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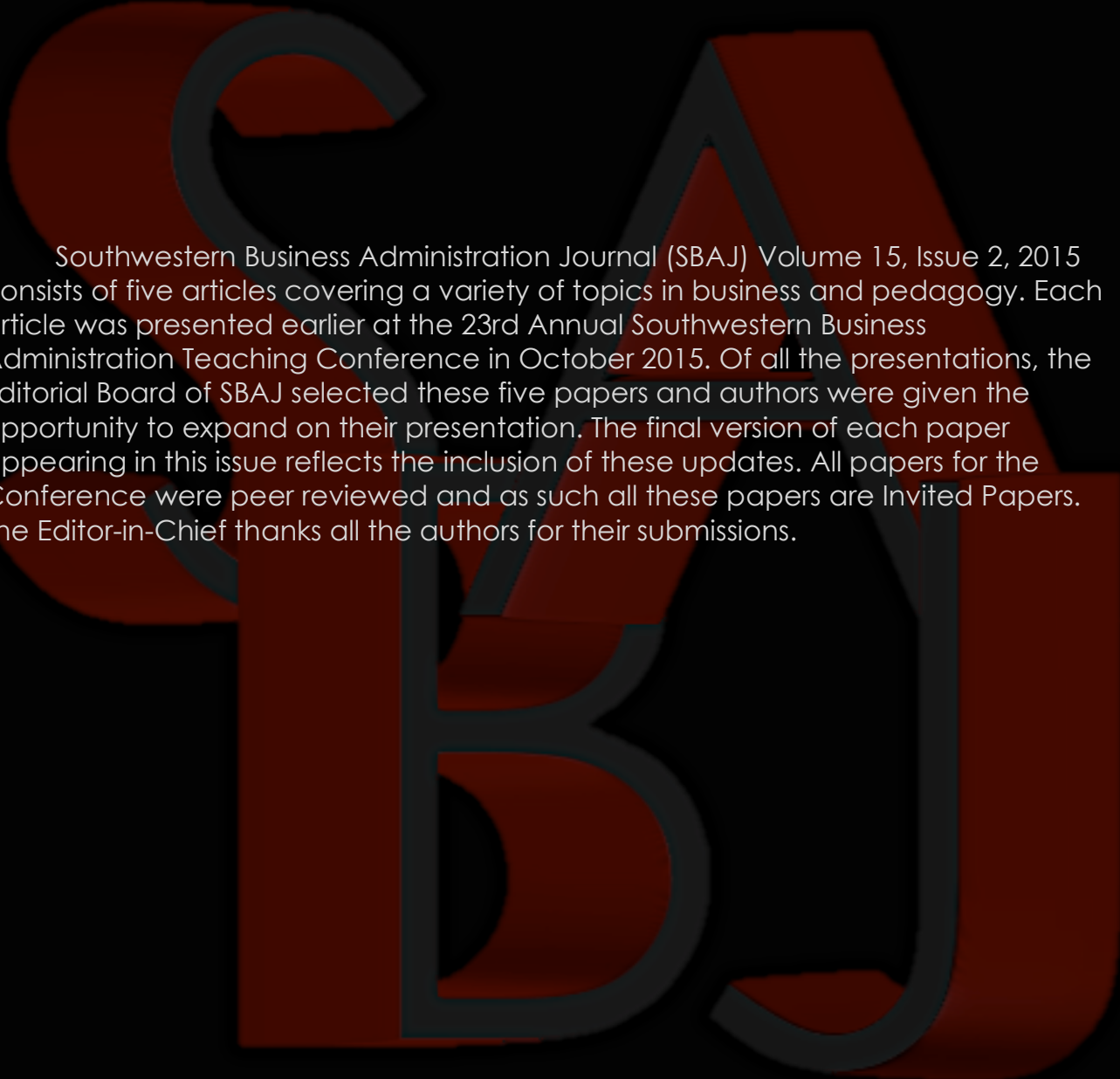
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# **THE PRICE IS RIGHT: A SOCIONOMIC INQUIRY INTO TRADITIONAL VALUATION MODELS**

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## **ABSTRACT**

This paper addresses the apparent failure gap between traditional stock or equity valuation models and the resulting prices attributed to stocks with little to no earnings. Such models have included discounted cash flow, residual income, price earnings models, and net present value techniques. The failure of such modeling to explain high valuations suggests a completely different dynamic is involved. The paper will examine the predictive social science in the developing field of socionomics. The paper examines the price performance of Amazon since its IPO. The dichotomy between the lack of cash flow and earnings versus the continued price advance of the stock is better explained by the socionomic model. In that regard, this paper builds on the financial/economic dichotomy explained by Prechter and Parker in 2007.

**KEYWORDS:** Socioeconomic, equity valuation, cash flow, valuation models, price performance



## Difficulty of Traditional Pricing Methods

Traditional pricing methods have used various methods including discounting of expected cash flows, economic value added, the production of income above a required rate of return, a ratio of the stock price to the earnings of the firm, or horizontal analysis with similar firms in the same industry.

Hamadi and Hamadeh frame the problem precisely noting 'recently determining firms' value has become more problematic (Hamadi, 2012). The two researchers further note that ratios such as price earnings, return on Equity (ROE) or Return on Assets (ROA) mix operating performance with financial structure, making peer group analysis or trend analysis less focused (Hamadi, 2012). The authors further note that a paper by Keen points out that earnings per share (EPS) tells nothing about the cost of generating those profits (Keen, 1999).

No remark about valuation better illustrates the purpose of this paper than a comment from the well-regarded New York University Stern School of Business. In their own words:

There are those disingenuous enough to argue that value is in the eye of the beholder, and that any price can be justified if there are other investors willing to pay that price. That is patently absurd. We buy financial assets for the cash flows we expect to receive from them. Perceptions of value have to be backed up by reality. Valuation models attempt to relate value to the level of, uncertainty about and expected growth in these cash flows (Stern, n.d.).

It is precisely that conventional wisdom this paper intends to challenge. The entire dot.com mania was in contravention of assumed cash flows. The paper later examines the disconnect between such conventional modeling which warned again and again of over valuation regarding Amazon (AMZN). Yet AMZN is one of the best performing stocks since its IPO in 1997 returning some 45x of the original investment while violating near every rule of the Stern School of analysis.

Cican (2013) echoes these problems noting discounted cash flow models, which, moreover, are very complicated and take into account a lot of indicators. Cican (2013) continues noting that "since the 1990s, the traditional return measures are considered to be insufficient to express the economic reality. "

Entwistle (2015) notes that in its most basic form the P/E ratio is constructed as a stock price divided by earnings per shares. In practice however there are a number of different price and earnings variables that are used when constructing the P/E ratios. That analysis allows for nine variables each for both in stock price and earnings. Six variations of price-earnings ratio combinations are presented. In summary. The construction of P/E ratios in practice demonstrate that companies do not have a single standard P/E value (Entwistle, 2015).



## Net Income Available to Common Shareholders

Figure 1

Year	2010	2011	2012	213	2014
Net Inc	1.15 B	631 M	- 39 M	274 M	-241 M
EPS Basic	2.58	1.39	- .09	.60	-.52

Source: Entwistle 2015

Figure 1 illustrates the difficulty of using AMZN's EPS in a discounted earnings or cash model. There is not a consistent trend.

This paper builds on the observations by Prechter and Parker that the data suggest "the stock market is blissfully unaware of the dividend discount model, earnings discount model, corporate liquidation value, and the Fed's relative-yield pricing model" (Prechter, 2007).

The better explanation for a linkage between the non-trending income in Figure 1 versus a continued increase in AMZN share valuation is again provided by Prechter. "Because the majority rules herds, financial market trends appear to be based on little more than investors' mood. Social mood, the postulate, is the net mood of the populace, shared through the herding impulses" (Prechter, 2007).

The paper will refer multiple times to Figure 2. But clearly price rose faster and faster as more investors herded into the AMZN camp.

## AMZN Monthly Stock Price 1996-2016

Figure 2



Source: Stockcharts.com

The price range for AMZN from 2001-2002 was between \$6 and \$24. That is an un-weighted average price of \$15. The last two months of 2015 AMZN traded around \$675. Therefore an investor who bought at \$15 would have recorded a return of  $675/15 = 45x$ . This far exceeds the return on the Dow Industrials which averaged around 9,000 in 2001-2002. That return would be a mere double as  $18,000/9,000 = 2$ .

### Analyst Disbelief from Then to Now

Back in 1998 when AMZN had just gone public, Scism and Sandler quoted Merrill Lynch Internet analyst Jonathan as follows. "AMZN is not a technology company, it is not a software company, and should not enjoy a valuation remotely that is even remotely related" (Scism, 1998). The authors further note that AMZN's then \$4.64 billion market value was equal to the combined value then of Barnes and Noble and Borders Group. That value was "completely disconnected from AMZN's operating prospects" (Scism, 1998). Ironically, Borders foretold the future ceasing business altogether in 2011 (Shanburn, 2011).

By 2012, the stock had climbed to \$150 but the disbelief continued. A writer noted AMZN sported a 76 times price earnings ratio. At the time Wal-Mart traded for 11, Apple at 11.4 and Netflix at 38 times projected 2013 earnings (Jakab, 2012).

Disbelief marked another new high in November, 2012. A *Seeking Alpha* article notes that the company reported a September quarter loss of  $-\$0.23$  cents per share versus an expect loss of only  $-\$0.07$  (Dierking, 2012). The writer indignantly noted that "the fact the stock traded significantly higher following a revenue miss like this is almost unexplainable...you can justify higher ratios if the company is experiencing

explosive growth but for a company the size of AMZN" (Dierking, 2012). Rather it is just that sort of reaction that this paper seeks to explain in a later section.

Dierking's table is presented as Figure 3 below and clearly AMZN is out of the normal ratio-ballpark so to speak. Revenue is 12.4% of Wal-Mart but market capitalization is 41% of Wal-Mart. The Price Earnings to Growth (PEG) ratio is not a misprint. At 158 it is 46 times that of EBay. Operating and Profit margins are miniscule compared to the other firms.

November 2012 Valuation Comparison (Millions)

Figure 3

Firm	AMZN	WMT	Target	Costco	Ebay
Revenue	57,260	\$460,710	71,340	99,140	13,460
Mkt Cap	105,490	252,180	41,750	42,560	62,450
P/E	130.84	13.89	12.96	19.61	17.68
PEG	158.	3.6	2.62	3.44	3.14
Opt Mgn	.93%	5.94%	7.43%	2.78%	20.65%
Pft Mgn	.07%	3.53%	4.12%	1.72%	28.52%
Price/Bk	13.97	3.6	2.62	3.44	3.14

Source: Seeking Alpha, November 1, 2012

Disbelief continued into 2013 with Forbes noting "AMZN is a competitive, low margin business that cannot justify the profit growth implied in its valuations... the question today is about future margins and whether they will ever be high enough to justify the current stock price" (Trainer,2013). The author complained that until AMZN has exclusive access to content for which people are willing to pay a premium, the strategy will never yield as high margins as the company must achieve to satisfy investors. (Trainer, 2013)

That was in May, 2013. By December, 2013 another writer complained of the "nosebleed 145 P/E ratio, an expectation that even Jeff Bezos and Co. will have a tough time living up to. He concluded noting AMZN did not post a penny of profit in fiscal 2012" (Reeves, 2013).

