior in the organization (Lin & Hsieh, 2010). All of the fairness in Nu Skin brings about the effective control and coordination in organization.

The distributors can use their own ways to do business but they have to follow practices of Nu skin as well. Nu Skin has set some standards as the written contracts to ensure the way for standard behavior regarding to Martinez & Jarillo (1991) mentioned that standard behavior will confirm that all people in organization will move in the same way.
- Planning & Control system

According to planning (Martínez & Jarillo, 1989), it is a system for strategic planning, budgeting, marketing plan, and goal setting to direct each unit within organization. “All of the good, none of the bad” is the main vision and value of Nu Skin that has been conducted throughout the organization (Nu Skin, n.d.). Regarding to subsidiary’s aspect, Nu Skin has implemented centralized control over their subsidiaries, Nu Skin Thailand, which is under the control of the regional executive management in South Asia and pacific, can authorize only day-to-day operation and strategic activities. However, all of that operational planning needs to be aligned with the company’s vision. For example, commission plans will be set and informed to distributors in advance (Ms. N, personal communication, April 17, 2010). As plans are informed ahead, they act as the driving force for distributors to increase their sale.

Based on Agency problem of Eisenhardt (1989)’s idea, Nu Skin has decided to conduct two control systems in organization. There are performance control and behavior control which finally can revise the mistake for each other.

Regarding behavior control from (Hennart, 2005), it is a hierarchy or bureaucracy system in (Ouchi, 1980)’s study. This control gives the boss order what and how to do. Monitoring and controlling are important in this mechanism. In Nu Skin organization, this applies for all employees of the organization such as clerks, accountants, shop manager, and scientist. They are all paid by monthly wage because the boss knows the work task very well. From (Eisenhardt, 1989)’s study, it is best suitable with programming task. The task will be paid by monthly wage. Therefore, the company can control the work easily. Behavior is used in this section because it has been analyzed that the cost of avoiding work or shirking cost is lower than in cheating cost in performance control.

Nu Skin applies performance control for distributors. The strategies for distributors can be motivated by the rewarding programs in which these programs in Nu Skin are effective because it can be measured from the selling volume of their group. Moreover, Hennart (2005) states about the benefit of performance control that it can maximize and be incentives for higher performance. Likewise, Nu Skin’s distributors and subsidiaries perceive the performance control as the motivation to maximize the profit of themselves and company together. Rewarding programs are applied for distributors and subsidiaries since Nu Skin has decided that the cost of cheating in performance system is lower the cost of avoiding work or shirking cost in hierarchy. Moreover, it is easy for Nu Skin to control subsidiaries with 48 markets and all globe distributors by using a performance control because it would not have to pay for the cost of managing geographic distance. As Hennart (2005) mentions that it is difficult and costly to control people in a distant area, so that controlling people by their
performance can reduce managing cost and can stimulate people performance at the same time.

6.2.2 Lateral coordination

- Meeting

As for (Bolman & Deal, 2008)'s theory, informal and formal meeting can exchange information and knowledge. Meeting is very important for Nu Skin Company. There are both of formal and informal communication meeting in Nu Skin organization. All the information can be circulative through the company by these meetings. As for HQs and Thai subsidiary, a formal meeting has been implemented for policy meeting, strategic planning, new products launching, and meeting with top-level managers which are implemented by the company. Regarding distributors, informal meeting is applied for all sponsoring. Distributors in executive level will sponsor new recruits by having the informal meeting at their houses every week (Ms. N, personal communication, April 17, 2010). In the house, there is training, motivation, demonstrating the products, and educating new distributors about running Nu Skin business. As distributors are engaged in only a company contract not the employee, they cannot be forced to participate in all these activities. However, it is necessary to learn and discuss with other distributors who are already succeed. The successful distributors will share the idea on how to run a business with Nu Skin. Even though all distributors are not forced to come, almost all distributors participate in these activities. Moreover, Nu Skin Thailand also arranges the room to support for both of the informal and formal meeting to increase performance of distributors to be more efficiency.

