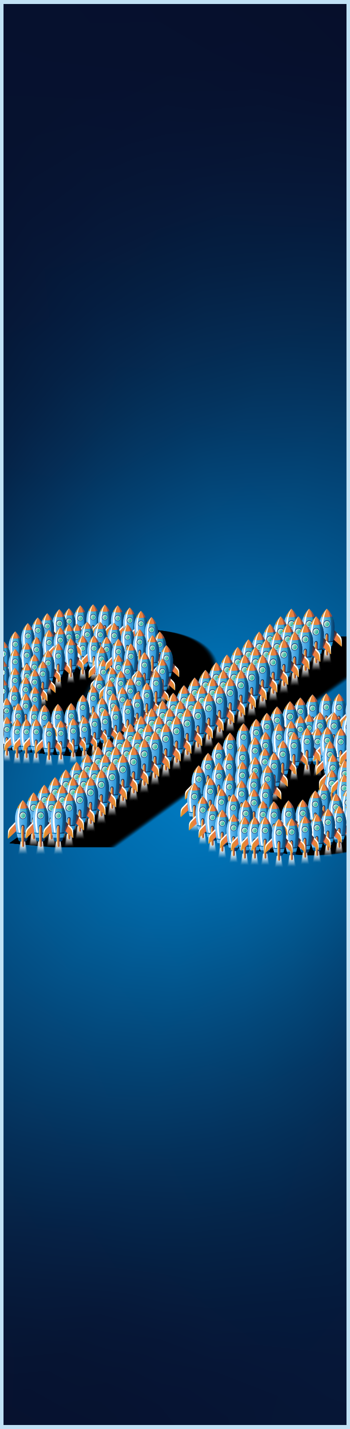

AI IN PRIVATE EQUITY: CREATING VALUE WITH AI

Private equity is entering a new era; one where traditional value creation playbooks are no longer enough. Speed, scalability, and digital adaptability are the new table stakes. At the heart of this evolution is the AI-first operating model: a redesign of how portfolio companies operate, decide, and grow.

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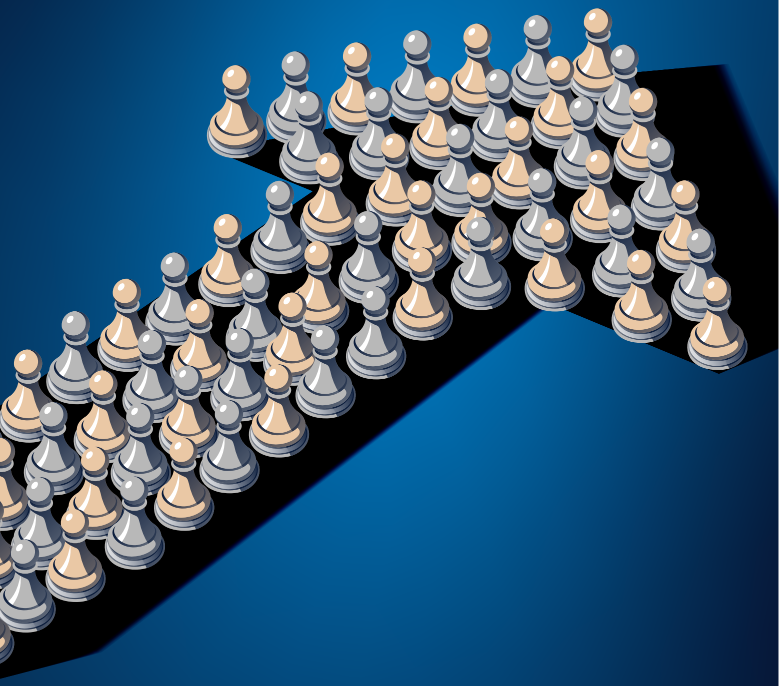
The New Rules of Value Creation

"AI-first operating models are generating significant value by transforming several areas of business operations, including operational improvements, automation and process optimization, data-driven decision-making, and product and service innovation. By embedding AI into these areas, portfolio companies can achieve greater efficiency, more accurate decision-making, and the ability to innovate in ways that were previously difficult or impossible," says Subhro Mallik, Executive Vice President and Head of Private Equity at Infosys.

