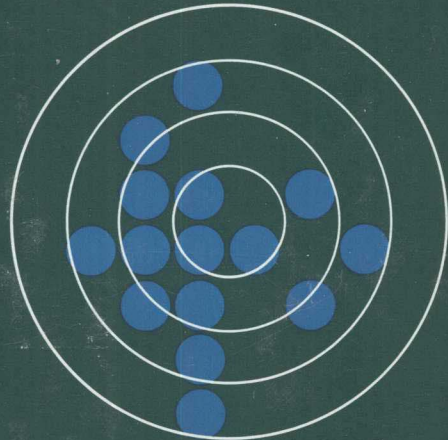
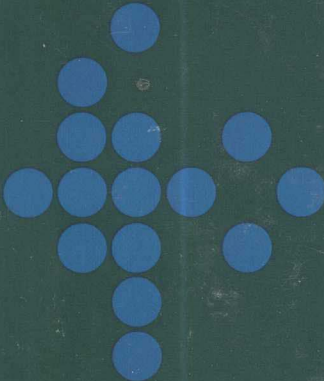
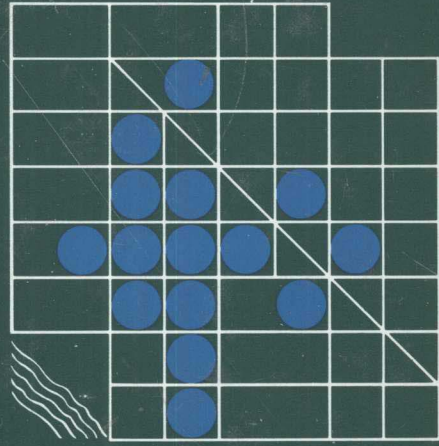
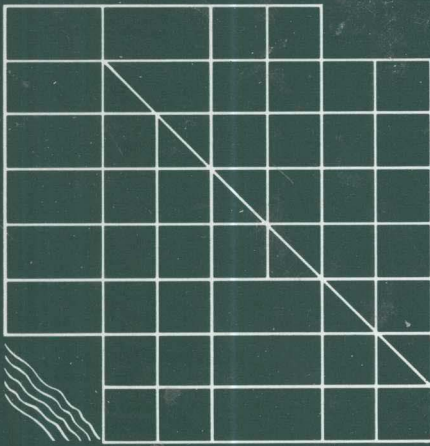


Business Research Methods

William G. Zikmund



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Oklahoma State University



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Business Research Methods

Preface

For many years business research, as a subject in the business curriculum, has been neglected by textbook publishers. Professors who have taught business research, organizational research, or other courses dealing with research methodology in business should therefore welcome this book. It provides a fresh alternative to the limited number of similar books.

My experience in teaching business research for a dozen years at the university level, as well as my experience as a researcher in industry, makes me believe that a practical and accessible presentation of business research is necessary; and I have tried to present a balanced view of the theory of research and practical applications. My objective in writing this book is to provide a fundamental treatment of business research that portrays the excitement of research methods.

Business Research Methods seeks to introduce the student to the basic tools of business research by explaining the various research techniques and methodologies. Numerous illustrations, portraying actual research in management, marketing, finance, accounting, and other areas of business, show how to perform the research function.

I owe a debt of gratitude to many people who helped me finish this book. Joan Kirkendall cheerfully typed the manuscript and as always, I am deeply in her debt. John Bush wrote Chapter 20, and I sincerely appreciate his contribution. Fred Beasley did the legwork required to research this book, as well as considerable editorial assistance. This assistance is greatly appreciated. Melissa White diligently prepared the index.

Several colleagues contributed ideas for this book. I especially appreciate the reviews of Dr. Ralph F. Catalenello (Northern Illinois University), Dr. Laurie Larwood (Claremont McKenna College), and Dr. Gerrit Wolf (University of Arizona).

