

TEACHING IMPLICATIONS OF THE BUSINESS CAPSTONE COURSE FOR MARKETING AND FINANCE FACULTY

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ABSTRACT

This paper explores the context of the business capstone course and argues that many of the strategic management concepts currently presented in the capstone course are simply repackaged concepts from marketing and finance. In addition, the presentation concludes that the faculty from marketing and finance are as well qualified as management faculty to meet the broad based demands of the course. In fact, for business schools with limited faculty resources this approach may be particularly important. Furthermore, strategic management concepts are heavily intertwined with marketing and finance theory; and input from faculty from these business disciplines rather than a strategic management specialist may be the catalyst for effectively teaching the course. Additionally, in order to provide a real world dimension to the course, practical business and/or extensive consulting experiences may be a more legitimate faculty requirement than a narrow strategic speciality.

THE BUSINESS CAPSTONE COURSE

The business capstone course (business policy, strategic management, etc.) is designed to integrate the knowledge and experiences derived from the business core curriculum. In the California State University (CSU) system, the graduate level capstone course also must be designed to provide a culminating experience for all business students as stated in Title 5 of the California Administrative Code. California State University Bakersfield (CSUB) requires a capstone course with a project requirement to satisfy the culminating experience requirement for M.B.A. students. Excerpts from the 1987-88 CSUB catalogue illustrate the integrated nature of the course and culminating written project requirement:

BA 690. An integrating course . . . Analysis of a wide range of decisions, with focus on the role of the executive in planning and implementing programs . . . intended to synthesize as well as foster analytical skills . . . a culminating written project. . . .

The undergraduate capstone course stresses the integration of business core theory:

BA 490. A terminal integrating course . . . analysis of a wide range of . . . decisions, with focus on the role of the executive in planning and implementing programs.

These two courses also fulfill the American Assembly of Collegiate Schools of Business standards (AACSB).

Although a strict interpretation of the AACSB standards may be operational rather than strategic, the capstone course content has moved rapidly into the strategic arena (Digman 1986, p. vii).

STRATEGIC MANAGEMENT AND RELATED ISSUES

In recent years, the trend toward strategic management and strategic planning has captured increasing attention in academic literature, from business school faculty, and from business executives. In fact, faculty with strategic management specialties are being hired to teach the capstone courses as the content moves toward an emphasis on strategic management concepts.

The issues promoting the focus upon strategic planning in the 1980's are: organizational survival, the role of marketing in determining overall business strategies, and the rapid environmental changes that must be monitored and anticipated in order to capitalize upon new opportunities and forestall threats in the marketplace (Cravens, Lamb 1986, pp. 7,8). Moreover, limited financial resources and cash flow problems in the late 1960's and 1970's contributed to the current emphasis on strategic planning. At the corporate level and for multi-product/service business units, slowed economic conditions, competitive pressures, and cash flow and profitability problems during the late 1960's and 1980's resulted in the realization that different growth, profitability, and cash flow requirements exist for each of the various SBU's or market segments (Clarke et al. 1988).

Strategic management stresses a total enterprise perspective incorporating the functional and organizational demands with environmental concepts to formulate successful corporate and/or business strategies (Thompson, Strickland 1987, pp. 1-256). Strategic planning provides a long-term guideline for determining choices regarding what the business should be and how to get there, visionary planning. Time frames and performance measures are clearly stated. In contrast, policy focuses upon what the business is and what it will be, i.e., operational planning.

As business policy yields to the emergence of strategic management, most policy books attempt to deal with strategic issues. The current approach in the business capstone course, regardless of the title, tends to emphasize the

comprehensive treatment of management functions of the organization, stresses what the business should be, and provides cases involving specific strategic issues (Digman 1986, pp. vii, viii).

MARKETING AND FINANCE ROLES IN STRATEGY FORMULATION AND IMPLEMENTATION

Marketing and finance play a key role in formulating successful management strategies that go beyond mere policy statements. Examples of the importance of marketing for strategic planning are numerous. Marketing input has been described as the most important functional area contribution for successful strategic planning (Cravens, Lamb 1986, p. 9). For instance, executives rely upon marketing for identifying new products, services and markets. Once an opportunity is identified, marketing input is vital for determining its potential merit. The overall strategy for new ventures is based upon marketing plans which are designed, implemented, and evaluated by the marketing personnel to a great extent (Kotler 1984, pp. 35-36). The importance of the marketing concepts for strategic planning is evident as the terms **strategic marketing planning, business planning, and market planning** are used interchangeably (Abell, Hammond 1979, p. 3).

