



# RESEARCH @ARGYROS

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CHAPMAN  
UNIVERSITY

**Argyros College of  
Business and Economics**



RESEARCH HIGHLIGHTS FROM OUR FACULTY

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# FROM THE DEAN

Pirates, chattering traders, and hidden growth—all part of the latest research out of the Argyros College of Business and Economics. This issue of Research @Argyros showcases the work of a few of our faculty challenging conventional wisdom and weighing in on critical business issues. Our scholars drive debate on Fed policy, tax reform, market behavior, technology, public policy, and more. Be sure to look to the bookshelf for the new releases of books from our faculty. These works offer discourse on the future of work, behavioral accounting and America's greatest genius. You will have to flip to the back to see who that is.

The support of our business partners makes this research possible and funds its dissemination across the globe. At Chapman University's Argyros College of Business and Economics nationally known scholars, influential business leaders and talented students collaborate in a personalized manner to create extraordinary professional development opportunities through our various academic programs. I hope you enjoy this small sample of the big impact of our faculty.



**TOM TURK**

INTERIM DEAN

ARGYROS COLLEGE OF BUSINESS AND ECONOMICS



# Unlocking Hidden Growth: How APIs Are Redefining the Future of Business

SETH G. BENZELL, PH.D. & JONATHAN HERSH, PH.D.

In their recent [Management Science](#) study, Professors [Seth Benzell](#) and [Jonathan Hersh](#) of Chapman University, along with Marshall Van Alstyne, unveil a strategy that's reshaping traditional business models. Their research on public APIs (application programming interfaces) introduces the concept of the "inverted firm"—a model where companies open their platforms to external developers and innovators instead of relying solely on internal resources. The results are striking: companies that adopt public APIs see market value growth up to 38.7% higher than their peers.



## FROM FORTRESSES TO GATEWAYS: A NEW MODEL FOR BUSINESS GROWTH

Historically, successful companies focused on protecting internal assets. But in today's digital era, the playbook is changing. APIs are fueling a shift toward "inverted firms"—companies that open parts of their infrastructure to external developers, enabling broader innovation. Think Amazon, whose APIs support third-party sellers, or Google Maps, which powers countless applications. This is more than convenience; it's a fundamental evolution in how companies scale and create value.

By connecting internal services to outside applications, APIs let firms exert wide influence. Take Salesforce: its open API access lets developers tailor solutions for unique business needs, fueling demand and strengthening engagement. Through external innovation, companies build expansive networks that multiply their reach and solidify their position in the digital ecosystem.

## THE NETWORK EFFECT: GAINING VALUE FROM A DIGITAL ECOSYSTEM

APIs aren't just tech tools—they're strategic assets. Companies with well-connected APIs, serving as hubs across multiple platforms, tend to have higher market valuations. This network effect is vital: the more connected a firm is, the more indispensable it becomes. Google Maps exemplifies this—not just a map, but a critical layer for industries like logistics and travel. Central players in these API ecosystems boost both market presence and long-term value.

Being central to a network means more than visibility—it's about strategic leverage. APIs that connect different platforms create network effects, where each new connection adds value. These "superconnector" APIs extend a firm's influence across industries by linking otherwise siloed players. A strong API strategy becomes a driver of industry-wide value.

Interestingly, smaller firms often benefit more. Companies in the bottom 10th percentile of market value saw a 42.5% increase after adopting APIs—outpacing top-tier firms at 34.9%. For business leaders, the message is clear: APIs are a path to greater competitiveness, reach, and growth, especially for those aiming to outperform their size.

## BALANCING GROWTH AND SECURITY: APIS AS BOTH OPPORTUNITY AND CHALLENGE

Public APIs fuel innovation but introduce new vulnerabilities. While they enable external creativity, they also heighten exposure to cyber threats. The study shows firms with open APIs face higher risks of data breaches. The trade-off is real: grow through openness or protect through restriction. Incidents at companies like Facebook and T-Mobile underscore these risks. Still, when paired with strong security practices, the rewards outweigh the dangers.

To manage this, firms are turning to encryption, multi-factor authentication, and token-based access to secure APIs while still allowing outside developers to build. By carefully regulating access, businesses can safely embrace open

models without compromising core systems.

