

# Chapter 1

## Introduction to Business Research

In the present fast track business environment marked by cut-throat competition, many organizations rely on business research to gain a competitive advantage and greater market share. A good research study helps organizations to understand processes, products, customers, markets and competition, to develop policies, strategies and tactics that are most likely to succeed.

Business research can be defined as a systematic and objective process of gathering, recording and analysing data that provide information to guide business decisions. It is used to understand the market trends, or find the optimal marketing mix, devise effective HR policies, or find the best investment options. This chapter provides an overview of business research and its role in decision-making. First, we shall discuss the scope of business research. Then, we shall understand the two categories of business research studies, basic research and applied research. Later, we shall discuss the role of business research in decision-making and evaluate the factors that influence the need for business research. Finally, we shall examine how globalization and the Internet are influencing business research.

### 1.1 Scope of Business Research

Business research is used to solve the various operational and planning problems that arise in a business organization. These may include problems related to marketing, finance, HR and manufacturing. The three major forms of business research are as follows: market research, operations research and motivational research. Market research aims at understanding and examining the marketplace in which the company operates. This helps the organization devise effective business policies and marketing strategies. Operations research involves use of mathematical, logical and analytical methods to find optimal solutions to business problems. Operations research is primarily used for forecasting demand, optimizing production and finding the best investment options. Motivational research involves analysing the reasons and motives behind people's behaviour. Motivational research is used to understand consumer behaviour. It is also used to understand employee behaviour.

## 1.2 Basic Research and Applied Research

Business research is conducted either to expand knowledge about a particular aspect or to find a solution to a particular problem. Business research studies can be classified into two categories—basic research and applied research.

*Basic research* refers to a focused, systematic study or investigation undertaken to discover new knowledge or interpretations and establish facts or principles in a particular field. In other words, it is a research aimed primarily at gaining knowledge rather than solving a pragmatic problem. The underlying motive is to increase knowledge about particular phenomena by testing, refining and elaborating theory without concern for practical application. Examples of such basic research include the following:

1. Understanding the consumer buying process
2. Examining the consumer learning process.

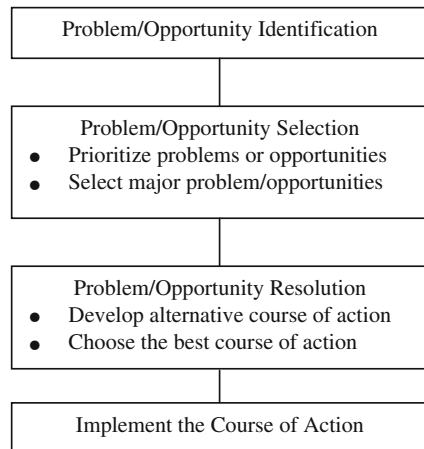
*Applied research* refers to investigation undertaken to discover the applications and uses of theories, knowledge and principles in actual work or in solving problems. In other words, it is any research that is used to answer a specific question, determine why something failed or succeeded, solve a specific, pragmatic problem, or to gain better understanding. Examples include the following: Evaluating the impact of a training programme on employee performance. Examining consumer response to direct marketing programmes. Although the purpose of these two research forms varies, there is not much difference in the research methods and tools used for their conduct. Both these research forms use scientific methods in various stages of the research process. The scientific method refers to a systematic approach towards observing phenomena, drawing conclusions and testing hypotheses. Scientific methods involve systematic analysis and logical interpretation of empirical evidence to establish facts or to prove a theory.

In basic research, first the hypothesis is tested through experimentation and observation. Then, logical interpretations and conclusions are made about a particular phenomenon. These conclusions lead to the formation of general laws about that phenomenon. However, applied research involves developing alternatives to a particular problem and finding the best alternative among them.

