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«МЕЃУНАРОДЕН ДИЈАЛОГ: ИСТОК - ЗАПАД»
(ЕКОНОМИЈА, БЕЗБЕДНОСНО ИНЖЕНЕРСТВО,
ИНФОРМАТИКА)

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МЕЃУНАРОДЕН ДИЈАЛОГ

ИСТОК - ЗАПАД

ЕКОНОМИЈА, БЕЗБЕДНОСНО ИНЖЕНЕРСТВО,
ИНФОРМАТИКА

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FROM CORPORATE LEADERSHIP TO NETWORK LEADERSHIP MODELS IN THE NETWORK MARKETING COMPANIES AND THE INFLUENCE OF MARKETING PRACTICE ON LEADERSHIP

ABSTRACT: At the start of this century, we are increasingly recognizing and seeing the power of network approaches. With the rise of the Web and the greater capacity for people, resources, and ideas to self-organize, new forms of organizing are becoming possible. Many organizations are finding it challenging to adopt a network approach to leadership.

Understanding the growing importance of network leadership in an organization's leadership framework is an important step toward improving enterprise contribution in the new work environment. Network leadership sets a higher bar for leaders, requiring them to create a work climate that supports autonomy and collaboration. In this empowered environment, the leader must take on the role of an active enabler, creating conditions to accelerate individual and group decision making, rather than directing others to follow a particular path.

Therefore, the main goal of the paper is to conclude whether complex adaptive practices are suitable for the complex network marketing environment in terms of motivational aspiration of the people involved. Also in the perception of those people, whether the company is perceived as a polyarchical friendly environment attractive for opportunities not only by the employee but also by the independent marketer.

KEYWORDS: corporate leadership, leadership models, network leadership, network marketing, network marketing organization

INTRODUCTION

The network leadership approach, compared to the conventional leadership approaches, is collective, distributive, bottom-up, facilitative and emergent. The network leadership is leadership of change (Salman, et al., 2011). On the other hand, the individual leadership model is associated with strong organizations. This model is more directive, top-down and transactional (Derue, et al, 2011). In order to comprehend leadership as a collective process rather than as an individual, we are increasingly questioning the leadership assumptions contained in the traditional organizational processes and structures. Network leadership and organizational leadership have always existed together, although during the 20th century, the organizational leadership enjoyed the prestige for organizing the resources and managing the delivery of services (Mary & Russ, 2008).

The organizational forms of leadership were also predominant in the social sector. The hierarchical leadership structures insisted on accountability in order to make

the donors feel safer in terms of their investment. They invested resources in creating non-profit leaders with a greater capacity to manage and lead effective organizations (Gandolfi, 2012). All this resulted in remarkable leadership achievements, which were considered its advantages, but at the same, there were some unintentional consequences, which were seen as disadvantages.

The newly established working environment, as well as the desire and need for even greater contribution from the employees make the conventional leadership approaches and leadership development in general incomplete and inadequate. Thus, the companies have been identifying and equipping leaders to manage and implement the organization's strategy. From the traditional perspective, leaders have two principals and other complementary roles (Gandolfi, 2012):

- » Transformational leadership,
- » Transactional leadership,
- » Network leadership

The network leadership is considered to be a more indirect than direct form of leadership (Mary & Russ, 2008). The network leader is expected to establish a working environment that would rest on autonomy, empowerment, trust, sharing, and collaboration. In other words, the network leadership focuses more on influence rather than on control. The role of the network leadership is considered the core of the leadership development and management model and is therefore elevated to a primary role. In this new setting, the leaders are required to embrace and the organization to reinforce all three roles: transformational, transactional, and network leadership (Obolensky, 2010). These three roles taken together empower leaders to manage a large variety of performances:

- » to define the agenda,
- » to give guidance to individual employees and work teams and
- » to build networks to increase the contribution (Grant, 2012).

