

# Opening Doors To New Opportunities

An Interview with Mohammed Alardhi, Executive Chairman, Investcorp

**EDITORS' NOTE** *Mohammed Alardhi is the Executive Chairman of Investcorp, a leading global manager of alternative investments, and author of Connecting to the Future: A Blueprint for Dynamic Leadership. Since his appointment as Executive Chairman in 2015, Investcorp has quintupled its assets under management (AUM) to over \$50 billion and today has a presence in 14 countries across the United States, Europe, the Middle East, India and Asia. A former*



Mohammed Alardhi

*fighter pilot and Chief of the Royal Air Force of Oman, Alardhi retired after 25 years with the rank of Air Vice Marshal. He was subsequently awarded the "Order of Oman," the country's highest honor, by the late Sultan Qaboos bin Said Al-Said, as well as other awards in appreciation of his public service. Alardhi is one of very few who have achieved the highest rank in the military and then switched to a similar position in the private sector. Alardhi serves on the International Advisory Board of The Brookings Institute in Washington, DC, and is a trustee for the Eisenhower Fellowship in Philadelphia. He also sits on the boards of the World Economic Forum, Harvard Kennedy School's Dean's Council and the Harvard Center for Public Leadership, and is a member of the Global Advisory Council for the Woodrow Wilson International Center for Scholars in Washington, DC. He is a graduate of the Royal Air Force Military Academy in Cranwell, U.K., and the National Defense University in Washington DC. He speaks*

*frequently about international trade, the relationship between the Middle East and the West, the security of the Gulf, and other topics. Alardhi holds a BS degree in Military Science from the Royal Air Force UK Staff College in Bracknell, U.K. and an MPA degree from the John F. Kennedy School of Government, Harvard University.*

**FIRM BRIEF** *A global distribution network, Investcorp (investcorp.com) has distinguished itself through its*

*core principles of reliability, transparency, judgment, innovation, and a relentless focus on generating superior results. It combines a breadth of global assets and resources with an entrepreneurial approach and personalized service, offering individual and institutional clients tailored alternative investment opportunities. Its \$50 billion of assets under management are diversified across three continents, six asset classes, and numerous product lines. Accessed through its highly personal and responsive service and global distribution platform, it offers an increasingly diverse portfolio of investment opportunities for discerning investors everywhere. With diversified asset classes and product offerings, Investcorp is also the largest alternative asset manager in the Middle East.*

**Will you provide an overview of Investcorp's business and how the firm has evolved?**

Investcorp was founded in 1982 with the idea of providing a bridge between

high-net-worth individuals in the Arabian Gulf countries and alternative investment opportunities in the United States and Europe. Few individual investors at the time were familiar with alternative asset management; Investcorp was one of the very early entrants in the field.

Investcorp's original formula for success was the deal-by-deal model. Each transaction was presented to each client individually and they could decide whether to invest or pass. But the deal-by-deal model didn't allow for long-term committed capital, nor was it scalable. And because it was the main source of revenue for the firm, it represented an especially high level of risk. How much risk became evident after Lehman Brothers collapsed in 2008 and world markets imploded. In the ensuing global financial crisis, more than half of Investcorp's total equity was wiped out.

Since I became Executive Chairman in 2015, Investcorp has expanded from a Gulf-centered boutique firm into a global multi-asset firm with a diversified client base and offices in eight countries. Our assets under management (AUM) have more than quintupled, from \$9 billion to over \$50 billion.

**How did you effect that transformation?**

Transforming an organization requires commitment from the top and conviction from everyone else. How do you instill an enthusiasm for change and the fortitude to take the risks required to realize that change? By giving people something to get excited about.

A few days after I became Executive Chairman, the two co-CEOs and I met to create a road map for growth. In the wake of

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its near-death experience, Investcorp’s growth had stalled and its go-getting spirit had stagnated. Meanwhile, younger firms had moved into the alternate asset field and leapfrogged us. We had to grow or die.

We set a target of reaching \$25 billion AUM in five years – more than double where we were. The figure represented, to quote Barack Obama, “the audacity of hope.” It was ambitious but attainable, the result of careful analysis that was at once realistic and required a complete reinvention of the firm’s culture.

I wanted people to be inspired by the possibility of exceeding their own expectations. I wanted them to believe that, by working together, we could reach that goal. And I wanted them to trust me to lead them there. We blasted past \$25 billion in three years. We’re now aiming for \$100 billion in AUM. But we still refer to that road map. It’s our touchstone for transformation.

**In your book, you describe a playbook for transformation. What are the key points?**

If you visit any Investcorp location, whether you’re in London, New York, Mumbai or Bahrain, you’re likely to spot a framed poster depicting the intricately decorated doors of Oman. The posters express my pride in my home country, but they also send a message: I want to remind people that our business is about opening doors to new opportunities. The posters ask: Which doors will you choose to open and which will you have the courage to walk through?

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system; question the status quo; push people to think bigger; don’t penalize the right kind of risk-taking; create a comfortable forum to share ideas; make everyone an owner. And always, always, always work to break down silos and encourage collaboration.

