

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 are working with Bunsen burners and test tubes, or an Einstein-like character writing a dissertation on some complex subject such as ‘behavioral heterogeneity in economic institutions’ or someone analyzing large amounts of clickstream data to optimize a digital platform? Most certainly, all these images do represent different aspects of research. However, research is not necessarily characterized by Bunsen burners, Einstein-like characters or clickstream 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, students) constantly engage themselves in exploring and examining issues – and hence are involved in some form of research activity – as they change mobile phone providers, buy a new car, go to the movies, invest in a business start-up or choose a college major.

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 often 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

INTRODUCTION

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 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.

Example

In their bestselling book 'Freakonomics', Steven Levitt and Stephen J. Dubner explore the unexpected consequences of a seemingly straightforward policy change. A preschool faced a persistent problem of parents picking up their children late and forcing teachers to work overtime without additional compensation. To address this issue, the preschool instituted a late pickup fee of \$3 per incident.

Surprisingly, the late fee had the opposite of its intended effect. Instead of discouraging late pickups, it actually led to a significant *increase* in the number of late pickups. Parents, rather than feeling guilty or uncomfortable about picking up their children late, simply viewed the fee as a convenient way to pay for extra childcare time. The fee essentially transformed late pickups from a moral dilemma into a transactional matter, allowing parents to stay at work or attend appointments without feeling guilty.

This example highlights the importance of critical thinking and the identification of relevant factors when implementing solutions to a problem. It demonstrates how seemingly rational decisions can sometimes have unexpected and counterintuitive outcomes. By understanding these unintended consequences, managers can make more informed and effective decisions.

BUSINESS RESEARCH

Business research can be described as a systematic and organized effort to *investigate* a specific 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 analyzed, an informed judgment with regard to (a solution to) the organizational problem can ultimately be drawn and recommendations can be made.

The entire process by which we attempt to solve problems through the collection of information 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 and critically. The expected end result would be a conclusion – an informed judgement – that helps the manager to deal with the problem situation.

Identifying the critical issue, gathering relevant information, analyzing 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 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.

RESEARCH AND THE MANAGER

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 behavior 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 behavior of the stock exchange, the influence of psychology on the behavior 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 behaviors, 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, online consumer behavior, 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 behaviors such as performance, absenteeism and turnover | 11. Agile organizations |
| 2. Employee attitudes such as job satisfaction, loyalty and organizational commitment | 12. Organizational outcomes such as increased sales, market share, profits, growth and effectiveness |
| 3. Supervisory performance, managerial leadership style and performance appraisal systems | 13. Consumer decision-making |
| 4. Employee selection, recruitment, training and retention | 14. Customer relationship management |
| 5. Validation of performance appraisal systems | 15. Consumer satisfaction, complaints, customer loyalty and word-of-mouth communication |
| 6. Mental health and well-being in the workplace | 16. Online consumer behavior |
| 7. How to take advantage of AI in your organization | 17. Social media influencers |
| 8. Sustainability | 18. Product life cycle, new product development and product innovation |
| 9. Strategy formulation and implementation | 19. Market segmentation, targeting and positioning |
| 10. Just-in-time systems, continuous-improvement strategies and production efficiencies | 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. Behavioral 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 behavior

41. Approaches and techniques of auditing

42. Transfer pricing

43. Decision-making in auditing

44. Installation, adaptation and updating 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

These issues should be investigated within their broader context, encompassing both internal and external influences, such as economic, political, demographic, technological and competitive factors.

TYPES
OF BUSINESS
RESEARCH:
APPLIED AND
BASIC

Business research can be undertaken for two different purposes. One is to solve a current 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 focuses on the pursuit of knowledge for its own sake. This is called **basic, fundamental or pure research**. Basic and applied research approach the use of existing knowledge and the creation of new knowledge in different ways. While they share the common principle of collecting information, their aims and objectives are very different. Basic research is characterized by its intrinsic goal of understanding the world in which we live (work, consume, invest and the like). It is an investigation into the very essence of phenomena, aiming to discover new principles, theories or facts. It is driven by the researcher’s curiosity and it seeks to understand how things work or why things happen, rather than focusing on immediate practical applications of this knowledge. In contrast, applied research focuses on collecting information to solve practical problems. By utilizing principles, models, methods and findings from basic research, applied research aims to make a real-world impact by contributing to the resolution of practical problems faced by managers, organizations or industries.