Notwithstanding, some leaders find it difficult to strike a balance between indirect and direct leadership since it requires greater level of confidence in the capabilities of the employees, including those associates they have no formal authority over. The 20th century, or most of it, was marked by the corporate leadership model as the preferred and privileged model of leadership for managing employees and delivery of services and goods, as well as for allocating funds and resources. Yet, it is worthwhile mentioning that network leadership functioned and existed in parallel with corporate leadership (Daft, 2011). However, there were times when the corporate forms were predominant in all sectors, including the social sector. Since the corporate form relies on hierarchy and accountability in the leadership structure, it resulted in greater confidence and increased safety among the partners and investors in terms of their investment. With this, non-profit leaders were developed who were empowered with greater potential to lead their companies in a more efficient way, as their managerial skills were further upgraded. This advancement, besides the considerable progress and achievements made in the leadership models, showed some unexpected disadvantages, too (Kotter, 2007).

Corporate Leadership	Network Leadership
Position, authority	Role, behavior
Individual	Collective
Control	Facilitative
Directive	Emergent
Transactional	Relational, connected
Top-down	Bottom-up

Table 1. The differences between corporate leadership and network leadership

Source: Monitor Institute Slideshare, Social Networks for Social Change (p.72)

Moving beyond personality, leadership is based on trust and resolve to delegate responsibilities to others to fully exploit their potential. Leadership, as a business management discipline, is a phenomenon that emerged in the post-war years and took off in the 1970s (Birkinshaw, 2010). At a strategic level, successful leaders 'project a clear and consistent picture of a desired organizational identity and put in place conditions that increase the likelihood of desired behaviors through enhanced employee satisfaction' (Cuilla, et al., 2009).

The concept of 'transformational leadership' suggest that leaders transform followers' personal values and self beliefs, move them to higher levels of needs and aspirations (Jung, 2001) and raise performance expectations of their followers. Contemporary views of strategic leadership inexorably revert to Porter's classic 'five forces' competition theory, which sees strategists as practitioner economists who analyses and manage market forces, as well as practitioner psychologists who analyses and manage their own and others' thought processes (Gavetti, 2011). Drawing on the 'sustainable marketing leadership' model, effective leadership rests on four main components: strategic visioning, integrated planning, managing performance and marketing controllership (Shapiro, 2005). These are enabled by compelling vision, clear organizational identity, effective culture for employee alignment and deep understanding of consumer behavior to facilitate customer satisfaction. According to Werbach (2009), when top leaders instigate a strategy for sustainability and guide the organization through the process of increasing transparency, engaging employees and embracing network partners to accomplish important sustainability goals, they set conditions to let everyone improve the company's strategy.

The main task of leadership nowadays is to create a space where employees can generate new ideas and departments can work closely together to build an organization that is effective, agile and more prepared to respond to complex challenges. The American Marketing Association's (AMA) provides an updated definition of marketing as the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large (Gundlach, & Wilkie, 2009)..

Furthermore, the UK Chartered Institute of Marketing also revised its definition of marketing as the strategic business function that creates value by stimulating, facilitating and fulfilling customer demand. It does this by building brands, nurturing innovation, developing relationships, creating good customer services and communication benefits. By operating customer-centrally, marketing brings positive return on investment, satisfied shareholders and stakeholders from business and the community, and contributes to positive behavioral change and a sustainable business fu-

ture. The modern concept of marketing is based on the idea that businesses should discover and satisfy customer needs, rather than focus on sales of existing products or services without any deep insight into consumer preferences, wants and desires, and do this better than competitors.

NETWORK MARKETING AND NETWORK MARKETING ORGANIZATIONS - NMOS

Network marketing, also known as direct selling, referral marketing or multi-level marketing, is a system in which the manager of the company pays people outside of the company to sell his products and services directly to consumers (Henkel, and Block, 2013). In return, each salesperson is given the opportunity to build his or her own independent sales force, or NMO, by recruiting, training and motivating others to sell the same products and services. Network marketing has several distinct advantages, such as ensuring distribution and sales quickly at a relatively low and fixed cost, gaining consumer acceptance for a new product especially when this involves a new competitor in that product industry. Also, network marketing gaining access to a market while avoiding excessive promotional and advertising expenses, as well as potential price wars and earning a potentially higher rate of return on sales by eliminating large outlays for media advertising (Choudhary, 2013).

Robert Kiyosaki (2012), who is considered the father of personal financial literacy, managed, in only one sentence, to define the basic meaning and value of the power of building a network, i.e. the business that operates based on the principle of networking. He says that the richest people are searching for networks and are building them, while all the other are looking for a job. One can have the best idea or product, but success will be experienced only by those who have a network through which other people can learn about them, and also a distribution network, which will sell them or their products.

