

**FINANCE AS A
FOREIGN LANGUAGE**

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Finance as a Foreign Language

Abstract

Students in introductory finance courses have diverse worldviews, learning styles and motives for taking the course. While there are many differences between teaching a second traditional language and finance, there are also many similarities. For some students, finance is indeed a foreign language. Consequently many of the techniques used in teaching English as a foreign language (TEFL) may be adapted for use by teachers of finance. An overview of a particular TEFL approach, communicative language teaching (CLT), is provided. At first glance, it seems the barrier most likely to affect one's decision to adopt CLT strategies for finance is the preparatory time required.

Finance as a Foreign Language

An introductory course in finance is a common element in a business school curriculum core, required for all business students regardless of specific discipline, whether it be finance, marketing, business administration or other. Consequently, students in an introductory finance course are likely to have a wide range of motivation for enrolling in the course and are equally likely to come from diverse backgrounds and to have diverse learning styles (Gentry and Helgesen, 1999; Biktimirov and Nilson, 2003). Krishnan, Bathala, Bhattacharya, and Ritchey (1999) reported that most students begin the introductory finance course with little prior understanding or interest in finance. In a survey of introductory finance students taught by six instructors at three business schools, Krishnan, et al., found that 79 percent of the students at the beginning of the term expected the course to be challenging or difficult and that 94 percent of the students expected the course to require math applications and quantitative analysis. What's more, they found that students at the end of term rated the course as more challenging than they had expected. In the author's experience, many students who have chosen to major in a discipline other than finance dread the finance course and wait until their last semester in university to attempt it. Many of these students report long-term difficulty with anything that requires mathematics as explanation for their difficulty with and fear of finance. Consequently, many students in an introductory finance course are likely to experience anxiety associated with the course.

Students in an introductory finance course are not the only ones who are baffled by finance. Turner, director of the Santa Cruz City-County Library System, CA, has asserted "The gurus of finance speak a language all their own and follow conventions that make no sense to the typical outsider" (2004). In her article, Turner goes on to equate finance and accounting, a further indication of a common misunderstanding about finance. Folsom (2006) wrote of deciphering business jargon and noted that the "financial markets are abundant sources of new material...". It's no wonder that one finance student expressed his frustration, "This is a foreign language!"

Many parallels can be drawn between the teaching of introductory finance and the teaching of English as a foreign language (TEFL). The first section of this paper explores existing literature about learning styles and paradigms as they relate to academic finance and to language learning or acquisition. In the next section, parallels are drawn between teaching finance and TEFL. Thirdly, strategies adapted from communicative language teaching (CLT) are proposed for teachers of introductory finance courses. Finally, the paper concludes with a summary.

Learning Styles and Paradigms

One way to evaluate differences among learners is to consider their different learning styles. An extensive body of research on learning styles exists and only two methods of defining learning styles are presented here. Gregorc (1984) defined learning styles according to a two-dimensional framework on two continuums – concrete or abstract view of reality and sequential or random ordering ability:

- Concrete Sequential (CS) – value structure, details and facts, precision, exactness, learning by doing, managerial leadership.
- Abstract Sequential (AS) – value logic, procedure, analysis, ideas, intellectual leadership.
- Abstract Random (AR) – value personalization, communication, flexibility, imagination, social leadership.
- Concrete Random (CR) – value exploration, investigation, problem solving, diversity, visionary leadership.

Gentry and Helgesen (1999) found in a study of business students that men majoring in business were more likely to have AS and CR learning styles than were women. However, women majoring in business were more likely to have AR and CS learning styles than men. Therefore, all four learning styles are found in significant proportion among business students.

Kolb (1976, 1985) described learning styles according to a concrete experience-abstract conceptualization continuum in the perceiving dimension and active experimentation-reflective observation continuum in the processing dimension:

- Accommodators – learn primarily through concrete experience and active experimentation.
- Divergers – learn primarily through concrete experience and reflective observation.
- Assimilators – learn primarily through abstract conceptualization and reflective observation.
- Convergers – learn primarily through abstract conceptualization and active experimentation.

