

Why great CEOs are born in July

Few CEOs are summer babies, but they're the successful ones

JOHN INTINI | August 6, 2008 |

Researchers have known for ages that the little leaguers who are the oldest in their age bracket are more successful, because they're bigger and stronger than their younger teammates. But a new study shows that this advantage — called the "relative-age effect" — applies to CEOs too.

Maurice Levi, a finance professor at UBC's Sauder School of Business, has found that the older students in each grade during their school days are more likely to become CEOs. He says the relative-age effect is a "lifelong benefit," that "snowballs." Older students tend to get more opportunities, and one opportunity leads to another until one day, a headhunter is so impressed by your leadership experience, he offers you the corner office. That's bad news for those born in the summer, because due to grade-school admission policies, they're among the youngest in their class. Just 18.9 per cent of the CEOs of Standard & Poor's top 500 firms celebrate birthdays between July and September — even though you'd expect 25 per cent to have birthdays in those three months.

But there's an interesting twist: while CEOs born during the summer are fewer in number, those who do make it, despite being younger than the competition as they were growing up, tend to become the best performers. By surveying 249 companies, Levi, along with grad students Qianqian Du and Huasheng Gao, discovered that the market value of firms with bosses born in the summer is about \$8.6 billion higher than the average. Thus a \$1 investment in a stock portfolio of companies run by summer-born CEOs in 1992 would have been worth \$20.01 in 2006. Whereas a loonie invested in a portfolio of companies with a CEO born in the other three seasons grew to just \$9.87.

Why are summer-born CEOs so successful? It's because they have spent their entire lives overcoming the relative-age effect, says Levi. After a while, having to struggle against older opponents turns them into "pretty smart, pretty clever little guys."

Story from Macleans.ca:
http://www.macleans.ca/business/companies/article.jsp?content=20080806_100074_100074