

Capital Structure Theories: Revisited

*Kavous Ardalan*

MBA Programs to Meet the Needs of Students: One Size Does Not Fit All

*Kirk Heriot, Eileen Hogan and Noel Campbell*

E-Commerce: Trends and Issues

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Qualitative Study of the Microculture at an Urban Academic Center

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Changing Opinions of an Accounting Survey Course by Non-Business Students

*Charles Pineno, Randon Otte and Susan Patton*

Project Management Additions to a Marketing Management Course

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## EDITORIAL NOTES

We would like to acknowledge the contribution of Carole Anderson who has served as co-editor of the journal for the past two years. Carole has provided leadership, creativity, and continuous quality improvements to the publication process and production of the journal itself. We thank her for her guidance and the commitment she has provided in furthering the interests of our publication and our organization. With the departure of Carole Anderson, Jonathan Kramer of Kutztown University will assume the role of co-editor coordinating the review process. Kevin Roth of Clarion University will continue as co-editor coordinating the publication process. As editors, we ask that you continue to encourage your colleagues to consider our journal for placement of their research.

This edition of the *Pennsylvania Journal of Business and Economics* includes six papers that represent a range of business and teaching issues. The articles include pedagogical, technological, and managerial topics useful to both business educators and practitioners. All of the papers included in this edition have been subject to a rigorous double-blind review process. In addition, papers reflect those refinements and extensions required by the editors.

As our organization and journal continue to advance, we must emphasize the importance of our review board and the review process. We thank our authors for their patience and our volunteer reviewers for their diligence in facilitating this review process. With the printing of this edition of the journal, we have established over forty-five reviewers representing a wide array of institutions. We continue to expand the base of review board members, reviewers, and participating institutions and consider this critical to our long-term success as an organization. Our continuous quality improvement objectives will continue to be met through current and future placement in Cabell's Directory.

We would like to particularly thank our review board members who have helped match reviewer expertise with our paper submissions and have greatly facilitated the review process. In addition, we would like to thank the following reviewers for their time, energy, and expertise with the review of papers included in this edition and/or papers currently in the review process.

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## CAPITAL STRUCTURE THEORIES: REVISITED

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### ABSTRACT

The purpose of this paper is to make recommendations for improving the theoretical exposition and graphical representation of the capital structure theories made by introductory finance textbooks. It bases its arguments on the textbooks discussion of the capital structure theories which constitute a progression from the Modigliani and Miller (M&M) theory with no taxes to M&M with taxes, effects of bankruptcy costs, agency theory, and finally the trade-off theory. It notes that such a progression is made on an additive basis. It also notes that some textbooks diagrammatical representations of the capital structure theories are inconsistent with the original theories which they tend to represent. Moreover, most textbooks diagrammatical representations of the capital structure theories are misleading.

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### INTRODUCTION

Introductory finance textbooks have improved their exposition of a variety of topics although further improvements seem necessary. The purpose of this paper is to make recommendations for improving the theoretical exposition and graphical representation of the capital structure theories made by introductory finance textbooks.

Current introductory finance textbooks discuss and diagrammatically illustrate capital structure theories as a progression from the Modigliani and Miller (M&M) theory with no taxes to M&M with taxes, effects of bankruptcy costs, agency theory, and finally the trade-off theory. They accomplish this task under the assumption that this progression can be made on an additive basis. That is, although a given theory operates in its own specific environment, it can be combined with the previous theory which operates in a different environment. Moreover, some textbooks diagrammatical representations of the capital structure theories, by choosing the value of the share rather than the value of the firm as the goal of the firm and its representation on the vertical axis of their diagram, become inconsistent with the original theories which they tend to represent. Furthermore, most textbooks diagrammatical representations of the capital structure theories are misleading since they do not explicitly show on the diagram the starting point of the above-mentioned theoretical progression, that is, the M&M with no taxes.

This study examines twenty-four current introductory finance textbooks published by major finance textbook publishers, i.e., those who were present at the latest annual Financial Management

Association meeting. The textbooks are: Besley & Brigham, 1999; Block & Hirt, 2000; Brealey & Myers, 2000; Brealey, Myers & Marcus, 2001; Brigham & Gapenski, 1999; Brigham, Gapenski & Ehrhardt, 1999; Brigham & Houston, 2001; Chambers & Lacey, 1999; Damodaran, 2001; Eakins, 1999; Emery, 1998; Emery & Finnerty, 1997; Emery, Finnerty & Stowe, 1998; Gallagher & Andrew, 2000; Gitman, 2000; Keown, Petty, Scott & Martin, 2001; Lee, Finnerty & Norton, 1997; Levy, 1998; Moyer, McGuigan & Kretlow, 2001; Ross, Westerfield & Jaffe, 1999; Ross, Westerfield & Jordan, 2001; Scott, Martin, Petty & Keown, 1999; Van Horne, 2002; and Van Horne & Wachowicz, 2001.

Further this paper discusses the textbook choice of share value maximization versus firm value maximization as the goal of the firm and its representation on the vertical axis of their diagram. A discussion focuses on the textbook presentation versus non-presentation of the M&M with no taxes in their diagrammatical representation. A discussion explains the problem of the additivity embodied in the textbook discussion of the capital structure theories as a progression.

### SHARE VALUE MAXIMIZATION VERSUS FIRM VALUE MAXIMIZATION

Current introductory finance textbooks discuss different theories of capital structure. These constitute a progression from the Modigliani and Miller (M&M) theory with no taxes to M&M with taxes, effects of bankruptcy costs, agency theory, and finally the trade-off theory. All these theories are discussed, and shown on a diagram, with the value of the firm as the centerpiece such that the optimal

capital structure is defined as that mix of financing which maximizes the firm value. In this way, practically, the goal of the firm is defined as firm value maximization, even though some textbooks start their capital structure chapters with share value maximization as the theoretical definition of the goal of the firm.

More specifically, four of the twenty-four textbooks start the chapter with share value maximization as the definition of the goal of the firm, but discuss relevant theories with firm value maximization as the central point. The textbooks are: Besley & Brigham, 1999; Brigham, Gapenski & Ehrhardt, 1999; Brigham & Houston, 2001; and Emery, 1998.

The remaining twenty textbooks start the chapter with firm value maximization as the definition of the goal of the firm and discuss capital structure theories with the same goal at the forefront. The textbooks are: Block & Hirt, 2000; Brealey & Myers, 2000; Brealey, Myers & Marcus, 2001; Brigham & Gapenski, 1999; Chambers & Lacey, 1999; Damodaran, 2001; Eakins, 1999; Emery & Finnerty, 1997; Emery, Finnerty & Stowe, 1998; Gallagher & Andrew, 2000; Gitman, 2000; Keown, Petty, Scott & Martin, 2001; Lee, Finnerty & Norton, 1997; Levy, 1998; Moyer, McGuigan & Kretlow, 2001; Ross, Westerfield & Jaffe, 1999; Ross, Westerfield & Jordan, 2001; Scott, Martin, Petty & Keown, 1999; Van Horne, 2002; and Van Horne & Wachowicz, 2001.

As noted above, current introductory finance textbooks discuss different theories of capital structure in a progression which culminates in the trade-off theory. Such theories are also shown on a diagram where the capital structure is measured on the horizontal axis and the firm value, or the share value, on the vertical axis, as in Table 1.

Most textbooks measure the firm value on the vertical axis. Only three of the twenty-four textbooks measure the share value on the vertical axis. The textbooks are: Besley & Brigham, 1999; Brigham, Gapenski & Ehrhardt, 1999; and Brigham & Houston, 2001. This practice is in accordance with the initial theoretical definition of the goal of the firm in their capital structure chapters. However, this definition is not in accordance with the original theories which they intend to represent since the

original theories are stated in terms of firm value rather than share value.

#### **PRESENTATION VERSUS NON- PRESENTATION OF THE M&M WITH NO TAXES THEORY**

Textbooks show the value of an unlevered firm as a solid horizontal line, as in Table 1. This is incorrect. This is because the horizontal line does not represent the firm value when the firm has zero debt. Since financial leverage is measured on the horizontal axis, and since the firm has zero debt, firm value should be represented only by a point on the vertical axis, not by a horizontal line intersecting the vertical axis. If only a reference horizontal line were needed, it would be better to show it by a dashed or dotted line, rather than a solid line, in order to make it less prominent.

Given that capital structure theories are discussed in a progression starting with M&M with no taxes, i.e., the irrelevance of capital structure, and culminating in the trade-off theory, and given that the corresponding diagram, e.g., Table 1, starts with a solid horizontal line and culminates in the graphical representation of the trade-off theory, it might create confusion. That is, students might be lead to believe that the solid horizontal line in Table 1 represents M&M with no taxes. This might be due to: 1) The correspondence between the starting point of the discussion of capital structure theory with the starting point on the diagram, as explained at the beginning of this paragraph, 2) The "irrelevance" nature of M&M with no taxes, which states that capital structure is irrelevant and therefore its graphical representation would result in a horizontal line, and 3) The emphasis placed on the horizontal line in the diagram by showing it as a solid line.

The existing representations in the introductory finance textbooks, such as the representation shown in Table 1, have most probably mislead even the authors of two of the current introductory finance textbooks. The textbooks are: Block & Hirt, 2000; and Eakins, 1999. The corresponding diagrams from these two textbooks are reproduced here as Tables 2 and 3. As can be noted, the horizontal line in Table 2, from Block & Hirt, 2000, is labeled "original M+M" and in Table 3, from Eakins, 1999, is labeled "Value of firm: no taxes."

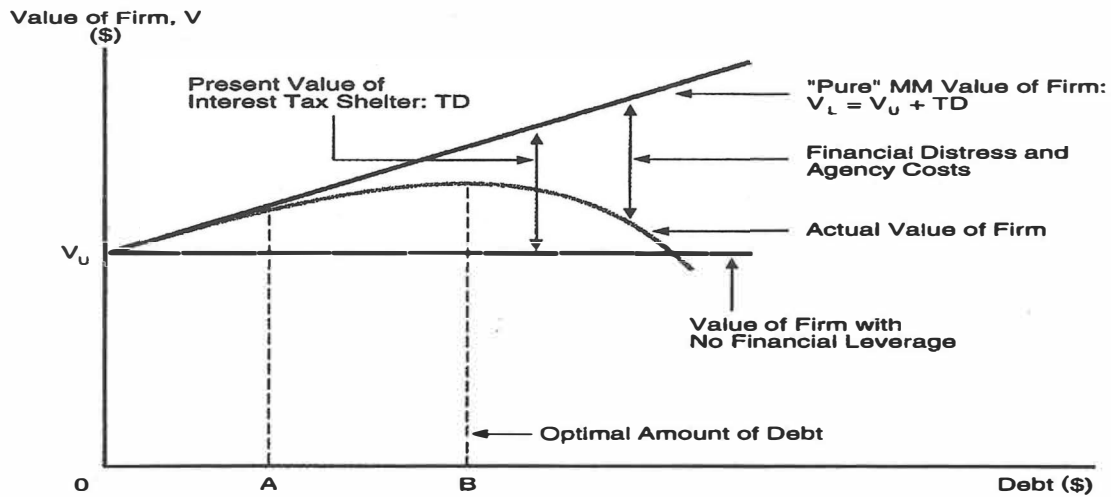


Table 1: A Typical Representation of Capital Structure Theories. Reproduced from Brigham-Gapenski (1996), page 382.

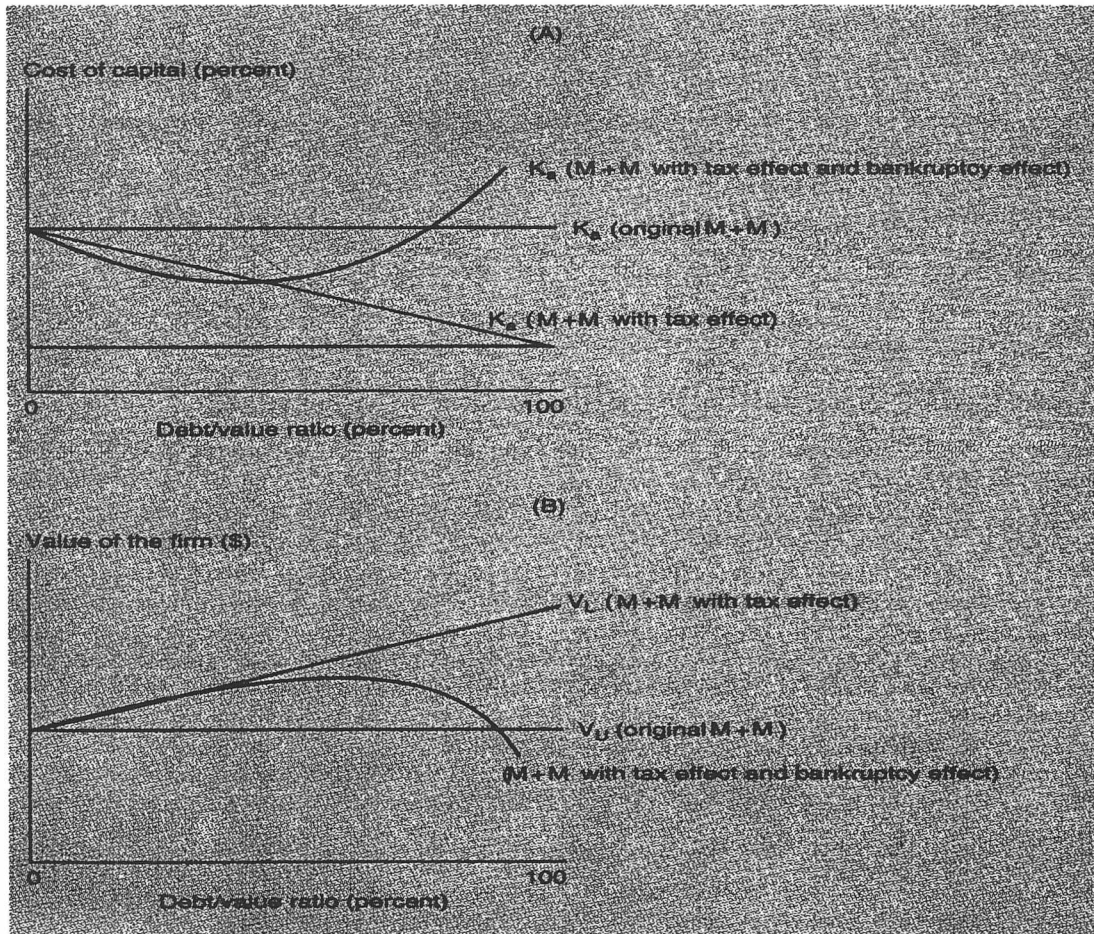


Table 2: The Block-Hirt (2000) Representation of Capital Structure Theories. Reproduced from Block-Hirt (2000), page 342.

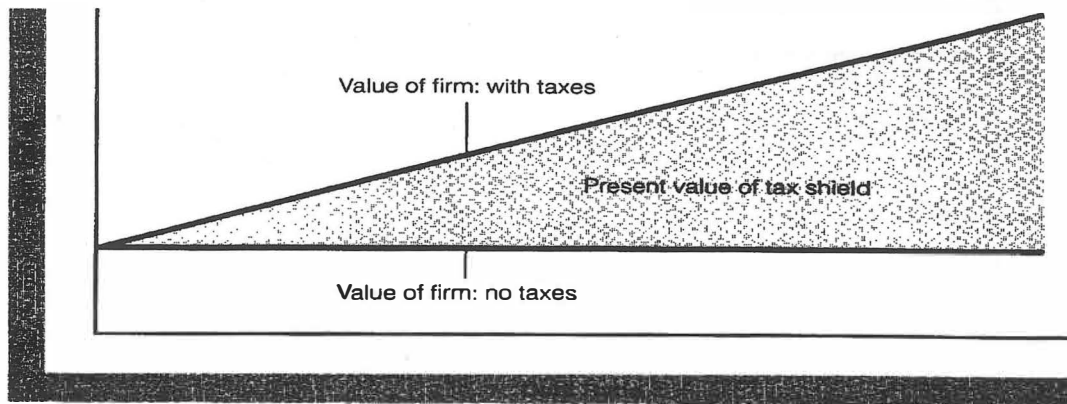


Table 3: The Eakins (1999) Representation of Capital Structure Theories. Reproduced from Eakins (1999), page 318.

In order to avoid creating such confusion, some explicit explanation in the introductory finance textbooks is necessary. Moreover, it would help the reader if either the solid horizontal line were totally omitted from the diagram, or, if some reference line were needed, it should be shown as a dashed or dotted line. Furthermore, if the M&M with no taxes

is also correctly shown on the diagram, it will eliminate the possibility of confusion and make the diagrammatic exposition more complete. This is, in fact, the way it is represented in Hickman, Hunter & Byrd, 1996, whose representation is reproduced here as Table 4.<sup>1</sup>

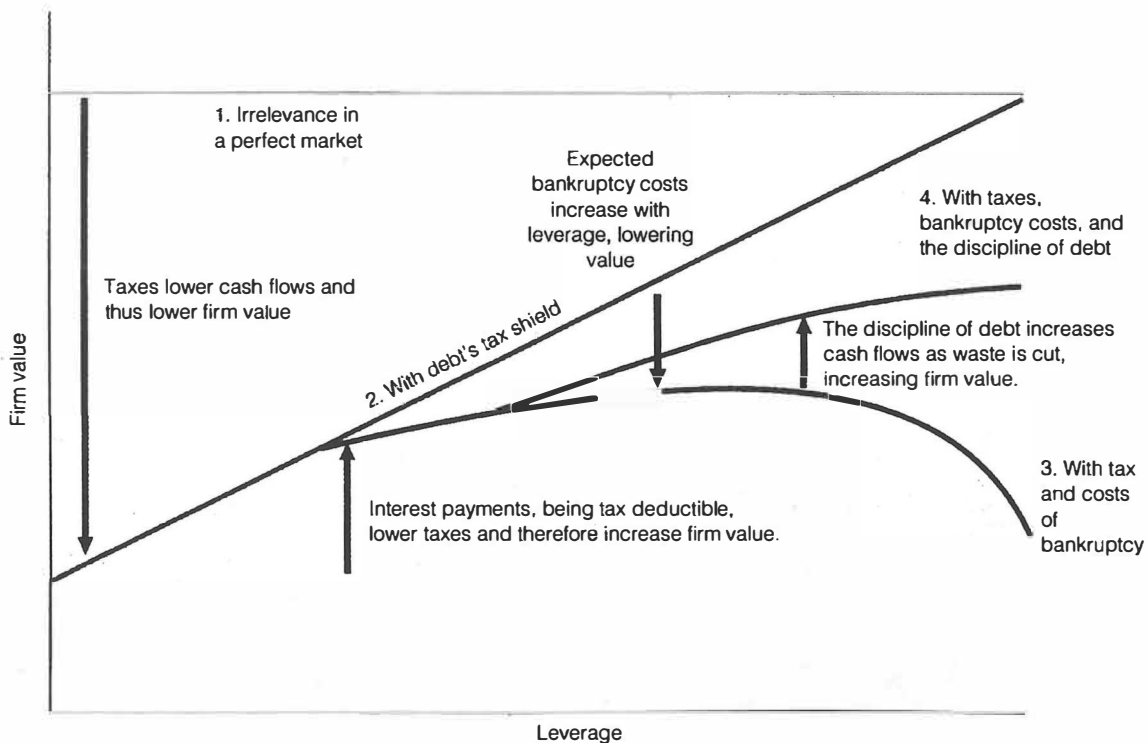


Table 4: The Hickman-Hunter-Byrd (1996) Representation of Capital Structure Theories. Reproduced from Hickman-Hunter-Byrd (1996), page 407.