**How do you define the Investcorp difference?**

What makes us different is our culture. The Investcorp culture is idiosyncratic in the industry. In other firms, as the saying goes, you eat only what you kill. That shapes the culture massively. Here, it’s a learning culture. We want people who are naturally curious and we try to satisfy that curiosity through a culture that’s open to new ideas. You’re encouraged to take risks and develop.

At the same time, we’re also a collaborative culture. One of the biggest challenges when I became Executive Chairman was bridging and breaking down silos. The silos still exist – to a lesser degree – but our growth has helped to dissolve them. The more global we become, the more opportunities emerge for cross-function connections.

Let me share some statistics: Over 60 percent of Investcorp’s employees have been with the firm for fewer than five years; more than 40 percent joined in the past three years; and 25 percent joined in the past year alone. That may be nothing in a tech start-up, but it’s a huge amount of new talent for a 40-year-old investment management firm to incorporate.

But here’s another interesting fact: The standard turnover rate in this industry is close to 20 percent. Our turnover rate is confidential, but it’s very low compared to our peers.

People come for the growth opportunity; they stay because of our culture. We periodically examine our culture and ask ourselves: What do we stand for? What is important? What is relevant today? What will no longer be relevant tomorrow? We need to hardwire adaptability into our culture if we’re to survive another 40 years. But even as we evolve, there will always be some key elements we want to retain: being a learning culture, being willing to question the status quo, and welcoming new ideas.

**You said that the culture encourages risk-taking, yet when you became Executive Chairman, Investcorp’s culture was defensive and risk averse. How did you change that?**

I’ve always said that Investcorp will not be a one-mistake firm. If you want people to think bigger and set audacious goals, they need to feel comfortable making mistakes. Otherwise, they will wait for you to think for them. That’s the worst outcome for everyone.

Trust is the key element in pushing people to break the habits that are holding them – and us – back. People need to feel they’re being cared for, that they can talk to anyone – including me – and that when they do raise their hand, they won’t be criticized or ridiculed for not knowing something.

We need to set people up for success. It’s the leader’s responsibility to keep an eye on how people develop and to give them the flexibility and opportunity to move, both vertically and horizontally. Clarity in setting expectations is really important. So is communication: how they’re progressing, what challenges they’re facing, and what tools we can give them to help overcome those challenges.

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A very important caveat is that when someone messes up, it's crucial to understand the reasons. Was it something within their control or did external factors influence the outcome? Of course, mistakes are inevitable. That's how we learn, as individuals and as an institution. We just try not to make the same mistake twice.

**You write that “leading a company like Investcorp has a lot in common with flying**

**a high-performance fighter jet.” Will you elaborate on this comparison?**

You have to be confident. You have to be a good communicator. Whether you're flying by yourself or in formation, everyone needs to know your plan – what the targets are, the order in which the squadron will attack, what to do when things go wrong. Teamwork is essential: You need to know that someone is looking after you and will alert you if an enemy sneaks

up behind you. You're constantly honing your situational awareness so that you carry a clear mental picture of your position in time and space as it relates to the other planes in your squadron, potential attackers and, of course, the unforgiving ground.

The popular assumption is that both flying and investing satisfy an appetite for risk. I don't think that's quite right. I think they require fortitude in the face of risk. The secret to survival and success is acknowledging the full range of risks and calculating how to mitigate them long before you push the throttle forward or sign off on an action plan.

And then there's the excitement, the sense of accomplishment and, yes, the wonder, whether I'm in a cockpit or “flying a desk” at Investcorp.

**You also write, “Our business is all about measuring and managing risk.” How can you future-proof the firm?**

You can't predict when life will throw you a curve ball. What you can do is prepare for how you will respond, because the only certainty is that external factors magnify and amplify internal issues. That's why we're focusing on five key areas where Investcorp is reinventing and reinforcing itself to confront the challenges ahead:

- Attracting, developing, and retaining the right talent
- Maintaining our culture
- Scaling up our business
- Exploring new sources of capital
- Sharpening our situational awareness

The story goes that when Jack Nicklaus hit his 18th hole-in-one, a fan congratulated him on his good luck. Nicklaus thanked him and replied, “The more I practice, the luckier I get.”

I believe you can make your own luck. Every day provides an opportunity to practice: to strengthen existing skills and learn and leverage new ones that will help us withstand future shocks.

**What was the most useful advice you've ever been given?**

When I was a cadet in the Royal Air Force of Oman, I was selected for officer training at the U.K.'s Royal Air Force College in Cranwell, England. It was my first trip outside of Oman, and I was understandably nervous. My father gave me the best piece of advice I have ever received. “Of course, they do things differently there. Some of their customs will seem very strange to you. My advice is: Whenever there's anything you don't understand, just ask. Don't judge. Just ask. And they will tell you.”

Thanks to my father, I learned to feel comfortable about going into new situations. The unknown, I discovered, was not something to fear, but rather something to explore with optimism and an open mind. Today, I regularly share my father's advice with young people at Investcorp: “Don't be too proud to ask questions – and keep asking until you understand the answers.” ●



# CONNECTING TO THE FUTURE

**A Blueprint for Dynamic Leadership**

**MOHAMMED ALARDHI**

**Executive Chairman of Investcorp**