This way of building a business is found under different names: referral marketing, network marketing, multi-level marketing (MLM), etc. Different opinions and definitions, or rather views, pertaining to this business model can be obtained from different places and from different sources, ranging in extremely different directions. From excellent opportunities for building own business, with an opportunity to generate passive income and personal growth and development, to thinking that the MLM is a "pyramid" scheme promising earnings over-night (Harris, 2004).

What leads to such opposite experiences and opinions? What should we believe in? In North Macedonia, there are several examples of successful MLM systems, which are representatives of world renowned businesses that have managed to bring their brand here and through this business model to build a successful distribution network of associates. Worldwide, this type of business started developing in the sixties of the last century and from the United States it started spreading in other countries of Western Europe, thus, today it is legally regulated and is increasingly prevalent, including a large part of the population. Some of the companies, which have decided to offer their products and services to the market through the MLM systems, are today, one of the most successful companies with the highest credit ratings, a fact that speaks of the resilience of this business that Donald Trump called in an interview "the business of the 21st century".

The multi-level marketing, network marketing or referral marketing is synonymous with the marketing that involves independent sale of each associate (distributor) and includes other partners who sell and receive commissions from their own sale

and inter-commissions of the sale of other associates in their team (Harris, 2004). It is a legal, ethical, fair, successful, popular way of building a business that involves a system in which the obligations and the responsibilities imply treatment of the individual at the lowest level, where all the entities of the system are fully interested, financially and otherwise, to motivate the individual to be well trained and efficient in giving recommendations and in the sale of the products and services offered by that system (Koroth & Sarada, 2012). As the name suggests, the MLM is a system that functions on multiple levels, which are spreading in depth, while the allocation of responsibilities makes it multi-layered.

The network marketing is characterized by two different fundamentals one should pay attention to. The first one refers to the product that is offered in the system and the content offered by that system (educational program and the possibility for personal growth and development), and the second one concerns the payment method of the commissions from the sold services and products offered by the system, and the incorporation of new associates (Derue, et al, 2011). This system is much more than an opportunity for financial well-being. It enables finding satisfaction in the work, strengthening self-confidence and building psychological stability since success is achieved with personal qualities and with the ability to help others to achieve the same or even better results (Henkel, and Block, 2013).

The network marketing has marked the second half of the twentieth century, whereas at the beginning of the 21st century it turned to be one of the marketing approaches and movements that are present in many free markets, such as Central and Eastern Europe, Asia, primarily Japan, and the United States and Canada. In the Balkan countries and in the countries of the former Soviet Union, the MLM experienced its expansion in the nineties of the last century. In the Southeastern Europe, about 3.5 to 4 million people are directly or indirectly involved in the MLM, while in Russia the figure exceeds 5 million. The MLM, over the last decade, has resulted in more than 600,000 dollar millionaires. It generates more than 400 billion US Dollars annual revenues. The MLM system integrates every 11 seconds a new associate. In this system, only those who surrender fail.

Network marketing is simply a revolution because it is for the first time in history that everyone is allowed to participate and contribute to building wealth, something that was previously reserved only for the selected or happy ones (Ciongradi, 2017). Although there are some controversies about this business and thoughts that it encompassed corrupt and greedy people who were trying to make a quick fortune, if we look objectively at this business, it is, in terms of the society, a very responsible system of division of wealth. The network marketing business is not a good business for greedy people. In its essence, it is a perfect business for people who are willing to help others. In other words, network marketing functions by helping someone else get rich but at the same time, the one who helps the other gains wealth as well and thus gets rich. One of the reasons that network marketing is the future of the business and gaining profit is the education system (Ciongradi, 2017). Network marketing based companies must invest time to see beyond compensation and product and really understand the core of the company and find out if the company is actually interested in training and education. Most of the companies involved in network marketing provide individual training and development in these areas. Successful leaders in network marketing, trained to develop the ability of addressing in a human spirit, have the ability to touch many of those who follow them and thus inspire them on their way to further progress.

