

Nov - Dec Newsletter Issue No. 6

Featured Research

PAUL GIFT

Moving the needle in MMA:
On the Marginal Revenue Product
of UFC fighters

ZHIKE LEI

What aircraft crews know about
managing high-pressure situations

DOREEN SHANAHAN

Achieving scaled and sustained use of
client-based projects in business school
marketing education:
A proposed suprastructure

Research Tips

DARREN GOOD

From academia to actuality: Tips
for crafting practical scholarship

2019

Welcome to the sixth and final edition of the Center for Applied Research Newsletter for 2019! This special edition concludes an exceptional year of research at PGBS with new faculty publications, conference presentations, research events, and media mentions. This issue also includes several peeks into faculty research on topics such as the marginal revenue product of UFC fighters, how to foster greater access to client-based projects in business schools, and insights from airline crews on how teams can better manage high-pressure situations. It also discusses helpful ways to transform theory into practical insight for workers in the industry and corporate space. Finally, we take a look back at 2019 with the Center, celebrating the achievements of PGBS faculty in research this past calendar year. We hope this edition encourages you to enter the joyful rest earned by hard work well done as we enter into the holiday season. Enjoy!

PUBLICATIONS

Recent Publications

James DiLellio's article with Dan Ostrov (Santa Clara Univ.) entitled "Constructing Tax Efficient Withdrawal Strategies for Retirees with Traditional 401(k)/IRAs, Roth 401(k)/IRAs, and Taxable Accounts" has been accepted for publication in *Financial Services Review*.

DiLellio, J. & Ostrov, D. (forthcoming). Constructing tax efficient withdrawal strategies for retirees with traditional 401(k)/IRAs, roth 401(k)/IRAs, and taxable accounts. *Financial Services Review*.

In a recent publication, **Terri Egan, Julie Chesley** and Hannah Jones (Pepperdine MSOD alum and People Planning and Strategy at Uber) propose arguments for the use of adult vertical development theory to transform traditional leadership development practices to prepare leaders for the volatile, uncertain, complex, and ambiguous (VUCA) world. Vertical leadership development strategies were assessed in fifteen large organizations. Multiple factors impacted implementation of vertical development practices. The primary factor was the overall leadership development mindset (the organization's learning strategy and its theory of individual change).

Jones, H. E., Chesley, J. A. & Egan, T. (forthcoming). Helping leaders grow up: Vertical leadership development in practice. *The Journal of Values-Based Leadership*, 13(1).

In a recent publication, **Cristina Gibson** and colleagues Heli Wang (Singapore Management Univ.) and Udo Zander (Stockholm School of Economics), take a critical look at the scholarship on corporate social responsibility and suggest that theory is lagging behind, setting forth an agenda for how to propel the field

forward and incorporate perspectives from management, strategy, and organizational behavior.

Wang, H., Gibson, C.B., & Zander, U. (forthcoming). Is research on corporate social responsibility under-theorized? *Academy of Management Review*.

In a recently published paper in *Journal of Sports Economics*, **Paul Gift** analyzes the marginal revenue products (MRP) of UFC fighters, a key concept in the ongoing antitrust lawsuit against the company. He found that a sizable percentage of fighters generated little to no MRP, while a small number of top fighters were responsible for 75% of aggregate MRP. These top fighters were also the most undercompensated by traditional economic standards, relative to mid- and lower-tier fighters, but their rate of under compensation did not statistically worsen over time.

Gift, P. (2019). Moving the needle in MMA: On the marginal revenue product of UFC fighters. *Journal of Sports Economics*, OnlineFirst, 21(2), 1-34.

Kevin Groves published an article in *Organizational Dynamics* entitled "Confronting an inconvenient truth: Developing succession management capabilities for the inevitable loss of executive talent." This paper examines succession planning and executive talent management capabilities across three prominent healthcare delivery organizations: Kaiser Permanente, Cleveland Clinic Health System, and Sutter Health.



Groves, K.S. (2019). Confronting an inconvenient truth: Developing succession management capabilities for the inevitable loss of executive talent. *Organizational Dynamics*, 48(4).

Kevin Groves published an article in *Health Care Management Review* entitled “Examining the impact of succession management practices on organizational performance: A national study of U.S. hospitals”. This empirical study develops and validates a 32-item assessment comprising seven distinct sets of succession management capabilities. The study’s results indicate that strong succession management practices are associated with numerous performance metrics, including patient satisfaction, Medicare Spending per Beneficiary, leadership bench strength, and internal/external placement rate for executive-level positions.