This section of the paper ends with another look at Spencer Jakab's take on the firm. Then analysts were expecting a third quarter loss of 75 cents. Ahead of the Tape sternly warned "investors should avoid a fourth consecutive tumble following the earnings report" (Jakab, 2014). The article noted that "Wal-Mart, Barnes

and Noble, Apple, Costco, and Rackspace sported trailing multiples of debt adjusted market value to earnings before interest, taxes, depreciation, and amortization of between seven and 13.5 times that measure, AMZN is 220% more expensive than the group even though its revenue is 28% cheaper” (Jakab, 2014).

At the time of that article, AMZN had dropped from \$400 to \$300. But in 2015, it would attain parabolic status racing to \$700 proving previous negative pundits cited here as wrong on the public valuation of AMZN.

January 2015 Valuation Table

Figure 4

Firm	AMZN	WMT	TGT	Costco	E Bay
Revenue	100.59 B	484.03 B	73.91 B	116.55 B	17.7 B
Mkt Cap	284.56 B	203.45	43.97	66.89	30.92
P/E	108.4	15.2	13.81	24.45	13.07
PEG	5.35	11.61	1.45	3.38	1.83
Opt Mgn	1.7%	5.25%	7.06%	3.11%	19.21%
Prof Mgn	.33%	3.12%	-.95%	2.03%	12.83%
Price/Bk	22.94	2.62	3.45	6.28	4.76

Source: Finance.yahoo.com, n.d.

Some of the market expectations for AMZN are coming true but on several measures there is still a distinct disconnect. Revenue is 21% of WMT but market capitalization is \$80 billion greater. The PEG ratio seems more in line with the industry but is still higher than all but WMT. The profit margin is barely positive. Rounding it out, investors are willing to pay \$22.94 for one dollar of AMZN earnings ten times what the market pays for Wal-Mart or more than triple Costco.

In retrospect, it is clear that analysts erred in thinking AMZN was at first just a book-seller, or later, just another online retailer. Indeed AMZN has been re-defining the shopping experience in the same way that Sears did by creating catalog shopping in the 1890s. Indeed, is there really much difference in the two, though separated by a century of time? From this standpoint, AMZN has been more than a company but an engine of change.

The next section of the paper presents a coherent explanation for such valuations, which have clearly not been provided by traditional analytic models.



## **Financial versus Economic Valuation**

The ratios presented in Figures 3 and 4 are evidence of just that, demonstrating that the market has a far different idea of AMZN than its competitors. Prechter (2007) makes the distinction that “an economic market is one for utilitarian goods and services while financial markets are those for investments and speculations. In the economic market place, supply and demand govern price”. The demand for products like laptop- computers has seen prices fall from \$2,000 to \$200 in the last fifteen years. Supply responds to demand. But in the market of financial valuation, there is no such balance (Prechter, 2007).

This is why investors could and did put a 130 P/E on AMZN in 2012. Figure 2 shows that in 2015 AMZN finally assumed a parabolic rise, the sort of move only generated by a geometric rather than arithmetic dynamic. This is the result of herding in the markets. As Prechter put it, “the general investing population commits more money to the market as it rises and less as it falls, a behavior opposite from that which would generate profits” (Prechter, 2001).

“Humans apply reason in contexts of certainty and pre-rational herding impulse in contexts of uncertainty. When uncertainty about others’ valuation applies, people herd and markets are dynamic” (Prechter, 2007).

### **A Socionomic Explanation of Financial Market Pricing**

Casti (2010) notes that John Maynard Keynes spoke of “animal spirits that impel people to act outside the scope of deductive, rational thought-action by feeling and belief, not by calculation”.

This leads to the socionomic view of causality. This view is opposite the conventional wisdom that humans are influenced by outside events. Rather, social mood motivates social action, not the other way around (Prechter, 2009). The evidence of this is in the long term pricing of AMZN by the market, regardless of the persistent belief of analysts cited earlier in this paper. Moreover, social mood is endogenously regulated, not prompted by outside forces (Socionomics, n.d.). The point here is that no matter how often analysts warned of AMZN over valuation, investors ignored the advice and bought AMZN shares at ever higher prices.

Changes in valuation over time are not linear. Figure 2 displays a suggested five Elliott waves that AMZN has experienced since going public. Social Mood is patterned according to this robust fractal called the Elliott Wave Model (Prechter, 2009).

Figure 5 is demonstrates several of the socionomic principles. It appears Wave 4 ended in January 2015. Since then the greatest move in the stock price has occurred, the \$400 rise from \$300 to \$700 (\$ 696.44 actually). This demonstrates another dynamic of socionomics in application. Extreme expressions of social mood tend to occur near the end of a trend (Prechter, 2009). Investors took



18 years (1997-2015) to raise the stock price \$300. That shows mood was internally or endogenously generated in spite of numerous warnings to the contrary. Then in the last year, investors more than doubled the price in final rush to buy when the stock was priced higher than ever. That is the true herding instinct.

The blue arrow in Figure 5 highlights the first week of trading in 2016. This further illustrates the dictum that mood is indeed endogenously generated. After driving the price 2.33x higher in one year, the mood immediately reversed. Price dropped from \$699 to 607.05 (13.2%) in seven days of trading. Have the fortunes of AMZN changed so quickly? Perhaps not but the social mood regarding AMZN certainly has. If mood did not change independent of events, markets would continue unabated in one direction or the other with no interruptions. But markets do turn on the proverbial dime as Figure 5 illustrates.

AMZN Stock Price 2014-2015 Weekly

Figure 5



### Conclusion and Need for Further Research

Existing financial models are inadequate to explain super valuations such as existed for years for companies like AMZN. Yet as with Adam Smith's Magical Hand, the market sees success and trend change well before the financial ratios give any indication. More research needs to be done to indicate identifiers of changes in mood for a better predictive model. Socionomics does however provide an answer to Stern's suggestions that buying in the absence of expected cash flow is nonsense. In fact investors do act in that manner and in the case of AMZN were well rewarded.

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# LEADERSHIP: USING CASE STUDIES TO INCREASE LEARNING AND INTEREST

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### **ABSTRACT**

Case studies offer thought-provoking ways to present students with decision-making practice and real-world situations. This project utilizes a series of retail business cases that focus on leadership and entrepreneurial behavior in response to challenge and adversity. Each case examines a family's path to business success despite overwhelming personal and professional odds. Secondary issues include strategies and tactics that were employed to sustain the business in response to severely declining market conditions and changes in the competitive landscape.

The case studies are based on a Southeast Texas business located in the communities Lamar University serves. Lamar is fortunate to have one of the former owners of the business as a current faculty member. He is able to present the cases to the students and follow-up discussion with additional real-world stories.

Students are provided a series of dilemmas requiring them to develop, analyze, and prioritize the business owner's alternatives. The cases require students to consider numerous personal, professional, and family business dynamics that come into play and to recommend courses of action.

**KEYWORDS:** Case Studies, Leadership, Real-World Studies, Instructional Practitioners, Franklin Covey



## ORIGINATION

Many senior faculty are retiring or will soon retire and there are currently not enough business PhDs to fill the positions available. Also, there is a significant increase in the number of students seeking degrees in business. (AACSB International, 2011) As a result, business schools are employing an increasing number of professionally qualified faculty, otherwise known as Instructional Practitioners. Instructional Practitioners face a number of challenges as they move from the corporate office to the classroom to effectively teach the next generation of business leaders. One of these challenges is creating a structured learning environment that is engaging and motivating. People with professional experience often shy away from teaching theory from academic textbooks. Instructional Practitioners need tools to allow them to teach from the perspective of practical experience. Rather than tell unstructured war stories, the use of cases provide a framework for student preparation, class discussion, and assessment.

The MBA program at Lamar University offers courses in leadership and organizational development. The College of Business partnered with Franklin Covey, one of the leading executive training companies in the world, to deliver world-class corporate training content to Lamar's MBA students for graduate academic credit. Franklin Covey certified Lamar professors to teach its content. The faculty developed the structure for the content to be delivered for academic credit. MGMT 5312 is a course in the MBA curriculum titled "Personal Leadership". The course is based the best-selling management book 7 Habits of Highly Effective People by Stephen R. Covey. The book presents a principle-centered approach to management.

MGMT 5312 classroom sessions are workshop-based. The content by nature generates a great deal of discussion. A traditional academic text is not available. The instructor found that the workshop had limitations. Discussions did not provide enough rigor to challenge the students to think about how the content is applied. The case study approach challenges learners to actively construct understanding that makes sense to them, as opposed to the traditional passive learning. Lectures aren't truly meaningful until the learner can apply the content to issues." (Ellett, 2007). Another challenge was assessment. The material was not created for a class granting academic credit. The instructor needed to develop components for assessing content mastery.

Using true stories from his family business, the instructor developed case studies that aligned with the course material. Case study research, according to Soy (1997) "excels at bringing us to an understanding of a complex issue or object and can extend experience or add strength to what is already known through previous research." Sociologists have long used this approach under the heading "qualitative research" (Feagin et al., 1991) "Like many qualitative methods, a case tells a story that in turn can be used in the classroom as a basis for

learning (Broder et al, 2003) By this we mean that the student is expected to learn what has happened historically (Swanson and Morrison, 2009) Because a case tells a story it can be used to teach a historical narrative. An application of cases described in Patten and Swanson (2003) is to enable students to acquire a specific skill. "The ability to think clearly and communicate convincingly has always been an important skill for managers and leaders. It is now arguably more important." (Ellett, 2007). Another instructional application focuses on the art of decision making. How does one identify problems, what needs to be solved? How does one formulate possible courses of action? What criteria can be used in evaluating solutions or courses of action? (Swanson and Morrison 2009). There is, in addition, an important benefit that appears to accrue from using the case study method terms of "Deep Structure Learning" (Patten and Swanson 2003, McKibben and Swanson and 1997), which is aimed at the development of critical thinking skills.

The cases for MGMT 5312 were designed for students to read and reflect on how the case protagonist's challenges relate to the course material. The instructor developed an assessment rubric and the students were required to complete reflective writing assignments. The case studies were a success and received a number of positive comments from students.