Some scholars describe network marketing as a method of non-store retailing (Nga, & Mun, 2010) because it involves face-to-face communication between a sales representative and a potential buyer. Almost all salespersons representing network marketing companies operate as independent contractors rather than employees. The major area of competition between the network marketing companies occurs in the labor market and they vigorously compete against each other to attract full- and part-time independent contractors. NMOs are based on one or both of the two substantive values: belief in entrepreneurialism and belief in the transformative power of products to attract newcomers to the business. They claim to be the way for the "ordinary" person to attain wealth and status without such barriers to entry as an Ivy League education, high social position, or significant inheritance. NMOs open their doors to everyone who wants to try. In the NMO, the sales force is generally paid through a commission system, which provides maximum selling motivation in terms of monetary compensation. NMOs have to provide continuous training in order to motivate their sales force as a result of the difficulties in conducting network marketing business and high turnover among salespersons (Gregor, & Wadlewski, 2013).

Significant differences have been noted between a typical bureaucratic organization and a network marketing organization. To control the employees within a bureaucratic organization, it is necessary to reduce or fully eliminate all social relations among the employees, which do not refer to the work they all perform, while social relations and establishing big networks are the key factors for making profit in a network marketing organization. It is evident thereof that these two environments function in a totally opposite manner. The more people are involved in the work of a network marketing organization, the greater the success and profit of that organization is. It is important that all the employees within a network marketing organization and the marketers as well are given freedom and independence in their performance in order to make the organization more productive and efficient. Network marketers, unlike employees, are individual contractors who are not forced to follow and implement the guidance of the leader of the network marketing organization they work for. Moreover, their salary depends largely on the distributor network they have developed personally. Besides the advantages, there are some challenges too. All network marketing organizations need to find a way to improve the negative image they have in public, to establish a greater control over the sales chain and maintain the sales capacity by attracting more and more sales representatives in their network (Gregor, & Wadlewski, 2013).

In the present scenario of high unemployment, Multilevel Marketing (MLM) generates employment for people who have no permanent source of earning. MLM system has emerged as one of the prime alternatives in the current marketing system and it provides lucrative compensation that works as motivation for people to join this business. Motivation for executives of any firm plays a major role in its success. It also leads commitment of employees towards work and responsibilities. An attempt has been made to identify the motivational variables that have the highest level of contribution for joining the MLM system. Most of the MLM companies focus on compensation plan or reward system but apart from that a number of variables have been found which motivate the distributors to engage in MLM business. Further, the distributors play a vital role in the growth of the business.

NETWORK MARKETING LEADERSHIP THE LEADERSHIP OF THE FUTURE

Leaders must give their altruistic love unreservedly to their followers, who must receive it wholeheartedly if they are ready to walk along the path of their shared vision. Moreover, the feeling of belonging, being a member of the team, is very important element as it helps overcome all negative emotions like fear, anger, guilt, agony, distrust, egotism and become aware of being respected and properly understood in the team. As regards the purpose of network leadership, Werbach (2009) says that it aims to create a vision at the strategic level first and to translate it to the level of individual team members and thus encourage greater labor efficiency and dedication at the level of the organization as a whole. According to him, a network leader should possess two crucial attitudes which are essential for establishing a feeling of membership and greater productivity within the organization among the followers who are strongly committed thereto (Birkinshaw, 2010):

- » ability to create a vision and
- » ability to create an environment where everyone would feel appreciated and capable of attaining that vision and goals set.

What is important for the leaders is the belief of their followers that the vision of the organization can certainly be attained. Based on the network leadership understanding, the leaders are those who create the vision and give guidance and help to their followers to attain the shared organizational goals and vision, by creating an ambience that would further motivate them and make them eager to be more productive. It is worth mentioning that network marketing, as special branch, encompasses all these features stated above, which are indeed elements of network leadership (Salman, et al., 2011).

The most favorable manner of transmission of a message from the leader to the followers in one team is the face-to-face discussion, or one-on-one conversation between the team leader and the individuals within the team. Here, of utmost importance is the ability of the leader, through such discussions, to build up and boost commitment within and among the members of the team, based on the "reason why" approach.

In the network marketing branch, the leaders, guided by their personal motivation and strong reason, or sometimes even several reasons, make use of it to improve their own performance, but also to encourage and improve the performance of their team members, to enhance cooperation and strengthen the team spirit most often when the team members are facing personal turning points or challenges. In other words, as Kiyosaki (2012) says, it is vital that the leaders establish particularly close relationship and loyalty with their followers and, through cooperation and interaction in an appropriate environment, to work towards attaining the organizational implicit or explicit goals.

