

Methodology for Creating Business Knowledge

Second Edition

Ingeman Arbnor
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Thanks

 We have both been Professors of Business Education for many years.

For much of this time we have been interested in theory of science and methodological issues related to the economic and commercial problems and possibilities of business. We have also adopted a special inquisitiveness about how academic education takes place when these issues are essential. This has sent us on many physical (geographical) as well as intellectual tours in the research and business fields, something that in its turn has given us considerable creative inspiration and extensive international and national experience in the development and changes in the subject of Business. We have also participated independently in a number of practical projects, everything from creating and managing businesses, and developing leadership qualities of senior managers, to trying to bring more life into the pedagogics of business education.

We have a positive attitude about life and we support the creation of new business ventures. This has made it impossible not to write books and teaching material in the course of our search for methodology in business research,

consulting, and investigation. One of our books—the forerunner to this volume, in fact—has been appreciated in Scandinavia and has been mentioned in the literature on scientific and methodological theory as paradigmatic for the level of methodological understanding in the Scandinavian countries. After this Swedish edition had gone through a great number of reprints, we decided to write a completely new edition based on our recent experience that the creation of knowledge is the most important production factor in business today, and to give the book an international orientation. Our engagement in this task has recently been reinforced by an ever clearer demand in the West for a textbook on methodology that is broad enough to be used for developing successful business knowledge in the 21st century.


Inspired, and with a good deal of experience from the Scandinavian edition, we took on the task and eventually succeeded in releasing so much energy that the work took over our lives and thoughts. In the foreword to the first Scandinavian edition we wrote about a Christmas season that, in the heat of writing, simply disappeared between two covers. In this new and international version we have not done worse; once again we were able to make a Christmas disappear in the creation of a book. And as usual during this special time of the year, the patience and indulgence of our families was once again tested. Thank you all for your help!

—*Ingeman Arbnor*
Hovby

—*Björn Bjerke*
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An Introductory Outline



It is almost trivial today to point out that the development of knowledge is both our new production factor and our definitive means of competition. On the other hand, people in a company become very uncertain when asked who is responsible for the quality of this new production factor. Metallurgists, auditors, and personnel managers, to mention just a few, are among those who are responsible for the quality of our classic production factors—material, capital, and labor. But who guarantees that the quality of developed knowledge, with its ultimate “philosophical” presumptions, has potential for the future instead of being bankrupt at the moment of learning?

The disastrous earthquake in Kobe, Japan, revealed the complete devastation of earthquake-proof calculations made by the builders—calculations that were wholly correct but based on weak methodological foundations. In a like manner, several big international enterprises intensify the knowledge of their personnel with “earthquake-proof” methods that they would probably dissociate themselves from if they knew the ultimate presumptions—that is, which view of man, which conception of reality, and the like—the models are based on and that they therefore contain as hidden operating instructions for the future.

Do senior management and employees talk about customers in terms of normally distributed attitudes, in terms of groups of meaning structures, or in terms of market segments/niches? Do they try to explain the development of the market causally or in finality terms? Or do they try to understand the market dialectically? Do they develop flows, structures, or systems for creating value or production-sales for their businesses? Questions like these can make or break competition through the development of knowledge. To create high quality in knowledge work is today—more than ever before—about the ability of the knowledge creator to manage the issues that reach deeper, clear to the methodological roots of knowledge. This influences and will manifest itself in all kinds of research and academic teaching of Business as well as in actual business practice and consulting.

Society in a Continuous Transformation

The emergence of new institutions/organizations for the refinement and supply of society's *production factors* has historically varied with the relative importance of these factors in development. During the course of industrialism, a number of institutions/organizations were established to render the exchange of the factors of *material*, *capital*, and *labor* more effective, such as banks/stock exchanges for capital, employment agencies for labor, and raw material futures/trading routes for material. This external development was reflected by an internal development within corporations themselves that so far has produced two major waves of rationalization—*rationalization of labor* and *rationalization of capital*.

The historical brief above does not provide much in the way of a guideline to the problems, possibilities, and business concepts of the future. One reason is that the *rationalization of material* is becoming stronger and stronger because it is necessary to introduce a society based on natural cycles and recycling, in which the prices of raw material and energy increase for ecological reasons. But at the same time, the fourth production factor—*knowledge/creation of knowledge*—steps forward, a production factor many observers and commentators consider to be totally superior. And in its footsteps follows the need for external institutions/organizations for its allocation and, within corporations themselves, a need for the rationalization of this new production factor.

Hand in hand with the tangible development of institutions/organizations for the allocation of production factors and of various models for their rationalization, a professional knowledge emerged of how to secure and how to maintain the quality of these factors, along with models to assess their value and future potential in relation to their contexts.

Methodologically, this means that our society, to a greater degree than before, will require people who have the skills and the competency to develop theories/models and to conduct research, consulting, and education within the framework of the knowledge demand just outlined.

In *Methodology for Creating Business Knowledge* we discuss these issues and give them basic answers from a methodological point of view. The book's goal is to give the reader a foundation for handling future questions about knowledge creation and about doing research efficiently and effectively in a number of different situations and for various clients and employers.