Groves, K. (2019). Examining the impact of succession management practices on organizational performance: A national study of U.S. hospitals. *Health Care Management Review*, 44(4): 356-365.

Donn Kim’s algorithm research paper, “An efficient algorithm for the non-convex penalized multinomial logistic regression,” with Sunghoon Kwon (Konkuk Univ., South Korea) and Sangin Lee (Chungam National Univ., South Korea), has been accepted for publication in *Communications for Statistical Applications and Methods*. In this paper, authors introduce an efficient algorithm for the non-convex penalized multinomial logistic regression that can be uniformly applied to a class of non-convex penalties.

Kim, D., Lee, S., & Kwon, S. (forthcoming). An efficient algorithm for the non-convex penalized multinomial lo-

gistic regression. *Communications for Statistical Applications and Methods*.

Donn Kim’s research paper entitled “The Role of Debt in REIT Equity Issuance at a Discount to Net Asset Values” with Kenneth W. Soyeh (College of Charleston) and Frank Gyamfi-Yeboah (Kwame Nkrumah Univ. of Science and Technology, Kumasi, Ghana) has been accepted for publication in the *Journal of Real Estate Research*. Empirical evidence has shown that REIT managers time their equity offerings based on the value of share prices relative to the value of their underlying assets in the property market.

Soyeh, K.W., Kim, D. & Gyamfi-Yeboah, F. (forthcoming). The role of debt in REITs equity issuance at discount to Net Asset Values (NAVs). *Journal of Real Estate Research*.

Zhike Lei published her joint work with Jan Hagen (European School of Management and Technology) and Avner Shahal (medneo GmbH) in *Harvard Business Review*, explaining what business leaders can learn from aircraft crews about managing high-pressure situations.

Hagen, J., Lei, Z., & Shahal, A. (2019). What aircraft crews know about managing high-pressure situations. *Harvard Business Review* (December 9, 2019). Retrieved from <https://hbr.org/2019/12/what-aircraft-crews-know-about-managing-high-pressure-situations>

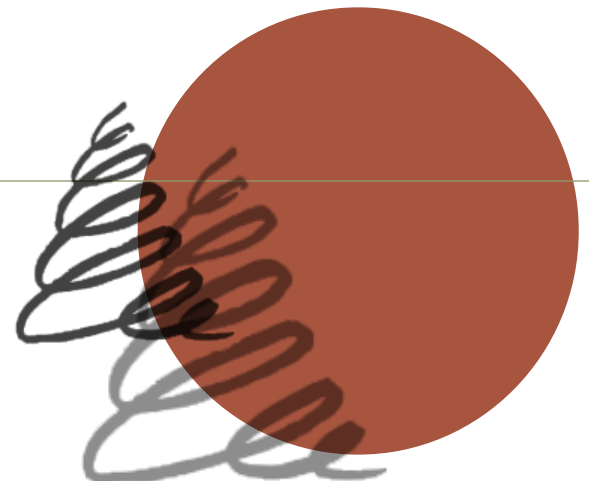
Zhike Lei, along with Brooks Holtom (Georgetown Univ.), Cody Reeves (Brigham Young Univ.) and Tiffany Darabi (Cornell Univ.), has a paper accepted for

publication in *Journal of Management Issues*. This study uses four panels of data over the course of two years to predict the profile of enthusiastic and reluctant stayers in an organization and the financial impact of retaining reluctant stayers.

Holtom, B., Reeves, C., Lei, Z. & Darabi, T. (forthcoming). Reluctant stayers: Constructing a profile and examining the consequences. *Journal of Managerial Issues*.

Cristel Russell, together with Véronique Régnier-Denois, Emilie Rouèche, Valérie Simon and Franck Chauvin (Institut de Cancérologie de la Loire, Université Jean Monnet, UdL, St Etienne, France) published an article, “Empowerment through Participation in a Cancer Prevention Exhibit: Evidence from the Hygée Lab Intervention,” in the *Journal of Cancer Education*. This article evaluates an interactive cancer prevention exhibit, revealing the impact of edutainment (education-entertainment).