Basic research contributes to a growing body of knowledge that can be drawn upon by applied researchers to inform their work. For instance, a university professor may be interested in investigating the factors that contribute to effectively managing remote teams as a matter of mere academic interest. After gathering information on this topic and analyzing the data, the professor may find that factors such as communication, goal and role clarification and relationship building are primarily

affecting remote team performance. Later on, a manager who is struggling with managing remote teams in his organization may use this information to determine if these factors are relevant to that particular work setting. This illustrates how applied research can benefit from basic research. In turn, applied research provides academic researchers with opportunities to study real-world problems and test their theories in practice. This may help to validate or fine-tune theoretical models.

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 BBC, should provide some idea of the scope of business research activities.

Apple is rethinking its movie strategy after the disappointing box office performance of several big-budget films, including Martin Scorsese's *Killers of the Flower Moon*, *Napoleon* and *Fly Me to the Moon*. Apple cancelled plans to release *Wolfs* – an action comedy starring George Clooney and Brad Pitt – in thousands of theatres globally. Instead, the picture made its debut in a limited number of venues before it became available on the Apple TV+ streaming service on 27 September 2024. Apple plans to use a similar approach with the next few titles on its calendar. Apple, which previously had intended to spend about \$1 billion annually on blockbusters for cinemas, won't return to the big screen with a wide, global theatrical release until June with *F1* – a film starring Pitt as a former Formula One driver who returns to racing to mentor a rising star.

The shift in film strategy is part of a larger reset at Apple's Hollywood studio. Apple is pulling back from theatres at the same time Netflix Inc. and Amazon.com Inc. are reworking their movie strategies. Hollywood agents and producers have trouble understanding the technology companies' strategy. Some question whether they're putting movies in theatres to make money or as marketing for when the movies go to streaming.

A representative for Apple declined to comment. One thing seems certain, however: Big tech companies have spent billions building up Hollywood studios and shifting the business of TV online, but even they are still trying to figure out the movie business.

Source: Buckley, T. & Shaw, L. (2024, September 27). *Apple Rolls Back Its Big Plans to Release Movies in Theaters*. Retrieved from <https://www.bnnbloomberg.ca/business/company-news/2024/09/27/apple-rolls-back-its-big-plans-to-release-movies-in-theaters/>.

THE TRENDY SECOND-HAND CLOTHING MARKET IS HUGE AND STILL GROWING – YET NOBODY IS TURNING A PROFIT.

Pre-owned clothing is a surging market with a cool reputation. Yet the economics don't make sense, and most companies are struggling.

In the past decade, buying used fashion has become normalized and even glamorized, with celebrities getting in on the action through swaps and sales of their pre-owned designer clothing. Shoppers are paying TikTok stylists hundreds of dollars for 'bundles' of thrifted clothing, and the fashion sponsor of the popular British reality show *Love Island* switched from a fast-fashion brand to eBay.

Sixty-seven per cent of millennials in the UK shop second-hand, and two in five items in Gen Z's closet are pre-owned. As large as the opportunity is, however, there's a big problem. From local thrift shops to enormous online second-hand retailers, it's hard to find pre-owned clothing businesses that actually turn a profit.

Example

Apple Rolls Back Its Big Plans to Release Movies in Theaters.

Online retailers have been packing up and shipping out second-hand clothes for years, focusing on growth over the bottom line, taking on large capital investments and, in some cases, going public. Despite this commitment, profits aren't rolling in – even for the biggest players in the space. Processing second-hand products is labor-intensive – and it's costly for businesses.