When all is said and done, the book could not have been completed without the able assistance of Anne Smith, my editor at The Dryden Press. I express my gratitude to her. Ruta Graff's constant attention to editorial concerns and her efficient performance of the production tasks added much to this book. She deserves my sincere appreciation.

Finally, I owe an apology to the people I hold most dear. I had to closet myself too many times when I preferred to be with family and friends. I hope they understand.

William G.Zikmund
December 1983

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1

The Role of Business Research

Business research is a managerial tool that provides information essential for good decision making. Consider the usefulness of the knowledge provided in the following examples of business research.

Research suggests the United States is losing its competitive edge in world trade. The European Management Forum, a Geneva-based independent research organization, assessed 200 trade strengths and general economic factors in 16 Western European nations, the United States, Canada, and Japan. After analysis of statistical data (e.g., proportion of output reinvested in fixed capital, export data, etc.), the Forum ranked Japan first and the United States second in overall export competitiveness. Switzerland, West Germany, and Canada were ranked next.¹

A Midwestern bank investigated tellers' attitudes toward job satisfaction and its relationship with their turnover, absenteeism, and balance shortages. Evaluating the cost of negative performance suggested that low job satisfaction was potentially costing the bank \$782 per teller per year.²

Vlasic, the leading domestic pickle marketer, learned from business research that it should tailor its marketing plan on a geographic basis. Consumer taste tests in shopping malls indicated to Vlasic's management that people on the West Coast generally prefer a sweeter pickle than people who live elsewhere. West Coast residents generally like less garlic in kosher dills than East Coast residents.³

Sports Team Analysis and Tracking Systems (STATS), a special computer service, utilizes information from baseball records (e.g., how often a

Exhibit 1.1 A Computer Analysis of Play-by-Play Data for the Oakland A's



Source: Kevin McKean, "Turning Baseball into a Science," *Discover*, © 1982 Time Inc. (June 1982) 31.

single advances a runner from first base to third) to help managers win games. A business researcher in the pressbox keeps a record of every pitch on a small computer, and after a ball is hit, he records its precise direction, the number of feet it travels, the player who fields the ball, and the outcome of the play. Computerized summaries of play-by-play activities are provided for broadcasters who cover the games.

The information is also stored in a master computer that keeps pitch-by-pitch records for the entire season, as well as past seasons. Managers may use this information to have the computer draw a baseball field diagram to indicate where a particular batter has hit against a particular pitcher or a particular type of pitch. Old-time managers like Casey Stengel had to keep this sort of information on paper or in their heads. On the computer screen, modern baseball teams, using this research technique, can see the data instantly, then select a pinch hitter, or relief pitcher, or reposition their fielders accordingly.⁴

Pressed by the competition's fare cuts, Pacific Southwest Airlines (PSA) investigated whether airline commuters care more about getting a "quick ticket" than about its price. PSA, which serves 13 California cities, introduced a self-service FASTICKET machine that allows a customer to buy an airline ticket with a credit card and the press of a button—a transaction requiring only 15 seconds. The idea for this innovation was devel-

oped after investigation of internal records showed that up to 60 percent of PSA's customers buy their tickets at the airport, and of that 60 percent, 40 percent use a credit card. PSA developed FASTICKET to meet these customer needs.⁵

When the National Federation of Independent Business conducted a survey among owners/managers of 1805 small companies, it found that small businesses are more likely to be "breeding grounds" for potential entrepreneurs than large companies. Analysis of the survey indicated that certain types of jobs within small businesses give employees a broad range of job experiences, providing them with the knowledge, skills, and motivation to start their own businesses.⁶

Shortly after the American Telephone and Telegraph (AT&T) divestiture was announced, the company conducted an experiment to learn the best way to encourage the public to obtain more information about the reorganization. A "Let's Talk" program was initiated in Little Rock, Arkansas. By calling the local phone company or filling out a coupon, the

Exhibit 1.2 The AT&T Divestiture—Required Business Research

Let's talk.