To sum up, in the diagram which is drawn to represent the trade-off theory, according to the first point above, the firm value should be measured on the vertical axis. According to the second point above, the solid horizontal line should be replaced with a point on the vertical axis. According to the second and third points above, if there is to be a reference line, then it should be a dashed or dotted line, rather than a solid line. This reduces the importance of the horizontal line and reduces the probability of creating confusion. Finally, it is best to correctly represent the M&M with no taxes on the diagram as in Hickman, Hunter & Byrd, 1996.

Among the twenty-four textbooks considered in this study, three textbooks do not draw the horizontal line. They are: Emery & Finnerty, 1997; Emery, Finnerty & Stowe, 1998; and Van Horne, 2002. Two textbooks draw a dotted line. They are: Brealey & Myers, 2000; and Levy, 1998. Fifteen textbooks draw a solid line. They are: Besley & Brigham, 1999; Block & Hirt, 2000; Brealey, Myers & Marcus, 2001; Brigham & Gapenski, 1999; Brigham, Gapenski & Ehrhardt, 1999; Brigham & Houston, 2001; Damodaran, 2001; Eakins, 1999; Emery, 1998; Keown, Petty, Scott & Martin, 2001; Lee, Finnerty & Norton, 1997; Moyer, McGuigan & Kretlow, 2001; Ross, Westerfield & Jaffe, 1999; Ross, Westerfield & Jordan, 2001; and Scott, Martin, Petty & Keown, 1999. The remaining four textbooks do not draw a complete trade-off theory diagram. They are: Chambers & Lacey, 1999; Gallagher &

Andrew, 2000; Gitman, 2000; and Van Horne & Wachowicz, 2001.

As was noted above, Hickman, Hunter & Byrd, 1996, is the only textbook that shows the M&M with no taxes as the starting point of the construction of the trade-off theory diagram. In this way, the verbal discussion of the capital structure theories corresponds, in a one-to-one fashion, to its diagrammatic counterpart. Some other textbooks use the pie representation of each capital structure theory to parallel the verbal discussion. Ross, Westerfield & Jordan, 2001, use it most extensively and their pie diagrams are reproduced here as Table 5. This shows, for instance, that when the firm goes from the *world* of M&M with no taxes to the *world* of M&M with taxes, the value of the firm goes down, since part of the cash flows which would otherwise be accrued to shareholders and/or bondholders would now go to the government in the form of taxes. Corresponding to this move, Hickman, Hunter & Byrd, 1996, show, on their trade-off theory diagram, that the value of the firm goes down from the level of the horizontal line on the top of their diagram to a point on the vertical axis which shows the value of the firm with no leverage and from there as leverage goes up the value of the firm goes up as well, due to the interest tax deductibility. In this way, a textbook may walk students through the progression in the capital structure theories from M&M with no taxes to the complete trade-off theory simultaneously in all three fronts, i.e., verbal, diagrammatical/geometrical, and pie representational.

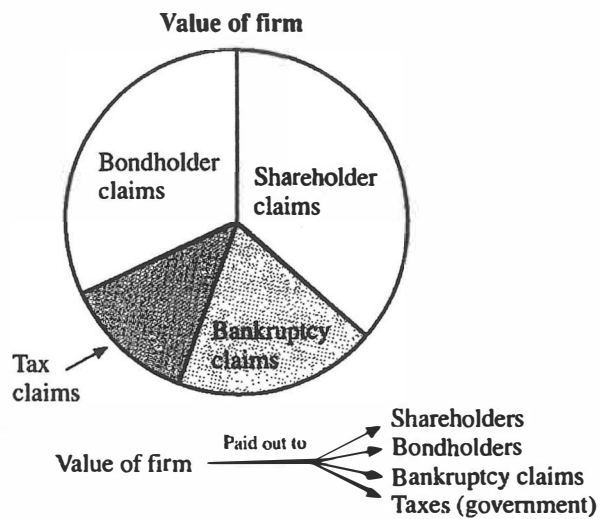
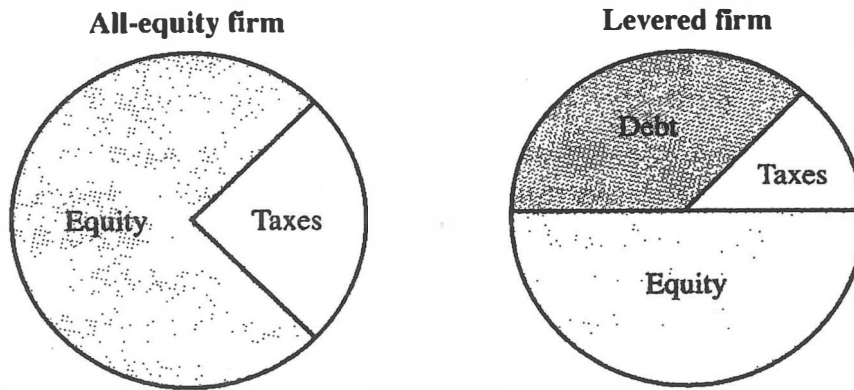
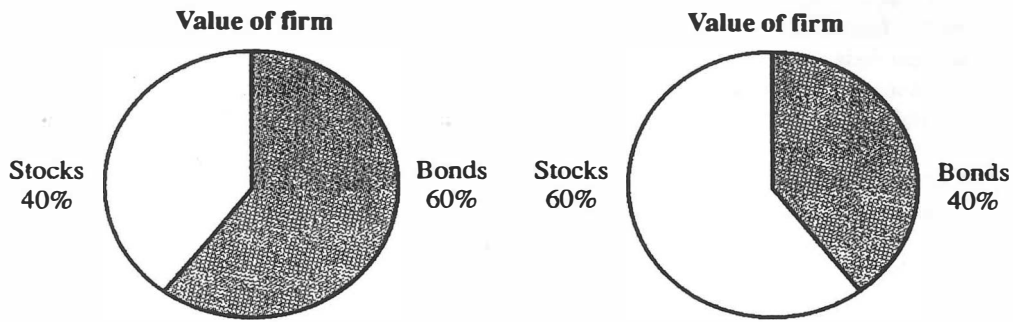


Table 5: the Ross-Westerfield-Jaffe (1999) Pie Representation of Capital Structure Theories. Reproduced from Ross-Westerfield-Jaffe (1999), pages 364, 381, and 405.

## THE PROBLEM OF ADDITIVITY

As was noted above, current introductory finance textbooks discuss different theories of capital structure in a progression from the M&M with no taxes to M&M with taxes, effects of bankruptcy costs, agency theory, and finally the trade-off theory. This progression is also shown on a diagram, such as Table 1.

An important aspect of the discussion of the capital structure theories in introductory finance

textbooks is the way it treats the value of the firm. More specifically, the value of the firm is treated as the algebraic sum of its constituent components without any consideration for the interaction among these components. For instance, in a typical diagrammatical representation of the capital structure theories, such as Table 1, all the curves emanate from *the same point* on the vertical axis and, to the right of the vertical axis, they deviate from each other in an *additive* manner to reflect the expected costs of financial distress and the agency cost, as in Table 6.<sup>2</sup>

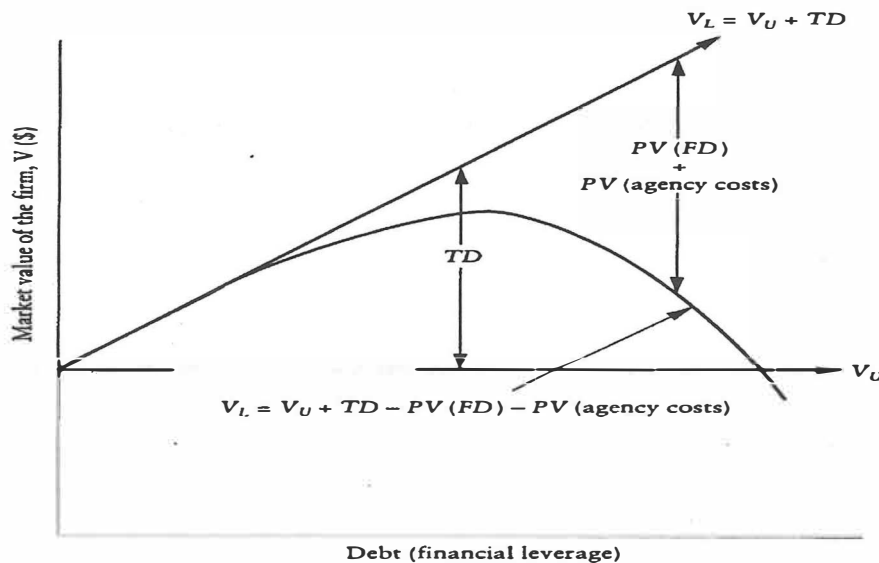


Table 6: The Kaen (1995) Representation of Capital Structure Theories. Reproduced from Kaen (1995), page 520.

However, when the firm is moved from *a world* in which there are no financial distress costs to *a different world* in which they exist, all valuations need to be done anew. Under the new and different circumstances, both equity and debt need to be valued again. Their values would generally be different under the new circumstance than the old one. Therefore, the sum of the values of equity and debt, which is equal to the value of the firm, would be different. Therefore, the new curve, which also reflects the costs of financial distress, need not necessarily emanate from *the same point* on the vertical axis as the curve reflecting no financial distress costs. To emphasize, this is because the

valuations, and, therefore, the values of stocks and bonds, in *the two different worlds* would be different.

The same idea applies to the situation when the firm is moved from *a world* with no shareholder-bondholder agency relationship to *a different world* in which such agency relations exist. That is, under the new and different circumstances not only would the valuations, and, therefore, the values of stocks and bonds, be different from what they were in the previous one, but also the valuation and, therefore, the value of the expected financial distress costs, would be different from what it was in the *previous world*. Therefore, in general, the curves shown on a typical capital structure theory diagram, as in Table

6, need not necessarily emanate from *the same point* on the vertical axis. Moreover, deviations of the curves, to the right of the vertical axis, are not *additive*. This is because, in *different worlds*, there will be different interactions among variables. In other words, the curve representing the valuation *in each world* should be genuinely derived anew based on the circumstances prevailing *in that specific world*.

The *additive* nature of the curves shown in Table 6 reveals that it brings the base, which was derived under the previous world circumstances, to the next world without considering that it changes as the circumstances are changed. Given this base, which is transferred directly from the previous world, then some of the implications of the circumstances prevailing in the next world are *added* to it. A better treatment notes that when the firm is moved from the previous world to the next world, the basis of the analysis, which is being transferred from the previous world to the next world, should also be re-analyzed and re-configured under the new circumstances along with the other implications of the circumstances prevailing in the next and new circumstances.

#### CONCLUSION

This paper considered twenty-four current introductory finance textbooks published by major finance textbook publishers. It examined their discussion of capital structure theories and made recommendations for improving their theoretical exposition and graphical representation of the theories. More specifically, it recommended that textbooks should note the problem of additivity in the discussion of capital structure theories considered as a progression from the Modigliani and Miller (M&M) theory with no taxes, to M&M with taxes, effects of bankruptcy costs, agency theory, and finally the trade-off theory. It also recommended that textbooks in their diagrammatical representations of the capital structure theories should stay consistent with the original theories which they tend to represent and, therefore, should measure the firm value on the vertical axis of their diagram. Moreover, the paper recommended that in order for textbooks to avoid misleading presentations, they should show the starting point in the theoretical progression, that is, the M&M with no taxes theory, on their diagram.

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<sup>1</sup> Note that Hickman, Hunter & Byrd, 1996, is not included in the list of *current introductory finance textbooks* since it now belongs to the previous generation of textbooks. Among the two generations of textbooks, this is the only textbook which starts the discussion of capital structure theories with proper diagrammatical representation of M&M with no taxes.

<sup>2</sup> Note that Kaen, 1995, is not included in the list of *current introductory finance textbooks* since it now belongs to the previous generation of textbooks. Among the two generations of textbooks this is the only textbook which shows the additive nature of capital structure theories very explicitly.

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# POSITIONING MBA PROGRAMS TO MEET THE NEEDS OF STUDENTS: ONE SIZE DOES NOT FIT ALL

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## ABSTRACT

This research proposes a model that describes how the administrators of MBA programs can position them to meet the preferences of their potential and existing students. The model argues that MBA students can be described using 2x2 matrix that describes four environments, characterized by student career stage on one axis and the rigor of the program on the other. By understanding where a program's applicants fit into this model, an MBA Director or Dean can best determine how to position and administer a program to meet the needs of its most likely students. A preliminary investigation of the model indicates that describing MBA programs along these dimensions can be done and that the resulting quadrants reflect significant differences in student profiles. The implications for the administration of MBA programs are discussed.

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## INTRODUCTION

Nine years ago, *Forbes* magazine noted that, "The supply of MBA's is up, but demand is down, and corporate recruiters say business schools have lost touch with reality" (Linden, Brennan and Lane, 1992). The article went on to point out that "Part of the blame lies with the business schools themselves - even the best of them. Smug and arrogant, they chose increasingly to teach what they wanted, rather than what business needed." An interview of Jerry Wind of the Wharton School in *Sales & Marketing Management* (1996) noted that even prominent programs such as his need to become better at preparing students for problem solving.

In general, criticisms focused on three issues. First, programs were not preparing graduates adequately for communication, leadership and team building skills that employers desire (Bogert and Butt, 1996; Schatz, 1997). Second, programs were inadequately reflecting current business issues, such as globalization (Cudd et al., 1995) and environmentalism (Mangan, 1994). Third, they were criticized for training functionally specialized managers for large Fortune 1000 type firms while ignoring the needs of small and mid-size firms (Doll, Sharkey, and Beeman, 1997).

In response to criticism, MBA directors have tried to respond to the comments of business executives about the content and quality of their MBA programs (Tracy and Waldfogel, 1997). Many programs, including Harvard Business School's MBA program, have made wholesale changes (The Economist, 1995). In efforts to improve the placement record of their respective MBA program, schools and colleges of business have instituted customized programs (Arkin, 1996), one-year programs (Carpenter, 1996), and problem-based learning (Carvalho and Kirch, 1996), as well as changed their content and focus on theory/application. Such reform and market repositioning attempts remain topical in the post-"dot-com" world. More than ever before, our economy is driven by skills, and seemingly paradoxically, the current economic slowdown has led to an increased interest in some MBA programs as individuals bank salable skills against the next economic expansion (Shearer, 1999; Qualters, 2001).

However, these attempts, as well as the criticism summarized above, focus on placing students after graduation, treating hiring organizations as the primary customers of an MBA program. However, MBA programs face an unusual problem. Business programs are part of an educational process. As such, they have two primary customers: 1) the organization

that will hire their graduates and 2) the potential and current students, themselves. Since many graduates of MBA programs do not seek new employment in corporate America, the first focus may be partially or totally irrelevant for many MBA programs and students. This lesson is more evident now than ever. Employee skills and credentials are more in demand than ever before, and not just in the Fortune 500, Brooks-Brothers suit world, but throughout the economy.

A complementary approach for successfully marketing an MBA program is to focus on its most direct customer group, its students. Just as MBA programs have recognized the employer community values and supports MBA "product diversity," so should they recognize that current and potential students value the same. Students vary widely in what they want from MBA programs (Stolzenberg, 1988; Stolzenberg and Giarrusso, 1988a; Stolzenberg and Giarrusso, 1988b; Stolzenberg, Giarrusso, and Lehman, 1988). Some students seek entry into new careers, while others may want to develop themselves and grow as persons. Some students see the MBA as their final degree, while other students aspire to pursue a doctorate in a business discipline. Some students seek out programs that challenge them and that are recognized as containing difficult content, while other students may simply want to complete the process and move on in their lives. Some students pursue an MBA as a means to changing employers; but many MBA students - particularly part-timers - plan to seek promotion with their present employer, thus making irrelevant the corporate recruiting focus of some MBA programs. Some students want programs that will fit into their present work and family lives; others will accept moving and other inconveniences for other desirable factors in a program.

The present study addresses the issue of strategically positioning MBA programs on the basis of students as customers by proposing a simple model. We believe that this model can be used by MBA Directors and Deans of Colleges or Schools of Business to position their programs in a manner that better meets the needs of their most direct customer group, the MBA student. Such an approach may be complementary to the strategy of adaptation to the secondary market, that is, corporate executives.

## BACKGROUND

Few studies have been conducted, or conceptual models developed, that propose how to position an MBA program in the business education environment vis-à-vis students' desires. Two studies are of particular interest to our research.

The Graduate Management Admission Council (GMAC) regularly conducts studies about issues related to business education. The purpose of these studies is to develop data on the composition and the needs of MBA students. In a series of studies for GMAC, Ross M. Stolzenberg and co-authors evaluated the results of surveys distributed to over 2,796 MBA students representing 100 schools throughout the U.S. (Stolzenberg, 1988; Stolzenberg and Giarrusso, 1988a; Stolzenberg and Giarrusso, 1988b; Stolzenberg, Giarrusso, and Lehman, 1988).

Stolzenberg and his colleagues received responses from 2,054 students from 100 programs. Their analysis focused on two primary issues: 1) students' reasons for applying to the school at which they ultimately matriculated, and 2) students' reasons for applying for an MBA. They found that the most important reasons students chose a particular MBA program were location (63.7 percent); school prestige-reputation (38.1 percent); school quality (23.3 percent); and financial reasons (18.1 percent). Career entry/mobility (47.5 percent), developing management abilities/improving knowledge (32.6 percent), and obtaining personal satisfaction (12.6 percent) were students' first mentioned reasons for pursuing an MBA. In a more recent study, Shelley Branch (1997) noted that other than building a family (71%), the biggest priorities among MBA students were career development (75%) and personal development and growth (51%).

It appears from these studies that MBA applicants are not a homogeneous group in their objectives for an MBA program. The reasons are likely to be related to students' age and position on a chosen, particular career trajectory. Some students seek to further develop a career that already includes extensive business experiences (Goldgehn and Kane, 1997). The career objectives of a student in the midst



of a business career are different than the objectives of a student entering an MBA program not long after completing an undergraduate education, just as the career objectives of a student seeking internal advancement differ from those of a student looking to begin a new career. Also, the maturity and experience that a returning student brings to the classroom is far different than the student who has no work experience. These differences require appropriate responses by program directors that go beyond the classroom, and encompass issues such as services (e.g., placement), scheduling (evenings, weekends), and flexibility (e.g., attendance policies) (O'Hara and Bradley, 1996).

### THE PROPOSED MODEL

In response to what we view as an incomplete understanding of the MBA experience, we developed a model (Figure 1) that describes four types of programs. These cells are characterized by student career stage on one axis and program rigor on the other. Student career stage is described as *advanced* career development or *early* career development, in an effort to recognize the different orientations of potential graduate students. Career stage was chosen as a significantly relevant dimension because there are clear differences between the expectations of students who have very recently completed undergraduate degrees and those who have gained significant work experience (Cooksey and Rindfuss, 1994; Panitz, 1995). On the other axis, program rigor is described as either *high* or *low*. This was chosen to reflect the difficulty and challenge represented by a program (akin to school quality (Stolzenberg, 1988; Stolzenberg and Giarrusso, 1988a; Stolzenberg and Giarrusso, 1988b; Stolzenberg, Giarrusso, and Lehman, 1988)). In no way do we claim our four-cell model is exhaustive. In particular, we do not consider in an integral way how consideration of location and expense affect choice, as emphasized in the GMAC studies. However, we hope our model will be a useful diagnostic for MBA directors in considering the strategic positioning of their programs.

