

I'll Have What He's Having

Behind every overpaid CEO, there's likely to be a collection of overpaid CFOs, COOs, and other top managers. So says a study by a trio of professors from Stanford, Rutgers, and Penn State. "The argument out there has been: 'Maybe a CEO is paid \$10 million or \$20 million -- that's a drop in the bucket at most companies.' But if it's being multiplied out over many levels, it's more serious," says Tim Pollock, a co-author and an associate management professor at Penn State.

To define "overpaid," researchers compared CEO pay at 120 corporations, looking at averages for companies in similar industries with like revenues and returns on assets. Differences in CEO tenure were also factored in. At the company with the most bloated pay, the CEO was overpaid by 64%, and those reporting directly to him by 26%. Middle managers got only a 12% boost. And here's an unsurprising finding: If a CEO was also chairman of the board, he and his staff were more likely to be overpaid.

By Nanette Byrnes