

# Creating Long-Term Value

An Interview with Stephen A. Schwarzman, Chairman, Chief Executive Officer and Co-Founder, Blackstone

**EDITORS' NOTE** Stephen Schwarzman is Chairman, CEO and Co-Founder of Blackstone, a leading global investment firm with \$564 billion in assets under management and businesses in private equity, real estate, hedge funds, credit, infrastructure and life sciences.

In both business and philanthropy, he dedicates himself to tackling big problems with transformative solutions. His major gifts have helped establish a new center at the University of Oxford to redefine the study of the humanities for the 21st century, create a new college at MIT dedicated to the study of artificial intelligence, build a first-of-its-kind student center at Yale, renovate and expand the New York Public Library, and found an international fellowship program, Schwarzman Scholars, at Tsinghua University in Beijing to educate future leaders about China.

Schwarzman is a member of the Council on Foreign Relations, Business Roundtable, and International Business Council of the WEF. He was named one of Barron's "World's Best CEO's" in 2019; one of Forbes' Top 50 "World's Most Powerful People" in 2018; Forbes' most influential person in finance in 2016; and one of TIME's "100 Most Influential People" in 2007. His honors include the Légion d'Honneur and Ordre des Arts et des Lettres from France, and Order of the Aztec Eagle from Mexico.

He is also the Former Chairman of the President's Strategic and Policy Forum, which was charged with providing direct input to the President of the United States from business leaders through a non-partisan, non-bureaucratic exchange of ideas. Schwarzman holds a BA from Yale University and an MBA from Harvard Business School. He has served as an adjunct professor at the Yale School of Management and on the Harvard Business School Board of Dean's Advisors.

In 2019, Schwarzman published his first book, *What It Takes: Lessons in the Pursuit of Excellence*, a New York Times best seller which draws on his experiences in business, philanthropy, and public service.

**COMPANY BRIEF** Founded in 1985, Blackstone ([blackstone.com](http://blackstone.com)) is one of the world's leading investment firms. It seeks to create positive economic impact and long-term value for its investors, the



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companies in which it invests, and the communities in which it lives and works. It invests across alternative asset classes on behalf of pension funds and other leading institutions. Blackstone serves institutional investors around the world, including retirement systems that represent tens of millions of teachers, firefighters and other pensioners. Its investments are designed to preserve and grow its clients' capital across market cycles. Blackstone invests on a global basis across a wide range of asset classes including private equity, real estate, public debt and equity, growth equity, life sciences, opportunistic, non-investment grade credit, real assets and secondary funds. It seeks to drive economic growth and make a positive impact by using extraordinary people and flexible capital to help companies solve problems, and to engage with local communities.

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**How is Blackstone adapting its business to meet the crises facing the world today?**

We're more confident than ever in our model – it has helped us weather cycles over the past 35 years. Though 2020 has been an unpredictable year, Blackstone's investment approach has remained consistent: focusing on high-conviction themes and looking for strong underlying businesses that we think will benefit from these tailwinds, even if they may be cyclically challenged in the near term. Today, we are favoring faster-growing parts of the global economy including life sciences and areas benefiting from technological innovation like last-mile logistics and content creation, and we're finding ways to invest in these themes across asset classes. Our fundraising success, based on the trust we have developed with our investors, has resulted in significant dry powder, \$156 billion currently, which gives us flexibility to deploy capital and smartly pursue these themes and other opportunities created by dislocation.

**How proud are you to see the way Blackstone's team at all levels of the company have stepped up and performed during this unprecedented time?**

I'm incredibly proud of how we've been able to seamlessly transition to a work from home environment. The firm has not missed a beat. We continue to have all our normal course business meetings and have even incorporated some “fun” elements to ensure everyone feels connected to one another during these unprecedented times. My favorite is the weekly photo contest we've added to our global Monday Morning Meeting. Each week, people from around the world submit photos based on a chosen theme and the winners are shared on screen. It's a great way to see other sides of colleagues as they navigate this new environment and share a laugh as a firm.

I also give enormous credit to our technology teams. Blackstone has been using videoconferencing technology since we opened our first international office in 2001, so the framework for strong connectivity has been in place for decades, but their efforts to quickly transition the firm to a fully remote setting was remarkable and seamless.

