Do General Managerial Skills Spur Innovation?*

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Abstract
We show that firms with chief executive officers (CEOs) who gain general managerial skills over their lifetime work experience invest more in R&D and produce more patents. We address the potential endogenous CEO-firm matching bias using firm- and CEO-fixed effects and variation in the enforceability of non-compete agreements across states and over time during the CEO’s career. Our findings suggest that generalist CEOs spur innovation because they have skills that can be applied elsewhere should innovation projects fail. We conclude that an efficient labor market for executives can promote corporate innovation by providing a mechanism of tolerance for failure.

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