The Impact of Scenario Planning and Leadership on Non-Financial Performance in the Multi-Level Marketing Industry

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ARTICLE INFORMATION

ABSTRACT

This study explores the impact of strategic management and leadership styles on non-financial performance in multi-level marketing companies. This study was carried out in Penang and Kuala Lumpur, using judgmental and snowball sampling methods. A total of 155 valid samples were gathered, and the data were analyzed using SPSS.The findings indicate that macro scenario, micro scenario, and transformational leadership significantly positively impact non-financial performance, whereas transactional leadership negatively influences non-financial performance. The industry scenario does not have a significant relationship with non-financial performance. These findings assist researchers and management teams in the MLM industry in better understanding factors contributing to better non-financial performance.

Keywords: Industry Scenario, Macro Scenario, Micro Scenario, Multi-level Marketing (MLM), Scenario Planning, Transactional Leadership, Transformational Leadership.

INTRODUCTION

Non-financial performance is a crucial measure that should be improved as it is the key driver for the business's future profitability. While financial performance indicates past results of the companies, non-financial performance is a forward-looking measure that predicts the stainability of the business in the long run (Low & Siesfeld, 2007). Non-financial performance encompasses multiple facets and areas critical for the company's success. Major stakeholders are taken into account in measuring non-financial performance. For example, in the MLM industry, non-financial performance is measured using distributor satisfaction, distributor commitment, customer satisfaction, and customer loyalty. Hence, when non-financial performance is enhanced, the overall competitive strength of the business will increase significantly (Dossi & Patelli, 2010).

In 2011, 91.5 million distributors involved themselves in the MLM business, generating global sales of $153.727 billion (Coughlan, 2012). The figure continued to grow; in 2015, more than 103.3 million signed up as distributors, resulting in a total turnover of $183.7 billion in the MLM industry (Grob & Vriens, 2019). Undoubtedly, distributors play a prominent role in an MLM company's success, growth, and prosperity (Good & Hassay, 2015; Jain, Singla, & Shashi, 2015). Lee, Lau, and Loi (2016) posited that high satisfaction levels among distributors result in lower turnover rates and higher motivation to perform better and achieve more tremendous success in the business, which in turn completes the MLM firm's objectives. Distributors' commitment level directly corresponds to the accomplishment of the MLM company as their ability to generate sales and recruit new members to help the company to expand and grow.

The non-financial performance of the MLM companies can be improved through scenario planning and leadership training. Scenario planning provides a big picture of the external and internal environment for MLM companies (Chermack, Lynham, & Ruona, 2001). MLM companies can adopt these measures as the strategic management tool to respond to changes outside the companies and carry out internal adjustments. Meanwhile, leadership training should educate distributors to practice ethical leadership and lead with integrity. Leaders instill positive virtues and values among downline to serve customers honestly. When scenario planning and leadership styles are carried out properly, this can build a positive image of the MLM industry, leading to better non-financial performance.

LITERATURE REVIEW

Non-Financial Performance
Non-Financial performance indicators provide a holistic view of the performance of a particular business (Patiar & Wang, 2016). It comprises employee turnover, productivity, commitment (Humnekar & Phadtare, 2011), mutual trust between employees, willingness to do extra, and employee satisfaction (Markovic & Raspor, 2010). Hence, in this study, employee turnover rate, employee productivity, employee commitment, mutual trust, willingness to do extra, and satisfaction were used as the measurement items for non-financial performance.

Loo, Muthuvelo, Kiumarsi, and Ali (2020) investigated the non-financial performance of the hotel industry in Malaysia using scenario planning of macro scenario, micro scenario, and industry scenario as the independent variables. Besides, Patiar and Wang (2016) studied the non-financial performance in the hotel industry with transformational leadership as an independent variable. Furthermore, Sribenjachot (2007) analyzed the impact of leadership style on non-financial performance in the direct selling industry.

Moreover, Maiga and Jacobs (2009) studied the impact of leadership on non-financial performance measures such as clinical quality and process quality in the healthcare industry. Hence, this study utilized scenario planning which consists of macro scenario, industry scenario, micro scenario, and leadership (transformational leadership and transactional leadership) as independent variables to study non-financial performance in the MLM industry.

Macro Scenario
Macro scenario refers to the generic situation surrounding the business, which entails the global economic environment in which the business operates (Coates, 2000). Loo et al. (2020) contended that the macro scenario comprises political and social events that influence the organization's overall direction, including its vision and mission. In the study conducted by Loo et al. (2020), items such as a good organization's vision, a workable mission, the ability to identify social, political, and economic changes, the ability to formulate a business strategy, identify risk, and make a decision based on critical thinking were used to study macro scenario. Hence, these eight items were adapted in this study.

Loo et al. (2020) found a positive relationship between macro scenario planning and non-financial performance. The study by Li, Nonstak, and Tubsree (2016) underlined a positive relationship between the external environment and the performance of MLM companies. Khalid and Rahman (2019) studied the impact of PESTLE on project performance in the construction industry and found out that political, social, and technological factors, which are the elements of macro scenario planning, have a significant impact on project performance. Mihailova (2020) researched PESTLE analysis in the agriculture industry and found that all six forces, including political, economic, social, technological, legal, and environmental factors contribute positively to the overall industry performance. The majority of studies have concluded that macro scenario planning has a significant positive relationship with non-financial performance.