## STORIES

The following case, M&D Supply Case A "Stuff Happens", is the first in the series of three cases. Following the case are the discussion questions used to test student's decision-making and leadership skills. The rubric used to evaluate the responses is included in Appendix A.

### **M&D Supply Case A "Stuff Happens"**

#### **Case Description**

*A devastating fire and terminal cancer! Sometimes key decisions are brought on by stochastic circumstances. In 2010, M&D Supply is one of the premier hardware and industrial supply stores in Southeast Texas with four outlets. During its forty-three years, the company has succeeded against heavy odds. These include changes in the market, recessionary trends, competition from national chains and personal tragedies.*

*A series of case studies will highlight the entrepreneurial spirit and business acumen that has enabled M&D Supply to overcome its challenges. M&D Supply case "A" focuses on entrepreneurial behavior in response to challenge and adversity. It examines a family's path to business success despite overwhelming personal and professional odds.*





## Case Synopsis

Jack Dyson moved to Southeast Texas in 1955 to partner with venture capitalists G.F. Mitchell and E. W. McCown. Mitchell and McCown owned numerous businesses related to the Southeast Texas agricultural industry, including farm production, aerial seeding, and fertilizer production and distribution. The two desired to own a farm machinery company and were seeking a partner who could operate the business. They partnered with Jack and opened Farm Machinery Company. The business operated successfully and was sold soon after G.F. Mitchell died. Building on their 10 year partnership, Jack Dyson, Mary Mitchell (G.F.'s widow) and E. W. McCown decided to incorporate M&D Supply.

M&D Supply's business-to-business concept targeted farmers and ranchers. Secondary markets included consumers with large properties and institutions whose responsibilities included maintaining large tracts of land. The store's product mix included maintenance, repair and operations supplies necessary to sustain agricultural, beef, and other farm production activities.

The Farm supply business in Southeast Texas was segmented. National chains like Sears Roebuck, White's, and Western Auto and independent operations such as True Value Hardware offered a limited number of agricultural products and a low level of service. Dyson and his partners were confident their product mix, experienced staff, and familiarity with customers offered a value proposition that yielded sustainable competitive advantage.

The store turned a profit during the first two years. However, by 1969, a decline in the region's agricultural sector began a sustained trend of diminishing business conditions that put farmers and ranchers out of business. M&D Supply's financial performance reflected shrinking numbers in its target customer sector, necessitating that Dyson consider change.

### Assignment Questions:

1. Put yourself in Jack's place and consider habits 1,2 and 3 related to private victory.
2. Your body has cancer, but what do you have? Consider the four human endowments. Limit your response to one page.
3. How can you use the first three habits to elevate your thinking?
4. What is in your circle of influence? Circle of concern? How can you enlarge one and shrink the other? Limit your response to two pages.



## IMPLEMENTATION

Cases can have a number of applications. Patten and Swanson (2003) identify three distinct applications: (1) as an historical narrative (2) as a focal point for acquiring specific skills, or (3) to build decision making skills.

Ronald (2005) found that teams of students who have been exposed to real-world experiences learn more quickly and are able to produce deliverables in less time than is normally the case with a typical curriculum.

## SUCCESS OF THE PROJECT

Students view case-based courses that incorporate deep structure learning more positively than courses not designed using this approach. Part of this reason may be that the deep structure learning approach naturally accommodates other features associated with the case studies method – the development of critical thinking skills, the use of real world problems, the emphasis of concepts over mechanics, witting and presentation skills, active cooperative learning and the “worthwhileness” of a course (Patten and Swanson 2003; McKibben and Swanson 1999)

Positive comments in the course evaluations for MGMT 5312 support the research:

- He was funny and he has great stories!
- He has opened his life up so we can analyze and learn from it.
- Real world examples of M&D challenges and how the material we learned about applies to that situation.
- He shares his own personal failures so we can learn from them.
- Professor Dyson has an extensive amount of business experience and knowledge that was used to help articulate the 7 habits in an effective way.
- The class involved very personal case studies that were very informative.
- Very structured and motivating.
- Passionate about the material, makes the course material engaging and relates personally to it.
- He brings real business and life decisions into the college of business.
- In my opinion, books are great but once you bring in real world experiences you enhance the learning experience greatly.



- Personal stories enhance the class.
- He is willing to share personal experiences and makes learning this material enjoyable.
- Real life examples drive the points home with subject matter.
- Subject matter expert blending the academic with business world.
- Mr. Dyson showed passion in his teachings, taught by his life examples which made it very interesting.
- Brings his real-life experiences offer a perspective of the material that is hard to teach in a classroom.
- Was able to relate practical examples to key points.
- He told us how the 7 Habits applies to his life and that made it easier to apply them to mine.
- I loved the case studies and real world examples.

#### AREAS FOR IMPROVEMENT

The cases could be modified into discussion cases for courses that require written papers or team projects. The courses could also include case studies of unsuccessful business models to allow for a comparison of methods.

#### APPLICATIONS AT OTHER UNIVERSITIES: FINDING STORIES

The Association to Advance Collegiate Schools of Business (AACSB) focuses on continuous quality improvement in management education through engagement, innovation and impact. AACSB business schools are in the process of defining them. The Lamar University College of Business views engagement as building partnerships among University students, faculty, staff, alumni, and the business, governmental, and civic communities to advance (1) teaching and learning (2) scholarly endeavors, and (3) service. The College views innovation in a broad context that includes new ideas, some radical, as well as incremental changes to existing programs and structures. Faculty and students are invited to take risks in adapting to new markets or utilizing new or different techniques and approaches. The Lamar University College of Business Community has a broad and diverse range of talents and contributions that makes it a vibrant school that has a significant impact on stakeholders that is greater than the sum of individual efforts. Being mission-driven is essential. In addition, impact is measured in alignment with the mission. The college seeks to make a difference in the intellectual capabilities and professional competencies developed in our students, with our contributions to scholarship and professional practice, and in the communities we serve. The AACSB mandate for continuous improvement makes case studies a wise choice



for business faculty.

Interested faculty should start by working with a Small Business Development Center or Chamber of Commerce. Many AACSB accredited business schools have close ties to Small Business Development Centers and Chambers of Commerce. Both have members or business clients whose stories can make rich case studies. A case study engagement provides an opportunity for the business school to work in partnership with a company for the benefit of both and the region they serve. Working in partnership with business can help the college align with the AACSB standard for impact. In addition, the proximity of the business to the university allows the faculty member an opportunity to bring the protagonists to class and present the case live. Teaching live cases can help the college align with the AACSB standard for innovation.

### CONCLUDING REMARKS

As can be seen from the perspective of the instructor and the students, there are particular features of the case study method that are appealing. A major feature is that the case studies support using "a real-world" scenario. Swanson and Morrison (2009) concluded that: "Besides acquiring skills, the fact that cases can be used to illustrate and understand decision making, means that case studies can be used to promote Deep structure Learning, a learning outcome we have advocated elsewhere. "



## APPENDIX A

### Rubric: Case Discussion

CATEGORY	Exemplary	Acceptable	Unacceptable	Points
Identification of Topic	Information about topic is complete, focused, specific (not too broad or rambling) and well stated	Some information is provided and well stated	Limited information is provided	
	18-20 points	14-17 points	0-1 points	
Identification of Related Principles and / or Habit(s)	Clear and detailed identification of Principles / Habit(s)	Some identification Principles / Habit(s)	No or incomplete identification of relevant factors	
	9-10 points	8-9 points	0-7 points	
Analysis of Related Principles and / or Habits	Clear, specific, accurate and detailed analysis of impact of related factors	Some analysis of impact of related factors. May have some inaccuracies in analysis	No or erroneous analysis of impact of related issues	
	9-10 points	8-9 points	0-7 points	
Application of Analysis of Related Principles and / or Habits	Paper demonstrates serious reflection and spirited opinions. Arguments are supported by course content.	Paper lacks serious reflection or spirited opinion	Paper does not demonstrate a serious attempt to do the assignment	
	36-40 points	28-35 points	0-24 points	
Mechanics	No grammatical, spelling or punctuation errors	Paper contains minor grammatical, spelling or punctuation errors	Paper contains an unacceptable amount of grammatical spelling, or punctuation errors	
	9-10 points	8-9 points	0-7 points	
Specifications	Paper meets specified length, spacing and font size	Paper meets most of the criteria for length, spacing and font size	Paper does not meet any of the specifications for specifications for length, spacing and font size	
	9-10 points	8-9 points	0-7 points	
Total Points:				



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# **LARPing IT UP: AN INNOVATIVE CLASSROOM EXERCISE ABOUT STOCK OPTIONS UTILIZING STUDENT ROLE PLAYING**

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## ABSTRACT

This paper deals with a classroom exercise concerning two timely topics—stock options and LARPs (Live Action Role Playing). Stock options were originally touted as incentive for employees to work hard in order to elevate stock prices. More recently, they have been the subject of considerable controversy, having been criticized as causing a variety of ills such as offshoring manufacturing plants to countries with much lower wage rates, excessive compensation for executives, and increasing income inequality in the United States today. Our students, most of them millennials, are quite familiar with LARPs. A LARP allows participants to act out their characters' actions. The players pursue goals within a fictional setting represented by the real world while interacting with each other in character. In our classroom LARP, students will be assigned roles from a variety of stakeholders with legitimate interests affected by the use of stock options by a fictional American corporation that is considering offshoring one of its existing domestic plants. These roles may include the inside/outside director, the hedge fund manager with a large stake in the company, the mayors of the towns where the plant is located or could be relocated, a national politician, and a member of the United States Chamber of Commerce. The number of stakeholders can be expanded infinitely as these topics are important to almost every aspect of society today. Students must decide whether the closing of the plant is a reasonable action from the perspective of the stakeholder they represent, taking into consideration the history of stock options, Wall Street's attitude toward plant closings, the social costs associated with plant closings, the efficacy of stock buy-back plans, and the ethics of the proposed plant closing and its relationship to stock options. It is hoped that this exercise will not lead simply to innovative teaching, but rather will enhance and impact student learning because the students will be educating themselves about the perspectives of their particular stakeholder, interacting with other students, and engaging in an after-action report where there will be a group discussion about the pros and cons of the various views expressed.