That shift requires a fundamental rethink of how firms approach value creation. As Cameron Hulett, MD, Head of AI & Digital, at BC Partners explains "Playbooks can be useful reference points when portfolios are similar, but every sector has different disruption pressures and value chain dynamics. A one-size-fits-all playbook often misses that complexity. What portfolio companies really need is tailored AI strategies grounded in their context.



AI Across the Private Equity Landscape

AI-Powered Deal Sourcing

AI is revolutionizing deal sourcing by analyzing vast datasets to uncover new and relevant investment opportunities. Advanced algorithms can process market trends, financial reports, and industry data to identify patterns that human analysts might miss, enabling firms to discover high-potential targets more efficiently and act faster on attractive opportunities.

AI is already reshaping private equity in several ways. According to Balaji Narayanaswamy, Business Unit Leader for Private Equity at Infosys, two areas stand out today.

Automated Due Diligence

The first is due diligence, where AI's efficiency and predictive capabilities enable more informed and timely decisions before acquiring an asset. AI tools help private equity firms quickly process large volumes of data, identify risks, and uncover opportunities that may not be immediately obvious through traditional methods.

In fact, a recent private equity report by Bain found that a high number of portfolio companies are "engaged in some phase of generative AI testing and development, and nearly 20% have already operationalized use cases and are achieving concrete results."

"The AI-first journey now begins early in the due diligence process. A simple "red flags" due diligence check on the IT department no longer suffices. Across PE funds, diligence now extends to a deeper assessment of the current tech stack, data platform, engineering talent, and innovation speed. These are early indicators of whether a company is ready to compete and scale in an AI-driven market." says Juan Lopez-Valcarcel, Value Creation Advisor at EQT.

Portfolio Value Creation

Contact centers are the second area where AI is driving significant impact, where it improves operational efficiency by automating routine tasks and optimizing processes.

According to Servion Global Solutions, 95% of all customer interactions will be conducted through channels supported by AI technology by 2025.

Although large-scale AI deployment across portfolio companies is still in early stages, operating partners have expressed clear expectations about how AI needs to drive value. One area is personal efficiency, using AI tools to improve individual productivity and decision-making. By automating time-consuming tasks and providing real-time data and insights, AI enables employees to focus on higher-value work and make faster, more informed decisions.