Industry Scenario
Industry scenario involves scenarios of customers, competitors, substitutes, and suppliers, which assist the management team in formulating a business strategy that can work in the context given the industry trends (Paul, 1991). In studying industry scenarios, Loo et al. (2020) used several items, including the abilities to foresee business trends, analyze market segments, study potential customers, know changes in infrastructure technology, do business adjustments, comply with the green policy, analyze business information, and make decisions based on business trends. This study adapted the eight items above to study the industry scenario.

The research conducted by Loo et al. (2020) found a positive relationship between industry scenario planning and non-financial performance. Porter's five forces that entail competitive rivalry, supplier power, buyer power, the threat of substitution, and the threat of new entry contain elements of industry scenario planning, including dimensions of customers, competitors, suppliers, and substitutions. In the study conducted by Afonina (2015) in Czech Republic, the relationship between the usage of strategic management tools such as Porter's five forces and organizational performance was investigated. There was a significant positive relationship between the usage of strategic management tools and non-financial performance. However, Strandskov (2006) showed that industry factors have an insignificant impact on business performance. The majority of studies concluded that industry scenario planning has a significant positive relationship with non-financial performance.

Micro Scenario
Micro scenario involves scenarios of cost, demand, and prices (Paul, 1991). It provides information to managers in coming out with a strategy that leads to better business performance. Loo et al. (2020) used items such as customer satisfaction analysis, a service quality measuring system, a financial reporting system, marketing performance analysis, human capital planning, and business position understanding. This study adapted the six items above to study the micro scenario.

Loo et al. also highlighted a positive relationship between micro scenario planning and non-financial performance. A micro scenario encompasses internal factors such as the strengths and weaknesses of a company. Hence, SWOT analysis contains elements of micro scenario planning. Setiawannie and Rahmania (2019) concluded that the use of SWOT analysis improves performance in the healthcare industry. Moreover, Habimana, Mutambuka, and Habinshuti (2018) studied the contribution of SWOT analysis towards improving competitiveness and overall performance and found a positive relationship between them. Furthermore, previous research also indicated that internal resources serve as a competitive advantage contributing to positive non-financial performance (Barney, 2001; Islami, Mulolli, & Mustafa, 2018). Micro scenario planning leads to improvement of internal strengths and, consequently, better non-financial performance (Lin & Chen, 2007; Leifer, Connor, & Rice, 2001; Pratali, 2003; Terziovski, 2002). In short, the majority of studies concluded that micro scenario planning has a positive relationship with non-financial performance.

Transformational Leadership
Transformational leadership motivates followers to go beyond their self-interest and strive for collective goals (Avolio & Yammarino, 2002). Wang, Oh, Courtright, & Colbert (2011) studied the impact of transformational leadership on follower performance in terms of individual-level performance, task performance, contextual performance, creative performance, and general performance. Ismail, Mohamed, Sulaiman, Mohamad, and Yusuf (2011) analyzed the effect of transformational leadership on employees' organizational commitment. The items used were the supervisor spending time teaching and coaching the team members, the supervisor talking enthusiastically about what needs to be attained, and the supervisor going beyond self-interest for the betterment of the group. In the study of Korejan and Shahbazi (2016), where the transformational leadership theory is studied, the items used were the supervisor allocates time to guide the subordinate and the supervisor assists the subordinates in building their skills. Avolio and Bass (2004) studied transformational leadership and used the items such as the leader instills faith among team members, the leader helps team members to find meaning in their work, the leader helps team members to develop their abilities, and the leader enables team members to think about old problems in new ways. Therefore, this study adapted the eight items.

Past researchers contended that transformational leadership has a positive influence on non-financial performance (Dvir, Eden, Avolio, & Shamir, 2002). Wang et al. (2011) concluded that transformational leadership is positively related to followers' performance at the individual level. Ismail et al. (2011) highlighted a positive relationship between transformational leadership and organizational commitment. Organizational commitment has a positive impact on the employee's job performance. Korejan and Shahbazi (2016) also contended that transformational leadership leads to better performance, hence supporting the positive relationship between transformational leadership and non-financial performance. The majority of studies identified the positive relationship between transformational leadership and non-financial performance.

Transactional Leadership

Bass (1985) defined transactional leadership as the leadership style based on an exchange process whereby leaders outline what was expected from the subordinates, and rewards are given when they fulfill them. Transactional leadership comprises the logic of exchanging promises of rewards and benefits to subordinates (Alobaidan et al., 2020). Brahim, Ridic, and Jukic (2015) studied the effect of transactional leadership on employee performance. In the study of Öncer (2013), the impact of transactional leadership on innovativeness, risk-taking, and proactiveness are examined. The items used were the supervisor clarifying rewards, the supervisor recognizing achievements, and the supervisor tracking mistakes of the subordinates. Avolio and Bass (2004) studied transactional leadership and used the items such as the leader providing recognition when team members achieve their goals, the leader outlining what needs to be accomplished to their team members to get their reward, the leader not trying to change anything as long as things are working, the leader is satisfied when team members meet agreed-upon standards, the leader asking only what is essential, and the leader is satisfied to let the team members work in the same ways all the time. This study adapted the eight items from the study done by Avolio and Bass (2004).