**KEYWORDS:** Role playing, classroom exercise, stock options, social cost, innovative teaching



## INTRODUCTION

One of the most popular political themes today is income inequality – the gap in pay between the rich and poor. Criticism of hedge fund and corporate executive compensation has been a mainstay of politicians such as President Barack Obama, Senator Bernie Sanders, Hillary Clinton, and Donald Trump. In a 2013 speech President Obama expressed this sentiment:

[I]t's not surprising that the American people's frustrations with Washington are at an all-time high. But we know that people's frustrations run deeper than these most recent political battles. Their frustration is rooted in their own daily battles — to make ends meet, to pay for college, buy a home, save for retirement. It's rooted in the nagging sense that no matter how hard they work, the deck is stacked against them. And it's rooted in the fear that their kids won't be better off than they were. They may not follow the constant back-and-forth in Washington or all the policy details, but they experience in a very personal way the relentless, decades-long trend that I want to spend some time talking about today. And that is a dangerous and growing inequality and lack of upward mobility that has jeopardized middle-class America's basic bargain — that if you work hard, you have a chance to get ahead (Politico, 2013).

This paper will suggest an innovative approach to student learning by engaging students in a role-playing exercise that addresses the topical issue of income inequality. It requires the students to immerse themselves in the core issues many blame for the current crisis of income inequality. These issues include offshoring and plant closings, executive and director compensation, particularly due to the granting of stock options, divided board of director loyalties, the primacy of Delaware in matters of corporate governance, the business judgment rule, the fiduciary duties of top business managers and directors, and economic nationalism. Students will assume the roles of various players who characterize the faces behind these key issues.

### Part 1 – The Issues

In a typical business class, such as Employment Law, students are introduced to many issues. The following sections will discuss a few legal concepts pertinent to the LARP exercise.

#### *The Primary Issue – Stock Price Over Everything Else?*

When the compensation plan for Walt Disney CEO Michael Eisner was announced in 1997, there was outrage in many circles. According to a story in the Chicago Times: “Eisner will receive a comparatively low base salary of \$750,000 and an annual bonus based on growth in earnings per share above 7.5 percent. Eisner's



bonus last year was \$7.9 million. He also was given options on 8 million shares of Disney stock that he can exercise during the final three years of his contract. The ultimate value of those options, which the company estimated at \$196 million, will depend on the company's market performance during the next decade" (Schodolski, 1996).

Not only are stock options a boon to corporate officers; they have also become a staple for outside director compensation. Outside directors are those members of the board of directors who are not, otherwise, employees of the company. A 2012 newsletter from a benefits compensation firm states: "Annual cash retainers for directors increased in 2011, to a median value of \$75,000, while stock compensation rose 10%, to a median value of \$131,900" (MyStockOptions.com 2012). How many hours do outside directors work as directors? There are many directors who serve on multiple boards; some while holding down full-time jobs. A recent news story about USC Athletic Director Pat Haden quotes him as follows: "You can't work any more at this job than I do" (Pringle & Fenno, 2015). Being the Athletic Director of one of the most sports-competitive schools in the nation would seem to bear out that statement. The article goes on to say, however: "But he also juggles extensive obligations outside USC as a member of more than a dozen corporate and nonprofit boards, side work that pays him at least a half-million dollars a year (including stock options and share awards), a Times review of proxy statements and federal tax records has found" (Pringle & Fenno, 2015).

### *Excessive Executive Compensation*

Executive compensation at United States companies has skyrocketed since 1978 as evidenced by it having grown 127 times faster than the pay of workers (Fairchild, 2013). Fairchild (2013) also states that an increase of 1,000 percent in the ratio of CEO-to-worker compensation has taken place since 1950. Excessive executive compensation has drawn the attention and ire of many stakeholders, including the Financial Accounting Standards Board which requires the expensing of the value of stock options held by employees (Canyon, Fernandes, Ferreira, Matos, & Murphy, 2011). Such accounting treatment reduces the amount of earnings reported by companies and has implications for earnings-sensitive performance measures. In light of such implications, options-based compensation is being increasingly replaced by restricted stock shares, as evidenced by a decline over the years (from 88% in 2001 to 67% in 2009) in the percentage of companies granting stock options compared to an increase (from 24% in 2001 to 75% in 2009) in the percentage of companies awarding restricted stock grants (Canyon et al., 2011).

### *Background on Stock Options*

Stock options are contractual agreements that provide employees of a company with the right to purchase a specified number of the company's stock at a fixed price within a definite period of time, usually ten years. Options-based



compensation in the U.S. dates back to the early 20th century in the 1920s (Conyon et al., 2011). It was viewed as a good way to incentivize a publicly traded company's management to align its interests with those interests of the company's shareholders (Haugen & Senbet, 1981). This incentivizing was believed to be needed due to conflicts that arise between a company's owners and managers due to the separation of ownership and control of the company (Jensen & Meckling, 1976). Such conflicts or agency costs may arise due to disagreements regarding issues such as the payment of dividends or the ideal size of the company (Jensen, 1986). By including options-based compensation as part of managers' compensation, it was believed those managers would not shirk on their responsibilities as managers or engage in managerial behavior and activities that would benefit themselves, but rather would work in the best interest of the shareholders (Haugen & Senbet, 1981). This rationale should be kept in mind when considering the so-called fiduciary responsibility of managers and directors.

### *Options-based Compensation and Taxation*

Since its early years, the use of options-based compensation has been rather sensitive to income tax policy (Conyon et al., 2011). Determining whether options would be taxed as ordinary income upon being exercised or as capital gains upon selling the stock purchased when the options were exercised was of great interest to many (Conyon et al., 2011). In 1946, the Supreme Court ruled that the gain upon exercising stock options is compensation and should be taxed as ordinary income (Conyon et al., 2011). Given the exorbitant marginal income tax rates (highest, 91%) on ordinary income at that time, restricted stock units (RSUs) were created by Congress to ease the taxation issues by allowing taxes (capital gains) to be owed only after the selling of the stocks initially purchased when the options were exercised (Conyon et al., 2011).

RSUs are a form of equity compensation offered by a company to its employees. Employees are awarded stock in accordance with a vesting schedule, with stock distribution taking place after certain requirements are met. A fair market value is assigned to RSUs when they vest. Once vesting has occurred, those RSUs are deemed income, and it is common practice that the income taxes on those shares are paid by withholding a portion of those shares. And, once the employee sells the remaining shares, capital gains taxes are assessed ("Restricted Stock Unit", n.d.).

### *The Effect of Stock Options on Executive Compensation*

Over the last two decades, executive compensation (in particular, stock options) has risen sharply (Frydman & Saks, 2010) due in part to a U.S. tax code change in 1993 that capped executive compensation deductions at \$1 million (Conyon et al., 2011). The change in the code was partly responsible for sparking a sharp increase in the use of option-based compensation given that stock options were explicitly excluded from the \$1 million executive compensation ceiling (Conyon et al. 2011).

Just a few years after the change, options comprised the largest individual component of compensation for CEOs of S&P 500 companies and even comprised greater than half of their total compensation by the year 2000 (Conyon et al., 2011).

### *Options-Based Compensation and Aggressive Managerial Behavior*

Options-based compensation has received much attention from researchers concerned with executive compensation sensitivity to stock price, and aggressive managerial behavior. DeFusco, Johnson, and Zorn (1990) suggest aggressive managerial behavior in the form of increased risk-taking is encouraged by options-based compensation. The authors go on to suggest that such behavior leads to a wealth transfer from bondholders to shareholders. The sensitivity of options-based managerial compensation to stock price has been documented in the accounting and finance literatures as encouraging managers to engage in accounting practices that are aggressive in an effort to meet earnings targets (Burns & Kedia, 2006). Meeting or beating those earnings targets are likely to lead to a favorable reaction by stock market participants. Bergstresser and Philippon (2006) document the use of accounting accruals to manipulate reported earnings in firms in which the executive compensation of the CEO is closely linked to the values of stock and options. Burns and Kedia (2006) document a firm's propensity to misreport its financials when the options holdings of the CEO are sensitive to stock price.

### *Ancillary Issues*

#### *Fiduciary Duty and the Primacy of Delaware*

The term "fiduciary" comes from Roman law, and means "a person holding the character of a trustee, or a character analogous of a trustee, in respect to the trust and confidence involved in it and the scrupulous good faith and candor which it requires. Fiduciaries have a duty to act primarily for the benefit of another. Serving as a director of a corporation is an undertaking that carries a duty of care to "conduct themselves on behalf of the corporation as a reasonably prudent person in the conduct of personal business affairs" (Cheeseman, 2004). Honest mistakes in judgment, not tainted by negligence, generally do not result in personal liability to members of the board. The reason for forgiving such honest mistakes is the "business judgment rule" (Cheeseman, 2004). "New Jersey was the early winner in the race by states to charter corporations. By 1900, 95 percent of the major corporations were chartered in New Jersey. The revenue results were so favorable that by 1905 New Jersey had eliminated all property taxes, had retired all debt, and had a treasury surplus of \$3 million. By 1912, most state corporation laws were modeled after New Jersey. Delaware had enacted an even more liberal law in 1899. However, few companies left New Jersey until Woodrow Wilson, the reform-minded president of Princeton University, was elected governor and argued for reform of the corporation law. Delaware emerged as the new home of the corporation. From 1913 to 1934, 31 percent of Delaware tax revenues came from incorporation fees and annual franchise taxes" (Sturdivant, 1985, p. 340-41).





## *The Business Judgment Rule*

Under Delaware law—where the majority of corporate behavior in the United States is judged—breaches of fiduciary duty on the part of board directors is presumptively reviewed under the “business judgment” standard. Delaware’s courts are often criticized for favoring the directors over the sometimes competing interests of shareholders (Cavaliere, Mulvaney, & Veuleman, 2004). In an often-quoted critique of Delaware, William Cary wrote: “[T]he first step [for improving corporate law] is to escape from the present predicament in which a pygmy among the 50 states prescribes, interprets, and indeed denigrates national corporate policy as an incentive to encourage incorporations within its borders” (Cary, 1974). The “Delaware Effect” on corporate policy has been criticized as contributing to white-collar crime and corporate malfeasance as far back as Theodore Roosevelt and Ralph Nader. (Cavaliere et al, 2004).

## *Offshoring and Plant Closings*

Presidential insurgents Bernie Sanders and Donald Trump are considered outsiders; Trump is a famous businessperson and media star and Sanders who many view to be an outright socialist. They both tend to agree that entering into serial trade agreements with other countries has hurt the American worker, resulting in the closing of thousands of factories and the loss of millions of jobs. Those jobs were often the path to middle-class prosperity for less educated American workers. The Bernie Sanders campaign Web site says as much, citing favorably to a Democrat proposal, Senate Bill S. 3816 called the “Creating American Jobs and Ending Offshoring Act”. Among other things, “the Act would provide tax cuts to companies that bring back outsourced jobs to the United States.” In addition, “To be eligible, businesses must certify that the U.S. employee is replacing an employee who had been performing similar duties overseas.” The legislation would also close loopholes that provide companies with tax breaks for outsourcing manufacturing jobs (S 3816, 2010).

