

Understanding Belgian Individual Investors

Complementarity of Qualitative and Quantitative Methodologies in a Grounded Theory Approach

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Abstract

This article describes the methodological reasoning followed while studying Belgian individual investors and shows how two methodological approaches, one qualitative and one quantitative, can together allow to build a real inductive process within priority is given to data and to returns from the field.

How do individual investors experience their investment? Are they one or several investor's profiles?

Our research explores an unknown territory (Bouchard, 2000). Many researches focus on investor behaviour bias and their underperformance. No researches studied Belgian individual investors, few studies used mixed methodologies (qualitative and quantitative) and few studies used primary data. Our research proposes to fill that gap.

Thanks to the qualitative phase (17 interviews of Belgian investors) we highlighted the importance of family tradition and the influence of environment regarding investment decisions; the difference of perception between investors and their environment, qualities of a good investor and their perception of financial intermediaries.

The quantitative phase (706 questionnaires) allowed to discover 5 investors' profiles in term of behaviour: the followers, the traditionalists, the sleeping investors, the experts and the gamblers.

This article also pinpoints all difficulties met during the research using grounded theory and proposed the solutions used by the authors.

Keywords: individual investors, qualitative approach, interviews, quantitative approaches, questionnaire, profiles

1. Introduction

Does the individual Investor (with a big « I ») exist or are there several investor's profiles? In order to answer this difficult question, we decided to use two methodological approaches one after the other. First, qualitative interviews were led with 17 Belgian individual investors (between June and December 2015) and then a quantitative approach by mean of a questionnaire gave 706 answers (between October 2016 and December 2017).

The methodological approach of grounded theory is inductive. It's being in the field's data which allow to begin the research and not previous results of other researchers (Luckerhoff & Guillemette, 2012a). In opposition with approaches which are based on existing theories and which have as goal to validate or not hypotheses, grounded theory don't want to force the data to enter the theoretical background but allows data to propose new theories (Guillemette, 2006).

Induction (meaning being open to all what comes from data) is omnipresent in both the two steps of our research but also in the methodological way going from one research phase to the other. For example, the questionnaire used in the second phase was built on the basis of the interviews' results of the first phase.

Priority is given to the data, as well in the qualitative approach as in the quantitative one. The use of the previous studies is only present after the field has been studied. As proposed by Glaser and Strauss (1967) those previous works allow theories to emerge from data.

This paper is organized as follow: in section 2 we present the research question; then we explain the two

methodologies used to answer our question; section 4 shows the complementarity of qualitative and quantitative methodologies and explain how Grounded Theory is aware of combining those methodologies in the same research project; results emerged from the ground are exposed in section 5; section 6 is dedicated to the difficulties we faced conducting this study and how we managed to find out solution.

2. Research Question

The goal of our first research phase is to understand the existing link between individual investors and information. Where did they find it? Which where their privileged sources of information? In which type of information are they interested?

This research on the individual investors is the following of several others in the field of financial communication on Internet (Pozniak & Croquet, 2011; Pozniak & Guillemette, 2013; Pozniak, 2010; Pozniak, 2013b).

Focusing on individual investors was the following of the PhD of one of the authors. Her thesis (Pozniak 2013a) studied financial communication of SME quoted on unregulated markets of Brussel and focused on company's point of view. Then the authors wanted to study another point of view: the one of the investor.

What make qualitative interviews so rich is namely all the unexpected results that we can discover. In our case, meeting investors allowed us to let emerge elements as their relations with financial intermediaries, their perception of the trade world, the feeling they have about how they are perceived by their environment (family, friends),... In fact, since the first interview, it's all the whole life experience of the individual investor which appeared, and not only their behaviour regarding information.

So, quickly, our research's questions evolved and enlarge: from what is the link with the information to which situation are the investors living?

We thus already understood that we were not able to speak about one single type of investors with a common behaviour. Several profiles seemed to emerge from interviews concerning risk, relations with others (intermediaries, family, friends...), research of information, use of it ...

The second phase of our research wanted to validate or not (in a statistical way) the various trends observed during the interviews and to build investors' profiles.

3. Two Methodological Approaches to Reach the Research Questions

Two methodological approaches are used one after the other: qualitative interviews led with 17 individual investors (in Belgium between June and December 2015) and quantitative study by mean of a questionnaire (between October 2016 and January 2017 - whit 706 answers).

