

## ARE OUR STUDENTS ILLITERATE WHEN IT COMES TO UNDERSTANDING BUSINESS FACTS AND CURRENT EVENTS?

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### ABSTRACT

This study investigates how knowledgeable students are about business-related current events. The results reveal that students know little about the world they are about to enter as a citizen and businessperson. Although the results are sobering, the author makes some suggestions on how to improve the situation.

### INTRODUCTION AND RELATED LITERATURE

Every year thousands of business school graduates enter a business world where success is dependent on awareness of environments (political, international, financial, and economic) that will impact their work. This infers that they have knowledge of "what is going on and how it might impact one's business."

Business and economic educators and businesspersons have been talking for years about the importance of student knowledge about the "real world" (Stigler 1970, Nemesh 1979, and Rislau 1983). Many surveys (Adelman 1992; Gerson 1995; Turner 1995; Big Gaps 1993) have shown that today's students and adults know little about the world they live in. Department of Education researcher Clifford Adelman (1992) concluded that students at American colleges learn so little about Western culture that they are like tourists in their own land. Some of the most disconcerting survey results found that a third of respondents thought Japan was on the Asian mainland, 16 percent thought Alaska was a territory (not a state), and only 9 percent could name the chief justice of the U.S. Supreme Court, while 54 percent could name the judge on the People's Court television program (Morin 1989). In another study (Gerson 1995), a New Jersey high school teacher found few of his students able to accurately identify a U.S. senator from his state. The most frequent, inaccurate guess was Mikhail Gorbachev. A group of University of Pennsylvania students surveyed over 3,000 undergraduates at the seven Ivy League colleges (Big Gaps 1993). They found that 44 percent could not identify the U.S. Speaker of the House, 35 percent did not know the chairman of the Federal Reserve Board, 11 percent did not know who penned the Declaration of Independence, and over one-third could not identify the Prime Minister of Britain. Turner

(1995) attributes this lack of knowledge to student apathy surrounding national and global events.

The first known research effort focusing on business student knowledge was conducted by Beckett (1975). He surveyed graduating business students on three campuses and found that only 30 percent were able to name three federal regulatory agencies, 40 percent were able to estimate the U.S. population with reasonable accuracy, 23 percent could estimate our gross domestic product, and nearly half could not provide the names of any periodicals that address a business audience.

A decade later Stern, Taylor, Hayden, and Murphy (1985) studied business and non-business majors' awareness of business-related current events at three universities. They found that business majors were more aware of business and economic-related events than non-business majors but the level was not high. Only 18 percent were able to estimate the U.S. inflation rate, less than 10 percent accurately estimated the level of the Dow Jones Industrial Average, and only 12 percent were able to name five business periodicals. Overall awareness increased with age, grade in school, and GPA. Males scored significantly higher than females and the amount of television viewing was found to be inversely related, while the number of publications was significantly and directly related to overall awareness.

The question this study intends to investigate is how prepared, awareness-wise, our undergraduate students are to enter the business world. Textbook knowledge is not enough. In today's rapidly-changing business world students need to start their understanding of market realities while they are still business students.

### RESEARCH METHODS

The data for this study was collected in May 1999 from students attending a state university in the western part of the U.S. The survey was administered to clusters of students enrolled in undergraduate business, speech, anthropology, and economics classes. These classes and sections were chosen on a convenience basis but with an attempt to reach both business and non-business majors through a cross-section of courses.

The survey asked a series of questions to measure a student's awareness of facts and current events related to international, economic, financial, political, industry, and general environments. In addition, demographic and media exposure information was collected. The maximum possible score on the survey was 40 points; actual scores ranged from 2 through 33. For each factual question a "range" of values had to be determined for an answer to be correct. For example, the acceptable range for the population of the U.S. was + or - 10 million, while the Dow Jones Industrial average was given a range of + or - 500 points. Because data was collected over a span of 10 days and because some of the values (i.e.: the Dow Jones average) change daily, the date that the questionnaire was filled out was noted on each survey. The surveys took an average of seven minutes to complete.

In all, 229 surveys were completed, with 56.3 percent coming from business majors, 32.3 percent from non-business majors, and 11.4 percent from persons who did not indicate a major. The majority of respondents were female (59.6 percent), 21-30 years old (69.6 percent), upper-division students (67.1 percent), working on a paid job (76.3 percent), and self-reporting a GPA of 3.00 or over (78.2 percent).