Regarding the important of high diffusion in technology from (Bolman & Deal, 2008), it is a crucial factor for Nu Skin to expand communication devices to create network structure in organization. The high diffusion in technology is needed to send the message to all distributors even though they cannot connect with the live meeting. The internet conference can be arranged with the distributor marketing network to update the products and distributorship to all contractual distributors (Ms. N, personal communication, April 17, 2010). Both of the informal and formal meetings are traditional mechanisms to control and coordinate in Nu Skin organization.

- Coordinating roles

For (Martinez & Jarillo, 1989), the coordinating role can help managers from different departments or other countries to coordinate with one another by integrated temporary and permanent team. As for HQs and Thai subsidiary, Nu Skin Thailand is in the geographic region in South Asia Pacific, the coordination with that region is usually under marketing strategies such as developing new sales and marketing campaigns, or adjusting existing products to get
along with local demands. Therefore, joint projects among Asia subsidiaries are formulated. Moreover, Nu Skin has set up a co-research center to help each country in accumulate customer's information that will be useful for further researches. For example, as some factories in China are the main distributors to these Asian markets; including Thailand, China needs to use information originated from a co-research center to make their production to suit for all customers in each market (Ms. N, personal communication, April 17, 2010).

Regarding distributors, many distributors can create coordinating role in organization as well. As they can shares and spread all information throughout the organization pass through meeting or seminars with other distributors in domestic and in abroad. Thus, coordination in organization is the custom in the company to share and coordinate the idea to one another. From Bolman & Deal’s research, the communication can reduce conflict. Therefore, face-to-face communication in all levels of Nu Skin organization to collaborate with everyone in organization brings Nu Skin with less conflicts and more performance increasing in conflict resolution.

- Socialization

Nohria & Ghoshal (1994) believe that share value can be viewed as control mechanisms in socialization. Nu Skin believes that their products are all for the good and none for the bad. These could be accepted as share value for the whole organization. For distributors, Nu Skin provides many channels to transfer their share value to their people such as training, meeting, seminars, and so on. Therefore, shared values are applicable for every employees and distributors. This share values are also perceived as a normative control that helps strengthen the organization and reduce the potential conflict in Nu Skin organization. Even though distributors are not the employees, this normative control has played the role to indoctrinate distributors to believe in the same goal. Furthermore, Ouchi (as cited in Hennart, 2005) mentions that if people believe in the same philosophies, values, or goals of organization, company do not need to control their people directly just let the cultural control to play a role here. Likewise, people in Nu Skin have a strong believe in company’s values, so company gains a lot of benefits from this control. Moreover, this can reduce the cost of managing organization because Nu Skin does not have to pay for monitoring all these distributors.

Nu Skin HQs has implemented in many ways to socialize in every subsidiary, so Nu Skin has invested in building up many things in order to enhance company’s values based on the idea of Hedlund (1986) about creating effective organization in heterarchical style. For example, Nu Skin creates their company to be as holographic organization since its inception in 1984. To begin with, the nervous system of information in Nu Skin can be flexible and multidimensional. There are many people with long experience in both HQs and in subsidiaries and as well as every executive level distributors can replace one another to educate and train new
distributors with the hologram quality. Moreover, the creative meeting are arranged to motivate the opportunity in the organization for open communication. The rewards for all distributors and all employees in Nu Skin system are in global profit rather than local profit because it paid by the U.S. dollar currency to each local currency (Ms. N, personal communication, April 17, 2010). Additionally the strategic plan could be set up in any unit of organization.

### 6.2.3 Price control

As for the principal-agency theory (Eisenhardt, 1989), there can be some conflicts between principals and agents in the organization. To reduce that conflict Ouchi (1980) and Hennart (2005) believe that price control can be implemented. This price control system can work best when the goal incongruence in the organization is high and the performance can be able to measure mentioned by Ouchi (1980) and Hennart (2005). The price control can be easily conducted in Nu Skin because their global compensation is easily-measured performance. Concerning distributors, the fixed currency of global compensation is paid to all distributors one time a month and also the budget for the subsidiaries. Every distributor has an equal right to gain the compensation with his destiny. This price system can bring the best benefit for Nu Skin organization.