From Bernie Sanders’ campaign site: “As president, Senator Bernie Sanders will reduce income and wealth inequality by: “Reversing trade policies like NAFTA, CAFTA, and PNTR with China that have driven down wages and caused the loss of millions of jobs. If corporate America wants us to buy their products they need to manufacture those products in this country, not in China or other low-wage countries” Income and Wealth Inequality, 2016).

## *Economic Nationalism versus Anationalism*

The official Web site of the Trump campaign proudly proclaims: “Make America Great Again!” ([www.donaldtrump.com](http://www.donaldtrump.com)). An article posted at that site states: “A major component will be a tough new approach to China, which he said has ‘emasculated’ the United States through trade and currency manipulation. ‘I’ve been working hard on the China thing,’ Trump said. ‘It’s astronomical what they



have done to our country, to destroy the economics of our country. Astronomical. It's the greatest theft in world history'" (Costa, Rucker, & Balz, 2015).

There are numerous critics of the Trump/Sanders approach to economic nationalism. "The economic nationalism promoted by Trump and Sanders may garner support along the campaign trail, but nevertheless makes little sense at the policy level. If implemented, these retaliatory trade policies would hurt the U.S. economy while at the same time invite damaging countermeasures by America's trading partners" (Lindell, 2015).

Should American companies be expected to be patriotic and concerned about the welfare of United States citizens. According to one older Business and Society text:

[S]ome multinationals aspire to anationalism, which, in the words of former Dow Chemical Company board chairman Carl A. Gerstacker, may be the major hope in the world today for economic cooperation among the peoples, for prosperity among the nations, for peace in our world. The truly anational corporation is possible only if it can be divorced from its mother country and thus no longer is a part of one culture or one nation. (Sturdivant, 1985, p. 209)

## **Part 2 – Enhancing Student Learning Through Role-Playing**

*What is a LARP?*

The term LARP is an acronym for a Live Action Role-Playing game. These role-playing games allow participants to act out the actions of characters assigned to them within "a fictional setting represented by the real world while interacting with each other in character." ("Live action role-playing game", n.d.) AlthoughLARPs originated in the late 1970s in various continents. The independent groups shared a desire to move from genre fiction or tabletop role-playing to physically experiencing such settings. Therefore, they based LARPs on "childhood games of make believe, play fighting, costume parties, roleplay simulations, *Commedia dell'arte*, improvisational theatre, psychodrama, military simulations, and historical reenactment groups." ("Live action role-playing game", n.d.) Their genres vary; some have themes and settings based in genre fiction, like fantasy involving magic, heroes, and fictional creatures, to realistic historic events or contemporary settings to futuristic environments. ("Live action role-playing game", n.d.)

LARPS can be limited to certain age players or open to all ages. They can be organized through schools, churches, or organizations. Some LARPs require little preparation while others are designed and directed by a gamemaster; some LARPs last a few hours while others can last for years; and some LARPs have few participants while others can involve thousands of participants. ("Live action



role-playing game", n.d.) The use of LARPs has moved from just entertainment purposes to educational and political purposes. ("Live action role-playing game", n.d.) They are useful for educational purposes just as are board games, which have been used in the area of military science, dating back to the 17th century, and video games, which have been used by the various military services since the late 1990s and have also been used in the business fields of management science and economics (Raybourn, 2014) and in MBA programs. ("You'd be Hard Pressed," 2013)

The designer of a game or LARP must create a story that allows the learners to become emotionally involved; their buy-in is important. The learners must be introduced to the characters and conflict or challenge, and eventually must be given the opportunity to resolve the situation. The interactive scenarios will allow the learners to become personally involved in the first person.

When learners are emotionally invested in the story and, in the case of training and education, see themselves as protagonists of their own training story, they remember it better and continue to respond to new or strategically repurposed content that is associated with familiar emotional triggers. (Raybourn, 2014)

Emotional investment and seeing yourself as the protagonist is the mainstay of a now-mainstream, but once radical school of acting, referred to as "the Method," or "method acting." While there are many definitions of "method acting," one of the best is from Oxford Dictionaries Online (n.d.): "A technique of acting in which an actor aspires to complete emotional identification with a part, based on the system evolved by Stanislavsky and brought into prominence in the US in the 1930s. Method acting was developed in institutions such as the Actors' Studio in New York City, notably by Elia Kazan and Lee Strasberg, and is particularly associated with actors such as Marlon Brando and Dustin Hoffman." The heyday for the method was in the 1950s and its emphasis on the actor's motivations has resulted in backlash and ridicule by some observers and fellow actors, but there is no denying that many of our most revered thespians have been followers of the Method. It is hoped that the identification with their "protagonists" will not cause any of the student players to too-closely identify with their role model as has been portrayed in several movies and television dramas such as Ronald Coleman's character's over-identification with Othello in the film "A Double Life." It is not clear whether Mr. Coleman was utilizing the Method while making this film, but that 1948 portrayal earned him his sole Academy Award for Best Actor.

### *Edu-Larping*

A teacher who calls herself an "edu-larper", has researched larping, used it in her classroom, and has spent time with two Finnish larp scholars. She has listed elements of Nordic larp that could be used in the educational setting:



- 1) Immersion ("Players immerse themselves in their characters and in the micro-world that they create or agree upon, so players really become part of the narrative or learning and experience empathy for their character, having to understand his or her story, motivations and actions.")
- 2) 360 illusion ("Players can create scenography and costumes that look and feel like the real thing.")
- 3) Few mechanics ("Nordic larps are known to have fewer rules around how the larp is played than larps in the United States . . . Fewer rules means more freedom for the players.")
- 4) Improvisation ("Larp is related to drama and improvisational theatre. It differs in that the players are the participants as well as the audience. They don't perform for a separate audience, so the larp is just for themselves. It also differs from drama in that the players don't receive a script with pre-planned lines of dialogue and actions. They get to know their character and improvise [which] forces students to make decisions based on information they already have and what [their] character's motivation might be . . .") (METHOD IMMERSION)
- 5) Character development and narrative ("The growth of the character, his relationships to other characters, and the movement of the narrative is more important in Nordic larp than winning or having your character succeed . . .")
- 6) Collaboration vs. Competition ("Nordic larp is known for its collaborative nature with player working together to move the narrative whereas American Larps are more focused on competition-winning the battle, getting what your character wants. Both types of larps could be useful depending on what you're teaching.")
- 7) Debrief ("An essential element of Nordic larp and of educational larp is the post-larp debrief. As an emotional experience, and to ensure that the event isn't watered down to simply something fun, debriefing feelings, thoughts, analysis and the learning are key to making the larp meaningful. It's also vital that [students] get the chance to step back into themselves and out of their role.") ("You'd be Hard Pressed," 2013)

### *Our Classroom LARP*

Students in an Employment Law course will participate in a LARP to introduce them to the pros and cons surrounding the use of stock options by American corporations of all sizes as compensation incentives to outside directors. The fact situation to be given to the students will be as follows: Moving the plant will allow the company to lower its price, increase its profits, recapture market share, and institute a stock buy-back plan. Approximately 2,000 employees will be laid off from the Anywhere plant. The unemployment rate in Anywhere is already above the national average.



The students will be assigned roles from a list of stakeholders with legitimate interests affected by stock options. The list of potential stakeholders will include: the CEO/Chairman of the Board, an inside director who is not an officer, an outside director serving on the compensation committee, a hedge fund manager with a large stake in the corporation, a shareholder activist with one share of stock, the union, a rank-and-file employee, a small retail investor, a compensation consultant, the mayor of the town where the corporation's plant is located, an investigative reporter for a television news magazine, a reporter for a financial newspaper, the mayor of the town in the foreign country where the plant may be relocated, an environmental activist, national politicians from both the Democrat and Republican parties, and members of the United States and Anywhere Chambers of Commerce. Each student must research their stakeholder and stock options and how their stakeholder would react to the fact situation. They will then be required to role play from the standpoint of their assigned stakeholder and interact with the other students. Students should consider whether the closing of the plant is a reasonable action from the perspective of the stakeholder they represent, taking into consideration the history of stock options, Wall Street's attitude toward plant closings, the social costs associated with plant closings, the efficacy of stock buy-back plans, and the ethics of the proposed plant closing and its relationship to stock options.

Once the LARP has concluded, students will be given the opportunity to debrief and evaluate the exercise and what they learned from it and how that would have compared their learning experience to just reading about the issues in a text or hearing it from a lecture in a classroom.

### **Conclusion**

Today's business student has much to learn in order to be prepared for the complicated intricacies of decision-making in the corporate environment today. Learning fundamental skills such as how to read a balance sheet, calculate the current value of cash, or do a Porter's analysis, is only part of a student's preparation. The business student's toolbox at graduation should include a business savvy for analyzing an issue critically from various perspectives. It should also include an ethical sensitivity toward and intuitive awareness of stakeholders' needs. Participating in a LARP and thereby "standing in the shoes" of one of those stakeholders is an excellent method for developing such necessary attributes. Students will do more than just read information and theory from the textbook, or hear a lecture from a professor. Assigned to a LARP, the students will research their roles, live them as they defend the interests of that stakeholder, and face confrontation from the perspectives and ideas of classmates playing the roles of other stakeholders. Thus, learning is enhanced as the experience requires more than "memorizing for a test"; rather, the experience impact the students in a more permanent fashion and becomes a lesson learned for life.

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# CREATING A MEMORABLE LECTURE AND FACILITATING COMPREHENSION

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## **ABSTRACT**

All instructors hope that students will learn and remember what they teach in the classroom years after the lectures are over, an optimism challenged by staggering statistics showing that students only retain 10-20% of their lecture material even three weeks after the lectures. Despite many discouraging and demotivating statistics with respect to lecture material retention rates by students, we all have experienced at least one instructor whose inspiring lectures have had a long lasting and transformative effect on us. In this paper, the authors aim to inspire recognition in our role, as educators, to design effective lectures which promote optimal memory recall and learning. A number of specific strategies to promote long-term retention of knowledge are presented, including rehearsal and graphic representation of material, including the graphic syllabus.

**KEYWORDS:** Memorable Lecture; Teaching Techniques; Graphic Representation; Graphic Syllabus; Information Retention



## INTRODUCTION

There is a great deal of research on memory and cognition and as educators it seems appropriate to be aware of what assists individuals with memory and recall. This also includes higher levels of conceptual understanding because fundamental knowledge needs to be accessible in order to use the information for levels such as analysis and synthesis.

One way to categorize memory is short-term versus long-term memory. Essentially you can think of your short term memory as a “supped-up” white board in your mind. We all know what a white board is, but imagine a “supped-up” windshield wiper attachment on the bottom of the white board. All incoming information is put on your short-term memory white board (so to speak), however, this information is not creating neural mechanisms in your brain for later recall. Just imagine that every 2-30 seconds (depending on the situation, while the average is 18 seconds), the wiper will clear the information in your short-term memory!

