

Bringing Management Lessons to Life with Investment Simulations

Abstract

We will explore how investment simulations can bring management lessons to life by turning otherwise inexperienced undergraduate students into virtual business owners. We will open by discussing how having students following publicly-traded companies facilitates the connection of course content to real situations. Then, we will discuss how incorporating investment simulations in management courses motivates students to follow such news without overburdening them. Finally, we will review types of simulations implemented and walk through the set-up process.

Keywords: Investing, Problem-Based Learning, Simulation

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Introduction

One of the biggest challenges involved with undergraduate management education is getting students to appreciate the value of what we teach. Indeed, many of us, especially those of us who have taught organizational behavior, have had to deal with students expressing boredom with our lessons or dismissing them as mere common sense. This can be very frustrating, especially when we know all too well that what strikes many as common sense is often hardly common practice. For instructors who have faced such barriers to learning or continue to do so, I propose investment simulations as a solution.

Though investment simulations seem more suited to finance or economics courses, they can enrich management education just as much. This is because their highly objective outcomes make them easy to gamify by rewarding top performers with bonus points, assignment exemptions, or, just simple recognition. Gamifying in this way leads two types of playing by students. One is that it motivates increased engagement among competitive students who love winning and hate losing. The other is that it frees less competitive students to merely explore and experiment. Whether they engage, explore, or experiment, the game itself provides a common context for discussing class material and for students to share what they learned while playing to win or just playing at it.

Participants in this session will find investment simulations useful, as I have, as term-long activities in introductory or survey management courses as well as more specialized ones like human resource management, strategy, and managerial decision making. Though I see investment simulations as more useful with inexperienced undergraduate students, they could just as easily be used in MBA courses on these same

topics. In either case, I recommend using a limited set of prechosen stocks to make the exercise more about following the same companies than rewarding students for picking the best performing ones out of tens of thousands of possible options.

Theoretical Foundation & Teaching Implications

This workshop incorporates problem-based learning (PBL) into management education. PBL is a method of instruction introduced in medical schools to enrich the training of future physicians (Savery & Duffy, 1995). The driving theoretical principle behind PBL is that the human brain is best primed to learn when facing a problem. The corollary is that solutions are often lost on audiences who have not seen or anticipated the problems they address (Baldwin, Bommer, & Rubin, 2007). Investment simulations allow us to leverage PBL by turning our students into virtual business owners or, if our imaginations allow us, into corporate directors.

The key teaching implication with investment simulations is that they create contexts in which students can see one or more companies' successes or failures as theirs just as happens with real stockholders. When students view companies this way, they naturally take more interest in the performance and problems that those companies experience. This interest, in turn, sets up more energized and informed discussions about related course content. For instance, a discussion of corporate ethics becomes a lot more meaningful when criminal investigations and civil suits cost stockholders dearly as they often do (Pierce, 2018). Such issues also naturally transition into conversations regarding the differences between capitalism, socialism, and corporatism. After all, why do stockholders have to pay for other people's crimes?

Learning Objectives

The proposed workshop has three simple learning objectives:

1. See multiple potential uses for investment simulations in management courses.
2. Understand the importance of restricting simulations to synergize learning.*
3. Learn how to set up a simulation using the free service available through www.marketwatch.com.

* Experience has taught me that allowing students to trade whatever stocks they want works poorly in management courses because it makes the exercise about choosing the “right” companies rather than understanding the management issues all companies face.

Exercise Overview

We will open with discussing the general need for exercises that enable inexperienced students to connect course content to real-world situations. This discussion will transition into me explaining how I came to see investment simulations as a type of exercise that enables such connections. I will also describe how I have used them in two very different types of courses: a course on managerial decision making and a survey course.

Next, participants will have the opportunity to share any experiences they have had with investing or investing simulations. The objective of this phase is for participants to share insights that they have picked up that may help others as well as any ideas they have for improving on implementations shared in the session (including mine).

A practical lesson will follow in which I will walk through setting up a simulation on www.marketwatch.com. The objective here is twofold. First, it will show participants

how easy setting up a simulation is. Second, it will provide an opportunity to discuss specific parameters instructors should consider restricting for use in management courses. For example, one of the biggest lessons I learned was that the simulations should only allow students to trade a small number of stocks. In some cases, just one.

We will conclude with a brief reiteration of the tricks and traps that any participants and I have shared during the session along with an opportunity for participants to ask any remaining questions they may have. Given the simplicity of the topic and tutorial, 30 minutes should be adequate for this session. The only reason more time would be needed would be to explain more advanced trading techniques and options for the simulation. If it is deemed that I should discuss such topics, I am happy to conduct a 60-minute session. Otherwise, I will provide participants links to resources that explain those options (e.g., www.investopedia.com) and run a 30-minute session as outlined next.

Session Description

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| I. | Personal introductions

Names, teaching areas, & interest with/in topic | 5 minutes |
| II. | Background and inspiration for session

a. Why I started using investment simulations

b. My experiences with investing simulations | 7 minutes |
| III. | Discussion with Participants

a. Their experiences, if any.

b. Can we think of new and improved ways to implement? | 7 minutes

6 minutes |
| IV. | A How-to ... | |

- a. Introduction to MarketWatch's platform
- b. Step-by-step walk through of implementing a simulation
- V. Wrap-up 5 minutes
 - a. Summary of tricks and traps
 - b. Q & A
 - c. Resources for learning advanced investing techniques

References

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