Russell, C.A., Régnier-Denois, V., Rouèche, E., Simon, V., & Chauvin, F. (forthcoming). Empowerment through participation in a cancer prevention exhibit: Evidence from the Hygée Lab intervention. *Journal of Cancer Education*. doi: 10.1007/s13187-019-01658-4





Conference Presentations & Invited Speeches

James DiLellio presented an article entitled “Seeking Global Optimal Decisions in Retirement Economics” at the 2019 Decision Sciences Institute Annual meeting in New Orleans, Nov 23-25, also serving as the session chair for this track on finance and economics topics. This extends work published by DiLellio and Ostrov (2017) in the *Decision Sciences Journal*, where multiple optimal retirement income solutions were identified in search of a unifying set of optimal decision rules in retirement economics.

James DiLellio and Owen Hall Jr. presented “Detecting Students at Risk using Machine Learning: Applications to Business Education” at the innovative teaching track of the 2019 Decision Sciences Institute Annual meeting in New Orleans. DiLellio also served as session chair for this track.

Darren Good was a featured speaker at the annual Mindful Leader Summit in Washington, DC. His talk was entitled, “Workplace Mindfulness: What are the actual Benefits according to the Latest Science?” The talk provided a critical review of the current science on mindfulness in the workplace.

Zhike Lei was an invited speaker for the session, entitled “On the Operations Management approach to errors,” in the Quality and Lean Operations track at the Decision Sciences Institute Annual-

meeting in New Orleans, Nov 23-25. Her scholarly work on error management and learning from errors was featured in this invited session.

Media Mentions & Research Impact

Mark Allen was a guest on *Concierge Coaches*, a podcast hosted by Graziadio alumnus Justin Nimergood, on November 11. The topic of the episode was titled, “Providing a Context for Leadership,” and discusses the importance of understanding and defining leadership as behaviors and functions inextricably linked with the context of the organization. Find episode here: <https://www.latakradio.com/content/concierge-coaches-show>

An article published in *Workforce* magazine highlights **Kevin Groves’** research on succession planning and executive talent assessment practices. Authored by Andie Burjek, the article, “Getting Schooled on Diversity,” outlines a series of research findings and best practices on how organizations can improve diversity in leadership positions. The article presents several practical recommendations for improving c-suite diversity across industries. Read at <https://www.workforce.com/2019/11/05/getting-schooled-diversity/>

Cristel Russell was appointed as a permanent member of Belgium’s FWO GM

4 Fellowship panel. The panel evaluates scientific applications from Flanders-based scholars to PhD and Post Doc programs.

Research Events

PEP Talks Research Seminar (philosophy, economics, and politics) is an academic research seminar rooted in the PPE Tradition that started in the 1920s at the University of Oxford. This is a tradition of interdisciplinary exploration between the fields of economics, philosophy, and political science, that employs several analytical frameworks and disciplinary methods. Professors present their current research in a traditional academic seminar style, then field questions from the audience that lead to discussions on their research presentation. See upcoming seminars at <https://seaver.pepperdine.edu/social-science/undergraduate/economics/pep-research-seminar.htm>

The Research Journey Speaker Series, a series of talks in which distinguished scholars share behind-the-scenes stories of their research process with PGBS faculty, was officially launched Nov. 12th. This series was initiated by Cristina Gibson and Bobbi Thomason and supported by the CAR through the 50th Anniversary Research Award. Blake Ashforth, the inaugural speaker from Arizona State University, shared his research stories in a talk called, “The Dirty Work of Understanding Dirty Work in Organizations.”

Monopoly power over input markets - known as monopsony power - is increasingly garnering attention in labor markets. Professional sports are often cited as examples of monopsony exploitation by owners against athletes. In the world of combat sports, the Ultimate Fighting Championship (UFC) is currently in the middle of a class-action antitrust lawsuit brought by former fighters alleging the promotion engaged in anticompetitive conduct through the use of long-term, exclusive fighter contracts which led to suppressed fighter pay.

A key economic concept in these situations is marginal revenue product (MRP), the additional revenue generated by a fighter's presence on a bout card. Paul Gift has covered the UFC antitrust case extensively at *Forbes*, and recently published the first academic study on UFC fighter MRP in the *Journal of Sports Economics*. Gift finds that fighter popularity and their position on the bout card are key drivers of pay-per-view buyrates. He also finds that variable UFC revenues are primarily driven by only a handful of top fighters, as just 9% of fighters account for 75% of total MRP. While those same top fighters are also the most exploited from an economic perspective, numerous lower-level fighters are overpaid relative to the revenues they generate, suggesting the UFC invests in the search for tomorrow's future stars. Importantly, Gift finds that rates of fighter exploitation have not statistically changed since 2006, contrary to the notion that enhanced UFC monopsony power in that timeframe has further suppressed fighter pay.