Regarding HQs and Thai subsidiary, price control can help company to reduce cost of monitoring (Hennart, 2005; Ouchi, 1980). Nu Skin has many subsidiaries in which it is difficult to monitoring. Thus, price control is a good control mechanism for Nu Skin. Furthermore, Nu Skin has emphasized that their company market through multi-level marketing not pyramid scheme which is illegal in many countries including Thailand.

### 6.3 Comparative Analyses

After both two case studies, Amway and Nu Skin, have been analyzed separately, the following part will present a comparative study of these companies regarding to control and coordination mechanism aspects.

- **Authority**

Regarding to subsidiary aspect, Amway can be considered as multi-home based organization while Nu Skin can be referred as home-based one referring to Hedlund's idea (1986). Amway has been owned by the two founder's families and managed by the board of directors from HQs that let the board of each subsidiary to make decision on core activities in their country. While, Nu Skin has been owned by three founders and controlled by the board of directors from HQs that gives each subsidiary to decide on day-to-day operation only. However, both companies are partly concerned with heterarchical structure in term of information flow as it is imperative activities that knowledge and information needed to be circulate throughout MNC.
Moreover, the research & development part of Amway and Nu Skin have been mainly operated under HQs in order to maintain the standard product quality throughout organizations. However, they have allowed some countries to make a research for local adaptation as well.

Concerning to distributors’ aspect, we believe in the idea of Bolman and Deal (2008) that the most basic method to control and coordinate is to give a formal authority to a designated person so as to keep employee’s action to be allied with company’s goal. The two companies are shown that it is impossible for companies to control their distributors with formal authorities as they are self-employed. However, with the unique style of direct selling companies in which each distributor (upline) can recruit and sponsor new persons to become their downlines. Thus, it allows an upline to indirectly control their downlines to follow the company's goal through advising, teaching, training, etc.

- Rules & Policies

Rules and policies are a formal control and coordination mechanism that used to set a standard behavior within organization (Martinez & Jarillo, 1991). Moreover, the concept of differentiated fit concerning the centralization and formalization of Nohria and Ghoshal (1994) are implemented.

Referring to subsidiary's aspect, Amway HQs has less centralization over Thailand subsidiary because the local complexity in Thailand perceived by Amway HQs is quite high in term of competitors. On the other hand, Nu Skin HQs has partly implemented the centralized control over Thai subsidiary because the structure of their organization is home-based and the environment in Thailand is not too complex as the outstanding products are unique. Thus, control and coordination can be done by centralization.

Referring to distributors’ aspect, both direct selling companies have relied more on the structure of formalization as distributors of these companies are not an employee of a firm, just a contract member, so the centralized or hierarchical control is not an effective way to control their huge number of distributors worldwide. Thus, Amway and Nu Skin have adopted company's rules, practices, and self-help manuals, and etc as an organizational instruction for their distributors to follow.

- Planning & Controlling Systems

Planning refer to system or processes that target for advising or directing actions of each unit (Martinez & Jarillo, 1989). Amway Thailand is capable of initiating more long-short term plans than Nu Skin Thailand as Amway Thailand has less centralization. On the contrary Nu Skin Thailand can create planning only on strategic and operational activities. However, planning of Amway and Nu Skin Thailand has to align with goals of their company.
Control systems comprise of behavior and performance control that aim to solve the problem of agency theory (Eisenhardt, 1989; Ouchi, 1980; Hennart, 2005). Amway and Nu Skin HQs have implemented both performance and behavior control. They choose to control their employees who perform programming tasks with behavior control while distributors who perform entrepreneurial tasks are controlled by performance control. Both companies present an effective commission plan that can be measured effectively, thus implementing performance control would give ultimate benefit to them.

- **Meeting**

Concerning Meeting, Nu Skin and Amway have both formal and informal style of meeting. All formal meeting is held by HQs or subsidiaries in each country while informal meeting normally formed by a group of distributors who labeled in high level.

The informal meeting is held every week at top level distributor houses. The content of meeting includes many kinds of training sections, such as demonstrating the products, giving motivation, teaching distributorship, etc., and it may vary each week. Thus, distributors are stimulated to attend the meeting as much as possible not only new recruits but also exiting distributors as well. Moreover, this informal meeting is not a compulsory rule, it just an offer for distributors. However, it can assume that this informal meeting goes beyond legal rules and regulations of both companies. Since most distributors are willing to participate in this meeting and to follow any instruction coming from the meeting. It means that although Amway and Nu Skin cannot force their distributors directly, they can implicitly control their distributors through teaching in the meeting as well.

