

# Factors Influencing Career Choice in Islamic Multilevel Marketing: The Mediating Role of Company Credibility

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## ABSTRACT

Research in Islamic Multilevel Marketing (MLM) is relatively underrepresented, partly because such business model combined with Islamic appeal is a relatively new phenomenon and the novelty of MLM business is disputable in Islamic point of view. This research aimed to explore factors influencing the preference for Islamic MLM as a career choice among Moslems in Indonesia. This research gathered 227 Moslem respondents who are active members of Islamic MLM. We employed ADANCO-PLS to test the hypotheses presented in this research. Based on the results, we found that 1) reward scheme has a positive and significant effect towards company credibility 2) company credibility has positive and significant effect towards career choice in Islamic MLM and 3) the effect of reward scheme towards career choice in Islamic MLM is significant and mediated by company credibility. This research is significant, especially for Islamic MLM recruitment.

**Keywords:** Reward scheme, company credibility, career choice, Islamic MLM

## 1. INTRODUCTION

Indonesia is a lucrative market for Islamic-based businesses since the country has the largest Moslem population in the world [1]. From Halal restaurant to Islamic financing, these are thriving businesses in the country with estimated 270.63 million populations in 2019 of which roughly 87 percent of the total population are Moslems [2]. According to PewResearch, about 93 percent of Indonesian Moslems perceived that their religion was very important.

It has been stipulated that global financial crisis has opened the window of opportunity for Islamic-based economy [3]. It is often seen by Moslems as an alternative to Western-based economic [2]. Moreover, there are four trends which promote Islamic-based economy: exponential increase in Moslem population globally, an increasing demand for diversity of Islamic-based goods and services, a need to improve the welfare of Moslems both in developed and emerging countries and lastly, the rising interest as well as literacy in Islam [4]. Nevertheless, Multilevel Marketing or MLM remains a highly debated topic in Islam [5, 6]. While some Moslem-majority countries completely banned MLM business model, some others, such as Indonesia, chose to regulate the business so that it is in line with Sharia law. In 2019, Indonesian Ulema Council or MUI declared nine MLM companies which have successfully acquired Halal certification. Moreover, MUI outlined several features of MLM which are considered Halal or permissible, among others: 1) the nature as well as the features of the goods being sold in MLM have to be clear to potential buyers 2) the price of goods being sold within MLM have to be fair and 3) no specific amount of profit or

interest being promised to MLM members as it is considered *riba*.

Islamic MLM is a form of "Islamic capitalism" which was akin to Western capitalism [6]. Modern Moslems suddenly were in the strange intersection between Islamic philanthropy and another money-making industry. That is because apart from making money, Islamic MLM business model usually incorporated *sadaqah* or charity activities (coupled with Moslem Solidarity slogan) to appeal to a wider Moslem community. Indeed, Moslem societies are pretty much known for their generosity to strangers [3]. In a research conducted by AARP Foundation in 2018 involving more than 1000 Americans revealed that only one-quarter of their participants actually made profit and about 47 percent lost their money<sup>5</sup>. This is a proof that general MLM model possesses a high degree of risk. Meanwhile, the global performance of Islamic MLM is relatively unknown.

Despite the growing enthusiasm in Islamic MLM in Indonesia, the motivation to choose Islamic MLM as a career choice is relatively unknown to the best of our knowledge. The purpose of this research is to understand factors influencing career choice in Islamic MLM among Indonesian Moslems. This research is significant, especially for marketers and recruiters of Islamic MLM.

## 2. LITERATURE REVIEW

The concept of Halal refers to goods and services which are produced and processed in accordance to Islamic law [2]. It encompasses a wide spectrum of goods and services as well as various industries which are tied to the lifestyles of

Moslem consumers. Devout Moslems should conform to Islamic law and favor Islamic-based economy although they are usually subject to interpretations from the local Islamic authorities [5]. In this regards, Islamic MLM can be considered a part of Islamic-based economy.

A prominent feature of Multilevel Marketing or MLM business model is that it consists of several layers of sales persons, in which each sales person is responsible to sell MLM goods among the members as well as to recruit new members (usually called "downliners") as a way to make money or profit [7]. In this research, we defined Islamic Multilevel as MLM business model which employs Islamic appeals, may sell Islamic goods and services and whose business model is governed by Sharia Law.

The relationships between money incentives (or rewards) and company's credibility are conflicting. For instance, in one study, it was concluded that increase commissions came at the expense of company's reputation, partly due to the agency problems [8]. However, money rewards are necessary to align employees' performance with company's goals or interests. Employees need to see a clear relationship between what they contribute and what they get in return; therefore, a reward system has to be clearly communicated in order to establish company's credibility in the eyes of their employees [9]. Moreover, when sustainable performance was tied with a reward system, it should eventually improve the company's good reputation [10]. We assumed that a good reward scheme would help building MLM Company's credibility in the eyes of its members.

H1: Reward Scheme has a positive effect towards Company Credibility.