3.1 Phase 1: Qualitative Approach via Interviews

Several authors (Miles & Huberman, 2003; Paillé & Trépo, 2007; Evrard, Pras & Roux, 2009) demonstrated the relevance of a qualitative study when being in an understanding phase regarding a specific phenomenon.

The choice of a qualitative approach can be justified at different levels: epistemology, methodology and social (Paillé & Trépo, 1996).

At an epistemological point of view, qualitative approach seems relevant simply by the need to better know the studied phenomenon considered as a human one.

At a methodological level, qualitative research can be justified by the understanding aspect, the inductive one (it's being in contact with the field which allows to understand it), the recursive one (repeating the steps if needed) and the flexible one (adaptations are possible regarding unexpected situations).

At a social level, qualitative approach seems to be judicious by the fact it is developed near people, places, experiences and problems studied.

Savoie-Zajc (2000:174) enlarged the concept of « qualitative approach » by adding the adjective « interpretative ». Regarding that author, the word « qualitative » is linked to the nature of the used data and the word « interpretative » is relative to the epistemological concept behind the qualitative approach. In fact, interpretative authors try to understand in a rich way the studied phenomenon using the sense given to it by the actors who live it. Other authors (Dithley, 1942; Weber, 1949; Blum, 1969; Husserl, 1977; Schutz, 1987) consider also that point of view saying it's from the conscious of the phenomenon by the people who live it that a human phenomenon can be studied.

Furthermore, it's through the words used that we can access to the feeling and the sense given by the people. Qualitative approach privileged then the collection of speech data because those are the one who give access to the

real-life experience of people and what they say about it (Blanchet & Gotman, 2007).

The first step of our research was thus mainly interpretative because the real life of the situation is human based, it has a sense and can be interpreted (Blumer, 1969; Corbin & Strauss, 2008).

The building of our investors' sample has not been so easy. In fact, no list of individual investors is available. We thus contacted investors by different ways (investors' club, financial companies, associations...) and we also used their own network. Our 17 interviews lasted around one hour and a half and were led in Belgium between June and December 2015.

We used QSR NVivo 10 to analyse our data. We considered thematic analysis (Paillé & Mucchielli, 2008; Corbin & Strauss, 2008). This analysis is linked to the way they lived the phenomenon we wanted to understand and not only based on the words used.

3.2 Phase 2: Quantitative Approach via Questionnaire on a Large Scale

Our questionnaire, made via LimeSurvey was divided in different parts:

- Stock exchange and me: origin of the investment (when? Why?), way to invest (alone? Via intermediaries? Why?)
- My investments and me: choice in terms of sector, company products, financial products, value,
- Risk and me: perception of risk, choices of investments regarding the risk, average amounts invested, frequencies ...
- Company and me: contacts with the company (visit, manager's meeting...)
- Information and me: type of information needed, sources of information ...
- Profile of the investor: gender, age, education level, professional situation, localisation, internet profile (from basic to expert)

That questionnaire was available via different ways: investors' clubs, investor's network of phase one, participants to a conference (organised by the authors of this article – 19 October 2016) and via a partnership with MediaFin (Belgian specialised media company) which sent it to readers of financial Belgian journals (l'Echo and de Tijd)

706 answers were collected. Data were analysed via SPSS 22.0. A factorial analysis allowed to identify the main dimensions of the phenomenon. A segmentation technic based on those dimensions proposed then different profiles.

4. Complementarity of Qualitative and Quantitative Methodologies in a General Grounded Theory Approach

Complementarity between qualitative and quantitative methodologies is pinpointed in lot of methodological research literature (Malhotra, Décaudin & Bouguerra, 2004; Evrard, Pras & Roux, 2009 ; Gauthy-Sin échal & Vandercammen, 2010; Baines, Fill & Page, 2012; Lendrevie & Lévy, 2012; Malhotra, Birks & Wills, 2012;).

During the preliminary steps of a research, qualitative technics are more often used. It was the case in our research project: individual investors are not well known and few scientific papers focus on them, the way they live their investment and their profile.

Our research project was thus to study an unexplored territory.