As the technology develops, the high diffusion of technology has been implemented to support the network in Amway and Nu Skin. The web-based network structure is also implemented as a supporting tool for the meeting.

- **Coordinating roles**

Coordinating roles imply that people from diverse department can coordinate with one another to solve problems, share ideas, initiate new things (Martinez & Jarillo, 1989). These two companies show that Amway and Nu Skin have implemented a coordinating role method in their organization as well.

In Amway case, there is a research center located in Japan to initiate whitening products that will be sold in mainly in Asia. Many researchers and scientists, from HQs who are product specialists and local people who have insight knowledge about local customers, are arranged to joint in this project. In Nu Skin case, there is collaborating research with local institutions in many countries like Stamford International University in Thailand. The research information is kept at the South Asia Pacific Center, China and HQs center. And each general manager can get
the coordinating help from one another by integrating permanent or temporary teams from different departments or other countries. With implementing coordinating roles, Amway and Nu Skin can improve their performance continuously.

- **Socialization**

Socialization is an important mechanism that uses to create common value and to solve an agency problem (Nohria & Ghoshal, 1994; Ouchi, 1980). Amway believe in freedom, hope, reward, and family for their people while Nu Skin trusts that all of their products are for the good and none for the bad. These can be seen as their corporate values that bond all of their employees and distributor together. As mention above, Amway and Nu Skin cannot force their distributors to follow organization’s practices, but they build up corporate value to constrain distributor’s behaviors instead. They direct their distributors by educating and indoctrinating distributors to follow by using incentive programs. Cooperation from labor union can help mitigate that event successfully in ambiguous situation (Ouchi, 1980). For example; Amway has a set up a group of cabinet that work for all distributors worldwide to have a voice in global management team in Amway HQs that help reduce conflict between HQs and distributors.

As both companies run their business through a direct selling method, formal rules and regulations cannot implement to control self-employed distributors. However, with the help of corporate value, independent distributors and employees are controlled to follow the same direction. Moreover, multi-level marketing has been used in Amway and Nu Skin to market their business in which it allows distributors to recruit and sponsor new distributors. Thus, new distributors are mainly taught and advised by a recruiting person (upline) to believe in their organization, products, ways of running business and lastly to believe in yourself that they can be successful distributors. It implies that most distributors have been implicitly controlled by the company’s guideline to be successful distributors (self-help manual), intensive meeting, and training.

- **Price Control**

Price control is used for solve the agency problem by focusing on the individual performance (Ouchi, 1980). The price control help to abate goal incongruence as Amway and Nu Skin will reward their people from individual performance. Thus, there is no conflict between owners and workers. Price control is work best when performance is measurable in which Amway and Nu Skin have launched compensation plan that can be calculated effectively. Moreover, with the benefit of price control, there is no need for both companies to pay cost for the monitoring control in each market.
7. Conclusion

This section, the conclusion will be drawn based upon the theoretical and analytical parts. The result of two case studies will be presented and then the research will be followed by the further research in the subject of control and coordination mechanisms.

7.1 Conclusion

Based upon the research problem and background in the introduction part, the aim of this master thesis is to describe and understand the concept of control & coordination mechanisms among HQs-subsidiary-distributor within MNC in direct selling business. Thus, the research question has been formulated; how direct selling companies control and coordinate their HQs–Subsidiary–Distributor's relationship?

To answer this research question, findings have been gathered based on our conceptual framework that was critically analyzed from related theories about control and coordination mechanisms in MNC. Then the data had been collected from case studies of two companies, Amway and Nu skin, through semi-structure interview, annual reports, company website, and other sources. By studying two case companies, control and coordination mechanisms among HQs–Subsidiary–Distributor's relationship of two companies are almost the same which is the combination mechanisms mixing among vertical, lateral coordination, and price control.

