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Inexpensive Research in Marketing: Empowering the Technologically Challenged Entrepreneurs

Z.S. Demirdjian

Abstract

While the U.S. entrepreneur has a relatively greater advantage of ready access to new technologies in the information age, the entrepreneur in developing nations is limited in that luxury for pursuing opportunities in the marketplace. Although the digital divide exists in the United States, the chasm is deeper in other nations around the world. Without the proper tools needed to reduce uncertainty surrounding decisions and, in turn, to lower the risk of failure, most entrepreneurs would be strapped with myopia of the market intricacies because information sciences and technologies are the lenses through which the consumer is studied and strategic plans are formulated. As a compromise, the technologically challenged entrepreneur has to resort to "cheap but good" research methodology. Despite the limitations and the challenges facing the entrepreneurs, there are a number of inexpensive methods explained in this article to generate objective information to reduce uncertainty. Without requiring sophisticated technologies for strategic decision-making, the entrepreneur can establish a successful enterprise by overcoming the challenge of the paucity of cutting edge technologies and thus becoming able to bridge the digital divide.

Introduction

The invention of the personal computer, which ushered in the E-Generation (electronic) has punctuated the business world with a silent revolution (Timmons, 1999). The landscape of business and the economy is no longer the same. Timmons (1999) proclaims that the new breed of entrepreneurs has initiated a new era by ending the Brontosaurus capitalism of the 19th century. Baczewski (1994) predicted a few years ago that "The Internet has been and will continue to be a testing ground, a venue for new ideas and new technologies."

Changes always bring along challenges and opportunities for those who live in the future with their eyes glued on the frontiers of innovation and creativity. Research has become an integral part of doing any business (Zikmund, 2005). Not long ago, William H. Gates announced the release of his company's products, The Microsoft Typewriter, by saying, "Today is the dawn of a new information age. The written word will finally enter the world of the horse and buggy" (Spector, 2001). The history of inventions must have witnessed many such dawns, creating a different environment for the entrepreneur to bob and weave his or her way through events, objects, and people.

In this article, first challenges facing the entrepreneur, especially the aspirant one, are discussed. Then some solutions are offered to overcome the entrepreneurs' limitations of the Internet era sciences and technologies of the information age. Finally, a brief concluding note is included to present a perspective on the outlook of entrepreneurship.

Challenges Facing the E-Generation Entrepreneurs

With the invention of the seminal personal computer, the traditional world of the entrepreneur has changed, causing a ground swell in the information sciences and technologies. Given the metamorphosis in the business environment, can the divergent thinker embodied in the entrepreneur continue to seek answers outside the bounds of traditional wisdom and methods?

Kuratko and Hodgetts (1997) point out that the modern day entrepreneur has to use more than just intuition and gut feeling. The business environment now employs expensive technologies in dealing with the marketplace, which are out of the reach of most entrepreneurs. Both the seasoned as well as the aspirant entrepreneur have to rely heavily on information sciences and tech-

nologies in analyzing for opportunities in the Internet worked marketplace, for planning strategies, for timing the implementation of the plans, and for controlling the operations.

It seems that all entrepreneurs within a country would have the same challenges and equal opportunities, but the competition is no longer bound to the domestic arena. With the globalization explosion, entrepreneurs will have to compete on international basis as well. Despite the limitations and the challenges facing the entrepreneur, a number of inexpensive methods can be applied to generate objective information in order to reduce uncertainty surrounding business decisions and, in turn, to lower the risk of failure. Without requiring sophisticated technologies for tactical decision-making, the entrepreneur can eventually establish a successful enterprise by overcoming the technological challenges of the information age.

Research Methods to Alleviate the Problems

Drawing upon his nearly twenty years of experience doing research and consulting work for Small Business Institute (SBI) and other entrepreneurs, the author of this article offers a practical method of research as a compromise for a more involved methodology requiring large samples and advanced statistical analyses.

Prior to the invention of the computer, entrepreneurs had to make decisions. Granted, it would be better to have the help of the computer, especially the Internet connected ones, and to be equipped with a sound knowledge of research methodology, but there are other means to reduce uncertainty. Research need not be expensive, overly complex, or statistical to be extremely helpful to entrepreneurs in a wide range of situations. Andreasen (1988) maintains that "One can do perfectly decent and useful research without fancy probability samples, complex questionnaires, highly trained interviewers, or the latest in computerized statistical software." Like Hollywood, some films are produced on low budget, yet they do compete for Oscars and often outdo films based on exorbitant amount of money.

