

KEYNOTE INTERVIEW

Making the AI roll-out count



*A hands-on approach to AI implementation is the best way for GPs to unlock value from the technology, say KPMG's **James Gardner**, **Paul Pan** and **Andrew Vogel***

Q How have AI capabilities changed over the past 12-18 months, and how has that affected private equity?

James Gardner: We have seen a transition out of the hype and experimentation phase of AI into an operational execution phase. Within that, there have been three distinct shifts.

The first is that we have gone from co-pilots to agentic AI workflows. A year ago, companies were using basic generative AI to write drafts, summarise text or write a little code. Now those companies are deploying agentic AI or autonomous agents to execute multi-step workflows, such as matching an invoice to a purchase order, updating the ERP or initiating human hand-offs.

SPONSOR
KPMG

At the same time, we have gone from vanity pilots to true EBITDA discipline. A year ago, firms had 20 AI pilots running, mainly for the sake of showing that activity to the board. Now, forward-thinking partners are requiring business targets to be wired directly into value creation plans and are tracking hard financial metrics.

Finally, companies are no longer just building AI apps or software; they are focusing on the picks and shovels of the infrastructure. Applications are limited by how good the data is, so partners are leaning into clean,

structured data. There is a lot of capital flowing into foundational infrastructure and data hygiene to make all of this viable at scale.

Q Now that advanced technologies are so critical across industries, how much commonality do you see in the challenges and opportunities that different GPs and their portfolio companies face?

Paul Pan: As AI's evolving capabilities intersect with the current ecosystems in different industries, operators are constantly identifying areas to unlock tangible value. Our analysis suggests that AI-driven efficiencies could deliver anywhere between a five and 15

percent EBITA improvement through reimagining high-frequency, programmatic processes. And in relation to direct headcount-related costs, it could be upwards of 20 percent. Depending on the firm, these gains can become savings or fuel for growth.

Besides software development, common use cases across industries can be found in areas such as customer support, sales, finance, HR and IT – where processes are high-frequency and programmatic, and results are auditable. The technology has now crossed the frontier where hybrid and AI-augmented capabilities can drive meaningful gains across both productivity and EBITDA.

As expected with a new technology paradigm, there are some challenges around implementation. Among these is the data bottleneck we see around fragmented and unstructured data sets. That's a priority for firms to address.

Data security and governance risk are another challenge. If you allow employees to use Claude, you have to think about what they can use it for and what it is allowed to access.

Another key gap is the lack of AI-fluent talent that can implement and maintain these capabilities. This can be addressed through a combination of third parties, upskilling and targeted hiring.

Solve these challenges, though, and the juice really will be worth the squeeze.

Q How can PE firms best facilitate the sharing of insights and tech knowhow across their portfolios?

Andrew Vogel: First, GPs should push for consistency on the AI technology used. By building commonality around the tech, firms can get a better sense of the possible use cases and then work with vendors to do training and build partnerships that suit particular portfolio companies. There may also be industry-specific nuances that firms can address with vendors.

Q How can GPs support tech-related upskilling?

AV: Ultimately, organisations are most likely to achieve the intended outcomes from AI when they empower teams through practical, role-based upskilling.

It's best to start by identifying the technologies and capabilities you want to use across the portfolio. From there, understand what level of certification might be required for different roles and make training available through a range of formats. Not everyone needs to become a developer, but employees should understand how AI affects their role, what tools they are permitted to use and how to work with them responsibly.

GPs need to treat tech training as a meaningful investment within the broader value creation plan. It's something that will need to be carefully managed and tied to the desired business outcomes.



When it comes to sharing insights, we see clients running quarterly forums and setting up networks among CTOs, CFOs and CIOs to share best practices. Those seem to work well, especially when they focus on reimagining capabilities or even entire operating models.

One thing to bear in mind is that these cross-portfolio interactions need to address not just the changing tech but also the human implications of AI. For instance, we see a lot of questions around 'Will AI take my role?', 'How do I interact with it?' and 'What do I do with that freed-up productivity?'. GPs should be helping portfolio companies answer those questions and connect productivity gains to growth, cost reduction or an improved employee and customer experience.