Talking.
It's the best way to find out what's happening. To understand.

At Southwestern Bell, we believe in talking things over. And we know there's never been a time when talking was more important.

We know you've heard about changes coming to Southwestern Bell. And about our coming separation from AT&T.

We want to talk to you about these changes. And how they'll affect you.

First, let's talk about your telephone service. You're used to reliable service. Just try to remember the last time your phone broke, or your line was out of order, or you couldn't get a dial tone.

That's not going to change.

You can still expect dependable service. One reason is that you'll still have the same dedicated people standing behind it.

One big change has to do with your telephone itself. Eventually, you won't get your phone from us. You'll still get your service from us, but you'll be able to get your phone from different suppliers.

There's been a lot of talk about rising local rates. But we can promise you this: Telephone service definitely won't be priced out of the reach of anyone.

It's a new competitive world for the telecommunications industry. And that will bring all sorts of opportunities for you.

More options. New kinds of options. New ways to make communications more useful. Changes for the better. But changes, nevertheless.

So we want you to understand them. That's why we'll be talking with you about all the coming changes as they happen.

In ads like this. On television and radio.

We know you've got questions. We want to make it easy for you to get answers. So call your local business office.* We'll be ready to talk. Ready to help.

There'll be somebody to talk to. Somebody to get you information. Like our free booklet, "Let's Talk About Change." Let's talk.

Send me your free booklet, LET'S TALK ABOUT CHANGE. Please have someone call me with information on:

Mornings are best Afternoons are best
 Residential customer Business customer

Send to: Southwestern Bell, Box 3775, Little Rock, Arkansas 72203

Name _____
 Address _____
 City _____ State _____ Zip _____
 Telephone _____



*Having requested information from our toll-free telephone service, 1-888-888-8111, New York, NY.

public was able to obtain more information.⁷ (The company closely monitored the impact of this program.)

Each of these examples illustrates a business research problem. All the examples relate to business research, but each illustrates a different form of research. The bank example illustrates how survey findings can be directly translated into cost savings strategy. The STATS example points out the value of research for understanding and evaluating ongoing activities. The other examples illustrate that researchers use more than surveys. Internal records, government and trade association statistics, psychological tests, and experiments are valuable tools for business research. Inasmuch as these examples illustrate only a few applications of business research, it should not surprise you to learn that the role of business research is growing in importance.

The Scope of Business Research

The scope of business research is limited by one's definition of "business." Certainly research in production, finance, marketing, or management areas of a for-profit corporation is within the scope of business research. A broader definition of business, however, includes not-for-profit organizations, such as the American Heart Association, the San Diego Zoo, and the Boston Pops Orchestra. Each of these organizations exists to satisfy social needs, and they require business skills to produce and distribute the services that people want. Hence business research may be conducted by organizations that are not business organizations. (The federal government, for example, performs many functions that are similar, if not identical, to business organizations. Federal managers may use research techniques for evaluative purposes much the same way as managers at Du Pont or Ford.) The term *business research* is utilized because all its techniques are applicable to business settings.

Business research covers a wide range of phenomena. For managers, the purpose of research is to fulfill their need for knowledge of the organization, the market, the economy, or another area of uncertainty. A financial manager may ask, "Will the environment for long-term financing be better two years from now?" A personnel manager may ask, "What kind of training is necessary for production employees?" "What is the reason for the company's high turnover?" A marketing manager may ask, "How can I monitor my sales in retail trade activities?" Each of these questions requires information about how the environment, employees, customers, or the economy will respond to executives' decisions. Research may be one of the principal tools for answering these practical questions.

The development and implementation of plans and strategies require information, and every day, managers translate their experiences with business phenomena into tactics and strategies. Information from a manager's experiences is frequently used in an intuitive manner because of time pressure on business decisions or because the problem is minor.