The network leaders referred to the specific approaches they apply in the communication and relations with the members of their team. Despite working on the mentality within their team, the leaders, focus strongly on the goals, strategy and organization, as well as on the opinion polls among their teammates and colleagues. Among the first tasks a network leader should undertake in network marketing is to set the goals which are to be achieved as a team or individually by the team members. The help that the teammates receive at the beginning of the task given by their leaders, certainly by following the leader's directions, is a factor that motivates them further. No less important, as actions for the network marketing leader, are creating the strategy, or strategizing, and organizing the work (Obolensky, 2010).

Very often network leaders encounter problems, i.e. challenges, of different nature within their team. If the problem concerns the skills of their teammates, then the leaders know well that they have to work on their improvement, through exercise and training. But, if the problem refers to certain activity, the network leaders are expected to see the cost of it, i.e. how much effort is needed for its accomplishment. It is necessary to calculate all aspects involved: the time spent, the sacrifice in terms of family, friends, the quality of work, and, very important, the self-esteem. According to some network leaders, it is necessary to have a strategy, to task and encourage the members of the team that they can do the job, but never to finish the job on their behalf. Close mentorship is crucial, but if the leaders see that some of their followers face difficulties or are unable to finish the task duly, they can immediately look for someone else who is able to finish it.

One of the overriding characteristics a network leader should have, based on numerous examples and deliberations, is the ability to communicate successfully. Yet, it is important to mention that his communication must not be restricted only to the communication within his team, but beyond. Another essential feature a network leader should have, is passion. Not only passion, but also ability to transform that passion into action and thus to come to the desired end. According to Henkel and Block (2013), although leadership exists for centuries, there is no single agreed definition for it. Probably this is due to its constant development, but also to the divergence in the perceptions of leadership. As leadership is becoming increasingly intangible in the modern business environment, it forces leaders to find ways to tackle successfully the constant change and complexity.

An old dilemma still discussed today concerns the origin of leadership, namely still on-going is the debate whether skills, in particular leadership skills, are learned or they are innate. According to the definition given by Derue (2011) on leadership, it is ability of one individual in a group to motivate the other individuals to attain the goals set and to move the organization forward by creating coherence and cohesion. To be able to do this, to motivate and inspire others, leaders have to have leadership skills, personal and interpersonal, namely morals, personality, values, beliefs, expectations, knowledge, experience and know-how.

However, in the network marketing branch, but in other branches as well, most important skills a leader should have are attitudes and actions. Attitude without action is worthless. Therefore, every attitude of the leader should be translated into action by his followers.

THE INFLUENCE OF MARKETING PRACTICE ON LEADERSHIP IN NMO

Most people who begin in network marketing want to get their investment back, have some success, make some profit, and see what happens. Pursuant to the findings of the latest empirical research conducted on different types of businesses and leadership models applied therein, it is necessary for the company to harmonize the leadership model to the specific form of marketing it promotes (Heifetz, Ronald et al. 2009). It is not only the marketing techniques that one company practices that make difference in the marketing it promotes, but of crucial importance is the relation and treatment of the employer or company's leader towards the employees, clients, associates and all those included and participating in the work of that company.

The management, or the leaders, are supposed to make additional efforts to monitor the progress of their team of workers and individual performances in order to be

able to guide them successfully, to motivate them further and to encourage them to take up own initiatives to improve their efficiency. Only this way, and particularly in the network marketing type of company, the leader can experience personal growth and development. If this approach is applied among workers and marketers in a network marketing organization, then the motivational and behavioral features of the leadership model can be studied in detail. The network marketing structure is somehow specific because all stakeholders included therein are independent, leaders, who possess their own businesses, which implies that there is no vertical hierarchy.