In fact, in the scientific literature, we can identify two research fields which can be linked to individual investors:

- The behavioral finance which studies the psychological aspects of the financial decision making process and explains the irrationality of the investors when they take decisions linked to their financial investments. (Kumar & Goyal, 2014).
- The studies about under-performance of individual investors (compared to institutional ones), mainly explained by behavioral bias (Odean, 1999; Baber & Odean, 2000; Barber et al., 2008).

Kumar & Goyal (2014) realized a systematic literature revue of the available literature in October 2013 concerning behavioral bias of individual investors when making financial investments. Among the 17 scientific articles analyze, none of them concerns Belgium, none of them used both qualitative and quantitative approaches and more than 82 % of the articles use secondary data. Conclusion of the authors is thus: "*attention should be given to primary data-based empirical research to analyze the behavior of investors during investment decision-making*" (Kumar & Goyal, 2014: 102).

Exploratory studies are appropriate "when few is known about a specific management issue ". They are realised when quite no knowledge exists regarding a specific management problem and when the researcher tries to understand the global phenomenon linked to that problem (Baines, Fill & Page, 2012: 134). Those studies have the

task of clarifying the complexity of the subject and of identifying the various aspects (Lendrevie & Lévy, 2012:69). They allow to better understand a phenomenon, to prepare deeper studies and to build hypotheses to be validated via quantitative approaches.

Qualitative approach comes usually before quantitative studies, but it is not an obligation. Qualitative approach can be done to understand more in depth a subject studied before in a quantitative way (Gauthy-Sinéal & Vandercammen, 2010; Cooper & Schindler, 2006; Malhotra et al., 2004).

Methodological flexibility is one of the main characteristics of Grounded Theory (GT). More linked to qualitative approaches, GT is not against quantitative data and their analysis. The founding book of Glaser and Strauss (1967) about GT has already talked about collecting quantitative and qualitative data in the same research project.

“Openness and adaptability are important principles of GT and are very different from improvisation or “anything goes.” (Luckerhoff & Guillemette, 2012b: 17)

In GT, the research can be built based on inductive and deductive phases and can mobilize both quantitative and qualitative methodologies. In both qualitative and quantitative phases, we followed the GT spirit: to be open to the data, listen to the field, always go back to the basic material.

Guillemette & Luckerhoff (2015) remind that what is important if you want to follow grounded theory is to use an epistemological position which changes the usual sequences of steps in the research. The basis is not hypothesis. The inductive logic leads to be open to what comes from the data.

Induction is omnipresent in both the two phases of our research and at each moment of our general methodological reasoning. Different elements illustrate this:

- After two or three interviews, a first analysis has been realized and first conclusions were confronted to the field in the next interviewed;
- The structure of our interview (grids) evolved regarding collected data;
- As soon as we began interviews, schematisation (in construction of course) are proposed to be considered as basis for the analysis of the data.
- Notes are written at each level: during interviews, after interviews while discussions between the authors, schematisation, feelings while coding the results,
- The final theoretical proposition is developed based on multiple round trips between first schematisation, data, notes, ...
- The quantitative questionnaire is based on the qualitative interview grids. It's not base on a literature revue. It's the field which allowed to build the questionnaire. It was developed using the structure of the grids of the first phase. Some items were deleted, some others added (St-Denis, 2015). The words used by the people we met and the important extracts of interviews were also considered.

5. Results

The qualitative study and its 17 interviews let emerge some interesting elements linked to the way individual investors live the situation. Appeared namely the importance of the family and of the environment as origin of their first investment on stock exchange, the difference of perception between investors and their environment, qualities of a good investor and their perception of financial intermediaries. Those elements and our theoretical propositions are under review right now.

The large scale survey and its 706 questionnaires allowed to pinpoint 5 investors' profiles in term of behaviour: the followers, the traditionalists, the sleeping investors, the experts and the gamblers.

Different items, emerged while the qualitative approach and were validated by the quantitative one. They join the sensitizing concepts defined:

- The influence of the family, identified during interviews, also appeared in the survey with 16 % of the investors which invest because a member of the family did it also. 11% of the investors precise that it's a family tradition what confirms the researches of Barnea et al. (2010);
- The influence of peers (Madrian & Shea, 2000; Duflo & Saez, 2002; Brown et al., 2008) is present both in the qualitative and quantitative steps when we discovered that professional and family environments are at the origin of the investment.
- The illusion of control (Peteros & Aleyeff, 2013), or propensity that people have to identify success and their failure due to independent factors clearly appeared in our interviews and was confirmed via the survey (49 % of the investors invest alone, without intermediaries, in order to keep control on their investment).