Observational Research

Humankind has always used observation to answer questions about the environment, events, people and objects. Our ancestors mainly employed casual observation and observations were passed down from one generation to another to guide human behavior. The entrepreneur can use this method as frequently as he or she wishes or even on a daily basis. He or she can watch customers, look at and touch competitors' products, talk to buyers at stores to hear what is accepted and what is rejected, etc. The following are some examples of casual observation, which ended up in building business empires.

Casual Observation

Free mining of information can be done in both episodic and continuing situations through three activities: counting, measuring, and seeking patterns. An example of counting will be given here. Counting usually has its goal either to estimate demand for a product or service or simply assessing intensity of response to some marketing strategy or tactic.

Jackie Mason, the Russian born American standup comedian, related an anecdote during one of his recent appearances in London to a predominantly Jewish audience. He said: Jews in America are very successful. You see, when they enter a store to make a purchase and find the store full of customers, they pull out a calculator out of their pocket and start recording the number of customers coming in and going out. Then they estimate the number of customers who would come in a day, a week, a month, a year and so on. Finally, they would determine profits. If they were impressed with the figures, then they would make an offer to purchase the business.

The above anecdote, related in a funny way by Jackie Mason, has a real parallel in the marketplace. Ray Kroc was the exclusive distributor of a five-spindled milk shake maker called the Multimixer. In 1954, when Kroc heard about the McDonalds hamburger stand in San Bernardino, California, running eight Multimixers at a time, he packed up his car and headed west (Serwer, 1994). He had never seen so many people served so quickly when he pulled up to take a look. He observed that there was a phenomenal demand for the kind of fast food Richard and Maurice

McDonald were serving. Through observation, he deduced the amount of business the McDonald brothers must have had in order to justify the use of all that mixing equipment. This signified that the McDonald's had a busy business.

McDonald's beehive-like business rekindled his entrepreneurial spirits to seize the opportunity at the age of 52. Kroc pitched the idea of opening up several restaurants to the two brothers, convinced that he could sell eight of his Multimixers to each and every one. When Richard McDonald said, "Whom could we get to open them for us?" "Well," Kroc answered, "what about me?" Ray Kroc opened the Des Plaines restaurant in 1955. It was so successful that in 1961 Kroc returned to San Bernardino and bought out the McDonald brothers' string of seven restaurants for \$2.7 million. Kroc liked the fast-food restaurant concept and decided to expand the chain by selling franchises. The rest is one of the most successful deals in the annals of the history of entrepreneurship in retailing, next to the purchase of Alaska, originated from a casual observation.

A relatively recent story of great success based on casual observation is Starbucks' meteoric rise (BusinessWeek, 2002). Three coffee enthusiasts Gordon Bowker, Jerry Baldwin, and Ziv Siegl founded Starbucks in Seattle in 1971. Their goal was to sell the fine quality whole bean and ground coffees. By 1982, Starbucks had five retail stores and was selling coffee to restaurants and espresso stands in Seattle. That was also the year that Howard Schultz joined Starbucks as the manager of retail sales and marketing. In 1983, Schultz traveled to Italy and was struck by the popularity of coffee bars in Milan. As a consequence of his entrepreneurial adrenal rush, he convinced Starbucks' owners to open a downtown Seattle coffee bar in 1984. It was a huge success. In 1987, Schultz acquired Starbucks' retail operations for \$4 million.

Schultz changed the name to Starbucks Corporation and began preparing for national expansion. Later, Starbucks sped up its worldwide expansion in 2001. It opened some 1,100 stores worldwide, including locations in many new European countries. Later in 2002, it announced large-scale expansion plans in Mexico and Latin America, and opened its first stores in Germany. Being the number one specialty coffee retailer, Starbucks operates nearly 5,900 coffee shops in a variety of locations (office buildings, shopping centers, airport terminals, supermarkets) in more than 20 countries worldwide. In Manhattan's 24 square miles, Starbucks has 124 cafes. The phenomenal growth of the company is due to Howard Schultz's casual observation of coffee bars in Italy.

Ray Kroch's assessment of McDonald's business through observation was not systematic, though; nor was Howard Shultz's observations of coffee bars in Italy.

