

# *Characterizing Student Finance Organizations-A Survey of FMA Chapters*

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## **ABSTRACT**

This manuscript presents the results of a survey of faculty advisors of student chapters of the Financial Management Association International (FMA). The institutions, advisors, and chapters are characterized in an effort to better understand how institutions serve their students—through the management of chapters and also how institutions provide that service through assignment of faculty advisors. The evidence indicates that chapters provide a wide-range of services and opportunities to students through the chapters, yet there appears to be differing perspectives as to the role, nature, and assignment, of chapter advisors.

## **Introduction**

An important aspect of learning in a college and university setting is the degree of student involvement, and of particular note, participation in student organizations. Astin (1973) suggests that less than two-thirds of students are satisfied with the amount of contact with faculty and staff. Abrahamowicz (1988) suggests students who are members of student organizations indicate greater involvement with faculty and course learning resulting in a higher quality educational experience. Involvement or interaction with faculty is of specific interest to business schools accredited by the Association to Advance Collegiate Schools of Business (AACSB International). Within the standards for business accreditation, specific guidance is provided through the Student-Faculty Interaction Principles of AACSB International, with the goal of enhancing the learning experiences available to students. One principle suggests students have access to disciplinary experts in curricular and extra curricular situations. While multiple avenues might exist to reach this goal—one often used is through the administration of a student organization. Within the discipline of finance, most often that student group is formed as a student chapter of the Financial Management Association International (FMA).

It is not unreasonable to assume that the establishment of a student organization can facilitate and enhance the college learning experience. However, the presence of an organization will not, in and of itself, generate improved learning. A pivotal influence on the operation of a chapter is the faculty advisor. An advisor can serve to provide direction for the group, or serve in a more supporting role, assisting students with planning meetings, budgeting, and other general needs. The advisor is often the principal liaison for the chapter between the students and the community. The purpose of this paper is twofold. First, the activities and characteristics of FMA chapters are examined. Secondly, the role and characteristics of the FMA advisor are considered in an effort to gain insight into how institutions fill this critical position. This work furthers existing literature on student groups and provides a reference for current and potential FMA faculty advisors.

Previous literature suggests student organizations meet needs that college students often face, especially relating to learning more about their chosen major and/or career, by interacting with industry professionals. One of the primary functions of an FMA chapter and other similar student organizations is

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the role of building relationships and interacting with industry professionals. Stephens (2007) notes that Beta Alpha Psi, an honor society for accounting, finance and information systems students, helps students build relationships with peers as well as industry professionals. Birkett and Prather-Stewart (1995), in a study of the National Association of Black Accountants (NABA), also note that membership in a student chapter of a business organization gives students an opportunity to network with professionals. Students are, then, not only able to learn from these professionals, but these professionals may then someday provide employment opportunities for members of these groups.

Stephens (2007) further notes that Beta Alpha Psi provides students with a larger view of their chosen profession. As a result of exposing students to information about their profession, Stephens posits that Beta Alpha Psi students become better informed about the components and implications of important career decisions. FMA chapters educate students about the field of finance by exposing students to finance professionals who often come to the university and speak at chapter meetings, discussing their particular career path and providing insights into the opportunities within the field of finance.

Organizations similar to FMA also give students a chance to develop leadership skills. These leadership opportunities are noted by both Stephens (2007) within Beta Alpha Psi, and Birkett and Prather-Stewart (1995) within the NABA. Schultz and Kilpatrick (1986) note these leadership opportunities with regard to student chapter of the National Association of Accountants (NAA). Many underclassmen become involved in organizations and subsequently, when they are juniors and seniors, have opportunities to serve in leadership positions within the organization. FMA chapters provide students these leadership opportunities, allowing them, in many cases, to directly interact with industry professionals, as a result of their roles within the organization.

Vitally important to the success of any student group is the role played by the faculty advisor. This paper characterizes the individuals who serve in this important role. This process is facilitated by the assumption that most faculty advisors could be grouped into one of three general categories. First, there are advisors who serve because they actively seek the opportunity to work with students in a capacity outside of the classroom. Many enjoy being mentors, or proving the liaison between students and the professional community. Secondly, there are advisors who recognize they have a service obligation, usually uniquely balanced with research and teaching at each university and may see the advisor role as an easy or convenient way to satisfy this service requirement. Finally, there are faculty who serve in the advisor role because they are assigned to the role by the university, and thus, have no choice but to serve.