The only way in which you’ll have this information for later recall is if this information is “filed” in your long term memory. So picture yourself with a clipboard, actively selecting what information is important and/or meaningful for you to write down and file into the filing cabinet. There are many available tools for moving the content from the whiteboard to the filing cabinets, including the use of mnemonic, novelties, chunking, rehearsal, elaboration, and graphic representation. In this paper we’ll present the latter three techniques as examples on how to make your lectures more memorable. The reason that we have focused on these techniques, is that as described later in this paper, they are also very effective learning strategies that could be integrated into the classroom.

### Rehearsal vs. Elaboration Techniques

Imagine that your spouse phones and asks if you can pick up 5 things from the grocery store on the way home. When you get off the phone, you simply review the list the way in which it was said to you over the phone “milk, carrots, bread, oranges, eggs”. This is called rehearsal or simply maintenance. Elaborative processing or elaborative rehearsal takes the form of attention to meaning. This attention to meaning is called deep processing. Many studies have shown that deep processing leads to good memory performance later on even without the intention of memorizing the target material. The intention to learn had no direct effect on performance; what matters instead is how someone engages or thinks about the material to be remembered.

So returning to the grocery list, some people may prefer to categorize the food in terms of meals. For example they may view milk, bread, eggs and oranges as breakfast food, some people may think more in colors with 3 white foods (milk, bread, eggs) 2 orange foods (carrots and oranges), or others may think of what those foods are used at what meals (think of breakfast tomorrow and packing

lunch for your son tomorrow). In any case, changing the grocery list to have meaning is called elaborative rehearsal and allows for deep processing and long-term memory recall. This is only one of the techniques that has been identified for transferring information to the long-term memory., (Readers are highly encouraged to investigate the other identified methods in order to deliver a more memorable lecture, including using the graphic representations as explained in the rest of this paper.)

## **Graphic Representation**

Over the last decade, there has been a clear trend towards conveying information in graphical forms and decreasing communication in text, mainly due to the emergence of the younger generations being raised on video games, movies, and television (Fischman, 2001; Vekiri, 2002). Even researchers have put stronger emphasize on presenting their work in a number of graphical formats, including workflows (Shahi et al. 2015).

One of the important strategies in lecture design that utilizes the science of memory is “Picture Superiority Effect”, which indicates that concepts expressed in pictures will generally be remembered much better than concepts expressed with words (Plotnick ,2001; Fenker et al. 2008); Stenberg 2006). The reason behind this is based in evolutionary biology. Homo sapiens (or modern humans) have existed for approximately 200,000 years, while there is fossil evidence of Homo sapiens dating back to 2 million years ago. As language was developed, communication was achieved orally and through drawings or pictograms. On the other hand, while there are a variety of estimates out there, the written word has existed for less than 10,000 years, and perhaps only as little as 6,000 years. This means that through most of the hundreds of thousands of years of human evolution, and more specifically human brain evolution, we were hardwired to assimilate visual information from pictures, much more readily than from written language.

Most instructors have been taking advantage of the use of graphics in their teaching, most likely without understanding the evolutionary reasons behind its success. In this paper, however, a specific use of graphic representation, the graphic syllabus, is investigated with the objective to complement the traditional use of course syllabi.

### *Growing Challenges of Text-based Syllabi*

Over the last decade, the course syllabus has grown from a compact one or two pager of schedule of course topics and course objectives, to a five to ten page laundry list of information (Nilson 2007). While some instructors and institutions feel the need for providing a large amount of rather repetitive and text-heavy information on the syllabus, the main purpose of the syllabus has always been to provide organization and schedule of topics for the course and a list of learning objectives.

A previous poll by one of the authors at University of Waterloo was conducted on approximately 550 undergraduate engineering students and showed that only 16% of students read the course syllabus, while 40% 'briefly review it', and the rest only refer to it for deadlines throughout the course.

Something that most instructors may not realize is that even if students were to read their syllabus, they would not be able to make much sense out of it. Even though the topics are clearly and logically ordered in the instructor's mind, since students have no prior knowledge of the topics and their interdependencies, they may comprehend the syllabus similar to what is presented in Table 1. Of course, there is some exaggeration in play in this figure, but it attempts to show the great miscommunication that could take place through a text-based syllabus.



***Table 1: A course syllabus from students' perspective***

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**Course Syllabus for Course BLAH 101: "Something I Gotta Take"**

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Week 1: Overview of Something I Gotta Take

Week 2: The Composition of Apple Peel

Week 3: Introduction to Giraffe Consciousness

Week 4: Cooking with Sugar and Eggs

Week 5: Sugar and Eggs Continued: Challenges and Solutions

Week 6: Advanced Giraffe Consciousness and Introduction to Pineapples

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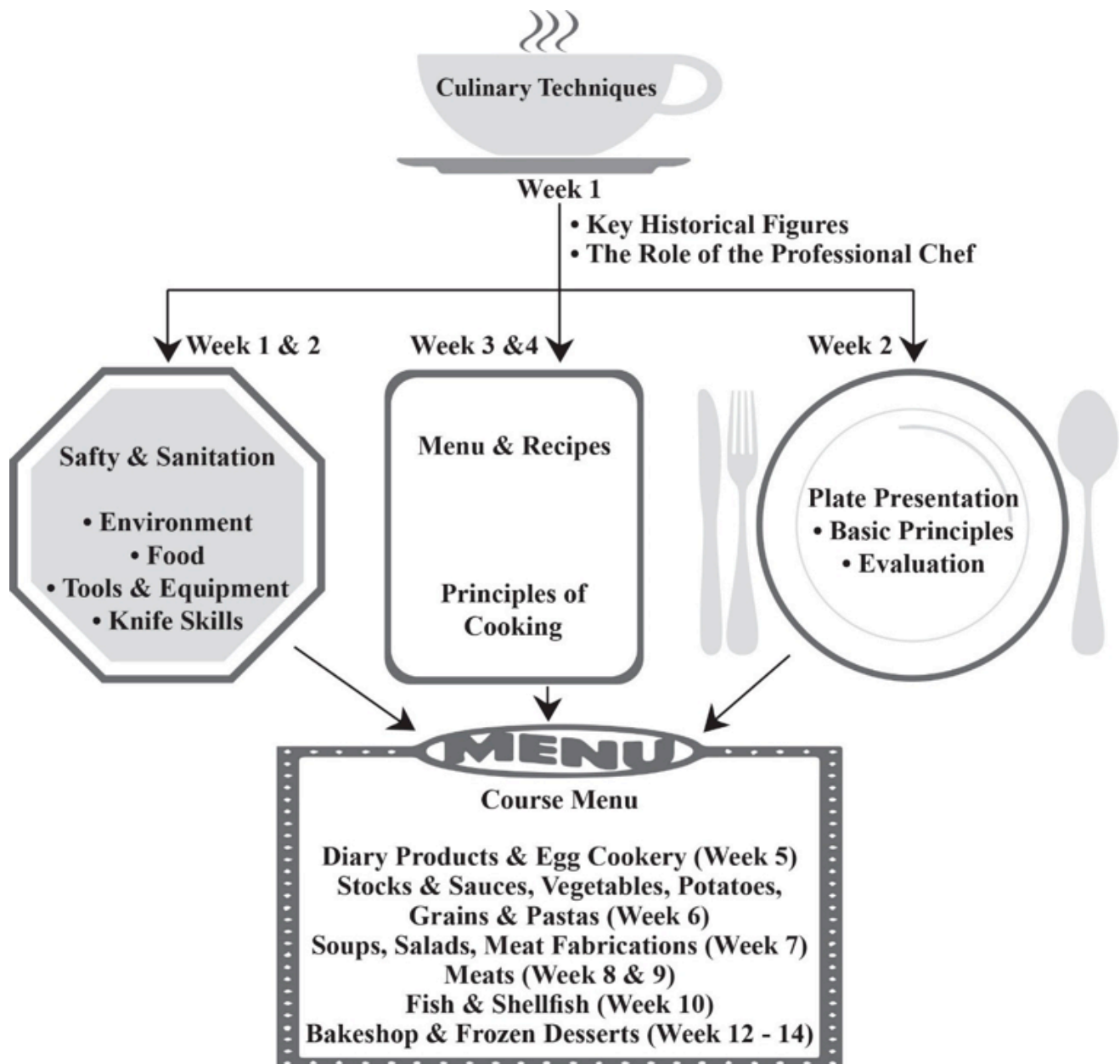
There may be more than one solution to solve this miscommunication between the instructors and students, but surveys of undergraduate students show that using more text is certainly not one of those solutions. In the next section, the authors describe the Graphic Syllabus, which could be used to significantly improve the impact of the traditional syllabi.

### *Graphic Syllabus*

Nilson (2007) defines a graphic syllabus as “a flowchart or diagram that displays the sequencing and organization of major course topics through the semester. It uses spatial arrangement, connecting lines, arrows, and sometime numbers to show the logical, temporal progression of the course through topics within the subject matter. In addition, it may, but need not, use icons, pictures, and visual metaphors to convey the meaning of words, concepts, and relationships.” Others have defined a graphic syllabus simply as a graphic representation of the course syllabus or that of the course content. While Nilson's definition is certainly a more comprehensive definition, what everyone agrees on is that the graphic syllabus intends to replace words with figures and diagrams and therefore provide an understandable structure for the course content, acknowledging students' lack of a-priori information on the course.

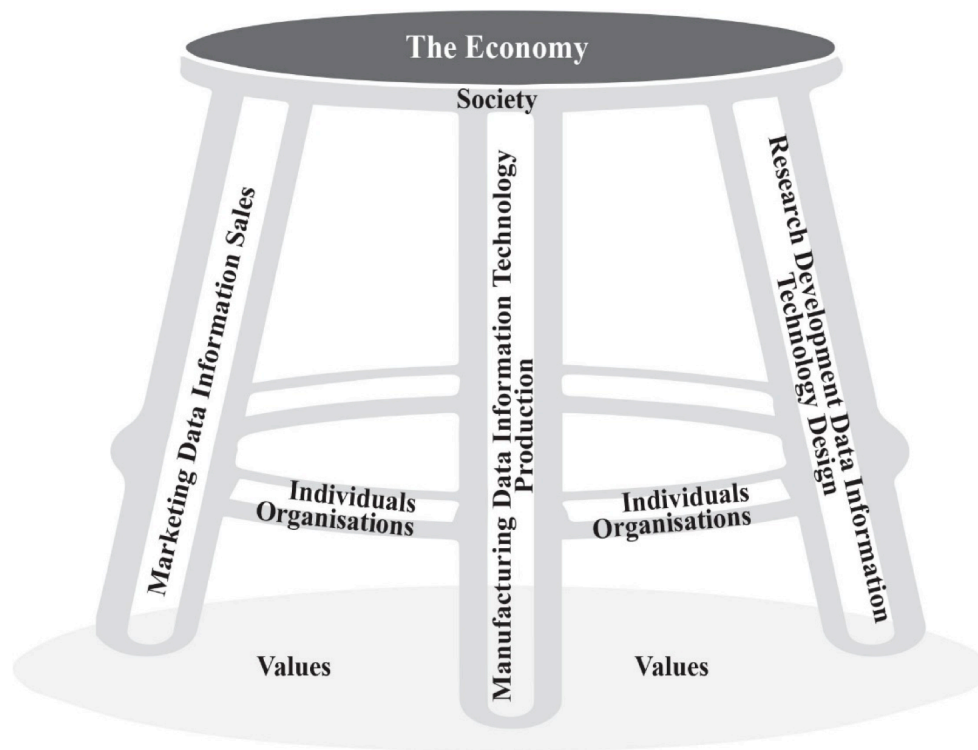
A sequence or chronology is one of the simplest forms of designing a graphic syllabus. Chronology can be defined as a succession of events based on logic or time. Courses that are best suited to this type of graphic syllabus are history courses or training courses. In a Culinary techniques course, Dr. Aubrey Coffee organizes her course as a logical sequence of topics and skills that student have to master, as shown in Figure 1.





