

KEYNOTE INTERVIEW

Future-proofing value creation



PE firms must embrace AI to avoid obsolescence and build sustainable competitive advantages, argue *Gavin Geminder and Cherie Gartner* of KPMG

How will emerging technologies shape value creation efforts in PE?

Cherie Gartner: First of all, it's worth noting that artificial intelligence (AI) is definitely a game changer for value creation efforts. AI technologies offer many significant opportunities for enhancing value creation within portfolio companies, and many organisations are now looking at ways to use these tools to streamline operations, enhance customer insights and optimise decision-making.

Fundamentally, that's happening because there's a meaningful opportunity here for private equity firms and their portfolio companies to build sustainable competitive advantages.

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Gavin Geminder: The value creation angle here is really about delivering enhanced EBITDA using these tools. Private equity can drive efficiencies through embedding these technological advances, not just by taking out cost but also through revenue optimisation strategies.

At the end of the day, integrating AI technology into all private equity playbooks will be key, and this will continue to evolve in the years to come. Realistically, executing effective value creation today requires incorporating some form of AI or generative AI tools.

How can private equity firms demonstrate the impact of AI in their portfolios?

CG: This is one of the biggest challenges facing GPs. How do they go about capturing and tracking the difference that these tools are making within portfolios?

It's a question of showing what can be done with the raw technology investment while simultaneously embracing robust frameworks to measure AI's impact on portfolio performance. That in turn ties in to competitive advantage. Key performance indicators need to be aligned with value creation, to enable GPs to capture and track AI's impact and ultimately drive further improvements in the value creation process.

GG: In short, GPs need to start by integrating AI and then showcase any tangible improvements in operational metrics, both as a means of informing LPs and in order to keep learning and improving continuously.

What are private equity firms telling you about the impact of these new tools?

CG: One of the takeaways from our Q1 and Q2 2025 AI Pulse surveys is that 80 percent of executives now recognise generative AI as a critical component when it comes to gaining competitive advantage and market share. That impact can be seen in three main areas.

First, 52 percent of leaders – across all companies, not just private equity – tell us that they are seeing a return on investment in terms of revenue generation. Secondly, 44 percent point to improved decision-making. And finally, 40 percent have identified productivity gains.

The same survey also revealed that half of CEOs are now directly leading generative AI initiatives, as of the second quarter of 2024. That amounts to a 34 percent increase on the previous quarter, and we know that executive involvement is continuing to rise and is ultimately correlated with stronger performance and better tracking of KPIs.

GG: When you look at some of the forms of industry disruption that are happening across the competitive landscape, 82 percent of leaders now agree that things will look significantly different over the next 24 months due to AI. For private equity specifically, AI is now firmly top of mind and is creating not just a fear of missing out, but also a fear of becoming obsolete.

What are the challenges around that fear of becoming obsolete?

CG: Fear of missing out used to be the number one thing that people were concerned about in discussions of new technologies and emerging tools. Now, as we look at the landscape, more and more people fear becoming obsolete. They are really focusing now on what they need to do to make sure they do not find themselves in that position.

After all, because the landscape of AI and generative AI is moving so quickly, innovation is happening day by day. Private equity firms really need to prioritise understanding these AI technologies in order to future-proof their investments and avoid being left behind.

GG: Our private equity clients have historically deployed a lot of capital into their portfolio companies on the basis of very clear strategies that they had developed for those businesses. The issue they are dealing with now, though, is that generative AI is changing all of those strategies in real time, so their business models and strategies are constantly needing to move.

As such, investors need to be continuously asking themselves the extent to which their value creation plans are going to be displaced by the rapid change that AI is bringing. If they do not move quickly enough to address the implications, this concept of becoming obsolete will become a genuine concern. It is more important than ever to be ahead of the curve.

We are really getting to the point where a business can just become

Is there any possible upside to the fear of becoming obsolete?

CG: Some 93 percent of leaders believe that generative AI has already enhanced their company's competitive position. That is reflective of a potential enterprise-wide transformation that firms need to get in front of. In order to avoid becoming obsolete, then, there has to be an acceptance that leveraging AI will form the future – and that's not the future as in tomorrow, but the future as in today.

GG: I was at a GP conference recently where the firms' leaders were asked what is keeping them awake at night, and the immediate answer was generative AI. But it was a very different answer to one we would have heard 12 months ago. Now, they're worrying about whether they are doing enough to take advantage of investing around that thematic, whether they are sufficiently deploying it in value creation, how they manage a digital workforce, and so much more. That shows the right kind of engagement with this constantly changing technology.



irrelevant very quickly if it fails to keep pace with the speed of transformation. That might sound extreme, but it's a genuine risk. If private equity firms are not thinking that way, they could end up facing real problems.

Q How can GPs address the obsolescence challenge?

GG: The answer is to develop a clear view of how to best use generative AI to create value in each specific business, as well as running an AI awareness campaign and developing a roadmap for AI at both the company and portfolio level.

For instance, we recently worked with a private equity firm that was concerned about generative AI's potentially disruptive effect on its portfolio of technology, media and telecoms companies, as well as its industrial and consumer investments. The firm wanted to understand how to begin applying AI technologies across its business and needed help identifying use cases. That's something we were able to help that firm get to grips with, carrying out detailed work on its roadmaps for AI implementation.

One way to look at it is this: remember the days when every fund was racing to hire ESG expertise? They are all now scrambling to add heads of AI at the GP level or to build partnerships with technology companies to get access to their best insights. You could argue that the latter route is a better path, but as managers develop their strategies, we are certainly going to see a combination of in-house talent and leaning on partnerships with key players. Either way, all of that expertise should then trickle down into the portfolio companies.

CG: That process has already started. AI talent acquisition has risen from 6 percent to 21 percent in our quarter-on-quarter statistics, and organisations are really doubling down on this. They are asking how they should be leveraging AI and driving strategic adoption and what AI talent they need

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in order to turn this into a competitive advantage.

The collaborative ecosystem is also becoming more and more important. Some GPs will prefer simply to partner with ‘suppliers’, and others will go as far as working with third parties on co-innovation and co-development. That ecosystem play will undoubtedly become more strategic and more tangible as this all unfolds, and it will ultimately change the way that firms work and how they go about innovating.

The other key element of this is governance. Many organisations talk about responsible AI but having that governance framework in place to ensure compliance is absolutely essential. Making sure that AI is being used safely, responsibly and securely really underpins everything we have talked about.

Q There is a trust element that runs through all of this. What should managers be prioritising when it comes to cybersecurity?

CG: Based on a lot of the surveys we have done, cybersecurity and trust are obviously viewed as a strategic imperative. Some 82 percent of leaders right now are looking at data quality and trust in AI outputs. Unlocking transparent AI to maintain that stakeholder trust is important, as is ensuring you have risk management, data quality and personal trust in AI across your organisation.

GG: It is also a question of transparency and ethics. Having clear, ethical AI guidelines in place is going to build employee trust and customer satisfaction, while also enhancing GPs’ brands. Getting this right is going to make them a more attractive partner, whether that's for investors or portfolio companies’ management teams, and there is a growing recognition of that across the market. ■

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