- The lack of trust regarding financial intermediaries, hardly pinpointed in our interviews is also a quantitative result. 28 % of the investors who invest alone do it because they consider that the financial intermediaries only try to sell their own products without considering the real needs of the investors and without offering a real service or advice.
- The fact to invest in order to live intense sensations (Barber et al., 2008) and to gamble (Kumar, 2009) appeared in our interviews and in the fifth identified profile.

6. Difficulties Leading Grounded Theory

Several difficulties are linked to an inductive approach. We will try in this section to present the one we met and the way we managed it.

Our first difficulty was to identify potential people living our phenomenon. In fact, no list or data base exists concerning individual investors. To collect data during the qualitative phase was thus really a challenge. We then worked to develop a network of investors around us and we then used their own network to enlarge our approach.

In the same way, not to know the entire population was also a problem during the quantitative approach. It was not possible to use a statistical sample which could be representative of the population. We thus develop a partnership with a private actor (MediaFin) acting in the interesting field of media and attracted by the future results of our research. They allow us to contact their data base of investors and to participate to an event.

At another level, during the transcription phase, we thought to use a software proposed with Dictaphones to gain time but the results we obtained were so bad... we then decided to act in a productive manner by making useful transcription: we did in the same time a first analyse, identifying important items, making links... it allowed thus to begin the analysis phase with prepared material.

We also met problems when communicating about our research. The most important was linked to the qualitative step. It seems that qualitative approaches are not really well known and well perceived by people. Methodology and results are often compared to quantitative one as well while presenting a paper in a conference as when writing an article. Authors always were confronted to questions such as: «your sample seems too small, what's your «n»? » «Is your sample representative? ». Reaction was each time to use previous researches or scientific references to prove and explain the situation (what is theoretical sampling, what's the saturation concept...).

Finally, developing a quantitative approach via questionnaire and using an inductive point of view seems to be perceived as non-sense for lot of researchers, namely in management sciences.

Quantitative approach is often, not for good reasons, assimilate to a deductive positioning. Glaser & Strauss (1967) explained already in their founder's book about grounded theory that a quantitative phase could be developed in an inductive framework. Nevertheless, our advice should be not to enter that debate if you want to publish your paper in a classical scientific review and to avoid to claim your inductive positioning...

Idea is not to be a liar, nether to pretend to be in a deductive positioning but just to avoid to claim that the use of previous researches has no importance before to enter the field. It's always possible to present the paper in a classical view: literature review, methodology, data, results... without to pinpoint that the literature review has been written after the rest...

7. Conclusion

Using grounded theory implies first of all to give priority to the field and the data which emerge from it.

Nevertheless, the idea is not to ignore previous studies and to claim realizing a study without any theoretical references. It is more to try to develop a specific relation with the results proposed in previous researches, to create and let grow a theoretical feeling. On the contrary in a traditional deductive approach for which the literature review allow the emergence of the hypotheses, the grounded theory tries to avoid to force the data to enter in a specific prejudiced framework. Previous results are not considered before to develop the research but are thus mobilized during the various steps of it, reacting to the field.

A radical inductive approach during the two phases of our research, qualitative and quantitative, enabled us to let emerge rich results as well as the living experience level of the investors as when building their profiles.

Our research is original at various levels. First, it deals of Belgian individual investors, never studied before. Secondly, it mobilizes a qualitative approach followed by a quantitative one, which has never been used to study that thematic. Finally, it uses primary data obtained via our own large scale study which is different from the previous studies mainly using secondary data. (Kumar & Goyal, 2014).

Moreover, all articles mobilized speak about « the » individual investor and do not identify the various profiles of that investor. But investors have different characteristics which modify their way of living the phenomenon and the way they perceive their investment. We thus proposed, at the end of our research, five different investors profiles.

Furthermore, this methodological paper offers an insight into both qualitative and quantitative methodologies and how they can be complementary and be lead in a grounded theory spirit.

The difficulties that authors faced and how they managed them can be useful for young researchers.

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