Robbins and Judge (2018) contended that transactional leadership negatively affects organizational commitment, which is positively correlated to employees' performance. Nguni, Sleegers, and Denessen (2006) found that transactional leadership is negatively related to employees' organizational commitment, corroborating Zehir (2012). Low organizational commitment will, in turn, lead to poor employee performance. The previous studies concluded that transactional leadership negatively affects follower performance (Assis, Koroth, & Saranda, 2012; Sribenjachot, 2007). The majority of studies identified the negative relationship between transactional leadership and non-financial performance.

Underlying Theory

According to the Resource-Based View (RBV) theory, resources encompass tangible and intangible assets. Tangible assets include physical objects that can be seen, such as land, vehicles, and equipment. Intangible assets lack physical form, but they provide economic benefits to the company in the long run (Nordmeyer, 2020). Examples of intangible assets are intellectual property, goodwill, brand names, organizational processes, and knowledge. These tangible and intangible assets are essential parts of corporate resources (Kristandl & Bontis, 2007). They can enhance the firm performance and serve as a competitive advantage for the company (Wernerfelt, 1984). Resources need to be valuable, rare, inimitable, and non-substitutable (Kristandl & Bontis, 2007; Madhani, 2010).

Scenario planning is a strategic planning tool that prepares the company to face future uncertainties (Amer, Daim, & Jetter, 2013; Greiner, Puig, Huchery, Collier, & Garnett, 2014; Scott et al., 2012). It is a continuous process of predicting the trends and formulating plans to respond to market threats and opportunities (Postma, 2015). Furthermore, it is an organizational process that is a resource to a company as it leads to improvement in organizational performance (Celeste & Carla, 2010). The knowledge in carrying out proper scenario planning enables a company to gain a competitive advantage against rival organizations. Based on RBV theory, scenario planning acts as a crucial intangible resource that enhances firm performance in terms of financial and non-financial perspectives. Li et al. (2016) asserted that scenario planning assists firms to study external, industry, and internal environments comprehensively and helps in the strategy formulation process to gain a competitive edge, thus serving as a resource in improving the non-financial performance of the companies.

Dynamic capabilities assist the firms to evaluate external factors and come out with a better business model that enables them to thrive in volatile business environments. Firms with dynamic capabilities can integrate internal and external competencies and capabilities to handle uncertainties (Eisenhardt & Martin, 2000). Strong dynamic capabilities lead to a better grasp of knowledge and skills to capture opportunities available in the marketplace. Dynamic capabilities consist of multiple dimensions such as sensing the change, seizing opportunities, and transforming the firm.

Strong leadership forms the dynamic capability of the firm. Strategic leadership skills such as anticipating change, challenging the status quo, interpreting information, making decisions, aligning interests, and continuous learning are aligned with the dynamic capabilities' dimensions. By anticipating change and challenging the status quo, leaders are able to sense a change. By interpreting information and making decisions, leaders are able to seize opportunities. By aligning interests and learning continuously, leaders are able to transform firms (Schoemaker, Heaton, & Teece, 2018). Leadership serves as an intangible resource that enhances a firm's dynamic capabilities and results in elevated business performance.

Conceptual Research Framework and Hypotheses Development
As mentioned in past literature, a framework is constructed to summarize the important drivers of non-financial performance. This study extensively studied and investigated elements such as macro, industry, micro, and transformarional leadership and transactional leadership. Their individual impacts on non-financial performance in the multi-level marketing sector were analyzed. Figure 1 exhibits the association and causal relationship between scenario planning and leadership (independent variable) on non-financial performance (dependent variable).
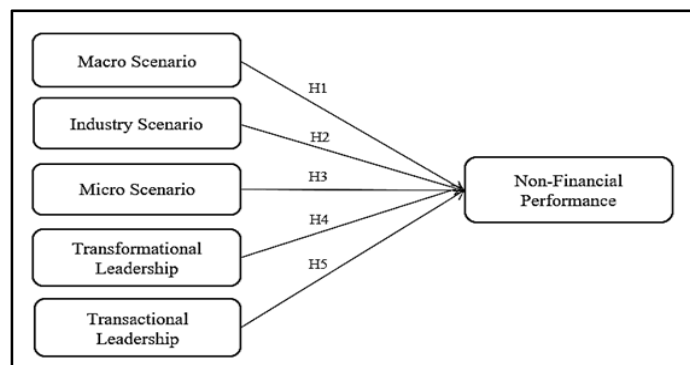
Figure 1. Theoretical Research Framework

Based on the discussions above, it is evident that scenario planning as a strategic management tool and leadership styles were factors that influence non financial performance. Thus, five main hypotheses were created as below:
H1: Macro scenario has a positive impact on non-financial performance.
H2: Industry scenario has a positive impact on non-financial performance.
H3: Micro scenario has a positive impact on non-financial performance.
H4: Transformational leadership has a positive impact on non-financial performance.
H5: Transactional leadership has a negative impact on non-financial performance.

