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# **A Pedagogical Approach to Teaching Senior Business Majors in a Small Liberal Arts University: Creating and Operating a Real Business**

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## **ABSTRACT**

The question of how to motivate students in today's college classroom has plagued college faculty members. We ask faculty to be competent in their subject area, yet how much focus is there on the art of motivating students in their classroom? The purpose of this article is to describe one unique pedagogical approach with senior business majors in one small liberal arts university in a senior business class.

**Keywords:** Motivation, teaching, experiential learning, creative pedagogy.

## **INTRODUCTION**

In the fall of 2004, I was becoming increasingly frustrated with our senior business majors, many of whom had seemingly already checked out of college. Their motivation levels were low. These were not the same junior business majors who regularly came to class with enthusiasm and anticipation. As the primary faculty member for the senior business strategy class, I was ready to try a new approach. Something had to give! I had heard about some colleges requiring business students to start their own businesses. Frankly this held great appeal because I believe one way to effectively teach students is by integrating real life experiences into the classroom. I decided to adopt this idea in our business strategy class. I quickly realized I would need to secure institutional funding. I needed venture capital money. My plan was to launch this new class format in the spring of 2005.

In December of 2004, six weeks before the class was scheduled to start, one of our senior business majors who was enrolled in the spring class and was quite excited about the new format, was tragically killed in a terrible car accident caused by an alcohol impaired driver. At the memorial service held on campus, the student's parents requested donations in lieu of flowers to go to a newly established memorial scholarship fund for use by the undergraduate business department toward the launching of this new idea. The parents were delighted to see the funds used in this manner. In the six years since, the scholarship fund has allowed our department to grant venture capital loans to over fifty new businesses created and operated by our senior business majors.

## **THE IDEA**

The central idea of the class is to simulate owning and operating a business. We ask students to apply what they have learned in their previous management, accounting, marketing, economics, ethics, and finance courses through the formation and operation of an actual business. Each team is given \$750 (which must be paid back) as venture capital money. The fall semester is dedicated to selecting a team leader, establishing the business teams, identifying the actual business idea (this is hard for students), and then developing the different components such as the mission statement and marketing, finance and management plans. This activity takes virtually the entire semester. The actual launching of the business is in December. We do this to allow businesses to capture the Christmas season buyers. The start date is allowed prior to the team's final business plan presentation at the end of the fall semester since the majority of their plans are complete. By the spring semester the businesses are fully operational. The yearlong (two semesters) class potentially inhibits more innovative ideas given the relatively short time frame. This could be a consideration for future changes in the structure.

## **Rationale**

Initially, I had a lot of questions. Would this idea even work? Would students take the class seriously? Was I ready to take the risk? Essentially, I was turning over nearly the entire class into the hands of seemingly unmotivated senior business students. Eble (1979) said that teaching requires a "willingness to take risks," and that "teaching is not a safe occupation, either for teacher or student" (p. 157). I take heart, if not courage, from these words.

Not only was the methodology risky, it also required a mindset that my teaching could improve. Weimer (1990) suggests that faculty “continue to rely on the teaching methods they have always used – despite research documenting the need for students to learn actively” (p. xi). Faculty must be open to taking risks in the classroom, and being willing to move outside their comfortable paradigms and look for creative and innovative ways to truly engage students. Even if it is uncomfortable! The pedagogical change I was about to embark upon required both risk as well as a paradigm shift in my teaching approach.

One of the surprising outcomes of this new approach was the inherent motivation that resulted from students being expected to literally start their own business with the final exam being a successful profit and loss statement. Most of us, let alone college students, are never given the chance to start our own business. This proved to be a powerful motivator. Herzberg (2008) refers to this in the work world as job enrichment and vertical job loading, where employees are motivated by intrinsic rewards such as job responsibility, decision making and authority. Nicholson (2003) said the job of the manager in motivating employees is to “create circumstances in which their inherent motivation – the natural commitment and drive they have - is freed and channeled toward achievement goals” (p. 57-58). Why shouldn't this apply to college students in today's classroom? When our seniors realized the opportunity presented to them, the opportunity to actually start their own business, motivation quickly followed.

Another fascinating result of this class was what I call the accountability factor. There was no hiding in this class. No coasting. Teams simply could not choose to remain unengaged. Too much was at stake. They were required to provide regular progress reports in front of the entire class. The peer accountability and potential for embarrassment was too powerful. Peer pressure proved to be a significant motivator. No longer was I solely responsible for motivating students. This phenomenon is similar to the motivational hurdle in Tipping Point Leadership where the New York City police precinct commanders were put under the spotlight by their peers and supervisors at regular performance accountability meetings. (Kim and Mauborgne, 2003, p. 8). No one wants to look bad in front of their peers, whether it be the classroom or the workplace.