## 1.3 Role of Business Research in Decision-Making

For effective planning and implementation of business decisions, accurate information about the internal business environment and the external business environment is of primary importance. The key objective of any business research is to provide accurate, relevant and timely information to the top management, so that they can make effective decisions. The business decision-making process in an organization goes through these key interrelated stages (see Fig. 1.1). They are:

**Fig. 1.1** Steps in the decision-making process



- Problem/opportunity identification
- Problem/opportunity prioritization and selection
- Problem/opportunity resolution
- Implementing the course of action.

Business research helps the management in each of these stages by providing useful and timely information.

### ***1.3.1 Problem/Opportunity Identification***

Problem/opportunity identification involves scanning and monitoring the internal and external business environment. Such an analysis helps in identifying opportunities and threats that a company is facing and also in understanding the market trends. The role of business research at this stage is to provide information about the problems and the opportunities. For example, an Indian apparel company that wants to enter the US market can undertake business research in areas, such as identifying the fashion trends in the market, determining the brand awareness about the company among the customers, perception about the company among the potential employees, examining the competitors and their characteristics and understanding American consumer behaviour.

### ***1.3.2 Problem/Opportunity Prioritization and Selection***

In the previous step, the organizations' would have identified many possible problems and opportunities. However, it is impossible for any organization to address these problems/opportunities in one go. So at this stage, the focus would be on prioritizing the problems and the opportunities. Prioritization of the problems is based on two factors—the influence of problem on the business operations and the time factor. Top priority is given to the problems, which have a major influence on the business operations and the problems, which need to be addressed in the short term.

Another activity that organizations undertake at this stage is to gather more information about the problems and the opportunities. For example, if an organization has identified a particular problem, then research would help it to unearth the underlying causes of the problem. If the organization has identified an opportunity, then more information about the opportunity is gathered. Such an analysis provides greater clarity about the situation. Business research at this stage is used to aid the organization to prioritize the problems and identify the right opportunities. Generally, qualitative and quantitative research studies are undertaken at this stage.

### ***1.3.3 Problem/Opportunity Resolution***

After identifying the problem or opportunity, the next step is to decide on the way to resolve the problem or make use of the opportunity. Two steps are involved in problem resolution—developing alternatives and evaluating the alternatives.

Based on the problem or opportunity identified in the previous step, several alternate courses of action are considered. These alternatives are evaluated to select the best course of action. The alternatives are evaluated on the basis of certain criteria. The application of business research at this stage is mainly to help the organization in evaluating the alternatives available.

For example, a consumer electronics company that wanted to launch a new television model was faced with a dilemma regarding the advertising strategy it should adopt, as its marketing staff had suggested three different advertising programs. To evaluate the advertising programmes, the company undertook a consumer-jury test where target customers were invited to a particular location and the three alternative advertising programmes were shown to them. They were asked to rate those advertisements on various parameters like likeability, memorability, attentiveness and believability. Based on the results of the test, the company finalized the best option among the three advertising programmes. Another way in which business research aids in evaluating the alternative options is through business forecasting. For example, a company has three different investment options from among which it has to choose the best option.

By forecasting the revenue potential of each investment option, the company can select the investment option, which has the highest revenue potential.

### ***1.3.4 Implementing the Course of Action***

After deciding upon the best course of action, the organization has to effectively implement it. At this stage, business research is mainly used to monitor and control the programmes that are being implemented. Evaluative research studies are undertaken at this stage. One type of evaluative research study used is performance research. In this type of research, the performance of a particular activity is measured, so that it can be compared with the objectives set for that activity. For example, if a company has offered a discount coupon scheme in the market, the coupon redemption rate at the end of the scheme is measured and compared with the objectives that were set for this scheme. This helps in evaluating the performance of the scheme.

Companies also monitor the performance of a particular activity continuously so as to identify the opportunities and detect the problems at an early stage. This helps a company in altering the plans or developing new programmes. For example, certain companies continuously track the sales at retail stores, so that they can identify which products are registering higher sales, the buying behaviour of consumers, and consumer preference towards the company's products.