Figure 1  
MBA Student Environments: Student Career Objectives versus Program Rigor

Advanced Career Stages	Cell 1	Cell 2
Preliminary Career Stages	Cell 3	Cell 4
	Low Program Rigor	High Program Rigor

Cell 1 is composed of programs attracting students who have a fairly low desire for program rigor and are advanced in their careers. These students are older, have already spent significant time working, and may even have managerial experience. However, they are attracted to MBA programs for reasons other than rigor. The degree itself, rather than the learning the program conveys, may be what they seek. These students might best be described as wanting to "get their tickets punched;" they perceive the degree itself to be of more significant value than the learning that might occur in the program. While this attitude may dismay many academics who have devoted a great deal of their adult lives to higher education and the pursuit of knowledge, it may describe many of the individuals enrolled in part-time MBA programs. Often, by completing an MBA, they are simply seeking to obtain a promotion or revitalize their career within the same organization for which they presently work. They do not have any loftier ambitions than to finish the program.

Cell 2 describes programs that attract students who are advanced in their careers, but who also have a very serious desire to challenge themselves and improve their business skills. While the MBA may represent a "ticket", they also seek additional return on their investment of time in the knowledge and/or skills the program will yield. Once enrolled, these students often put in extra effort preparing for class or getting involved in classroom discussions or outside projects. Also, this group of students is often quite willing to share their work experience in the classroom setting. This cell represents a group of students who are very focused on their studies in an effort to improve their careers both through the credential they will gain and

through the increase in their capabilities. In addition, they may be pursuing learning for reasons of personal growth.

Cell 3 describes programs that attract students who are early in their careers, but who seek less rigorous programs. They likely have just completed their undergraduate degrees. They may see obtaining an MBA as a means of starting their business career at a higher level than with an undergraduate degree alone. Given their lack of business experience, they also may be less rich in their understanding of business problems and contexts. They may fail to understand how the skills and knowledge an MBA program can supply will serve them in their future careers. Like the older, advanced students in Cell 1, the degree is a means to an end; but unlike students in Cell 1, they lack specific work experiences.

Cell 4 contains students who are in an early career stage and who seek program rigor. This cell may contain two types of students. One type of students may have worked briefly, but is ready to make a major, early career change. This type sees the MBA as the best means of accomplishing this change through additional or refined skills. The other type of student is an individual that is very serious about learning but is relatively new in a business career, often just having finished an undergraduate program. Both of these types are likely to be full-time students. Both may be challenging and rewarding groups to work with. They are very serious about their classes and ambitious about their careers. They may seem driven to learn as much as the program has to offer. On the other hand, these students are very demanding and can place an undue burden on a typical MBA program. Because they are so driven and prepared, they require very skilled faculty, typically with advanced degrees, a resource that not every MBA program can offer.

### Hypotheses

This work is preliminary, but if programs can be so sorted, a tool may be developed by which Deans and MBA directors can evaluate their local prospective student population, to help determine which programs will likely be locally successful. Assuming that programs can be categorized into these four quadrants, we expect that the descriptions of students and other characteristics of programs in each quadrant would vary systematically. Predictions can be made about

differences in program characteristics, the reasons students are attracted to the MBA degree, students' outcomes after graduation, and reasons students are attracted to a particular program.

Regarding program characteristics, we reason that quadrants representing programs high in rigor will also be the most selective programs. This may be a chicken-and-egg phenomenon; the quality of applicants may allow them to be more rigorous (or perhaps build an image of rigor). Either way, we predict:

A1: Cells 2 and 4 will exhibit higher entering student GMAT scores and GPAs than Cells 1 and 3, and greater selectivity of applicants.

The full- or part-time nature of the programs should also vary. Cells with students in more advanced career stages will be more attracted to part-time programs than cells with younger students:

A2: Cells 1 and 2 will exhibit more part-time programs than Cells 3 and 4.

The reasons students pursue an MBA should also affect program choice. Students pursuing personal growth should be disproportionately attracted to high-rigor programs, while low rigor cells should attract students who are more interested in furthering careers.

B1: Cells 2 and 4 will exhibit more students seeking personal growth than Cells 1 and 3.

B2: Cells 1 and 3 will exhibit more students seeking goals other than personal growth than Cells 2 and 4.

Furthermore, the typical outcomes of MBA graduates should also vary. Older students are more likely than younger to stay with the same employer and be promoted, while younger students are more likely to change employers.

C1: Cells 3 and 4 will exhibit higher likelihood of students' changing careers/employers.

Further, the rigor of a program should be related to how highly valued its graduates are, and we expect:

C2: Cells 2 and 4 will exhibit higher starting salaries than Cells 1 and 3.

Program reputation attracts some students to particular MBA programs, as opposed to the pursuit of an MBA in general, and seems likely related to program rigor. Thus, the reputation of the institution should be a stronger factor in the decision making of students seeking rigor:

D1: Cells 2 and 4 will exhibit higher reputations than Cells 1 and 3.

In addition, if we are correct in assuming that Cells 1 and 2 contains many older, part-time students, practical reasons for choosing a particular institution should increase in these cells.

D2: Cells 1 and 2 will exhibit higher levels of practical reasons for choice than Cells 3 and 4.

## METHOD

The present paper is a preliminary attempt to study whether it is feasible to use a program's rigor and the career stage of its students as a tool for discussing the strategic emphasis of MBA programs, as regards current and potential students and not the hiring community. This investigation utilized both archival data, using a published source of information on MBA programs, and survey research, using expert respondents, to explore these issues.

### Sample and Respondents

Our sample was developed from a list of all of the MBA and MBA-like programs in the U.S. The first 300 programs listed in Peterson's Guide to MBA Programs (1998) that also included an average GMAT score for its students formed our sample. Survey instruments were mailed to the MBA Director (or equivalent) for these 300.

MBA Directors were used as our respondents for the following two reasons. First, Parke (1993) argues that care must be made in selecting an appropriate respondent. Using Parke's terminology, MBA Directors are "most directly responsible" for the direction and success of their programs (Parke, 1993, p. 808). They are expected to be able to assess their programs (Eastman, Allen, and Superville 2001). In order to do so, they clearly must understand their students' needs and be objective about their program's particular situation. Second, we suspected students

would be more likely to be constrained by social desirability bias. In effect, they may not be inclined to respond candidly about their rationale for selecting a particular program.

The survey instruments were mailed mid-June 1998. In all, 73 responses were received, a response rate of 24%. Some returned instruments were missing some data items, reducing the sample size slightly for some analyses (see results, below). At this time, a follow-up survey to obtain a higher response rate has not been attempted, but is planned as funding sources are identified.

The survey instructions requested that the person responsible for the administration and direction of the MBA program complete the survey. Respondents described themselves by 18 different job titles, most frequently (25) as MBA Director. No other title was mentioned more than 5 times. For convenience, we will refer to our respondents throughout the rest of this paper by the term, "MBA Directors".

### Data Sources

#### Archival Data:

In addition to providing contact information on MBA programs, Peterson's Guide to MBA Programs, 1998 also provides additional data about the programs: grade point averages (GPAs) of students, GMATs, number of acceptances and applications, and average age of students.

#### Survey Data:

The survey instruments called on MBA Directors to evaluate some aspects of their programs. Some evidence exists that subjective ratings by experts may actually be as good as or even superior to economic measures for measuring goal achievement (e.g., Boyd, Dess, and Rasheed, 1993; Dess and Robinson, 1984; Venkatraman and Ramanujam, 1987). In particular, a study by Dess and Robinson (1984) found that the "self-report" evaluations of firm financial performance by executives, acting as key informants, accurately reflected true firm financial performance. Boyd et al. (1993) suggested that perceptual measures are superior to archival when studying firm actions. Thus, MBA Directors were

selected as the respondents for this research due to their expertise about the MBA degree, their program, and their knowledge of the students in their program, as well as the cost and manageability of the survey.

### Measures

#### Independent Variables:

The two dimensions of Figure 1, the career stage of typical students in a program and the rigor of the program, represent the independent variables in this model.

*Career Stage:* From Peterson's MBA Directory, we obtained the average age (AGE) of students entering the MBA program. Age, along with organizational tenure and positional tenure, is one of three variables that make up career stage (Allen and

Meyer, 1993). Given its availability in an archival data source and the small likelihood of the other two pieces of data being easily available from either archival or survey sources, we judged that age was a reasonable proxy for career stage for this exploratory research.

*Rigor of the Program:* MBA Directors were asked to describe the programs that their typical MBA student seeks, along ten 7-point scales, ranging from "very unimportant" to "very important". The items were designed to measure several aspects of MBA programs that can differentiate them from each other. We included items to assess the rigor of the program (e.g., "highly challenging program"), as well as items describing other ways programs can vary (e.g., "practical application of material"). The items were factor analyzed (principal components, oblique), and a four-factor solution emerged that explained 70% of the variance. The factor solution and items are shown in Table 1.

Table 1  
Results of Factor Analysis: Program Characteristics

Item	Component			
	1 RIGOR	2 REALWORLD	3 ??	4 SKILLS
Coverage of theories	.845			
Emphasis on quantitative analysis	.718			
Rigorous treatment of subjects	.713			
Faculty at the forefront of research	.669			
Conceptual basis for business	.666			
Highly challenging program	.634			
Practical application of material		.806		
Faculty with real-life business experience		.741		
Hands-on course experiences and assignments		.646		
High certainty of graduating			.850	
Emphasis on intuitive grasp			.811	
Skill development				.742
Problem-solving experiences				.670

Note: Only loadings over .45 are shown.

The first factor, which explained 41% of the variance, appears to represent the hypothesized construct of program rigor (RIGOR). The second factor (11% of variance) contains items that describe close connections with the business community (REALWORLD). The third factor (10% of variance) contains two items, "high certainty of graduation" and "emphasis on intuitive grasp." The meaning of this factor is not clear. The fourth factor (8% of variance) also included two items, "skill development" and "problem-solving experiences", and appears to represent the acquisition of particular skills and tools (SKILLS).

These factors appear to be both conceptually and empirically distinct from each other. Even with the oblique technique used in the factor analysis, the factors were not highly correlated; the highest intercorrelation between any pair was 0.34 ( $p = n.s.$ ).

A scale was created for each of these factors. Analyses of reliability indicated that all but the third scale had adequate inter-item validity (RIGOR,  $\alpha = 0.83$ ; REALWORLD,  $\alpha = 0.79$ ; SKILLS,  $\alpha = 0.81$ ). The reliability for scale for the third factor was low ( $\alpha = 0.58$ ) and this variable was dropped from further analyses.

#### Dependent Variables:

*Program Characteristics:* The average GMAT scores and GPAs of entering students, the number of applications to the program per year (NUMAPPS), the number of acceptances (NUMACCEPTS) into the program per year, and the numbers of full-time and part-time students were obtained from Peterson's (1998). We also obtained the average starting salary (STARTSAL) of graduates from Peterson's (1998). The percent of applicants accepted was calculated from these data (PERCACCEPT).

*Reasons Students Pursue an MBA:* MBA Directors were also asked to respond to 8 items describing reasons that students enroll in their MBA program. The reasons were derived from studies by Stolzenberg and colleagues (Stolzenberg, 1988; Stolzenberg and Giarrusso, 1988a; Stolzenberg and Giarrusso, 1988b; Stolzenberg, Giarrusso, and Lehman, 1988) and Branch (1997) and were intended to capture career development and personal growth. The items were subjected to a factor analysis (principal components, oblique), which revealed a three-factor structure explaining 63% of the variance. The analysis and items are shown in Table 2.

Table 2  
Results of Factor Analysis: Reasons Students Pursue An MBA

Item	Component		
	1 UPMOBILE	2 GROWTH	3 INSTRUMENT
To increase career options		.820	
To increase earning power	.788		
To increase employability or get a good job	.711		
To advance more quickly or to obtain a promotion	.711		
To obtain credentials or specialize	.650		
To fulfill personal goals, such as self-improvement or enjoyment		.927	
To improve knowledge or diversify background		.724	
To obtain or develop management skills		.564	
To aid in entry into other graduate programs			.791
To make contacts			.660

Note: Only loadings over .45 are shown.

Again, the three factors appear to represent two separate sets of reasons students might pursue an MBA. The first factor (40% of the variance), is composed of items related to upward mobility (e.g., "to advance more quickly or to obtain a promotion") (UPMOBILE). The second (13% of variance) appears to represent reasons of personal growth (e.g., "to improve knowledge or diversify background") (GROWTH). The meaning of the third factor (11% of variance), composed of "to aid entry into other graduate programs" and "to make contacts", seems to relate to a program as instrumental in gaining other ends (INSTRUMENT). The first two factors were significantly correlated ( $r = 0.48, p < 0.01$ ).

Scales were constructed for each of these sets of items. Reliabilities were adequate for the first two scales (UPMOBILE,  $\alpha = 0.84$ ; GROWTH,  $\alpha = 0.73$ ). The reliability of the scale formed for the third factor was not acceptable ( $\alpha = 0.24$ ) and this variable was dropped from further analyses.

*Typical Outcomes for Students of a Program:* We were interested in how programs may differ in terms of what happens to their graduates upon leaving the programs. Thus, we asked our respondents five items about what their students typically do in the first year after they complete the program (7-point) response scale: "no students" to "almost all students. Factor analysis (principal components, oblique; see Table 3) yielded a two-factor solution to these items explaining 68% of the variance. Factor 1 (39% of variance) included two items that appeared to reflect students' tendencies to change careers (CARCHANGE). The second factor (29% of variance), containing three items, appeared to reflect a tendency for students to stay with the same employer (STAYJOB). Surprisingly, these two factors were not significantly correlated.

Scales were constructed for each of these factors. Only the scale for CARCHANGE achieved acceptable reliability ( $\alpha = .69$ ), and the scale for STAYJOB was dropped from further analyses.

Table 3  
Results of Factor Analysis: Typical Students' Outcomes

Item	Component	
	1	
	CARCHANGE	STAYJOB
Change careers entirely	.874	
Get a new, higher paying job for a new employer	.815	
Get a new job at the same or less money	.809	
Get promoted within the organization they already work for, or worked for in the past		.673
Stay in the same job for the same organization		.651

Note: Only loadings over .45 are shown.

*Reasons for Choosing a Particular School:* Respondents were also asked why students chose their particular institution's MBA program. These eight items were derived from previous studies (Stolzenberg, 1988; Stolzenberg and Giarrusso, 1988a; Stolzenberg and Giarrusso, 1988b; Stolzenberg, Giarrusso, and Lehman, 1988; Branch, 1997). A factor analysis yielded 2 factors (62% of variance), apparently representing a set of reputational factors, e.g., "quality of the faculty" (REPUTATION), and a set of practical reasons, e.g., "because the cost is reasonable" (PRACTICAL). See Table 4. Again, scales were

constructed, with adequate reliabilities, alphas for both were 0.74.

## ANALYSES AND RESULTS

All analyses were conducted using SPSS for Windows. Tables 5 and 6 give the descriptive statistics and correlation matrix of all variables. The two independent variables, students' average age and program rigor, are not significantly correlated.

Table 4  
Results of Factor Analyses: Reasons Why a Particular Institution Was Chosen

Item	Component	
	1 REPUTATION	2 PRACTICAL
Contacts with other students	.828	
Reputation of the school	.815	
Specialization(s) offered	.762	
Quality of the faculty	.718	
Because of the convenience of the times courses are offered		.904
Because of the convenience of location of the courses		.888
Because tuition was paid for by an employer		.675
Because the cost is reasonable		.475

Note: Only loadings over .45 are shown.

Table 5  
Descriptive Statistics

Item/Scale	N	Mean	Std. Deviation
Average age of entering students (AGE)	270	29.9296	3.0152
Rigor of program (RIGOR)	73	3.9886	.8981
Fall 1996 GMAT	288	528.1111	56.1839
Fall 1996 GPA	276	3.1394	1769
Number of students in program (NUMSTDNTS)	288	139.7465	224.5398
Number of part-time students in program (NUMPART)	288	280.0590	387.3514
Number of applications to program (NUMAPPLY)	225	506.3422	919.5625
Number of acceptances to program (NUMACCEPT)	224	205.5536	228.2381
Acceptance rate of program (PERCACCEPT)	224	.6691	.2237
Career orientation of students (UPMOBILE)	73	5.0932	.8199
Personal growth motivation of students (GROWTH)	73	4.6712	.7906
Outcome of changing employer after graduation (CARCHANGE)	67	3.3881	1.2334
Starting salary upon graduation (STARTSAL)	137	\$45760.7	\$13147.9
Reputation of program (REPUTATION)	71	3.8803	1.0453
Practical reasons for choosing program (PRACTICAL)	71	3.6056	1.1662
Emphasis of program on real world focus (REALWORLD)	73	5.1872	.9112
Emphasis of program on skills and tools (SKILLS)	73	5.0137	.8374

Table 6  
Correlation Matrix

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
1	---															
2	06	---														
3	36**	09	---													
4	25**	21	43**	---												
5	30**	19	59**	22**	---											
6	01	16	21**	04	47**	---										
7	25**	12	56**	29**	81**	38**	---									
8	20**	13	54**	12	80**	69**	80**	---								
9	41**	28*	64**	35**	56**	13	62**	45**	---							
10	01	51**	05	04	12	02	08	14	11	---						
11	15	52**	07	00	04	02	02	08	06	48**	---					
12	10	23	01	07	05	09	11	01	13	04	27*	---				
13	17	01	71**	20*	63**	30**	73**	61**	54**	22	02	16	---			
14	13	59**	22	11	32**	29*	25	27*	16	39**	23	05	---			
15	42**	02	32**	22	25*	06	32*	22	37**	22	22	15	24	---		
16	21	53**	03	01	06	15	07	17	04	59**	46**	11	04	35**	15	---
17	01	51**	11	2	02	03	04	03	01	57II	59**	19	10	33**	14	56**



We divide the sample into those four quadrants, using median splits of the variables rigor and age. The number of cases in each quadrant varies from 15 to 21. We analyze differences in means of other variables between these four quadrants.

Starting with program characteristics, we find that significant differences exist as predicted among the four quadrants (see Table 7). As predicted by hypothesis A1, Cell 1 and Cell 2 programs share lower GMATs and GPAs than Cells 3 and 4. Cells 1 and 2 are also the least selective. Cells 1 and 2, as predicted by A2, exhibit proportionally more part-time students than Cells 3 and 4.

Comparing cells by reasons students pursue an MBA degree, we find that Cells 2 and 4 (the high-rigor cells) perceive their students as seeking out personal growth more so than Cells 1 and 3, confirming B1.

However, B2, which predicted that students in Cells 1 and 3 would exhibit higher levels of other reasons for seeking an MBA, is not supported. In fact, Cells 2 and 4 (the high-rigor cells) exhibited the highest levels of students perceived as career-oriented. Table 7 indicates no significant differences between means of career orientation by cells when comparing all groups. However, in reviewing the correlation matrix presented in Table 6, we note that career orientation of the students is highly correlated with the perceived rigor of the program ( $r = .512, p < .01$ ), while career orientation is not correlated significantly with student's age.

Student outcomes, at least as reported by MBA Directors, did not differ significantly, either in the likelihood of students changing employers upon graduation or in starting salary (C1 and C2).