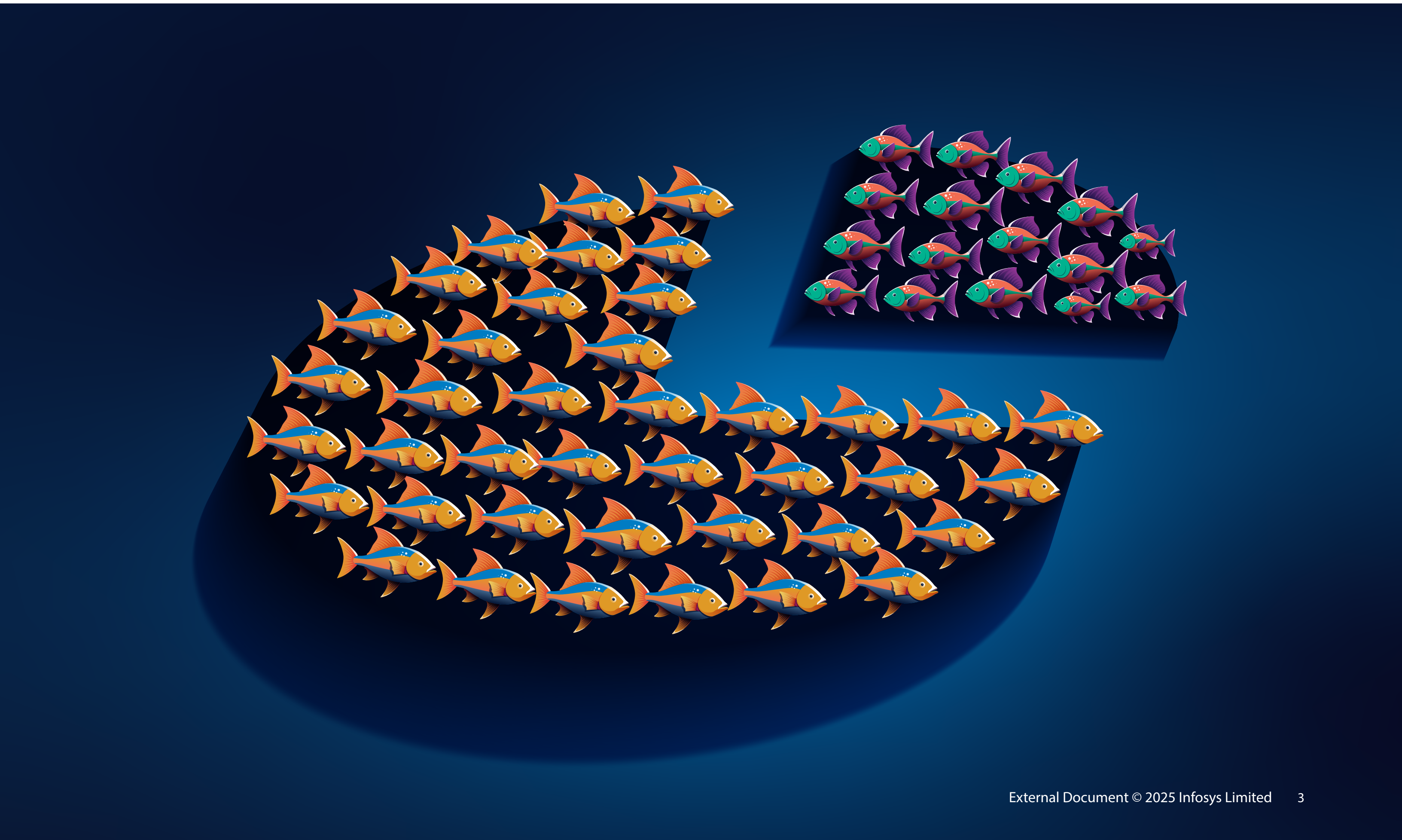
Another expectation is better serving customer needs. While pilot AI projects are relatively easy to execute, scaling these solutions to a broader organizational level presents a challenge. Nonetheless, there is significant potential for AI to improve customer satisfaction through more personalized experiences, better anticipation of needs, and faster responses.

Moreover, there is a greater focus on innovation through AI, which is key to exploring the potential for new and inventive applications for AI.

“We have had several discussions with operating partners on AI. They are keen to explore the potential value add and we are actively working to demonstrate the value of AI solutions. We consider digital maturity an important parameter for deploying AI-first solutions. Tailored roadmaps are needed to ensure AI is integrated effectively into PE. Operating Partners require confidence about AI’s impact and risk before adopting in their companies. Additionally, sector-specific challenges must be addressed, as some may experience a complete transformation with AI, while others may not see immediate benefits,” says Narayanaswamy.

Data-Driven Exit Strategies

AI helps identify the optimal time to sell portfolio companies by analyzing market conditions, performance metrics, and industry trends. Machine learning models can predict valuation multiples, assess market timing, and evaluate strategic buyer interest, enabling private equity firms to maximize returns through well-timed exits.



Proof in Practice – Where AI Creates the Most Value

AI-first operating models generate the most value when driving change in both operational efficiency and core business strategies.

AI is already creating substantial value in the pharmaceutical industry. Generative AI plays an important role in accelerating drug discovery and clinical development, unlocking billions of dollars annually in potential value. Companies like Insilico Medicine are at the forefront of this shift, with AI-designed drugs revolutionizing the traditional drug development process, according to Mallik.

