Research Methods For Business A Skill Building Approach 8th edition Sekaran Solutions Manual

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CHAPTER 1

INTRODUCTION TO RESEARCH

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.

Answers will vary. Example: going to the movies.

The problem: I wanted to go the movies last weekend with a friend. I did have enough information on which movies were playing.

Purpose: I wanted to have a good time with my friend.

Information: I collected information via my iPhone. I collected information about current movies playing, and other relevant info via the websites of two different cinemas. I watched trailers of three movies via the website of these cinemas. I also looked up information about the movies via the IMDB site. Finally, my brother provided me with a few suggestions.

Theory: I usually don't like the movies my brother suggests. He has a completely different taste. He usually prefers movies that contain violence. He also has a completely different sense of humor. That's is why we didn't go to the movie he suggested.

Solution: based on the trailers and the information via IMDB we decided to go to Spy.

2. Why should a manager know about research when the job entails managing people, products, events, environments and the like?

The manager, while managing people, products, events, and environments will invariably face problems, big and small, and will have to seek ways to find long lasting effective solutions. This can be achieved only through knowledge of research even if consultants are engaged to solve problems.

3. For what specific purpose is Basic Research important?

Basic research is important for generating and building upon the existing knowledge in the areas of interest. It offers the foundation for applied research by which one can circumvent reinventing the wheel.

4. When is applied research, as distinct from basic research, useful?

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Applied research is useful in solving specific problems in particular situations where early action might be needed to solve problems in organizations.

5. Why is it important to be adept in handling the manager-researcher relationship?

The manager who knows how to relate to researchers facilitates the problem solving process and benefits the research team as well as the organization. The one who is not adept at this will frustrate and be frustrated during the research process and thereafter.

Being capable of handling the manager-researcher relationship is thus a big advantage and some of the nuances of handling research teams are:

(i) knowing how much and what information to give to the team;

(ii) meaningful and purposeful interactions with the team members;

(iii) stating up front what records of the company will and will not be accessible to the team members and expressing the core values of the system.

6. Explain giving reasons which is more important – applied or basic research.

Both are equally important. Without basic research, applied research cannot work as well, and if the results of basic research are not applied, such research would be futile. Whereas basic research is the foundation of knowledge, applied research is its practical application and helps to provide the additional information base for theory building and further generation of knowledge.

7. Give two specific instances where an external research team would be useful and two other scenarios where an internal research team will be deployed, with adequate explanations as to why each scenario is justified for an external or internal team.

The answers will vary.

For the ***external team,*** the suggestions could be:

a. to help non-tech companies to build up sophisticated technology in their environment; (only those with specialized knowledge of technology can help non-tech companies)

b. to evaluate the successful and deficient operations of the company (to avoid bias of internal team members).

For the ***internal team,*** it could be:

a. to figure out how the companies affected by the September 11th disaster can rebuild themselves; (internal team would be more knowledgeable about the company and could rebuild faster);

b. to solve the problem of consistent losses of a small division of a large company (only a small pocket of a large company is involved and the situation can be rectified by the internal team).

8. Describe a situation where research will help you as a manager to make a good decision.

Again, the answers will vary. One scenario is that a work team fails to deliver results time and again.

9. Given the situations below, (a) discuss with reasons, whether they will fall into

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the category of Applied or Basic research, and (b) for scenario 1 explain with reasons, who will conduct the research.

Scenario 1

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 risk. Some research is needed here!

This is a general issue that relates to all or most companies contemplating acquisitions. Of course, the results of the study are likely to be useful to, and applied by all the concerned companies. This could fall into the realm of basic or applied research, depending on who sponsors the study. If one company or a consortium of companies investigates the issue to find an answer for immediate application, then it will be applied research On the other hand, if a Finance professor in a university undertakes the study as a matter of academic interest, it will be basic research. Either an individual such as a professor or a finance expert can do this basic research, or a company or consortium of companies can undertake the applied research.

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.

The basic research aspiration of the professor has taken the form of applied research in this particular system, where they would apply the findings of her research to solve the problem. No doubt, the professor would continue her research in a variety of organizations to add to the existing base of knowledge on absenteeism and continue the topic as a basic research project.

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.

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This will be a case of basic research, the purpose of which was to study the efficacy of different service recovery strategies and add to the body of existing marketing knowledge.

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CASE CHAPTER 1: INTRODUCTION TO RESEARCH

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 grand-children 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

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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 last ten years. About twelve years ago, Robert told his dad, "I know you'd like me to come in 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 has told Robert on that particular occasion.

Ever since this conversation with Robert, Luc has put his hopes on Davy. A few days ago, Luc has invited Davy to have dinner at the famous restaurant “In de Wulf” 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.”

Davy leaned in closer toward his father. “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

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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?

QUESTIONS

1. What is business research?

   We can define business research as an *organized, systematic, data-based, critical, objective, scientific inquiry or investigation into a specific problem,* undertaken with the purpose of finding answers or solutions to it.

2. Why is the project that Paul Thomas Anderson is doing for The Laroche Candy Company a *research* project?

   Research is the process of finding solutions to a problem after a thorough study and analysis of the situational factors. Anderson's study will provide the needed information to Luc Laroche (head of the Laroche Candy Company) allowing him to make *informed* decisions to successfully deal with his succession problem.

3. Which steps will Paul take now that he has clearly defined the problem that needs attention?

   Once the problem that needs attention is clearly defined, then steps can be taken to gather information, analyze the data, and determine the factors that are associated with the problem and solve it by taking the necessary corrective measures. A more detailed research process is discussed in Chapter 2 of the book.

