The Modification of Principles of Finance For Generation Y Learners

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Abstract

This paper is an examination of the characteristics of Generation Y learners and their learning needs which leads to a modified pedagogical approach to a Principles of Finance course. In a pre-course and post-course fashion, the author tests business student perceptions for differences between the accounting and finance students vs. other business majors. While previous studies find significant differences between the two sets of students and recommend two distinct finance courses for the differing needs of business students, the author demonstrates that adaptation to Generation Y learning needs may be all that is necessary to meet all students' needs.

I. INTRODUCTION

One of the more difficult challenges of teaching Principles of Finance is that students come in with different academic backgrounds and different commitment levels to their educational success. It is not uncommon to have the distribution curve on exam #1 to be an inverted normal curve, with students scoring either very well or very poorly, and few "middle" grades. Studies in financial education literature have discovered that there are key differences in the students that come into a Finance Principles course.

Sen, Joyce, Farrell, and Toutant (1997) conclude that students with Finance or Engineering majors, on average, earn higher grades in the Finance Principles course than other non-Finance business majors due to stronger quantitative backgrounds and greater commitment levels. Krishnan, Bathala, Bhattacharya and Ritchey (1999) survey students and find that the attitudes of business-related students in the Finance Principles course vary by major, with Accounting and Finance students having different perceptions of the course than those perceptions of non-Finance business majors. Krishnan et al. suggest that adapting the pace and scope of the Finance Principles course make the course more relevant and useful to the average student. A similar study by Balachandran and Skully (2004) also surveyed Finance Principles students to find that Finance and Accounting majors had significantly different perceptions of the Finance Principles course when compared to other business majors; the authors argue that two separate courses should be offered, one with a more quantitative, theoretical approach and the other with greater focus on application of finance principles. Differences between student perception and performance appear to be consistent; however, the question becomes: Are the differences being measured a result of teaching models being used? That is, are the courses being taught in ways that only meet the learning needs of some of the students involved?

The purpose of this paper is to examine how the learning needs of today's traditional-aged students (Generation Y) may help us understand the results of previous studies. Oblinger (2003) asks, "How well do college and university faculty, administrators, and staff understand [generational] differences? How often to they take the differences into account when designing programs or courses?" (p. 37). In this study, adaptations were made to the Principles of Finance course in an attempt to better meet the learning needs of Generation Y. The course was modified in a way that attempted to satisfy the needs of all majors while still incorporating a quantitative, theoretical approach commonly found in the course.

Section I of this paper will discuss the learning needs of Generation Y as well as the implications of those learning needs in the Finance classroom. Section II outlines modifications that were made in a Principles of Finance classroom, and Section IV contains information on data collection and research methodology used to test the success of a modified Finance Principles course with a discussion of results and implications.

II. GENERATION Y PROFILE

Born at the end of the millennial (between 1980 and 2000) Generation Y, also called the Millenials, the Digital Generation, the Net Generation, the Echo Boom Generation, among other names, is a unique generation. They are the first generation to grow up "connected", with parents that play an active role in their busy, well-managed lives. They want to "make a difference" in the world and are not afraid to take risks. On the other hand, they are often perceived as impatient, with little tolerance for others wasting their time.

This generation was born after the invention of the PC; most were exposed to the computer in their pre-school years and have welcomed the many technological changes that occurred in their lifetime. Observing a Generation Y student in the classroom, you will probably see them turning their cell phone ringers to "vibrate" when they enter the classroom; however, it would not be unusual for them to send or receive a text message during class. When they leave the classroom, they often flip open their phones and make a call; that call often goes to Mom or Dad.

Harris (2001) reports survey results showing that when Generation Y was asked whom they admired, Mom and Dad were most often chosen. Generation Y grew up with strong parental involvement and support. Colleges and universities began hearing the term "helicopter parents" in the early 2000's, generally referring to the parents of Generation Y. More than any previous generation, Generation Y's parents hover over and around their children, making sure that their child gets every opportunity that he or she deserves. One may judge parental involvement as a negative in this stage of life; however, one positive result is that Generation Y strives to please their role models, which can be a great benefit in the classroom.