Beyond the pharmaceutical sector, AI-first operating models are redefining how companies in various industries sell, innovate, and engage customers. For example, CarMax, General Motors (GM), and Wells Fargo harness generative AI to personalize customer experiences, optimize their operations, and refine their strategies. Mallik adds that these companies use AI to drive business growth and create more tailored and efficient interactions with their customers.

Centralized orchestration and strategic alignment are the real differentiators in AI-first models, as they enable scalability and achieve sustained impact. By embedding AI into the operational core of their businesses, companies can scale solutions more effectively and align with broader strategic goals.

Around 88% of global organizations measure the value derived from AI adoption, to explore "how AI can transform their business to create faster, smarter operations in the future," according to SS&C Blue Prism's Global Enterprise AI Survey 2025.

Grounding AI Value Creation in Data

New research from the Infosys Knowledge Institute reveals that white-collar industries dominate value creation from AI, while more asset-heavy or consumer-facing sectors continue to lag.

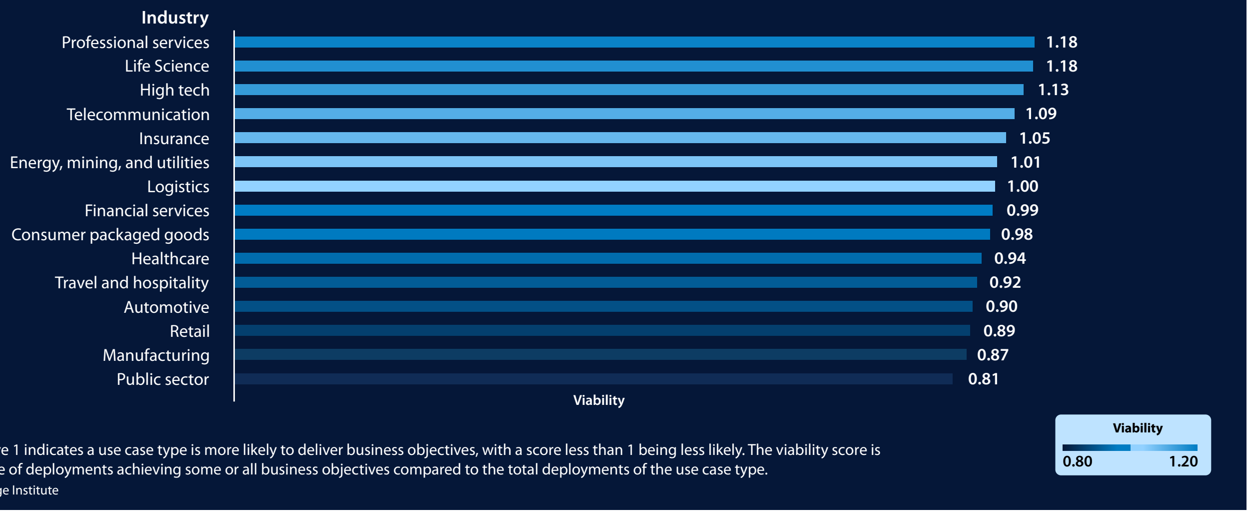
According to the Infosys AI Business Value Radar 2025 report, professional services, life sciences, and high tech outperform other industries in terms of their viability score, which measures the likelihood that their AI deployments will achieve all business objectives.

Life sciences scored high in viability, because the sector integrates a wide range of elements that strengthen AI applications. The industry benefits from a workforce that is both technically skilled and highly specialized. Its core business revolves around handling and analyzing proprietary data, which is carefully regulated and securely managed. Additionally, the industry is strongly focused on productivity, with operations structured around drug discovery and development projects.

In comparison, the financial services sector ranks in the middle of the viability scale. While it shares certain characteristics with life sciences—such as employing highly skilled professionals and managing large volumes of regulated data—financial data tends to be fast-moving, flowing across diverse business and product lines, and combining both proprietary and third-party sources. At the same time, the sector is hindered by its reliance on legacy infrastructure and the significant challenges involved in modernizing toward broad cloud computing adoption.