The Strategic Marketing Management Model (Neidell 1983, pp. xx-xxvi) emphasizes elements similar to those touted as unique to the strategic management area (Sharplin 1985; Thompson, Strickland 1987; Pearce, Robinson 1988): **environmental, linkage, and focus** concepts. However, external environmental forces are primarily the marketing uncontrollables and internal environmental concerns are product/market/service offerings, organizational competencies, and synergy. **Linkage** endeavors to create an information system by which external and internal environmental factors are compatible with organizational strategies. Thus, environmental scanning, innovation and entrepreneurship, demand analysis, and the marketing mix are critical components of the linkage system. In strategic planning, **focus** is a key element in determining resource allocation. Focus demands that all segments of the corporation and/or business units be guided by common, or universal, concepts. Frequently, the universal concepts are defined in marketing-related terms: product/service mix, customer groups, customer/market needs, and technology. Other models discussed in strategic management texts duplicating or similar to those included in marketing textbooks are: Schendel and Hofer, Porter, Thompson and Strickland, and Steiner (Digman 1986; Kotler 1988). In addition, corporate culture and leadership discussions relying heavily on Peters and Waterman (Thompson, Strickland 1987, pp. 49, 225-26; Kotler 1984, p. 38) are included texts for both fields.

The strategic management approach demands the differentiation between the businesses and/or products/services requiring **heavy funding** and those that **provide** the funds. Financial tools, particularly portfolio and cash flow analysis in addition to the more traditional emphasis on

return on sales and return on investment, for various business units are recognized as vital tools for strategic management (Abell, Hammond 1979, pp. 3-18). Financial input into strategic planning minimizes financial risk by more realistically assessing the ability of the organization to provide the financial resources to efficiently produce and market goods and services in order to achieve stated strategic (long-term) objectives (Clark, et al. 1988, pp. 1-12).

The strategic implications of marketing and financial theory presented above represent selected key contributions to the overall strategy field. Although an extensive listing of commonalities between the two fields is beyond the scope of this paper, an exploratory examination of the contents of selected strategic management, marketing, and finance textbooks and the authors' teaching experiences reveal many common topics (see Exhibits 1 and 2). Moreover, several topics are universal to all three disciplines. Often, the marketing and finance presentations contain specific applications in contrast to the generic approach utilized in the strategic management field. To some extent, it appears that many strategic management presentations simply condense more comprehensive coverage of principles long inherent to comprehensive marketing and finance texts.

MARKETING AND FINANCE FACULTY ROLES IN TEACHING STRATEGIC MANAGEMENT BUSINESS CAPSTONE COURSES

Debating over whether marketing, finance, or Management plays the most important role in strategic management is not productive. However, the marketing and finance disciplines are important contributors to successful strategy formulation. The common elements of strategic marketing, finance, and management, coupled with the broad based approach, warrant faculty input from all three of these disciplines. Because of the duplication of text material appearing in the strategic management, marketing, and finance textbooks, faculty who have been teaching marketing and finance courses are well prepared in strategic management theory and can provide integrative, in-depth strategy applications.

Teaching the capstone course provides the opportunity for marketing and finance faculty to demonstrate the integrative nature of the business disciplines and to reinforce the decision-making aspects of their various fields. It also provides the opportunity to demonstrate that marketing and finance faculty have comprehensive preparation and valuable knowledge of applications to the entire business field. In addition, it highlights the contributions of marketing and finance to management decision making and the overall well-being of the firm.

Because of the comprehensive nature of the strategic management course, faculty members should be experienced in the case approach with academic theory supplemented by actual business experience or extensive business consulting experience. The **hands on** approach provided by

case analysis is a vital part of the integration of the business core theory, synthesis, and analysis. Here, a wide range of practical experience may be more important to providing excellent instruction in the capstone course than a narrow, specialist preparation, particularly in the case of a faculty member with no real business experience.

Based upon the authors' teaching experience in strategic management as well as marketing and/or finance courses, utilization of both the Harvard (individual) and Yale (group) approaches to case analysis stimulates student comprehension of the interrelationship between the functional areas of the organization. Furthermore, students are required to assess and determine where the company should be and how to get there. Group case assignments, especially if the students are distributed according to their functional disciplines, are excellent devices to integrate functional knowledge and point out the subtle aspects of other disciplines.

Marketing and finance faculty who are experienced in using the case method can easily supervise strategic management cases. In fact, several cases written by one of the co-authors, primarily for use in advanced undergraduate and in M.B.A. marketing courses, have been adapted and published in strategic marketing texts (Sharplin 1985, pp. 357-365, 433-449; Digman 1986, pp. 416-425). Moreover, these same cases are cited in the texts for their strategic management applications. These cases have been used equally well in both marketing and the business capstone course.

Marketing and finance are often underrepresented in the business core requirements where management courses are apt to be dominant. Exhibit 3 presents a comparison of the number of finance, marketing, and management courses required at selected CSU campuses for undergraduate and M.B.A. degrees. Although the compilation is the result of judgements concerning the nature of the course and discipline, it is evident that considerably fewer marketing and finance courses are required for degree completion than management-related courses. If management information systems are grouped with management, the result is even more disproportionate. However, there is no reason to assume that the business capstone course is the sole function of the management department. Incorporating marketing and finance faculty into this required course helps distribute the student load and balance departmental faculty, by creating Full Time Equivalent Students (FTE) for each department. Furthermore, it legitimizes the contributions of marketing and finance to sound business management and organizational success. Many of the students, particularly at the undergraduate level, have difficulty making the transition from applying the knowledge and tools taught in individual courses into integrated applications of their business knowledge and skills. Moreover, accounting and management undergraduates frequently underestimate the importance of marketing and finance to overall business success. Those

majoring in management information and/or systems management often are well versed in technical concepts but have difficulty making broad applications and interpretations. Seeing the marketing and finance faculty assume the strategic management perspective tends to motivate the students to stretch their own abilities beyond their major discipline. In the process, they learn that marketing and finance are vital to strategic decisions along with all the other business tools and techniques.

