



L21 Worth Noting

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Worth Noting is the journal of research and conferences company L21. It is focused on social, economic, political and international issues of relevance and interest to senior executives.

We all know the archetype of the self-made billionaire: left school at sixteen, dismissed as a poor learner with insufficient smarts and concentration by teachers, entered into their own businesses from scratch, dismissed convention and orthodoxy, and over decades built a massively successful business and in the process redefined the way business textbooks are written.

We can think of many examples of well known billionaires who trod this path. Richard Branson is perhaps the most famous in modern times and his rise is a classic illustration of this archetype. He never excelled at school, one of his first schemes was to buy Christmas trees in February and sell them at a premium in December (at the age of seven), and started Virgin Records as a mail order business run out of his parent's garage. Now he is universally admired, his tactics have come to redefine many marketing and branding textbooks, and no one can argue with his success.

Many psychologists offer reasons for why many self-made billionaires have modest academic backgrounds. Educated people are less likely to take risks since having spent several years at university, they want a secure income. There is a social expectation that well educated people attain immediately success and a prestigious job and the best way of doing that is to work for an eminent business or firm. Well educated people trade on their learned and technical knowledge and the best way of realizing a benefit from that immediately is to become as useful as possible to an established business (and be paid well in the process.) Finally, tertiary educated people might have significant debts from studying and might seek to pay these off as soon as possible rather than take further risks.

In contrast, someone who did not spend many years studying is likely to feel like they have less to lose if they take a large risk and start a business. Some would also argue that those who have not had orthodoxy drummed into them by virtue of a formal education might be more likely to challenge existing ways of doing things, sometimes be better thinkers (as distinct from being more learned,) and find more creative solutions that elude orthodox thinkers. Finally, for many who lack higher qualifications, in some instances, they will have fewer employment choices than those with university degrees. Taking a larger risk might seem more plausible.

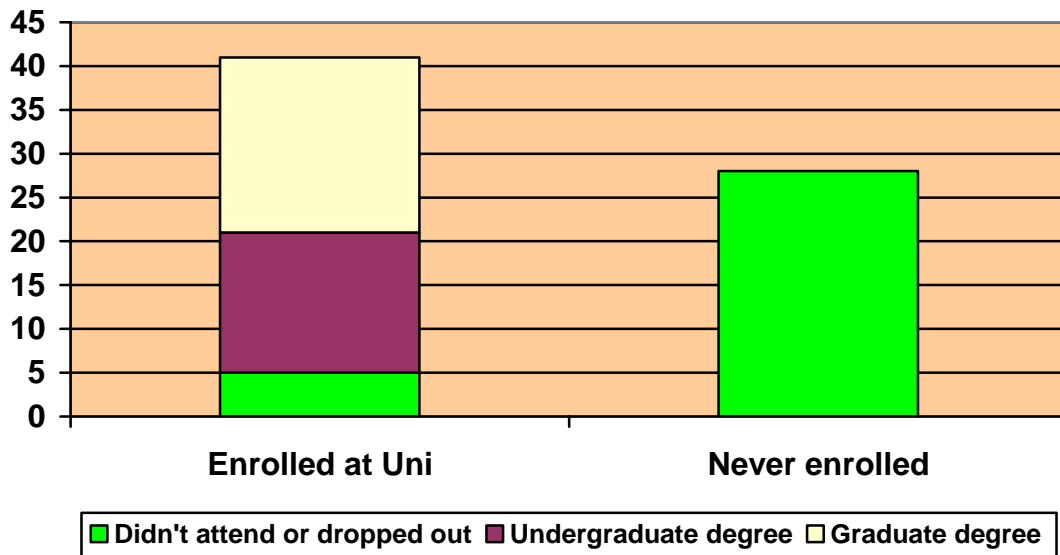
How true is this characterization of self-made billionaires? In this edition of *Worth Noting*, we thought we would do some systematic research into the educational backgrounds of the worlds one hundred richest people.

To make the survey more illuminating:

- We have excluded those billionaires who have inherited most of their wealth.
- Where they were not completely self made but began with some inheritance, we only included those who made ninety percent of the wealth themselves. In other words, their inheritance only accounted for ten percent or less of their current assets. Someone like Rupert Murdoch would fall into this category.
- For those who have university degrees, we only included people who attained their degrees prior to making at least ninety percent of their wealth.
- We do not count the degrees of those that were awarded as honorary ones.
- We do not count royalty or billionaire Heads of States (who clearly do not acquire their wealth by normal self-made principles.)

Let's see how the figures stack up?

University qualifications of world's richest people



Source: Forbes, L21 Research 2006

After excluding people in the various categories above, we had a sample of seventy. It might surprise you that the majority of the self made billionaires went to university, and of those who did, over half obtained postgraduate degrees. Only five out of the forty one who enrolled at university dropped out (this includes Bill Gates).

What does this suggest?

Even though many of us believe that self-made billionaires are the kids who sat at the back of the room in high school paying scant attention to the blackboard, this is not the case as far as the richest people in the world are concerned. In fact, the majority of those billionaires who enrolled and stayed with their degree went on to complete a graduate degree.

People like Richard Branson are actually in the minority. Perhaps this is why we notice him since he certainly does stand out from the well educated chemist who became a pharmaceutical giant or the Harvard MBA graduate who became a retail king. The Branson story is probably more inspiring and accessible than the George Soros one: a poorly educated entrepreneur who built an empire from his mail order business in a garage compared to a London School of Economics graduate who made much of his money in a highly technical and arcane finance field by hedging and manipulating the English pound sterling.