Not only must we seek to motivate students to engage in their learning, we must also create the conditions that maximizes student learning. The idea of requiring students to start their own business provided them with ultimate ownership. The business was not my idea, it was theirs, and they naturally assumed primary ownership. I also discovered students really loved their businesses and thus indirectly the learning that came with it. Eble (1979) said that “learning is essentially pleasurable.” While students regularly commented on the stress of the class, it was evident that the class was also exciting and enjoyable.

Parker Palmer (2007) tells the compelling story of the surgical resident who was left alone for three hours with 34 intensive care patients and failed to respond to one in distress, resulting in that patient's death. Palmer writes, “Her head knew what was happening but her heart refused to recognize it.” He calls into question how we teach students to think and respond to difficult situations. It is not enough to teach the four P's of marketing to business students. Where do ethics or difficult decision making dilemmas enter the picture? One of our senior business teams was selling advertising to a local automobile dealership at a negotiated price, reached an agreement, only to be offered a higher price by another local automobile dealership. The students came to me for help. I refused! I was thrilled! I could have never recreated this real life dilemma in the artificial environment of the classroom. Thankfully the students made the right decision and honored the original agreement with the first dealership. In our business curriculum, we provide the head knowledge, test for it, and send students on their way. Are we producing students who have the ability to truly think critically? Are we graduating students who have the courage to be change agents? Are we teaching students to respond to difficult issues with their heart? Palmer goes on to ask if we are teaching students that “opening one's mouth to challenge what is wrong is a way to stay sane, honor their integrity and live by their deepest calling.” What greater gift can we leave our college students? Hopefully in some small measure this has been achieved in this class.

## **THE FORMAT**

### **Fall semester: the planning stage**

The fall semester requires significant organization in order to launch the program successfully. Typically we have two class sections of about 30 students each. The yearlong class is 4 semester credit hours, 2 per semester.

### ***Team leadership and team membership process***

Typically we have teams of 6 students with a team leader. Students make application to be a team leader. This last year we had over 30 seniors out of 74 enrolled apply for one of eleven openings. Each enrolled student must also complete a team member application. After team leaders are selected they review all team member applications and actually interview every student during a very active two hour class interview session. The team leaders then sit down with the instructor, and a draft of team members is conducted. The draft selection process is **confidential!** We don't want word getting out who was drafted first and last.

### ***The business idea***

This is a critical step for students. Teams brainstorm and identify a viable business idea. If a team fails to reach consensus and team buy-in, the ultimate success of the business as well as team synergy is in jeopardy. Once teams have agreed on their idea they work on developing a clear sense of the nature and scope of their business. This is followed by the formation of a well written mission statement. Each team is then required to "pitch" their business idea in front of the class and instructor. This works even better when other faculty and off campus business owners are present. At times the pitching activity can be a little brutal. No one likes to hear their idea questioned, or possibly challenged as to its validity. Yet at the same time this can serve to help teams clarify and refine their business idea.

### ***Developing a business plan***

The next step is developing the various components of a business plan. This is where other business faculty members are helpful. Teams are required to write marketing, finance, management, and operations plans and present these to the class. We bring in our marketing and finance faculty who help students think through what goes into these plans, and then the students come back and once again "pitch" their plans to the class and faculty. We have found that student and faculty feedback on their business plan is extremely helpful. The value was not only in hearing outside perspectives, but also in learning the value of asking for feedback. This process takes several weeks but is important. Teams are required to turn in their written business plan at the end of the fall semester.

### ***Developing team synergy***

Invariably, I have found that team synergy is one of the most challenging aspects of this class. Students seem to come into the class with a high degree of naivety. They quickly learn how difficult it can be to develop a cohesive team. To that end, we require each student to read *The Five Dysfunctions of a Team*, by Patrick Lencioni. This text is assigned in the first week of fall semester with teams required to present a written and oral assessment of their team's progress at the end of week twelve, using the five dysfunctions as a measurement. Teams are strongly encouraged to be very honest with their evaluation. Students have found this activity to be very helpful as they move forward with the operation phase of their business. Invariably, team personnel issues have surfaced by this time. Lencioni's book is really quite useful at this point as students attempt to address team synergy issues.

### ***End of the fall semester presentations***

Each team is required to formally present their complete business plan one final time before launching their businesses. This is an opportunity for teams to receive final feedback as well as continue to hone their presentation skills. Teams then receive the final approval to move ahead with the launching of their businesses.

### ***Implementation and operation of the business***

Once teams have a clear picture of their business idea and plans, they are then ready for the implementation and operations stage. Each business operates differently. While there is no single set of instructions, most teams are eager to get to this point, and will have some idea on how to get their product to market. Teams will settle on dates, developing schedules, product development, ordering of materials and inventory, and setting into motion their marketing plans. A *Gantt chart* is introduced to the class which they are encouraged to utilize. This tool helps students develop timelines for tasks to be completed. Students have commented on how useful this was in this stage of their businesses' development.