As described in Figure 1, after teaching some history and introduction to the role of the professional chef, the instructor spends weeks 1 to 4 on topics that may seem unrelated to a student who doesn't have this graphic syllabus. However, as shown in this figure, these are all related topics and are pre-requisites for learning the "course menu" lessons.

A graphic metaphor is another type of graphic syllabus that has an overall design or layout based on an object or set of objects. The object need not be related to the subject matter of the course, but the metaphor is particularly memorable when it is (Brinkmann, 2003). A metaphor adds value by providing a single symbol of the course structure that facilitates and strengthens students' retention of the course material. The graphic metaphors are not a new concept, but using them as the graphic syllabus of the course has shown to receive very positive feedback from the students (Biktimirov and Nilson, 2003). Figure 2, shows Heynood (1986)'s model for an approach for technology education in Ireland. Each of the topics on the legs could represent one module within the course. In these metaphors, the contents of those three legs are based on a set of values and support the society as a whole. Other metaphors that could be used as a course syllabus include a factory, a tree, a building, etc.



## **CONCLUSION**

In this paper, the authors provide a number of techniques that could be used in the classroom in order to make a lecture and essentially a course more memorable for students. These methods are aimed at increasing the long-term recall of information by students and at increasing the comprehension of the course material, from a structural perspective. The more structure that is provided to the course content, the higher information retention rates that students tend to exhibit. This paper covers creative and simple tools, such as the elaboration technique which could be used to enhance students' information recall rates to a more comprehensive method of presenting the structure of a course in a graphic syllabus. While there are numerous other methods available to make a lecture and a course more memorable for students, this paper aims to show the potential that is available for instructors and motivate them to investigate this topic and choose what works best for their classroom.

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## ONLINE EDUCATION IN CHINESE UNIVERSITIES

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## **ABSTRACT**

Online education is becoming quite prevalent in Chinese universities now. Online courses are growing rapidly and have become the most important means to promote reform of higher education in China. In order to understand the way online education is evolving in Chinese universities, we will investigate the topic in the following ways: curriculum offerings, online course platform, curriculum development, management and maintenance programs, and application programs. Students in most Chinese universities reside on campus. Online education is currently used as an addendum to face-to-face education. Authorities have realized that through online education they can reach more students at various times of the day and students have the ability to learn more information than is possible in classroom instruction. The online instruction also allows the students to learn more about certain topics that are not offered in classroom instruction. The drawback is that Chinese students do not have the luxury of using their own computer systems at any time of day. Only some students have access to computer system of their own and others depend on the institutional computer labs which have restricted hours. Our analysis of the Chinese online educational experience is based on what is present now and our recommendations might be applicable to other countries which have similar resource constraints. The expected goal is to strengthen and improve the online course development, promote the reform of higher education and improve the quality of student training.

**KEYWORDS:** Online education, China, curriculum development, online platform



## 1. INTRODUCTION

### 1.1 Background

In USA online education is very common and is more advanced than the one offered in China. We have seen an enormous increase in student e-learners over the last decade. Ten years ago USA had about two million higher education student learning online (Akanegbu, 2012). That number has now almost quadrupled. According to a 2015 report by Babson Research titled "Tracking Online Education in the United States", the number of college students learning online now exceeds seven million. With the overall higher education student body in the U.S. currently at 21 million, this means that one out of three college students is taking at least one course entirely online (Aspillera, 2013). Although online education gives students unrivaled flexibility in pursuing a degree program, it is not suitable for everyone. Online education requires self-discipline and a set of study skills that some students may lack.

On February 3, 2015, the China Internet Network Information Center (CNNIC) issued the China Internet Development Statistics Report which showed that there are 649 million Internet users in China and the Internet penetration rate has reached 48% as of December 2014. Among the 649 million Chinese Internet users, the student group is the largest professional group. This constitutes 24% of all internet users in China. The computer network technology has a profound influence on the development of higher education. To take advantage of this opportunity Chinese colleges and universities are rapidly adopting online education. The new opportunities provide a change in the teaching pattern, offer a rich variety of teaching resources and meet the demands of personalized learning. The Chinese Ministry of Education has been paying great attention to the design and construction of online higher education. In this regard it has developed some guiding documents such as the "Education Revitalization Action Plan Facing the 21st Century" and the "Regulations of the Ministry of Education About Strengthening the Construction, Application and Management of Online Open Courses in Higher Education Institutions". These documents show how China actively promotes the application of online teaching in universities. After years of development, the online education has reached a decent level in Chinese universities. There is still plenty to be done to make online education useful and attractive to more students. The development level of online education in China is not up to international standards yet. To better serve teaching and improve the quality of higher education in China, it is essential to analyze the current status of online education.

### 1.2 Method

In order to perform the analysis we needed data. For this purpose we surveyed both students and teachers using an online questionnaire. The questionnaire was posted online for interested individuals to participate. In this pull method of questionnaire distribution we noted that we lose control of who the participants are

and if any of them submitted multiple responses. Since this is not a high profile activity we did not think that there would be a concerted attempt to skew the responses. We reviewed and analyzed a large amount of domestic and international research achievements about online education in colleges and universities. One such topic is the construction and use of online teaching platform. Another is the development and application of online course. The last is the management and maintenance of online courses. In the survey, the students answered questions about the availability and reliability of the Internet connection. The respondents were college students and teachers in Henan province of China. This is the largest province in China with a population of over 100 million people. The survey respondents came from 31 colleges, including 24 public colleges, 4 private colleges and 3 independent colleges. In China, there are three different types of higher education institutions. Public colleges are organized by the state, Private colleges are formed by large businesses, social groups, other social organizations and individuals with non-state resources. Independent colleges are reflective of this classification type where the students can get their bachelor's degree by paying higher tuition. (Ji Cheng-jun, 2007). The important thing to note is that the teaching faculty for Independent colleges come from the Public colleges. The survey elicited over 300 responses and the number of usable responses was 264. College freshmen did not participate in the survey. Majority of the respondents were college sophomores, juniors, seniors and graduate students. The following are the results obtained from the survey:

Number of male respondents:	98
Number of female respondents:	166
Percentage of male respondents:	37%
Percentage of female respondents:	63%
Percentage of sophomore participants:	9%
Percentage of junior participants:	57%
Percentage of senior participants:	23%
Percentage of students majoring in Arts:	76%
Percentage of students majoring in Science:	15%
Percentage of students majoring in Fine Arts & Music:	9%



The use of the online course is with the aid of computer and network. According to the survey, 90.5% of the students have their own personal computers, of which 85.5% of students have a laptop. From the investigation about the use of network, we can see that 24.5% of students think it is very convenient to use internet at school, 57.5% of students think it's convenient, 18% of students think the network is not convenient. The survey also shows that more than 70% of students use personal computers to surf on the internet, less than 30% of students use the computers in lab or library. The time that the 68.5% of students surf on the internet is usually after 16:00. The proportion that students learn by internet between 8:00-12:00 and 14:00-16:00 is only 30%.

## 2. ONLINE TEACHING PLATFORM

### 2.1 Popularity

Universities in China have paid more attention to the creation of online teaching platforms. Almost 90% of universities have built or are building their own online teaching platform. The investment in this area is quite significant. The survey indicates that 60% of universities spent more than 300,000 Yuan on the construction of online teaching platform. Some universities spent more than 500,000 Yuan on buying a platform. Students in universities like to learn through the online teaching platform as a way to have their doubts cleared from the face-to-face lecture. There are more than 60% of the students who are glad to use the online teaching platform for self-paced learning and browsing the teaching resources. The rate of students using the online teaching platform to study course materials and finish their homework is 62.5%. In addition, 22.8% of the students are willing to use online teaching platform to communicate with teachers and 13.2% of students are willing to use online teaching platform to participate in discussions. Online teaching platform is a benefit for the students to gain knowledge about the details of the course content. It is also conducive to promote communication between teachers and students or between students.

**Table 1. Main reasons for student use of online teaching platform**

Purpose #	Studying/finishing their homework	Communicating with teachers	Discussion with each other	Other reasons
# of students	165	60	35	4
Percentage	62.5%	22.8%	13.2%	1.5%

## 2.2 Satisfaction

When investigating the stability of online teaching platform (Table2), only 11.4% of students think it is very good while 44.7% of students think it's good. However, 41.7% of students think the platform stability is not enough and 2.2% of students think the platform stability is poor. Especially after 6 p.m. when the demand is high, the internet speed can't meet the student demands. The stability of online teaching platform is very poor overall. When investigating the operation of online teaching platform, more than half of the students think that it is not convenient for use. Many of the students think that their learning enthusiasm is affected by the poor performance of the platform that they deal with while studying online. All contents for the course are fully rendered face-to-face by the instructors once and the online content is an opportunity to review the same material. However, the nature of the content is such it does not help them study step by step and distinguish the difficult concepts from the easy ones. This dissatisfaction is reflected in nearly 41% of the students being dissatisfied with the online teaching platform. If the function of online teaching platform cannot be improved, then half the students will not choose online teaching platform to augment their study. Almost all the students believe that the quality of online platform directly affects their learning enthusiasm. Over 87% of the students think that the imperfections of online teaching platform contribute to their poor perception of online teaching. Therefore, the function of online teaching platform needs to be improved constantly. First step in this regard is to make the platform more stable. We summarize these results in Table 2 below.