No generation has been busier than Generation Y. Raines (2002) reports that "parents and teachers micromanaged their schedules, planning things out for them, leaving very little unstructured free time. They were signed up for soccer camp, karate club, and ballet lessons – and their parents were called into service, shuttling them from one activity to the next. Some started carrying *Daytimers* when they were in elementary school." (Raines, 2002, ¶9) Generation Y grew up multi-tasking, with little tolerance for wasted time. Kehrli (2006) states that students will view a professor as an expendible asset and as professors, we must seek any chance we can to teach in meaningful ways. That is, adding value in the classroom is required by this generation.

Generation Y is optimistic and open-minded, collaborative, and goal-oriented. Raines, 2002 examines new employees from Generation Y and identifies their 6 most frequent requests:

1. Leadership – Generation Y likes structure and supervision so that they can learn to be great leaders in the future.

2. Challenges – Generation Y wants to learn; however, they're looking for learning tools that will lead to personal growth, development and a career path.
3. Collaboration – Generation Y wants to work in teams. They enjoy the social aspect of work as well as a better product.
4. Fun – Humor and silliness are appreciated by Generation Y. Work can be fun if you work with fun people
5. Respect – Even if Generation Y workers have not been around a long time in the work environment, they want to contribute and feel valued.
6. Flexibility – Generation Y grew in an active environment and they want to maintain an active life. Lack of flexibility in the workplace is not welcome by this generation.

It would be a short leap to assume that the needs of Generation Y as they enter the workplace are similar to those needs as they enter our classrooms. Frand (2000) states, "we have the pedagogical opportunities to build on the various attributes of [Generation Y] and prepare students to participate in a community of lifelong learners" (p. 24.) How do we adjust our pedagogical approaches as Generation Y enters the finance classroom? It is clear that we must make changes in our approach to Principles of Finance to meet the needs of our new learners. Brown (1997) states that when educators modify their instruction for the unique characteristics of their students, learning improves.

III. MODIFIED TEACHING METHODS

Modifying a Principles of Finance course requires that the professor move away from the podium and move toward creating an environment that encourages learning by the students of Generation Y. Frand (2000) states, "Replacing the phrase 'sage on the stage' with 'guide on the side' reflects the idea that the instructor needs to play a more Socratic role, posing questions and guiding the learning process, rather than taking an ecclesiastical approach, providing 'the word' on a subject that the student has to 'learn' (memorize) and repeat back in some format." (p. 24)

Pedagogical changes that move the professor from lecturer to facilitator should improve learning for students of Generation Y. The changes incorporated in this study follow Raines (2002) feedback on meeting the most common requests of Generation Y workers (see list of 6 in previous section). Specific changes were made in the pedagogical approach in the Principles of Finance course taught during the academic year 2005-2006. Changes included the following:

<u>Clear expectations and leadership by the faculty member</u>. In order to provide clear direction and clear communication of expectations, the use of online course software, such as BlackBoard, is an invaluable tool for communication between the faculty member and class members. Syllabi, with clearly stated expectations, were available online, as were daily homework with check figures. When students made contact with homework questions, e-mails were sent to the entire class in order to clarify questions or suggest hints to problem solving. Proactively keeping lines of communication open was one element of the revised approach to Principles of Finance.

<u>Relevant challenges</u>. Relevant applications of finance material are important to the Generation Y learner. For example, when covering time value of money, problems were created that provided relevant examples of the material. Creating problems where students learn that saving early in their careers and accepting risk in their investment

choice are relevant lessons for Generation Y learners. Incorporating lease vs. buy decisions when discussing basic cash flow analysis problems also caught student attention. Time was taken at the end of the semester (2-3 days of class) to discuss personal finance issues such as 401K plans, mutual fund investing, insurance basics, money issues in relationships, etc.

Collaboration through group work. In addition to regular group problem-solving within the classroom, group work can be used from special projects to homework presentations to taking exams. Offering options for students to "fire" group members reduces the shirking incentive.