Table 7  
Differences in Means By Quadrants

QUAD/CELL		GMAT	GPA	NSTDNTS	NUMPART	NUMAPPS	NUMACCEPT	PERACC	
1.00	Mean	509.4706	3.0200	38.5882	260.1176	166.3571	137.7857	.85	
2.00	Mean	515.5294	3.0918	49.1333	161.8000	147.3846	112.9231	.84	
3.00	Mean	558.1333	3.2036	207.2667	267.6000	737.8333	241.7500	.55	
4.00	Mean	557.6000	3.1810	239.7619	445.0000	792.5000	293.7778	.50	
Total	Mean	535.4928	3.1254	140.2500	297.1765	480.0702	203.2632	.65	
F		6.127	3.564	6.203	2.773	3.933	3.559	11.81	
Degrees of freedom		3,65	3,64	3,64	3,64	3,53	3,53	3,53	
Sig.		.001	.019	.001	.049	.013	.020	.000	
QUAD/CELL		UP-MOBILE	GRWTH	CAR-CHNGE	START-SAL	REPUTA-TION	PRACTICAL	REALWORLD	SKILLS
1.00	Mean	4.8588	4.5686	7.8438	\$42,511	.1029	3.9853	5.2745	4.9412
2.00	Mean	5.2235	4.9216	7.7059	\$41,962	.7969	4.2059	5.3529	5.0882
3.00	Mean	4.8267	4.1556	8.0000	\$47,212	.3036	2.9615	4.4222	4.5333
4.00	Mean	5.3714	4.9206	7.6000	\$49,354	1.0238	3.2262	5.5238	5.3810
Total	Mean	5.0943	4.6714	7.7578	\$46,236	.5919	3.6103	5.1857	5.0214
F		1.940	3.807	.928	1.049	6.198	4.704	5.495	3.256
Df		3,66	3,66	3,60	3,36	3,64	3,64	3,66	3,66
Sig.		.132	.014	.433	.383	.001	.005	.002	.027

Cells did differ significantly in reasons students choose a particular program. Both D1 and D2 are supported. Reputation is perceived to be a more important attraction for students in Cells 2 and 4 than Cells 1 and 3, and they also are perceived as more attractive for practical reasons. Further, they perceive their programs as being more "real world" focused and more likely to be teaching tools and skills to students.

## DISCUSSION

The objective of this study was to verify that MBA programs may be distributed into the four quadrants described above. Further, we hoped to demonstrate that the types of programs, reasons students attend, and likely outcomes for students systematically vary between the quadrants. By doing so, we hope to argue that MBA programs need to be aware of the nature of the students they serve and have a clear strategic vision for their institution that matches their student market, not just their labor market.

In summary, it appears that the combination of career stages and program rigor does create four distinct sub-environments or cells within the bounds of the proposed model. The programs located in each of these cells exhibited systematic significant differences from each other in terms of the type of program being offered as well as the needs and desires of students in the programs. Most, but not all differences occur as predicted.

This preliminary investigation is helpful in preparing to go on to the next stage of this research. It appears that the use of the model presented here is potentially useful in describing programs, student motivations, and reasons for attending particular institutions. Although expected differences in outcomes for graduates were not observed, this itself may hold significant meaning. These findings lead to implications for strategic positioning, including faculty behavior, administration, and reputation building.

### Cell 1:

Cell 1 programs are those with older students with low desire for rigor. These programs also tend to be small, but even more heavily skewed toward part-time students. They are easy to get into, and the GMATs and GPAs are relatively low. Students in these programs are described as low on career

orientation and relatively low in desire for personal growth. They are comparable (although slightly lower) to Cells 2 and 4 in their desire for real world focus and tools and skills.

In reasons for picking particular programs, MBA Directors rated these students as the strongest in the degree to which they chose based on practical reasons rather than reputational. The picture painted here is of part-time, older students who have chosen programs on practicality, who are not highly motivated either for personal reasons *or* for the degree, compared to other cells. These characteristics offer somewhat of a puzzle. Why are these students investing their time, energy, and (presumably) money in the pursuit of an MBA? We suggest that further research into the motivational structure of these students be accomplished. We speculate that the problems for faculty are likely to be those of student lack of enthusiasm, low attendance, and lack of preparation for classes.

Upon graduation, Cell 1 students exhibit similar starting salaries to Cell 2 students, and are slightly more likely to change employers. Career services are unlikely to be of great importance in these programs.

### Cell 2:

Cell 2 students are older students seeking rigorous programs. The programs tend to be small, with a proportionally large group of part-time students. They are relatively easy to get into. Average GMATs and GPAs are significantly lower than Cells 3 and 4. However, in terms of what they want out of the program, these students look very much like those in Cell 4. Career orientation and personal growth are both very comparable, and desire for real world focus and tools/skills are only slightly lower. Again, these students will be demanding of faculty, as they are seeking to gain from the content of the program in addition to obtaining the degree. However, these students are more likely to have had significant work experience, and rather than looking for the real-world tie from the instructor, are often very willing to share their own experiences.

In addition, they vary from Cell 4 students in why they choose particular programs. Cell 2 MBA directors rate their students as considering practical

reasons more important than reputational for choosing particular programs. Since these students are likely to be part-time students with full-time jobs and/or families, their time is precious and non-academic demands can make attending classes difficult. Thus, programs that build strategies of flexibility and convenience are likely to be preferred.

When Cell 2 students graduate, they are least likely of any Cell to change employers, and their starting salary is the lowest. Recalling that this group is fairly high in their ambition to further their careers, this paints a picture of students being promoted within their existing organizations. Obviously, career services will not be as critical a function for programs in this cell.

#### Cell 3:

Cell 3 students are young, but not seeking rigor to the same degree as students in Cell 4. Cell 3 programs are also large and fairly selective. Students' GMATs and GPAs were very similar to Cell 4. On the other hand, their motivations to pursue career and personal growth were reported to be significantly less than their peers in Cell 4. They desire the lowest degree of real world focus and tools and skills. Thus, the picture of students in Cell 3 is that of young, bright students who are significantly less intrinsically motivated than those of Cell 4. This picture seems most like the "getting your ticket punched" scenario.

In a way, this creates a different, perhaps more difficult challenge for faculty than Cell 4. In Cell 4, faculty must often run to keep ahead of their students; in Cell 3, the challenge is more to motivate them. Particularly because this group is also young, they will be inexperienced and the bridge to real-world application of course material must be made for them.

According to MBA Directors, students in Cell 3 seek out programs based on reputation more than practical factors, like their colleagues in Cell 4. However, their scores for both sets of reasons are somewhat less than Cell 4 students are described. This leads us to speculate that other reasons not illuminated in this study may account for more of the decision making of Cell 3 students.

Cell 3 students achieved the second-highest starting salary of the four cells, close behind Cell 4 programs. These students were the most likely of all

four cells to change employers. This fits with students who are attending programs full-time. Again, career services will be critical in these programs, but the task will have a different focus: In Cell 3, these students may need to be provided with more motivation to pursue attractive careers, unless the program has succeeded in increasing their ambition while they are in the program itself. Furthermore, since these students are less motivated to learn material for personal growth or rigor, they may actually not learn as much as students in other cells. Hence, these may be the students about whom employers complain that they lack the job skills they expect in new MBA's.

#### Cell 4:

Cell 4 probably represents the epitome of MBA programs: young students who demand rigor. Indeed, this cell includes students with high GMAT scores and GPA's. The programs themselves were the largest, both in the number of full-time students and particularly in part-time students. They received the largest number of applications, accepted the greatest number of students, and were the most selective of the programs.

The students, at least as perceived by MBA Directors, were both the most career oriented and also the most interested in personal growth. This leads us to speculate that these students are the kind against whom faculty must run to keep ahead : very bright and intrinsically motivated to learn and better themselves. They also desire the most real world focus as well as tools and skills. For faculty, this further suggests that their instructors must be both closely connected to business organizations and able to translate conceptual material into practical application. In this cell, this task may be quite challenging, because the students are young and may lack significant work experience of their own.

The students in Cell 4 are perceived as seeking out programs primarily for reputation, and only secondarily for practical reasons. This suggests that to be attractive to this group of students, a program should adopt strategies that contribute to reputation: e.g., attracting quality faculty and seeking publicity.

Students in programs in this cell are reportedly fairly likely to change employers upon graduation. Since a large number of students in this cell are pursuing their degrees full-time, this is not surprising.

Although significant differences between cells in starting salary were not observed, this cell did exhibit the highest reported starting salary. These factors suggest the importance of strong career placement services in these schools. Further, placing graduates in prestigious organizations can contribute, both short- and long-term, to the reputation of the program. For Cell 4 programs, students often enter with the expectation that the school will not only help them find a good job, but that they will be well prepared for that job. Hence, these are the schools that need to maintain a dual focus in their strategy: one on their students' desire, and another on the desires of the major corporate customers they have for their students.

### Limitations of this study

This study was a first step, and clearly future research efforts can be improved. While the measures used in the analyses achieved acceptable reliability, they could be improved, as suggested earlier. Further, the sample size was small, and larger data collection efforts would be useful. The use of MBA Directors might be questioned. Additionally, while our existing survey did not entirely overlook issues of propinquity and expense which the GMAC studies of Stolzenberg and others found to be important, neither did our survey stress these issues, and focused instead on career stage and program rigor.

While not downplaying any of these limitations, we defend our current efforts are a reasonable starting point in the development of a diagnostic procedure to help MBA Directors think strategically about marketing their program to potential students rather than employers. Within the constraints of survey cost and manageability, we reason MBA Directors will tend to be accurate and reliable sources of information. We further argue that the use of students (rather than MBA Directors) would more likely be associated with significant social desirability effects when responding to questions about their perceptions of rigor or reputation of their MBA program. Conversely, MBA Directors are executives that are expected to administer their programs in an objective and rational manner. To do otherwise would most likely result in poor performance and dismissal as the director.

Furthermore, while we did not specifically focus on program location and expense, we do not

intend for our current results to be viewed as exhaustive. Furthermore, we believe had the use of MBA Directors been problematic, we would have failed to validate the four quadrants in our model. Had social desirability bias or poor insight into their programs on the part of the directors been present, there would more likely have been a clustering of all or most of the programs into only one or two "quadrants", rather than four distinct quadrants.

### Conclusion

"Once all business schools wanted to be Harvard," notes Rebecca Carpenter (1996) in an article about changes in Canadian MBA programs. Yet, it is important to understand that not every MBA program can aspire to be a Harvard, Stanford, Pennsylvania (Wharton) or Northwestern (Kellogg). On the other hand, this fact does not preclude a school developing a meaningful MBA program that meets the needs of the students it is most likely to attract. However, before they can do so, it is important that they understand the needs of their student populations. What works for Stanford University may not work for a small, regional university because they attract different student populations. Before an MBA Director can develop a unique, successful program, he or she must be sure that they truly understand what sets their program apart from other programs. Furthermore, he or she should understand that, just as with other products or services, the market values diversity and choice: one size does not fit all, neither for employers, nor for students.

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## E-COMMERCE: TRENDS AND ISSUES

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### ABSTRACT

This paper outlines some of the important issues relating to the Internet and how these issues might change the way business will be conducted on the World Wide Web. Such issues as consumer protection, intellectual property rights, taxation, and the jurisdiction and choice of applicable law are discussed. Implications for the future are presented.

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### INTRODUCTION

The Internet to some is the ultimate symbol of freedom, free speech, free expression and freethinking. It has expanded the areas of business and marketing in a way never envisioned or anticipated before this decade. Be that as it may, there are several broad issues that are being debated today among many policy makers and creators of the net. While there are many potential advantages to the Internet, when it comes to e-commerce concerns such as the ability to respond to consumer needs instantaneously and expanding markets from a domestic front to a global one in a fraction of the cost, there are also many "side-effects" to this growth and potential. This paper attempts to outline some of the important issues relating to the Internet and how they may possibly change the way business will be conducted on the World Wide Web. It will briefly describe how policies and trends are changing the ideal of freedom on the Internet, how these trends will affect online commerce directly and how marketing will have to change to be effective to meet the dynamic needs of an ever-changing environment.

Some pundits hail the Internet as the greatest innovation since the discovery of electricity. In 1989, when Tim Berners-Lee sat down at the European Particle Physics Laboratory in Geneva, to work on what would be later known as the World Wide Web (WWW), no one quite knew the way in which it would radically change the way in which people would interact and business would be conducted (Gaskin, 2000). With barrier-free information exchange, virtually any type of information can be found on the Internet today. He could never have guessed that some day billions of dollars would flow through the WWW and bring people across the globe closer together, not

only for personal communication, but communication on projects in a way never done before.

A good example of this is the development of the operating system Linux. In 1991 Linus Torvalds from Finland decided to create a new operating system based on the Unix platform, one that would be easier to use, and at the same time offer similar powerful features of Unix. He posted his notes (source code) on the web and asked Unix programmers around the world to contribute to his work. Within no time his Linux project grew, with more and more valuable contributions making the project a success. Today Linux is a fierce competitor to Microsoft Windows Operating systems. Linux is available for free download online, whereas the price tag for Windows 2000 starts at around \$2000. Linux, however, has a long way to go before home users get comfortable with it, but with the aid of the Internet and information exchange, it is only a matter of time before Linus Torvald's open source code project becomes one of the top operating systems. (Hasan, 2001) The story of Linus Torvald is evidence of the Internet's so called idea of free flowing information and the way it can bring about powerful innovations when used correctly.

When it comes to e-commerce the Internet has totally changed the way business is now conducted. According to Zellner (2000), "The era of mass production, mass marketing, and even mass media is over. Thanks to the Internet, consumers have got more power and more choices than ever before. To build a meaningful brand with some pricing power, companies will have to really listen to customers and act fast on what they hear. Four things are considered important in keeping customers: 1) customized products, 2)

personalized marketing, 3) no-excuses service, and 4) rapid change."

The nature of the Internet has brought with it certain pressing concerns and issues that have never been addressed before this decade in the context of e-commerce and the World Wide Web. Some of these are consumer protection, intellectual property rights, taxation, jurisdiction and choice of applicable law. This paper will seek to explore some of these important issues in the context of online marketing.

### CONSUMER PROTECTION

The nature of online anonymity allow many unscrupulous individuals to hawk illegal and often non-existent products to unassuming web shoppers. There are numerous horror stories of bidders on auction sites winning bids and receiving promises of delivery from an unknown source and waiting forever to discover that the bid was a scam. Cases similar to this often occur "offline" in our everyday lives, but the chances of someone getting away with such a crime seem to be better on the Internet. As of late the Federal Trade Commission (FTC) has been receiving complaints of web sites that sell medication without proper regulation by the Food and Drug Administration (FDA). At present the law allows the FTC or the FDA to prosecute strictly on the nature of the product and how it is marketed. Last year alone the FDA found 400 sites that were in violation and brought appropriate action against these web sites. There are also many organizations that attempt to keep track of sites that try to sell or provide harmful drugs or advice. One such organization is the National Council for Reliable Health Information ([www.ncrhi.org](http://www.ncrhi.org)).

Resources are limited, and with the web growing exponentially day-by-day, the chance of monitoring virtually every site on the Internet is not a practical possibility. There are the defenders on the other side of the spectrum that accuse the FTC and the FDA of unfairly targeting internet-marketed products with crippling lawsuits. They blame government authorities of easily approving drugs sold by large pharmaceutical companies and being overly critical of small drug companies. The alternative medicine industry is not happy with the way the FDA's stringent drug testing requirements make it impossible for most supplements to ever become drugs, because big pharmaceutical companies won't spend money on

substances they can not patent. With the lack of extensive clinical trials, alternative-medicine practitioners have a hard time challenging their critics. (Barrette, 2000)

Another topic related to consumer protection that has been debated hotly is the issue of privacy. Many e-commerce companies may soon have to change their online privacy policies and practices as a result of a recent agreement between large network advertisers and the Clinton administration regarding online data collection. In a landmark pact announced in July 2000, Double-Click Inc. and eight other network advertisers agreed to follow a set of self-regulatory guidelines for the collection of online data. The guidelines will ultimately affect e-commerce sites through new contract terms they will get from the network advertisers. Federal officials said the advertisers would raise the bar on online privacy for e-commerce sites. The advertisers said they hope the guidelines will slow efforts in Congress to pass privacy legislation. Other observers said they are not sure what the effect will be. This could be a great step for the improvement of privacy online. However at present it is only a "self-regulatory" effort by a few private companies with no government regulation.

### INTELLECTUAL PROPERTY RIGHTS

When one speaks about intellectual property rights on the Internet probably one of the first thing that comes to mind is the case of the Internet file-sharing program called Nester. It is a program written by two college students who wanted to allow friends access to files on their personal computer (PC). Usually this access would require an expensive file-sharing server with a dedicated connection to the Internet, thus making this technology only accessible to those who could afford it.

Enter the world of Napster, a utility that allowed any user with a regular PC and any type of Internet connection to share music files (Mp3s). Napster was an unknown name until they started appearing in the media, defending themselves against the big recording companies that threatened to sue Napster for copyright infringement. With that they became an instant hit, people were rushing to download the Napster utility which would enable them to share Mp3's. The recording industry followed with



tougher law suits, but this in turn only made Napster more popular among net users. On Friday, March 2, 2001, a federal judge ordered Napster to halt users from downloading copyrighted music (Stern, 2001). On August 15, 2001 the Ninth Circuit Court of Appeals upheld the March 2, 2001 decision (Prosound News, 2001). Napster's fate relies in the hands of the judicial system, if a court finally rules that it should close its doors, it would essentially end the Napster file-sharing program (Kover, 2000).

It is unlikely, however, that the end of Napster or any other file sharing utility will stop free exchange of music files (or any other type of files, such as movies, etc.) on the Internet. As of June 2000, a Scottish teenager revealed his latest invention that was similar to Napster, but users of his program would be able to maintain complete anonymity while sharing files. No one could trace the sender's address (Internet Protocol, 'IP' Address), not even the Federal Bureau of Investigations (FBI) or any other Internet authority. In lay terms it's just another file sharing utility like many others available today. However this one has the potential to change the way the net works. Napster and the other list of file sharing utilities are a nightmare for most marketers in the recording industry; artists such as Dr. Dre have been campaigning heavily for the shutdown of file sharing web sites, claiming that it will lower the sales of all artists. The thought of customers no longer having the need to buy artists albums on CDs or cassettes is a frightening predicament. However the percentage of users that have stopped buying CDs from stores and moved onto Napster is very small. At its peak this year in August 2000, it had around 6.7 million users, up from its 1.1 million users in February of 2000. (Reuters News, 2000).

How to convince users that they should buy a CD rather than download it for free from the Internet is quite a challenge for marketers in the recording industry at this moment. The best defense so far is to try and annihilate any peer-to-peer file sharing utility that comes on the horizon. Some musicians that have offered their software on Mp3 format (such as the band Smashing Pumpkins) have realized the best way to market them and gain popularity is to make their music freely available on the Internet. (Ugeek.com, 2000). By switching to electronic distribution (through the Internet), recording companies and artists will be able to cut down on marketing costs and production costs and lowers the costs of music. Another positive

development is that new talent can easily come to the limelight thanks to the Internet. The chances are that in the near future more and more people will be depending on the internet for their music rather than running to their local record store to buy their favorite artists new album.

## TAXATION

The subject of taxation takes on an interesting twist. Currently businesses can only charge customers tax if they reside in the same state as the business. However, there is no tax charged to international customers. When a Florida resident goes to a store to buy a TV, the tax is added onto the purchase. If the same person went online and purchased the TV from a vendor based in New York, then there would be no tax. Pioneers of the Internet have been opposed to taxation. Their reasoning is that it would stifle the growth and expansion of the net.

