IT pros with MBAs earn 46 percent more, says Management Insights study

March 11 2008

IT professional with MBAs earn 46% more than IT professionals with bachelors' degrees and 37% more than IT professionals with masters' degrees other than an MBA, according to the Management Insights feature in the current issue of Management Science, the flagship journal of the Institute for Operations Research and the Management Sciences.

Management Insights, a regular feature of the journal, is a digest of important research in business, management, operations research, and management science. It appears in every issue of the monthly journal.

"Human Capital and Institutional Effects in the Compensation of Information Technology Professionals in the United States" is by Sunil Mithas of the University of Maryland and M. S. Krishnan of the University of Michigan.

The researchers asked if information technology (IT) professionals should pursue an MBA degree or acquire more IT experience. The paper answers this question by studying economic returns on an MBA degree and IT-related experience for IT professionals.

The authors use data on the demographics, salary, education, and experience of over 50,000 IT professionals in the United States for the 1999–2002 time period. The results show that an IT professional with an MBA earns 46% more than an IT professional with a bachelor's degree and 37% more than an IT professional with a master's degree other than MBA. This finding is contrary to prior research that questions the

economic benefits of an MBA degree.

The authors find that firms value IT experience more than non-IT experience for IT professionals, and that firms compensate for IT experience at other firms more highly (3.2% per year) than they compensate for IT experience within the firm (2% per year). Given these findings, if firm-specific IT experience is more valuable to the firm, the authors write that these firms should consider subsidizing investments in MBA education to help retain their IT professionals.

The authors add that IT professionals are better off investing in MBA education because the economic returns on an MBA degree are significantly higher than the returns on IT experience.

Source: Institute for Operations Research and the Management Sciences