

LEARNING OBJECTIVES

After completing Chapter 1, you should be able to:

1. Describe and define business research.
2. Distinguish between applied and basic research, giving examples, and discussing why they fall into one or the other of the two categories.
3. Explain why managers should know about research and discuss what managers should and should not do in order to interact effectively with researchers.
4. Identify and fully discuss specific situations in which a manager would be better off using an internal research team, and when an external research team would be more advisable, giving reasons for the decisions.
5. Discuss what research means to you and describe how you, as a manager, might apply the knowledge gained about research.
6. Demonstrate awareness of the role of ethics in business research.

Just close your eyes for a minute and utter the word *research* to yourself. What kinds of images does this word conjure up for you? Do you visualize a laboratory where scientists working with Bunsen burners and test tubes, or an Einstein-like character writing a dissertation on some complex subject such as ‘behavioural heterogeneity in economic institutions’ or someone analysing large amounts of scanner data to assess the impact of a price reduction on sales? Most certainly, all these images do represent different aspects of research. However, research is not necessarily characterized by Bunsen burners, Einstein-like characters or Big Data. **Research**, a somewhat intimidating term for some, is simply the process of finding solutions to a problem after a targeted and systematic study and analysis of materials and sources. Along these lines, people (consumers, investors, managers) constantly engage themselves in exploring and examining issues – and hence are involved in some form of research activity – as they want to change mobile phone providers, buy a new car, go to the movies, invest in a business start-up or increase advertising expenditures in their role as a manager.

Research, in some form or another, may help *managers* in organizations to make decisions at the workplace. As we all know, sometimes they make good decisions, sometimes they make poor decisions and on occasions they make such colossal blunders that they get stuck in the mire. The difference between making good decisions and committing blunders often lies in how we go about the decision-making process. In other words, good decision-making fetches a ‘yes’ answer to the following questions: Do we identify where exactly the problem lies? Do we correctly recognize the relevant factors in the situation needing investigation? Do we know what types of information are to be gathered and how? Do we know how to make use of the information so collected and draw appropriate conclusions to make the right decisions? And, finally, do we know how to implement the results of this process to solve the problem? This is the essence of research, and to be a successful manager it is important to know how to go about making the right decisions

INTRODUCTION

by being knowledgeable about the various steps involved in finding solutions to problematic issues of interest to the organization and/or its stakeholders. This is what this book is all about.

BUSINESS RESEARCH

Business research can be described as a systematic and organized effort to investigate a specific decision problem encountered in the work setting, which needs a solution. It comprises a series of steps that are designed and executed with the goal of finding answers to the issues that are of concern to the manager in the work environment. This means that the first step in research is to know where the problem area exists in the organization and to identify as clearly and specifically as possible the problem that needs to be studied and resolved. Once the management problem is clearly defined, a research objective and research questions can be developed. From there, steps can be taken with regard to the planning, collection and analysis of data. Based on the data collected and analysed, an informed judgment with regard to (a solution to) the organizational problem can ultimately be drawn.

The entire process by which we attempt to solve problems is called research. Thus, research involves a series of well-thought-out and carefully executed activities that enable the manager to know how organizational problems can be solved, or at least considerably minimized. Research encompasses the processes of inquiry, investigation, examination and sometimes experimentation. These processes have to be carried out systematically, diligently, critically, objectively and logically. The expected end result would be a conclusion that helps the manager to deal with the problem situation.

Identifying the critical issues, gathering relevant information, analysing the data in ways that help decision-making and implementing the right course of action are all facilitated by understanding business research. After all, decision-making is simply a process of choosing from among alternative solutions to resolve a problem and research helps to generate viable alternatives for effective decision-making. Knowledge of research thus enables you to undertake research yourself in order to solve the smaller and bigger problems that you will encounter in your (future) job as a treasurer, controller, brand manager, product manager, marketing manager, IT auditor, project manager, business analyst or consultant. What's more, it will help you to discriminate between good and bad studies published in (professional) journals, to discriminate between good and bad studies conducted by research agencies, to discriminate between good and bad research proposals of research agencies and to interact more effectively with researchers and consultants.

We can now define business research as an *organized, systematic, data-based, critical, objective, inquiry or investigation into a specific problem*, undertaken with the purpose of finding answers or solutions to it. In essence, research provides the necessary information that guides managers to make *informed* decisions to successfully deal with problems. The information provided could be the result of a careful analysis of *primary* data gathered first-hand or of *secondary* data that are already available (in the company, industry, archives, etc.). These data can be *quantitative* (quantitative data are data in the form of numbers as generally gathered through structured questions) or *qualitative* (qualitative data are data in the form of words) as generated from the broad answers to questions in interviews, or from responses to open-ended questions in a questionnaire, or through observation or from already available information gathered from various sources such as the Internet.

RESEARCH AND THE MANAGER

Instructors can visit the companion website at www.wiley.com/go/bougie/researchmethodsforbusiness8e for **Author Video: Research and the manager**.