None of the aforementioned business success stories had been predicated on data collected through systematic observational research. They all followed casual observation of being serendipitous at the right time and at the right place to witness impressive consumer purchase activities. The technologically challenged entrepreneur cannot afford to make decisions on casual observations alone though. It would be too risky and too costly to rely upon the data thus gleaned.

Systematic Observation

A systematic observational research requires some planning in advance. As Berlamino (1990) suggests, the research process should include important steps. The process should include steps such as research objectives, definition of problem, what type of data is needed, sources of data, sampling method, research instrument (human or mechanical), unit of analysis (what to observe), frequency of observation, how to record the collected data, etc. The model in Figure 1 contains these and other steps which are useful for the busy entrepreneur to follow for a systematic observation study.

It has been said that Aristotle is the father of scientific observation since he was the first one to collect data both systematically and objectively. He kept meticulous records of his observations of his 500 plus school's animals. For example, the results of his studies through observation of the behavior of catfish are valid till today.

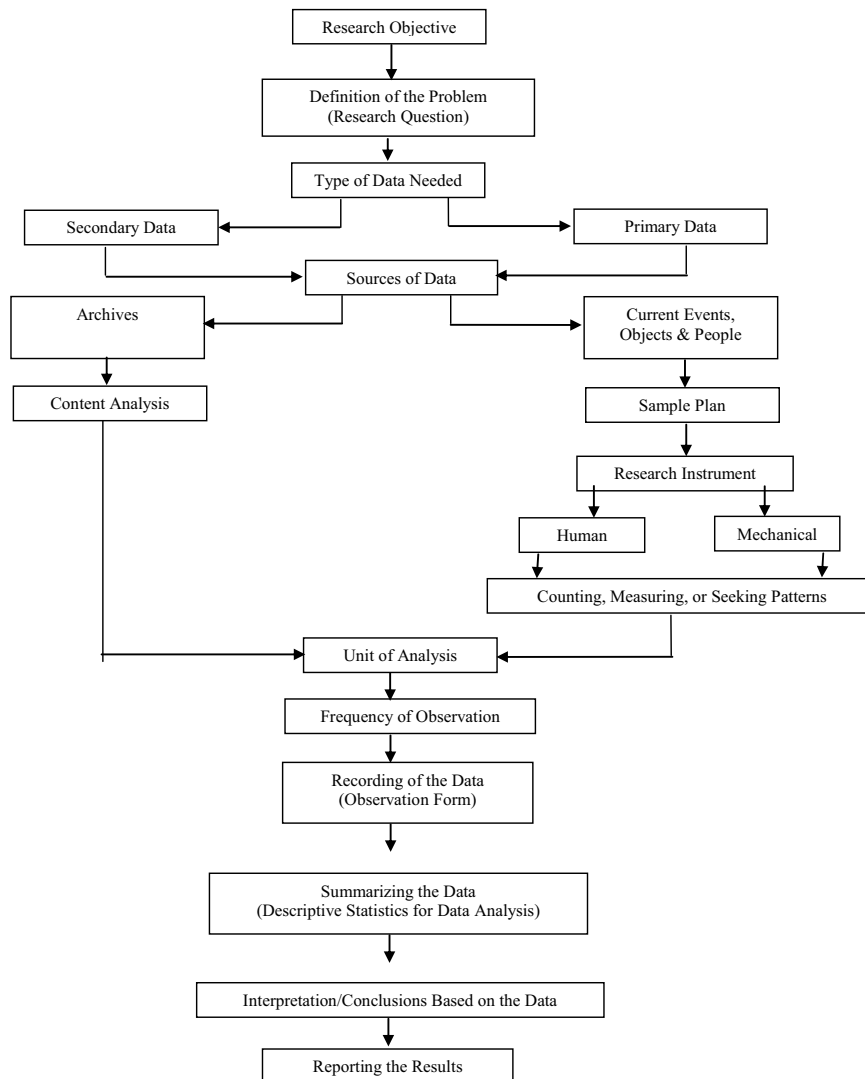


Fig. 1. A Flowchart for the Systematic Observation Process

The easiest and the most low-cost research technique is the observation method of data collection. Systematic observation represents the ultimate in cheap but good research, which enables one to gather free data found in the environment.

To render the data collected useful for decision-making, the observational research should be both systematic and objective. This would require some effort, if not hard work. According to Zikmund (2003) "Observation is the systematic process of recording the behavioral patterns of people, objects, and occurrences without questioning or otherwise communicating with them." Note that the word "systematic" is included in the definition to qualify "observation." Through the observation method, the entrepreneur can witness and record information as events occur or compiles evidence from records of past events.