## RESULTS AND DISCUSSION

### Global Findings and Differences by Major

The main finding is that students have little understanding of the world in which they live. The average respondent scored 15.09 of the 40 possible points, a dismal 37.7 percent. Business majors performed only fractionally (not significantly) better than non-business majors, an unexpected result since much of the survey dealt with business-related matters. The only sections of the study where business majors significantly outperformed their non-business counterparts were in economic (2.31 vs. 1.70,  $p = .001$ ) and financial awareness (2.93 vs. 2.62,  $p = .087$ ). The amount of media exposure between the two groups showed no difference in terms of television but greater exposure to print media by non-business majors (2.26 vs. 1.64,  $p = .023$ ).

The data in Table 1 displays the questions (requiring only one answer) that were answered most and least by the sample. It comes as no surprise since over 70 percent of this sample works that they are very familiar with the state's minimum wage. Being able to name one of three of the U.S.'s top trading partners and one of two countries who are top contributors to the IMF was expected since each are

**TABLE 1**  
**Questions Answered Most and Least Accurately**

Question	% Answering Correctly
What is the State minimum wage	82.1%
Name 1 of 3 top trading partners of US	81.2
Name the free trade agreement in N. America	75.5
Largest country (by area) in S. America	70.3
Name 1 of the 2 top contributors to the IMF	67.7
Name the new European currency	63.8
Name the Federal Reserve chairperson	58.5
Name the dean of our business school	2.2%
What was the 1998 US inflation rate	8.7
What is the (city) metro population	10.0
Which US region has the largest population	11.4
What is the population of the US	12.2
Name 1 of 2 countries where recent US embassy bombings occurred	13.1
Name the president of this university	16.2

fairly easy to determine by logic. A surprise was that only 58.5 percent of the overall sample could identify the Federal Reserve chairperson since he has been in the news so much lately. Business majors were much more likely to name Alan Greenspan than non-business majors (70.5 percent to 41.9 percent), as should be expected. On the other side of the coin, it was surprising how few respondents could name the dean of their business school or their university president. They also had great difficulty knowing the metropolitan area and U.S. population totals, which region had the largest population, and what the inflation rate was for the U.S. last year. Surprisingly, there was little if any difference in awareness of the annual inflation rate by business and non-business majors. One would think that business majors would want and need to know important economic news that has such a significant effect on borrowing, spending, and performance in the financial markets.

In addition, related data not shown in Table 1 (questions where two or more responses were required) showed similar, disappointing results. For example, nearly half (45.5 percent) of the respondents could not name even one of their state's U.S. senators. In fact, only 36.2 percent could name both. Nearly half (44.1 percent) could not name a single U.S. regulatory agency, while only 15.3 percent could name three of them. When asked to name two of the five largest U.S. corporations on the basis of sales 62.4 percent could name none and only 5.7 percent could name two.

## Differences by Other Demographics

When overall and section scores were analyzed by gender, age, year in school, grade point average, and working hours, only gender and GPA emerged as consistently significant influences. Gender differences, as shown in Table 2, were quite pronounced. In terms of overall awareness males scored significantly higher than females (16.57 vs. 14.13,  $p = .003$ ). The same pattern of statistically significant differences emerged when comparing economic awareness, finance awareness, industry awareness, and international awareness between the gender groups. One factor that might account for the differences was the number of publications read on a regular basis where males had significantly greater print exposure than females (2.13 vs. 1.58).

**TABLE 2**  
**Gender Differences in Awareness and Media Exposure**

Variable	Female Score	Male Score	Sig. Level+
Overall awareness*	14.13	16.57	$p = .003$
Economic awareness	1.87	2.29	$p = .004$
Finance awareness	2.60	3.03	$p = .01$
Industry awareness	1.84	2.31	$p = .002$
Political awareness	2.97	3.41	ns
International awareness	3.52	3.99	$p = .053$
General awareness	1.35	1.51	ns
Daily hours watching TV	1.69	1.90	ns
Number of publications read on a regular basis	1.58	2.13	$p = .011$

+ = Based upon t-test comparisons

\* = Based upon a possible maximum score of 40

Significant differences in overall awareness by students with different grade point averages ( $F = 5.83$ ,  $p < .001$ ) also emerged. Students with GPA's of 3.50+ had scores averaging 17.20, while those with GPA's of 2.00-2.49 averaged 10.70. Those with GPA's in the 2.50-3.49 categories averaged in the 14 range. Significant differences in most section scores (finance  $p < .012$ ; industry  $p < .003$ ; politics  $p < .009$ ; international  $p < .008$ ; and general  $p < .021$ ) by GPA groups were also observed.