## **1.4 Factors Affecting Business Research**

Although business research provides many benefits to an organization, it is not a panacea for all the problems that an organization faces. And conducting business research also involves cost, time and effort. Therefore, an organization should decide upon the option of conducting business research after considering various factors. These include time constraints, availability of resources, availability of data, nature of information that the organization is expecting and the costs involved.

### ***1.4.1 Time Constraint***

Time constraint is a key factor that influences a company's decision regarding whether to conduct a business research study or not. In certain cases, lack of time prompts a company to take decisions without making any research study. Sudden changes in competitors' strategies, regulatory changes, change in the market environment, or changes in the company's operations, require immediate action.

For example, P and G drastically cut the prices of its detergents in India, in May 2004. HLL responded to the price cuts without making any study on the implications of the price cuts on its product sales or image.

### ***1.4.2 Availability of Resources***

Another factor that influences the decision to undertake business research or not is the availability of resources. The availability of resources can be either in terms of budgetary allocations or human resources. Lack of financial resources may lead to improper conduct of a business research study. The results obtained from such research, in turn, will be inaccurate. Lack of financial resources forces a company to compromise on the way its research project is undertaken, such as taking a smaller sample size where the project demands a larger sample size, using cheaper methods of data collection and even comprising on the data analysis process that is crucial for any business research study. Therefore, before conducting the business research, the company needs to consider the issue of availability of financial resources.

A company also needs to consider the availability of human resources while taking a decision about the business research study. Lack of qualified personnel may affect the data collection and data analysis processes in a business research study. Lack of qualified personnel may lead to selection of improper sample, improper filling of data and inaccurate analysis of data. Therefore, a company needs to look for well-qualified and well-trained personnel before conducting a business research study.

### ***1.4.3 Nature of Information Sought***

The information or input that a company wants to obtain from the research study also influences the decision of whether to conduct the business research study or not. If the information that a company wants to obtain from the research study can be obtained from the internal records of the company, or from prior studies conducted by the company, then conducting business research is a waste of time and effort. For example, if a company like Pepsi is launching a new fruit drink in India and wants information about the market potential of the product, it can use its knowledge and its prior studies regarding the beverages market in India, rather than conducting a new market study. In certain cases, the management's experience and intuition is enough to take a particular decision and there is no need for a business research study.

### ***1.4.4 Benefits Versus Cost***

The benefits of a research are many. However, a research demands significant efforts and that requires allocation of sufficient budget for the same. Therefore, every manager has to make a cost-benefit analysis before taking a decision regarding the conduct of a business research study. Unless the benefits of the research, in the form of the information to be gained that would serve to improve the quality of the decisions to be made, outweigh the expenditure on the research, the research proposal should not be approved.

## **1.5 Globalization and Business Research**

Globalization of business and the formation of regional trading blocks have had a major impact on all aspects of business and especially, on business research. Companies are increasingly looking out for international markets due to various compelling reasons. As firms overcome the geographic barriers of their operations to cash in on the opportunities in the global market, the need for timely and relevant information from a broader and more diverse range of markets is increasing. An organization or a market research company, conducting international business research requires a different set of capabilities and approaches as compared to the ones involved in domestic research. Some of the issues that an organization needs to consider before venturing into international business research are as follows:

- Global business research efforts need to be more closely associated with market growth opportunities outside the industrialized nations.
- International business researchers need to devise new creative approaches to understand the international markets.
- Researchers should make use of technological advances in order to undertake international business activities effectively.

Until now, the focus of international business research has been confined to industrialized markets including North America, Europe and Japan. However, these markets are saturating while emerging markets like Latin America, India, China and Southeast Asia are showing a high growth potential. Therefore, multinational firms should concentrate on understanding these markets by devoting greater time and effort in conducting research activities in these markets.

However, conducting research studies successfully in emerging markets requires different approaches than the usual approaches. These markets do not possess well-developed business research infrastructure. Moreover, the literacy rate is low. Therefore, researchers while designing the response formats and research instruments for the emerging markets need to keep these aspects in mind. Researchers should also develop innovative tools to understand these markets.

