

# How Skills-First Practices Give Blackstone A Competitive Advantage

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**B**lackstone, the world's largest alternative asset manager, is leveraging skills-first practices to gain a competitive advantage and create business value. Elyse Rosenblum explores the firm's leadership and innovation.

Attracting and retaining the right talent remains an ongoing business challenge in this era of labor market shortages and skills gaps. Private equity firms, which own and operate companies that employ more than 12 million people in the United States, face growing pressure to ensure their companies have the best talent to successfully execute their investment theses and drive long-term value for stakeholders. Increasingly, many are embracing skills-first talent management – an approach that prioritizes skills and capabilities in sourcing, hiring, retaining and advancing employees so that high-quality talent is not excluded by unnecessary requirements – as a competitive business strategy.

One firm that is championing a skills-first talent approach is Blackstone, the world's largest alternative asset manager. The private equity firm has more than 230 portfolio companies that employ more than 700,000 people, making it equivalent to the fourth-largest

Fortune 500 company in the U.S. To deliver on each company's value creation plan and ultimately increase the value of its businesses and deliver compelling returns for its investors, more than 60 portfolio companies—in Blackstone's portfolio and across its General Partners (GPs)—have participated in its Career Pathways program. The program seeks to expand the talent pools from which participating companies hire, develop and advance top talent through inclusive practice adoption to drive better business outcomes. Building off the initial success of the program, Blackstone expanded its proven model in 2023 to provide GPs with access to valuable tools and resources to drive meaningful results.

Blackstone Career Pathways – designed, launched and supported in collaboration with Grads of Life, the talent strategy consultancy I founded and lead – is the centerpiece of the firm's skills-first approach. The Career Pathways program strives to broaden high-quality talent networks – including individuals without four-year college degrees, graduates of historically Black colleges and universities, military veterans, refugees, and others from historically excluded communities – from which Blackstone's portfolio companies

recruit, develop and advance employees. The firm designed the program to meet its companies where they are by first deploying a flash diagnostic to understand where each company is in its skills-first and inclusive practice maturity, and then developing a bespoke strategy and action plan for each company. This approach helps portfolio companies build the necessary tools, systems and practices to disrupt traditional hiring and advancement practices, and implement new ones.

Four years after the program's launch, Blackstone has become an influential voice in the investor community and a significant contributor to the broader ecosystem of partners which includes Blackstone and portfolio company leadership, non-profit talent providers (e.g., Year Up United), leading corporate champions like Walmart, academic researchers, government officials, and other thought leaders. They convene this prominent group annually in their NYC office for the Career Pathways Summit, most recently held in mid-September, to network, knowledge share, and build on the momentum around practice adoption and impact measurement.

The Career Pathways repeatable model is delivering strong results: Since 2020, Blackstone's portfolio companies

have made more than 10,500 hires from historically excluded communities. One of those companies, Ancestry, the world's largest genealogy site, has hired nearly 80 new employees from untapped talent groups since joining Blackstone Career Pathways. With support from a tool designed to help companies assess their hiring practices, Ancestry benchmarked its talent and equity efforts against other firms and developed a blueprint for building a more inclusive organization. Those outcomes helped Ancestry identify objectives and measure key results across five specific pillars so it could create an organization that can do an even better job of helping people – regardless of ethnicity, race or family background – discover their family story. According to Ancestry CEO Deb Liu, the company's efforts are directly connected to the product they sell. *"It's been important to us to have diverse voices at the table to help us shape our product,"* she shared. *"We continually strive to meet the needs of the customers we serve today and those we aspire to serve in the future."*

Blackstone also is helping its portfolio companies measure the value and return on investment (ROI) created by skills-first efforts. By leveraging the Impact Measurement Framework, companies use recommended metrics – including the number of hires and promotions of untapped talent, the proportion of untapped talent among new hires, and retention rates – to track and evalu-

ate their adoption of skills-first practices and the impact of these efforts on employees, the business and society. Blackstone is deploying this framework in a pilot program to measure key metrics that translate into tangible ROI data, such as the cost of turnover and the savings on hiring costs from greater internal mobility or higher employee engagement scores that lead to increased productivity and retention. Early results at another portfolio company showed that if efforts were made to improve retention under current hiring patterns, the company could generate upwards of \$1 million in savings.

Measuring and communicating the return on investment of skills-first practices is critical to validating their impact and then sustaining and growing those practices across an organization. Early learnings from the Career Pathways program suggest four key steps companies can take to start measuring the value of their skills-first talent practices:

- Identify their skills-first goals. To effectively measure the business value created by a company's skills-first efforts, leaders must clearly define their unique business goals against which to measure progress. These may include improving retention rates, increasing employee engagement, or increased innovation that comes from greater diversity of talent tackling tough business problems.
- For each goal, outline one to three specific ROI metrics that will en-

able tracking toward that goal and measuring the related value generated. For example, if a company has a goal to increase retention, related ROI metrics would include turnover rate and cost of turnover. A company should consider timing, effort, impact and its current capacity to track metrics when selecting.

- Build buy-in. A company should align stakeholders and gain necessary approvals to confirm the short list of priority metrics, get access to the data and try to resolve any anticipated challenges before starting to collect data.
- Track and iterate. A company should collect data and report findings at regular intervals. As skills-first work evolves over time, additional metrics should be added, and the priority metrics should be adjusted.

Blackstone's work to advance this critical body of knowledge provides a valuable lesson for all employers – and could provide a spark necessary for a broader skills-first transformation. Blackstone's ultimate priority is to create value for its investors, and the firm's commitment to not only driving adoption of skills-first practices, but also proving their ROI through rigorous measurement, is a powerful signal of their growing value to business. By leveraging its existing influence and expertise to advance the skills-first movement, Blackstone demonstrates true leadership and offers a powerful model to employers everywhere.