In 1998 the Senate passed and President Clinton signed the "Internet Tax Freedom Act" which placed a three-year moratorium on any new taxes that might be levied on access to the Net or on Internet commerce. The bill called for the creation of a commission to gauge effective methods of taxation on the Internet in the future, and calls on the White House to secure World Trade Organization treaties to ban Internet tariffs worldwide. (Nelson, 1998). The Internet Tax Freedom Act still will allow states to collect pre-existing Internet taxes. "The Internet is a new marketing frontier with enormous potential," observes J.T. Taylor, Director of Congressional and Public Affairs at the U.S. Chamber of Commerce, Washington. He asserts that a very cautious approach needs to be taken to any proposed taxes or regulations if it is to be fully realized (Nelson, 1998).

In opposition is the view that no discrimination is made on taxation of goods based on where they are sold. "We need a fair and equal system that doesn't discriminate against a transaction because it's done on the Internet, or by mail, or in the store." Dorothy Coleman of the National Assn. of Manufacturers (NAM). (McClenahan, 1998). It will be interesting to note future developments in the area of Internet taxation.

## JURISDICTION AND CHOICE OF APPLICABLE LAW

It is likely that the founding fathers of the United States thought long and hard about solutions for the governance of the country. Questions such as who would decide on laws, regulations, and taxes would have been a major concern; today we are faced with similar questions. This time however the concern is over the whole world, leaders across the world are pondering on ways to regulate the new Internet economy. Putting together an independent body that can represent each and every country of the world is a monstrous task. An organization such as this will have to be able to pass legislation that is acceptable to every nation. This would each bring about much bureaucracy and red tape. This is in contrast to the purpose of Internet technology, which is to minimize bureaucracy and reduce communication time.

Currently there is no global entity that governs cyberspace, each country has ownership of its top-level domain, such as .uk for United Kingdom, or .jp for Japan, with this they are able to manage their country's domain registrants and enforce regulations. Take the example of pornography; some countries that offer top-level domains do not strictly enforce what types of content can appear on these sites. The United States monitors sites that are registered in the U.S. for illegal content such as child pornography and prosecutes the offenders through the regular justice system. The United States cannot do much when an offender is in another country except go through the slow diplomatic process. But this method can only be used in extreme circumstances otherwise it might appear that the U.S. is policing the Internet. The computer hacker that created the "I Love You" virus was a young boy from the Philippines, and at the time of his arrest, the Philippine government didn't have any laws pertaining to cyber crime and found it hard to prosecute the boy. Had there been no international pressures, it is likely that no action would have been even taken against the hacker by the Philippine government.

## IMPLICATIONS FOR THE FUTURE

The years 2000 and 2001 were gloomy years for dot-coms. Many retailers such as Eve.com, Furniture.com, Pets.com and Toysmart.com, to name a few, closed their cyberspace doors because of profitability issues. Venture capitalists are no longer

willing to risk pouring in millions of venture dollars into dot-coms that show no promise of surviving in cyberspace. The prior few years saw dot-coms with stock values that were highly inflated with no real profits to show. Investors saw their shares in companies skyrocket and many hit the jackpot of the stock market tech stocks. Investors were scrambling for new IPO (initial public offering) stocks, sending prices even higher than expected. But on the inside most Internet companies had very few assets to show compared to a traditional brick and mortar company. (Lorek, 2000)

The World Wide Web has an enormous potential to grow, potential that even the most intelligent human beings have not yet been able to understand. However, there are many issues that have to be addressed so that the full power of the net can be harnessed. Once basic issues pertaining to consumer protection, taxation, jurisdiction, legal guidelines, and intellectual property rights have all been addressed, a full stable cyber structure that will benefit all humanity can be created.

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# A QUALITATIVE STUDY OF THE MICROCULTURE AT AN URBAN ACADEMIC CENTER

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## ABSTRACT

This article describes a research project conducted to examine an unusual concept in both the academic and urban planning world: an urban academic center shared by several universities. The facility is described, and several theoretical concepts offered to provide context. Results of a qualitative study of the facility's stakeholders are also presented. These results indicate that both internal and external stakeholder respondents are optimistic about the future of the project, although they identify some major hurdles to overcome. The consensus is that the facility has the potential to be an inviting, interesting place to be--in short, the site of an attractive microculture.

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## INTRODUCTION/BACKGROUND

This article describes a qualitative research study of an unusual academic facility in Johnstown, Pennsylvania.

The Johnstown MSA is located in a mountainous, largely rural area of west-central Pennsylvania, approximately 70 miles east of Pittsburgh. Its population is 241,247, ranking it 176th among the nation's SMSAs (U.S. Census, 1990). Historically, the Johnstown area was a major center of coal and steel production. But like many such areas, the region encountered severe economic dislocations during the massive restructuring of the U.S. coal and steel industries during the 1970s and 1980s. The result is a fragile, post-industrial economy heavily dependent on a diverse population of small businesses.

### Urban/economic challenge

One particularly painful fallout of the economic problems described above was the closure of downtown Johnstown's two major department stores, due largely to the economic factors cited above. The demise of these institutions created a social vacuum in the downtown shopping district, and caused two very concrete--and negative--consequences: a domino-effect series of small retail store failures (many of these establishments had relied upon the larger "anchor" department stores to attract shopper traffic) and the presence of large, vacant multi-level structures. The most prominent of these large vacant structures was the former Glosser's store, a five-floor, half-block edifice

located at a key intersection adjacent to the city's Central Park in the downtown core. This structure soon became a prominent eyesore in the downtown district, and a painful, everyday reminder of the area's economic distress. As recently as early 1997, local officials discussed demolition as possibly the most prudent action to deal with the Glosser's structure.

A major breakthrough came in late 1997 when the structure was purchased by Cambria County for use as a centralized office facility for County departments formerly spread around the Johnstown area. These offices encompass approximately 42,500 square feet of space on the third, fourth, and fifth floors of the building. On the first floor of the complex, 17,000 square feet of retail space includes a restaurant and variety store. The remaining space, amounting to one full floor, or 17,000 square feet, was "left over" after the office and retail space was planned.

It was at this point that the case study of a project in Chicago developed by DePaul University (Shutt, 1992) came to light. The DePaul project involved the conversion of another vacant department store (the former Goldblatt Brothers store) in the Loop section of downtown Chicago. DePaul's facility had been a great success, both in terms of offering a state-of-the-art student facility, as well as in helping to revitalize a decaying part of the downtown. A key pragmatic difference in the Johnstown project was its scope vs. Chicago. DePaul had occupied the entire building; no single academic entity in Johnstown could hope to occupy that much space, let alone even one full floor. So the model was adapted to include the

development of one level, the second floor, into an "Academic Center" for use by a consortium of local colleges. Top County elected leadership, the Commissioners, embraced the idea, and moved very swiftly to implement the concept. Construction began in late 1997 and the Center was ready for occupancy by its first tenant by early January, 1998.

### **Academic interest**

The urban/economic challenge noted above was matched coincidentally with challenges being experienced by local academic institutions, particularly those of higher education. Specifically, the Cambria County Area Community College (CCACC), a new institution formed in 1994, was seeking a permanent, centralized home for its facilities. Classes in the Johnstown area were being held in facilities sublet from a local company and a state rehabilitation center--neither optimal academic settings. CCACC leadership immediately expressed interest in the Center proposal and moved swiftly to become the anchor tenant in the facility, committing to the rental of approximately 8,000 square feet. Several months later, in January, 1998, after a flurry of extensive rehabilitative construction, CCACC students began using the Center.

The timing was also opportune to meet the challenges of several other local academic institutions. Specifically, the University of Pittsburgh at Johnstown (UPJ), a four-year institution with a campus approximately six miles distant in suburban Johnstown, saw the Center as an ideal site from which to base an ambitious new community social renewal outreach initiative, the "Link to Learn" program. UPJ recognized the importance of the urban setting of the new facility for the program--near social services agencies (many in the County offices on the upper floors of the same building), public transportation, and many corporate and charitable organizational offices. UPJ also committed to an additional 600 feet of permanent office/small group meeting space in the facility.

Two other colleges also joined the consortium to address challenges they were facing in the inadequacy of their existing Johnstown area teaching sites. Specifically, Indiana University of Pennsylvania (IUP) signed an agreement to relocate their executive MBA program into the Center. They recognized the state-of-the-art facilities as a plus for the sophisticated nature of their program as well as convenient access for

their students, many of whom work at corporate offices located in the downtown area. Geneva College also committed to use the Center as the sole Johnstown site for their intensive degree completion program, due largely to the attractiveness of the Center's facilities, its central location, and its affordable lease rates.

### **Academic center physical attributes**

The Center consists of a series of seven standard sized classrooms generally arrayed around the perimeter of the second floor. The facility features a large 150 seat lecture hall in the center of the facility which can also be used for "town hall" type public meetings. In addition, the Center offers two computer labs as well as access to fiber optic communications links in every room. Suites of faculty and staff offices are also provided. One of the most distinctive features of the facility is a large student commons area along the wall of the building overlooking the Central Park square. The main stairway and elevator entrances to the facility open onto this area, and it is this space which holds the best prospect for social interaction between various users of the Center.

## **LITERATURE REVIEW**

The qualitative research that examined this new facility is grounded in four streams of relevant theoretical literature including an interdisciplinary mix of Sociology, Urban Planning, Academic Planning, as well as Student and Classroom Culture issues. A brief discussion of how each applies to the case follows:

### **Sociology and community building**

This stream of literature provides some insight into the basic characteristics of a culture, and how the facility being studied could constitute what amounts to a "microculture."

First, the Center can be viewed as an organic part of the fabric of the existing downtown Johnstown culture, which is already home to approximately 7,000 workers, primarily during the daylight hours, as well as approximately 1,500 permanent residents who live in the area (National Decisions Systems, 1998).

Second, the facility can be viewed as its own distinct microculture of students, faculty, and other stakeholders. Urban planner Darlow suggests that this

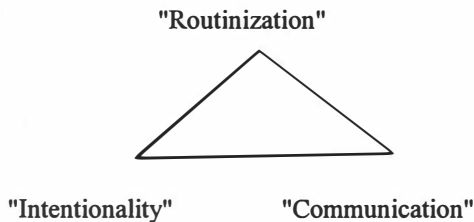
narrower view still fits with the characteristics of a culture when she writes:

"...culture (can be defined) as a particular way of life, which expresses certain meanings and values not only in art and learning, but also in institutional and ordinary behavior"

(Darlow, 1996: 3)

Danish Sociologist Simonsen also provides a useful model to explain the essential elements of a vibrant culture, particularly one in an urban setting. The model rests on the three corners of a triangle (see Figure 1 below) as follows:

#### Essential Elements of Sustainable Culture



Source: Simonsen, 1997: 174

The first corner represents Giddens' work in social ontology, and suggests that culture tends to thrive when there are elements of "routinization" of everyday life involved. The second corner represents another crucial element for culture to thrive: "intentionality." Simonsen takes this perspective from Bourdieu's work, and defines it as "particular sets of priorities and sequences of practice oriented towards their future life, but at the same time also a product of social history as well as individual life histories." (Simonsen, 1997: 176) The third corner of the triangle represents communication within a social group, a concept Simonsen applies from Habermas. This concept suggests that communication within groups (such as within groups of students) fosters a social aspect that transcends simply individual experiences, resulting in a feeling of community.

Another unique Sociological aspect of the Academic Center is its focus on educating the young--those young in age but also young in attitude (non-traditional students who yearn to learn). This youthful

element seems to be one that Sociologists Kretzmann and McKnight think is crucial to the growth of a healthy community culture. They write:

"Projects that connect young people productively with other youth and adults are now seen to be the foundations upon which healthy communities can be built. But for this to be accomplished, youth must no longer be relegated to the margins of community life."

(Kretzmann and McKnight, 1993: 29)

#### Urban planning and design

This stream of literature provides background on the urban setting of the Academic Center. Its location in the core of downtown Johnstown places it at the heart of what urban historian Mumford suggests is a natural center for "social creativity" and opportunity (Mumford, 1961: 571). Mumford suggests that an important void has been created in many American cities by "progressive" urban planning. This "progress" has created an environment in many cities that tends to be more friendly to cars than to people. Zygmunt confirms that this movement has resulted in limited access to educational facilities:

"...modern American communities coalesce around large collector streets leading automobiles en masse to segregated business developments, shopping centers, or to freeways that lead them farther still...Communities are isolated by their separation from shops and schools."

(Zygmunt, 1993: 12)

#### Urban college issues

This stream of literature provides background on the challenges faced by existing colleges whose campuses are located in urban settings, and how these challenges have been successfully overcome. As education writer Volpe writes, urban academic facilities face unique challenges not always encountered by colleges in more suburban settings. Volpe identifies some of these unique challenges as a greater fear of crime, and the stereotype of higher

education some of these unique challenges as a greater fear of crime, and the stereotype of higher education in idyllic "ivory tower" settings (Volpe, 1994: 2).

The literature also suggests that urban colleges can play a positive role in helping to address many of the problems inherent in a downtown setting. Education writers Bragg and Layton confirm this potential:

"Due to their focus on community, these institutions often place a special emphasis on the unique needs of their surrounding area. For urban institutions, that focus frequently means that attention is paid to meeting the needs of the highly diverse and sometimes disadvantaged populations residing in their service areas. It may also imply greater focus on a social agenda linked to economic development."

(Bragg and Layton, 1995: 3)

But what motivation would institutions of higher learning have for investing in an urban location? Gamson provides one possible motivation when she suggests that there are significant public relations benefits to be gained by universities that locate portions of their programs and/or facilities in high visibility center city locations (Gamson, 1994: 4). This benefit seems to be particularly relevant for the target audience of businesses, who increasingly are being seen by higher education as a source of non-traditional student enrollment as well as a source of revenue from joint ventures and corporate donations.

#### **Student and classroom culture issues**

This final stream of literature provides some insight into the changing dynamics of the culture of students, including non-traditional individuals. Consideration of this area is essential because, as educator Tinto suggests, "the classroom is the crossroads where the social and academic meet" (Tinto, 1997: 599).

Tinto suggests an important aspect to consider for any academic facility in an urban setting: older non-traditional students. Lynch and Bishop-Clark suggest

that the intermingling of students of different age groups is a positive influence:

"...the majority of students responded that the mixed-age classroom adds diversity to the classroom environment, which in turn helps them learn more."  
(Lynch and Bishop-Clark, 1993: 8)

This open-mindedness about age will likely help ease some of the anxieties of the older, non-traditional student. These individuals often feel somewhat uncomfortable revisiting an academic environment they may have not experienced in many years. The research suggests that they are likely to benefit from their interactions with younger students. But what about the younger more traditional-aged students? What do they stand to gain from being introduced to an urban setting? Urban planner Simpson suggests that they too could benefit from an urban academic facility because it is not so "controlled" as the typical suburban educational facility setting:

"In general, young people used to be more actively involved in the adult world than they are now. They had more opportunities to observe adults in unguarded moments. Today it is the young who are professionally observed by an army of well-meaning adults, in settings deliberately set aside for pedagogical purposes...Oldenburg points out that the suburban environment...is not susceptible to 'user modification' by the young, who spend much of their time, accordingly, in supervised activities confined to places designated for the exclusive use of young people."

(Simpson, 1997: 12)

In summation, the literature seems to suggest that the Academic Center is far from being at odds with existing theories of sociology and urban and academic planning. In fact, the Center's design and development seems to be very consistent with many of the theories discussed as it relates to its unique urban setting featuring a mix of traditional and non-traditional



students, and its provision of both formal classroom and informal gathering space.

## METHODOLOGY

A qualitative research methodology was adopted for this study. In addition to archival background information gathering, a small number of personal semi-structured interviews were conducted with different groups of stakeholders—including internal constituencies (students) and external (administrators, developers, etc.). The use of an ethnographic technique and the inclusion of multiple stakeholder views reflected the perspectives of different constituencies within the community. In keeping with the grounded-theory approach (Strauss, 1987), each step of data collection and analysis was used to refine the model for the project. The refined model then served as the basis for the next step.

Additional rationale for the qualitative approach was suggested by Bonoma (1985) and Yin (1994). They argue that case studies are appropriate when the phenomena under investigation is broad and complex, the existing literature is not sufficient to allow causal inferences, and the phenomenon cannot be studied outside the context in which it occurs. This seemed to describe the character of the Academic Center topic. Furthermore, the lack of empirical studies specifically related to a facility such as the Academic Center suggested research of an exploratory nature (Eisenhardt, 1989).

## RESEARCH FINDINGS

Specific respondent attitudes about the Center's current situation and future prospects are reported in detail below, both from an "internal" stakeholders perspective (students who are already using the facility) as well as from the perspective of "external" stakeholders (other individuals who are involved in the management of the facility).

All respondents are identified via an alias to preserve the confidentiality of their responses.

### Internal stakeholder respondents

Student respondents seemed to be generally upbeat about the Center. All interviews occurred at informal, comfortable locations outside the Center, but

within easy walking distance. For example, one occurred in a coffee/sandwich shop which recently opened, in part to serve the needs of Center students. Another occurred in Central Park, and two more at the nearby fast food restaurant.

The first respondent, Paul, is currently engaged in his first term of studies at CCACC. Paul is currently using the Center three days every week, and is taking a full load of classes including Computer Theory, English Composition, Algebra, and Technology in Society. He seemed very upbeat about his studies, and seemed to appreciate the opportunity to learn. At one point, he suggested that he had "tried to make it" at the University of Pittsburgh at Johnstown (UPJ) but did not "fit in." He went on to describe UPJ as follows:

"The buildings are drop dead beautiful on the outside, but inside, I felt like I was in grade school."

Juxtaposed against this, he described the Academic Center as "just an old building on the outside, but once you walk in you'd think you were in a palace or a museum."

He was also very enthusiastic about CCACC's faculty and the students. About the faculty: he told me "they're from here" and suggested that they were very professional, qualified, and "make me feel sometimes like they're working for *me*." About the students, Paul said he felt very comfortable, and described the environment as "non-competitive competition."

On the topic of a culture at the Center, Paul reported some things that suggest that the seeds are starting to germinate. Specifically, he described his role in the formation of an athletic club, and his attempts to start a veterans club. He also relayed a story about how he and some fellow students formed an impromptu study group to help out a student who missed several classes--and then continued to meet at the Center. Paul seemed to feel that the Center was in no way foreign to the urban area in which it's located. In fact, he stated firmly, "the college *is* Johnstown." In fact, he even suggested that "I have to stop and think: 'Why wasn't it here all along?'" He also noted its location overlooking the Central Park seemed appropriate since he remembered the park in his youth as a community meeting place and a "billboard" for jobs and fun

activities for young people. In general, Paul could not have been a much stronger advocate for the CCACC and the Center which it occupies. A concluding quote sums up his enthusiasm: "They say a saint has at least three miracles; well, this place became a saint for me the day it opened and the first three people walked in."

Another interviewee, Wendy, proved to be a healthy counterpoint to Paul. Importantly, Wendy volunteered that she's 38, about 10 years older than Paul. In demeanor, Wendy was also much more pragmatic and less enthusiastic. Perhaps this is a result of some of the unfortunate circumstances in her personal life which she shared, including a debilitating accident and the fact that her husband had just been laid off from his job.