RESEARCH METHOD

In this study, judgmental and snowball sampling methods were used. Under the judgmental sampling method, respondents were selected based on the criteria that match the study purpose (Etikan, Musa, & Alkassim, 2016). For example, this study was targeted on distributors in the MLM industry. Researchers used their own judgement when choosing respondents who are in this industry to take part in the study. After the judgmental sampling method was used to identify MLM distributors, a snowball technique was used whereby respondents were appealed to refer other MLM distributors to partake in the study. Since MLM distributors form a unique niche in the population, this method was effective in identifying potential subjects.

In this study, a cross-sectional method was used because it saves time and cost as it does not require a follow-up investigation (Albery, 2007). Longitudinal method is not selected because there is likelihood of participants dropping out from the study over time and it can be expensive to conduct (Cherry, 2020). Besides, primary data questionnaire was used because it provides more accurate and up-to-date data. Secondary data that is historical might not be relevant for predicting the current trends in the MLM industry. Self-administered questionnaires were used to collect data because this method saved time and cost (Wagenaar, 2005). Researchers do not have to travel to multiple places to survey by using a self-administered method. Besides, this method was used because it is believed that distributors who are the respondents in this study are literate and can understand and answer the questions accurately.

The research was conducted using survey questionnaires. A google form consisting of the survey questions was created. Afterward, the link Google Form was shared with the respondents to answer accordingly. Most of the questions were adopted and adapted from past research. The questions were designed simply to ensure respondents can understand them easily when answering the questionnaires. A 5-point Likert scale was used on measurement items of the independent variables, including macro scenario, industry scenario, micro scenario, transformational leadership, and transactional leadership. A 7-point Likert scale was used on measurement items of the dependent variable, which is non-financial performance. Different scale types were used to eliminate common scale properties with 23 similar scale points, reducing the likelihood of common method bias (Jordan & Troth, 2019).

RESULTS

This study's population was all MLM companies' distributors registered as members of Direct Selling Association of Malaysia (DSAM). According to DSAM (2021), there are 125 MLMs in Malaysia. In this study, the respondents were individual distributors in the MLM industry. Data was collected from distributors of Coway, Amway, Herbalife, Atomy and Kyani. A total of 159 responses were received. However, four invalid responses were removed as the respondents did not match the characteristics of the sample. The survey was targeted toward MLM distributors. Therefore, the responses of respondents who are not involved in the MLM industry were deemed invalid. As a result, 155 valid responses were employed. Table 1 provides the respondent profile.

Table 1. Respondent Profile (n=155)

Variable	Item	Frequency	Percent
Gender	Male	72	46.5
	Female	83	53.5
Age	18 and below	4	2.6
	19 - 35	82	52.9
	36 - 47	48	31.0
	48 - 66	19	12.3
	67-75	2	1.3
Marital	Single	61	39.4
	Married	94	60.6
Income	<RM2500	26	16.8
	RM2500-RM5400	55	35.5
	RM5401-RM7500	40	25.8
	RM7501-RM10,500	18	11.6
	>RM10,500	16	10.3
Sales	<RM18,000	49	31.6
	RM18,000-RM30,000	40	25.8
	RM30,001-RM41,000	35	22.6
	RM41,001-RM50,000	12	7.7
	>RM50,000	19	12.3
Organizational Experience	Less than 1 year	19	12.3
	1 - 5 years	64	41.3
	Above 5 but less than 10 years	47	30.3
	10 years and above	25	16.1
Industry Experience	Less than 1 year	17	11.0
	1 - 5 years	67	43.2
	Above 5 but less than 10 years	44	28.4
	10 years and above	27	17.4
Education level	Secondary School Certificate	7	4.5
	Diploma	20	12.9
	Bachelor's Degree	114	73.5
	Master's Degree	11	7.1
	Professional Certification	3	1.9

