

Business Professors Make Great Execs

A study in a recent issue of *Academy of Management Perspectives* debunks the belief that business professors “wouldn’t make it in real-world business.” Research by Bin Jiang and Patrick Murphy, assistant professors of management at DePaul University in Chicago, Illinois, shows that business professors actually have an advantage in the CEO’s chair.

For their paper “Do Business School Professors Make Good Managers?” Jiang and Murphy studied more than 200 business academics who became executive managers, analyzing data from the Dun & Bradstreet Million Dollar Database. The D&B database compiles information on North American public and private companies with more than 20 employees or more than \$1 million in annual revenues.

They found that the companies of these professors-turned-executives actually did significantly better than identical firms with no former academics in their top ranks. Firms with former business professors at top-level positions had a mean productivity index, or revenues divided by employees, of approximately 217,000. The index for firms without academics at the top was only about 178,000. The researchers also found that the bigger the companies, the more reliable the results.

In an interesting twist, companies with business academics in penultimate leadership positions such as vice president did better than those companies with academics acting as CEOs or board members. In addition, company performance was better when academics made their career change early in their careers.



Bin Jiang and
Patrick Murphy

These findings suggest that “recency of expertise and greater knowledge of current scholarship make for better performance as an executive in a specific business area,” the authors write.

The authors believe that this research may put an end to the stereotype of business professors as “all theory and no practice,” with expertise that has little relevance to real-world business. Write Jiang and Murphy, “We are hopeful that our findings will reduce some doubt about the practical legitimacy of business school professors.”

Lower Pay Reflects Bias Against Women Execs

Social bias may play a large role in the compensation of women executives, according to a recent study, “The Gender Pay Gap in the Board Room: Are Women Executives Underpaid?” The study was conducted by three professors of accounting and information management: Rajiv Banker of Temple University’s Fox School of Business in Philadelphia, Pennsylvania; Mark Anderson of the University of Texas at Dallas; and Rong Huang of the City University of New York.

For the study, the researchers examined major North American

corporations—particularly their top five positions of leadership. They then compared the compensation of the men and women in those positions. They wanted to discover whether and why women in these positions were paid less than their male counterparts, says Banker.

“There are two major theories as to why women are paid less,” says Banker. “The human capital theory says that people are paid for the value they create for the organization, and that women create less.” The theory holds that women might create less value for many reasons—they might take more time off to take care of families, for example, or be excluded from social networks that would help them attract more clients.

The other explanation is social bias theory, says Banker. According to that theory, he explains, “people who are underrepresented are more likely to be underpaid.”

The researchers developed a model to compare each executive’s compensation with the value that he or she created for the company. They found that women at the top actually add greater value, per dollar of pay, than men in equivalent positions. This finding lends credence to the social bias theory, says Banker.

The researchers also found that the less women were represented in an industry, the lower their salaries were likely to be. In industries such as utilities, oil and gas, and coal extraction, where few women reach top ranks, there existed a larger discrepancy in compensation for men and women executives in equivalent positions.



Rajiv Banker