

# **CHAPTER 1**

# **INTRODUCTION TO**

# **BUSINESS RESEARCH**

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# LEARNING OUTCOMES

- **After studying this chapter, you should be able to**
- 1. Know how to define business research
- 2. Understand how research contributes to business success
- 3. Understand the difference between basic and applied business research
- 4. Understand how research activities can be used to address business decisions
- 5. Know when business research should and should not be conducted

# DEFINITION

- **Business research** is the application of the scientific method in searching for the truth about business phenomena. These activities include defining business opportunities and problems, generating and evaluating ideas, monitoring performance, and understanding the business process.
- Business research is more than conducting surveys. This process includes idea and theory development, problem definition, searching for and collecting information, analyzing data, and communicating the findings and their implications.

- Business research is designed to facilitate the managerial decision-making process for all aspects of the business: finance, marketing, human resources, and so on.
- Business research is an essential tool for management in virtually all problem-solving and decision-making activities. By providing the necessary information on which to base business decisions, research can decrease the risk of making a wrong decision in each area. However, it is important to note that research is an aid to managerial decision making, never a substitute.

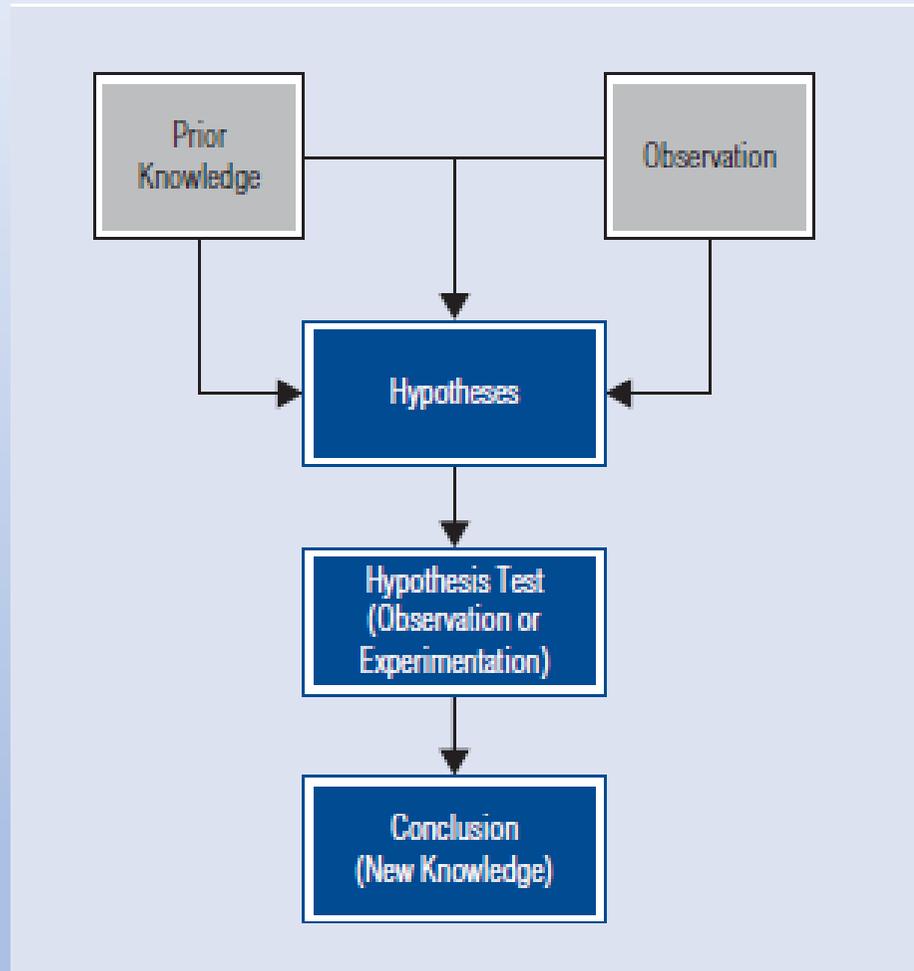
# APPLIED AND BASIC BUSINESS RESEARCH

- **Applied business research** is conducted to address a specific business decision for a specific firm or organization.
- **Basic business research** is conducted without a specific decision in mind that usually does not address the needs of a specific organization. It attempts to expand the limits of knowledge in general and is not aimed at solving a particular pragmatic problem.