In order to evaluate learning styles as defined by Kolb (1976, 1985) *vis a vis* specific business disciplines: accounting, finance and marketing, Loo (2002) combined results of eight studies (Loo, 2002; Gardner & Korth, 1998; Yuen & Lee, 1994; Holley & Jenkins, 1993; Reading-Brown & Hayden, 1990; Togo & Baldwin, 1990; Brown & Burke, 1987; and Baker, Simon, & Bazeli, 1986). Loo found that there was a significantly higher proportion of assimilators and lower proportion of divergers among the finance students than was expected. This would seem to indicate a preference among finance students for abstract conceptualization over concrete experience in the perceiving dimension.

However, accounting students yielded more convergers and fewer accommodators than expected while marketing students yielded an equal distribution across the four styles. All of these students were likely required to complete an introductory finance course as part of their degree requirements.

Differences in learning styles reflect different ways of perceiving the world, or paradigms. Ardalan (2002) described four basic paradigms of social science research which can be considered according to a two-dimensional framework and which have been used to explain the development, learning and acquisition of language. The same paradigms may be applied to the study of finance. The two dimensional framework described by Ardalan falls on the Nature of Society axis between Objective and Subjective and on the Nature of Knowledge axis between Radical Change/Conflict/ Domination and Regulation/Voluntary Consensus/Integration. Ardalan related these paradigms to mainstream academic finance and found that academic finance is heavily based in the functionalist paradigm. This is likely to have implications for those who teach finance, especially for those who teach introductory courses which serve a very diverse population of students. For students whose dominant worldview is other than functionalist, a discipline heavily founded in the functionalist paradigm such as finance may seem particularly foreign and intimidating.

The functionalist paradigm lies on the Objective end of the Nature of Society axis and the Regulation/Voluntary Consensus/Integration end of the Nature of Knowledge axis. Academic finance is dominated by logical and mathematical reasoning. Theories that are considered the hallmarks of finance (pricing and valuation theories, capital budgeting and structure policy, etc.) have been developed through demonstration of cause-and-effect, connections between initial conditions and outcomes as discovered through scientific method, and reliance on observations and measurements obtained without interference by the observer – all traits of a Functionalist approach. Introductory finance is typically taught in a somewhat linear manner: introduction to corporate finance, time-value-of-money, capital budgeting, financial markets, risk and return, valuation of bonds and stocks, and cost of capital and capital structure. It is therefore not surprising that academic finance is dominated by the Functionalist paradigm. As described by Ardalan, the Functionalist values regulation and standards and seeks to identify the rules that govern society. He views the observer as independent of the observed and relies on empirical evidence and the ability to observe a phenomenon without affecting it. With regard to language, the Functionalist prefers basic sentences, with few data and a single action or relational term, that can be easily proved or disproved by measurable observation. Like academic finance, functionalist language is dominated by logical and mathematical reasoning. (Ardalan, 2002)

Within academic finance, an Interpretive approach has been used to study aggregate market behavior as well as some of the sociopolitical issues related to finance. However, the body of research that adopts the Interpretive view is much

smaller than that adopting the Functionalist view. Ardalan (2002) explains that, while also at the Regulation/Voluntary Consensus/Integration end of the Nature of Knowledge axis, the Interpretive paradigm falls on the Subjective end of the Nature of Society axis and assumes society is created by the individuals who are constituents of the society, *including the researcher*. The researcher seeks to identify the prevailing rules in a society while recognizing that multiple realities exist and change within the society. The Interpretive researcher believes that knowledge can only be understood within its immediate social context. With regard to language, the Interpretive approach views language as a form of exchange, an inherent part of the society that grows out of the society as a means of interaction. This context-based view implies that words have meaning by social convention and training, not as translations of things that existed before words. Meaning is determined by use and parameters of meaning are defined by a common culture.