Second-hand clothing companies have realized the difficult economics of processing old clothes for resale. To shore up business, some are changing their models for acquiring pre-owned clothing. Some companies are now charging consumers and brands alike to process their old clothing, whereas sending along a 'Clean Out Kit' was previously free. Rising costs can mean rising prices, a jarring realization for consumers who come to the market expecting deals and steals. In some cases, labor costs can push the price of second-hand clothing over the price of new products of similar quality. A recent investigation by The Telegraph called thrift shopping in the United Kingdom a 'right rip-off', citing the example of a used Primark sweater that was priced higher than a new one.

Whether the second-hand clothing market is a bubble ready to burst, or an industry with untapped potential, experts agree the current situation is untenable.

Source: Wicker, A. (2024, March 4). *The Trendy Second-Hand Clothing Market Is Huge and Still Growing – Yet Nobody Is Turning a Profit*. Retrieved from <https://www.bbc.com/worklife/article/20240301-international-second-hand-clothing-market-profitable>.

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

Example

Anna, a professor in the field of work and inequality, is an expert on how technology is transforming the labor market and what we can do to ensure that the future of work is as fair and inclusive as possible. 'The world is rapidly changing due to the advent of new technologies, and the effects are not evenly distributed', she says. 'The previous major technological transition – the digital revolution – has increased inequalities in the labor market. People in mid-wage jobs were particularly affected. This is because computers are quite capable of performing predictable, routine tasks. The demand for labor in administrative work and production jobs decreased. For low-wage work, like cleaning, not much changed. But at the upper end of the labor market, individuals in high-paying jobs benefited significantly from digitization. They became more productive thanks to computers and saw their incomes increase further. That way, the gap between low-paid and high-paid work widened'.

But with the rise of AI, a new generation of algorithms is entering the labor market. These algorithms can not only take over routine tasks from humans but are also capable of writing communication strategies, making diagnoses and designing buildings. Unlike the digital revolution, the AI revolution also affects higher educated groups. According to Anna, this means that AI could reduce existing disparities. 'Unlike the digital revolution, the AI revolution also affects higher educated groups. Middle-income groups could actually benefit from the effects of automation. Someone who may not be able to write a marketing plan or who lacks sufficient programming knowledge to build a website might be able to do so with AI's assistance. This could facilitate upward mobility to better-paying jobs. In certain sectors, such as healthcare and education, it might also provide solutions for staffing shortages and high workloads'.

Therefore, Anna expects substantial shifts in the labor market. 'It's up to us to steer these shifts. Good legislation and regulation are crucial for that'. Ultimately, Anna says, the question is: How do we want the labor market of the future to look?

Source: Tilburg University. (2024, October 18). *Anna Salomons Appointed Professor of Automation and the Labor Market*. Retrieved from <https://www.tilburguniversity.edu/current/press-releases/anna-salomons-appointed-professor-automation-and-labor-market>.

BASIC OR FUNDAMENTAL RESEARCH

The above is an instance of basic research, where knowledge is 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. The knowledge generated from such research is often applied later for solving organizational and/or societal problems.

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 behavior 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.

WHY MANAGERS NEED TO KNOW ABOUT RESEARCH

MANAGERS AND 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 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 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 many uncertainties they face, the management of organizations has become more and more difficult. Research reduces uncertainty and allows managers to make informed decisions.

Organizations hire researchers for a variety of reasons, depending on their specific needs and goals. 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 via business journals, the internet, business news channels and the like. The quality of information provided by these different sources can vary considerably. For instance, anyone can publish content via the internet, regardless of their expertise or credibility and false or misleading information can be easily spread online. What's more, 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 research questions, research design, the focus and scope and many other factors. 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 deal with their own problems more successfully 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, informed decisions. Research then becomes a useful decision-making tool rather than generating a mass of incomprehensible statistical information. Third, by understanding research methods, managers can mitigate the influence of vested interests. Internal stakeholders may intentionally (or unintentionally) distort information to favor their own interests. For example, an internal team might exaggerate the performance of their business unit, attributing increased profits to internal factors rather than external market conditions. Awareness of the different ways in which data may be interpreted or used will help the manager to see the bigger picture. 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 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. Make informed decisions.
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 Apple 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.