An experience common to all organizations is that the managers thereof encounter problems, big and small, on a daily basis, which they have to solve by making the right decisions. In business, research is usually primarily conducted to resolve problematic issues in, or interrelated among, the areas of accounting, finance, management and marketing. In *accounting*, budget control systems, practices and procedures are frequently examined. Inventory costing methods, accelerated depreciation, time-series behaviour of quarterly earnings, transfer pricing, cash recovery rates and taxation methods are some of the other areas that are researched. In *finance*, the operations of financial institutions, optimum financial ratios, mergers and acquisitions, leveraged buyouts, intercorporate financing, yields on mortgages, the behaviour of the stock exchange, the influence of psychology on the behaviour of financial practitioners and the subsequent effect on markets, and the like become the focus of investigation. *Management* research could encompass the study of employee attitudes and behaviours, human resources management, the impact of changing demographics on management practices, production operations management, strategy formulation, information systems and the like. *Marketing* research could address issues pertaining to consumer decision-making, customer satisfaction and loyalty, market segmentation, creating a competitive advantage, product image, advertising, sales promotion, marketing channel management, pricing, new product development and other marketing aspects.

Exhibit 1.1 gives an idea of some commonly researched topical areas in business.

EXHIBIT 1.1 Some Commonly Researched Areas in Business

1. Employee behaviours such as performance, absenteeism and turnover
2. Employee attitudes such as job satisfaction, loyalty and organizational commitment
3. Supervisory performance, managerial leadership style and performance appraisal systems
4. Employee selection, recruitment, training and retention
5. Validation of performance appraisal systems
6. Human resource management choices and organizational strategy
7. Agile organizations
8. The dynamics of rating and rating errors in the judgment of human performance
9. Strategy formulation and implementation
10. Just-in-time systems, continuous-improvement strategies and production efficiencies
11. Updating policies and procedures in keeping with latest government regulations and organizational changes
12. Organizational outcomes such as increased sales, market share, profits, growth and effectiveness
13. Consumer decision-making
14. Customer relationship management
15. Consumer satisfaction, complaints, customer loyalty and word-of-mouth communication
16. Complaint handling
17. Delivering and performing service
18. Product life cycle, new product development and product innovation
19. Market segmentation, targeting and positioning
20. Product image, corporate image
21. Cost of capital, valuation of firms, dividend policies and investment decisions
22. Risk assessment, exchange rate fluctuations and foreign investment
23. Tax implications of reorganization of firms or acquisition of companies
24. Blockchain technology
25. Banking strategies
26. Behavioural finance: overconfidence, bounded rationality and home-bias
27. Executive compensation
28. Mergers and acquisitions
29. Portfolio and asset management
30. Financial reporting
31. Cash flow accounting
32. Accounting standards
33. Outsourcing of accounting

34. Sustainability reporting

35. The implications of social networks on the capital markets

36. Corporate governance

37. Development of effective cost accounting procedures

38. Installation of effective management information systems

39. Advanced manufacturing technologies and information systems

40. Auditor behaviour

41. Approaches and techniques of auditing

42. The use of technology in auditing

43. Decision-making in auditing
44. Installation, adaptation and updatation of computer networks and software suitable for creating effective information systems for organizations

45. Installation of an effective data warehouse and data mining system for the organization

46. The acceptance of new computer programs

47. Tax audits

48. Internal auditing

49. Accounting fraud and auditor liability

50. Cryptocurrencies

Not only are the issues within any sub-area related to many factors within that particular system, but they must also be investigated in the context of the external environment facing the business. For example, economic, political, demographic, technological, competitive and other relevant global factors could impinge on some of the dynamics related to the firm. These have to be scrutinized as well to assess their impact, if any, on the problem being researched.

**TYPES OF
BUSINESS
RESEARCH:
APPLIED AND
BASIC**

Research can be undertaken for two different purposes. One is to solve a decision problem faced by the manager in the work setting, demanding a timely solution. For example, a particular product may not be selling well and the manager might want to find the reasons for this to take corrective action. Such research is called **applied research**. The other is to generate a body of knowledge by trying to comprehend how certain problems that occur in organizations can be solved. This is called **basic, fundamental** or **pure research**.

It is quite possible that some organizations may, at a later stage, apply the knowledge gained by the findings of basic research to solve their own problems. For instance, a university professor may be interested in investigating the factors that contribute to absenteeism as a matter of mere academic interest. After gathering information on this topic and analysing the data, the professor may identify factors such as inflexible work hours, inadequate training of employees and low morale are primarily influencing absenteeism. Later on, a manager who encounters absenteeism of employees in his organization may use this information to determine if these factors are relevant to that particular work setting.

In sum, research done with the intention of applying the results of the findings to solve specific problems currently being experienced in an organization is called applied research. Research done chiefly to make a contribution to existing knowledge is called basic, fundamental or pure research. The findings of such research contribute to the building of knowledge in the various functional areas of business; they teach us something we did not know before. Such knowledge, once generated, is usually later applied in organizational settings for problem solving.

APPLIED RESEARCH

The following two examples, situations cited in *Businessweek* and *The New York Times*, should provide some idea of the scope of business research activities.