Although the overall score did not differ significantly by one's year in school, awareness of economics ( $p < .033$ ) and finance ( $p < .037$ ) did. The amount of print media exposure was significantly higher ( $p < .018$ ) as one's year in school increased. The only other demographic showing a difference was those that worked more hours watched less television ( $p < .015$ )

than those who worked fewer or no hours. Surprisingly, there were no overall score, section score, or media exposure differences by age group.

## Exposure to Television and Print Media

The Pearson product moment correlation coefficients presented in Table 3 reflect the association between overall and section scores and the amount of media exposure respondents had to television and print. Overall awareness scores seemed to have little correlation to the amount of television watched. The same was true for section scores. There was, however, a statistically significant relationship ( $r = .330$ ,  $p < .01$ ) between the amount of newspapers and magazines read on a regular basis (an average of three of five issues) and students' overall awareness scores. This positive, significant relationship also held for industry, political, international, and general awareness. The conclusion that can be drawn from running simple linear regressions is that there is a statistically significant ( $p < .001$ ) and positive impact of the amount of print media read on the extent of awareness people have of the world in which they live. The same cannot be said of the impact of television viewing on awareness. Therefore, the more people read, the more aware they become. In the author's recent senior-level marketing classes, a straw poll was taken; it was found that less than one-third of the students read a daily newspaper on a regular basis. Although the poll was not scientific, it did show how few of the students availed themselves of the most basic print medium: the daily newspaper.

**TABLE 3**  
**Pearson Correlations Between Awareness Scores and Amount of Media Exposure**

Category of Awareness	Amount of TV	Amount of Print Pubs Read Regularly
Overall	.061	.330 ( $p < .01$ )
Economic	-.070	.084
Finance	.043	.124
Industry	.056	.242 ( $p < .02$ )
Politics	.112	.279 ( $p < .01$ )
International	.063	.276 ( $p < .01$ )
General	-.001	.233 ( $p < .02$ )

## CONCLUDING REMARKS AND RECOMMENDATIONS

Student awareness of business facts and current events is embarrassingly low. The results of this study, however, corroborate earlier findings by Beckett (1975); Stern, Taylor, Hayden, and Murphy (1985); and Stern, Tseng, and Taylor (1991).

Evidently what we've learned has not had an impact on improving student awareness. What then can we as professors do to promote higher levels of awareness?

One recommendation is to reduce the amount of credit hours required in business (or other specialized) classes. This might promote a more liberal exposure to the arts, sciences, and social sciences to prevent the narrow focus many degree programs currently have. Some schools have begun teaching critical thinking skills in required cross-functional lower-division classes. Students of all majors mix together and study issues (i.e., ecology) and look at the issue from all perspectives (i.e., economic, geological, environmental, health, political, etc.). That should widen the perspective and at the same time expose students to a wider array of issues, perspectives, and thought processes.

Another solution is to show students these awareness deficiencies. A colleague presents a mini-awareness test on the first day of class and goes over the answers afterward. He then offers educational discount subscriptions to students as a means of promoting better understanding of the business environment and the world in general. The assumption here is that without being aware of their deficiencies students are apt to do nothing to correct the problem. Students should be especially receptive to these publisher offers if they are made aware that it will give them a differential advantage over other students now and over less aware businesspersons when they enter the job market.

Finally, professors can act as a positive role model by integrating current events into the classroom experience rather than just following the textbook. Professors can get students to think about applications by asking questions in class such as: how will the gradual increase in interest rates affect the expansion plans of retailers like Nordstrom and Wal-Mart or how might the recent earthquake in Taiwan affect the earnings performance of Intel. This kind of questioning focuses important textbook principles on real-world events.

Basically, we need to encourage our students to adopt a habit of reading newspapers and special interest magazines on a regular basis. Students need to know that keeping current will affect their understanding of the world in which they live and

thereby affect their effectiveness both as citizens and businesspersons.

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