When working with researchers, managers must establish clear communication channels and define roles and expectations. Transparent communication about information access is crucial to avoid misunderstandings and ensure a productive working relationship. 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 at the very beginning of the research project. If they know the constraints right from the beginning, the researchers might be able to identify alternative ways of tackling the problems and 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 the organization and the researchers. This means ensuring that both parties share similar beliefs and priorities, such as a commitment to innovation, quality or social impact. By aligning these values, the manager can foster a collaborative environment where both parties understand each other’s perspectives. This leads to more effective research and avoids conflicts at the later stages of the research process.

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. 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 do not always 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 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 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.

Managers are responsible for 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 analyze a wide range of issues such as business processes, consumer behavior, 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 behavior 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 reflected in the behavior 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 behavior pervades each step of the research process – briefing, problem definition, executing and documenting the literature review, data collection, data analysis, drawing conclusions, making recommendations and writing the research report. 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.

The following example highlights the importance of research ethics and their evolving nature over time.

ETHICS AND BUSINESS RESEARCH

Example

The Stanford Prison Experiment is a study in which college students became prisoners or guards in a simulated prison environment. The experiment took place at Stanford University in 1971. The objective of the experiment was to examine the influence of social roles on human behavior.

Led by Dr Philip Zimbardo, the study recruited Stanford students through a local newspaper ad. Twenty-four male students were carefully selected and randomly assigned to the roles of prisoners and guards. The guards were instructed to maintain control without imposing physical harm. Wearing uniforms and sunglasses, they enforced strict rules, punishing violators of the prison rules with solitary confinement or push-ups. Prisoners, identified by numbers and wearing nylon stocking caps, smocks and no underwear, were referred to by numbers instead of names.

The experiment, which was scheduled to last two weeks, ultimately had to be terminated on the 6th day due to the psychological abuse that took place. After an attempted revolt on the second day, prisoners were forced to endure cruel and dehumanizing abuse. The guards began asserting their authority by turning fire extinguishers on the prisoners and demanding that they insult or embrace one another, strip naked and clean toilet bowls with their bare hands. Within the first four days, three prisoners had become so traumatized that they were ‘released’. After an outside observer entered the scene and had a heated argument with Dr Zimbardo about what she had witnessed, he concluded the experiment.

‘It was a different era’, Dr Zimbardo told a British newspaper in 2008. ‘If I had done the study right now, there is no question that I would be sued by every guard and every prisoner. These studies are in ethical time capsules. They cannot be done in a legitimate way now’.

The Stanford Prison Experiment remains among the most notable and notorious research projects ever carried out at Stanford University or any other university. The experiment showed, in Dr. Zimbardo’s words, how ‘ordinary college students could do terrible things’. The findings were used by scholars and psychologists seeking to understand the genocide in Rwanda, the rise of Nazism in Germany and other atrocities. Dr Zimbardo saw parallels between the guards’ behavior during his exercise and the conduct of U.S. soldiers who had abused prisoners at the Abu Ghraib prison. ‘Anyone’, Dr Zimbardo told during a 2013 lecture, ‘can be evil’.

There are business journals such as *Ethics & Human Research*, *Journal of Business Ethics* and *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 focuses on the pursuit of knowledge for its own sake. 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 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. It is also important that 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. 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 behavior while conducting research. Ethical conduct applies to the organization and the members that sponsor the research, the researchers who undertake the research and the participants of the study. Ethical behavior 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.

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.

DISCUSSION QUESTIONS



INTERACTIVE
SELF-SCORING QUIZZES

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

In 2024 Mars, Incorporated, a family-owned, global leader in pet care, snacks and food, and Kellanova, a leading company in global snacks, international cereal and noodles and frozen breakfast foods, announced that they have reached a final agreement under which Mars acquires Kellanova for \$83.50 per share and a total sum of \$35.9 billion.

This example illustrates that companies are often very interested in acquiring other firms. However, many companies are not sure whether such acquisitions involve too much risk; four out of five acquisitions fail! 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 analyze 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 2500 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 1956, 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



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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 T. 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.