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**How do you define the Blackstone culture and how critical is it to maintain culture as you look to Blackstone’s future?**

The most critical factor in Blackstone’s success has been our culture which is consistent across 40 offices around the world. When Pete Peterson and I founded Blackstone 35 years ago, culture was a top priority. We had seen firsthand from our earlier experiences on Wall Street what could happen to organizations that make culture an afterthought. Our core founding values – meritocracy, excellence, openness, integrity, and innovation – are still at the heart of our firm today. We recognize that our culture must be carefully preserved and do not just assume that the next generation will inherit it.

**How do you describe your leadership style and what do you see as the keys to effective leadership?**

To be a good leader, you need to be enthusiastic, entrepreneurial, collaborative, emotionally open and direct about everything – good and bad. But most critically, you need to be flexible and always be learning. The best leaders are made, not born. They learn from their failures and are always looking for ways to improve themselves and their organizations. I’m not a natural manager but have improved over the years and have also been deliberate about surrounding myself with others with different skill sets. A trick to leading effectively is to find fantastic people and provide them with the opportunity to be the best at what they do.

**How do you define resilience and what role does resilience play for financial institutions?**

A resilient person or company is one that is always innovating, learning from mistakes, anticipating change and seeking new opportunities to improve before being forced to do so. No business, however well-established, is safe from competitors or disruption impacting their industry. The resilient ones understand and head off this challenge by remaining entrepreneurial and proactive. This is particularly true for financial institutions. As I wrote in my book and often remind people, “there are no patents in finance.” We founded the firm with this in mind and from our earliest days have looked to diversify and expand what we can offer our clients. As we’ve built these new businesses, not only have we developed new engines for growth, but Blackstone as a whole also benefits from the added insights and breadth.

**As a business leader, how are you able to build a resilient culture at Blackstone?**

The entrepreneurial spirit which I believe is key to resilience is ingrained in Blackstone’s culture. We have all the advantages of scale as the largest alternative asset manager in the world, but also the soul of a small firm where people feel free to speak their mind. Everyone, regardless of level, is encouraged not only to share their opinions on firm decisions, but also bring their own ideas to the table. This breadth of inputs helps us both identify risk and spot new opportunities. Many of our investment businesses can be traced back to an individual or small group who raised an idea and were given the resources and runway needed to make it a reality. By creating this kind of entrepreneurial culture, we have been able to hire and develop

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incredible talent. We look for people who are a “10 out of 10.” These people sense problems, design solutions, and take a business in new directions. They also attract other 10s, which makes your business successful.

**Do you feel that resilience is something a person is born with or can it be taught?**

Being resilient is about controlling your thoughts and behavior in a way that allows you to bounce back quickly from major setbacks or failures. Although it may seem that this is a trait that some people are born with and some people not, I believe that resilience is something that can be developed, just like any other skill. For example, anyone can practice the mindset of lifetime learning, constant improvement, and dissecting and learning from mistakes. It’s not always easy, but if you find a way to maintain that discipline and apply it to everything you do, over time it becomes second nature.

**How critical is it for leading companies to be purpose driven and to focus on more than just the bottom line?**

All the best organizations are motivated by something larger than the bottom line. Challenges that are inspired by something greater than yourself and your personal needs are always worth it and rewarding, regardless of whether you succeed or fail. At Blackstone we are driven by a duty to create long-term value for our investors, mostly large pension funds that represent tens of millions of retirees around the world, as well as the companies and assets we invest in, and the communities in which we work.

**What advice do you offer to young people beginning their careers during this challenging and uncertain time?**

We are facing a set of challenges right now unlike any in our lifetimes, but young people should not be discouraged. The road ahead will be difficult, but it will also offer a chance to gain experiences, learn lessons, and take advantage of opportunities that weren’t available before.

For those interested in investing, the unprecedented nature of this crisis presents a unique opportunity to sharpen your ability to spot risk. Years from now, people will be reading about the current crisis, but we are living it today. Internalize the complex lessons which can be learned from what is going on around you and use them to form a framework for how things will operate in the future. Do not be a passive observer. ●