In this type of industry, there are teams and leaders; there are no superiors and subordinates, which, on the other hand, means that the network marketing leaders have no right to promote, reward, sanction or dismiss any of the members working in their team since they have no such authority and their positional capacity is less strong than the one of the corporate leaders (Pickering, Brokaw, 2003). Therefore, the network marketing leaders with less positional capacity and authority must find a way to instigate their employees to follow them. It can either be their style, humor, weirdness, clumsiness or graciousness, i.e. the aesthetic dimension in the leader's performance. Notwithstanding, in such a case, it is up to the employees to see whether that particular attitude of their leader is effective and relevant for them or not.

All stakeholders are supposed to create their own databases of clients and distribution networks in order to be successful in the working environment. This equally applies to the network marketing organizations and to the traditional marketing organizations. What is different are the parameters used to assess success and performance. According to Lindgreen (2009), besides the degree of client's commitment in network marketing environment, there are other parameters used to assess the success of a company: degree of trust and commitment by network partners, degree of trust and commitment by team members, degree of fulfillment of promises, expedience, continuity and improvement of the established relations. Based on the theories of conventional leadership, business leadership is traditionally seen in a person characterized by a wide spectrum of attitudes and capabilities, who is working in a big successful corporation (Lindgreen et al., 2009). Although network marketing is considered a non-traditional form of organization, it is experiencing progress and development globally. Still, this requires further study and reconsideration of how business leadership is perceived today. Therefore, it would be best to study the business leadership model in a network marketing environment (Langton, et al., 2011).

CONCLUSION

Speed of change in the current business environment means that marketing strategies quickly become outdated if not tuned to market needs. While leadership develops employees to help organization adapt to external change, marketing has external focus on customers. The challenge businesses need to address is how to create alignment between organizational competencies and customer needs. The care for the people refers to the manner in which the leader treats the employees in an organization through whom he seeks to achieve the set target. This type of care involves building trust and commitment to the organization, promoting individual values of the employees, providing good working conditions and promoting good inter-personal relations.

Modern leaders must constantly move the boundaries of the established business system. There is no choice between efficiency and innovation, between maintaining the existing business models and creating new ones, between revenue growth and increased profitability. Leaders must simultaneously pursue improvements on all these fronts. Modern age entrepreneurship requires creative destruction of the old business models and transition to new business models and techniques.

In order to provide further explanation of the term "direct selling", it should be viewed as an out-of-store or face-to-face sale of goods and services to clients. Hence, network marketing companies are those companies, which apply this model of sales: they allow their sales representatives to practice direct selling and, at the same time, gain profit through multi-level selling. It is a practice that nowadays marks growth globally, without signals of weakening in its growth. As an industry, network marketing encompasses over 50 million sales representatives worldwide, with more than USD 100 billion yearly in sales. Here, of utmost importance is the relationship between leadership styles and marketing practices, although this has been researched insufficiently. The features of the leadership style in network marketing organizations are not studied thoroughly in the literature, though there are studies about the styles and models of leadership in various marketing environments.

Leadership in network marketing encompasses various leadership types which depend on the concrete context. Therefore, it is not an easy task to categorize leadership in one of the main historic or contemporary theories. When a network marketing leader sees that his team is facing a problem or difficulty, he employs strategies he thinks are helpful and offers appropriate solutions, which very much resembles the form of a leadership practiced in social movements. Or, when the leader in a network marketing organization is supportive, helpful and affectionate, who shares his vision with his teammates, helping them to understand their position and role in the organization, he manifests features typical for spiritual leadership. Network leadership, based on the research, shows also elements of transformational, charismatic and visionary leadership, according to the style the leader has. But one thing is common, in case of difficulty or success, network leaders make use of the vision to face the difficulties encountered and of the success to repeat their vision.

It can be concluded that network marketing leadership has features of charismatic leadership. Charismatic leaders are leaders who are expressive in the way they communicate and use leadership language in developing the vision. The charisma of the leader is seen in what he speaks, in what words he uses to present the vision he opts for. As said before, network leadership encompasses elements of transformational leadership, but also of charismatic leadership in terms of development and enforcement of the vision. Many scholars have conducted various researches to study the relationship between the charismatic leaders, their vision and communication, and they all found that they are actually correlated. The leader's charisma is not always seen in the way he communicates or transmits the vision to his followers. Similarly, the vision cannot be founded only on the charisma of the leader and the way he communicates. The language chosen (the style) and the way the vision is transmitted by the leaders to the followers (the manner of presentation) are important elements of communication that need to be studied well.

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