At the lower end of the ranking are industries heavily dependent on consumer or public interaction and physical assets. Sectors such as healthcare, retail, the public sector, and travel and hospitality remain constrained, as they rely on services delivered primarily by people and supported by physical premises or tangible resources.

Figure 1. White-collar industries dominate value creation, blue-collar further behind



A viability score above 1 indicates a use case type is more likely to deliver business objectives, with a score less than 1 being less likely. The viability score is the weighted average of deployments achieving some or all business objectives compared to the total deployments of the use case type.

Source: Infosys Knowledge Institute

Overcoming Common AI Adoption Barriers

Scaling AI within an organization presents several challenges that can hinder its widespread adoption and integration into day-to-day operations.

Solving Data Fragmentation

One of the primary obstacles is data fragmentation. Data is often siloed across departments and systems, making it difficult to access and leverage effectively for AI-driven decision-making.

Successful organizations address this challenge through robust data governance frameworks that unify disparate data sources, establish data quality standards, and create centralized data platforms that enable comprehensive AI analysis across the enterprise.

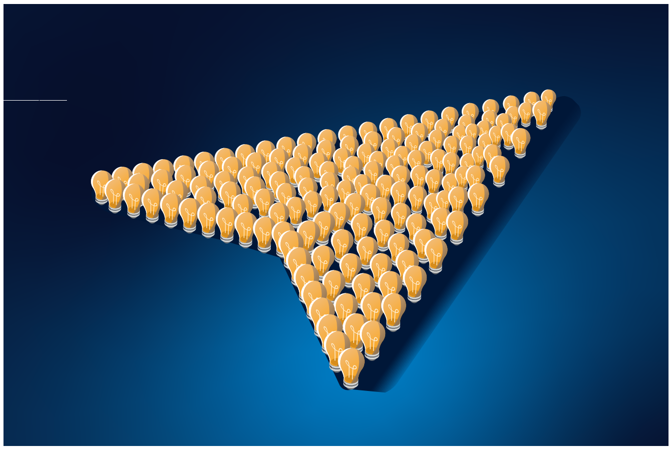
Navigating Regulatory and Ethical Issues

Organizations must ensure compliance, fairness, and model transparency when deploying AI systems. This requires establishing clear governance policies, implementing bias detection mechanisms, maintaining audit trails for AI decisions, and ensuring regulatory compliance across all AI applications, particularly in heavily regulated industries like financial services and healthcare.

Bridging the AI Talent Gap

The shortage of AI expertise represents a critical bottleneck for many organizations. Companies can address this challenge through multiple approaches: hiring experienced professionals, upskilling existing employees through comprehensive training programs, partnering with educational institutions, and leveraging partnerships to build internal capabilities while accessing specialized expertise.

Additionally, organizations frequently struggle with deployment infrastructures that are ill-equipped to handle the scale and complexity of AI models. Lacking a unified approach to AI implementation, efforts are often disjointed and lack coherence across the business.



Ensuring Human Oversight

Balancing automation with essential human judgment and expertise remains critical for successful AI deployment. Organizations must establish clear boundaries between automated processes and human decision points, define escalation procedures for complex situations, and ensure that AI recommendations are interpreted within appropriate business contexts while maintaining human accountability for critical decisions.

Too often, AI initiatives operate in isolation—misaligned with the business outcomes they are intended to support. While many organizations invest heavily in AI technologies, they often fail to link these investments to tangible business objectives. This disconnects results in underutilized AI capabilities and missed opportunities for operational optimization and value creation.

To address these barriers, organizations are investing strategically to build strong data governance frameworks and fostering cross-functional collaboration. By bringing cross-functional teams together, organizations can take a unified approach to AI—connecting technical capabilities with tangible business outcomes. Establishing ModelOps platforms—dedicated environments for deploying, monitoring, and refining AI models—helps industrialize AI and embeds it seamlessly into enterprise operations.

According to Infosys, AI-first models are evolving into agentic systems capable of autonomously driving innovation and decision-making, embedded across customer journeys, supply chains, and strategic planning.