To begin with, Amway has less centralization way of control than Nu Skin as Amway Thailand can perform core activities while Nu Skin Thailand cannot. But both rely on formalization way of control focusing on company’s rules, practices. Thai subsidiary of both companies can set planning for long-short terms but it needs to be aligned with their company's goals. Behavior and performance control are implemented in both organizations. Apart from vertical coordination, Amway and Nu Skin have depended more on lateral coordination as their business is concerning about self-employed distributors. The vertical or hierarchical way of control is less effective toward their distributors. Those two companies have built up corporate values as organizational instruction to control and coordinate with their people. Moreover, they have launched an outstanding reward system for their distributor. The reward system known as a compensation plan will reward distributors upon their individual performance. There will be no cost for monitoring distributor’s performance. Therefore, even though distributors are not employee of companies, they can control their distributors effectively and efficiently.

7.3 Recommendation

In order to strengthen the outcome of this research, it is significant with the further research in the area of entrepreneurialism within organization. As some research claimed that a direct
selling company is a real entrepreneurial enterprise, “organizational practices are at the same time entrepreneurial and bureaucratic or liberating and controlling” (GroB & Jung, 2008). Therefore, adding an entrepreneurial aspect will broader control and coordination mechanisms over MNC to be more interesting.
References


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Appendixes

Appendix 1: Interview questions

Vertical coordination

❖ Authority
   o Who is responsible for making decision for day to day operation?
      ▪ In case of irregular situation, who has an authority to make final decision?
   o Does the subsidiary's manager can approve business activities without prior approval from HQs?
      ▪ If yes, which kinds of business activities and to what extent?
   o Does HQs have to deal with evaluating employee's performance in subsidiary?
   o Who have a power to reward benefits or distribute punishments for employees in subsidiary
   o Who have an authority to do the purchasing for Thailand's subsidiary?
   o Who allocate funds to Thailand's subsidiary?
   o How does HQs response to Thailand market concerning product selection?

❖ Role & policies
   o Does procedures or job description derive from HQs?
      ▪ Do you have instructions or guide book for day to day operation?
   o Is it possible that roles & policies are adapted regarding to local environment?
   o Do distributors have to participate in evaluating performance?
      ▪ Does the result of evaluation have an impact on salary, commission or benefits?

❖ Planning
   o Where are the following business activities of Thailand's subsidiary set? And who is responsible for making those decisions?
      ▪ Goal, objective
      ▪ Long term plan-short term plan
      ▪ Strategic planning
      ▪ Marketing planning
      ▪ Production plan
      ▪ Budgeting
      ▪ Benefits, commission

Lateral coordination

❖ Meeting
   o How can information and knowledge are provided throughout all distributors?
How fast that the financial information will be provided to Thailand’s subsidiary

How do you get information for your day to day operation?

How often do you have training program each year?
  - Who is the trainer for each program?
  - Does every distributors need to be trained?

Coordinating roles

Does Thailand’s subsidiary have computer links with HQs?
  - If yes, which kinds of information are shared?

Does HQs rotate their people to work in subsidiary
  - If yes, what is his/her position? And how long does it take?
  - How important are his/her represent in subsidiary regarding to power to make decision for subsidiary?

Do you need to use information from others (HQs, other departments, other distributors) in your work

Does subsidiary and distributors coordinate any of the following business activities to each other?
  - Coordinating sales plan or program?
  - Coordinating training and seminar program?
  - Coordinating R&D plan or program?
  - Coordinating marketing activities?

Socialization

How can corporate culture transfer between HQs and Thailand’s subsidiary?

Regarding to values and beliefs of firm, does any activities below happen in firm and how?
  - Is corporate culture important and to what extent?
  - How firm create corporate culture to implement in subsidiary?
  - How firm promote corporate culture?
  - How firm socialize from divergent value to be a corporate value of the whole MNC?

Price control

How benefits and commissions are given to distributors?

How firm enhance all distributors to reach the same goal?

Do a upline people have an authority over their downline people
Appendix 2: Amway Corporation

Amway is a company with an outstanding of its fifty years history in direct selling business. The excellent development began from only two ordinary persons whose names are Rich DeVos and Jay Van Andel. Steve Van Andel is a chairman; he succeeded his father, Jay Van Andel, in 1995. He has brought Amway into more stable and more diversified organization in order to be highly competitive in the new economy. While Doug DeVos is the youngest son of Rich Devos, he also inherited his father as a president. He has supported Amway to grow internationally and also served in various leadership positions in Americas, Europe, and Asia.