Table 2. Instrument Results

Construct Item	Item	Mean	Median	Mode	Std. Deviation	Minimum	Maximum
Macro Scenario	MAS1	4.66	5.00	5	0.667	1	5
	MAS2	4.72	5.00	5	0.600	2	5
	MAS3	4.58	5.00	5	0.729	1	5
	MAS4	4.50	5.00	5	0.878	1	5
	MAS5	4.58	5.00	5	0.701	2	5
	MAS6	4.63	5.00	5	0.685	2	5
	MAS7	4.58	5.00	5	0.763	1	5
	MAS8	4.59	5.00	5	0.762	1	5
Industry Scenario	INS1	4.63	5.00	5	0.645	2	5
	INS2	4.61	5.00	5	0.660	2	5
	INS3	4.58	5.00	5	0.701	2	5
	INS4	4.63	5.00	5	0.704	1	5
	INS5	4.59	5.00	5	0.709	2	5
	INS6	4.68	5.00	5	0.644	2	5
	INS7	4.65	5.00	5	0.689	1	5
	INS8	4.65	5.00	5	0.691	2	5
Micro Scenario	MIS1	4.63	5.00	5	0.721	2	5
	MIS2	4.59	5.00	5	0.727	1	5
	MIS3	4.64	5.00	5	0.633	2	5
	MIS4	4.62	5.00	5	0.657	2	5
	MIS5	4.55	5.00	5	0.782	1	5
	MIS6	4.62	5.00	5	0.732	1	5
	MIS7	4.61	5.00	5	0.649	2	5
	MIS8	4.60	5.00	5	0.651	2	5
Transformational Leadership	TF1	4.54	5.00	5	0.816	1	5
	TF2	4.53	5.00	5	0.900	1	5
	TF3	4.54	5.00	5	0.877	1	5
	TF4	4.49	5.00	5	0.907	1	5
	TF5	4.55	5.00	5	0.861	1	5
	TF6	4.50	5.00	5	0.871	1	5
	TF7	4.35	5.00	5	1.037	1	5
	TF8	4.26	5.00	5	1.163	1	5
Transactional Leadership	TS1	4.15	5.00	5	1.169	1	5
	TS2	3.79	4.00	5	1.376	1	5
	TS3	3.80	4.00	5	1.326	1	5
	TS4	3.19	4.00	5	1.538	1	5
	TS5	3.72	4.00	5	1.333	1	5
	TS6	3.70	4.00	5	1.325	1	5
	TS7	2.84	2.00	2	1.505	1	5
	TS8	2.85	2.00	1	1.570	1	5
Non-Financial **Performance**	NFP1	5.95	6.00	7	1.393	1	7
	NFP2	6.09	7.00	7	1.345	1	7

	NFP3	6.18	7.00	7	1.203	1	7
	NFP4	6.27	7.00	7	1.083	1	7
	NFP5	6.21	7.00	7	1.134	1	7
	NFP6	6.37	7.00	7	1.063	2	7
	NFP7	6.31	7.00	7	0.964	3	7
	NFP8	6.30	7.00	7	1.020	2	7

According to the descriptive statistics shown in Table 2, most respondents agree with all items for the macro scenario, industry scenario, micro scenario, and transformational leadership, with a mean score of above 3. Most participants agree with MAS2 statement or "my company has a workable mission to achieve its vision" (mean = 4.72), INS6 statement or "my company is able to comply with green environment policy" (mean = 4.68), MIS3 statement or "my company conducts financial reports frequently" (mean = 4.64), TF5 statement or "my leader helps me to develop my ability". For transactional leadership, there are differing views on the items as most respondents agree with the TS1 statement or "my leader provides recognition/rewards when I reach my goals" (mean = 4.15) and most of them disagree with the TS7 statement or "my leader does not ask for anything else outside the job scope" (mean = 2.84). Out of eight items, six items were agreed and two items were disagreed upon by most respondents. Most respondents agree with all items for non-financial performance, where respondents were required to rate their views on Likert scale of 7 as the mean value falls above 4. Most participants agree with NFP6 statement or "the reputation of my organization is good" (mean = 6.37)

Table 3. Skewness and Kurtosis Result

Test Statistics	MAS	INS	MIS	TF	TS	NFP
Skewness	-2.381	-2.122	-2.023	-1.992	-0.312	-1.648
Std. Error of Skewness	0.195	0.195	0.195	0.195	0.195	0.195
Kurtosis	6.906	5.388	4.380	3.760	-1.165	2.605
Std. Error of Kurtosis	0.387	0.387	0.387	0.387	0.387	0.387

Table 3 exhibits that data for transactional leadership is normally distributed as it has a good skewness value of -0.312. Macro scenario, industry scenario, micro scenario, transformational leadership, transactional leadership, and non-financial performance have skewness values that fall under the acceptable range between -3 and +3 (Griffin & Steinbrecher, 2013). The data is approximately symmetrical, and it is not clustered around the left or right tail. In addition, all variables have good kurtosis values that fall under the acceptable range below 7 (Brown, 2020).

Table 4. Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	23.530	49.021	49.021	23.530	49.021	49.021
2	6.013	12.527	61.548	6.013	12.527	61.548
3	2.644	5.508	67.056	2.644	5.508	67.056
4	1.925	4.009	71.066	1.925	4.009	71.066
5	1.244	2.591	73.656	1.244	2.591	73.656
6	1.160	2.417	76.073	1.160	2.417	76.073
7	0.908	1.892	77.965			
8	0.828	1.724	79.689			
9	0.795	1.656	81.345			
10	0.705	1.469	82.814			
11	0.621	1.293	84.108			
12	0.555	1.156	85.264			
13	0.497	1.036	86.300			
14	0.464	0.967	87.266			
15	0.444	0.924	88.191			
16	0.413	0.861	89.052			
17	0.401	0.836	89.888			
18	0.352	0.734	90.622			
19	0.347	0.723	91.345			
20	0.318	0.663	92.008			
21	0.306	0.637	92.645			
22	0.281	0.585	93.231			
23	0.261	0.544	93.775			
24	0.235	0.490	94.265			
25	0.233	0.485	94.750			
26	0.221	0.460	95.210			
27	0.203	0.422	95.633			
28	0.184	0.384	96.017			
29	0.180	0.375	96.392			
30	0.169	0.352	96.744			
31	0.165	0.344	97.088			
32	0.144	0.300	97.388			
33	0.140	0.292	97.680			
34	0.127	0.266	97.946			
35	0.115	0.240	98.186			
36	0.115	0.239	98.425			
37	0.107	0.222	98.647			
38	0.088	0.184	98.831			
39	0.085	0.177	99.007			
40	0.079	0.164	99.172			
41	0.075	0.155	99.327			
42	0.068	0.142	99.469			
43	0.065	0.136	99.605			
44	0.060	0.125	99.730			
45	0.041	0.086	99.816			
46	0.038	0.080	99.895			
47	0.032	0.066	99.962			
48	0.018	0.038	100.000			
Extraction Method: Principal Component Analysis.						