Fun can happen in Finance! Hard to believe, but when covering those boring chapters full of definitions (such as covering basic financial instruments and financial markets), one can have some fun. Generation Y loves to play games and it is easy to incorporate games such as *Jeopardy!* or *Who Wants to be a Millionaire* (or Candyaire in this case). Both games can be developed in inexpensive ways and students enjoy the competition.[1]

Mutual respect is always important. Recall that Generation Y desires to please. As a group, they are sensitive to your attitude toward them. Treating them with respect is important to build trust and create a successful learning environment.

Flexibility is appreciated. Flexibility is often difficult when one has a set amount of material to get through in a limited time period. It is important that you present evidence of flexibility in the classroom. If you see students struggling with a concept, it is important to take the time to talk through the issue one more time or create another example to improve understanding. Reading body language is important so that you become aware of teaching moments.

Oblinger (2003) states, "[Generation Y's] learning preferences tend toward teamwork, experiential activities, structure and the use of technology." (p. 38) Clearly, these preferences were considered in the adaptation of the Finance Principles course. Specific assignments were designed to meet the needs of the Generation Y learner. Statistical testing was then completed to test the success of the modifications.

DATA COLLECTION AND RESEARCH METHOD

To test the pedagogical success of a modified Finance Principles course, a survey similar to that of Krishnan et al (1999) and Balachandran and Skully (2004) was administered at the beginning and the end of the semester to all students taking Principles of Finance at a small, liberal arts school.[2] There were 65 students who completed the survey at the beginning of the semester and 63 at the end. Sample statistics are highlighted in Table 1.

Place Table 1 approximately here

[1] While Classroom Jeopardy is available for about $200, you can create a Jeopardy board by stapling envelopes on a poster board and filling each envelope with Jeopardy clues. One might even ask students to write questions and answers for one of the categories. Student groups can each have a call bell and let the games begin! Who Wants to be a Millionaire can be done with multiple choice questions and lifelines. In both cases, I do not allow students to use their books; however they can bring as many notes as they wish to game day.

[2] A copy of the survey (in both pre and post form) can be found in Appendix 1.

Recall that Krishnan et al (1999) and Balachandran and Skully (2004) find significant differences between the attitudes and expectations of Accounting and Finance Majors (AFM) and Other Business Majors (OBM) toward the Finance Principles course. However, this study argues that if the Finance Principles course is modified to meet the learning needs of Generation Y, those differences should be less apparent at the end of the academic term. Data collected indicate that, indeed, the modified Finance Principles course nearly eliminates the differences between AFM and OBM students. Table 2 reports the results of pre- and post-course testing.

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AFM and OBM responses are significantly different on all attitude questions concerning Finance in the pre-class survey. AFM students expected the course to be significantly less challenging, more interesting, and more useful in day-to-day life and in their futures, and they believed they had better preparation in accounting and economics, when compared OBM responses. Significant differences were also found in pre-course responses to the requirement of Finance for all students or for their major. AFM (OBM) responses indicated some (very little) disagreement that all students should take Finance and disagreement (agreement) to the statement that they wouldn't take finance if it weren't required for their major. The clear expectation of the pre-course results was that Principles of Finance is a course would be of less value to the OBM than the AFM and, in general, OBM would not be in the course if it were not required for the major.

Post-class results indicate that most of the differences in responses were eliminated as students completed the course. There were no significant differences in responses to statements on the course being challenging, interesting, and useful. There were no significant differences in responses to the statements concerning Finance as a required course (for all students) or as a required course for all business majors. One notable exception to the elimination of differences in the pre-post analysis was the fact that OBM found the course less challenging than first expected, and surprisingly ranked the course less challenging than AFM responses. It is also interesting to note that grade expectations for the AFM went from B+/A- range to B/B+ range while the OBM went from the A-/A range to the B-/B range, indicating that both groups anticipated significantly lower grades at the end of the semester than the beginning.

The implications of these results are useful to finance professors. While Balachandran and Skully (2004) argue that two separate courses should be offered – one for AFM and one for OBM, many colleges and universities do not have the financial resources to make such changes. Moreover, the division of the Principles of Finance course by student major appears to be unnecessary. By making pedagogical changes to the Finance course, and considering the learning needs of Generation Y, the course can meet the needs of all students without separation.