In the lawsuit, both sides agreed that MRP is the relevant concept by which to examine fighter pay, yet neither side calculated it, nor has the academic literature. Gift's paper is the first to study MRP in the UFC or in mixed martial arts more broadly.

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“UFC revenues are primarily driven by only a handful of top fighters, as just 9% of fighters account for 75% of total MRP (Marginal Revenue Product).”



Moving the Needle in MMA: On the Marginal Revenue Product of UFC Fighters

PAUL GIFT





FEATURED

What Aircraft Crews Know About Managing High-Pressure Situations

ZHIKE LEI

based on recent work by Hagen, Lei & Shahal in *Harvard Business Review*

All 155 people aboard got out alive when US Airways flight 1549 hit the Hudson River on 15 January 2009. All 440 passengers, 24 crew members, three captains and two copilots survived after the number two jet engine of Qantas Airways flight QF32 exploded. Successful crew responses to crises in both “miracle” instances were no stroke of luck, however. To ensure safe flight operation, crew training requires two conditions, both for which open communication is important: 1) The hierarchy on the flight deck must be flattened, and 2) the crew must be actively integrated into the flight’s workflow and decision making processes.

We believe the same ingredients can be used to help businesses overcome the most difficult obstacles. To support this theory, we have spent the past six years studying flight crew communication in full-flight simulators. Our goal was to reveal the importance of team (not leader) driven decision making during emergencies for success, and to identify aviation training practices that can be best adapted for the business world.

The takeaway from our first study was that involving colleagues as equal decision partners by asking them questions — or “humble inquiry” — taps into others’ expertise and aids constructive, factual information

exchange. Teams that continuously exchanged, analyzed, and evaluated information, then made, implemented, and reviewed decisions, most successfully safely completed their flight simulations. In the second study, we interviewed commanders, copilots, weapons system officers, and technical loadmasters within the German and Israeli air forces to study to what extent captains or commanders were aware of the benefits of using inquiry. The study confirmed that open questions are vital to effective communication in high stake situations, and to all decision making processes, to come up with the best solutions and also as preventative measures against potentially dangerous outcomes.

As we saw in our studies, it’s important for those in positions of power to recognize that they do not lose authority when they ask questions or admit that they do not know everything. Leaders who ask questions, who we call “collegiate and creative problem solvers,” create teams capable of handling the complexities of any business task. We believe businesses that create a framework emphasizing leading with questions, and that train leaders with this skill, will be capable of achieving operational excellence.

Achieving Scaled and Sustained Use of Client-Based Projects in Business School Marketing Education: A Proposed Suprastructure

The dynamic pace of change in business today warrants an increasing need for applied learning and collaboration with industry in business education. In fact in 2018, the AACSB updated its accreditation standards, explicitly highlighting the requirement for business schools to increase professional engagement as part of student academic curricula. However, despite the clear advantages of providing students with well-constructed experiential learning, client-based projects (CBPs) are inherently complex and demanding on instructors; they must find clients, scope the work, manage client expectations, and motivate students through the struggles of hands-on learning. Moreover, several process-oriented approaches for managing a single CBP fall short in terms of creating scale and repeatability. It is therefore not surprising that the use of CBPs remains sporadic and limited in graduate MBA programs.

To tackle the challenge of scale and repeatability, we adopt a unified view of combining project management and business development processes and outline a suprastructure framework for effective scaled use of CBPs. Key areas defined for centralization in a CBP suprastructure (CBP-SS) include: creation of a pipeline of qualified clients, selection of clients and confirmation of participation, determination of presenting problem, development of project criterion, case development, administration of client and student project evaluations, and value-harvesting.

Through our orientation as critical participatory action researchers, we refined the CBP-SS over a decade and emerged with four factors critical to CBP-SS success:

1 Development of advocates within the school's leadership - for example, business school deans and department chairs serving as public supporters of the CBP-SS;

2 Identification of faculty who are willing and able to be change agents undertaking the administrative service role;

3 Securing of initial funding - for example, provision of a 2-year seed grant of \$150,000 that can support faculty administrative release time and implementation activities;

4 Cultivation of persistence and celebration of progress toward this meaningful work.

Using a CBP-SS approach does require commitment to teaching innovation and allocation of appropriate resources in the business school administration. Yet in our experience, these investments have reaped significant rewards and, if implemented, likely will continue to in the future.