**Table 2. Student perception of online teaching platform**

Stability of teaching platform	Very good	Good	Not too good	Poor
# of respondents	30	118	110	6
Percentage	11.4%	44.7%	41.7%	2.2%

### 3. IMPORTANCE OF ONLINE COURSES IN CHINA

#### 3.1 Current state of online education opportunities

The primary reason for designing an online platform is to give the students an extra resource to augment their learning outside of the classroom. According to the survey, students feel that the number of online courses available in colleges and universities in China is not enough. Of the students who responded to the survey, majority of them take five or more courses each semester. These students feel that the online resources that they want are not available. Where there is the online content, 33.5% of students state that it is available for only one course. Researching this further, we noted that 25% of students express that the online content is available for two or more courses. The survey also indicates that more than 60% of online content was added in recent years. From the instructor perspective, the reason for not posting an online content is due to lack of institutional support to create such material and lack of time due to the heavy teaching load. Unlike in US, tenured instructors at Chinese universities are free to teach in multiple institutions and as such many of the instructors do just that in multiple institutions. Typically, instructors teach at one institution on Mondays, Wednesdays and Fridays and at another institution on Tuesdays and Thursdays. The incentive system available to instructors for creating online content is not attractive. Moreover, the instructors are not provided any training in creating online course content. We summarize these results in Table 3 and Table 4 below.

**Table 3. Number of online courses per semester**

# of online courses per semester	none	1	2	3 or more
# of student respondents	115	89	42	18
Percentage	43.5%	33.7%	16%	6.8%

**Table 4. How instructors gain knowledge for creating online content**

How instructors learn techniques	Self-study	Training	Collaborative-study	Other
Percentage	60%	22%	11%	7%

### **3.2 Uses of online content**

The ultimate goal of developing an online course content is to introduce that in their teaching. The purpose of developing the online curriculum from the perspective of Chinese colleges and universities is to complete the task of teaching reform project or participate in the creation of such content ahead of others. In recent years, the online curriculum is truly serving both teachers and students. The survey shows that 53% of the online courses are for providing another avenue to supplement classroom teaching while 37% are for students to use as self-study reference. Nearly 90% of the online course content is used exclusively by students while 10% of the content is shared with others. The online content is open to all majors and in all universities. Online course content is widely used by instructors. When an instructor arranges a study assignment through the online course content only 21% of the students are able to complete the task very well whereas nearly half the students could only complete the task. When the instructor designs a discussion activity online, nearly three quarters of the students actively participate in the activity. This is a positive aspect of making the content online. Once again, when the student comes across a concept that is not clear to them then almost all the students are willing to ask the instructors or their classmates online for help. Likewise, when a student encounters a difficult concept in the classroom then they are willing to use the internet teaching platform to supplement the study in their spare time. The students become more and more willing to learn or finish traditional classroom learning task in the online teaching platform.

### **3.3 Interaction with others online**

The survey shows that only 53% of students think that an interactive design of online course content is essential. The other students do not think the interactive design is necessary. Students use the online content to augment their learning and ask the instructors questions for clarification. In such cases nearly one third of the students feel that their instructors respond to their queries whereas 40% of the students feel that they do not get a response in a reasonable time. The rest of the students note that their instructors do not respond to their queries at all. Students feel that online discussion is essential to fully benefit from having course material online. However, the students note that only 10% of them feel that their instructors participate in such discussions while more than half of them feel that their instructors participate in such sessions only occasionally. For the remaining one third of the students the experience is that their instructors rarely participate in online discussions. It is the custom in China that the students also seldom give their opinions or offer suggestions to improve the online Bulletin Board System (BBS). The very fact that BBSs are still in use show that Chinese online education needs to improve significantly to take advantage of the many new features available due to the growth in technology. In spite of the fact that online interaction is through a BBS, nearly all the students pay more attention to them only when they have some assignment to do or when the instructors force them to go to the BBS. We also investigated the reasons for this phenomenon. According to the data, the lack of

adequate interactive capability, poor design of interactive function and inadequate time to join the online course are the main causes.

### **3.4 Assessment of online courses**

In the assessment of online courses we look at four different aspects of learning. The main questions considered are:

1. whether online curriculum resources can promote learning
2. whether online curriculum resources can supplement classroom learning
3. whether online curriculum resources can replace part of classroom teaching
4. whether online curriculum resources can improve the learning efficiency

The survey data shows that the effect of online courses do not achieve the desired goal. Only 42% of students think the online curriculum can promote learning. There are more than half of the students who feel that online courses contribute a little to their learning. However, nearly half the students think that online curriculum can supplement their classroom knowledge. At the same time more than half the students think that the online curricula have not brought their advantages into full use. On the learning efficiency perspective, only 29% of students think that online curriculum can improve it. At this time the percentage of students who get satisfaction through the online courses is low. For many students an online course is just a transition of classroom teaching into self-paced learning. For students who pay close attention in the classroom, there is no advantage in following the online content. Moreover, nearly all the students think that online curriculum resources are not updated in a timely manner. Three quarters of the students think that the media resources needed for accessing online curriculum are relatively simple. However, half of the students feel that it is not convenient to find the learning resources available online. All these results are summarized in Table 5 below.

**Table 5. Assessment of online courses**

Impact Effect of online courses	Yes	A little	No
Promoting study of material	42%	51%	7%
Supplementing knowledge	46%	52%	2%
Repeating classroom teaching	70%	14%	16%
Improving learning efficiency	15%	26%	59%

#### **4. MANAGEMENT AND MAINTENANCE OF ONLINE COURSES**

##### **4.1 School's Management**

The effective management of online courses are accomplished by universities through the use of their campus networks. This is confirmed by the survey we conducted. The campus server used for online courses is not only convenient to manage the online course but also effective in promoting online courses. However, the campus networks are slow and unstable, and so the server used for online courses can not adequately meet the students' need. Even though the Chinese colleges and universities lack a commercial grade Learning Management System, more than three quarters of the instructors feel that the institutions are trying to manage an online platform for this purpose. In order to effectively manage the online courses there should be dedicated personnel working on this. But the survey shows that less than half of the universities have special departments or personnel dedicated to managing the online systems. Moreover, nearly two thirds of the colleges and universities offering an online program lack the necessary resources to manage the system, get feedback from the users or reward the instructors who design online curriculum content. This results in the instructors not having much interest in developing high quality online courses or develop more learning resources.



## **4.2 Training for Instructors**

The main task for instructors is to maintain the online course content regularly. The survey data shows that more than three quarters of the students think that the online course resources made available by the instructors are insufficient to meet their learning needs. When we interviewed the students further, we learned that the quality of the online course resources is poor. The instructors mainly upload PowerPoint presentations and Word documents pertaining to the topic. But the students are looking for more interactive material that involves videos. Thus, the students feel that level of interaction with the online content for a course does not meet their expectations. In China, both the students and instructors use QQ and Wechat extensively to communicate among themselves. The students feel that the use of QQ and Wechat will further enhance their learning if the instructors are willing to use these tools with their online courses. According to the survey, there is no effective evaluation instrument online that will test the student's grasp of the concepts prior to the final examination that the students take at the end of the semester. Students feel that if such a feature were to be available, they will realize the benefit of online course content.

## **5. OUTLINE FOR IMPROVEMENTS**

Online education in Chinese universities has developed rapidly but it has encountered several problems in the process of development. In this section we outline several suggestions for improvements based on the survey results.

### **5.1 Full function online teaching platform**

A good interactive function of online teaching platform is the first thing needed for the success of online courses (Liang Jie, 2015). According to the survey, the online teaching platform in Chinese universities and colleges can't meet the needs of instructors and students. Based on the requirements analysis of instructors and students, it is important to fully explore the platform function, make the secondary development and expand its function. At present, there is a module that provides interaction between instructors and students in the online teaching platform. However, its poor usability and level of interaction options still influences the effect on online courses. Good interaction design should include navigation, convenience and feedback (Yang Liu-qing, 2013). Navigation design should be able to let the teachers and students upload and find all course resources on the platform without any limit. Operation design should meet the instructors' and students' usage patterns. Feedback should be designed to make the teachers and students get feedback on time and clearly. Moreover, with the wide use of mobile terminals, online teaching platform should meet the students' requirement of mobile learning. It is very important to convert the function of the platform according to the characteristics of mobile devices. If the online teaching platform can be adapted to handle mobile devices, it will greatly promote the development and application of the online course.

## **5.2 Instructor's role in online course development**

The development of online courses is time-consuming and expensive. Universities need to give enough attention to it. In order to encourage instructors developing online course content enthusiastically, universities should give enough financial incentives to instructors to support them developing online courses. The survey results show that the theoretical knowledge and technical competence needed for online course design needs to be improved. It is essential for universities and higher educational departments to further strengthen the training of instructors' education technology and teaching software tools. A Learning Management System in use in western countries would form a good model to look at for this purpose. In order to enhance the learning and sharing of the online course materials, instructors should master the online curriculum development software. Then they can properly use the audio, video, pictures and related resources in the online curriculum content.

## **5.3 Availability of online course resources**

From the survey, we note that online courses are not meeting the needs of the students. The main reason is the insufficient quality of learning resources on the online teaching platform. Learning resources on the online teaching platform should not repeat the content of traditional classroom. The instructors should not only upload the course presentations and course outline but also need to design special teaching material for online courses and provide updated learning resources online in a timely manner. The instructor should enrich the media form of learning resources by providing video content in addition to textual material. Possible techniques to consider are: animation, video, audio, and mind mapping. These techniques will enhance the learning resources and the advantages of multimedia can be fully deployed (Luo Hao, 2014). The Chinese universities are experiencing a platform resource shortage in this regard. Instructors can provide available links from sources such as the global open course list and China's Open University courses to solve this problem.

## **5.4 Online evaluation**

Establishing a new evaluation system is essential to estimate the students' learning efforts in online courses. The evaluation system can not only focus on the students' efforts but also cover the different learning stages. Different stages require different evaluation methods. Students should have the option to self-evaluate first as they learn new concepts. In addition, the evaluation should include the daily performance of students' learning ability and attitude, ability to participate in the interaction and the performance of collaborative learning and the ability to utilize the online learning resources. When evaluating the students' learning effectiveness, it should use appropriate weights for various components and give a comprehensive evaluation (Zheng ying-you, LI Xue-ning, 2013). A good evaluation system not only helps guide the students and motivate them but also can facilitate

their learning process at the same time.

## **6. CONCLUSION**

The analysis above shows that the online education in Chinese universities has grown rapidly. The quantity and quality of online course are increasing. But there are some disadvantages that still affect the further improvement of Chinese online education. These factors include the hardware resources, institutional policies, level of curriculum development and the students' learning habits. The development of China's online education in colleges and universities is evolving slowly. Chinese higher education departments and universities should study the experience of online education abroad and encourage instructors to put more efforts towards online course material development.



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