CONCLUSION

In this study, deliberate modifications were made to the Principles of Finance course in an attempt to better meet the learning needs of Generation Y. Results indicate that the modifications eliminated the differences between student perceptions of accounting and finance majors (AFM) versus other business majors (OBM). Reversing previous findings, this study concludes that a modified Finance Principles course can be interesting and useful to all business students. By adapting the course to the learning needs of Generation Y, students found Finance Principles to be significantly more interesting and useful upon completing the course.

TABLE 1 – SAMPLE STATISTICS

	Pre-course	Post-course
MAJORS:		
Accounting majors	10	9
Business majors	43	42
Non-business/accounting majors	12	11
Total[3]	65	63
BUSINESS MAJORS:		
Finance	7	8
Non-finance	36	34
Total	43	42
GENDER:		
Male	36	35
Female	29	28
Total	65	63
EXPECTED GRADE		
1 = A	21	10
2 = A-	11	14
3 = B+	13	13
4 = B	13	11
5 = B-	4	6
6 = C+	2	2
7 or below	1	7
Total	65	63

[3] There were 8 students who were double majors. These students were categorized by the major they noted to be their "first" major. The students who were non-majors all had Business Administration minors and were included in the "Other Business Major" category. Tests were run without the non-majors in the sample and there were no statistical differences in results.

TABLE 2
For this survey, 1=strongly disagree; 2=disagree; 3=neither agree nor disagree; 4=agree; 5=strongly agree

	Accounting or Finance (AFM)		Other Business Majors (OBM)			Krishnan et al.
	Mean	STD	Mean	STD	z-stat	Mean
1) I expect the finance course will be challenging.						
Pre	4.200	.919	4.582	.498	-2.93***	4.02
Post	4.417	.515	3.860	.904	4.27***	4.43
z-stat	-1.65*		5.57***			
2) I expect this finance course will be interesting.						
Pre	3.90	.738	3.455	1.015	2.83***	3.70
Post	4.333	.492	4.180	.873	1.22	3.57
z-stat	-3.92***		-4.34***			
3) I expect this finance course will be useful in day-to-day life.						
Pre	4.200	.919	3.927	.766	1.83*	4.07
Post	4.167	.718	4.080	.922	0.59	3.81
z-stat	0.23		-1.02			
4) I expect this finance course will be useful to future employment						
Pre	4.500	.707	4.273	.827	1.67*	4.01
Post	4.417	.669	4.240	.894	1.27	3.75
z-stat	.68		.22			
5) Finance should be a required course (for all students)						
Pre	2.700	.823	2.982	.850	-1.91*	n/a
Post	3.583	.793	3.540	.973	0.27	n/a
z-stat	-6.18***		-3.45***			
6) I wouldn’t take Finance if it weren’t required for my major						
Pre	1.800	.789	3.400	1.099	-9.44***	3.02
Post	2.917	.900	3.020	1.169	-.56	3.33
z-stat	-7.46***		1.89*			
7a) I have adequate preparation in Accounting for this course						
Pre	4.500	.972	3.673	.795	5.28***	n/a
Post	4.333	.492	3.74	1.046	4.08***	n/a
z-stat	1.23		.41			
7b) I have adequate preparation in Mathematics for this course						
Pre	3.800	1.549	4.182	.611	-1.85*	n/a

Post	4.417	0.669	4.300	.814	.89	n/a
z-stat	-2.94***		-.93			
7c) I have adequate preparation in Economics for this course						
Pre	4.400	.843	3.891	.762	3.59***	n/a
Post	4.000	.853	3.860	1.01	.85	n/a
z-stat	2.67***		.20			
Grade expected (1=A, 2=A-, 3=B+. . . 7=C, 8=C-. . . 12=F)						
Pre	2.4000	1.776	2.709	1.499	-1.06	n/a
Post	3.167	2.082	3.570	2.020	-1.11	n/a
z-stat	-2.24**		-2.73***			

*** Statistically significant at the 1% level; ** statistically significant at the 5% level; * statistically significant at the 10% level; n/a=not available; t-test=t-test for the difference in mean responses.

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