Many schools can reasonably be described as either research-focused or teaching-focused. Alternatively, few if any might be widely seen as service-focused. While service represents some portion of the assigned duties of almost all university faculty, it is most often found to be the component with the least prominence. Moreover, service is often further uniquely defined by the institution. Service might be construed as service to the students, the institution, the local community, to the academe, or a complex combination of each. In this research, one of the desired outcomes is to gain insight into how colleges and universities manage one aspect of the service mission—the interaction of students and faculty. AACSB International specifically examines schools in their adherence to a set of Student-Faculty Interaction Principles. As identified from AACBS International, they are:

1. Interaction opportunities are available to meet unique needs of individual students.
2. Interactions are consistent with the school's mission and characterized by integrity and respect among participants.
3. Constituent groups have opportunities to learn from each other.
4. Students have access to disciplinary experts in curricular and extra curricular situations.
5. Interaction among faculty members produces a coherent and integrated learning experience.

Analyzing the characteristics of the institutions with FMA chapters, their faculty advisors, and chapters themselves will provide improved understanding of how institutions serve their students through the activities of chapters and characteristics of faculty advisors. The results of this research are important for a number of stakeholders. First, capturing the characteristics of chapters will provide institutions and advisors alike with a benchmark to examine how the activities of their own chapter might compare with similar schools. Secondly, universities can use the information on the characteristics of advisors to compare assignment practices. Finally, the results can assist institutions to better serve their students and faculty alike by aligning the interests and resources of students and faculty to enhance student learning.

## Data and Methodology

An electronic survey was sent to the faculty advisors of 169 schools with FMA chapters, ten of which did not reach the institution due to incorrect email/contact information. A total of 67 advisors responded to the survey. Sixty-three advisors provided useable responses, yielding a response rate of approximately 40 percent. We use these sixty-three surveys to gather the information about FMA student chapters and their advisors, reported in this manuscript. The usable responses represent a broad range of university and advisor characteristics.

## Results

### *Characteristics of Institutions*

This study includes a well-represented and diverse sample of institutions hosting FMA student chapters. Ninety-three percent of the sample schools are either accredited or seeking accreditation from AACSB, and 78 percent are tenure-granting institutions. Table 1 depicts the institutional characteristics of the chapters surveyed. The sample includes both private and public institutions, with large and small institutional enrollment, and varied sizes of business schools. Interestingly, all of the smaller schools in the sample, defined as schools with less than 5,000 students, are private. With respect to business school enrollment, 60 percent of the smaller schools (those with business enrollment less than 1,000 students) are private. Likewise, all of the largest schools (with enrollment more than 25,000) are public.

**Table 1: Institutional Characteristics**

School Setting	Total	Public	Private
n	64	44	20
Rural	11	9	2
Suburban	25	20	5
Urban	28	15	13
Funding Type	Total	Public	Private
n	67	47	20
University enrollment			
0-5,000	10	0	10
5,001-10,000	24	18	6
10,001-15,000	10	7	3
15,001-25,000	15	14	1
>25,000	8	8	0
College of Business enrollment			
0-1,000	20	8	12
1,001-2,000	16	12	4
2,001-3,000	21	19	2
>3,000	10	8	2
Highest Degree			
PhD	8	8	0
Master's	33	21	12
Bachelor's	26	18	8

*Notes:* Table 1 presents information on the colleges and universities that host Financial Management Association International (FMA) student chapters.

The sample institutions also represent varied degree offerings, using varying sizes of academic departments or units supporting student finance organizations. Almost 50 percent of the sample institutions offer masters-level degrees and another 12 percent offer doctoral-level degrees. Approximately 80% of the

respondents indicated that their institution was located in an urban or suburban area. While the average number of faculty teaching at least one finance course at an institution is almost eight (min. 2, max. 24), 60% of institutions have six or fewer faculty teaching a single finance course. Institutions average three *adjunct* faculty teaching at least one finance course, with only 12% of schools reporting they do not use any adjunct faculty to teach finance. In sum, the sample of institutions responding to this survey provide a reasonable cross section of hosting characteristics, from funding type to size of student body and faculty, through which to examine FMA student chapter advisors and the chapters' activities.