1. Globally, colas account for more than 50% of all sodas sold. The challenge for the \$187 billion soft drink industry is giving consumers in developed markets the sugary taste they want without giving them the mouthful of calories they don't. Concerns about obesity and health have led to nine years of falling U.S. soda consumption. The soda giants can't rely on existing diet versions of their namesake colas, as consumers are shying away from the artificial sweeteners they contain. Critics have blamed the ingredients – rightly or not – for everything from weight gain to cancer. Diet Coke is losing U.S. sales at 7% a year, almost double the rate of decline of American cola sales overall. So Coke and Pepsi are turning to research to save their cola businesses, which take in about two-thirds of the industry's U.S. sales. 'If you can crack the perfect sweetener, that would be huge', says Howard Telford, an analyst at researcher Euromonitor International.

Source: Stanford, D. (2015, March 19). *Scientists Are Racing to Build a Better Diet Soda*. Retrieved from <http://www.bloomberg.com/news/articles/2015-03-19/coke-pepsi-seek-diet-soda-s-perfect-sweetener>

2. In classical mythology, Aquila is the eagle carrying Jupiter's thunderbolts skyward. At Facebook, it is the code name for a high-flying drone, indicative of the social networking company's lofty ambitions. The V-shaped unmanned vehicle, which has about the wingspan of a Boeing 767 but weighs less than a small car, is the centerpiece of Facebook's plans to connect with the 5 billion or so people it has yet to reach. Taking to the skies to beam Internet access down from solar-powered drones may seem like a stretch for a tech company that sells ads to make money. The business model at Facebook, which has 1.4 billion users, has more in common with NBC than Boeing. But in a high-stakes competition for domination of the Internet, in which Google wields high-altitude balloons and high-speed fiber networks and Amazon has experimental delivery drones and colossal data centers, Facebook is under pressure to show that it, too, can pursue projects that are more speculative than product. One of those offbeat ideas, or so the thinking goes, could turn out to be a winner. 'The Amazons, Googles and Facebooks are exploring completely new things that will change the way we live', said Ed Lazowska, who holds the Bill and Melinda Gates Chair in Computer Science and Engineering at the University of Washington.

Source: Hardy, Q. & Goel, V. (2015, March 26). *Drones Beaming Web Access are in the Stars for Facebook*. Retrieved from <http://www.nytimes.com/2015/03/26/technology/drones-beaming-web-access-are-in-the-stars-for-facebook.html>

Example

These examples illustrate the benefits of applied research. An example of basic or fundamental research is provided next.

BASIC OR FUNDAMENTAL RESEARCH

Right from her days as a clerical employee in a bank, Sarah had observed that her colleagues, though extremely knowledgeable about the nuances and intricacies of banking, were expending very little effort to improve the efficiency and effectiveness of the bank in the area of customer relations and service. They took on the minimum amount of work, availed themselves of long tea and lunch breaks and seemed unmotivated in their dealings with the customers and the management. That they were highly knowledgeable about banking policies and practices was clearly evident from their discussions as they processed applications from customers. Sarah herself was very hardworking and enjoyed her work with the customers. She always used to think what a huge waste it was for talented employees to goof off rather than to work hard and enjoy their work. When she left the bank and did the dissertation for her PhD, her topic of investigation

Example

was Job Involvement, or the ego investment of people in their jobs. The conclusion of her investigation was that the single most important contributory factor to job involvement is the fit or match between the nature of the job and the personality predispositions of the people engaged in performing it. For example, challenging jobs allowed employees with high capabilities to get job-involved, and people-oriented employees got job-involved with service activities. Sarah then understood why the highly intelligent bank employees could not get job-involved or find job satisfaction in the routine jobs that rarely called for the use of their abilities.

Subsequently, when Sarah joined the Internal Research Team of a Fortune 500 company, she applied this knowledge to solve problems of motivation, job satisfaction, job involvement and the like in organizations.

The above is an instance of basic research, where knowledge was generated to understand a phenomenon of interest to the researcher. Most research and development departments in various industries, as well as many professors in colleges and universities, do basic or fundamental research so that more knowledge is generated in particular areas of interest to industries, organizations and researchers. Though the objective of engaging in basic research is primarily to equip oneself with additional knowledge of certain phenomena and problems that occur in several organizations and industries with a view to finding solutions, the knowledge generated from such research is often applied later for solving organizational problems.

As stated, the primary purpose of conducting basic research is to generate more knowledge and understanding of the phenomena of interest and to build theories based on the research results. Such theories subsequently form the foundation of further studies on many aspects of the phenomena. This process of building on existing knowledge is the genesis for theory building, particularly in the management area.

Several examples of basic research can be provided. For instance, research into the causes and consequences of global warming will offer many solutions to minimize the phenomenon and lead to further research to determine if and how global warming can be averted. Although research on global warming might primarily be for the purpose of understanding the nuances of the phenomenon, the findings will ultimately be applied and useful to, among others, the agricultural and building industries.

Many large companies, such as Apple, BMW, General Electric, Google, Microsoft and Shell, also engage in basic research. For instance, fundamental research carried out at the German BMW facilities is aimed at further reducing the fleet's greenhouse gas emissions and promoting electromobility innovations. High-tech companies such as Apple, Microsoft, Google and Facebook study online behaviour and interactions to gain insights into how social and technological forces interact. This allows them to build new forms of online experiences around communities of interest and to increase their understanding of how to bring people together.

