

SO WE HAVE A TRADING ROOM – MOVING BEYOND THE WOW!

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ABSTRACT

Trading Rooms have proliferated at colleges and universities around the country. They are viewed as a potent recruiting tool for a business school. Trading Rooms also facilitate a hands-on learning experience for students in the fields of economics and finance. Students who become experienced users of the hardware and software may gain a competitive edge when seeking employment opportunities with investment banking, money management and other financial services firms.

We dedicated a new facility that includes a trading room in 2009. It has all the bells and whistles. The initial reaction to the new facility was – WOW! The initial euphoria has faded. Now we face the question of, “How do we leverage our investment to integrate the use of this facility across our curriculum and to develop and/or strengthen partnerships with our business community?”

INTRODUCTION

For a number of years, the Dean of the College of Business Administration at Winthrop University lobbied for a new facility that would house an auditorium and some additional classroom space. He was pleasantly surprised to learn that State construction monies were approved to build this facility. During the early planning stages, the Dean learned that a Trading Room would also be incorporated into the building design. Unfortunately, there was a catch. The State of South Carolina would provide the construction monies. The Dean would need to secure funding for the hardware and software.

A meeting of selected administrators and faculty members was held to brainstorm a list of potential donors. They specifically wanted to identify an individual(s) who had a connection to the University and also had the ability to make a significant cash contribution. Larry Carroll’s name appeared at the top of the list.

Larry W. Carroll, CFP®, CIMA is recognized as one of the best financial planners in the country. His firm, Carroll Financial Associates, Inc. manages over \$1.5 billion in client assets. Larry is frequently included in the ranks of top financial planners in publications such as Barron’s. He is a native of Rock Hill, SC which is the home of Winthrop University. Further, his wife, Vivian, received her undergraduate degree from Winthrop University before beginning a successful career as a financial advisor at Merrill Lynch.

A member of our faculty was asked to determine Larry's interest and willingness to make a contribution to Winthrop University. He and Larry had a personal and business relationship of over 25 years. The faculty member was part of Larry's financial planning organization. They had also started a community bank the previous year. In 1999, Larry provided funding to start a student managed investment fund at Winthrop University.

Larry was immediately intrigued with the idea of providing funding for the new facility. He had previously made substantial gifts to his alma mater, Austin Peay State University. He now wanted to make a gift to Vivian's alma mater.

Three options were presented to Larry. He could choose to underwrite the:

1. Entire building
2. Auditorium
3. Trading Room

Larry pledged \$1.25 million to underwrite the entire facility. Planning for the new facility began.

An overwhelming number of students in the College of Business Administration at Winthrop University arrive on campus having had no exposure to the capital markets. Many are the first in their family to attend college. They did not have the experience of listening to their parents discuss prospects for the stock and bond markets or the performance of their portfolios. These students are often highly risk averse and are reluctant to venture beyond certificates of deposit and other investment vehicles deemed "safe". This often manifests itself in their reluctance to trade risky assets in the investment simulation that is part of the Investments course that is required for all finance majors. One of the Dean's major goals for this new facility was to provide students with exposure to the capital markets and to promote the use of the facility across the curriculum. Accordingly, he evaluated hardware and software alternatives for the Trading Room.

Vivian M. Carroll Hall was dedicated in 2009 to great fanfare. The building received rave reviews. It consists of a(n):

- 125-seat Auditorium
- Executive Conference Room
- 40-seat classroom with a computer terminal at each seat. It can also be used as two 20-seat classrooms.
- 2 student break-out rooms that can be used for group projects and group study. Each room contains a smart board.
- Computer lab
- Administrative office
- 23-seat trading room with a 2nd floor observation deck

THE TRADING ROOM

The Trading Room consists of 23 workstations. We have a Bloomberg terminal and licenses for 7 Telemet users. There is a streaming electronic ticker that goes around the entire trading room and can be seen from the street. There are also electronic displays with key financial and economic data.

The initial reaction from all who visited the facility was WOW! Positive feedback was received from the Winthrop University community, residents of Rock Hill, prospective and current students and from members of the Charlotte Chapter of the Financial Planning Association. Nonetheless, we face a number of challenges in effectively utilizing the potential of this facility as a learning tool for our students.

