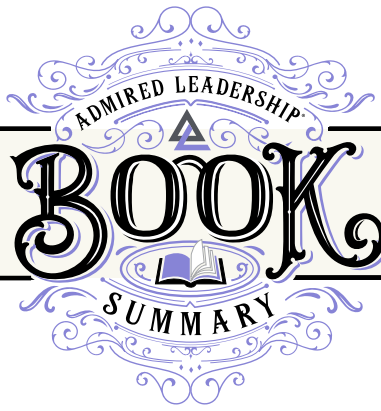




Eight Minutes, Not Eight Hours



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What It Takes

Lessons in the Pursuit of Excellence

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Stephen Schwarzman grew from humble beginnings to become one of the world's preeminent financiers, investors, and philanthropists. Split into four themes, his book **What It Takes** touches on major personal inflection points and lessons learned throughout his life. Schwarzman intertwines stories from his early life, tenure at Lehman Brothers, rise as the founder of The Blackstone Group, and time spent as an advisor to several world leaders while sharing what he learned in the pursuit of excellence.

Key Quote

"The best executives are made, not born. They absorb information, study their own experiences, learn from their mistakes, and evolve" (p. 3). — **Stephen Schwarzman**

Key Concepts

Go Big. Schwarzman describes his personal belief that entrepreneurial success is facilitated by thinking big and intentionally seeking challenging tasks, while making valuable connections with people in and out of business.

Everything Is Interconnected. Opportunities, colleagues, and companies are interconnected in ways you may not initially see, and your path will be guided in part by these connections. Make the most of them.

Hold the Table: Advice on Interviews. Be prepared to discuss your own resume and the company you are interviewing informally and with a curious, confident, candid demeanor.

The Best Way to Learn Is by Doing. Jump in, do the grunt work heartily, ask questions, absorb the feedback, and understand your business from the ground up.

All Deals Are Crises. Deals "ultimately come down to a few key points that matter most to each side. If you can clear everything else away and focus on these points, you will be an effective negotiator" (p. 69).

Money Is a Poor Cure for a Bad Situation. Money cannot make up for a miserable situation, and a good deal does not necessarily mean the outcome will be an easy one.

The Harder the Problem, the More Limited the Competition. It is just as much hard work to start and run a small business as it is to start and run a big business. “So if you are going to dedicate your life to a business, which is the only way it will ever work, you should choose one with the potential to be huge” (p. 92). Be the person who attacks the impossible problems and be the one people come to when others bow out.

Call, Then Keep Calling. Successfully running a start-up requires persistence and “creativity and psychological insight” along with being willing to “sell your vision over and over again” (pp. 111, 113).

Go Where Others Aren't. Perfect your pitch and then use meeting upon meeting to further perfect it. Push through rejection to reach out to the next guy and use all meetings and trips (even in other countries) to find opportunities to promote your ideas.

Don't Miss the Can't-Miss Opportunities. Keep an open mind to new opportunities and think outside the box to hire smart, trustworthy partners with credibility, even if they don't always fit the conventional wisdom of who to hire.

Cycles: Investing Through Ups and Downs. Markets are cyclical, and by watching and listening you can learn to identify market tops and bottoms. “Smart investors perform well through a combination of self-discipline and sound risk assessment, even when market conditions reverse” (p. 144).

There Are No Brave, Old People in Finance. No deal should be made by one person. Gather a small group of trusted, experienced people in person to debate every deal together, assess risk, and share responsibility for the outcome.

Spinning the Wheel Faster. To create an effective workplace, have high expectations of excellence, truly train people to be good at their work, and do it all in an environment of respect, even for the junior analyst.


Expand. When you look to expand, look for businesses that are “great in their own right,” and which will simultaneously make your “whole firm smarter” (p. 173). When you diversify your businesses, you grow your own understanding and get better at all that you are doing.

Ask for Help When You Need It. Don't carry the burden yourself. Choose a partner with whom you synchronize, but who also will stretch you and be strong where you are weak.


Entrepreneurship: No One Tells You About the Pain. Even when you have personal dedication and a great new product with a favorable market for it, “pain is the reality of starting something new” (p. 200).

Listen for Discordant Notes. Watch the markets, so you can eventually identify trends that don't make sense and minimize your risk, rather than jumping on or staying with a trend that cannot hold.

Time Wounds All Deals. Timing is everything. When you have a good deal, don't wait to act. And when it is done and you need to finesse things or sell to minimize risk, don't wait to act.



“The best executives are made, not born. They absorb information, study their own experiences, learn from their mistakes, and evolve.”