University professors engage in basic research in an effort to understand and generate more knowledge about various aspects of businesses, such as how to improve the effectiveness of information systems, integrate technology into the overall strategic objectives of an organization, assess the impact of marketing action, increase the productivity of employees in service industries, monitor sexual harassment incidents at the workplace, increase the effectiveness of small businesses, evaluate alternative inventory valuation methods, change the institutional structure of the financial and capital markets and the like. These findings later become useful for application in business situations.

As illustrated, the main distinction between applied and basic business research is that the former is specifically aimed at solving a currently experienced problem within a specific organization, whereas the latter has the broader objective of generating knowledge and understanding of phenomena and problems that occur in various organizational settings. Despite this

distinction, both types of research may benefit from targeted and systematic inquiry to arrive at solutions to problems.

WHY MANAGERS NEED TO KNOW ABOUT RESEARCH

MANAGERS AND RESEARCH

In this book, we will primarily focus on applied research. Managers with knowledge of research have an advantage over those without. Though you yourself may not be doing any major research as a manager, you will have to understand, predict and control events that are dysfunctional within the organization. For example, a newly developed product may not be ‘taking off’, or a financial investment may not be ‘paying off’ as anticipated. Such disturbing phenomena have to be *understood* and explained. Unless this is done, it will not be possible to *predict* the future of that product or the prospects of that investment and how future catastrophic outcomes can be *controlled*. A grasp of research methods enables managers to understand, predict and control their environment.

A thought that may cross your mind is that, because you will probably be bringing in researchers to solve problems instead of doing the research yourself, there is no need to bother to study research. The reasons for its importance become clear when one considers the consequences of failing to do so. With the ever-increasing complexity of modern organizations, and the uncertainty of the environment they face, the management of organizational systems now involves constant troubleshooting in the workplace. It would help if managers could sense, spot and deal with problems *before* they got out of hand. Knowledge of research and problem-solving processes helps managers to identify problem situations before they get out of control. Although minor problems can be fixed by the manager, major problems warrant the hiring of outside researchers or consultants. The manager who is knowledgeable about research can interact effectively with them. Knowledge about research processes, design and interpretation of data also helps managers to become discriminating recipients of the research findings presented and to determine whether or not the recommended solutions are appropriate for implementation.

Another reason why professional managers today need to know about research methods is that they will become more discriminating while sifting through the information disseminated in business journals. Some journal articles are more scientific and objective than others. Even among the scientific articles, some are more appropriate for application or adaptation to particular organizations and situations than others. This is a function of the sampling design, the types of organizations studied and other factors reported in the journal articles. Unless the manager is able to grasp fully what the published empirical research really conveys, she or he is likely to err in incorporating some of the suggestions such publications offer. By the same token, managers can handle with success their own problems at considerable cost savings by studying the results of published research that has addressed similar issues.

There are several other reasons why professional managers should be knowledgeable about research and research methods in business. First, such knowledge sharpens the sensitivity of managers to the myriad variables operating in a situation and reminds them frequently of the multicausality and multifinality of phenomena, thus avoiding inappropriate, simplistic notions of one variable ‘causing’ another. Second, when managers understand the research reports about their organizations handed to them by professionals, they are equipped to take intelligent, educated and calculated risks with known probabilities attached to the success or failure of their decisions. Research then becomes a useful decision-making tool rather than generating a mass of incomprehensible statistical information. Third, if managers become knowledgeable about research, vested interests inside or outside the organization will not automatically prevail. For instance, an internal research group within the organization will not be able to distort information or manipulate the findings to their advantage if managers are aware of the biases that can creep into research and know how data are analysed and interpreted. As an example, an internal research team might state that a particular unit to which it is partial (for whatever reason)

has shown increased profits and hence should be allocated more resources to buy sophisticated equipment to further enhance its effectiveness. However, the increased profit could have been a one-time windfall phenomenon due to external environmental factors such as market conditions, bearing no relation whatever to the unit's operating efficiency. Thus, awareness of the different ways in which data may be camouflaged will help the manager to make the right decision. Fourth, knowledge about research helps the manager to relate to and share pertinent information with the researcher or consultant hired for problem solving.

In sum, being knowledgeable about research and research methods helps professional managers to:

1. Identify and effectively solve minor problems in the work setting.
2. Know how to discriminate good from bad research.
3. Appreciate and be constantly aware of the multiple influences and multiple effects of factors impinging on a situation.
4. Take calculated risks in decision-making, knowing fully well the probabilities associated with the different possible outcomes.
5. Prevent possible vested interests from exercising their influence in a situation.
6. Relate to hired researchers and consultants more effectively.
7. Combine experience with evidence while making decisions.

THE MANAGER AND THE CONSULTANT-RESEARCHER

Managers often need to engage a consultant to study some of the more complex, time-consuming problems that they encounter, as in the case of Facebook mentioned earlier. It is thus important to be knowledgeable about how to effectively interact with the consultant (the terms researcher and consultant are used interchangeably), what the manager-researcher relationship should be and the advantages and disadvantages of internal versus external consultants.