The collected data would be worthless, unless they have been produced according to certain rules. Observation becomes a tool for scientific inquiry when it meets the following criteria:

- Serves a formulated research purpose (i.e., research objective(s) defined in advance)
- Is planned systematically (i.e., observational research follows a process)
- Is recorded systematically and related to more general propositions rather than simply reflecting a set of interesting curiosities (i.e., definition of problem(s))

- Is subjected to checks or controls on validity and reliability issue (Selltitz et al., 1976)

When the entrepreneur meets the preceding conditions, the data collection method through observation would become both systematic and objective.

To illustrate a systematic observation, a SBI (Small Business Institute) study is presented here to show how the entrepreneur was consulted to follow systematic observation steps (included in Figure 1). The entrepreneur of a newly established small furniture dealer wanted to know how to expand its operation in its trading area (i.e., the research objective). The owner of the business did not know exactly as to what was contributing to the success of other furniture stores (i.e., the definition of the problem).

Since strategic plans are proprietary for obvious reasons, primary data were needed to answer the problem (i.e., primary type of data as opposed to archival data. The owner had to observe other successful stores (i.e., source of data). He decided to tour or visit all of the furniture stores in his trading area to observe the practices that contributed to their success (i.e., sampling plan). To be unobtrusive, he opted to observe himself rather than to take a camera with him (i.e., research instrument being human rather than mechanical). Primarily, the owner wanted to count the number of samples of furniture of each kind of bedroom set, breakfast table set, etc. were on display (counting); The prices of the furniture on display; he further wanted to count the number of salespeople on the floor waiting on customers (i.e., what variables to observe).

He wanted to spend an hour at each store once in the morning hours and once in the evening hours (i.e., frequency of observation). He took a small lined pad which he could use it as a ledger of an accountant (i.e., how to record the data through questionnaire form); after collecting the data, the data needed to be organized (i.e., how to summarize the data); wanted to know what the data are telling him (i.e., analysis and interpretation of the data); finally, based on the data, what are some of the insights gleaned from the observational study (i.e., conclusions for decision making).

The questionnaire form to record the data systematically looked like the one reproduced here in Figure 2. This approach requires the researcher to think through and map out all of the relevant items before the actual observation activity is undertaken. As is obvious, the various details that are to be recorded are constant across all observations. For instance, the entrepreneur starts with recording the 1. the Store # 2. Store Address 3. etc. Such a method builds on consistency because the form has specific observation categories. Without the form, observations are subject to observer distraction or fatigue. Since the form has structure, the observer does not make random or arbitrary entries. A structured questionnaire form will also facilitate the analysis of the data when specific categories are established. Furthermore, a questionnaire form will make pooling of the data from different observers possible.

The model proposed here is not a scholarly treatise of observational research. Such a treatment would defeat its purpose. The whole idea is to simplify it and make it possible for the technologically challenged entrepreneur to use it with understanding and ease.

Thus many kinds and situations of observational research are intentionally omitted.

| | | | | |
|---|-------------|------------------------|---------------|--------------|
| Store #: | | Store Address: | | |
| Store Size: | | Number of Salespeople: | | |
| Date: | | Time of Day: | | |
| Store Contents (record of each main item) | | | | |
| Furniture Item | Bedroom Set | Living Room Set | Breakfast Set | Coffee Table |
| Quantity | | | | |
| No. of Pieces | | | | |
| Price | | | | |
| Brand (Quality) | | | | |

Fig. 2. A Simplified Questionnaire Form Used by the Furniture Entrepreneur In His Systematic Observational Study

Validity and Reliability Caveats For Objectivity

Observational techniques, like other methods of data collection, need to be assessed in terms of how valid and reliable they are (Kirk and Miller, 1986). Since observation is based on human senses and perceptions, this method presents a major problem. The main reason is that humans are often unaware of the ways in which their senses and perceptions can lead them to mis-perceiving situations relating to events, objects, and people. Due to this type of limitation, we need to consider validity and reliability of observations carefully.