Load the Boat. One reason Blackstone went public “was to load the boat with capital, more capital had to be better,” and this move allowed for long-term stability in fluctuating markets, as well as generational wealth (pp. 229-230). Though it put an incredible level of scrutiny on Schwarzman and Blackstone, it was worth it.

Be a Friend to the Situation. Careful management and no net debt will help your company ride out a crisis. But also work towards the financial health of the system, overall, not just your own financial good. Think big and think long term and show up with solutions that will succeed for everyone.

Turn Crisis into Opportunity. In bad and good times, investment is “just a question of buying in the right way in the right time in the cycle” (p. 277).

Engage. Use both your resources and experience to channel your passion for doing good into worthy ways of effectively helping people who are struggling under challenging circumstances.

Answer When Your Country Calls. “Politicians across the spectrum are just people looking for answers. If you can help, you should” regardless of your political leanings (p. 307).

Spin the Virtuous Cycle. “We designed our culture and organization for the long term. We wanted Blackstone to be an enduring financial institution. The better our performance, the more money our investors gave us to manage. And the more we had to manage, the more we could innovate” (p. 325).


A Mission to Be the Best. Measures taken to support and advance education in all walks of life “help generations for years to come, aim high and embrace their own pursuits of excellence, whatever they may be” (p. 344).

REMOVE THE OBSTACLES


When you see potential in a person, you have to systematically equip them with what they need to be successful. For example, while at Yale, Schwarzman started a pilot project to educate inner-city students on Yale’s generous financial aid program (p. 28).

Growing up in middle-income America, Schwarzman’s parents decided to leave their neighborhood and move to an area where the school district was strong. Schwarzman was able to thrive academically and eventually go to Yale University in part because of the sacrifices his parents made to get him an excellent education as a young person. However, many of the students at Yale had come from elite schools and they were better equipped than he was. Schwarzman says, “Teaching, I came to believe, is about more than sharing knowledge. You have to remove the obstacles in people’s way. In my case, the obstacle was the gap between my education up to that point and the education of my peers” (p. 22). At Yale, a kind professor saw this gap, and patiently took the time to help bring Schwarzman up to par in his writing and thinking.

Schwarzman had a conviction that everything is interconnected and that the best way to learn is by doing. While at Lehman, he was the lead underwriter in the IPO of the Student Loan Marketing Association, the precursor to Sallie Mae (p. 58). There he was counseled - with each opportunity - “to build a model of why this is a good investment. Everything’s a spread” (p. 59).



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At Putnam Investments, George Putnam taught him about the common practice at the United Jewish Appeal (UJA) described as “card calling.” This involves naming what people had last invested out loud as an expectation of what they would invest again. It creates high standards, applies peer pressure, and proves useful when making quick decisions on how much to invest. He believes that “investors are always looking for great investments. The easier you make it for them, the better for everyone” (p. 61).

At Blackstone, one way that obstacles are removed is that all investment teams gather to talk about the economy and politics, share insight and ideas, and discuss the live deals every Monday at 8:30 am. Everyone at Blackstone can attend, which demonstrates the organization’s commitment to transparency, equality, and intellectual integrity (p. 194).

PURSUE WORTHY FANTASIES


Schwarzman believes that “you can’t just pitch once and be done. Just because you believe in something doesn’t guarantee anyone else will. You’ve got to “sell your vision over and over again.” Most people don’t like change, and you have to overwhelm them with your argument, and some charm. If you believe in what you’re selling and they say no, you have to presume that they don’t fully understand, so you give them another opportunity” (p. 113).

As Blackstone expanded, Schwarzman made a poor investment decision with respect to Edgecomb. Schwarzman didn’t embrace the doubts that others had when he should have. His failure with Edgecomb became the catalyst to improving the decision-making process at Blackstone (pp. 150-151).


“Finance is full of people with charm and flip charts who talk so well and present so quickly you can’t keep up. So, you have to stop that show. Decisions are much better made through systems designed to protect businesses and organizations than through individuals. We needed rules to depersonalize our investment process” (pp.150-151).

So, Blackstone decided to involve all senior partners in discussions of investments (p. 151). Additionally, they insisted that proposals needed a thorough written memorandum which should be circulated at least two days before any meetings, so it could be logically evaluated (p. 151). Meetings had two rules: 1) “everyone had to speak” and 2) the “focus should be on the potential investment’s weaknesses.” Schwarzman also resolved to never just talk to the lead partner. By speaking to the most junior person closest to the project, it allowed him to get a different read on the situation (pp. 152-153).