### *Characteristics of Faculty Advisors*

The data from the survey on faculty advisors portrays an interesting picture of those on the front lines of serving students outside the classroom. Faculty serving in the advisor position have served in the role an average of 5.1 years and been at their institution for 7.1 years. However, the presence of some senior faculty serving as advisors skews the distributions. For example, just over 25% of the advisors in the sample have served in the capacity of advisor for two or fewer years. Alternatively, 10 percent have served for more than 10 years. There also appears to be little depth with respect to the presence of former advisors on campus. Over 70 percent of the advisors report their chapters have had three or fewer advisors. Table 2 presents the data on advisor rank, degree, and experience. Those serving as advisors also have differing backgrounds and experiences. While 85 percent of advisors hold doctoral degrees, only 16 percent (10 of 63) hold professional designations. Of those designations noted, Chartered Financial Analyst (CFA), Certified Financial Planner (CFP), and Certified Public Accountant (CPA) appear most often—yet only twice each. Advisors report an average of 7.1 years of industry experience. Those not holding academic ranks have considerably more industry example than their academic-rank colleagues.

**Table 2: Advisor Rank, Degree & Experience**

	Total	Public	Private		n	Mean	Std Dev
n	63	43	20	<u>Average advisor years in position</u>			
Current academic rank				All	63	5.1	4.2
Assistant	22	14	8	Assistant	22	2.4	1.3
Associate	16	11	5	Associate	16	5.7	4.5
Full	14	10	4	Full	14	8.3	5.1
Other	11	8	3	Other-FT	9	4.7	2.4
				Non-Academic	2	8.0	7.1
Academic rank at appointment				<u>Average advisor years at institution</u>			
Assistant	38	25	13	All	61	8.2	6.4
Associate	10	7	3	Assistant	22	3.4	1.8
Full	5	4	1	Associate	15	9.4	5.2
Other	8	7	3	Full	13	14.5	7.8
Advisor degree				Other-FT	9	8.1	4.6
PhD	54	37	17	Non-Academic	2	11.5	9.2
Master's	9	6	3	<u>Average advisor years of industry experience</u>			
				All	63	7.1	8.1
				Assistant	22	5.9	8.0
				Associate	16	5.4	5.3
				Full	14	4.4	3.5
				Other-FT	9	12.9	7.7
				Non-Academic	2	28.0	18.4

*Notes:* Table 2 presents academic rank, degree, and work experience summary statistics for faculty advisors of Financial Management Association International (FMA) student chapters.

While the sample includes a near equal division of tenured and non-tenured advisors, the data suggest that a majority of advisors assumed the role while they were untenured assistant professors. For faculty

holding academic rank, advisors reported an average of over 13 peer-reviewed publications. However, here too, the distribution of responses is skewed. More than 45 percent of the advisors report five or fewer peer reviewed publications. Clearly, these are faculty who have not yet established themselves as productive researchers indicating a potentially dangerous cost associated with serving as a faculty advisor—that of reduced research productivity. Perhaps surprisingly, there is little difference in the division of time allocated to research, service, and teaching across advisors holding differing academic ranks. Table 3 depicts the publication and advisor workload statistics for those FMA advisors holding academic rank.

**Table 3: Advisor Workload Characteristics**

	n	Mean	Std Dev
<b>Panel A: Average peer-reviewed publications</b>			
All	52	13.2	19.4
Assistant	22	3.4	2.4
Associate	16	9.0	6.0
Full	14	33.6	28.1
<b>Panel B: Average teaching percentage</b>			
All	52	53%	13%
Assistant	22	53%	13%
Associate	16	52%	13%
Full	14	54%	15%
<b>Panel C: Average service percentage</b>			
All	52	19%	9%
Assistant	22	18%	9%
Associate	16	20%	9%
Full	14	21%	11%
<b>Panel D: Average research percentage</b>			
All	52	28%	14%
Assistant	22	29%	17%
Associate	16	27%	13%
Full	14	27%	11%

*Notes:* Table 3 presents workload characteristics for faculty advisors of Financial Management Association International (FMA) student chapters. Panels A, B, & C represent the teaching, service, and research time allocations for advisors. Panel D depicts the mean number of peer reviewed publications. Only advisors holding academic ranks are included.

Advisors were specifically asked their motivation to serve as faculty advisor. Not surprisingly, these answers were as varied and diverse as the advisors themselves. As described earlier, each open-ended response to this question was grouped into one of three general categories: advisors who: 1) seek the role as a result of their desire to interact with students outside of the classroom, 2) understand a service obligation and the role of advisor satisfies the requirement, or 3) are appointed or otherwise required. The most promising finding from the advisors answering this question, fully 78 percent fall into the first category, while only 12 percent are in the role as some measure of last resort.