During their careers, it often becomes necessary for managers to deal with consultants. In such cases, the manager must not only interact effectively with the research team but must also explicitly delineate the roles for the researchers and the management. The manager has to inform the researchers what types of information may be provided to them and, more importantly, which of their records will *not* be made available to them. Such records might include the personnel files of the employees, or certain trade secrets. Making these facts explicit at the very beginning can save a lot of frustration for both parties. Managers who are very knowledgeable about research can more easily foresee what information the researchers might require, and if certain documents containing such information cannot be made available, they can inform the research team about this at the outset. It is vexing for researchers to discover, at a late stage, that the company will not let them have certain information. If they know the constraints right from the beginning, the researchers might be able to identify alternative ways of tackling the problems and to design the research in such a way as to provide the needed answers.

Beyond specifying the roles and constraints, the manager should also make sure that there is congruence in the value systems of management and the consultants. For example, the research team might very strongly believe and recommend that reduction of the workforce and streamlining would be the ideal way to significantly cut down operating costs. Management's consistent philosophy, however, might be *not* to fire employees who are experienced, loyal and senior. Thus, there might be a clash of ideologies between management and the research team. Research knowledge will help managers to identify and explicitly state, even at the outset, the values that

the organization holds dear, so that there are no surprises down the road. Clarification of the issue offers the research team the opportunity to either accept the assignment and find alternative ways of dealing with the problem, or regret its inability to undertake the project. In either case, both the organization and the research team will be better off having discussed their value orientations, thus avoiding potential frustration on both sides.

Exchange of information in a straightforward and forthright manner also helps to increase the rapport and trust levels between the two parties, which in turn motivates the two sides to interact effectively. Under this setup, researchers feel free to approach the management to seek assistance in making the research more purposeful. For instance, the research team is likely to request that management inform the employees of the ensuing research and its broad purpose to allay any fears they might entertain.

To summarize, while hiring researchers or consultants the manager should make sure that:

1. The roles and expectations of both parties are made explicit.
2. Relevant philosophies and value systems of the organization are clearly stated and constraints, if any, are communicated.
3. A good rapport is established with the researchers, and between the researchers and the employees in the organization, enabling the full cooperation of the latter.

INTERNAL CONSULTANTS/RESEARCHERS

Some organizations have their own consulting or research department, which might be called the Management Services Department, the Organization and Methods Department, R&D (research and development department), or some other name. This department serves as the **internal consultant** to subunits of the organization that face certain problems and seek help. Such a unit within the organization, if it exists, is useful in several ways, and enlisting its help might be advantageous under some circumstances, but not others. The manager often has to decide whether to use internal or external researchers. To reach a decision, the manager should be aware of the strengths and weaknesses of both, and weigh the advantages and disadvantages of using either, based on the needs of the situation. Some of the advantages and disadvantages of both internal and external teams are now discussed.

INTERNAL VERSUS EXTERNAL CONSULTANTS/ RESEARCHERS

Advantages of Internal Consultants/Researchers

There are at least four advantages in engaging an internal team to do the research project:

1. The internal team stands a better chance of being readily accepted by the employees in the subunit of the organization where research needs to be done.
2. The team requires much less time to understand the structure, the philosophy and climate and the functioning and work systems of the organization.
3. They are available to implement their recommendations after the research findings have been accepted. This is very important because any 'bugs' in the implementation of the recommendations may be removed with their help. They are also available to evaluate the effectiveness of the changes and to consider further changes if and when necessary.
4. The internal team might cost considerably less than an external team for the department enlisting help in problem solving, because they will need less time to understand the system due to their continuous involvement with various units of the organization. For problems of low complexity, the internal team would be ideal.

Disadvantages of Internal Consultants/Researchers

There are also certain disadvantages to engaging internal research teams for the purposes of problem solving. The four most critical ones are:

1. In view of their long tenure as internal consultants, the internal team may quite possibly fall into a stereotyped way of looking at the organization and its problems. This inhibits any fresh ideas and perspectives that might be needed to correct the problem. This is definitely a handicap for situations in which weighty issues and complex problems are to be investigated.
2. There is scope for certain powerful coalitions in the organization to influence the internal team to conceal, distort or misrepresent certain facts. In other words, certain vested interests could dominate, especially in securing a sizable portion of the available scant resources.
3. There is also a possibility that even the most highly qualified internal research teams are not perceived as 'experts' by the staff and management, and hence their recommendations may not get the consideration and attention they deserve.
4. Certain organizational biases of the internal research team might, in some instances, make the findings less objective and consequently less persuasive.

EXTERNAL CONSULTANTS/RESEARCHERS

The disadvantages of the internal research teams turn out to be the advantages of the external teams, and the former's advantages work out to be the disadvantages of the latter. However, the specific advantages and disadvantages of the external teams may be highlighted.