In this research, we defined Career Choice as the willingness to take up Islamic MLM as a career option. Previous study [11] found no relationship between reward scheme and the willingness to take up MLM as a career choice. They argued that skepticism and poor communication on the reward system were the explanations for the insignificant relationships. Other study [12], however, found that monthly income or reward influenced the distributors' satisfactions with MLM Company. In this research, we assumed the better the reward the higher the motivation to undertake Islamic MLM as a career choice.

H2: Reward Scheme has a positive effect towards Career Choice.

In this research, we defined Company's Credibility as company's perceived longstanding, trustworthiness and stability in its area of expertise. Company may spend their resources on sustainable actions in order to improve their reputation and credibility [10]. Company with good credibility appeals to new recruits and clients. Good credibility attracts better employees, improve morale and lower the turn-over [13]. We assumed that Islamic MLM Company with good credibility would solidify the willingness to take up Islamic MLM as a career option.

H3: Company Credibility has a positive effect towards Career Choice.

### 3. METHODOLOGY

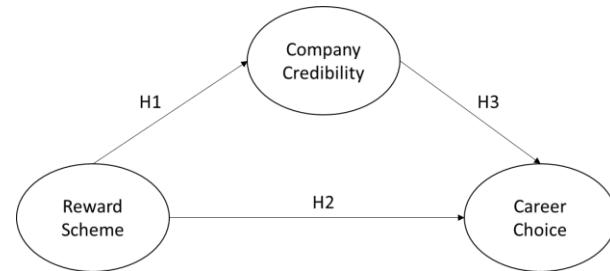
We gathered a random convenient sampling of 227 Moslem members of an Islamic MLM Company. The respondents are relatively equal in terms of gender: 120 females and 107 males. Majority of the respondents are somewhere between 26 – 35 years old. The 5-item Likert scale questionnaires were distributed in several Islamic MLM events in Indonesia. The hypotheses were tested using PLS-ADANCO software using the work of Henseler, Hubona and Ray [14] as our primary guideline.

The measurements for reward scheme, company credibility and career choice were adapted from the work of Koe Hwee Nga and Wai Mun [11]. Table 1 presents valid variables, items and their reliabilities used in this research.

**Table 1 Measurement Items**

Variables	Items	Reliability	Measurement
Reward Scheme	1. The reward scheme offered by this Islamic MLM Company is fair. 2. The rewards offered by this Islamic MLM Company are high.	0.8729	
Company Credibility	1. This Islamic MLM Company has been in the business for a long time. 2. This Islamic MLM Company has a legal operating scheme. 3. This Islamic MLM Company is operationally stable.	0.8063	Likert Scale 1-5 1 = Strongly Disagree, 5 = Strongly Agree
Career Choice	1. I believe having a career in this Islamic MLM Company will support my lifestyle. 2. I will consider Islamic MLM as a good income prospect.	0.8539	

The value of Cronbach's Alpha should be higher than 0.7 for a variable in order to be considered reliable [13]. Based on **Table 1**, we conclude that the reliability of each variable is relatively high.



**Figure 1** Theoretical Framework

Our theoretical framework is presented in **Figure 1**. Our model has one exogenous variable (Reward Scheme) and two endogenous variables (Company Credibility and Career Choice). Company Credibility mediates the relationship between Reward Scheme and Career Choice.

### 4. DATA ANALYSIS AND DISCUSSION

**Table 2** depicts the overall model by comparing the saturated versus the estimated model. The goodness of model fit of PLS model is measured through SRMR. Based on Table 2 and 3, the SRMR of the model is 0.0151. The cut-off of less than 0.08 is adequate for PLS model [14].

Moreover, for the theoretical model to be true the value of  $d_{ULS}$  cannot exceed the values of the 95%-percentile ("HI95") and the 99%-percentile ("HI99"). Based on Table 2 and 3, both saturated and estimated models are closely matched.

**Table 2 Goodness of model fit (saturated model versus estimated model)**

	Saturated Model			Estimated Model		
	Value	HI95	HI99	Value	HI95	HI99
<b>SRMR</b>	0.0151	0.0254	0.0298	0.0151	0.0253	0.0298
<b>d<sub>ULS</sub></b>	0.0064	0.0180	0.0248	0.0064	0.0180	0.0248
<b>d<sub>G</sub></b>	0.0091	0.0229	0.0301	0.0091	0.0229	0.0301

**Table 3** presents construct reliability. For each construct to be reliable, the Dijkstra-Henseler's rho ( $\rho_A$ ) should be higher than 0.7 and the Cronbach's Alpha ( $\alpha$ ) should be higher than 0.7 [14]. In this regards, all constructs in the model satisfy the requirements for construct reliability.

**Table 3 Construct Reliability**

Construct	Dijkstra-Henseler's rho ( $\rho_A$ )	Jöreskog's rho ( $\rho_c$ )	Cronbach's alpha( $\alpha$ )
Company Credibility	0.8092	0.8067	0.8063
Reward Scheme	0.8730	0.8730	0.8729
Career Choice	0.8639	0.8574	0.8539

**Table 4** presents convergent validity. Convergent validity is achieved when each item correlates strongly with its assumed theoretical construct [15]. The Average Variance Extracted (AVE) for each variable should be higher than 0.5 [14]. In this regards, all variables satisfy this requirement.

