

# The name game: CEOs with favorable surnames found to receive higher pay

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Research from Bayes Business School (formerly Cass) shows that the 'favorability' of a CEO's surname plays a major role in determining their job security and can increase their total compensation by as much as

4.9%.

The paper, co-authored by Dr. Jay Jung, Senior Lecturer in Accounting at Bayes, along with academics from DePaul University, Chicago and Hong Kong Polytechnic University, used data over a 16-year period to monitor changing preferences in how CEOs' surnames and their origins were perceived in the United States, which was then tied to information about respective levels of CEO compensation and job security within the role.

The research adds to existing literature about [cognitive dissonance](#), which suggests that name-induced perceptions can bias the evaluation of a person.

Key findings from the research show:

- A single standard deviation increase in the 'favorability' of a surname leads to a 4.39% increase in a CEO's total compensation. This equates to additional earnings of \$240,699 extra per annum from the average CEO salary of \$5,482,910.
- Some swings in perceived surname favorability are linked to geopolitical events. This is illustrated by the sharp decline in Americans' attitudes towards French and German surnames (a favorability decrease of 39.3%) following the two respective governments' opposition to the United States-led invasion of Iraq in 2003.
- Non-founder and short-tenured CEOs are more susceptible to favorability effects, with effects also greater in firms where the majority of shares are owned by individuals rather than [institutional investors](#).
- A CEO with a favorable surname is significantly less likely to be dismissed for underperformance.
- CEO surname favorability is not associated with their corporate

investment policies, quality of managerial disclosure or their firm's accounting performance, nor linked with self-serving behavior among CEOs.

Surnames are collected from CEOs working for S&P 1500 firms in the United States between 1999 and 2014.

'Favorability' of surnames in the study is measured by using the United States' historical immigration records, which show immigrants' surnames and their respective countries of origin, and Gallup survey data on American citizens' preferences towards foreign countries. The two are then merged to match records of CEOs' surnames and compensation and other corporate outcomes. Overall, this yielded a sample of CEOs from 6,359 firm-years.

Dr. Jung said the study provided concerning evidence of organizational bias and inefficient contracting decisions based on the attributes of a surname.

"A CEO or indeed any employee's compensation should reflect the skills and experience they bring to the role," Dr. Jung said.

"However, it is clear from our study that an individual's name and the attributes it carries—such as often being an identifier for race, gender, and ethnicity—has a significant impact on their level of earnings and job security."

"This obviously has direct effects on individuals and their potential remuneration, but also risks influencing the performance of an organization if talent recognition and rewards are largely dependent on factors other than achievement."

Dr. Jung added that the research highlights flaws in recruitment,

selection and remuneration practices.

"Our study highlights potential problems with firm governance, which could lead to wider issues with stakeholders."

"A lot of prior research has outlined the vast benefits of diversity on company boards. Allowing the favorability of surnames to impact [financial compensation](#) and career longevity could risk curtailing the pool of talent when recruiting—particularly if similar patterns are observed in other, less senior roles throughout the organization."

"The study suggests that greater scrutiny of boards of directors as to who they appoint may be a remedy for this, as is institutional investment which curbs the effects of name favorability."

['Is Your Name Remunerative? Surname Favorability and CEO Compensation'](#), co-authored by Dr. Jay Jung, Bayes Business School (formerly Cass), Professor Sonya Lim, DePaul University, and Dr. Jongwon Park, Hong Kong Polytechnic University, is published in the *Journal of Corporate Finance*.

**More information:** Jay Heon Jung et al, Is your surname remunerative? Surname favorability and CEO compensation, *Journal of Corporate Finance* (2023). [DOI: 10.1016/j.jcorpfin.2023.102474](https://doi.org/10.1016/j.jcorpfin.2023.102474)

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