

CEOs Don't Need an MBA to Get Rich

New research shows that fewer than half of the highest-paid CEOs at big companies have MBA degrees

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Ever since the dot-com bust, and particularly after the financial meltdown that began in 2008, all anyone in [business schools](#) seems to talk about is whether or not the MBA is still a relevant and practical degree. Do people need MBAs—particularly degrees from elite b-schools—to become successful chief executive officers with hefty paychecks? Exclusive new research suggests the answer is "no".

Bloomberg Businessweek asked compensation consultancy [Equilar](#) to analyze the pay disclosures of companies with annual revenue of more than \$1 billion and to compile a list of the highest-paid CEOs. Aaron Boyd, head of research at Equilar, reports that more than half of the 50 highest-paid executives on the list lacked MBAs. Of those who do hold them, surprisingly few attended top-tier schools. (For the complete list, view our [slide show](#).)

In all, only nine of the 25 highest-paid executives with MBAs got them from B-schools with [full-time MBA programs ranked in the top 10](#) by *Bloomberg Businessweek* in 2010. There were three apiece from [Harvard Business School](#) ([Harvard Full-Time MBA Profile](#)) and [Columbia Business School](#) ([Columbia Full-Time MBA Profile](#)).

Eighteen of the 25 highest-paid executives with MBAs got them from B-schools that ranked in *Bloomberg Businessweek's* top 30, including two from New York University's [Stern School of Business](#) ([Stern Full-Time MBA Profile](#)), and one each from the University of Virginia's [Darden School of Business](#) ([Darden Full-Time MBA Profile](#)), Dartmouth's [Tuck School of Business](#) ([Tuck Full-Time MBA Profile](#)), and the University Texas-Austin's [McCombs School of Business](#) ([McCombs Full-Time MBA Profile](#)).

Also on the list were executives from such lower-profile schools as Xavier University, Pace University ([Pace Full-Time MBA Profile](#)), and Bellarmine University.

DOES LIFE EXPERIENCE OUTWEIGH AN MBA?

One possible explanation for the preponderance of non-MBAs on the highest-paid list—one that B-schools might not want to hear—is that an MBA simply doesn't equip graduates better to run a big business. In a study recently published in the *Journal of Applied Finance*, Aron Gottesman and Matthew Morey of Pace University's Lubin School of Business found no relationship between company performance and the chief executive officer's educational credentials. Gottesman points

out that executives without MBAs might have to work harder than MBAs to get ahead and says that at the CEO level, life experience may count for more than lessons learned in B-school.

"Business schools tend to focus on technical skills," Gottesman wrote in an e-mail, "while success at the executive level is a function of broader, more subtle skills such as communication skills, interpersonal skills, and the ability to make bold decisions quickly."

There's no question that the 25 highest-paid executives made bundles, but how high is high? On average, the top 25 earned \$22,847,350 in total compensation, a figure that includes salary, cash bonuses, and other compensation such as perks, as well as the grant-date fair value of options and the grant-date present value of stock awarded in the most recent fiscal year. Looked at another way, they averaged \$14,440,827 in take-home pay, which excludes the value of new stock and option grants but includes the value realized from the vesting of previously awarded stock and the exercise of previously awarded options.

Those averages tell only half the story. Gregory B. Maffei, CEO of Liberty Media ([LINTA](#)) and a Harvard MBA, had the biggest haul—\$87,489,469 in total compensation. (Maffei could not be reached for comment.) Michael S. Jeffries, chief executive of Abercrombie & Fitch ([ANF](#)) and an alumnus of Columbia's MBA program, came in a distant second with \$36,320,099 in total remuneration. At No. 3: Marc Casper, president and CEO of Thermo Fisher Scientific ([TMO](#)); this Harvard MBA earned \$34,123,808.

NO MBAS: JOBS, BEZOS, LEAHY

Morten T. Hansen, a professor of entrepreneurship at [INSEAD](#) ([INSEAD Full-Time MBA Profile](#)) and [Haas School of Business](#) ([Haas Full-Time MBA Profile](#)) at University of California, Berkeley, has researched the long-term performance of CEOs. He notes that some of history's most successful chief executives achieved their success without benefit of an MBA.

"You do not have to have an MBA to be a stellar CEO. Steve Jobs of Apple ([AAPL](#)), Jeff Bezos of Amazon ([AMZN](#)), and Terry Leahy of Tesco ([TSCO:LN](#)) don't have MBAs," wrote Hansen in an e-mail. "There are many ways of learning to lead and be an effective chief executive. The classroom is just one possible step in that direction."

In research published with INSEAD colleagues Herminia Ibarra and Urs Peyer earlier this year in the *Harvard Business Review*, Hansen ranked chief executives around the world according to their long-term performance. Although Jobs, who has no MBA, topped the list of best performers, their research showed that an MBA can prove useful in the corner office. On average, just 32 percent of 1,109 CEOs they studied in Germany, Britain, France, and the U.S. had MBAs; on average,

however, they ranked 40 places above the CEOs without the degree. "This finding suggests that MBA CEOs have not destroyed value, as some critics would have it," concluded the report.

A further factor to consider is that many executives on the highest-paid list received MBAs in the 1970s and 1980s, long before the degree became a near-certain ticket to instant riches—and long before brand-name schools such as the University of Pennsylvania's [Wharton School](#) ([Wharton Full-Time MBA Profile](#)) and Northwestern's [Kellogg School of Management](#) ([Kellogg Full-Time MBA Profile](#)) became synonymous with quality. With U.S. business schools alone churning out more than 150,000 new MBAs annually, the number of graduates reaching the C-suite—and being handsomely rewarded for their efforts—is sure to rise.

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