"The key to overcome the challenges of scaling AI lies in recognizing AI not as a standalone tool, but as a core capability embedded into organizational DNA. By focusing on ethical governance, trust-building, and a culture of continuous learning, organizations can unlock the true potential of AI and ensure its sustainable growth within their operations," says Jeff Kavanaugh, Head at Infosys Knowledge Institute.

Measuring the ROI of AI Investments

Defining Key Performance Indicators (KPIs)

Measuring AI success requires establishing clear, specific metrics that align with business objectives. Effective KPIs extend beyond technical performance to encompass business impact metrics such as revenue growth, cost reduction, customer satisfaction improvements, and operational efficiency gains. Metrics might include time savings from process automation, accuracy improvements in forecasting, reduction in manual errors, and increases in customer engagement rates.

Calculating Efficiency Gains

Quantifying efficiency gains from AI implementations provides concrete evidence of value creation. This involves measuring improvements in process speed, resource utilization, and output quality. Common efficiency metrics include reduction in processing time, decrease in manual effort required, improvement in first-time accuracy rates, and optimization of resource allocation. Comprehensive analysis should account for both direct benefits and indirect effects such as improved employee satisfaction and reduced turnover.

Attributing Portfolio Growth to AI

Linking AI initiatives to portfolio company growth requires sophisticated measurement frameworks that can isolate AI impact from other performance factors. This attribution analysis might involve comparing performance between AI-enabled and non-AI processes, conducting controlled experiments, or using statistical methods to separate AI effects from other variables. The goal is demonstrating clear causal relationships between AI investments and measurable business outcomes.

Readiness for AI-First Success

Readiness is the cornerstone of successful AI-first operating models. Without strong foundations—clean data, scalable infrastructure, and strategic alignment—AI initiatives risk fragmentation and fall short of delivering meaningful impact. To unlock AI's full potential, organizations must be ready to integrate these advanced systems seamlessly into their everyday operations.

The Infosys Enterprise AI Readiness report highlights that while executives view AI as a transformative force akin to a new industrial revolution, many companies lack the foundational elements needed for enterprise adoption. Research shows that enterprises expect an average productivity gain of 15% from current AI projects, with some targeting up to 40%.

Despite these growing ambitions, only 2% of organizations are truly ready across the five pillars of AI readiness: talent, strategy, governance, data, and technology.

Technology readiness remains the largest gap, with just 9% of companies equipped with essential AI capabilities, including machine learning frameworks, prebuilt algorithms, and dynamic computing. Data accessibility and accuracy are also major obstacles to effective AI adoption. Addressing these readiness gaps requires a culture of innovation and integration.

"Readiness can't be assessed in isolation; it has to be viewed in the broader environment," says Hulett. "Assess portfolio companies against two key indicators: market disruption and ability to adapt. High disruption with low readiness signals urgent challenges, while high disruption with high readiness highlights companies positioned to lead and capture outsized opportunities."

Organizations positioned for value creation exhibit robust data governance, empowered teams, and well-defined roadmaps that tightly link AI initiatives to measurable business outcomes. With the right readiness in place, AI can serve as a catalyst for sustained growth and innovation, enabling businesses to stay ahead in an increasingly AI-driven world.

Ben Rogers, Head of AI Value Creation at Permira, adds that readiness cannot be treated as a checklist, as it's about integration. "Companies might have the right data or tools, but without cultural and leadership readiness, they won't unlock full value."

