

Chapter 3

Q 1) Explain Theory , concept, Proposition, Hypothesis

- **Theory:** Suppose a researcher investigating business phenomena wants to know what caused the financial crisis. Another person wants to know if organizational structure influences leadership style. Both of these individuals want to gain a better understanding of the environment and be able to predict behavior; to be able to say that if we take a particular course of action we can expect a specific out-come to occur. These two issues—understanding and predicting—are the two purposes of theory. Accomplishing the first goal allows the theorist to gain an understanding of the relationship among various phenomena. For example, a financial advisor may believe, or theorize, that older investors tend to be more interested in investment income than younger investors. This theory, once verified, would then allow her to predict the importance of expected dividend yield based on the age of her customer. Thus a theory enables us to predict the behavior or characteristics of one phenomenon from the knowledge of another phenomenon. The value of understanding and anticipating future conditions in the environment or in an organization should be obvious. In most situations, of course, understanding and prediction go hand in hand.

Concept: A concept or construct is a generalized idea about a class of objects, attributes, occurrences, or processes that has been given a name. If you, as an organizational theorist, were to describe phenomena such as supervisory behavior or risk aversion, you would categorize empirical events or real things into concepts. Concepts are the building blocks of theory. In organizational theory, leadership, productivity, and morale are concepts. In the theory of finance, gross national product, risk aversion, and inflation are frequently used concepts. Accounting concepts include assets, liabilities, and depreciation. In marketing, customer satisfaction, market share, and loyalty are important concepts.

Concepts abstract reality. That is, concepts express in words various events or objects.

Proposition: **Propositions** are statements concerned with the relationships among concepts. A proposition explains the logical linkage among certain concepts by asserting a universal connection between concepts. For example, we might propose that treating our employees better will make them more loyal employees. This is certainly a logical link between managerial actions and employee reactions, but is quite general and not really testable in its current form.

Hypothesis :A hypothesis is a formal statement explaining some outcome. In its simplest form, a hypothesis is a guess. A sales manager may hypothesize that the salespeople who are highest in product knowledge will be the most productive. An advertising manager may hypothesize that if consumers' attitudes toward a product change in a positive direction, there will be an increase in consumption of the product. A human resource manager may hypothesize that job candidates with certain majors will be more successful employees.

A hypothesis is a proposition that is empirically testable. In other words, when one states a hypothesis, it should be written in a manner that can be supported or shown to be wrong through an empirical test.

Q 2) What do you mean Theory Building?

At the abstract, conceptual level, a theory may be developed with deductive reasoning by going from a general statement to a specific assertion. Deductive reasoning is the logical process of deriving a conclusion about a specific instance based on a known general premise or something known to be true. For example, while you might occasionally have doubts, we know that all business professors are human beings. At the empirical level, a theory may be developed with inductive reasoning. Inductive reasoning is the logical process of establishing a general proposition on the

basis of observation of particular facts. All business professors that have ever been seen are human beings; therefore, all business professors are human beings.

Q 3) What do you mean by scientific method?

Seven operations may be viewed as the steps involved in the application of the scientific method:

1. Assessment of relevant existing knowledge of a phenomenon
2. Formulation of concepts and propositions.
3. Statement of hypotheses.
4. Design of research to test the hypotheses.
5. Acquisition of meaningful empirical data.
6. Analysis and evaluation of data.
7. Proposal of an explanation of the phenomenon and statement of new problems raised by the research.