# THE SCIENTIFIC METHOD

- **The scientific method** is the way researchers go about using knowledge and evidence to reach objective conclusions about the real world. The scientific method is the same in social sciences, such as business. It is the way we come to understand business phenomena.
- All research, whether basic or applied, involves the scientific method.

# A Summary of the Scientific Method



# MANAGERIAL VALUE OF BUSINESS RESEARCH

## Product-Oriented Firm

Prioritizes decision making that emphasizes physical product design, trendiness, or technical superiority

*Research focuses on technicians and experts in the field.*

## Example

The fashion industry makes clothes in styles and sizes that few can adopt.

## Production-Oriented Firm

Prioritizes efficiency and effectiveness of production processes in making decisions

*Research focuses on line employees, engineers, accountants, and other efficiency experts.*

## Example

The U.S. auto industry's assembly-line process is intent on reducing costs of production as low as possible.

## Marketing-Oriented Firm

Focuses on how the firm provides value to customers

*Research focuses on customers.*

## Example

Well-known hotel chains are designed to address the needs of travelers, particularly business travelers.

# WHEN IS BUSINESS RESEARCH NEEDED?

- Determining When to Conduct Business Research

Time Constraints	Availability of Data	Nature of the Decision	Benefits versus Costs	
Is sufficient time available before a decision will be made?	Is it feasible to obtain the data?	Is the decision of considerable strategic or tactical importance?	Does the value of the research information exceed the cost of conducting research?	Conduct Business Research
Yes →	Yes →	Yes →	Yes →	
No ↓	No ↓	No ↓	No ↓	
Do Not Conduct Business Research				

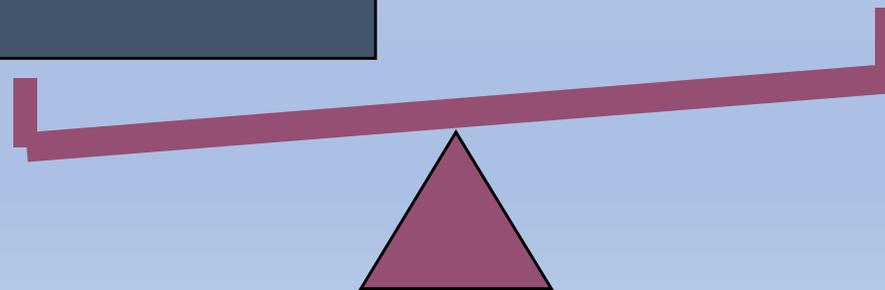
# VALUE SHOULD EXCEED ESTIMATED COSTS

## Value

- Decreased certainty
- Increased likelihood of a correct decision
- Improved business performance and resulting higher profits

## Costs

- Research expenditures
- Delay of business decision and possible disclosure of information to rivals
- Possible erroneous research results



# MAJOR TOPICS FOR RESEARCH IN BUSINESS

- General Business Conditions and Corporate Research
- Financial and Accounting Research
- Management and Organizational Behavior Research
- Sales and Marketing Research
- Information Systems Research
- Corporate Responsibility Research

# QUESTIONS FOR REVIEW AND CRITICAL THINKING

- 1. Is it possible to make sound managerial decisions without business research? What advantages does research offer to the decision maker over seat-of-the-pants decision making?
- 2. Define business research and describe its task.
- 3. Which of the following organizations are likely to use business research? Why? How?
  - a. Manufacturer of breakfast cereals
  - b. Manufacturer of nuts, bolts, and other fasteners
  - c. The Federal Trade Commission
  - d. A hospital
  - e. A company that publishes business textbooks
- 4. List the conditions that help a researcher decide when research should or should not be conducted.