The 48 items in the survey questionnaire are tested using Harman's single factor to identify the existence of common method variance. According to Table 4, the results show that covariance among indicators falls below 50% at the value of 49.021% for first non-rotated factor, indicating a satisfactory result of no bias from respondents' answer (Rodríguez-Ardura & Meseguer-Artola, 2020). Moreover, the results indicate that the scale items are valid and reliable as fewer respondents provided consistent answers.

Table 5. Reliability Coefficients

Variable	Number of Items	Items Dropped	Cronbach's Alpha
Macro Scenario	8	0	0.944
Industry Scenario	8	0	0.940
Micro Scenario	8	0	0.943
Transformational Leadership	8	0	0.943
Transactional Leadership	8	0	0.912
Non-financial Performance	8	0	0.949

Cronbach's Alpha testing was used to measure the internal reliability of the 48 items representing six variables in the survey. According to table 5, Cronbach Alpha's value for all six variables surpasses 0.9, indicating excellent internal consistency (Habidin, Zubir, Fuzi, Latip, & Azman, 2015).

Table 6. KMO and Bartlett's Test

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.820
Bartlett's Test of Sphericity	Approx. Chi-Square	831.429
	df	15
	Sig.	0.000

KMO and Bartlett's tests were carried out in SPSS software. According to Table 6, the value of KMO measure of sampling adequacy is 0.820. KMO values in this sample exceed the minimum threshold of 0.6, indicating good reliability and adequate sampling (Glen, 2016). On the other hand, in Bartlett's test, the value of approximated chi-square 43 is 831.429 with a significance level below 0.05 at 0.00. Thus, null hypothesis is rejected at 95% confident level. Hence, it is evident that at least one pair of variances are different from others, signifying no homogeneity issue (Schenkelberg, 2018).

Table 7. Correlations

		MAS	INS	MIS	TF	TS	NFP
MAS	Pearson Correlation	1	.913**	.874**	.626**	0.018	.700**
	Sig. (1-tailed)		0.000	0.000	0.000	0.410	0.000
	N	155	155	155	155	155	155
INS	Pearson Correlation	.913**	1	.926**	.629**	0.066	.682**
	Sig. (1-tailed)	0.000		0.000	0.000	0.209	0.000
	N	155	155	155	155	155	155
MIS	Pearson Correlation	.874**	.926**	1	.690**	0.078	.727**
	Sig. (1-tailed)	0.000	0.000		0.000	0.169	0.000
	N	155	155	155	155	155	155
TF	Pearson Correlation	.626**	.629**	.690**	1	.329**	.551**
	Sig. (1-tailed)	0.000	0.000	0.000		0.000	0.000
	N	155	155	155	155	155	155
TS	Pearson Correlation	0.018	0.066	0.078	.329**	1	-0.099
	Sig. (1-tailed)	0.410	0.209	0.169	0.000		0.111
	N	155	155	155	155	155	155
NFP	Pearson Correlation	.700**	.682**	.727**	.551**	-0.099	1
	Sig. (1-tailed)	0.000	0.000	0.000	0.000	0.111	
	N	155	155	155	155	155	155
**. Correlation is significant at the 0.01 level (1-tailed).							

Pearson correlation is employed in this study to measure the correlation between variables in terms of strength of association and direction of the relationship. Table 7 indicates that macro scenario, industry scenario, micro scenario, and transformational leadership are positively correlated to non-financial performance. Micro scenario (r = 0.727) has the highest strength of association towards non-financial performance, followed by macro scenario, industry scenario, and transformational leadership with Pearson correlation at the value of 0.700, 0.682, and 0.551, respectively. Correlation values for these four variables towards the dependent variable, non-financial performance, exceed the minimum or moderate value of 0.5, indicating a significant positive relationship between them (Sellar, Arulrajah, & Lanka, 2019). This indicates that when macro scenario, industry scenario, micro scenario, and transformational leadership increase, non-financial performance will also increase. On the other hand, negative correlation between transactional leadership and non-financial performance is weak as the correlation value is below 0.5.