Advantages of External Consultants/Researchers

The advantages of the external team are as follows:

1. The external team can draw on a wealth of experience from having worked with different types of organizations that have had the same or similar types of problems. This wide range of experience enables them to think both divergently and convergently rather than hurry to an instant solution on the basis of the apparent facts in the situation. They are able to ponder over several alternative ways of looking at the problem because of their extensive problem-solving experience in various other organizational setups. Having viewed the situation from several possible angles and perspectives (divergently), they can critically assess each of these, discard the less viable options and alternatives and focus on specific feasible solutions (think convergently).
2. The external teams, especially those from established research and consulting firms, might have more knowledge of current sophisticated problem-solving models through their periodic training programs, which the teams within the organization may not have access to. Because knowledge obsolescence is a real threat in the consulting area, external research institutions ensure that their members are conversant with the latest innovations through periodic organized training programs. The extent to which internal team members are kept abreast of the latest problem-solving techniques may vary considerably from one organization to another.

Disadvantages of External Consultants/Researchers

The major disadvantages in hiring an external research team are as follows:

1. The cost of hiring an external research team is usually high and is the main deterrent, unless the problems are critical.

2. In addition to the considerable time the external team takes to understand the organization being researched, they seldom get a warm welcome, nor are readily accepted by employees. Departments and individuals likely to be affected by the research study may perceive the study team as a threat and resist them. Therefore, soliciting employees' help and enlisting their cooperation in the study is a little more difficult and time-consuming for external researchers than for internal teams.
3. The external team also charges additional fees for their assistance in the implementation and evaluation phases.

Keeping in mind these advantages and disadvantages of internal and external research teams, the manager who desires research services has to weigh the pros and cons of engaging either before making a decision. If the problem is a complex one, or if there are likely to be vested interests, or if the very existence of the organization is at stake because of one or more serious problems, it would be advisable to engage external researchers despite the increased costs involved. However, if the problems that arise are fairly simple, if time is of the essence in solving moderately complex problems, or if there is a system-wide need to establish procedures and policies of a fairly routine nature, the internal team would probably be the better option.

Knowledge of research methods and appreciation of the comparative advantages and disadvantages of external and internal teams help managers to make decisions on how to approach problems and determine whether internal or external researchers are the appropriate choice to investigate and solve the problem.

As already mentioned, managers are responsible for the final outcome by making the right decisions at work. This is greatly facilitated by research knowledge. Knowledge of research heightens the sensitivity of managers to the innumerable internal and external factors operating in their work and organizational environment. It also helps to facilitate effective interactions with consultants and comprehension of the nuances of the research process.

In today's world, a multitude of instruments and theories, (big) data, and sophisticated technology is available to model and analyse a wide range of issues such as business processes, consumer behaviour, investment decisions, and the like. The recommendations of the external consultant who is proficient in research and urges the application of particular models, instruments or statistical techniques in a particular situation may make no sense to, and might create some misgivings in, the manager not acquainted with research. Even superficial knowledge of research helps the manager to deal with the consultant/researcher in a mature and confident manner, so that dealing with 'experts' does not result in discomfort. As the manager, *you* will be the one to make the final decision on the implementation of the recommendations made by the research team. Remaining objective, focusing on problem solutions, fully understanding the recommendations made and why and how they have been arrived at, make for good managerial decision-making. Although company traditions are to be respected, there may be occasions where today's rapidly changing turbulent environment demands the substitution or re-adaptation of some of these traditions, based on research findings. Thus, knowledge of research greatly enhances the decision-making skills of the manager.

**KNOWLEDGE
ABOUT
RESEARCH AND
MANAGERIAL
EFFECTIVENESS**

Ethics in business research refers to a code of conduct or expected societal norms of behaviour while conducting research. Ethical conduct applies to the organization and the members that sponsor the research, the researchers who undertake the research and the respondents who provide them with the necessary data. The observance of ethics begins with the person instituting the research, who should do so in good faith, pay attention to what the results indicate and, surrendering the ego, pursue organizational rather than self-interests. Ethical conduct should also be

**ETHICS AND
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RESEARCH**

reflected in the behaviour of the researchers who conduct the investigation, the participants who provide the data, the analysts who provide the results and the entire research team that presents the interpretation of the results and suggests alternative solutions.

Thus, ethical behaviour pervades each step of the research process – data collection, data analysis, reporting and dissemination of information on the Internet, if such an activity is undertaken. How the subjects are treated and how confidential information is safeguarded are all guided by business ethics. We will highlight these as they relate to different aspects of research in the relevant chapters of this book.

There are business journals such as the *Journal of Business Ethics* and the *Business Ethics Quarterly* that are mainly devoted to the issue of ethics in business. The American Psychological Association has established certain guidelines for conducting research, to ensure that organizational research is conducted in an ethical manner and the interests of all concerned are safeguarded. As stated, we will discuss the role of ethics in the chapters that follow, insofar as it is relevant to the various steps in the research process.