From a teacher's perspective, handling the capstone course is often rewarding because the professor can gauge the progress that students have made over the course of their studies. For instance, students who take the basic marketing and finance core courses but who do not major in those fields can be observed in the capstone courses. Their progress, maturity, and participation often contrast sharply with their previous performance in the required core courses. The capstone provides the opportunity for marketing and finance faculty to view the results of the total learning experience for the students. Having the opportunity to help them improve their overall business knowledge and skills and to offer them some final hints for success is a rewarding faculty experience.

CONCLUSION

The capstone course, or culminating experience, spans the total business program. Assuming that a variety of business disciplines are important in developing analytical, executive, and integrated skills, it is logical to staff the course with faculty from the various business disciplines. Marketing and finance faculty members should be encouraged to teach the business capstone course. Furthermore, marketing and finance faculty are well prepared to teach strategic management because of the common elements between their disciplines and strategy concepts. In addition to the rewarding experiences and new perspectives gained from the students in the strategic management course, the capstone course can be an efficient utilization of faculty, particularly for smaller departments and business schools. In contrast to highly specialized strategic management faculty, broad based knowledge, skill in facilitating case analyses, and business or consulting experience are requisites for satisfactory instruction in the capstone course.

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Title 5, Part 5, Chapter 1, Subchapter 2, Article 7, California Administrative Code, Section 40510.

Thompson, Arthur and A. J. Strickland (1987), Strategic Management Concepts and Cases, Texas: Business Publications, Inc.

EXHIBIT 1

SELECTED EXAMPLES OF SUBJECT OVERLAP IN MARKETING AND STRATEGIC MANAGEMENT TEXTS*

Selected Subject Area

- Strategic Management Models
 - Life Cycle Concepts
 - Market Definition & Analysis
 - Industry Definition & Analysis
 - Competitive Definition & Analysis
- Differential Advantages; Distinctive Competence
- Strengths/Weaknesses Analysis
- Opportunities/Threats Analysis
- Business Portfolio Models
- Sales Revenues, Market Share, Pricing, Profit Margin, Return on Investment, Capacity Utilization
- Business Portfolio Models
- Environmental Factors (Uncontrollables)
 - Customer Focus
 - Organizational Culture, Values
 - Innovation & Entrepreneurship
- Corporate, Business, and Product-Market Level Strategies and Alternatives
- Uncertainty & Risk Evaluation
- Corporate, Business Mission Statements
- Financial Ratios

*Topics appearing in at least one strategic management text and at least one marketing textbook; some subject areas appeared in all the textbooks; three strategic management books (Digman, 1986; Thompson, Strickland, 1987; Pearce, Robinson, 1988) were examined and five marketing books (Kotler, 1984; McCarthy, 1987; Cravens, Lamb, 1986; Abell, Hammond, 1979; Neidell, 1983)

EXHIBIT 2

SELECTED EXAMPLES OF SUBJECT OVERLAP IN FINANCE STRATEGIC MANAGEMENT TEXTBOOKS*

Selected Subject Area

- Relationship of Sales to Working Capital Requirements
- Cash Flow Estimates (Cash Budget)
- Capital Investment (Capital Budgeting)
- Capacity Utilization (Financial Ratios)
- Capital Asset Pricing Model (Riskiness)
- Portfolio Theory
- Financial Ratios (Profitability, Liquidity, Asset Utilization, Financial Risk)
- Mergers, Acquisitions, Liquidations
- Relations with Owners, Investors, and Stockholders
- Long-and-Short-Term Capital Requirements
- Leverage Strategies: Alternative Financial Strategies

*Topics appearing in at least one strategic management text and at least one finance text; some subject areas appeared in all the texts; three strategic management books (Digman, 1986; Thompson, Strickland, 1987; Pearce, Robinson, 1988) and three finance textbooks (Clarke, Wilson, Deines, Madala, 1988; Copeland, Weston, 1987; Braaley, Myers, 1987) were examined

EXHIBIT 3

MARKETING, FINANCE, AND MANAGEMENT* COURSES REQUIRED AT SELECTED CSU CAMPUSES

(Undergraduate Business and M.B.A. Degree Requirements)

Course Type	Sacramento	Long Beach	CSU Fresno	San Jose	San Diego State	Total
LOWER DIVISION						
Marketing						0
Finance		1				1
Management	1					1
UPPER DIVISION						
Marketing	1	1	1	1	1	5
Finance	1	2	1	1	1	6
Management	4	2	4	3	0	13
M.B.A.						
Marketing		1		1		2
Finance			1	1		2
Management	2	1	4	4	1	11

*1988-89 Catalogue listings for the selected CSU campuses; judgments were made according to course title rather than departmental prefix designation; Organizational Behavior, Human Resource Management, Management Science titles were grouped under Management; Management Information Systems designations were not included as Management