Table 8. One-way Anova

ANOVA[a]					
Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	88.983	5	17.797	41.856	<.001[b]
Residual	63.353	149	0.425		
Total	152.336	154			
a. Dependent Variable: NFP					
b. Predictors: (Constant), TS, MAS, TF, MIS, INS					

According to Table 8, the F value is 41.856 at a significant value below 0.001, indicating a statistically significant difference between NFP, TS, MAS, TF, MIS, and INS. The regression model with five predictors of transactional leadership, macro scenario, transformational leadership, micro scenario, and industry scenario provides a good explanation for the variation independent variable, non-financial performance. Hence, in this ANOVA testing, the null hypotheses are rejected (Singh, 2018).

Table 9. Results of Regression Testing

Hypothesis	Beta-Value	t-value	p-value	95.0% Confidence Interval		Decision
				Lower Bound	Upper Bound	
MAS => PERFORMANCE	0.273	2.030	0.044	0.012	0.869	Significant
INS => PERFORMANCE	-0.132	-0.772	0.441	-0.816	0.358	Not Significant
MIS => PERFORMANCE	0.501	3.299	0.001	0.339	1.354	Significant
TF => PERFORMANCE	0.180	2.249	0.026	0.028	0.425	Significant
TS => PERFORMANCE	-0.193	-3.325	0.001	-0.279	-0.071	Significant

Table 9 shows four out of five significant relationships, with a p-value less than 0.05. First, the relationship between macro scenario and non-financial performance is significant at a p-value of 0.004. This means that H1 statement of "Macro scenario has a positive impact on non-financial performance" is accepted with 99.6% confidence level. Second, the relationship between micro scenario and non-financial performance is proven to be significant at p-value of 0.001. It explains that H3 statement of "Micro scenario has a positive impact on non-financial performance" is accepted with 99.9% confidence level. Third, the relationship between transformational leadership and non-financial performance is proven to be significant at p-value of 0.026. This shows that H4 statement of "Transformational leadership has a positive impact on non-financial performance" is accepted with 97.4% confidence level. Fourth, the relationship between transactional leadership and non-financial performance is proven significant at a p-value of 0.001. It explains that H5 statement of "Transactional leadership has a negative impact on non-financial performance" is accepted with 99.9% confidence level. Lastly, the

relationship between industry scenario and non-financial performance is not significant because the p-value is 0.441, which exceeds the p-value of 0.05. Hence, H2 statement "Industry scenario has a positive impact on non-financial performance" is rejected. Table 10 summarizes the findings.

Table 10. Summary of Hypotheses Testing

Hypotheses	Description	Result
H1	Macro scenario has a positive impact on non-financial performance.	Accepted
H2	Industry scenario has a positive impact on non-financial performance.	Rejected
H3	Micro scenario has a positive impact on non-financial performance.	Accepted
H4	Transformational leadership has a positive impact on non-financial performance.	Accepted
H5	Transactional leadership has a negative impact on non-financial performance.	Accepted

The findings conclude that macro scenario, micro scenario, and transformational leadership have positive impacts on non-financial performance. Transactional leadership has a negative impact on non-financial performance. The relationships were significant, and hence the four hypotheses were accepted. Only one hypothesis is rejected as no significant relationship between industry scenario and non-financial performance.

DISCUSSION

The main purpose of this study is to identify the factors that affect the non-financial performance of MLM companies in Malaysia. This has become the area of interest for MLM companies' management team, which is believed to be the driving force behind the sustainability of the MLM business.
The findings show that the macro scenario positively impacts non-financial performance. The external environment, which includes societal, economical, technological, cultural, and legal factors, pose major opportunities and challenges for MLM companies (Li et al., 2016). For example, government laws and regulations have a direct impact on the MLM industry. MLM companies need to abide by Direct Selling and Anti-Pyramid Scheme Act and be constantly aware of the law amendments to ensure they fulfill the legal requirements.

The economic environment also has an impact on the MLM industry. When the economy is bad, many people are searching for opportunities, and this is when the MLM industry becomes a choice for those who lost their jobs to earn additional income. MLM companies need to leverage the opportunities posed by the external environment. In short, macro scenario planning help to provide a big picture for MLM companies to better capture the opportunities and overcome the challenges. Those MLM companies reacting swiftly to the macro environment will experience better performance.

The research found no significant relationship between the industry scenario and non-financial performance. Industry players such as competitors, new entries, substitutes, customers, and suppliers do not have much impact on performance in the MLM context. Similar results were shown in a study by Strandskov (2006). The rivalry between competitors does not significantly impact on the non-financial performance of the MLM companies. For example, when an MLM competitor offers a discount or promotion,

counter movement such as additional promotion will not improve the performance. The reason is the nature of the industry whereby the main competitive advantage does not come from how an MLM company can beat the competitors best, but rather its internal system and product quality covered in the micro scenario. In the MLM industry, a counter-movement toward competitors is not effective. Hence, industry scenario planning does not have much impact on performance. Instead of trying to keep up with the competition, a unique selling proposition plays a more important role in building a competitive advantage for MLM companies.