It was important to depersonalize and create less risk in the decision-making process. As Blackstone added new businesses and ventured into new markets, they “[applied] this same process to all investment decisions. Everyone contributes to the discussion. Risk is systematically broken down and understood. Debate is full and robust. The same small groups of people, who know each other well, go over each investment applying the same rigorous standard. This unified approach to investing has become the backbone of the Blackstone way” (p. 153).



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SEEING AROUND CORNERS

As politics became more relevant in the financial industry, Schwarzman took the opportunity to expand his network to learn more and meet new people. In 2004, Ted Kennedy asked Schwarzman to become the chairman of the Kennedy Center for Performing Arts in Washington, DC. Ted Kennedy inspired Schwarzman by saying, "I'll support you and make sure you get the funding you need from Congress. I'll support you even if you screw up. And anything you need here in DC, call me and I'll make it happen for you." While Schwarzman was initially wary of "political complexity," he eventually accepted the opportunity (p. 184).

The involvement with the Kennedy Center put Schwarzman back in touch with George W. Bush, who was at Yale during the same time. Bush and Schwarzman agreed that if "you met us both in the late 1960s at Yale, you would have been surprised to find either of us at the White House, decades later, pillars of the establishment. It was a real pinch-me moment and another reminder of how people you meet accidentally early in life keep popping up to surprise you" (p. 185).


Blackstone grew rapidly and Pete Peterson, Schwarzman's partner, who was now in his late seventies, advised Schwarzman to find help with the day-to-day management. After over a year of searching, Steve Schwarzman connected with Tony James of Donaldson, Lufkin, & Jenrette (DLJ) who, to his memory, was the only person he remembered that had personally wagered his own money and stood by his firm's position on a particular deal (p. 191-192). When Schwarzman reached out to his old friends at DLJ, they all vouched that Tony James would be an ideal partner.

Tony James was phased in so the partners would get used to his style and direction without creating resentment. Tony led in "literally breaking down walls" by opening up sightlines in the office using glass walls and an open-door policy. He also implemented 360-degree reviews and created "a discipline and orderliness" to Blackstone (p. 194-196).


SPRINTING DOWNFIELD

On September 17, 2008, the financial system was struggling. Schwarzman's wife asked, "What are you going to do to stop the whole thing?" He responded that he didn't have the ability to stop it. With persistence, his wife convinced Schwarzman to call Hank Paulson, the Secretary of the Treasury. His wife advised, "When you call him, you ought to have some solutions to help him" (p. 253). Paulson listened and considered his counsel because he came to help the system, not just himself. Schwarzman teaches the concept of becoming "a friend to the situation" by stepping up to offer real solutions in troubled moments.

Schwarzman turned a crisis into an opportunity in 2012. Because home prices fell sharply and individuals were foreclosing on their homes, the market was flooded with houses for sale. "Historically, mom-and-pop operations dominated the business of buying, fixing, and renting out houses



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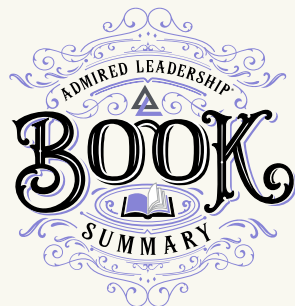


in America” (p. 275). But the real estate team at Blackstone saw an opportunity to consolidate and professionalize the sector. Since it was the largest asset class and was trading at historic lows, Schwarzman created a company called Invitation Homes. It became the largest residential property owner and a huge employer in the downturn of the economy, in addition to revitalizing neighborhoods.

With a mission to be the best, Schwarzman became engaged with the needs of various organizations, especially educational ones. In addition to advising multiple political leaders from both sides of the aisle, he helped to create the first AI-enabled university in the world at MIT, supported the USA Track & Field Foundation, and started the Schwarzman Scholars in China. He also contributed to other schools, from Catholic grade schools (providing tuition to families who lost jobs in the financial crisis) to building a vibrant campus commons – the Schwarzman Center – at his alma mater, Yale University.

Schwarzman believes that “education is the passport to a better life. A good education has the power to affect whomever it touches for the better. We all have a duty to not only preserve the knowledge that is handed to us but also develop it in a way that improves its relevance and impact for future generations” (p. 244).

Schwarzman, S. (2019). *What It Takes: Lessons in the Pursuit of Excellence*. New York: Avid Reader Press.



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The Latest and Greatest Books for Leaders

We work hard to stay abreast of the current writings on leadership, especially those books our clients are reading or have been recommended to read. As a benefit to our clients and to facilitate our own learning, the Admired Leadership team has long maintained a tradition of summarizing the newest books of interest to leaders. Better to read a summary for eight minutes before investing eight hours in the entire book. After reading a good summary, we believe leaders are able to make better choices as to what to ignore, what to peruse and what to make the time to read closely.

