



WHITEPAPER

# Driving Value Creation with AI Solutions in Private Equity

Transforming Internal Processes  
and Portfolio Company Operations



## Areas for Value Creation

### Internal processes for PE firms

PE firms are leveraging AI to enhance decision-making, improve deal sourcing and the due diligence process, and refine risk management. These tools are helping firms to operate more efficiently, driving better outcomes in a competitive market.

### Portco operation optimization

Beyond internal use, AI is enabling PE firms to unlock new value within their portfolio companies. By implementing AI-driven solutions, PE firms can monitor the performance of multiple portfolio companies more efficiently and intervene quickly when necessary. As algorithms become more intelligent, AI insights can enhance customer experiences and streamline operational processes, ultimately boosting growth and profitability.

# 25%

Over the next five to seven years, Deloitte predicts that as many as 25% of private equity (PE) firms are expected to be using AI to augment their portfolio valuations.





## What We Think Will Happen

We anticipate that AI will be a transformative force for private equity firms seeking to turn a vast sea of data into actionable insights. Although most firms are currently focused on AI's potential at the portco level, those who expand that technology at the fund level will make more profitable decisions and avoid being at a competitive disadvantage.

### At the Portco Level

AI is quickly moving from a tool used simply to automate administrative tasks to optimizing various operational processes, such as supply chain management, customer insights, and financial forecasting. AI also drives post-acquisition integration by analyzing data to optimize workflows, structure teams, and predict potential challenges. We foresee that AI's ability to analyze historical data and generate predictive insights will significantly reduce risks, costs and integration timelines for those who invest early into AI-powered tools.

### At the Fund Level

At the fund level, AI will optimize internal processes by enhancing deal sourcing, streamlining due diligence processes, and maximizing valuation and ensure compliance for more favorable exit outcomes. When deployed effectively and responsibly, it can unlock tremendous value that was previously out of reach. Private equity firms piloting AI technologies that analyze and synthesize diverse data types, driving rapid and accurate decision-making, will make more profitable investments. By harnessing AI, firms can capitalize on investment opportunities that may have otherwise gone unnoticed. Embracing this technology is not just advantageous, it's essential for staying competitive in the modern landscape.

## Consequences of Inaction

Soon, it will be the expectation that your firm operates at a certain pace, leveraging AI to remain competitive and meet evolving business demands.

### At the Portco Level

With 2024 and 2025 shaping up to be historically low years for exits with high levels of dry-powder, private equity firms are looking for ways to create value at the portco level. We have already seen AI capabilities rapidly progress at the portco level with robotic process automation (RPA) that can streamline labor intensive functions, boosting both speed and accuracy while freeing up human resources for higher-value tasks. Portcos that fail to realize the value of an AI framework will struggle to keep pace with those effectively leveraging new technologies.

### At the Fund Level

PE firms that fail to leverage AI to transform vast data sets into actionable insights during critical phases like due diligence, deal sourcing, and exit strategies will be left behind. Although AI is in its infancy, PE firms like Alvarez & Marsal are already looking to build in-house tools that can leverage AI to evolve the investment process like never before. Those leveraging AI will gain a significant edge, using faster, data-driven insights to not only secure prime investment opportunities but also identify which deals to avoid, optimizing overall decision-making and risk management.

“While most companies will be affected by AI, PE firms are likely to be facing the greatest opportunities and risks,” according to Per, “and will also have to be the best and fastest at navigating this disruption.”

Per Edin, Board Committee Chair and  
AI Go-to-Market leader, KPMG



### 3 Things PE firms can do Today to Stay Competitive in the Era of AI

Private equity firms must develop a comprehensive strategy for integrating AI into their operations, ensuring that AI initiatives align with the firm's overall business objectives and those of its portfolio companies.

#### Invest in Data Infrastructure

With 80% of data being unstructured, AI's ability to extract and process even a portion of this data into usable insights offers substantial value. To effectively leverage AI for data ingestion, firms must first establish robust data management and governance practices. This requires maintaining high-quality, clean data that is easily accessible, while also integrating various disparate data sources. Investing in the right technology stack, such as cloud solutions and data analytics tools, is crucial for supporting AI applications and facilitating data-driven decision-making.

#### Invest in Security

One of the foremost concerns surrounding AI is data privacy. To harness the benefits of generative AI while mitigating security risks, organizations are encouraged to adopt best practices like regular audits, robust access controls, and continuous monitoring of AI systems.

#### Build AI Expertise

**Internally:** PE firms looking to be early adopters of AI are developing proof-of-concept projects to prove the value created by new technologies in deal-sourcing, portco optimization and more.

**Trusted Partner:** By selecting a trusted partner, private equity firms can effectively implement high-value use cases, addressing complex challenges with customizable and scalable AI solutions. This collaboration enables them to leverage innovative technologies that can adapt to their unique needs and drive significant value creation.



# The Value of An AI Partner

Expertise in AI is still difficult to find, making it a rare opportunity for many firms. Mid-market private equity firms, in particular, often struggle with acquiring the internal resources necessary to establish an AI Center of Excellence. This gap leaves many mid-sized firms at a disadvantage when it comes to leveraging AI.

At RKON, we streamline your data infrastructure, machine learning, and AI initiatives to simplify processes and make data usable. Your data holds immense potential, and the ability to quickly adapt and make informed, rapid decisions is crucial in the competitive private equity landscape.

In the near future, AI won't just be a competitive advantage—it will become a standard expectation. Falling behind in AI adoption will put businesses at a significant competitive disadvantage, as the pace of innovation and client expectations continue to accelerate. Private equity firms and portcos must integrate AI at the same rate as their industry peers or risk being left behind.

We help private equity firms drive better decision-making, optimize portfolio company performance, and enhance visibility, positioning your firm for success in every phase of the business lifecycle.

## ABOUT RKON

Founded in 1998 in Chicago, RKON has grown to become one of the nation's leading IT advisory practices. Our comprehensive understanding of execution strategies, technology, business processes, operations analytics, risk and compliance, and planning and integration supports hundreds of organizations.

Recognizing that no two companies have the same IT challenges, RKON takes a truly customized approach. We serve as trusted advisors to our customers, providing strategic guidance, technical resources, and honest assessments to address competitive challenges and meet long-term goals.

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