## OPENING DOORS TO A NEW BUSINESS PARADIGM

Benzell, Hersh, and Van Alstyne's research underscores a major shift: companies that embrace collaboration and connectivity are best positioned for the future. APIs unlock external innovation, turning firms into central players within broader digital ecosystems.

For forward-thinking CEOs, this model offers a path to resilience and long-term growth. It's not just about staying in the game—it's about becoming the platform others rely on. By fostering openness, companies can expand their networks and drive sustainable success.

And now, AI is accelerating this shift. Tools like Model Context Protocols (MCPs) build on the API model, enabling software—and AI

systems—to autonomously discover, interpret, and act on services. In this evolving landscape, the future isn't just about being connected. It's about being computable.

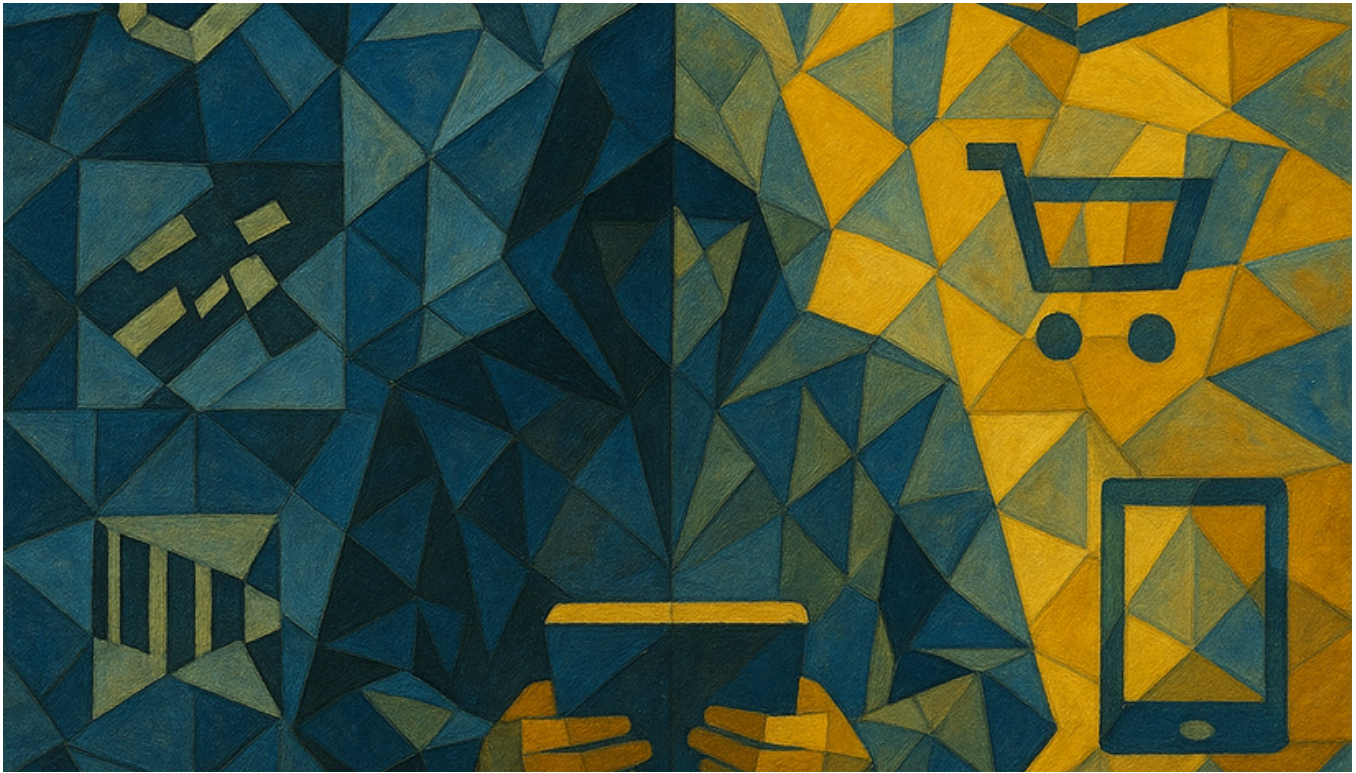


**Seth G. Benzell** is an Assistant Professor at Chapman University's Argyros College of Business and Economics, specializing in the economics of digitization, including automation, networks, and information systems. He earned his PhD in economics from Boston University and holds fellowships at MIT's Initiative on the Digital Economy and Stanford's HAI Digital Economy Lab. Benzell's research spans digital transformation and its economic impacts, contributing to a deeper understanding of how technology reshapes markets and public economics.