The Radical Structuralist paradigm falls on the Objective end of the Nature of Society axis. Like the Functionalist paradigm, it assumes that reality is objective and concrete. However, the Radical Structuralist paradigm lies at the Radical Change/Conflict/ Domination end of the Nature of Knowledge axis and views society as potentially dominant over the individual. This viewpoint emphasizes material reality and social division of labor into social classes, i.e., owner and non-owner. The social classes are antagonistic and continually trying to dominate each other. Regarding language, the full range of verbal contacts between people and classification of forms of verbal communication are determined by sociopolitical order. Because words are implicated in every act and contact between people, the word is “the most sensitive index of social changes.” Given its emphasis on material reality and division of labor, one might expect that the Radical Structuralist paradigm would appear in academic finance writings. However, the radical structuralist paradigm is not represented at all in academic finance literature (Ardalan, 2002).

The Radical Humanist paradigm is also on the Radical Change/Conflict/Domination end of the Nature of Knowledge axis. The Humanist falls on the Subjective end of the Nature of Society axis and assumes that reality is created and sustained by society. It views society as inhibitory to the development of a person to his full potential. The Radical Humanist believes that any phenomenon must be considered in its entirety, that anything that happens is specific to its particular circumstances and therefore cannot be generalized. Language is linked to cognitive interests along three main dimensions: a person’s relations to nature, to other people and to himself. Speech plays a particular role in communicative interaction (relations to other people) and in developing self-knowledge (relations to self) which is likely to involve struggles against internal and external constraints or “blindness”. Successful use of language requires that an utterance be (1) “true for the participants insofar as it represents something in the world”; (2) true “insofar as it expresses something intended by the speaker”; and (3) “right insofar as it conforms to socially

recognized expectations.” This model highlights the “structure of domination” that is inherent to language. Domination results from a lack of genuine consensus between parties without an imbalance of power in many situations. Communication in such situations is described as “Work” while “Interaction” is communication in which shared norms develop and are shared in an ordinary shared language. The radical humanist paradigm is not represented at all in academic finance literature (Ardalan, 2002).

Ardalan asserted in his conclusion that all of the paradigms discussed are equally scientific. He suggested that finance academia would develop a better understanding of the many facets of finance by conceptualizing and studying financial phenomenon through varied viewpoints rather than limiting itself to a Functionalist paradigm. Bettner, Robinson, and McGoun (1994) came to a similar conclusion regarding qualitative research in finance and suggested how research programs may be structured according to different paradigms. I propose that for many business students, teaching from a different paradigm, i.e., a less functionalist, less quantitative, less traditional viewpoint, and use of language as suggested by these other paradigms may result in better understanding of the concepts by many students.

Parallels between teaching finance and teaching English as a foreign language

Often different meanings are attributed to words by people because of differing views of the world, or paradigms. The academic finance community has its own language as defined by the composite definition offered in *Principles of Language Learning and Teaching* (Brown, 2007). The language of academic finance is a systematic set of arbitrary symbols, verbal or visual, that are used within a speech community to communicate conventionalized meanings to which they refer. The meaning of the symbols has been defined by the consensus of the academic and professional finance communities. For many students who are new to finance, these symbols are new and therefore foreign. Even if the words are familiar-sounding, the context is often foreign. For example, the “cost of money” often sounds redundant to students but is a key concept in finance and economics.

The redundancy some students hear in the phrase “cost of money” is an example of interference, or troublesome carryover of prior learning to the subsequent learning of a new topic in finance. This is analogous to the phenomenon in which a person’s first language has a negative impact on that person’s ability to learn a second language. In finance, we often re-engineer accounting finance statements for our purposes and handle some items differently from how accountants handle them. This is sometimes difficult for students and seems to be particularly difficult for those students who have excelled in accounting. I have found it helpful to relate topics to something likely to be familiar and highly relevant to students. For example, when we first talk about the “cost of money”, I relate it to

a car loan and the interest that is paid by the borrower. Such relating of a new concept to a concept that is already familiar to the learner is called elaboration. Elaboration may allow for transfer, or beneficial carryover of prior learning to this subsequent learning, allowing the student to see some meaning in the “cost of money” concept.