These challenges include:

- The inability to hire staff for this new facility. We do not have a staff person charged with managing the facility. Further, we do not have an individual, experienced with Bloomberg, to direct Trading Room activities.
- The lack of faculty trained in the use of Bloomberg or Telemet
- Limited access to the building
- The perception among faculty that the use of the Trading Room is to be incorporated into the Finance curriculum only.
- The perception that the Bloomberg Terminal will likely be tied up whenever one wants to use it.
- The physical separation of faculty offices and classrooms from Carroll Hall which houses the Trading Room
- The lack of a formal (preferably online) reservation system for the Bloomberg Terminal

Progress has been made to mitigate some of the above issues. However, the implementation of additional strategies is required in order to integrate the use of the Trading Room across the curriculum.

The literature includes numerous articles on building a Trading Room. Much of the discussion centers on the selection of hardware and software (Alexander, Heck & McElreath, 2002). Curriculum and personnel issues are also addressed (Sinha, Ferreira & Green, 2006). The basics of using a Bloomberg Terminal are discussed effectively (Scott, III, 2010). However, it appears that the goal of utilizing a Trading Room across the curriculum largely remains unrealized. The need to encourage faculty to integrate the Trading Room into their courses and to utilize cases that integrate across disciplines was noted (Lester & Cole, 2009). Earlier this year, Rise Display, a marketer of display solutions, sponsored a workshop on using trading rooms across the curriculum. One of the presenters noted that the Trading Room is being utilized, not only in Finance classes, but in Economics, Marketing, Statistics, Operations Research, Business Journalism and Risk Management classes (Holowczak, 2011).

The authors of this paper were given the task of analyzing the current use of our facility and to propose recommendations to enhance the learning experience of our students and provide faculty with additional tools for conducting research.

PROPOSED STRATEGIES

Most importantly, we determined that the building needs a “Champion” (Sinha, Ferreira & Green, 2006). Unfortunately, we do not have the ability to hire someone to manage and promote the use of the new facility. Accordingly, we suggest that a senior member of faculty be recruited to take on this responsibility. This should be someone who is well-respected within the College of Business and one who is passionate about the facility and enthusiastic regarding taking on this responsibility. Ideally, incentives such as a 10-month contract or course releases could be offered as an inducement.

Twenty-nine students began and/or completed the Bloomberg certification program during the Spring semester. These students should form the pool from which students are hired to staff the Trading Room this semester. The students hired should be charged with preparing a Bloomberg user’s manual. They should also be available to assist faculty in designing projects that require the use of the Bloomberg Terminal.

With respect to incorporating the Trading Room across the curriculum, we propose that:

- Undergraduate students should be introduced to the Trading Room in the Intro to Business class. Each section should schedule a full or partial class in the Trading Room to discuss financial topics lead by one of the finance faculty. This would afford all students in the College of Business Administration an introduction to the capital markets early in their matriculation.
- An assignment should be made in all sections of the Principles of Finance class that requires use of the Bloomberg Terminal. Currently, one of the four professors who teach this course is assigning a Bloomberg project. We have discussed the possibility of assigning a common project.
- Our economics faculty should make use of the Trading Room to discuss and/or assign projects related to currencies and exchange rates, global economic indices, yield curves, monitoring the activities of the Federal Reserve, etc.
- Our capstone management course should also require students to utilize the Bloomberg Terminal to perform a detailed company analysis, assess management strategy and to examine merger and acquisition activity.
- Curriculum changes should be implemented at the graduate level to incorporate the use of the Trading Room. We reviewed the MBA curriculum and identified courses across the curriculum where projects requiring students to use the Bloomberg Terminal could be applied. Our MBA – Finance Emphasis program should add additional investment and corporate finance classes that prepare students to take the CFA exam.
- Offer basic economic/financial literacy programs for high school students.
- Increase the number of presentations by financial services professionals.
- Offer continuing education programs for CPAs, Certified Financial Planners and other professionals who have mandated annual continuing education requirements.
- Market the facility to area corporations and nonprofit organizations to conduct staff training programs and retreats.

- Impress upon faculty that Bloomberg is a user-friendly data base. In a matter of minutes, one can obtain a user number and password and immediately begin to access a tremendous amount of data. There is no steep learning curve!
- Encourage our students, particularly our graduate students, to complete the Bloomberg certification program.
- Begin a new student managed portfolio.

CONCLUSION

We remain enthusiastic that we will be successful in integrating the use of Carroll Hall across the curriculum. We note increased student use of the facility. There has also been considerable discussion among faculty regarding assigning projects that will require use of the Trading Room. To date, Carroll Hall has been an effective recruiting tool. We expect that it will become a significant asset for student learning and it will enhance our level of involvement with members of the business community.

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