**Jonathan Hersh** is an Associate Professor at Chapman University's Argyros College of Business and Economics, specializing in data science, applied economics, and machine learning. His research examines the role of big data and artificial intelligence in decision-making and productivity. With publications in top academic journals, Hersh's work offers insights into how data-driven approaches can transform industries and influence policy. His recent studies explore AI's economic implications, providing valuable perspectives for business leaders and policymakers. He holds a PhD in economics from Boston University.





# Competing with Free: Rethinking the Price-Piracy Equation in the Digital Age

BRETT DANAHER, PH.D.

Can pricing alone turn the tide against digital piracy? Recent research published in *MIS Quarterly* by **Brett Danaher** from Chapman University's Argyros College of Business and Economics reveals intriguing insights into how e-book piracy responds to changes in legal prices. Using a natural experiment in Ireland, where a tax reduction led to a 14% drop in e-book prices, the study explores the behavior of two distinct types of pirates: those who directly access piracy sites and those who arrive there via search engines. Surprisingly, while the total piracy rate showed little change, indirect piracy—driven by less experienced users—plummeted by 27%. These findings challenge assumptions about piracy and suggest that tailored pricing strategies could reshape the digital marketplace. Let's unpack the research and its implications for businesses navigating this complex landscape.

## NOT ALL PIRATES ARE CREATED EQUAL: UNDERSTANDING DIGITAL BEHAVIOR

This study distinguishes between two types of digital pirates: direct and indirect. Direct pirates are experienced users who access pirated content without using search engines. Indirect pirates, however, rely on searches to find piracy sites and often encounter legal alternatives and prices in the process. This distinction is important because it reveals different levels of sensitivity to legal pricing.

Following a reduction in value-added tax (VAT), e-book prices in Ireland dropped by 14%. The study, using MUSO piracy data across European countries, found that direct pirates were unaffected by the price drop—they continued pirating at the same rate. In contrast, indirect pirates, less committed to piracy and more attuned to legal options, responded strongly. Indirect piracy declined by 27% relative to a group of control countries where eBook prices had no change, with the effect increasing over time as awareness spread. These findings suggest that anti-piracy efforts must be tailored; a universal strategy may overlook key behavioral differences.

## SEARCH MATTERS: THE VISIBILITY OF LEGAL ALTERNATIVES

Search plays a central role in piracy, especially for indirect pirates, who typically start with a search query and may see both legal and illegal content. After the price reduction in Ireland, legal e-book searches rose by 13%, showing

that visibility and price awareness influence consumer choices.

For businesses, this highlights the importance of search engine optimization (SEO). If legal options are competitively priced but hidden in search results, their effectiveness diminishes. Targeted ads and clear messaging about lower prices can further encourage indirect pirates to go legal.

Policymakers can also act. By collaborating with search engines to elevate legal content in rankings, they can reduce users' exposure to illegal alternatives.

## POLICY AND PRACTICE: ADAPTING STRATEGIES FOR DIVERSE MARKETS

The research has broader implications beyond Ireland. In markets dominated by indirect piracy—like Cyprus and Bulgaria—price reductions may be highly effective. In contrast, regions with more direct piracy may require different solutions.

For businesses, price discrimination based on piracy patterns can be a smart strategy. If certain demographics—say, women—engage more in indirect piracy, they could be targeted with discounts or promotions. Similarly, regions with a higher share of indirect piracy may benefit from price-focused interventions.

Still, price isn't a cure-all. Direct pirates, who make up a large part of the piracy landscape, often ignore price changes. Their motivations are driven by habit, convenience, or perceived



value. To reach these users, strategies might include improving legal platforms, offering exclusive content, or partnering with streaming and subscription services.

## A BLUEPRINT FOR ACTION

This study contributes to both academic understanding and practical solutions for combating digital piracy. Academically, it reinforces the idea that piracy is not a monolithic behavior but rather a spectrum influenced by factors like search costs and price salience. By demonstrating the differential impact of pricing on direct and indirect piracy, the research opens new avenues for exploring how consumer behavior shapes digital markets.