**DOREEN SHAN-
AHAN, LYNDA
PALMER, & JIM
SALAS**

From Academia to Actuality: Tips on Crafting Practical Scholarship

DARREN GOOD

Graziadio places special emphasis on the practical use of our scholarship. But oftentimes, what constitutes good scholarship can be in direct opposition to what actually matters to people working in organizations. So how can we transform scholarship into practical material for industry people?

The methodological story

Audiences are drawn to good storytelling. While we might think of our methods sections as one of the duller features of our academic articles, I find it often provides a practical story for people to follow. Therefore, one of the first things I do is look at the methods section from a storyteller's vantage point: what was the initial challenge or gap in understanding and how did we try to solve for it? Such basic problem-solving is something most managers can resonate with. I tend to carefully walk readers through the research process, substituting dramatic flair for the usual boring methods write up. Takeaway: Create the story about the sample, procedures, control condition etc.

No one talks like that

One of the biggest struggles is letting go of the precise language we feel bound to in scholarly writing. In practice-based writing or preparing a talk, I immediately realize how overcommitted I get to such precision—yet this is among the easiest ways of losing the reader's attention. Most managers want friendly, everyday language they can easily process and recall. Free yourself from all the academic jargon and tightly constructed language. No one talks like that. Takeaway: Write and speak as if you are communicating to a 5th grader.

Investigate context

When preparing to present research to a managerial audience, I seek out conversations with multiple people in that field. For example, to prepare for a recent talk to a group of physicians working for a large health care system, I interviewed acquaintances working in similar settings on context, challenges and commonly used language. I had no idea that physicians refer to the endless hours they spend in the evenings catching up on all their charting as 'pajama time'. Referencing this in the talk makes the audience instantly feel related to. Takeaway: Find specific contexts, acronyms, and language to connect scholarly findings to.

Testing out your material

I have only been to a comedy club twice in my life, and both times Jerry Seinfeld randomly showed up (seriously). He wasn't there to give his standard performance or get paid, but to test out new material. Likewise, it's not always clear how the translation from scholarship to lay terminology will play out. The language and delivery usually need to evolve. Therefore, look to everyday interactions as opportunities to try it out. Takeaway: Ask family and friends, "Can I see if this lands for you...?"

Applications beyond work are helpful

At the end of the day, managers and executives are ordinary people who have lives beyond work. They are spouses, roommates, parents, and friends. I have found that scholarly insights useful at home as well as at work can be particularly impactful; a technique that helps with managing a subordinate may also provide insight into being a better parent. I can imagine how many of our studies can shed light on better managing our lives, households, and relationships to people, products and services. Takeaway: Craft implications for life beyond work.

LOOKING BACK

ONE YEAR 2019 *with the* CENTER *for* APPLIED RESEARCH

The Center for Applied Research would like to sincerely thank all PGBS faculty, staff, alumni, and readers for their support through its first full calendar year with the CAR Newsletter! 2019 has marked an astounding new standard of research excellence at PGBS, with faculty research making a significant impact on academic and business communities domestically and internationally. In honor of a stellar year, we would like to take a brief look at research at PGBS in 2019.

65
publications

Based on voluntary reports to the Center for Applied Research alone, in 2019, 65 papers were accepted or published by PGBS faculty in peer-reviewed journals, 11 of which are in A/A+, FT 50 journals such as *Academy of Management Journal*, *Academy of Management Review*, *Contemporary Accounting Research*, *Harvard Business Review*, *Health Affairs*, *Human Relations Journal of Applied Psychology*, *Journal of International Business Studies*, and *Journal of Management*.

8
external awards

The CAR reported 8 external national and international awards received by PGBS faculty, in addition to 49 presentations and papers, and 7 seminars and panels delivered by faculty at 24 peer-reviewed national and international conferences. Faculty also gave 7 keynote speeches, wrote 6 articles for news and media outlets, and appeared in the news and media 22 times through quotations, article mentions, and guest appearances in outlets such as *Forbes*, *ESPN*, *LA Business Journal*, *Sirius XM*, *Seattle Times*, and *SSRN*.

49
presentations

The Center is exceedingly proud to recognize the exceptional research achievements of PGBS faculty this year. We look forward to another year of excellence in 2020, and wish you Merry Christmas and Happy New Year!

11
FT 50 journals

24
peer-reviewed
conferences

22
media mentions

Sincerely,

CENTER FOR APPLIED RESEARCH