SUMMARY

- **Learning objective 1: Describe and define business research.** Research is the process of finding solutions to a problem after a targeted and systematic study and analysis of materials and sources. Business research is an organized, systematic, data-based, critical, objective, inquiry or investigation into a specific problem, undertaken with the purpose of finding answers or solutions to it. In essence, business research provides the necessary information that guides managers to make informed decisions to successfully deal with problems. In one form or another, both theory and information play an important role in research.
- **Learning objective 2: Distinguish between applied and basic research, giving examples, and discussing why they fall into one or the other of the two categories.** Research can be undertaken for different purposes. One is to solve a decision problem faced by the manager in the work setting, demanding a timely solution. Such research is called applied research. The other is to generate a body of knowledge by trying to comprehend how certain problems that occur in organizations can be solved. This is called basic, fundamental or pure research. The findings of such research teach us something we did not know before. Such knowledge, once generated, is usually later applied in organizational settings for problem solving.
- **Learning objective 3: Explain why managers should know about research and discuss what managers should and should not do in order to interact effectively with researchers.** Managers with knowledge of research have an advantage over those without. A grasp of research methods enables managers to understand, predict and control their environment and/or to effectively communicate with external researchers or consultants. While hiring external researchers/consultants the manager should ensure that the roles and expectations of both parties are made explicit; relevant philosophies and value systems of the organization are clearly stated and constraints are communicated; and, a good rapport is established with the researchers.
- **Learning objective 4: Identify and fully discuss specific situations in which a manager would be better off using an internal research team, and when an external research team would be more advisable, giving reasons for the decisions.** The manager often has to decide whether to use internal or external researchers. To reach a decision, the manager should be aware of the strengths and weaknesses of both, and weigh the advantages and disadvantages of using either, based on the specific needs of the situation.
- **Learning objective 5: Discuss what research means to you and describe how you, as a manager, might apply the knowledge gained about research.** As the manager, *you* will be the one to make the final decision on the implementation of the recommendations made by the researcher or the research team. Remaining objective, focusing on problem solutions, fully understanding the recommendations made, and why and how they have been arrived at make for good managerial decision-making. Knowledge of research greatly enhances the decision-making skills of the manager.

- **Learning objective 6: Demonstrate awareness of the role of ethics in business research.** Ethics in business research refers to a code of conduct or expected societal norms of behaviour while conducting research. Ethical conduct applies to the organization and the members that sponsor the research, the researchers who undertake the research and the respondents who provide them with the necessary data. Ethical behaviour pervades each step of the research process. We will highlight these as they relate to different aspects of research in the relevant chapters of this book.

DISCUSSION QUESTIONS

1. Describe a situation where you used research in order to inform thinking, decisions and/or actions in relation to a personal issue of interest such as buying a new mobile phone or going to the movies. Provide information about the purpose of your research, the problem, the information you collected, how you collected this information, the role of theory and the solution to the problem.
2. Why should a manager know about research when the job entails *managing* people, products, events, environments, and the like?
3. For what specific purposes is basic research important?
4. When is applied research, as distinct from basic research, useful?
5. Why is it important to be adept in handling the manager–researcher relationship?
6. Explain, giving reasons, which is more important, applied or basic research.
7. Give two specific instances where an external research team would be useful and two other scenarios when an internal research team would be deployed, with adequate explanations as to why each scenario is justified for an external or internal team.
8. Describe a situation where research will help you as a manager to make a good decision.
9. Given the situations below:
 - a. Discuss, with reasons, whether they fall into the category of applied or basic research.
 - b. For Scenario 1, explain, with reasons, who will conduct the research.

Scenario 1 To Acquire or Not to Acquire: That Is the Question

Companies are very interested in acquiring other firms, even when the latter operate in totally unrelated realms of business. For example, Coca-Cola has announced that it wants to buy China Huiyuan Juice Group in an effort to expand its activities in one of the world's fastest-growing beverage markets. Such acquisitions are claimed to 'work miracles'. However, given the volatility of the stock market and the slowing down of business, many companies are not sure whether such acquisitions involve too much risk. At the same time, they also wonder if they are missing out on a great business opportunity if they fail to take such risks. Some research is needed here!

Scenario 2 Reasons for Absenteeism

A university professor wanted to analyse in depth the reasons for absenteeism of employees in organizations. Fortunately, a company within 20 miles of the campus employed her as a consultant to study that very issue.

Scenario 3 Effects of Service Recovery on Customer Satisfaction

A research scientist wants to investigate the question: What is the most effective way for an organization to recover from a service failure? Her objective is to provide guidelines for establishing the proper 'fit' between service failure and service recovery that will generalize across a variety of service industries.

CASE**The Laroche Candy Company**

In 1864 Henricus Laroche started making high-quality chocolate in his kitchen in Ooigem, Belgium. Henricus learned his trade at a famous chocolate shop in Paris, and he and his wife began to make chocolate in bars, wafers and other shapes soon after Henricus had returned to Belgium to start his own business. The Belgian people loved Laroche's chocolate and the immediate success soon caused him to increase his production facilities. Henricus decided to build a chocolate factory in Kortrijk, a nearby city in the Flemish province West Flanders. With mass-production, the company was able to lower the per-unit costs and to make chocolate, once a luxury item, affordable to everybody. The Laroche Candy Company flourished, expanded its product lines and acquired related companies during the following decades. Within a century, the company had become Belgium's leading candy-manufacturer, employing over 2,500 people.