Unlike in western markets where quantitative research techniques are used more, qualitative and observation studies are effective in emerging markets.

Researchers can use innovative tools like videotaping techniques to understand consumer behaviour in these markets. Researchers can use focus groups to understand views, preferences and cultures.

Companies can also use projective and elicitation techniques like collage, picture completion, analogies and metaphors and psycho drawing to gain a deeper understanding about these markets.

Use of technology can aid the researchers in effectively implementing the research activities. Researchers can make use of technologies like Computer-Assisted Telephone Interviewing (CATI), and Computer-Assisted Personal Interviewing (CAPI) and the Internet to make the research process faster, efficient and effective.

## **1.6 Business Research and the Internet**

Use of the Internet in business research studies is increasing. The declining costs of conducting online research activities coupled with the increasing number of Internet users have made the Internet a cost-effective alternative to traditional research methods for business research organizations. The following sections discuss the role of the Internet in primary and secondary research.

### ***1.6.1 Primary Research***

Primary data are collected directly from respondents using data collection methods like survey interviews, questionnaires, measurements, direct observation or tabulation. Use of the Internet for primary data collection is still in its infancy. Although there have been satisfying results of its initial implementation and the future prospects look good it is still used cautiously. There are various advantages in conducting online surveys compared with traditional survey methods. These include the following:

- The responses and feedback can be obtained faster.
- Costs for conducting online surveys are less compared with traditional survey methods.
- Questionnaires can be delivered to the respondents faster.
- Confidentiality is maintained as only the recipients read the questionnaire.
- Respondents can reply to the questionnaire at their convenience.
- Apart from online surveys, organizations are also conducting online focus group studies.



- Although there are several advantages in using the Internet, there are certain drawbacks as well. Online surveys lack face-to-face interaction. Also, lack of accessibility of the Internet among the population compared with other media is a major limitation.

### ***1.6.2 Secondary Research***

Secondary data are the data that already exist which have been collected by some other person or organization for their use and are generally made available to other researchers free or at a concessional rate. Major use of the Internet in business research is in the area of secondary research. The research reports and databases maintained by major research companies are also available on the net. This makes it faster, economical and reliable for companies to know about competitor activities. The very essence of the Internet as a major source of secondary information probably springs forth from the advantages of its broad scope, covering virtually every topic and the reasonable cost in acquiring them.

## **1.7 Summary**

Business research can be defined as a systematic and objective process of gathering, recording and analysing data to guide business decision-making. Business research is mainly used to reduce the uncertainty of decisions. Business research encompasses various facets of business in an organization including marketing, finance, human resources and manufacturing. Three types of business research studies are mainly employed by organizations: market research, operations research and motivational research. Business research studies can be classified into two categories—basic research and applied research. Basic research refers to a focused, systematic study or investigation undertaken to discover new knowledge or interpretations and establish facts or principles in a particular field. Applied research refers to investigation undertaken to discover the applications and uses of theories, knowledge and principles in actual work or in solving problems. The key objective of any business research is to provide accurate, relevant and timely information to the top management, so that they can make effective decisions.

In business, decision-making goes through four key interrelated stages: problem/opportunity identification, problem/opportunity selection, problem/opportunity resolution and implementing the course of action.

Business research helps the management in each of these stages by providing useful and timely information. Organizations should decide upon the option of conducting business research after considering various factors. These include time constraints, availability of resources, availability of data, nature of information that the organization expecting and the costs involved.

Globalization of business and the formation of regional trading blocks have had a major impact on all aspects of business and especially, on business research. Companies are increasingly looking out for international markets. As firms overcome the geographic barriers of their operations to cash in on the opportunities in the global market, the need for timely and relevant information from a broader and more diverse range of markets is increasing. The role of the Internet in business research studies has also been discussed in the chapter. The declining costs of conducting online research activities coupled with the increasing number of Internet users have made the Internet an attractive option for business research organizations.