There are many examples illustrating that advances in basic research have had a substantial impact on practice. Exemplars of this phenomenon can be seen in finance through academic publications on the theories of portfolio selection,[22] irrelevance of capital structure,[23] capital asset pricing,[24] efficient markets,[25] option pricing,[26] and agency theory.[27] All are well-known for their substantial impact on both theory and practice. In accounting, while building on efficient market theory, the foundational research of William Beaver[28] demonstrated that the stock

[16] Bailey and Lewicki, 2007, p. 36
[17] Pfeffer and Fong, 2002
[18] Ghoshal, 2005
[19] Ghoshal, 2005, p. 76
[20] For example, March, 2000
[21] For example, John Reed in interview with Augier, 2006
[22] Markowitz, 1952
[23] Modigliani and Miller, 1958
[24] Sharpe, 1964
[25] Fama, 1965 and 1970
[26] For example, Black and Scholes, 1973
[27] For example, Jensen and Meckling, 1976
[28] William Beaver, 1968

market reacts strongly to corporate earnings announcements. Applying agency theory, the work of Watts and Zimmerman[29] has been influential in creating a research stream that addresses how managers choose among accounting methods. In marketing, Keller[30] is well-known for his contributions to understanding the construction, measurement, and management of brands. Green and Rao[31] are credited with developing conjoint analysis approaches to consumer research based on seminal work by Luce and Tukey[32] in mathematical psychology. Today, conjoint analysis is widely used to test new product designs and assess the appeal of advertisements. In information systems, the research of Malhotra[33] has helped companies to understand why knowledge management systems fail and Bass's Diffusion Model has had practical applications for forecasting demand of new technologies.[34] In management, Hofstede[35] has conducted the most comprehensive study of how values in the workplace are influenced by culture and Vroom[36] made seminal contributions to understanding employee motivation. The point here is that while each of these business faculty members pursued scholarship that focused on very basic issues and published in academic journals, the product of that scholarship also has had considerable impact on actual practice.

Research cannot be innovative if it is focused on current business problems and true academics should not concern themselves with relevance.

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