From a managerial perspective, the findings provide actionable insights for content creators, publishers, and policymakers. Price reductions, when combined with targeted strategies to enhance visibility, can be a powerful tool to reduce piracy and boost legal consumption. However, these strategies must be context-specific, taking into account the unique dynamics of each market and segment.

For policymakers, the study underscores the importance of crafting holistic anti-piracy

strategies. Lowering taxes on digital goods can make legal options more competitive, but this should be paired with efforts to improve the discoverability and appeal of legal alternatives. Moreover, partnerships with search engines and platforms to prioritize legal content could amplify the impact of price reductions.

Finally, the research raises important questions about the long-term sustainability of anti-piracy efforts. If direct pirates remain unresponsive to pricing and other incentives, what alternative measures might be effective? Future research could explore the potential of regulatory approaches, technological innovations, or community-driven initiatives to address this persistent challenge.



**Brett Danaher** is an Associate Professor at Chapman University's Argyros College of Business and Economics, renowned for his expertise in entertainment analytics, industrial organization, and digital economics. His groundbreaking research on digital distribution, pricing, and anti-piracy strategies has influenced global policy and business practices. Collaborating with leading firms like Spotify and NBC Universal, Dr. Danaher's work bridges academia and industry. He teaches courses in data analytics and economics, mentoring students who thrive in top analytics roles. A sought-after speaker, he has delivered keynote addresses at international events, including the Tokyo Film Festival. Dr. Danaher holds a Ph.D. from the University of Pennsylvania, Wharton School.



# Market Chatter: Can Trader Communication Make Smarter Markets?

MARK DESANTIS, PH.D. & DAVID PORTER, PH.D.

*In today's hyper-connected world, traders have transformed stock market chat rooms and social media into bustling hubs of conversation. But does all this chatter actually impact how markets operate? In their study published in [Management Science](#), 'Let's Chat... When Communication Promotes Efficiency in Experimental Asset Markets,' researchers [Mark DeSantis](#) and [David Porter](#) from Chapman University, together with Brice Corgnet, explored whether trader conversations could boost market efficiency. They found that when traders can communicate—especially with added reputation scores—markets may more accurately reflect available information. This study challenges the conventional wisdom that markets purely rely on prices to aggregate information and instead shines a light on the unexpected power of social exchange in trading environments.*



## COMMUNICATION: THE HIDDEN KEY TO MARKET ACCURACY

Corgnet, DeSantis, and Porter's experiment reveals that allowing traders to "chat" significantly enhances how effectively markets absorb private information. Without the ability to communicate, traders are left with prices alone to gauge market trends, often missing nuanced insights known only to a few. In this study, however, researchers provided experimental traders with a brief, one-minute chat session before trading began. This open line of communication helped traders share insights on what they privately knew, ultimately making the market's pricing mechanism more responsive to actual asset values.

## REPUTATION SCORES: TURNING TRUTHFULNESS INTO A COMPETITIVE ADVANTAGE

One of the study's most eye-catching elements was the role of trader reputation scores—a feature designed to encourage honest, reliable communication. With reputation scores visible to other traders, honesty became an asset that boosted a trader's standing within the chat system. Traders' reputation was tied to peer feedback; when a participant was blocked for spreading false or misleading information, their score dropped, which signaled to others a potential lack of reliability. Conversely, a high reputation score served as a badge of trustworthiness, incentivizing traders to share truthful information.

Reputation's influence was profound: with

visible scores, misleading messages plummeted from nearly 20% to 8%, leading to greater accuracy in market pricing. In contrast, when the reputation system was disabled, deceptive messaging more than doubled, reducing market efficiency and showing how accountability mechanisms can radically transform behavior. This insight implies that digital platforms with reputation metrics—such as user ratings on social media or review sites—can boost the quality of information exchanged. A well-designed reputation system doesn't just promote honesty; it aligns personal incentives with market-wide goals, creating a network of trust where reliable information thrives.

## THE INSIDER ADVANTAGE: TRUTHFULNESS VS. STRATEGIC SILENCE

To dig deeper into communication's effect on market efficiency, the researchers tested markets with and without "insiders"—traders who had unique, precise information about the true value of an asset. This added twist demonstrated how selective information sharing could challenge transparency. Insiders often faced a dilemma: they could communicate truthfully, thereby improving market efficiency, or they could withhold their information to maintain an advantage. When insiders chose strategic silence or even misleading messages, overall market efficiency dropped as they prioritized personal gains over market-wide accuracy.