Taken in sum, the data paint an encouraging picture. Advisors serve because they are motivated to serve students. However, the data also suggests faculty serving in the role might assume some cost. A majority of current advisors hold the rank of Assistant Professor, and many of those holding higher ranks were appointed advisor when they were Assistants. Of those advisors currently appointed as Assistant Professors, they have on average only 3.4 peer-reviewed publications. In sum, while the more junior faculty service as advisors, they are perhaps those that can least afford the service time requirement. It is likely that service as an FMA student chapter advisor might adversely impact the advisor’s ability to generate peer-reviewed publications—and thus obtain promotion and tenure. Only one advisor reports receiving a teaching download and none reported receiving any monetary compensation. These results perhaps prompt the question as to whether or not the right personnel are serving as advisors. If the answer

is yes (which the results from the motivation question might suggest)—are institutions providing them with the opportunities they need to succeed and progress, specifically with respect to research requirements?

**Characteristics of Student Chapters**

The data indicate a broad range of characteristics for the student chapters in the sample. However, examination of the activities of the sample chapters allows a benchmark to be established which can be used to gauge the relative success of a given chapter. This information should be very useful to both current and future faculty advisors.

The typical FMA student chapter has been in existence for less than 10 years and has between 20 and 50 members. Most of these chapters have FMA National Honor Societies, almost 73 percent. These chapters are operated with relatively small budgets. For example, over 58 percent report annual budgets of less than \$1,000. The most common source of funding is student fundraising activity, 77 percent, followed by university and departmental funding, at 63 percent and 35 percent, respectively. Table 4 presents the data on funding sources for student chapters. It is interesting to note that only a minority of the student chapters look to business community for funding. This may be related to the fact that only three chapters reported having advisory boards. Formation of advisory boards could greatly enhance the ability of student chapters to raise funds from important off-campus sources.

**Table 4: Funding Characteristics**

Source of Funding	% of chapters
Student fundraising	77%
University funding	63%
Departmental funding	35%
Corporate donors	11%
Private donors	11%
Professional or trade groups	2%
Other	5%

*Notes:* Table 4 presents the percentage of schools in the sample and their sources of funding for Financial Management Association International (FMA) student chapters. (n=62)

The average chapter meets seven times per semester. Only two chapters reported meeting during the summer months. Given that over 65 percent of the chapters report students in the senior year comprise 70 percent or more of their total membership, the use of summer meetings could facilitate greater involvement by younger students. Table 5 presents a listing of the various activities sponsored by student chapters. While speaker programs are clearly the most common sponsored activity, over 50 percent of the chapters sponsor social gatherings, chapter websites, and field trips. Given the importance of preparing for and ultimately finding a permanent job upon graduation and that most members are seniors, it is somewhat surprising that resume book publication and career days are not more commonly sponsored by FMA chapters.

**Table 5: Chapter Activities**

Activity	% of chapters
Speaker programs	89%
Social gatherings	66%
Chapter website	65%
Field trips	60%
Community service activities	39%
Professional workshops	34%

Resume book	34%
Career days	31%
Attend FMA conference	31%
Panel discussions	27%
Investment competitions	27%
Tutoring/help sessions	26%
Conferences	23%
Banquets	21%
Chapter Newsletter	16%
Research with faculty	3%

*Notes:* Table 5 presents the percentage of schools in the sample and the sponsored activities of the Financial Management Association International (FMA) student chapters. (n=62)

When asked about their perception of the propensity of students who participate in FMA attending graduate school, 42 percent of the respondents indicated they felt these students had an increased propensity to attend graduate school. This finding points to another potential activity for FMA student chapters, forums on graduate school opportunities. Most students are very poorly prepared for making the series of important decisions related to graduate education and could greatly benefit from exposure to information on these topics. Graduates of an institution who have successfully completed graduate programs or who are currently enrolled in such programs are often willing to return to their alma maters to speak with current students about their graduate school experiences.

