

Amateurs on the financial market: Forms of collective decision-making in investment clubs

Overview

In my PhD thesis I analyse forms of collective decision-making on the financial market. Object of research are investment clubs. I focus on certain aspects as follows a) in which ways investment clubs can be described as organisations? b) In which way do investment clubs enable small investors to be capable of deciding? How is this influenced by the small group context? For data collection and analysing methods of qualitative social research like ethnography and Documentary Method are used.

Duration:

15 October 2015 - 31 March 2019

Research Team:

[Lydia Welbers](#) (Head of project)

Details

My research topic are investment clubs - associations of small investors, who pool their money and decide collectively where to invest it on the financial market. Set to financial markets, they have to decide in an hypercomplex situation and within an unknown future which alternative is best. This is especially challenging for small investors as amateurs on the financial market because the lack of knowledge acquired through professional training and the involvement in a community of professionals. My hypothesis is, that investment clubs can solve that problem. The question is, how? How do members in investment clubs become capable of making decisions? How do decisions evolve in such groups?

The overall-research question is therefore:

Which forms of collective decision-making can be found in investment clubs?

- Looking at decision-making I analyse how decisions evolve in small groups, as which I conceptualise investment clubs. In which way do investment clubs solve the problem of (e-)valuation? In which way is evaluation and deciding linked?
- When described as organisations, I ask; in which way do investment clubs organise decision-making? Which type of organisational structure suggest which form of decision-making? Investment clubs can also be understood as small groups which lay the focus

on group interactions which can influence the form of decision-making. This refers to the influence of group structure to decision-making. That's why I also analyse membership in investment clubs.

- To analyse the context of decision-making and inclusion of small investors, I take a look at the macroeconomic level.

Research progress

Since autumn 2015 I studied 9 investment clubs. At this point in my research process, I focus on analysing the data. Even though I should point out, that in my research design phases of data collection and analysing vary and run into each other. Further research steps should be to observe an investment club who just started his collective investment activities.

Methods

The exploratory study is inspired by the Grounded Theory methodology. That's why phases of data collection and analysing intersect each other. Because of the ethnographic research design a variety of data sources can be analysed like fieldnotes, artefacts from the field or transcripts of the tape-recorded meetings. This enables me to picture the lifeworld of small investors and the group context as well as analyse the decision-making in depth. The data is analysed by using reconstructive methods of qualitative social research.

Goals

My research can offer insights into how decisions are made by collectives of amateurs in an uncertain and hypercomplex situation. I want to retrace how the decision evolves and how it is influenced by the group context, especially by interaction orders. It is also possible to analyse how financial literacy can be imparted. Looking at the group composition, investment clubs can be described as homosocial groups and gender is a relevant aspect of inclusion and exclusion. Therefore, studying investment clubs offers new insights for the research about intersectionality and the gendered segregation of financial markets, which are linked to aspects of social inequality.

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Research Team:

[Lydia Welbers](#) (Head of project)

Project Type:

Qualification project

Publications

Journal Article reviewed

Welbers, Lydia, 2018: [How do collectives of amateurs handle complexity on financial markets when deciding? An ethnography of investment clubs](#), in: Journal of Sociocybernetics, 15 (2), pp. 52 - 68, 27.12.2018, [Link](#) (Date: 11.01.2019)

Article in Edited Volume

Welbers, Lydia, 2021: [Formen des Bewertens und Entscheidens in Investmentclubs](#), in: Meier, Frank; Peetz, Thorsten (Ed.), Organisation und Bewertung, Organisationssoziologie, Wiesbaden: Springer, pp. 163 - 192, [doi:10.1007/978-3-658-31549-8_7](#)

Welbers, Lydia, 2017: [Frauen als Delegiererinnen ihrer Investmentgeschäfte?](#), in: Zentrale Kommission für Frauenfragen (ZKFF), Universität Bremen (Ed.), Geschlechterverhältnisse in Wissenschaft und Gesellschaft, Schriftenreihe Gender studies. Interdisziplinäre Schriftenreihe zur Geschlechterforschung/31, Hamburg: Dr. Kovač, pp. 107 - 133

Lecture

Welbers, Lydia, 2019: [Zwei Typen der Entscheidungsfindung in Investmentclubs?](#), Kolloquium Theoretische Empirie, Johannes Gutenberg-Universität Mainz, Mainz, Germany, 12.12.2019

Welbers, Lydia, 2018: [Investmentclubs als Weg zu einer stärkeren Inklusion von Frauen am Finanzmarkt?](#), Finanzielles Wissen und Verhalten von Frauen - Noch ein Gender Gap!? 3. Workshop der Veranstaltungsreihe des DIW "Finanzkompetenz für alle Lebenslagen", Deutsches Institut für Wirtschaftsforschung (DIW), Berlin, Germany, 14.09.2018

Welbers, Lydia, 2018: [Amateurismus und Professionalität an einem ungewissen Finanzmarkt - wie sich Kleinanleger selbst am Finanzmarkt verorten](#), Komplexe Dynamiken globaler und lokaler Entwicklungen. 39. Kongress der DGS, Ad hoc Gruppe 269, Deutsche Gesellschaft für Soziologie (DGS), Göttingen, Germany, 26.09.2018

Welbers, Lydia, 2018: [Investmentclubs als Kristallisationspunkt. Einflüsse auf Investitionsentscheidungen in Deutschland heutzutage](#), Kleinkredite in Geschichte und

Gegenwart. Ringvorlesung, Universität Konstanz, Konstanz, Germany, 05.12.2018

Welbers, Lydia, 2017: [Bearbeitung von Komplexität bei der Entscheidungsfindung in Investmentclubs](#), Doktorandenaustausch, Georg-August Universität Göttingen, Göttingen, Germany, 12.12.2017