Despite this temptation, a surprising 75% of messages from insiders remained truthful,

underscoring the influence of social incentives. Insiders balanced their information advantage with reputational risks; lying outright could tarnish their standing and reduce future opportunities for trade. This cautious truth-telling reveals the complex social calculations that traders navigate, even in a competitive setting. For business leaders, this is a potent reminder of the trade-offs involved when employees or market players control unique information: while transparency fosters collective gains, the lure of retaining private advantages can disrupt optimal outcomes. Reputation mechanisms thus emerge as potential tools to reinforce transparency without fully stripping away strategic incentives.

systems in trading platforms could benefit market efficiency. As digital tools continue to reshape industries, their findings suggest a broader application for businesses and markets that rely on transparency and accuracy. For CEOs, incorporating communication channels with reputational feedback may not only bolster decision-making but also create a culture that values reliable insights from stakeholders. By leveraging the social dynamics of communication, markets and organizations alike could be better equipped to reflect the true, aggregated knowledge of all participants, leading to more robust and efficient outcomes.

## CONCLUSION

The research offers a fresh perspective on how integrating communication and reputation



**Mark DeSantis** is an Associate Professor of Finance at Chapman University's Argyros School of Business and Economics. His expertise lies in experimental and behavioral finance, focusing on asset price dynamics and market efficiency. DeSantis's research, published in journals like *Management Science* and *The Journal of Finance*, explores how cognitive biases and information aggregation influence trading performance and market outcomes. His recent studies examine the cognitive traits that contribute to successful trading, providing insights into the behavioral underpinnings of financial markets. DeSantis's work bridges finance theory and practice, offering valuable perspectives on market dynamics.



**David Porter** is a Professor and Donna and David Janes Endowed Chair in Experimental Economics at Chapman University's Argyros School. Specializing in experimental economics, Porter's research addresses asset market dynamics, bubbles, and the role of cognitive biases in trading behavior. His work, featured in top journals like *American Economic Review*, *Journal of Finance*, and *Review of Economic Studies*, offers deep insights into how markets function and fail. Porter's studies continue to impact economic theory and practical applications in market design and trading efficiency.



# ARGYROS ANNOUNCEMENTS

## WEBSTER O'GRADY FAMILY CHAMPIONS EXCELLENCE AT THE ARGYROS COLLEGE, HILBERT MUSEUM, AND LEATHERBY CENTER

Nella Webster O'Grady and Kevin O'Grady's \$1 million gift to Chapman University will significantly enhance key programs within the Argyros College of Business and Economics and the Leatherby Center for Entrepreneurship and Business Ethics. At the Argyros College, the donation will support immersive, real-world leadership development initiatives such as the Leadership Crisis Challenge and the General-In-Residence program. These programs are designed to equip students with both technical and soft skills needed to navigate the rapidly evolving business landscape, shaped by AI and shifting workforce expectations. This investment will help students gain the critical thinking and leadership capabilities essential for success in today's competitive market.



The Leatherby Center will also benefit from the Webster O'Grady family's generosity, which will help expand entrepreneurship education and resources for both students and community innovators. This includes bolstering the startup incubator program, providing mentorship, and offering practical support for launching new ventures. Additionally, the gift will fund initiatives like the Spanish language entrepreneurship program aimed at supporting Latinx business owners. According to Leatherby Center Director Dr. Cynthia West, this support comes at a critical time, as nearly half of all U.S. jobs by 2034 are expected to involve freelance or entrepreneurial work. The gift ensures that Chapman remains a leader in preparing students to build and sustain successful businesses in a dynamic economy.

NEW & NOTEWORTHY

# FACULTY IN FOCUS



## MOHAMMAD ZIA, PH.D.

### PROMOTED TO ASSOCIATE PROFESSOR OF MANAGEMENT SCIENCE WITH TENURE

Dr. Mohammad Zia, promoted to Associate Professor of Marketing with tenure, specializes in online advertising, consumer search, competitive strategy, and game theory. Dr. Zia earned his B.S. from Sharif University of Technology and completed his PhD at the University of Texas at Dallas. His research has been published in top academic journals such as Marketing Science and Management Science. At Chapman, he teaches courses in Marketing and Marketing Analytics.