### ***Spring semester: managing the business***

Spring semester is when actual business operations fully commence. The class continues to meet once a week with most of the class time devoted to students working in their teams. This is a great time for the faculty to meet with teams, and offer constructive feedback as well as just get a sense of how things are going. Some teams experience frustration as the reality of starting a business begins to sink in. Others continue to express exasperation with lack of team synergy. All teams express how much time it takes to run a small business. During this semester, teams are

asked to give periodic updates in front of the class on their progress. At times these can be painful as progress is slow. Students are beginning to learn things about business from an entirely different perspective. Rather than being a time of elation, it becomes a time of revelation of the unique struggles associated with running a business.

### ***Closing the business***

Teams are required to close their businesses, including financial reconciliation, two weeks prior to spring graduation. Financial reconciliation includes a closing company income statement and paying back the initial business loan, with 50% of the net income going back into the Scholarship Fund. The team gets to keep the remaining 50%.

### ***Senior business capstone presentations***

At the end of the spring semester, we have an event called Senior Business Capstone Presentation Night. Teams formally present the final state of their business in front of the business department faculty, families, and other business students. Each team presentation is 18 minutes long followed by 2 minutes of audience Q&A. This is a high stress event for students, especially with business faculty asking many of the questions. There are printed programs with the names of each business, student names, majors, and hometowns. This evening is the culmination of two semesters of hard work. The length of the evening is usually four hours with a short intermission and light refreshments. Students express relief and fulfillment at the end of the evening.

### ***Examples of actual businesses***

Since the program's inception, students have developed over fifty businesses. These have included a maple syrup company with imported Vermont maple syrup, beautifully designed customized T-shirts, a home cleaning service, and a not-for-profit event planning company that contributed its entire net income to another not-for-profit company that specializes in digging fresh water wells in Ethiopia. Today there is a fresh water well in Ethiopia with the team's name on the well. Other businesses included a Saturday Market, a marketing consulting business, and a business that packaged and distributed locally grown Oregon hazelnuts.

### ***Key learning moments***

Students are asked to maintain an informal record of their key learning moments throughout the two semesters. These learning moments then become an important part of their team's final senior capstone presentations. This part of the presentation is always the most interesting. Students, generally, are quite honest about their experiences. The student learning is genuine, at times painful, and always realistic.

During the fall semester, I ask students to begin maintaining a key learning moments log so they can reflect more quickly on their learning during the spring semester when they begin developing their final presentations. I have found that students need to be reminded to do this throughout the year. I have now taken to asking teams what they are learning during both semesters.

Students have learned that vendors don't always follow through on commitments, failure to earn team buy-in on an idea may come back to haunt them, and it is probably smarter to deal with local vendors than ones three thousand miles away. One team was in the business of brokering hay to local farms and horse ranches. A student was making a call to a local farm and was asked what cut of hay her team was brokering. The student had no idea that there are generally three cuts of hay, the first cut containing the most nutrients. She was caught completely off guard. She told this story in the final presentation. Her final comment was powerful! Know your product! One team in the business of cleaning homes first approached the university's physical plant department for training. The training paid off with repeat customers and referrals coming from satisfied customers. A recurring theme among many teams has been the challenge of working with people on their team. Several team leaders said they had learned selecting friends to be on their teams didn't always work out. We had one team that organized a Saturday community market for the small town where the college is located. Team members painfully learned that no matter how well organized one can be, a forecasted ice storm will most certainly scare customers away. One team started a food concessions business selling hotdogs, hamburgers, and chili among other menu items. Thankfully they all had their food vendor's license the day the state food inspector unexpectedly showed up.

## SUMMARY

As I look back on these six years, the basic concept of the class has endured the test of time. Students (and their parents) consistently voice appreciation for the class. Our business faculty are strongly supportive. The university has featured the class in one of its major publications. Teams have been asked to make presentations at other campus events. Students face real frustration and anxiety in the midst of managing their businesses, yet have come to see the value of their efforts. Students consistently comment on the stress and time commitment of starting a business, yet strongly support the model as a great learning experience. Often the real learning takes place when things are difficult. The students' decision-making, analytical and critical thinking skills have been developed throughout the two semester class. There are numerous stories and real learning moments that simply cannot be duplicated in the classroom. In the beginning, I had to change my mindset and give away much of my control as a faculty member. My approach to teaching will never be the same. More importantly, what students have received is even more telling. One student summed it up when she wrote, "There is not another major that does anything close to what you are doing in senior capstone. All of my friends who are not business majors don't learn half as much as we have all gained from this experience."

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