The role that future graduates in Business and Economics will play as “knowledge workers” is intimately related to their ability to act at three levels simultaneously:

- a. To improve the process of creating knowledge as such—to create a high degree of learning effectiveness in companies/organizations.
- b. To make sure that learning effectiveness is cost-effective—in other words, to uphold the quality of the knowledge being developed so that it has a competitive potential and belongs to the future based on its ultimate presumptions.
- c. To lower the transaction costs at both the external and the internal factor markets to make immediate, ongoing networks of various kinds of knowledge—without any reduction in long-term variety—into competitive and creative foci of solid business development.

This way of securing and upholding the quality of the *knowledge/creation of knowledge* production factor must be linked to the ultimate presumptions on which various methods are based. *Methodology for Creating Business Knowledge* attempts to provide as rich a picture as possible of the language and the ideas and acts that are the structure and the core of the four worlds of creating knowledge described under the titles: *Analytical Approach*, *Systems Approach*, *Actors Approach*, and *Relative View*. These worlds also have each their own special orientation in the areas of teaching and learning. *Methodology for Creating Business Knowledge* therefore is not a book on methodology in the traditional sense; it attempts, instead, to establish a constructive meth-

odology for developing cost-effective business knowledge about the problems and possibilities of today and for the future within academic research and education, as well as within businesses in their daily operation.

***Methodology for Creating Business Knowledge* as a Textbook in Academic Education**

Methodology for Creating Business Knowledge is written to function as a basic textbook in academic education in the theory of science and methodology within the area of Business and to secure sustainable knowledge within the practical field of this subject. But it will also serve equally well in other subjects closely related to Business: management, organization, entrepreneurship, and economics, as well as engineering and agronomics.

Methodology for Creating Business Knowledge fulfills the requirement of (a) *scientifically supporting* academic education in these areas, so as to convey (b) *operational methodology* for serious research, consulting, and investigation. *Methodology for Creating Business Knowledge* also has the goal of preparing students for the important role of (c) “*knowledge workers*”—those who will administer, process, and uphold the quality of knowledge and of the processes of creating knowledge—within the framework of an industry that becomes increasingly dependent on this very decisive production factor and means of competition. The textbook *Methodology of Creating Business Knowledge*, therefore, fulfills in a single volume what can be asked of academic education today and in the future.

Methodology for Creating Business Knowledge, considering what has just been said and considering the relative degree of difficulty of methodology in general, might best be used as a recurrent means in education. Chapters 1 through 3, which describe methodology, theory of science, and methodological approaches in Business, respectively, could well be used in introductory Business courses. This would give students a chance relatively early to develop an understanding of how scientific ultimate presumptions provide the format as well as the content of various models and theories in the subject—a kind of serious “product information” and honesty in the area of education. Students will then have the opportunity, through the way the book is designed, even at this early stage to explore other chapters on their own in order to deepen their studies.


Chapters 4 through 9 provide suitable study for methodology courses and projects somewhere in the middle of studies of Business at an undergraduate

level. The remaining six chapters are appropriate in relation to final-year project papers and the like.

For post-graduate studies, *Methodology for Creating Business Knowledge* provides a sound basis for a review as well as a deepening of basic theory of science and research methodology. This should be a prerequisite for students developing their personal standpoints and a constructive methodological base for their theses and dissertations.



To the Readers



Methodology for Creating Business Knowledge is not a recipe book to be memorized! The volume that you hold in your hands is intended and written as a text of reflection, something that is to be practiced. There are many difficult words of a philosophical nature in the text; don't let this stop you, but try instead to understand them through the contexts in which they appear. Discuss with friends, colleagues, and teachers, and let *Methodology for Creating Business Knowledge* become a living reality in a conscious ambition within yourself; an ambition to develop your ability to create knowledge and your ability to understand the phenomenon of learning, as well as your feeling of how to sustain the quality of that knowledge as theories and models that you will be in contact with. You should be able to use this book not only throughout your academic career, but also as a reflective encyclopedia later in life, when you, in reality's real terms, in businesses or other organizations, take on the work of creating knowledge.

As authors of *Methodology for Creating Business Knowledge* we would like to stress this: Nobody should leave an academic education without


knowing what the knowledge that he or she has acquired, including its ultimate presumptions, really is knowledge about. Knowledge and knowledge creation are today the ultimate and most important production factor for business activities. Because immense economic, ecological, and cultural values are at stake, in which the character and quality of this production factor is decisive, we propose in the book's final chapter a new subdiscipline within the area of Business that we call "knowledge revision." For this revision, *Methodology for Creating Business Knowledge*, in which four worlds of knowledge creation are situated against each other, can serve as a ground plan.

Using this as a start, we are convinced that most of our business administration and venturing can be researched as well as developed and audited in terms of real knowledge.

Good luck! And don't forget that to learn is to overcome resistance. This book is like a barbell for your brain, one that constantly increases in weight. But that's to your benefit! *Choosing* an approach for activities that create knowledge is intimately connected with personal conviction, the character of the problem, educative tradition, culture, scientific ideals, social values, and more. It is within this multivariable context that *you* will choose how to realize your human freedom in relation to creating knowledge!



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