Finally, benchmarking portfolio companies against a common set of AI-readiness criteria can help managers understand the various levels of maturity across systems, as well as leadership capabilities, capacity and culture. Assessing and benchmarking in this way helps to create awareness and enable thoughtful planning, investment and an appropriate pace of implementation.

Q How hands-on should PE firms be when it comes to developing tech and AI strategies? How do you see managers adding most value?

PP: We get a lot of questions about the best way to support portfolio companies on this. You have a spectrum

from a pretty laissez-faire approach through to very hands-on operators with clear expectations of an integrated ecosystem. The latter are the ones proving the most successful in implementing AI.

We also recommend that managers, at the fund level, develop and evangelise a portfolio-wide AI playbook to act as a guide on data standards, reporting expectations, preferred tools, governance and fund-level support.

JG: As soon as a firm completes an acquisition, the tech must be part of the 100-day plan. In fact, the AI opportunity is increasingly being assessed during the diligence and becoming part of the deal thesis. Most of our clients are hands-on from day one, figuring out how to hardwire AI into operations and tying that to business results.

The firms that do this well are the ones providing their portfolio companies with ready-made, secure and compliant AI policies. Smaller portfolio companies rarely have the depth on the legal and cybersecurity side to create these for themselves. Financial discipline around AI activity is also important; GPs need to look closely at AI cost versus value and make sure that stays positive.

That financial discipline requires resisting the temptation to treat AI as a silver bullet. Not every operational challenge requires an agentic AI solution; in some cases, more traditional value creation levers like process redesign, better use of existing systems, outsourcing, procurement improvements or management discipline may deliver faster, lower-risk returns.

Q What can managers do to support businesses that may be struggling with resistance to change?

PP: Resistance to change can stem from any number of factors. Managers need to provide portfolio companies with a safety net upfront by showing

that we are all learning together here, that the technology is changing fast and that while they naturally want to capture the quick wins, this is a multi-year process.

The advantage with AI deployment is that it allows teams to run very fast iteration loops. Many of these AI journeys start small, with focused use cases, and scale from there. It's not a sprint; it's more like a two-year journey.

JG: We hear the very real fear that 'AI is coming for my job', especially among tech and business people. To address that, it is critical to turn someone who was at the heart of the original process into a product owner and change champion for AI adoption.

That allows them to bring their team along with them and show that AI is replacing the drudgery and creating better, cooler jobs. That can be a really effective fix.

Q Looking ahead, what are the most forward-thinking PE firms going to be doing to make the most of AI implementation?

JG: The first movers are now pivoting to agentic AI workflows, not just using Copilot for search. They are teaching their functional people to write code and making sure they provide the guardrails so that is properly governed, managed and secured.

And they are investing in the infrastructure necessary to power the shift to truly agentic workflows. The other thing that leading PE firms are doing is shaping AI exit stories, to make sure they achieve that extra value premium when they ultimately sell these businesses. In theory, those companies will deliver more sustainable, higher margins for a good period of time, and that should bring a premium.

Finally, a lot of firms are now embedding AI into their deal sourcing at the GP level to help them scan the market, understand the data, identify the companies with proprietary data

"AI-driven efficiencies could deliver anywhere between a five and 15 percent EBITA improvement through reimagining high-frequency processes"

PAUL PAN

and then get on with accelerated due diligence.

AV: We also see value in leaning into existing technology investments. Many of our clients have invested heavily in ERP, CRM, HCM and other enterprise platforms, and those providers are rapidly introducing AI capabilities and workflows directly into their products. CTOs and CFOs are going to have to make decisions about whether existing platforms can deliver the required outcome, or whether a more fundamental redesign of the process would create greater value.

PP: You also have PE funds scaling into adjacent areas now, given the rise of large infrastructure and credit funds. That requires effective origination at scale, and we see leaders really embedding AI into their assessment and due diligence processes to help with that. Those that can do that well will have an advantage. ■

James Gardner is a principal and technology leader for capital markets, asset management and private equity at KPMG; Paul Pan is a partner in deal advisory and strategy; and Andrew Vogel is consulting leader in KPMG's asset management and private equity advisory practice