

## IVY LEAGUE EDUCATION, CEO CELEBRITY, AND FIRM PERFORMANCE

Research to appear in the *Strategic Management Journal* explores the advantages that firms gain when their CEO has an Ivy League education. They find that Ivy League CEOs are more likely to be recognized as successful firm leaders, and that their firms performed better than others – both before and after their public recognition.

### Key Takeaways:

- CEOs with an Ivy League undergraduate degree are more likely to appear on the cover of important U.S. business magazines.
- Among such celebrated CEOs, Ivy League graduates led firms with better performance at the time of their cover story.
- Compared to other CEOs on the cover of business magazines, Ivy League CEOs were more likely to sustain their company's good performance afterward.

Studying 444 CEOs who appeared on the cover of business magazines between 1970 and 2008, researchers looked at the performance of the firms they led, both before and after their cover appearance. They found that CEOs who had attended an Ivy League institution made up about 23% of Fortune 500 CEOs, but over 33% of CEOs with cover features. Featured CEOs'

firms outperformed the Fortune 500 on average, but firms with Ivy League CEOs performed even better than others. After the feature, Ivy League CEOs were better able to sustain the good performance that led to their cover story, especially when the firm was small and the CEO graduated more recently.

The researchers explained that Ivy League education results from careful selection that signals intelligence, social skill, and leadership. Additionally, high-quality undergraduate education provides a foundation of knowledge and social skill, as well as a network that can be valuable to CEOs. They reasoned that more recent graduates performed better because Ivy League schools have begun to select more on the merits of the applicant rather than their social standing. They interpreted their results as suggesting that human capital, rather than social capital, is more impactful on the success of celebrity CEOs who graduated from the Ivy League.

The research team cautioned that more research is needed to better understand the different effects of selection, education, and network as contributors to the Ivy League effect.

Miller, D., Xu, X., & Mehrotra, V. (2015). When is human capital a valuable resource? The performance effects of Ivy League selection among celebrated CEOs. *Strategic Management Journal*, *In Press*.



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