Providing students with opportunities to serve in leadership roles is a primary benefit of student organizations. Therefore, it is not surprising that almost 84 percent of the chapters have four or more elected student positions. In fact, it is more surprising that 16 percent of the chapters report having three or fewer elected student positions. Given the high percentage of senior FMA student members, having leadership roles that target juniors can help to smooth the transition between academic years. One way that students can be involved in leadership roles with their chapters is in the pursuit of a Superior Chapter Designation. A Superior Chapter Designation involves a chapter adhering to a minimum number of criteria that may include, but not be limited to, publication of a newsletter and/or resume book, etc. (see Table 6 for complete list). Almost 68 percent of the respondents indicated that the chapter at their institution has not received a Superior Chapter Designation. Table 6 presents the activities reported by the respondents as being used to support their request for the designation.

**Table 6: Chapter Activities (with Superior Designation)**

Activity	% of chapters
Min. of 8 speaker programs	95%
Create/maintain website	90%
Publish chapter resume book	75%
Min. of 2 financial/corporate tours	75%
Student attendance at FMA Leaders' Conf	65%
Publication of chapter newsletter	25%
Participate in FMA online conf.	15%
Student attendance at FMA	15%
Submit 3 press releases to FMA	10%

*Notes:* Table 6 presents the activities of those Financial Management Association International (FMA) student chapters with the Superior Chapter designation. (n=20)

A final question posed to the chapter advisors asked “How can FMA better support your role as FMA student advisor?” A wide variety of responses were received to this open ended question. However, there were two common themes in many of the answers, financial concerns and the need for guidance. The need for guidance is understandable. Hopefully, the information presented in this paper and the information available in the on-line student advisor’s manual (available at <http://www.fma.org/Student/>) will help with this issue.

The need for financial support is a somewhat more difficult item to address. Given that most of the chapters in the sample operate with annual budgets under \$1,000 and the high percentage of members that are seniors, it is easy to understand how the need for funding can be a constant concern for faculty advisors. The funding problem is one that occurs each year and must be addressed in many cases with a mostly new set of student leaders. One possibility is to increase the use of advisory boards and solicit funds from the entities that employ the board members. This could provide a recurring source of revenue for the chapters that would be independent of the university related sources. Another possibility suggested was that FMA might increase the percentage of the dues shared with the chapters. Ten of the 33 advisors that responded to this open-ended question specifically mention requests for more monetary support or rather question the value proposition requiring students to pay dues. Currently, FMA does not share any of the dues with the student chapters. Three advisors indicated chapter members do not utilize publications produced by FMA, suggesting students would find more value with more practitioner-oriented/business press publications instead.

Based on the information presented in this section of the paper a benchmark for FMA student chapters can be established. The typical chapter has 20-50 members and meets 14 times per year. These chapters operate with limited budgets with the majority of their funding coming from student fundraising activities, the university, and departmental sources. Most have speaker programs, social gatherings, web sites and field trips. Their membership is dominated by seniors. They have four or more elected student positions and do not meet in the summer. Most have a FMA National Honor Society. While there is a great deal of variation in FMA student chapters across institutions, the data collected for this study indicate these levels of activity can be considered a benchmark for existing chapters.

### **Summary and Conclusion**

This paper reports the results of a survey of the faculty advisors for student chapters of the FMA. The respondents represent a well diversified sample of institutions hosting FMA student chapters. The results of the survey shed light on the current practices of assigning the role of faculty advisor and point to some potential benefits as well as costs. In terms of benefits, it seems that most faculty advisors serve in this capacity due to their desire to work with students outside of the classroom. Hence, institutions are assigning faculty who are motivated to do a good job in these important roles. In term of potential costs, one item stands out clearly in the results of the survey. Most faculty are assigned the role of faculty advisor while they are untenured assistant professors who are still working to become accomplished researchers. Therefore, they may incur a cost in terms of reduced research productivity at a time when it is most vital to the success of their careers.

The results are also of significant value with respect to the insights gained into the operations of the actual FMA student chapters. First, the data facilitated the construction of a benchmark for chapters. Second, the increased use of advisory boards could help in improving chapter performance. Proper development and use of advisory boards could provide a steady stream of expert speakers, help to stabilize the chapter’s financial situation, and result in greater job opportunities for student participants upon graduation. Third, increasing the number of student elected positions, particularly those that target students with junior standing, will likely result in smoother transition from one academic year to the next. Finally, meeting during the summer term may also assist the chapter in terms of maintaining the momentum developed during the previous year.

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## Acknowledgement

The authors would like to thank Jack Rader and Janet Payne at the Financial Management Association International (FMA) for their comments on this manuscript as well as Carol Sweeny, who provided excellent support for Survey Monkey.