

# Innovation Investing

An Interview with William E. Ford,  
Chief Executive Officer, General Atlantic

**EDITORS' NOTE** This year marks Bill Ford's 25th year at General Atlantic (GA), having first joined the firm in 1991. CEO since 2007, Ford has deepened the firm's global presence, increased its capital base, and expanded its capabilities to identify high-potential growth companies across multiple sectors and geographies. In addition to serving on the boards of several General Atlantic portfolio companies, he is an active leader involved in a number of global nonprofit, educational, and cultural organizations including New York City's Memorial Sloan Kettering Cancer Center, Rockefeller University, Lincoln Center, The New York Genome Center, and The Partnership for New York.



William E. Ford

**COMPANY BRIEF** General Atlantic (*generalatlantic.com*) is a leading global growth equity firm providing capital and strategic support for growth companies. Established in 1980, General Atlantic combines a collaborative global approach, sector-specific expertise, long-term investment horizon, and a deep understanding of growth drivers to partner with great management and build exceptional businesses worldwide. General Atlantic has more than 100 investment professionals based in 12 offices around the world.

**Where do you see the economy today and what more can be done to spur growth?**

While others are somewhat pessimistic about the overall economy, we could not be more optimistic about what we call the 'innovation economy.' Despite the lackluster, low-growth recovery in today's U.S. economy, the innovation cycle occurring in both technology and healthcare is remarkably robust. We're seeing the creation of an impressive class of new companies in these sectors, led by high-quality entrepreneurs who are able to access capital from a broad set of venture capital and growth equity investors. These new companies will create more jobs, products, and services, which I believe will have a positive long-term impact on the U.S. economy.

**Are those two sectors the areas you're most focused on today and is that where you see the most innovation taking place?**

In addition to technology and healthcare, there is strong innovation in the retail and consumer sector. We are seeing a transformative shift from traditional retail distribution channels, such

as department stores, towards online distribution channels. Consumer brands are increasingly being built through online media channels like Instagram and Snapchat, instead of through traditional offline media channels.

To dig a bit deeper into healthcare, I am particularly excited about the life sciences area as we enter the 'golden era of biology' that was catalyzed by the Human Genome Project from 15 years ago. While the Affordable Care Act is definitely facing a number of challenges today, it has

helped to spur significant innovation as healthcare companies try to address the issues of cost and improving quality of care in an efficient manner, especially for high-risk populations. We believe that there are strong opportunities ahead in both of these areas.

**Is there a difference between "innovation" and "disruption" and are you seeking more innovative or disruptive companies?**

At GA, we are first and foremost looking to invest in high-quality, high-growth companies, which could ultimately be innovators, disruptors, or both.

I've found that innovators often create new markets and conceive of new services whereas disruptors typically attack an existing market with a new approach or business model, although it's possible for a company to be both. For instance, Airbnb, which we invested in last year, is a brand new innovation that is also creating a whole new market where people receive value from renting out their real estate assets. On the other hand, it's displacing the traditional hospitality business and therefore acts as an industry disruptor as well.

**You talk about partnering with entrepreneurs and management teams. How closely does GA work with its portfolio companies and how critical is that partnership?**

At GA, we think of ourselves not only as investors, but also as company builders. For us, the fun of what we do is both identifying superb, high-growth companies and rolling our sleeves up and working closely with them to help take their businesses to the next level. For example, a company may be seeking to take its business global and expand its footprint beyond the home market. Or perhaps it needs help building a corporate infrastructure to sustainably support its already successful suite of products.

Ultimately our success is dependent on our ability to form a close partnership with the company's management team, align on a shared set of objectives, and work together to help the business scale and continue to unlock sustainable growth. We see tremendous potential in each of our portfolio companies, and we offer this type of multi-faceted support for the sole purpose of helping them realize that full potential.

**As you look at founders who are risk takers and creators, can they also be good managers? As companies grow, how critical is the need to bring in more management minded people?**

In almost every case, a great founder who also wants to be a successful CEO needs to surround himself or herself with a very strong management team. We typically find that as a company grows rapidly over its first few years of existence, it will likely need to upgrade its team's functional positions (for example, a stronger CFO, CMO, Head of Sales, etc.) at least one or two times during that growth period. It's important that a CEO has access not only to talented people with bright ideas but also to experienced executives who can contribute their expertise and perspectives as the company develops.

At the end of the day, not all founders are cut out to be great leaders of large organizations. In my experience, the level where that starts to really hit home is around the 500-employee mark, when many growing pains and scaling challenges begin to kick in. At this point, the founder is either able to develop the capability to manage a larger enterprise, aided by bringing in a stronger management team and aligning with a partner like General Atlantic to help tackle scaling issues, or he or she must decide to step aside and bring in a professional CEO to help run the business.

**With so much of the focus on innovation and entrepreneurial activity being led by the emerging markets, as someone in the middle of it, do you still see the U.S. as a leader in driving entrepreneurship and innovation?**

I absolutely do, but China has rapidly emerged as a close peer to the U.S. in terms of fostering innovation and entrepreneurship. Whereas it used to be that innovation tended to move from the West to the East, today, we increasingly see that the reverse is true, and that we, in the U.S., are learning from Asia. In particular, we are seeing incredible innovation from China in the mobile Internet market, with a number of new business models and products that set the tempo for the rest of the world. ●