## LACY WILLIS '05, JD '18

### PROMOTED TO CLINICAL ASSOCIATE PROFESSOR OF ACCOUNTING

Lacy Willis, promoted to Clinical Associate Professor of Accounting, also serves as Director of the Master of Science in Accounting (MSA) program. A Chapman alumna, she earned her B.S. degrees in Accounting and Business Administration in 2005 and her J.D. with a business law emphasis in 2018 from the Fowler School of Law. Willis joined the faculty in 2014 after 10 years in public accounting. Willis holds several professional credentials, including CPA, CFE, CVA, and is a licensed attorney. She is an active member of the American Institute of Certified Public Accountants, the California Society of CPAs, and the Association of Certified Fraud Examiners.



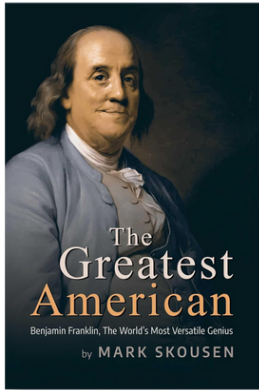
## HANK ADLER, MBA

### PROMOTED TO CLINICAL PROFESSOR OF ACCOUNTING

Hank Adler, promoted to Clinical Professor of Accounting, is the Burra Executive Professor at Chapman's Argyros College. He joined the faculty in 2003, after a 34-year public accounting career, including 20 years as a tax partner at Deloitte & Touche. His research on taxation and board governance has appeared in The Wall Street Journal, Los Angeles Times, and Tax Notes. Adler is also the author of several books and amicus curiae briefs for the Supreme Court.



# THE ARGYROS COLLEGE ON THE SHELF



## THE GREATEST AMERICAN: BENJAMIN FRANKLIN, HISTORY'S MOST VERSATILE GENIUS

Mark Skousen

*Published by Republic Book Publishers, 2025*

Was Benjamin Franklin an indispensable public servant or a cunning chameleon? A hard-headed entrepreneur or an opportunistic privateer? A devoted family man or a notorious womanizer? A scientist and inventor or a hoaxer and self promoter? A believer or a heretic? The first civilized American or the most dangerous man in America?

In *The Greatest American*, Dr. Mark Skousen—"America's Economist" and a direct descendant of the old man—reveals many new features and little-known facts about Ben Franklin.

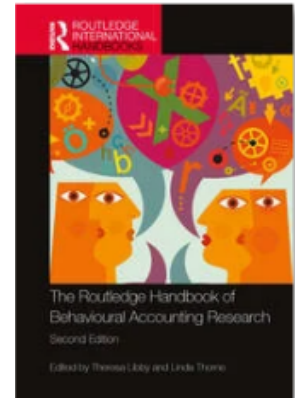


## THE FUTURE OF LABOUR: HOW AI, TECHNOLOGICAL DISRUPTION AND PRACTICE WILL CHANGE THE WAY WE WORK

Marshall Toplansky and Joel Kotkin  
(Contributors)

*Published by Routledge, 2025*

Marshall Toplansky and Chapman Presidential Fellow Joel Kotkin co-author the chapter titled '*AI and the Future of Society and Economy*' in Routledge's book edited by Anthony Larsson and Andreas Hatzigeorgiou, *The Future of Labour: How AI, Technological Disruption and Practice Will Change the Way We Work*, an anthology that offers a forward-looking exploration of how artificial intelligence (AI), digitalisation and technological transformation are reshaping the future of work.



## THE ROUTLEDGE HANDBOOK OF BEHAVIORAL ACCOUNTING RESEARCH

Jane Jollineau (Contributor)

*Published by Routledge, 2025*

Jane Jollineau contributed to the chapter '*Understanding and Improving Judgment and Decision-Making in Accounting*' alongside Kim I. Mendoza in the newly published 2nd Edition of *The Routledge Handbook of Behavioural Accounting Research*. This edition covers a full range of theoretical, methodological, and statistical approaches relied upon by behavioural accounting researchers, giving the reader a good grounding in both theoretical perspectives and practical applications.



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*The AI-generated artwork in this issue was prompted and composed by Dr. Gokcen Coskuner-Balli.  
The design and production of this publication was led by Lauren Belzer '19, an alumna of Chapman University.*