Today, The Laroche Candy Company is one of the biggest manufacturers of chocolate and non-chocolate confectionery products in Europe. Under the present leadership of Luc Laroche, the company has become truly innovative. What's more, the company has adopted a very proactive approach to marketing planning and is therefore a fierce competitor in an increasingly global marketplace. The number of products the company produces and markets has increased dramatically; at this moment there are more than 250 Laroche Candy items distributed internationally in bulk, bags and boxes.

Luc Laroche, born in 1946, is the fifth generation of his family to lead The Laroche Candy Company. He is the great-great-grandson of company founder Henricus Laroche and the current chairman and CEO of the company. But Luc is nearing retirement. He has planned to stop working in two to three years. Whereas stepping back from power is a very difficult thing to do for a lot of people, it is an easy thing to do for Luc: He is looking forward to spending time with his grandchildren and to driving his Harley-Davidson across Europe. What's more, he has never found the time to play golf, and he is planning to spend 'three whole summers learning it' if necessary. And yet, even though 'letting go' is not a problem for Luc, he still has his worries about his imminent retirement.

As in most family businesses, Luc's two children spent their share of summers working for the company. Luc's oldest son Davy has repeatedly worked for the accounting department, whereas Davy's younger brother Robert has infrequently worked in the field. However, they have never shown a serious interest in the business. Davy, who is 35, currently works as an associate professor of management accounting at a reputable university in Belgium. Robert, aged 32, lives in Paris and has been working as a photographer for the past ten years. About twelve years ago, Robert told his dad, 'I know you'd like me to come into the business, but I've got my own path to travel'. Luc recalls responding that he respects that and that he does not want Robert to feel constrained; 'I just want you to be happy', is what he told Robert on that particular occasion.

Ever since this conversation with Robert, Luc has put his hopes on Davy. A few days ago, Luc invited Davy to have dinner at the famous In de Wulf restaurant in Dranouter, Belgium, to discuss the future of The Laroche Candy Company. He wants to talk about his retirement and a succession plan for the company with Davy, who has serious doubts about taking over the company. Davy knows that for his dad the company is his life and, like his dad, he wants the company to be successful in the future; but he just does not know whether it is a good idea to take over from his father. In an effort to maintain a balanced perspective on the issue, Davy has done some research on it. Hence, he has become very familiar with statistics about the failure rate of family transitions. These statistics have triggered numerous concerns and fears about taking over the company from his father.

Luc and Davy discuss the future of the company during a memorable dinner in Dranouter. Luc tells Davy that he wants his son to take over the company, but Davy explains that he has qualms. He brings up his doubts and fears and alternatives such as going public, selling to a strategic acquirer or investor, or selling to employees through an employee stock ownership plan. Luc hardly listens to Davy's concerns and strikes a blow for family business.

'History is full of examples of spectacular ascents of family business', he said after the waiter has refilled his glass for the fourth time in just over an hour, 'the Rothschilds, the Murdochs, the Waltons and the Vanderbilts, to name only a few. The Rothschilds, for instance, not only accumulated the largest amount of private wealth the Western world has ever seen, they also changed the course of history by financing kings

and monarchs. Did you know that they supported Wellington's armies, which ultimately led to the defeat of Napoleon at Waterloo? I bet you didn't'.

Davy raised an eyebrow. 'I didn't. But what I do know', he replied, 'is that only fifty years after the death of Cornelius Vanderbilt, who created a fortune in railroads and shipping, several of his direct descendants were flat broke. Apparently the Vanderbilts had both a talent for acquiring and spending money in unmatched numbers. Seriously, dad, I do believe that strong family values are very important but I also feel that they may place restraints on the development of the company. It is commonly known that familism in Southern Italy is one of the main reasons for the slower economic development of the south relative to the north'.

Luc sighed and looked at his son. 'So, what does this all mean?'

'Well, I think that the key question is whether family firms evolve as an efficient response to the institutional and market environment, or whether they are an outcome of cultural norms that might be harmful for corporate decisions and economic outcomes', Davy replied with a gentle smile. 'Don't you think so?'

'I . . . um . . . I guess I do'. Luc smiled back at his son. 'I am not sure that I understand what you mean, but it sounds great. Let's throw some money at it and hire a consultant who knows something about this. I'll call McKinsey first thing tomorrow morning. Cheers'.

'Cheers dad', Davy echoed lifting his glass.

Two weeks later, Paul Thomas Anderson, a senior McKinsey consultant, put forward the following problem statement in a meeting with Luc Laroche: What are the implications of family control for the governance, financing, and overall performance of The Laroche Candy Company?

CASE QUESTIONS

1. What is business research?
2. Why is the project that Mr. Anderson is doing for The Laroche Candy Company a *research* project?
3. Which steps will the consultant take now that he has clearly defined the problem that needs attention?
4. Luc Laroche has decided to hire an external consultant to investigate the problem. Do you think that this is a wise decision or would it have been better to ask his son Davy or an internal consultant to do the research project?
5. What can (or should) Luc do to assist Mr. Anderson to yield valuable research results?
6. How can basic or fundamental research help Mr. Anderson to solve the specific problem of The Laroche Candy Company?
7. Try to find relevant books, articles and research reports relating to this issue. Use, among others, electronic resources of your library and/or the Internet.