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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?

Answers will vary. Encourage students to provide arguments, based on the following strengths and weaknesses of Internal and External researchers/consultants. Students could be asked to explain which of the following advantages and disadvantages are relevant in this case.

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 would stand 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 would require much less time to understand the structure, the philosophy and climate, and the functioning and work systems of the organization.
3. They would be available for implementing their recommendations after the research findings are accepted. This is very important because any "bugs" in the implementation of the recommendations could be removed with their help. They would also be available for evaluating the effectiveness of the changes, and considering 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 that are 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 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 would inhibit any fresh ideas and perspectives that might be needed to correct the problem. This would definitely be 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 do 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 scientific.

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

The advantages of the external team are:

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 would enable 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 would be able to ponder over several alternative ways of looking at the problem because of their extensive problem-solving experiences in various other organizational setups. Having viewed the situation from several possible angles and perspectives (divergently), they could 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 current on 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

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 very critical.
2. In addition to the considerable time the external team takes to understand the organization to be 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 the external researchers than for the internal teams.
3. The external team also charges additional fees for their assistance in the implementation and evaluation phases.

5. What can (or should) Luc do to assist Paul to yield valuable research results?

1. The manager must also explicitly delineate the roles for the researchers and the management. The manager has to inform the researchers what types of information could be provided to them, and more important, which of their records would *not* be made available to them. 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 alternate ways of tackling the problems and to design the research in such a way as to provide the needed answers.
2. The manager should also make sure that there is a congruence in the value systems of management and the consultants. 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 would be better off having discussed their value orientations, thus avoiding potential frustration on both sides.
3. 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.

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

6. How can basic or fundamental research help Paul to solve the specific problem of The Laroche Candy Company?

Being knowledgeable about research and research methods may help Paul 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 full well the probabilities associated with the different possible outcomes.
5. Prevent possible vested interests from exercising their influence in a situation.
6. Combine experience with scientific knowledge while making decisions.

7. Try to find relevant books, articles, research reports and this issue. Use, among others, electronic resources of your library and/or the internet.

Answers will vary. Note that family business planning is a commonly studied research area in accounting, finance, and management. Some examples:

Anderson, R. and D. Reeb, 2003. Founding-Family Ownership and Firm Performance: Evidence from the S&P 500, *Journal of Finance*, pp. 1301-28.

Backman, M. 2001. Asian Eclipse: Exposing the Dark Side of Business in Asia. Singapore: John Wiley & Sons.

Brenes, E.R. 2011. Corporate governance and family business performance, *Journal of Business Research*, pp. 280-285.

Burkart, M., F. Panunzi, and A. Shleifer, 2003. Family Firms, *Journal of Finance*, pp. 2167-202.

Claessens, S., S. Djankov, J. Fan, and L. Lang, 2002. Disentangling the Incentive and Entrenchment, Effects of Large Shareholdings, *Journal of Finance*, pp. 2741-71.

Cronqvist, H. and M. Nilsson, 2003. Agency Costs of Controlling Minority Shareholder, *Journal of Financial and Quantitative Analysis*, pp. 695-719.

Holmen, M. and H. Peter, 2004. A Law and Finance Analysis of Initial Public Offerings, *Journal of Financial Intermediation*, pp. 324-58.

Khanna, T. and K. Palepu, 2000. Is Group Affiliation Profitable in Emerging Markets? An Analysis of Diversified Indian Business Groups, Journal of Finance, pp. 867-91.

La Porta, R., F. Lopez-De-Silanes, and A. Shleifer, 1999. Corporate Ownership around the World, *Journal of Finance*, pp. 471-518.

Morck, R. and B. Yeung, 2004. Family Control and the Rent-Seeking Society, *Entrepreneurship: Theory and Practice*, pp. 391-409.

Questions – Research Methods for Business

Chapter 1 – Introduction to Research

1. Business research can be described as a systematic and organized effort to investigate a specific problem encountered in the work setting, that needs a solution.
*a. T
b. F

2. Research done with the aim of making a contribution to existing knowledge is called basic, fundamental, or pure research.
*a. T
b. F

3. Fundamental research has little practical relevance.
a. T
*b. F

4. Being knowledgeable about research and research methods helps professional managers to:
a. Identify and effectively solve minor problems in the work setting.
b. Know how to discriminate good from bad research.
c. Appreciate and be constantly aware of the multiple influences and multiple effects of factors impinging on a situation.
*d. All of the above.

5. The manager should make sure while hiring researchers or consultants that:
a. The roles and expectations of both parties are made explicit.
b. Relevant philosophies and value systems of the organization are clearly stated, and constraints, if any, communicated.
c. 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.
*d. All of the above.

6. An advantage of engaging in an external team to do the research project is that the team would require much less time to understand the structure, the philosophy and climate, and the functioning and work systems of the organization.
a. T
*b. F

7. A disadvantage of engaging in an internal team to do the research project is that certain organizational biases of the internal research team might in some instances make the findings

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less objective and consequently less scientific.

*a. T

b. F

8. Ethics in business research refers to a code of conduct or expected societal norm of behavior while conducting research.

*a. T

b. F

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

*a. T

b. F

10. Identifying the critical issues, gathering relevant information, analyzing the data in ways that would help decision making, and implementing the right course of action, are all facilitated by understanding business research.

*a. T

b. F