

# HOST COUNTRY INSTITUTIONAL FACTORS AS DETERMINANTS OF DIRECT SELLING INDUSTRY SUCCESS

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## ABSTRACT

Direct selling firms must consider international expansion for long term survival (Franco 2010). The international direct selling industry is \$114 billion in sales with 62.7 million salespeople. Direct selling has been described as a self-employed, entrepreneurial activity that leverages network forms of social capital through membership in social structures in a person to person selling environment.

This study attempts to answer a key question linking entrepreneurship as a social institution and the level of direct sales: what are the institutional conditions under which international direct selling prospers. The study examines host country institutional factors as determinants of direct selling industry sales success. Building on institutional theory, I extend Kostova's (1999) country institutional profile, which provides a framework for specifying theoretically relevant cognitive (e.g., shared knowledge), normative (e.g., values and norms), and regulative (e.g., laws and rules) elements for the specific phenomenon under study, such as in my case entrepreneurial institutional antecedents of direct sales levels. In general I propose that there is a positive relationship between the cognitive, normative and regulative dimensions of entrepreneurship in a society and its level of direct sales.

Base on a multi-country sample, I expect to find that the presence of certain host country institutional factors will create national business environments conducive to direct selling. Mangers considering international expansion will now be able to consider the cognitive, normative, and regulative host country institutional dimensions and their potential impact on direct selling sales performance.

References Available on Request.