The interview took place in Central Park, which is immediately adjacent to the Center. Wendy also visits the Center three days a week, taking an even heavier load of classes, five, than Paul. Her classes include Principles of Management, Business Math, Accounting II, English Composition, and Health & Nutrition. While discussing these classes, Wendy intimated that she thought instructors in at least two of the courses "didn't know what they were doing," and that one course is "a waste" and should not be a required part of the curriculum. She also criticized CCACC curriculum policy in general for not being more "flexible" with crafting a program tailored for each student.

Wendy did note, however, that she does feel very comfortable with the nascent society that seems to be emerging at CCACC and in the Center. She said she thinks she feels "much more relaxed and much more comfortable" with this culture than she probably would at a school like UPJ. She even suggested that she has become somewhat of a leader figure among students in her courses, who now often come to her for advice. As for spending large amounts of time at the Center, Wendy suggested, that because of her family situation, she is more of an "in and out" student, arriving by car and parking in front of the building before class, and then somewhat self-consciously leaving right after class (her self-consciousness comes from a concern about security in the downtown after dark, and may be heightened by the dark, unfinished first floor of the

building in which the Center is housed, which is currently still a staging area for construction equipment). Her feelings were strong enough to suggest:

"If I had a daughter attending the Center at night, I would make sure to drive her down and pick her up after class."

On the topic of the Center's fit in the urban setting in general, she said that she has "no problems with it fitting in" and that, in fact, she often remembers shopping with her mother in the women's department, which was situated in the old department store on the same floor as the Center where she now takes classes. In general, Wendy's feelings about the Center are much more pragmatic than Paul's. She's reasonably comfortable with it, but thinks it has a long way to go before it meets its full potential.

Two additional interviews occurred in circumstances which were much different in a critical way from the first two: demographically, the earlier two involved a male and female subject, both a bit older than the traditional college student age. Both subjects this time were female and they both fit the typical 18-21 year old college student age. Following is a much more specific recap of each interviewee:

Roslyn is approximately 19 years old based upon the discussion of her recent graduation from high school and the fact that she is in her second semester at CCACC. She is a full time student at CCACC, carrying 12 credits, specifically the following four courses: Sociology, English Literature, Microcomputer Applications, and Business Math.

Roslyn's overall impression of Academic Center is positive, and she seemed very receptive to the new environment. When asked what struck her about the facility when she first entered it, she remarked about the flooring in the student commons area outside the classrooms: "The checked floor. It's just like a huge chess board. You could even play human chess on it; it's so big!" There every week; she attends two of her four classes; she seems very familiar with the facility Despite her overall positive view of

the academic center facilities, she did express a concern that at least one of the classrooms was too "cramped" and "confining." The classroom she was referring to is one of the two rooms located on an interior corridor with no natural lighting.

When asked about the larger environment of the old department store building, she surprisingly shared some of the same types of memories as the older two students who were interviewed for the last assignment. Although much younger (probably only 8 or 9 at the time of the store's closing), she still has fond memories of the candy counter and the snack bar--and the toy department. She even remembers the old wooden escalator which used to connect the first and second floors (removed during the renovation). So she told me she feels very comfortable in the facility's setting. Even the larger downtown setting doesn't seem to be a problem for Roslyn; in fact she cited as a plus "the chance you get to go shopping or to go to get something to eat downtown between classes." She did share some concerns, voiced by earlier interviewee Wendy, that the facility needs better lighting around its perimeter at night. Roslyn also seemed to be pleased with the quality of her instructors, and described them as "laid back." "They try to make it interesting," she said of their classroom performance.

As it relates to the development of a culture at the Academic Center, Roslyn stopped to think for a moment, and gave a more guarded answer:

"There really isn't one yet; like there are a few people who get together at the tables out front (commons area) sometimes, but mostly it's just one person sitting over here and another over there."

When asked what might be done to promote a more social environment, she suggested livening up the commons area, perhaps with some music. "It's so stuffy in there now," she said.

Colleen is also 19, and like Roslyn, she is taking 12 credits, including English Composition, Stress Management, and two courses she takes with

Roslyn: Business Math and Sociology. She also is in her second semester of college work at CCACC.

In relation to the facility, Colleen shared many of the same feelings as Roslyn: a fondness for the old department store memories she also experienced; a general satisfaction with the overall facility and her instructors; and a shared concern about the close quarters of some of the classrooms described by Roslyn (she added another problem: "The other day, they didn't have the air conditioning on in that room and it was like a 110° in there; even the prof finally said 'Let's get out of here.'") She felt even more positively about the larger downtown location of the Academic Center, and said she likes taking classes downtown, and added: "They're trying to revitalize the downtown and this is really bringing a lot of people like us down here." She also said she prefers the downtown facility to another CCACC facility located in a Johnstown suburb, because "there are too many freaky people at that other place."

Colleen also suggested an enhancement to the Center that would help address the needs of some of her friends who are single mothers:

"It would be nice if they had a day care center in that building so moms would have a safe place to have their kids go while they take classes."

Roslyn agreed with this suggestion, and both the young women mentioned a common friend who was a single mother who could benefit from such a service.

When asked about a community spirit at the Academic Center, Colleen was even more outspoken in her criticism than Roslyn. She described the commons area as "like a library. You walk in there and you feel like 'shhhh'." She agreed with Roslyn's music suggestion, and advocated even more aggressive approaches to "adding life" to the facility. One action which has been taken, the addition of "motivational" posters similar to those found in corporate offices (with headlines like "Inspiration," or "Teamwork"), was misguided, in Colleen's view: "Yeah like those posters are really good to inspire us."

### External stakeholder respondents

Non-student respondents mirrored the generally upbeat attitude students expressed about the Center, although they tended to focus a bit more on the physical attributes of the facility rather than on in-class experiences, which is to be expected.

For example, Art, a member of the development team who constructed the facility, talked about some of the physical challenges of rehabbing a structure whose oldest areas are nearly 100 years old. Major problems had to be overcome, including the virtual "gutting" of the interior space of the second floor to accommodate the modern needs of the Center, including the high voltage and fiber optic requirements of computer laboratories and distance learning-equipped classrooms. Another challenge was to arrange the classroom, lecture hall, office space, and common areas in a manner which was aesthetically-pleasing yet which maximized the economic value of the available space.

Art responded to the student's interesting and generally favorable comments about the student commons area, when he explained:

"That space needed to be totally opposite from the other spaces (in the remainder of the facility, i.e., offices and classrooms). It was designed to be a fresh space that would really make the neurons fire when you walked out of a classroom. It needed to 'pop' when you saw it."

He agreed that the thinking behind the commons area was indeed consistent with the notion that it could serve as an "incubator" area to help form a culture for the facility. He was also generally in agreement with the students' suggestions on how to improve the area, perhaps incorporating student art and music.

Art expressed high hopes for the future of the Center, and revealed that there is a future growth option for the second floor facility. He explained that a

skywalk was left intact during the renovations, which connects the second floor to the top floor of another adjacent structure which used to be an annex to the old department store. If the Center flourishes and needs expansion space, this skywalk could facilitate the addition of more classroom space. He also expressed a wish that full use will be made of the videoconferencing capabilities which are incorporated into the facility's design. He explained that the large lecture hall is already outfitted for this purpose and all other classrooms were designed to accommodate this technology very easily.

Phil, a representative of Cambria County government, expressed pride in the facility. As the "owner" of the structure, he stressed that the County intended the Center to be something that would "fit" an academic environment, not created "on the cheap." He is also attracted to the student commons area, and commented on the reactions of visitors to the area, the first space most visitors see when they step off the elevator: "They're impressed," Phil said. He also discussed the philosophy which the Commissioners took when they approached to project. He explained that they were very conscious of the image which the facility would project, and concerned that it exude a feeling of quality. He added this analogy:

"It should be like a doctor's office--not excessively extravagant, but not skimpy either. Just think: what would a patient feel like if they saw a doctor had skimped on his equipment? What would they think if he said, 'I saved a few bucks by buying everything at Goodwill?'"

Phil also expressed optimism about the future of the Center, and its potential as a site of a creative culture in the downtown area. He cautioned however, that constant efforts will be required to satisfy the unique and sometimes contradictory needs of each of the colleges involved in the facility. He suggested the formation of an "education roundtable" incorporating representatives of all the participating universities as well as other stakeholders to meet on a semi-regular basis to ensure that each stakeholder's needs were

being adequately addressed, and to help spur even greater use of the Center.

Dennis, a representative of one of the participating colleges, seemed to echo some of Phil's concerns about future cooperation between the tenants. He expressed some concerns about the aggressive growth plans of the CCACC, and wondered aloud if there would be any space left in a few years' time for other colleges in the facility if CCACC's plans come to fruition. But he also saw some opportunities for synergy between his college's academic programs in the Center and CCACC:

"This Center would be great if we could hook up with some of the things they're (CCACC) doing over there. We could really create a mix of dreams and reality here."

Dennis also foresees a positive future for the Center, but has hopes that it won't be limited to just students and faculty. He explained:

"This place could become a real economic and community engine. There would be nothing to keep business people and folks from community organizations from stopping by to say: 'what do you think of this idea?'"

To help foster the development of a culture, Dennis suggested an idea that is consistent with Phil's "roundtable" concept: the need for a mission statement that is agreed upon by all stakeholders in the enterprise. He felt strongly that this consensus-building is a necessary first step to creating the necessary conditions for a healthy culture.

Anne, a CCACC employee, added an interesting final perspective to the research. She agreed with the other external stakeholders as it relates to the Center's physical spaces, adding: "A great deal of thought went into the design of this place." She did draw a distinction between this facility and other CCACC sites as well as most collegiate facilities. She

commented that the Center "has more of a business orientation; it's more professional-looking."

As it relates to the formation of a culture at the Center, Anne is upbeat, but cautioned that it will take time. She related the experience CCACC has had with the development of a unique culture at one of the college's other sites:

"Aquinas (the other facility) has really attracted a core of students who spend lots of their time there, but it took about a year or so for that to happen. I think it will happen here too, as we continue adding more and more classes and attracting younger students."

Anne suggested that one positive aspect of the Center, its "newness," may ironically be one of the factors which is slowing the creation of a culture. Speaking particularly about the student commons area, she commented: "The place is so stark right now. Sometimes, a little clutter helps make a place feel more like home."

## DISCUSSION

The research summary presented above suggests that both internal and external stakeholder respondents expressed relatively positive attitudes about the Academic Center. Despite a variety of different backgrounds and perspectives, they all seemed to think the facility has problems to overcome, but also the potential to be an inviting, interesting place to be.

The results largely seem to confirm that the Center indeed is developing into a "microculture," at least in terms of Simonsen's triangular model presented in the literature review.

Specifically, the first aspect, representing the notion of "routinization" of everyday life, seems to apply to the Center because both students and faculty use the facility based upon a routine dictated by the academic calendar. The interviews with students clearly demonstrated that each of the respondents had

a fairly rigorous schedule of courses, requiring them to establish a routine that centered around their use of the facility.

The second aspect of Simonsen's model, "intentionality," also appears to be relevant to the Center as evidenced by the drive to succeed exhibited in the interviews with students. Despite a variety of different backgrounds, they all come together at the Center with the intention of completing the requirements needed to earn a degree, and hopefully better their situation in life.

The third aspect of the model, representing communication within a social group, also seems to apply to the Center. The interviews with students supported the notion that the Center provides an opportunity, through classroom interaction, for individuals to communicate with other students and groups of students, resulting in a social aspect that transcends their individual experiences: a feeling of community.

#### Limitations/Future Research Directions

This report was designed to be exploratory in nature—to provide a foundation of research into the novel concept of the Academic Center. As a result, it suffers from some severe limitations that must be recognized. Most important of these limitations is the qualitative nature of the methodology. The research's design was consciously intended to be more descriptive and interpretive in nature, rather than to prove any causal relationships. Consequently, the number of respondents was very small and the results should be viewed within this context, rather than be used to make generalizable assumptions.

The exploratory nature of this study does provide an opportunity, however, to build upon this foundation in future work that might employ a combination of qualitative and quantitative techniques. Specifically, follow-up ethnographic work could be done with the respondents interviewed in this study to determine their reactions to the Center now that they have had more exposure to the facility. Perhaps as the Center grows and is more fully utilized, it would be appropriate to "triangulate" this exploratory study with some quantitative research to improve the validity of its observations. Specifically, a quantitative survey

technique could be employed, aided in its design by the knowledge gleaned from this study. This future work could go beyond the exploratory nature of this project and provide more generalizable conclusions by measuring significantly more respondents' opinions of the facility.

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# CHANGING OPINIONS OF AN ACCOUNTING SURVEY COURSE BY NON-BUSINESS STUDENTS

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## ABSTRACT

The purpose of this paper is to summarize and report the changing opinions of non-business students who have recently completed an introductory accounting survey course for non-business students. The results of a class survey administered at the conclusion of such a course six years ago compared with the same survey administered three years ago indicates students are significantly changing their opinions and conclusions as to how they benefitted from completing the course.

Survey findings are compared, reviewed and assessed. The post survey results indicate a growing satisfaction with the quality of instruction and course materials. Increasingly, students see a benefit of a user-approach accounting course in terms of understanding how businesses operate as well as how to apply accounting concepts to their personal lives. As the user-approach to presenting introductory accounting in the survey course has been phased in, the students' perceptions of the need to learn accounting procedures has declined.

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## INTRODUCTION

The purpose of this paper is to review the changing opinions of non-business students as they complete an introductory accounting survey course. The results of surveys administered at the end of the fall, 1995 and fall, 1998 semesters indicate students are changing their opinions about how they have benefitted from the introductory accounting material they have learned. Other survey findings are also compared, reviewed and assessed including the 1998 post survey by major and year.

## EDUCATIONAL DILEMMA

In recent years practitioners and academicians have criticized accounting education as being too narrow in focus and too technical for the changing trend towards a more central accounting education. This trend would certainly seem appropriate for students who have no interest in being accountants and those students who want round, broad, practical, interesting, and simple presentation of accounting information.

The knowledge explosion has compounded a classic three-way educational dilemma:

1. Breadth of education
2. Depth of learning

3. Technical coverage (Nelson, 1995, 63)

A detailed explanation of these three competing models of education include:

Breadth of education refers to the number of broad general fields of study to which the student is exposed. It may be thought of as the liberal, general education component in the curriculum (arts, sciences, humanities, etc.) The number and breadth of the subjects covered is thought to affect the degree to which the graduate is "well-rounded."

Depth of learning means how comprehensively each subject is studied. Does the student receive merely a superficial, elementary exposure to a subject, or an in-depth exploration, including current issues and theory? Is the subject discussed at a declarative level (memorization) or a conceptual one (understanding)? Greater depth of learning invokes more higher-order, critical thinking in the education process.

Technical coverage refers to the amount of specialized, practical material to be taught. How many domain-specific rules is the student required to memorize in a particular field of

specialization? Technical coverage prepares students to answer objective-type exam questions and to perform job-specific tasks, but does little to develop higher-order thinking. (Nelson, 1995, 74)

These factors can be related to a first year accounting course as well as other accounting courses, especially for a survey course.

### **THE EMPHASIS IN INTRODUCTORY ACCOUNTING EDUCATION**

In recent years, academicians have debated the content and approach of accounting education. A common criticism of traditional accounting education focused on its emphasis in teaching technical issues and a preparation perspective. The alternative approach that has received increasing acceptance is a user approach to accounting instruction. This approach seems entirely appropriate to non-business students who have no interest in being accountants, but who could benefit from a practical and interesting presentation about how to use accounting information in their lives. In teaching such a course to non-business students, faculty should consider altering what they teach as well as how they teach it. Similar studies have explored the relationship between the teaching method of accounting and student attitudes in a basic accounting course as evidenced by Marcheggiani, Davis and Sander (1999).

### **HISTORY AND INTENT**

The introductory accounting survey course at our university was offered beginning in 1989. At that time it was offered as a scaled back version of basic financial accounting. The content of the course and the approach to teaching it changed very little until 1995. Beginning in the fall, 1995 semester, the course was significantly altered from a preparation perspective to a user perspective. For details of the new and old course content, see Appendix A. It was difficult for the faculty teaching the course to adapt to a classroom setting containing students who have no intentions of becoming accountants. In addition, there was the mission to serve the needs of non-business students, primarily consisting of communication majors, who were required to complete an accounting course.

This course was originally designed to better serve the communication majors and eliminate non-business students from enrollment in the first basic financial accounting course otherwise comprised of business majors. The Communication Department has eliminated the course as a requirement for the major but lists it as an option.

By 1995, our enrollment in the College of Business Administration had declined significantly. Our faculty felt that perhaps student interest in pursuing a business and hopefully accounting major might be encouraged by providing a rewarding educational experience in the introductory accounting survey course. However, our experience with students in this survey course indicates that these non-business students generally do not have the interest or aptitude to pursue the business curriculum. Accordingly, any methods we have applied to encourage interest in a business major has not resulted in any measurable success.

The intent of the course content since 1995 has been to present basic accounting to the non-business major by use of a strong user perspective. The phasing in was a result of a group effort by faculty. The department chairperson assigned the course to faculty who would implement the new approach.

### **SURVEY RESULTS**

The results of a post survey completed at the end of the fall, 1995 semester included a breakdown by major indicating the percentage of the students finishing the survey course. See Appendix B. Communication majors were the largest group of majors making up 90% of the total students. Freshmen made up 67% of the total students. The students' most prevalent reason for taking the course was based on being required in their program of study.

The results of the second post survey were obtained at the end of the fall, 1998 semester. See Appendix C. Communications majors again made up the largest group consisting of 59% of total students followed by education majors with 20%. Juniors made up 39% of the total students with freshmen representing 10%. The students in this group were also enrolled in the course mainly because of their program requirements.

The students' opinions about how they have benefitted from completing the course has changed over this three-year period. Specifically, student responses changing from 44% to 49% indicate a general improvement in their perceptions that completing the course has enhanced their understanding of basic accounting issues. Consistent with this change is a decrease from 23% to 16% of the respondents who did not understand accounting concepts at the conclusion of the course. This general improvement in student understanding of accounting has been obtained in spite of the fact that student responses indicate an increase from 20% to 23% in experiencing difficulty in grasping basic accounting techniques. Furthermore, as the user-approach has reached full implementation in the course, students completing the course and indicating they have learned detailed aspects of accounting and specific accounting procedures has declined from 39% to 27%. See Appendix D.

Baldwin and Ingram (1991) suggested that any changes in accounting education should start with a fundamental reassessment of the objectives and content of any elementary accounting course because it sets the tone for future accounting courses and should help to attract the "right" type of student to accounting. They recommend shifting from preparing accounting information to using accounting information, more conceptual and interpretive issues and less procedural issues, and an integrated informational process to decision-making. Williams (1991) observed that the proliferation of accounting standards was causing the traditional accounting curriculum to focus more on a technical and less on a business (or practical) direction. He suggested experimentation and innovation in accounting education following his notion that accounting should first prepare students to be good citizens and second, encourage a good understanding of business.

One reason for the noted improvement in student opinions concerning their understanding of accounting would then appear to be the user-perspective approach that has been phased into the course since fall, 1995. This leads to more focus on accounting applications and less on accounting procedures.

Bonner (1999) proposed that accounting professors must alter both the content of their courses

as well as their teaching methods. She asserts that the primary challenge in enhancing intellectual skills is for students to apply their skills to accounting situations. She believes that students must experience accounting material in order to really master it. An extension of this theory concludes that the more complex a topic or skill may be, the higher the level of active student learning that is required. Active student learning is defined as working cases and conducting research.