Folsom (2006) quoted Naoki Kameda, professor of international business communication at Doshisha University, Kyoto: “People give their own meanings to words they perceive. Words do not mean at all. Only people ‘mean’. And people give entirely different meanings to words.” Construction of meaning is emphasized by the constructivist theory of learning. In language learning, a constructivist approach emphasizes social context, community, social status, security of the group and internal, interactive forces of control, very much in keeping with an Interpretive paradigm as described above. Discovering meaning in an introductory finance class is a struggle for many students. A teacher may try to address this by using examples and case studies specific to students’ interests, e.g., a capital budgeting decision regarding whether to replace industrial ovens for a class of culinary students. While seeing the relevance of the course to a student’s career interests does not necessarily make finance easier for the student, it does seem to motivate the student to keep trying in the course.

The constructivist theory of learning also emphasizes anxiety reduction and empowerment as keys to motivation for learners. According to Peirce’s (1995) theory of second language learning, learning is successful when learners are able to construct an identity that enables them to impose their right to be heard and to participate in discourse, i.e., a second language ego. This requires investment by the learners. Learners are likely to make the requisite investment only if they believe their efforts will increase the value of their “cultural capital”, or knowledge and modes of thought that will enable them to function successfully in social contexts. In a finance course, the beginning of formation of a second language ego (for which the second language is finance) may be facilitated by encouraging students to consider situations in their future careers in which finance will be relevant. For example, in a capital budgeting discussion, one might point out that sales and marketing staff would provide the revenue estimates, operations staff would estimate the direct and indirect costs associated with production, and the finance staff would provide the risk-adjusted discount rate. Allowing each student to experience their role in the business community of the class provides an opportunity to try on their finance ego.

Communicative language teaching (CLT) adapted for the introductory finance course

Communicative language teaching (CLT) emphasizes the communication function of language over (although not at the expense of) structural and grammatical accuracy. Task-based instruction, in which meaning is emphasized as learners use language to achieve some objective, is a keystone of the communicative language teaching approach. Brown (2007) outlined four related characteristics of CLT:

- “1) Classroom goals are focused on all of the components of communicative competence and not restricted to grammatical and linguistic competence.
- 2) Language techniques are designed to engage learners in the pragmatic, authentic, functional use of language for meaningful purposes. Organizational language forms are not the central focus but rather aspects of language that enable the learner to accomplish those purposes.
- 3) Fluency and accuracy are seen as complementary principles underlying communicative techniques. At times fluency may have to take on more importance than accuracy in order to keep learners meaningfully engaged in language use.
- 4) In the communicative classroom, students ultimately have to use the language, productively and receptively, in unrehearsed contexts.”

In addition to a focus on communicative functions and meaningful tasks, Defeng (2001) stressed making tasks and language relevant to a target group of learners through an analysis of genuine, realistic situations; the use of authentic, real-life materials; the use of group activities; and the attempt to create a secure, nonthreatening atmosphere. Lander and Bristol (2006) have found these strategies to be effective through the use of case studies for teaching capital budgeting and weighted average cost of capital in the introductory finance course.

Nunan and Lamb (2001) theorized that learner-centered curriculum involves the learner in the planning, implementation, and assessment and evaluation stages. In the planning stage, learners are consulted about what they want to learn and how. They are involved in setting goals and objectives. In the implementation stage, students actively use and reflect on the new language inside and outside the classroom, modifying and creating their own learning tasks. In the assessment stage, students monitor and assess their own progress, as well as evaluate and make modifications to the teaching and learning throughout course. Nunan and

Lamb's comparison of Communicative Language Teaching (CLT) to more traditional approaches is summarized in the table below:

	Traditional	CLT
Theory of language	Language is a system of rule-governed structures.	The primary function of language is interaction.
Theory of learning	Learning is a matter of habit formation.	Learning occurs through activities involving real communication, meaningful tasks.
Objectives	Language learning requires control of structures of sound, order, form and mastery over symbols of language.	Learning should reflect the needs of the learner and should include functional skills as well as linguistics objectives.
Activities	Activities should include dialogues and drills, repetition and memorization, and patterns.	Activities should include communication, processes of information sharing, negotiation of meaning and interaction.
Role of learner	The learner should produce correct responses as a result of skilled training techniques.	The learner is a negotiator and interactor, giving and taking.
Role of teacher	The teacher plays a central, active role.	The teacher is a facilitator of process, a needs analyst, counselor and a process manager.

Nunan and Lamb recognized that it is unlikely that students are able to make critically informed decisions about what and how to learn, particularly in the beginning of their education process. They suggested a stepwise system to progress along a continuum of experiential, content and learning process domains. In any classroom, such a system will require a teacher who is engaged with and knows the students well. This can be particularly challenging in an introductory level course in which class size is often fairly large.

Sarwar (2001) proposed several techniques for individualized teaching for a large class, summarized in the "4 Rs of individualization": Reeducation, Responsibility, Relevance, and Rapport. Similar to the roles of teacher and learner as described by Nunan and Lamb above, Reeducation calls for the teacher to be facilitator and for the learner to be active in learning process. Responsibility means that learners take charge of their own learning. The teacher sets up clearly stated tasks that can be monitored by learners on their own and provides self-learning materials for learners. Similar to Brown's definition of CLT and to Nunan and Lamb's theory

of learning, Relevance involves finding contexts of learning that are meaningful for learners. Rapport is necessary for an atmosphere conducive to learning, reducing anxiety for learners. Sarwar suggested background questionnaires and profile cards, to be completed by students prior to the start of a course, as means for a teacher to gain some insight regarding the learners, and nametags for use during the course. She also suggested voluntary learning. This begs the question: How does one make learning voluntary in a required course, such as an introductory finance course for all business students? Techniques for addressing relevance and meaning are likely to address this question.

Defeng (2001) described several sources of difficulty in adopting the CLT method for teaching English as a foreign language. Defeng reported that in China, wider curriculum, traditional teaching methods, class sizes and schedules, resources and equipment, the low status of teachers who teach communicative versus analytical skills, teachers' deficiencies in oral English and sociolinguistic and strategic competence were all barriers to adoption of the CLT approach. He reported lack of properly trained teachers, lack of appropriate texts and materials, students being unaccustomed to CLT and difficulties in evaluating students taught via CLT as additional barriers. Teachers in Hong Kong reported that too much preparatory time was required by the CLT approach. Japanese students reported not feeling a pressing need to use English, while Pakistani learners were generally resistant. Learners in the rural Philippines saw English as irrelevant to their needs. However, for finance, many case studies, comprehensive problems and examples related are available through the academic press, and workshops and books about teaching by the case method are also readily available. Of the barriers described, only the issues of preparatory time, learners' unfamiliarity with the techniques and learners' resistance seem to be salient with regard to teaching introductory finance. Solutions to the lack of preparatory time must be left to the discretion of the individual teacher. Patience and, as noted above, techniques for addressing relevance and meaning are likely to address learner-related barriers.

Summary

While there are many differences between teaching a second traditional language and finance, there are also many similarities. Appreciating that students are likely to have diverse worldviews, learning styles and motives for taking an introductory finance course is important for meaningful learning to take place. For some students, finance is a foreign language and being empathetic to that is likely to lead to more effective teaching in the finance classroom. Indeed, several parallels can be drawn between teaching finance and teaching English as a foreign language (TEFL). Consequently many of the techniques used in TEFL may be adapted for use by teachers of finance. An overview of a particular TEFL approach, communicative language teaching (CLT), was provided. At first glance, it seems the barrier most likely to affect one's decision to adopt CLT strategies for finance is the preparatory time required.

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