

Impact of Executive Leadership on Blackstone's Organizational Success

There is no doubt that the decisions of executives have strong influences on the Company's Culture and employee behavior[1]. When we observe the most successful Companies and Organizations, we will see that almost all of them have unique founders or executives, providing employees with a strong will to work and succeed. Our paper will focus on the key factors that change Organizational behavior in the example of Blackstone and Co-Founder/Main executive Stephen A. Schwarzman.

Establishment, Organizational Structure and Management Type of The Company:

Blackstone is one of the world's most successful Finance companies and was established in 1985. The Company was founded by two former employees of the Investment bank Lehman Brothers; Stephen A. Schwarzman and Peter G. Peterson who was the Chief Executive Officer of Lehman Brothers for the last 11 years before quitting his job at Lehman Brothers. These two people had new business Ideas on their minds which they weren't able to actualize in Lehman Brothers because of the anti-innovational organizational culture that doesn't allow subordinates to come up with new ideas or doesn't allow them to get self-actualized. So they found out that they had to establish a new business if they wanted to actualize their business ideas. While establishing their new business, they decided to retain authority over the management of the company in themselves due to their experiences in Lehman Brothers. So they attach importance to having company ownership only by themselves. Their new company was shaped in a flat-type of organization. Thanks to the flat-type organization, decisions became quicker because they were given from one point, as its importance was emphasized by Stephan A. Schwarzman[2], [3]. As the Company gets bigger, co-founder Peterson became less active in Blackstone due to his focus on his political career and Schwarzman became the only person who managed the company. If we explain Schwarzman's management style briefly; he is a result-oriented boss (despite his business partner Peterson), and his style of Management can be an example of a "benevolent dictatorship" in which one person is the last decision-maker.

The Most Important Factors that Provided The Company with Positive Organizational Behavior and Schwarzman's Impact on It:

The Recruitment of the Best and Matching them with Right Responsibilities: Blackstone hires only the best and brightest people and promotes from within. When we think about the employees of Blackstone, we can see some of them have become some of the most successful persons in Corporate Finance and Management Business, We can give examples of Larry Fink and Henry Silverman for it. It demonstrates their success while recruiting the brightest employees. In addition, Schwarzman emphasizes the importance of matching employees with the right responsibilities by saying "In our business, capital doesn't matter. The question is where to place your talent and management attention. You learn over time that if you ask B-level talent to do an A-level job, they will fail every time." [2]

The Inside Education of Employees: In Blackstone, we can see that recruitment of the best is not enough for success only. He also knows that it is significant to invest in training and development programs to ensure that recruits are prepared to do their jobs effectively[3]. In his interview with McKinsey, he says: "Everybody here is always learning. What's new? What's interesting? Where should we be? What should we avoid? In that sense, there is no stability—in a good way." [2].

Intolerance to Failure By Schwarzman: One of the most common characteristics observed among successful leaders is intolerance to failure which is related to perfectionism. Blackstone's employees were expected to act with integrity and always do the right thing, even when it was difficult. In Blackstone, we can think about examples of Steven Winograd and Brian McVeigh's expulsion[4]. These two can be also great examples of the recruitment of young and talented people to the company and the high responsibilities given to them. But if we are seeking excellence, then we shouldn't have any tolerance for failure. These two people who joined the company with high compensations and high salaries, didn't even have a chance to stay more than 8 months because of their failure. These examples taught all employees the importance of not making mistakes.

The Innovative Culture of Work: Innovations are the most significant thing if you have a business in a sector that has high competition. He learned its importance while he was working in Lehman Brothers, the anti-innovative culture of work in Lehman Brothers led to job quits for most talented people like Schwarzman and Peterson[4]. Brightest employees with new business ideas were disappointed when they realized their superiors were not taking into account their suggestions for change and innovations. But in Blackstone, employees are encouraged to think outside the box because of the need for new ideas of innovation.

The Importance of Communication and Transparency: Schwarzman has acknowledged the importance of effective communication and transparency. He has figured out the necessity of maintaining openness and honesty with employees regarding the company's goals and objectives. He also mentions to the importance of actively listening to feedback and being flexible enough to adjust himself when necessary. He says: "You always learn more letting others speak than hearing yourself think." [2].

The Anti-Conflict and Anti-Bullying Structure Organized by Schwarzman: Blackstone's culture of anti-bullying and respect, has been essential for the firm's ability to reach success. Conflicts and fights among employees can cause important consequences inside organizations. The experiences of Schwarzman inside Lehman Brothers[4], taught him the significance of healthy communication between colleagues. He built Blackstone with this awareness and he ensured that there were no mobbing among subordinates. In addition, he started a "360 feedback" program that encourages subordinates to criticize their superiors and managers[4]

The Belief in Young Employees and Freedom Given to Them: Schwarzman highlights the Importance of granting subordinates the chance to embrace new challenges and learn from their mistakes. Additionally, he believes in the value of being supportive and encouraging, while also ensuring that subordinates/employees have access to the necessary resources for their success. Schwarzman was aware of the importance of young employees and he was a person who always listened to young employees and asked their opinions[4]. From my point of view, He learned the importance of it because he had seen lost opportunities by ignoring the suggestions of young employees at Lehman Brothers[5].

The Strong Meritocracy Culture: When we observe Blackstone, the most significant thing we will see here is a strong meritocracy. In my of sight, meritocracy is the key factor for providing employees with a strong will to work because people must see they are having results corresponding to their hard work. Schwarzman says "We don't believe in glass ceilings. Part of our value system is to be expanding because it's good economically and it provides promotion opportunities." [2]. He emphasizes meritocracy by rejecting glass ceilings while promoting. He knows the importance of extra payments as the fulfillment of employees' hard work. Jack Welch, who is regarded as one of the best executives of the 20th century, emphasizes the importance of meritocracy by saying; "Once

you've got the right people, you need to create an environment that motivates and retains them. That happens when you work diligently to rid your culture of bureaucracy and politics, and imbue it with the kind of innovation and opportunity that unleash people to care and contribute as if they were owners. It happens, too, when you use differentiation to remove the cloak of uncertainty from performance, giving employees and managers alike the power to control their destinies. Meritocracies rock.”[6].

CONCLUSION:

The organizational behavior and success of Blackstone, one of the most successful finance companies, have been strongly influenced by executives, with a particular focus on Stephen A. Schwarzman. Our Paper aimed to unravel the pivotal factors that provided the Company with positive organizational behavior among employees on the path to success. We gave main determinants for the success of the company like the recruitment of the best employees, the inside education of employees, intolerance to failure, and innovative culture inside the company. Then we moved on to the main factors that have influenced the organizational behavior of the company; the importance of communication and transparency, the anti-conflict and anti-bullying structure, belief in young employees, the freedom given to employees, and finally, the strong meritocracy culture which we see as the most important factor for success. Our paper not only highlights the impact of executive leadership on organizational behavior, but also demonstrates the importance of visionary leaders in guiding companies to success.

BİBLİOGRAPHY:

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