Another reason then for improved student comprehension in the survey course may then be due to the contributing benefit of homework assignments following the user perspective approach to introductory accounting material. The changing of the textbook that focused on the user perspective greatly aided in the appropriate assignments. For example, the preparation of the Income Statement without going through the entire accounting cycle. Consistent with student opinions that the material in the survey course continues to be technically difficult, more students have indicated homework assignments as the main strength of the course with an increase from 10% in the fall, 1995 post survey to 29% in the 1998 survey.

#### OTHER SIGNIFICANT SURVEY RESULTS

Other post survey comparisons are summarized in Appendix D. Among other possible conclusions, these summaries indicate a growing satisfaction with the quality of instruction and course materials. A notable comparison shows that students' opinion that the presentation and course materials must be improved has declined over the three-year period from 51% to 15%. Also, the students' opinion on changing course content declined over the same period from 32% to 24%. Survey responses also indicate a small increase (from 7% to 8%) in the number of respondents believing they had increased their understanding of how businesses work. A more dramatic increase (from 0% to 14%) indicates that students see an application of accounting to their personal lives. Again, as the user-approach has been implemented into the survey course, students appear to discern more relevance of accounting to their non-accounting lives.

In a survey of accounting instructors, Ingram and Howard (1998) found that the most important objectives were teaching concepts, teaching students to read and interpret financial statements, teaching

students to make business decisions using accounting information, and improving reasoning and thinking skills. Since the user-approach primarily develops an understanding of accounting following these objectives, it appears to be consistent that the 1998 post survey responses would indicate students had learned problem-solving (56%) and reasoning skills (25%). The least learned skills appeared to be oral communication (2%).

### SURVEY RESULTS BY MAJOR AND YEAR

The results of the post survey for the Fall, 1998 included an analysis by major and year. Of the education majors, 58% indicated problem solving skills were learned. This was the highest percentage of any major. In addition, the problem solving skills learned increased by year with the senior education majors indicating 100%. Perhaps the field does not emphasize problem solving as much as other fields such as communication or that education majors are more able to learn problem solving.

As anticipated, sophomores in any major would consider majoring in any business field because of their uncertainty as to their career plans. However, an equal number in education at the sophomore level would consider majoring in accounting as well as another business field.

Communication majors through the junior year indicated homework as the greatest strength of the course. Freshman and sophomore education majors indicated the instructor as the greatest strength while junior and senior education majors indicated homework as the greatest strength.

Communication majors indicated material covered too fast as the greatest weakness of the course, while education majors indicated difficulty grasping accounting techniques as the greatest weakness regardless of year.

Communication majors suggest not requiring the course regardless of year, while education majors primary suggestion for improving the course according to freshmen and sophomores is to change course content. Junior and senior education majors suggest improving the quality of presentation/material and improving exams. Underclassmen tend to not realize appropriate course content for various reasons

including lack of background. Many students indicated the course generally complied with their expectations and needs.

This section of the paper represents only a small sampling of the post data analysis by major and year for 1998. Since the post data was not gathered by major and year in the 1995 survey, additional comparisons cannot be made resulting in a limitation of the research.

### SUMMARY

As we continue to implement the user-approach in teaching basic accounting to non-business students, they continue to react favorably. Students increasingly indicate that they better understand accounting. Practical homework assignments appear to augment this improved understanding. Finally, students increasingly see the relevance of accounting to how businesses operate and to personal applications throughout life.

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## APPENDIX A

### ACTG 201: Introductory Accounting Survey New Course Outline

1. Introduction
2. What is business?
3. Forms and Types of Business
4. What is Decision Making Anyway?
5. How We Make Decisions
6. Economic Decision Making
7. Qualities of Useful Accounting Information
8. Introduction to the Balance Sheet
9. Corporate Organizational Structure
10. Borrowing
11. Equity and Debt Investment
12. Introduction to the Income Statement
13. Introduction to the Statement of Owners' Equity
14. Rockwell 1994 Annual Report and Other Annual Reports handed out
15. Measurement of Reality
16. The Bases of Economic Measurement
17. The Statement of Cash Flows
18. How to Use the Statement of Cash Flows
19. Who Performs Financial Statement Analysis
20. Ratio Analysis: Calculations and Use Including Annual Reports handed out
21. Management Accounting: Its Origin, Development, and Future
22. Classifying Costs
23. Manufacturing Type Businesses
24. Business Planning - The Budgeting Process
25. Preparing a Master Budget

### ACTG 201: Introductory Accounting Survey Old Course Outline

1. Introduction
2. Accounting: The Language of Business
3. Recording Changes in Financial Position
4. Measuring Business Income
5. Completion of the Accounting Cycle
6. Accounting for Merchandising Activities
7. The Control of Cash Transactions
8. Corporations: Organization and Stockholder's Equity
9. Corporations: Additional Stockholders' Equity Transactions
10. Income Taxes and Business Decisions
11. Analysis and Interpretation of Financial Statements
12. Cost Volume-Profit Analysis

APPENDIX B

Accounting 201: Introductory Accounting Survey  
Post Survey Fall Semester 1995

Student Breakdown

Level	Number	Percentage
Freshmen	59	67
Sophomore	12	14
Junior	11	13
Senior	4	4
Unknown	2	2
Totals	88	100

Student Majors

Major	Number	Percentage
Communications	78	90
Undecided	2	2
Political Science	2	2
Computer Science	1	1
Psychology	1	1
Art	1	1
Management	1	1
Special Education	1	1
Elementary Education	1	1
Totals	88	100

Reasons for Taking Course

Reason	Number	Percentage
Required	73	84
Parents own their own business	3	4
Learn more about accounting	2	2
No answer given	2	2
Thinking of majoring in accounting	2	2
Course was suggested	1	1
Learn Basic Accounting Fundamentals	1	1
Future job with the FBI	1	1
Future job of owning own law firm	1	1
Elective	1	1
Experience taking course	1	1
Totals	88	100



APPENDIX C

Accounting 201: Introductory Accounting Survey  
Post Survey Fall Semester 1998

Student Breakdown

<u>Level</u>	<u>Number</u>	<u>Percentage</u>
Freshmen	7	10
Sophomore	17	24
Junior	27	39
Senior	13	19
Unknown	6	8
Totals	70	100

Student Majors

<u>Major</u>	<u>Number</u>	<u>Percentage</u>
Biology	1	1
Communications	41	59
Computer Science	1	1
Education	13	20
Geography	1	1
Political Science	1	1
Psychology	3	5
Rehab. Science	3	5
Social Sciences	1	1
Sociology	1	1
Spanish	1	1
Speech Pathology (CSD)	2	3
Undecided	1	1
Totals	70	100

Reasons for Taking Course

<u>Reason</u>	<u>Number</u>	<u>Percentage</u>
* Required	43	51
Course was recommended	10	13
To learn basic accounting skills	17	20
Thinking of majoring in accounting	2	2
General education requirement	7	9
Minor in business	1	1
Signed up by advisor	2	2
To have a variety of classes	1	1
No reason	1	1
Totals	84	100

\* Primarily Communication Majors

APPENDIX D

Accounting 201: Introductory Accounting Survey  
Post Survey Fall Semester 1995 and 1998

1. Now that you have completed the course, how have your conceptions of what a basic accounting course is all about changed?

Individual Responses	1995 Percentage	1998 Percentage
Learned more aspects of accounting	39	27
Complicated	13	11
Confused	11	14
Difficult material	8	12
Thought it would be more math	8	9
Did not like it	7	6
Learned more about business	6	10
Did not know what to expect	5	7
Other	3	4
Total	100	100

2. Did you get out of the course what you hoped to?

Individual Responses	1995 Percentage	1998 Percentage
Better understanding of accounting	44	49
Learned about running a business	7	8
Learned actg. appl. for personal use	0	14
Hoped for nothing, received nothing	3	5
Didn't understand accounting	23	16
Other	23	8
Total	100	100

3. What skills have you learned as a result of completing this course?

Individual Responses	1998 Only Percentage
Problem solving abilities	56
Logical reasoning ability	25
Written communication skills	9
Oral communication skills	2
Other	8
Total	100

4. Describe how accounting knowledge and skills acquired during this course may be useful in your life.

Individual Responses	1998 Only Percentage
It helps in personal financial matters	39
It provides an understanding of the business world	26
It may be applied in my own business/career	18
Not useful at all	10
Other	7
Total	100

5. After completing this course would you consider:

Individual Responses	1998 Only Percentage
Majoring in accounting	1
Majoring in another business field	3
Minoring in business	1
Staying with current major	95
Total	100

6. Strengths of the course

Individual Responses	1995 Percentage	1998 Percentage
Instructor	36	28
Presentation techniques and materials	17	12
Accounting principles presented	15	12
Homework (included in grade)	10	29
Textbook	10	9
Learned how hard it is to be an accountant	1	7
None	7	3
Other	4	0
Total	100	100

7. Weaknesses of the course

Individual Responses	1995 Percentage	1998 Percentage
Textbook	27	15
Presentation techniques and materials	24	11
Difficulty grasping accounting techniques	20	23
Covered material too fast	15	19
Exams	11	4
Long class	2	16
None	1	6
Other	0	6
Total	100	100

8. Suggestions for improvement

Individual Responses	1995 Percentage	1998 Percentage
Change course content	32	24
Improve quality of presentation/materials	51	15
Improve exams	10	3
Don't make communication majors take class	3	34
Drop the course	2	1
Better student/teacher communication	2	1
Other	0	22
Total	100	100

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## PROJECT MANAGEMENT ADDITIONS TO A MARKETING MANAGEMENT COURSE<sup>1</sup>

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### ABSTRACT

It has been suggested that marketing educators should examine how marketing practitioners are adapting traditional concepts and decision frameworks for marketing usage. In this regard, as strategic implementation, projectization, and time considerations become more important in the business environment, the formal use of project management techniques becomes more important to the marketing manager. Consequently, this paper addresses the form a course that exposes students to project management precepts might take and presents a short case history of a marketing management course that incorporates projects and project management into its content.

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### INTRODUCTION

Marketing educators have argued from a number of perspectives the desirability of making our curricula more relevant. With regard to practitioners, it has been asserted that educators should examine how marketing practitioners are adapting traditional concepts and decision frameworks for marketing (Ferrell, 1995). With regard to students, a major issue that marketing education continually must address is whether it is offering students the skills which provide real career advantages. Quoting UCLA's Higher Education Review, Smart et al. (1999) noted today's freshmen "see education as a means to an end ... as opposed to being based on their intrinsic interests in learning." Along these lines, Shuptrine & Willenborg (1998) in a survey of University of Texas grads noted: (1) graduates rated the relevance and usefulness of marketing courses to their first job fairly low, but somewhat higher to subsequent jobs; (2) participation in marketing internships and/or student organizations was often positively correlated with perceived relevance and usefulness of courses as well as with satisfaction with the graduates' marketing education. That is, graduates were more satisfied with their "skill levels" prior to employment than with their "course preparation."

Although a curriculum may be content valid, the extent to which it actually provides students with long run advantages over the duration of their careers is

naturally confounded with many other variables (Ramocki, 1996). Earlier, Chonko (1993) had suggested students must be taught how to cope with complex situations without distorting available information and without oversimplifying reality and minimizing the impact of hostile and turbulent environments. McDaniel & White (1993) have argued that more textbooks and lecture emphasis should be given to educating students on the actual daily responsibilities of marketing practitioners. Associated with information technology developments, Ferrell (1995) noted that as marketing strategy activities change in organizations, the way marketing is practiced is changing. Nevertheless, some changes in education seem to be coming slowly. The top four required courses (i.e., marketing principles, marketing research, consumer behavior and marketing management) have not changed over the past ten years. On the other hand, the manner in which these courses are *presented* and how they *relate* to the overall business school curriculum seem to be changing. Recently some schools, e.g., Penn State and UVa, have begun experimenting with their business school curriculum. This change appeared partly in response to AACSB mandates, but more importantly, these schools are also responding to the changing business environment (Butler & Straughn-Mizerski, 1998).

As courses and curricula take on an action orientation, an observation of Professor Kotler (2000, 695) appears to take on additional importance, "A

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<sup>1</sup>The author wishes to acknowledge the contributions of two anonymous reviewers of this paper. It undoubtedly has become better because of their observations. As frequently happens in revisions, some of the suggested changes could not be implemented because of the circumstances of the situation reported here. Nevertheless, it is hoped that readers will accept this paper for its exploratory nature and consider the possibility of adding some project management material to their courses. Naturally, the author can be contacted for personal discussions on this topic as well as the phases of teaching project management as a stand-alone course. The contributions of the editors of this journal in keeping it available for publication of SSHE members are also appreciated.

brilliant strategic marketing plan counts for little if it is not implemented properly. Whereas strategy addresses the *what* and *why* of marketing activities, implementation addresses the *who*, *where*, *when*, and *how*. The implementation skills outlined for marketers include allocation skills for effective budgeting resources, organizing skills for developing effective organizations, and interaction skills for motivating others to get things done. Somewhat coincidentally, the sentiment has been expressed that organizations have been moving toward a "projectized" existence (Lundin & Midler, 1995). In other words, the less clear and predictable the business environment, the more essential project management becomes as a means for handling organizations. Consequently, organizing by projects is on the increase, and therefore it could be argued that business students should have some exposure to this body of knowledge. In particular, successful organizations today are increasingly characterized by speed in their activities. They respond to customers more quickly, bring new products to market faster, and change strategies more rapidly than ever before (Ashkenas et al. 1995). Thus, implementation skills in the form of project management become more important to new job entrants, i.e., our graduates.

The net effect of these tendencies argues for the elevation in importance of project management as a marketing management tool. That is, as implementation, projectization, and time considerations become more important, the formal use of project management techniques become more important to the marketing manager. The question therefore arises, why not a more formal emphasis in project management in a marketing curriculum – such as a dedicated course? The purpose of this paper therefore is to address the form such a course might take and to briefly describe a course in which projects and project management concepts were incorporated into its coverage. That is, a case description of how the author introduced project management concepts into a marketing management course is used as the basis of discussing how to implement such an approach effectively.

#### **BACKGROUND - PROJECTS AND PROJECT MANAGEMENT**

There is little problem with the general understanding of the term "project." It is classically understood as "something to be done" (Lundin, 1995). Indeed, "projects" are frequently assigned as a portion of upper class courses – "as an educational tool, group projects serve many functions" (Dyer & Schumann,

1993). Nevertheless, it was not clear to the author after teaching project management as a stand-alone course in other contexts that some basic concepts and advantages of projects and project management were being conveyed to students. That is, in the specification of these assignments, students frequently were neither taught the basics of project management, nor its importance in post graduation employment.

Consequently, students were unlikely to be getting maximum benefit from these projects - a factor that might be remedied with some association with project management formalism, the thesis of this paper. Simple appreciation of project management requires the understanding of two elementary concepts – definition of the project and the Gantt chart.

#### **Definition of the Project**

It may seem like a play on words to write on the one hand about the definition of projects and on the other of definition of *the* project (emphasis added). Nevertheless, they are different. It is one thing to generally understand what a project is and another to understand what a specific project is to do. Basic texts on project management thus generally have a section devoted to specifying the project in advance of planning and implementation (see, for instance, Gray & Larson, 2000, 61-87). This stage in project management is devoted to getting supplier and customer "on the same page" with respect to expectations and consists of well defined steps, e.g., defining the project scope, establishing priorities, creating the work breakdown structure, etc.

It is the first step in this sequence, defining the project scope, which may be the most important for students to understand. This step sets the stage for developing a project plan. It is developed by the potential provider and defines the end result or mission of the project for the client or customer. Its primary purpose is to define as nearly as possible the deliverables for the end user and to focus project plans.

#### **Gantt Charts**

One of the oldest and still one of the most useful methods of presenting schedule information on projects is the Gantt chart (Meredith & Mantel, 2000). The Gantt chart shows planned and actual progress for a number of tasks displayed against a horizontal time scale. The format is a two dimensional representation of the project schedule with activities down the rows and time across the horizontal axis (Gray & Larson,

2000). When calendar dates are used on the time axis, Gantt charts provide a clear overview of the project schedule.

The major advantages of Gantt charts are their ease in construction and ease of understanding their significance. With regard to a teaching aid, they force students to do two things. First, they mandate scheduling *backward* from an ending date. Secondly, they illustrate that if projects are to be completed on a timely basis, tasks generally must be conducted in *parallel*. Through their construction students thus grasp two of the basic elements of project management – task completion within the time available. At the same time, they develop the basics of Gantt chart construction. It has been the author's experience in consulting that even people who have not had previous exposure to Gantt charts tend to grasp their significance immediately.

#### ALTERNATIVE METHODS FOR INCORPORATING PROJECT MANAGEMENT IN A MARKETING CURRICULUM

Naturally, projects have been *used* in marketing in product development, promotion, strategy development, the implementation phase of planning, research, service provision, and now e-business. Given that projects are important in marketing and some emphasis should be given to "doing them right," or at least teaching underlying methodology, the question becomes, how should such a course be taught?

There would seem to be three possibilities in a course offering in a marketing curriculum:

1. as a cross-over course in departments that include both marketing and management expertise,
2. as a dedicated course in a marketing curriculum, for instance as an alternative to a "case course," or
3. as incorporated into another course, i.e., as an organization vehicle for marketing management course or a service marketing course.

There would be advantages to a cross-over course. First, it would almost certainly be taught by someone who had both interest and expertise in the area. Secondly, it could even be team taught, which would fit present thinking of importance in that approach (Chonko, 1993). The disadvantage, naturally, is that although combined marketing/management departments

do exist, they are not all that common and thus this might not be a general solution for marketing educators. A dedicated course, on the other hand, would offer the focus necessary to make a project approach operational, but there is always the reservation about the offering being so specialized that it would not draw the number of students necessary to justify such an offering. Incorporation into another course presents an emphasis problem. That is, to what degree would projects be emphasized to the possible detriment of other topics? Clearly, trade-offs would be encountered and the nature of these trade-offs are shown in Table 1.

#### ACTUAL COURSE APPROACH

The course that is described here was more along the lines of the third option. That is, project management concepts were introduced into an established course, in this case a one semester, marketing management course.<sup>2</sup> The selection of this course in this case seemed to be a logical one. The catalog description of this course indicated it was "a study of coordinative effort in planning, organizing and controlling marketing activities that direct the flow of goods and services from producer to consumer." This course was a junior level elective in an AACSB accredited curriculum. It was one of 12 major electives from which marketing majors were to select four to complete graduate requirements. It also was an elective in the general management track and a requirement in the small business track in the administrative science department. At the time of course offering, it was scheduled for the second semester in the year and had the principles course as a prerequisite. Because of its scheduling, it thus tended to attract senior level students. That is, it typically had 40 junior or senior level students, mostly marketing majors, but also included a few management majors who needed this select marketing course for graduation.

Because of course description and student composition, it appeared to be a good, if not ideal, course into which project management/implementation concepts could (should) be introduced. In its basic form, this course covered Kotler's (2000) marketing management text through a system of student team presentations. That is, two person teams were formed which were responsible for making chapter presentations at specified times during the semester.

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<sup>2</sup> A syllabus for this course can be made available for interested readers.