**Table 4 Convergent Validity**

Construct	Average Variance Extracted (AVE)
Company Credibility	0.5824
Reward Scheme	0.7746
Career Choice	0.7511

Based on **Table 5**, the values of cross loading indicate discriminant validity; the loading of each indicator in the assumed theoretical construct has to be higher than other constructs [15].

**Table 5 Cross Loadings**

Indicator	Company Credibility	Reward Scheme	Career Choice
CRD1	0.7131	0.5484	0.6100
CRD2	0.7688	0.5925	0.6565
CRD3	0.8048	0.6508	0.6583
RWD1	0.6762	0.8758	0.7329
RWD2	0.7041	0.8844	0.7213
CRC3	0.6715	0.6778	0.8097
CRC4	0.7822	0.7523	0.9202

The cut-off value of VIF is 10 constitutes a good indication of multicollinearity [16]. Based on **Table 6**, we found no indication of multicollinearity among these variables.

**Table 6 Indicator of Multicollinearity**

Indicator	Company Credibility	Reward Scheme	Career Choice
CRD1	1.6970		
CRD2	1.7821		
CRD3	1.7676		
RWD1		2.4993	
RWD2		2.4993	
CRC3			2.2477
CRC4			2.2477

Variance Inflation Factors (VIF)

**Table 7** presents the R-squared of the two endogenous variables. Company Credibility has an adjusted  $R^2$  of 0.6134, meaning that about 61.34 percent of variance in Company Credibility can be explained by Reward Scheme. The rest is due to other variables not included in the model. Meanwhile, Career Choice has an adjusted  $R^2$  of 0.7774, meaning that about 77.74 percent of variance in Career Choice can be explained by Reward Scheme and Company Credibility.

**Table 7 R-Squared**

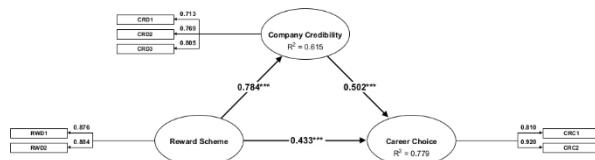
Construct	Coefficient of determination ( $R^2$ )	Adjusted $R^2$
Company Credibility	0.6151	0.6134
Career Choice	0.7794	0.7774

**Table 8** presents the direct and indirect effects among variables in the model. Reward Scheme has a positive and significant effect towards Company Credibility ( $H_1$ ) and Career Choice ( $H_2$ ). Reward Scheme also has an indirect effect towards Career Choice as mediated by Company Credibility. Previous study [11] found no relationship between Reward Scheme and Career Choice, but in our research, we managed to prove otherwise. This result indirectly supports the notion that those who are most satisfied with MLM Company hence staying longer in their career path are those who benefit from its reward scheme [12]. Meanwhile, Company Credibility has a positive and significant effect towards Career Choice ( $H_3$ ). We also found that Reward Scheme mediated by Company Credibility generates the highest total effect towards Career Choice. Based on the results, all hypotheses are accepted. It is also to be noted that Cohen's  $0.15 \leq f^2 < 0.35$  means a moderate effect and  $f^2 > 0.35$  means a strong effect<sup>7</sup>.

**Table 8 Effect Overview**

Effect	Beta	Indirect effects	Total effect	Cohen's $f^2$	Descriptions
Company Credibility -> Career Choice	0.5018		0.5018	0.4392	Significant
Reward Scheme -> Company Credibility	0.7843		0.7843	1.5981	Significant
Reward Scheme -> Career Choice	0.4326	0.3935	0.8261	0.326	Significant

**Figure 2** is the final output produced by ADANCO-PLS software. All variables in the model have significant and positive relationships.



**Figure 2** Final PLS Model

## 5. CONCLUSION

The legitimacy of MLM is subject to interpretations from local Islamic authority in each country. Some Moslem-majority countries completely dismissed such business model, whereas some, such Indonesia, choose to regulate the business, so that it is in line with the spirit of Islam, one of which is to promote welfare and justice among the people not only limited to Moslems. The shifting from Islamic financing to Islamic MLM were perceived by Moslems as an alternative business model to Western businesses.

Based on the results, we managed to prove that reward scheme is a significant predictor of MLM Company's credibility and career choice. MLM is a unique business model in which sellers are also consumers. The higher the reward, the more credible the MLM Company is perceived by its members. We also found that company's credibility partially mediates the relationship between reward scheme and career option in Islamic MLM. In other words, a fair and high monetary reward is not the highest motivating factor for Moslems who work in Islamic MLM sector. However, a good reward system paired with a good company credibility can be a powerful combination to attract new recruits. Therefore, we suggest that recruiters include both reward and credibility appeals when promoting Islamic MLM. All in all, the results of this research can be a source of consideration in recruiting new members to join Islamic MLM.

The respondents of this research came from one of the biggest "Halal" certified MLM companies in Indonesia. We hesitate to generalize this research to other Islamic MLM companies as they may have slightly different features as well as reward systems. We also acknowledged that a 2-item factor can be a source of dispute yet throughout the research we managed to show that our PLS model has passed multiple measurements.

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