In 1959, they started their business by launching a first home care product called Liquid Organic Cleaner (L.O.C) and this product created a considerably increase in a sale volume that leads to a world business opportunity. Amway has an incredible growth rate in few years later, Rich and Jay would like to share this success with other people. They formed up a unique business model that allows people to have a business of their own by participating in the benefit of a business expansion. This became a business model for all Amway around the world since then. In the 70s, Amway has entered into a global market and opened new market in Australia, UK, Hong Kong, Malaysia, and Japan respectively. By the mid 90s, Amway has implemented useful e-commerce sites to expand market into cyberspace in order to help their distributors as well. Present, Amway is a multibillion-dollar corporation with more than 80 markets and includes more than 3 million USD distributors around the world. They have more than 450 unique and high quality products cover all areas of home, body, beauty, and wellness that available through network of Amway's distributors. Even Amway has become one of the world's most notable business opportunities, they remain hold their vision of improving people's lives to live better. To achieve this vision, Amway needs to assist people to discover their own potential and new opportunities to reach their goal by providing high quality products and sharing generously with global society. (About Amway, n.d.; Resource Center, n.d.)

Distributors earn from various ways. First, they earn from retail profit on product sales to customers. Retail margin is calculated around 20-35 percent on home care, health, and beauty products, if these products are sold at proposing retail price from Amway. Moreover, distributors can purchase products at special selling price (price rate for distributor) that will give around 20-35 discount from a retail price. (About Amway Thailand, n.d.; About Amway, n.d.)

Second, monthly extra bonuses reward from five various ways. To begin with, 3 -21 percent reward will be given to distributors based on their personal and group's monthly performance. 4 percent reward is provided to distributors who can create at least one downline to be labeled as Silver. This 4 percent reward will be beneficial in the long term as it can be inherited by
distributor’s relative. Next, 2 percent reward is for distributors (Ruby level) who have more than 300,000 points from their group’s performance. 1 percent reward is given to distributors who labeled as Pearl level. (About Amway Thailand, n.d.)

Third, annual bonuses will be given at 0.25 percent reward for distributors possess Emerald, Diamond, and Executive Diamond level respectively. (About Amway Thailand, n.d.)

Last one is other cash awards and business incentives relying on group’s performance. Sales incentive programs have been renewed annually by Amway. Those are special plans that do not come from HQs. At present, these incentive plans have a purpose to reward distributors who has constant and stable business growth and followed rules and practices of Amway continuously. The incentive may rank from 150 – 9,300 USD. For example, first-achieved metal’s level program is a reward for distributors who can climb a job ladder into metal levels for the first time only. For instance, distributors will get 150 USD if they have accumulated points to reach a Silver level, 310 USD for the Gold level, 620 USD for Platinum level, and so on until reaching the highest level of Executive Diamond level distributors will receive around 930 USD. The next incentive program for this year is Champion Bonus Program. This program also enhances distributors to put more effort on their work. It rewards distributors by giving 1 USD for every 1 point of sales volume but before having a right to get that reward; distributors need to meet at some requirements. Last, product’s return rate program is applied for distributors labeled at Platinum level who have capability to provide information all about Amway’s products to their downline effectively and can reduce the product return from their group. Reward will be calculated based on percentage of product return for the whole period of this program. For instance, if the product’s return rate is less than 0.2%, 10,000 points will be given. (Sale Incentive Program, 2009)

**Appendix 3: Nu Skin Enterprise**

“Active distributor’s definition is distributor who has purchased products for resale or personal consumption during the last three months. Moreover, it developed a preferred customer program that give customer to purchase the product directly. It considered preferred customer who purchases products during the previous three months in our active distributor”. (Nu Skin, 2009)

“An Executive–Level distributor definition is a distributor who most perusing the direct selling opportunity and can achieve and maintains specified personal and group sales volumes each month. When a person rises up to executive-level distributor, he can start to gain the benefit of commission payments on personal and group sales volumes”. (Nu Skin, 2009)