There was also some emphasis on how students might expect to learn from reading and experience after they left the university. Thus, student groups also made presentations on a marketing case, an "academic" reading and a "practitioner" reading. These assignments were drawn from the instructor's collection – the cases came from a number of case books, the academic readings from the *Journal of Marketing Science*, and the practitioner readings from *IEEE Engineering Management Review*,<sup>3</sup> which tend to be collections of popular "management" articles taken from other journals. The intent in making this exposure to the literature was to suggest, on the one hand, how concepts flowed into texts and on the other to get students comfortable with a variety of sources for their lifelong learning.

Students had freedom of choice in their cases and articles, but were constrained in their Kotler presentations by chance – as their group number came up, they were to make a presentation on the chapter in sequence. The groups were instructed to keep their presentations short, approximately 10 minutes in length, and to have outlines for fellow students to follow. The Kotler presentations were to incorporate reading material from the end of each chapter, and both the cases and readings were to have some reference to Kotler's coverage. Student presentations were graded by the class and by the instructor. Weekly quizzes were given on selected presentation coverage and a final was given on course coverage.

Included in the introductory lecture on course conduct was a lecture on projects and project management. The material in the appendix of this paper comprised much of the coverage of this lecture. That is, the subsections on "Definition of Projects" and "Gantt Charts" were handed out to the students for review. The material on definition of the project and organizing by projects was handled by comments on overlays. The students were further instructed on the probable importance of projects in their careers, particularly their initial positions. Finally, they were told that they were to establish as part of each presentation the relationship to projects that the material had and in particular, they were to provide a

Gantt chart for their most valuable course of action for their case.

## COURSE CONDUCT

To be quite frank, students initially appeared to resist the requirement to incorporate project associations in their presentations. To some degree this tendency was accentuated by the tendency of students either to skip initial classes and/or to ignore instructions. Consequently, a fairly common situation in the Q&A portions of the presentations was the observation by the instructor that the association with projects appeared to have been overlooked. This observation became frequent enough that it became "the project observation." In particular, it was several presentations before the first Gantt chart was actually seen for a case and this development occurred only after a generic Gantt chart was made available as an overlay.

Some remedies were taken to get the students to focus on the inclusion of projects and project management in the course. These remedies included outright telling the students of the importance of projects and the necessity of their inclusion during the debriefing sessions both before and after presentations. Eventually, the presentations got around to the place shown in Table 2. That is, students began to focus their presentations to include discussion of projects and Gantt charts in the manner shown. In principle, projects could be expected to result in any implementation step. Gantt chart constructions were not forced for any of the background readings, but they were expected and eventually obtained for the case implementation suggestions.

Direct questions on the definition of projects and the construction of Gantt charts were also included in early quizzes. In subsequent quizzes, questions on students' referrals to projects in presentations were asked. Several generic overlays were also developed to debrief student observations on projects. These were subsequently "loaned" to students to use in their presentations. One that was useful included "goal," "tasks," "time," and "groups" to better define projects; another just posed the rhetorical question, "What does this have to do with projects?" and one other was a generic Gantt chart. Eventually, these forms tended to be incorporated into the students' own overlays for their presentations. Finally, the final examination had a project focus. There was a general section on projects and the Gantt chart and specific sections in which students were to reflect on how their individual

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<sup>3</sup> *IEEE Engineering Management Review* is published quarterly by the Institute of Electrical and Electronic Engineers, Inc. Headquarters: 3 Park Avenue, 17<sup>th</sup> Floor, New York, NY 10016-5997. David J. Wells, Editor-in-Chief, Department of Industrial Engineering, University of Houston, Houston, TX 77204-4812.



presentations related to projects and/or managing by projects.

A majority of students (31/34) adequately answered the projects questions. Thus, one way or another the importance of projects appeared to be communicated to the class. It remains to be seen how this exposure to projects and project management might affect student success and satisfaction in initial placement and job satisfaction. In other comparable situations where specialized courses such as industrial marketing, purchasing and service marketing were introduced, it was the author's experience that it took several years before first reports seemed to come back. Attempts were made in this case, however, to at least get exit comments on the course. Students were asked to reflect on the assignments that they had and the commonality that existed in them.<sup>4</sup> Some comments included:

"Everyone performs projects and the better we understand them, the easier it will be for us to perform the tasks involved with projects."

"Now that I know what a project is and how to construct a Gantt chart, it will help me to get things done."

"Defining your target market is what needs to be done first and then one must approach any project with the marketing mix. Price, product, place and promotion need to be looked at in terms of projects."

"By teaching the class ourselves, we were forced to see the importance of projects in marketing management. Not only did we learn what a project is, we learned how to create and identify projects."

"All the subjects gave a better understanding of marketing management with emphasis on Gantt charts and projects, which are both critically important to our futures in the business world today."

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<sup>4</sup> A majority of students (25/34) saw projects or project management as being a commonality in their assignments. Other mentions were thinking, learning, relationship to Kotler, and channels. In an ancillary question, a large majority (30/34) saw improvement in presentation skills as an additional benefit of the course.

"A lot of what goes on in the world today has to be planned and organized. I know that is why you stressed projects – they are a way of getting things done in an organized fashion."

"With each assignment there was a relation to projects. This was so that we would learn the importance of goals and establishing objectives to complete them in a determined time period." These were real life examples that forced us to think about the actual tasks."

"An emphasis on projects was put forth on the whole class. Though not understanding the importance of projects in the first half of the semester, through repetition the concept was driven into my head."

"The projects gave insightful examples of how the reading related to real life and how we may face these same situations during our careers."

"I feel with each presentation I gained more understanding about management. I think incorporating a project with each presentation showed me how important projects can be in the business world."

"Projects were evident everywhere. They did the best job of explaining concepts and showed the applicability of these concepts to the real world. It was interesting that not all projects were customer driven. Many were internally directed to make the company run better."

"Each assignment gave some background and important information necessary to grasp the concept of the assignment and interrelate the information with projects and Gantt charts. After all, projects are extremely important ..."

"With every presentation it was evident that many projects were occurring. It was very important to be able to recognize these projects because they were the key to any further analysis. Gantt charts could be used to provide visual clues of

these projects."

"Much of business is just a process of projects. They are very important to a business' success. I also learned of the different forms of doing business."

"Projects are very important for completing tasks. In order to complete tasks with a systematic timeline, Gantt charts are important to set time specification."

## DISCUSSION

It has been argued from both an industrial "popularity in use" (Lundin & Midler, 1995) and application orientation (Ferrell, 1995; Kotler, 2000; McDaniel & White, 1993; Shuptrine & Willenborg, 1998) that project management should have some place in a formal marketing curriculum. For most situations it would appear that material could (should) be worked into a marketing management course at the junior level. Benefits would thus accrue to students both as they used formal project approaches in their upper level marketing courses and in their entry positions in their careers. Other approaches, such as a cross-over course in management/marketing departments or dedicated courses, might be even more useful, but are less likely to fit into established marketing curricula. Both because of the general exposure to projects and their action orientation, the focus of courses would appear best oriented toward applications.

In all probability we each envision what content should be provided in a course. Each term we make a decision with regard to each course we teach. That's the nature of academic freedom and our professional responsibility. To suggest a particular course design and content, however, affects students' capabilities, marketability and (as it turns out) satisfaction (Shuptrine & Willenborg, 1998). One of the reviewers of an initial draft of this paper suggested that a survey might (should) have been done before changing the course in question. That is one way, kind of a market oriented way, to do product development.

The other way, of course, is to anticipate needs and try to fill them. That is what has been done here. The author looked at the University of Texas results (Shuptrine & Willenborg, 1998) and thought they were easy enough to understand. We teach students a lot about marketing strategy, for instance, and eventually they end up using those concepts. Thus, in the long term they become more satisfied with their education.

We tend to teach them very little, however, about such things as project management, which they could use immediately, and thus they struggle for a while. So a course was put together in what the author thought was a logical setting - a course at an upper level that dealt with both advanced marketing concepts *and* management - a course in which the author of the primary text said implementation was important (Kotler, 2000, 695). As reported here, students eventually picked up on the concepts and apparently appreciated the effort.

Naturally, long-term feedback is lacking. One will not know what students who took this course will say about its content and applicability for several years, and statistical data will not be forthcoming for an even longer period. What is available for reporting is the equivalent of an *alpha* test in product development (see, for instance, Kotler, 2000, 346). A prototype has been internally tested and still appears to be a viable concept. It is thus reported here.

In judging the need for such a course, there should be no mistake about the growing importance of project work in the marketing profession - and thus the importance of including some formal education in a marketing curriculum. In addition to staff assignments that tend to occur "naturally" in situations such as market research, strategic planning or product development, there are other growth areas in the economy that have drawn marketing into operations to a larger extent. Kotler (2000, 260-261), for instance, compares the development of mass customization in the 21<sup>st</sup> century with the mass production that characterized the last century. Each of those customization steps is associated with a project that brings customer wishes into production. Likewise, the production of business services, which is the fastest growing segment in the service sector (SBA, 2001), tends to be customer oriented from start to finish (Wilson and Anell, 2002). Those businesses are almost exclusively project oriented (Wilson & Seidle, 2000). Nor should the educational content of projects and project management be understated. The Project Management Institute (PMI) lists 28 institutions in the U.S. and 25 outside where students can get a degree at the *master's* level. Thus, there is content in the discipline.

Instructors wishing to teach a course as outlined here might find having a complementary text useful and two have been mentioned in this paper (Gray & Larson, 2000; Merridith & Mantel, 2000). These texts are reasonable upper level texts and as is the situation with a number of texts, they now have time-limited,

Microsoft Project software incorporated as ancillary material. There are also a number of texts that are a little more practitioner oriented, but are also include excellent coverage (Angus, Gundersen & Cullinane, 2000; Ghattas & McKee, 2001; Mantel et al., 2001). As mentioned, the IEEE Engineering Management Review was found to provide a useful source of practitioner articles. A number of these recently have been concerned with project management topics. A number of specialized texts are also available, e.g., Olsen's (2001) treatment of information systems project management and Emerick et al.'s (2000) treatment of web marketing and project management, for those instructors who might want to put some specialty applications in their courses.

### CONCLUSIONS

An overlay template for an established marketing management course has been described that features some basic introduction to projects and Gantt charts, which encourages students to move rapidly into applications. An *alpha* test of the prototype course has been conducted and the approach still appears to be a viable concept. Exit comments appeared to substantiate that students understood the significance of the inclusion of this material in the course. They are thus reported here.

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Table 1 - Advantages and Disadvantages in Course Form Options

Approach	Advantages	Disadvantages
Cross-over course in a management & marketing environment.	Interest & expertise available in both major areas. Probability of experience base and "real world" knowledge high.	Personnel limitations likely to exist in present environment - especially team teaching approach.
Dedicated course in a marketing curriculum.	Could explore the importance and use of material and techniques across a range of marketing applications.	Again, staff limitations likely. Also, tendency to restrict offerings of special individual interest courses.
Incorporation into another course, i.e., marketing management course.	Probably most straight forward approach without upsetting existing listing of curriculum, nor need for personnel.	Usually, when something is added to a course, something else must be taken out - material thus becomes a matter of priorities. Also, requires individual with special interests and perhaps capabilities.

Table 2 - Incorporation of Project Concepts into Course

Component	Purpose in Course	Typical Definition of Project	Expectations Regarding Gantt Chart
Text	Expose students to upper level treatment of marketing concepts.	Develop an approach for a team selling task associated with the personal selling chapter, or a schedule for a market study with the research chapter.	Discussion - Chart would identify the individual activities, their relationships, key milestones, and time duration in approach.
Practical Readings	Develop an appreciation among students for "what is happening now" in the world they will enter.	One article dealt with the incorporation of technology into the service triangle. Project thus might deal with the adoption process in firm.	Discussion similar to above with regard to goals, tasks, time and groups involved in implementing transitions.
Academic Readings	Develop an appreciation among students for the longer range developments associated with their future in the work force.	One of the special issues dealt with relationships and marketing. Projects thus might be used to initiate these relationships.	Discussion similar to above with regard to goals, tasks, time and groups involved establishing these relationships.
Cases	Expose students to classic marketing problems with the expectation that they will recognize them and develop approaches from their background.	One case dealt with the promotion of a resort center. The project thus dealt with the manner and timing in which it would be promoted.	Diagram of most valuable course of action that identified the activities, timing and key milestones.

## APPENDIX – BACKGROUND: PROJECTS AND PROJECT MANAGEMENT

(This material was handed out as a package in the first class and thus might be of use to instructors planning a course of this type. In some instances there is overlap with material in the text of the paper.)

### Definition of "Projects"

Understanding of project management starts with an understanding of what a project is. In this regard, the following elements generally comprise the formal definition of a project (Packendorff, 1995).

- + unique, once-in-a-life time task,
- + with a predetermined date of delivery,  
being subject to one or several performance
- + goals (such as resource usage and quality),
- + consisting of a number of complex and/or  
interdependent activities.

Each of these elements has been questioned of course. "Uniqueness," in particular, comes under scrutiny. Recognizing this problem, Ekstedt et al. (1999, 111-113) distinguished "recurring" projects from "truly unique" ones. Recent texts, on the other hand, tend to dismiss this "problem" by noting that at very least the participants etc. tend to change in individual projects (see, for instance, Gray & Larson, 2000, 4; Meredith & Mantel, 2000, 8-10).

### Advantages of Organizing by Projects

Although some of the problems associated with project organization have been noted (Anell, 2000; Ekstedt et al., 1999; Lundin, 1995; Wheelwright & Clark, 1992), the advantages would appear to outweigh these disadvantages.<sup>5</sup> The primary advantage of organizing around projects is that the organization tends to benefit by its action orientation. Firms that provide business services, for instance, tend to fall naturally into this approach (Wilson & Seidel, 2000). This advantage is provided from a number of factors. For instance,

1. *Projects make individuals responsible for output.*
  - + This responsibility reduces the need for day to day concern by top management.
  - + It also reduces the need for layers of management in an organization.
2. *A project format makes planning and sequencing easier (possible).*
  - + Even "impossible to anticipate" can be planned in principle.
  - + Individual projects can be accelerated by the proper use of effort.
3. *Project control is possible through the use of intermediate milestones.*
  - + Review meetings tend to be non-threatening and non-confrontational as long as goals are met.
4. *Projects (and project organizations) tend to use people effectively.*
  - + Very capable people may lead several projects.
  - + Newly hired people, on the other hand, may get part of a task.
  - + Training tends to occur through progression.
5. *Organization around projects tends to*
  - + focus on output,
  - + be flexible in people utilization, and
  - + be flexible to both work and management styles.

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<sup>5</sup> The advantages of project organizations are stressed here. Disadvantages, of course, exist. There are two major problems that project organizations tend to have. First, they tend to have portfolio balance problems (Anell, 2000; Wheelwright & Clark, 1992). That is, there can be a problem of balance in the mix of projects the organization may be working on at any one time. Secondly, project organizations tend to have a problem transferring learning from any one project to the permanent, accessible capabilities of the firm (Ekstedt et al., 1999; Lundin, 2000).

6. *Organizations that use projects can be scaled up by*  
+ adding tasks, projects, and/or programs and thus people.

Simple appreciation of project management requires the understanding of two elementary concepts – definition of the project and the Gantt chart, as well as some appreciation for the present importance of projects in the global economy.

### **Definition of *the* Project**

It may seem like a play on words to write on the one hand about the definition of projects and on the other of definition of *the* project (emphasis added). Nevertheless, they are different. It is one thing to generally understand what a project is and another to understand what a specific project is to do. Basic texts on project management thus generally have a section devoted to specifying the project in advance of planning and implementation (see, for instance, Gray & Larson, 2000, 61-87). This stage in project management is devoted to getting supplier and customer "on the same page" with respect to expectations and consists of well defined steps, e.g., defining the project scope, establishing priorities, creating the work breakdown structure, etc.

It is the first step in this sequence, defining the project scope, which may be the most important for students to understand. This step sets the stage for developing a project plan. It is developed by the potential provider and defines the end result or mission of the project for the client or customer. Its primary purpose is to define as nearly as possible the deliverables for the end user and to focus project plans.

There are three (at least) main items that are to be developed and determined in the scoping step. They are

1. Project Objectives – the objectives specify the time the project will take, its cost and its output. For instance, a print campaign for "X" product in six weeks at a cost not to exceed \$70,000.
2. Deliverables – the deliverables are the expected outputs over the life of the project. In the above example, they might include the creative material after the first two weeks, the finished professional material after five weeks and agreements to run the material after the sixth week.
3. Milestones – a milestone is a significant event that occurs at a point in time. It represents "first, rough-cut estimates of time, cost, and resources for the project" (Gray & Larson, 2000, 63). Milestones should be natural control point in the project and identify the organizational unit responsible for its achievement. For instance, in the above example if a "go-no go" decision was identified for the creative material, it would be specified after the second week.

### **Gantt Charts**

One of the oldest and still one of the most useful methods of presenting schedule information on projects is the Gantt chart (Meredith & Mantel, 2000). It remains a particularly effective and easy-to-read method of indicating the actual current status for given tasks compared to the planned status for each item of the set. It has been the author's experience in consulting that even people who have not had previous exposure to Gantt charts tend to grasp their significance immediately.

The Gantt chart shows planned and actual progress for a number of tasks displayed against a horizontal time scale. The format is a two dimensional representation of the project schedule with activities down the rows and time across the horizontal axis (Gray & Larson, 2000). When calendar dates are used on the time axis, Gantt charts provide a clear overview of the project schedule.

The major advantages of Gantt charts are their ease in construction and ease of understanding. With regard to a teaching aid, they force users to do two things. First, they mandate scheduling *backward* from an ending date. Secondly, they illustrate that if projects are to be completed on a timely basis, tasks generally must be conducted in *parallel*. Construction thus forces appreciation of two of the basic elements of project management – task completion within the time available.

Of course there are disadvantages of Gantt charts, the major deficiency being the dependency relationships among project activities. These relationships are, of course, better illustrated by the more sophisticated PERT or CPM constructions. Nevertheless, in the popular Microsoft "Project" software, the starting point for construction of PERT or CPM is a Gantt approach.

### **Growth of projects in the global economy**

There are four trends (at least) that tend to drive the growth of projects and project management in the global economy. At some point in time economic historians may determine the relative importance of each of these. At present, however, each may be considered *major*, but of course affecting different segments of the economy to varying degrees:

1. *The re-industrialization of the world economy* - Twenty or twenty-five years ago it was fashionable to talk about Kondratieff waves (see, for instance, Mensch, 1979). That is, the economies of industrialized nations were winding down a "long wave" of development that would bring about a significant change from stagnation at that time to unlimited opportunity. Without making a judgment on the use of these waves in economic forecasting, it seems to us that those predictions have materialized. New industries have been formed, e.g., software and biogenetics, and old ones have reinvented themselves to accommodate new technologies. The nature of any start-up tends to be batch oriented and thus projects have found heavy use in these start-ups on a massive scale.
2. *Globalization* - As firms decide to enter markets outside of their domestic areas, they enter into activities that are project oriented - evaluation, selection, adoption, ... (see, for instance, Kotler, 2000, 366-388). Thus, growth of international trade has carried with it growth in project utilization.
3. *Growth of the business service segment* - The production and distribution of business services is the fastest growing segment in the service sector (SBA, 2001). Many services are project oriented because of their individual nature, but the business service segment in particular tends to be customer oriented from start to finish. Those businesses are almost exclusively project oriented (see, for instance, Wilson & Anell, 2002).
4. *Mass customization* - Kotler (2000, 260-261) compares the development of mass customization in the 21<sup>st</sup> century with the mass production that characterized the last century. Each of those customization steps is associated with a project that brings customer wishes into production. The archetype of this approach may be Dell.



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