It is sometimes possible to measure the validity of an instrument through means of correlating the results of the instrument with the results achieved by some other instrument known to measure the variable validly (i.e., concurrent validity tests). However, when direct measures of validity are either not possible or expensive in observational research for the technologically challenged researcher, it would be advisable to evaluate the observational efforts in terms of factors that might work to reduce validity-detracting factors. Generally speaking, it is time consuming and expensive to do research for establishing validity. Instead, preventive measures can be taken to improve the validity and reliability of the data. Thus, to inject objectivity in the collected observational data, here are some ways to safeguard validity of the study:

Lack of Anonymity. If the people being observed do not have anonymity, their behavior may not be a true reflection of how they behave normally, especially when controversial, sensitive, or potentially embarrassing issues are being studied. For this reason, hidden or disguised observation and observation in which the researcher acts as a participant tend to be more valid than other types of observation.

Personal Expectations. Our perceptions are shaped by our expectations. If we expect something to occur, we would be likely to observe it whether it actually happens or not. If we expect something to take place, the tendency is to see it whether it actually occurs or not. For example, if we expect unkempt students to behave rudely, then we would be focusing on their moves, which are considered to be negative. One would say that it is a case of self-fulfilling prophecy. Being objectives is not easy when the data are gathered through human rather than through mechanical devices.

Condition of the Observer. Validity of observations is also influenced by the condition of the observer. If the observer, as a researcher, is hungry, fatigued, stressed, or has been experiencing personal problems, perceptions and interpretations could be distorted. The physical environment of the observation, such as poor lighting at a store may also lead to invalid observations. In the event these types of conditions prevail, it would be better to discontinue the research until personal and environmental situations change for the better, again for the sake of objectivity.

Assessing the reliability of observational research may prove to be either easy or impossible, depending on the type of observation being conducted. In the case of an individual researcher who is studying a single group or setting? Through participant observation, there is a practical way to assess reliability (Kirk and Miller, 1986). When observations are more structured, as when using a coding scheme, reliability can be readily assessed through tests of intercoder reliability, or the ability of observers to code behaviors consistently into the same categories of the coding scheme. Two or more observers code the same behavior, and then resulting codes are correlated to determine the degree of agreement between them. Experts suggest that structured observation should achieve an intercoder reliability of $r = .75$ or better (Bailey, 1987).

Being a qualitative research involving case studies, the entrepreneur does not need to generalize its findings to a larger population than to the companies of interest. Reliability factor could be strengthened ahead of time by attempting to take a representative sample to study. To inject representativeness, the sample unit selection could be carried out randomly.

Drawbacks of Observational Data

The limitations of observation are the drawbacks inherent in qualitative research in general. With direct observation only small numbers of subjects are studied and usually under special circumstances, so their representativeness is a concern. This factor, plus the subjective interpretation required to explain the observed behavior, usually focuses the researcher to consider his or her

conclusions to be tentative. The greatest problem of all observational methods is the researcher's inability to measure people's (subjects') motives, attitudes, and all of the other unseen aspects of the individual under study.

There are some other concerns regarding the observational technique. According to Yuspeh (1989) there are two syndromes to be avoided: Dracula and Frankenstein. The Dracula syndrome occurs when the researcher sucks all of the substance out of a few observations, while the Frankenstein syndrome takes place when the researcher carelessly crunches numbers from a survey. Neither of the extreme approaches is advisable. The ideal approach would be when the researcher strikes a balance between the two extremes. Using qualitative and quantitative research in partnership rather than as mutually exclusive alternatives is best (Seymour, 2001).

Despite some of its limitations, observation technique is suited well for the technologically challenged entrepreneur.

A Concluding Note

Throughout the ages the entrepreneur has been romanticized as a noble person. For centuries the entrepreneur has been enshrined as the steward of industry. Collectively, the entrepreneurial leaders are considered the engines of the economy. As the "captains" of various industries, they usually start from a humble beginning, albeit for a short period of time, but almost always strapped first with financial woes. Gradually, though, things bloom for them.

It has often been stated that the practice of entrepreneurship is an art. Such an orientation would make entrepreneurs artists. If they were artists, then one would assume they march to different drummers. Some go as far as to characterize entrepreneurs to be divergent thinkers who are not necessarily enamored of creativity but rather obsessed with finding an answer when traditional wisdom and methods do not yield one. Observational research is well suited for someone looking for answers without the benefit of a large amount of money for research, information sciences and technologies, and without a working knowledge of research methodology and statistical techniques of data analysis. Systematic observation is a great alternative for the technologically challenged tactician.

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