The results indicate that a micro scenario has a positive impact on non-financial performance. The internal environment is an essential building block for the competitive advantage of MLM companies (Islami et al., 2018). Effective integration of physical, organizational, and human resources forms a conducive internal environment that leads to better firm performance (Barney, 2001). MLM companies that are more innovative in product and work process development experience better performance as they can create more value for the consumers (Lin & Chen, 2007). It is evident that radical innovations and breakthroughs are necessary for the long-term growth and sustainability of MLM firms (Leifer et al., 2001).

Transformational leadership is found to have a significant positive relationship with non-financial performance.Transformational leaders who focus on follower development help improve followers' performance (Dvir et al., 2002). Idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration exhibited in the behaviors of transformational leaders assist in transforming followers to reach their full potential and produce the highest level of performance (Korejan & Shahbazi, 2016). Based on the finding, idealized influence has the highest impact on non-financial performance. Transformational leadership is extremely crucial in the MLM industry due to the nature of the partnership shared between upline leaders and followers. Leaders who are truly concerned with the long-term growth of their downline distributors are more likely to foster trust among followers. Transformational leaders work on developing the skillset and ability of their followers. Followers under the leadership of transformational leaders feel more motivated, morally uplifted, and empowered to perform beyond expectations (Ismail et al., 2011). As a result, non-financial performance improves as distributors become more productive, committed, and satisfied in the MLM organization.

The findings show that transactional leadership has a negative impact on non-financial performance in the MLM industry. Multiple scholars asserted that transactional leadership negatively influences follower performance, especially when leaders punish or condemn their followers for wrongdoings or failures in meeting goals (Nguni et al., 2006; Robbins & Judge, 2018; Zehir, 2012). Unlike in normal employment settings, individual distributors are independent business owners; they are not paid with salary by the company nor by the upline distributors. Upline distributors and followers are considered business partners instead of superiors and subordinates. Hence, rewards and coercion are not suitable in the MLM context. MLM is a relationship business, leaders who use a social exchange to interact with followers prove to be ineffective and cause adverse results (Sribenjachot, 2007).

The management team of MLM companies can apply the findings of this study to implement strategic management effectively and provide relevant leadership training to distributors. When carrying out scenario planning, macro scenario and micro scenario play a prominent role in contributing to the positive non-financial performance of MLM companies. Hence, this can serve as the guidelines for MLM companies to focus more on the external environment in which the companies operate and the internal

environment in terms of the internal structure, reward system, corporate culture, and product and business process innovation. MLM companies can pay less attention to the industry players, such as competitors because the industry scenario does not significantly impact non-financial performance. Counter movements toward competitors are not effective in the MLM context. Instead of focusing on competitors, MLM companies are advised to strengthen themselves internally and react to the macro environment when needed. Due to the nature of the industry, core competencies come from within. People and products are important assets of MLM organizations in building competitive advantage as consumers focus more on product quality and relationships with distributors. Upline distributors can also apply the findings by implementing transformational leadership when leading the team. Followers in the MLM industry focus more on higher-order motives and long-term goals. They prefer leaders who are concerned about their growth and development. The "Carrot or Stick" strategy in transactional leadership, which involves rewards and punishments, should be avoided as this social exchange process negatively impacts non-financial performance.

This study contributes to academic literature as a better understanding of factors impacting non-financial performance was fostered. The resource-based view theory was examined in the MLM context. Scenario planning as a strategic management tool was studied. It serves as an essential resource for MLM companies in building their competitive advantage as macro scenarios, and micro scenarios were found to have a significant positive impact on non-financial performance. Leadership styles play an important role in determining the non-financial performance of MLM companies. Transformational leadership is appropriate in the MLM context, whereas transactional leadership will have an adverse impact on the follower's performance. The result findings serve as a valuable point of reference for future research.

CONCLUSION

The aim of this study was to study the impact of scenario planning and leadership styles on the non-financial performance of MLM companies. The theories applied were resource-based view theory and dynamic capability of leadership. Based on the findings, only the industry scenario does not have a significant relationship with non-financial performance. Macro scenario, micro scenario, transformational leadership, and transactional leadership are significant predictors of non-financial performance in MLM organizations. These findings provide useful insights to future researchers and management teams of MLM firms. Future researchers are suggested to cover more geographical locations in the non-financial performance study, include more variables to identify other factors affecting non-financial performance, and explore more insights by involving open-ended questions.

LIMITATION
There are several limitations in this study. The research was carried out mainly in the areas of Penang and Kuala Lumpur and is not generalized to the Malaysia context. Hence, the management team from other states may not be able to use this as a major reference in improving MLM companies' non-financial performance. Besides, the questionnaire items are designed in the form of close-ended questions. This has reduced the opportunity for researchers to explore more respondents' viewpoints which can be a useful source of information to stimulate more in-depth discussion in the study.

To address the limitations, collaboration with other researchers is encouraged to cover other states or countries in the non-financial performance study. Wider scope of study enables MLM management teams operating in different geographical locations to have

better insights into major factors that can elevate business performance, especially in terms of a non-financial perspective. Moreover, future researchers should explore other dimensions that will impact non-financial performance by including more variables to obtain a more comprehensive view for management team to formulate better strategies that lead to higher non-financial performance. In addition, open-ended questions can be included to obtain more information regarding the factors affecting MLM companies' non-financial performance.

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