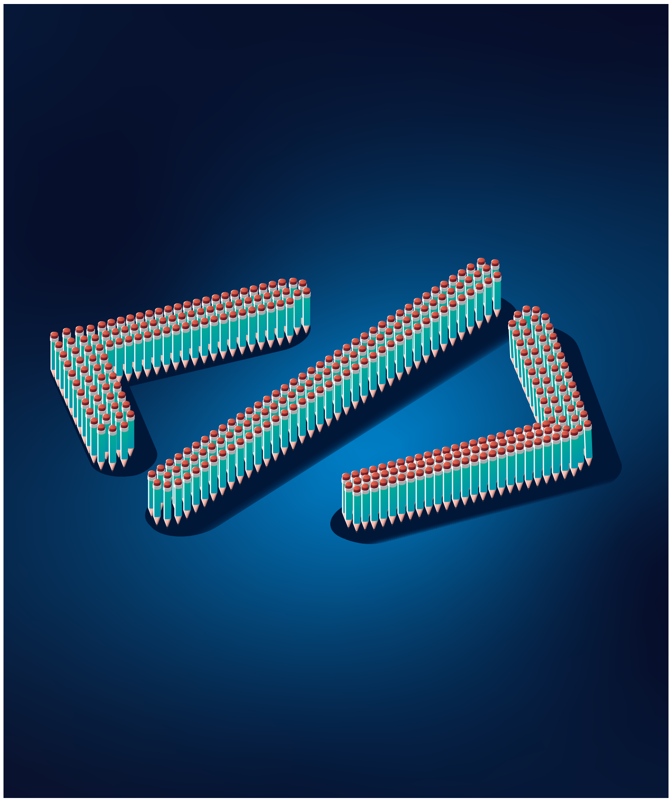
The Rise of the Chief Technology and Operating Officer

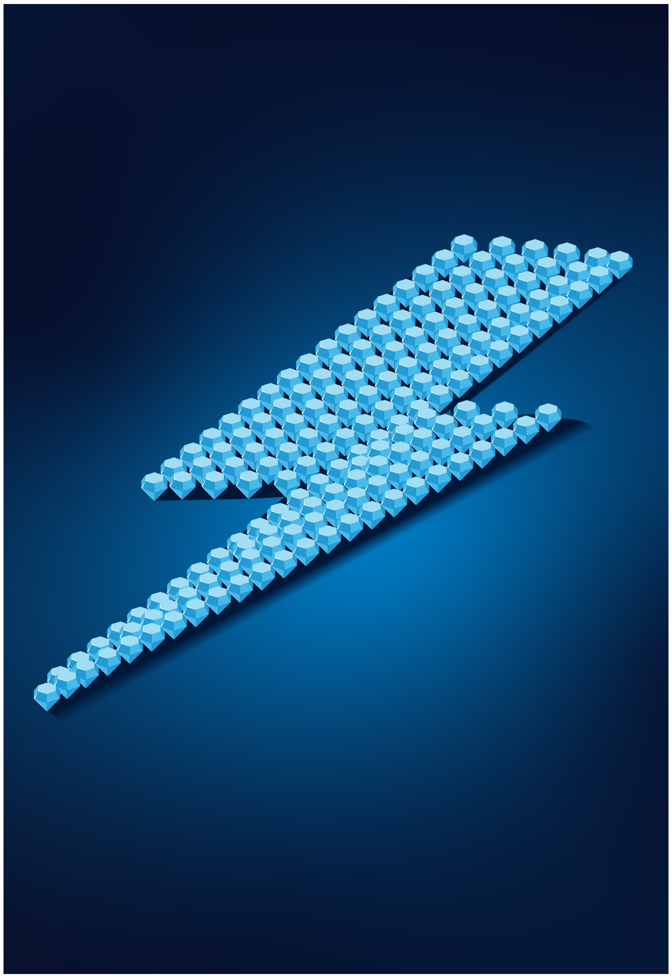
As portfolio companies advance deeper into the AI-first landscape, leadership structures are evolving to keep pace. Hybrid tech-operational roles are emerging as a strong indicator of AI-first transformation in private equity portfolios.

One example is the Chief Technology and Operating Officer, a role that integrates traditional operational oversight with AI-driven transformation capabilities.

As Rogers notes, driving transformation at scale requires more than the technology team—it demands C-suite ownership. This has fueled the rise of the Chief Technology and Operating Officer—a role combining operational expertise with an AI-first mindset.

“The role demands a P&L ownership mentality, deep knowledge of the business, and the ability to translate the art of the possible in AI into practical strategy. Crucially, the Chief Technology and Operating Officer can rally the organization, sell the transformation story to the frontline, and ensure AI isn’t just built but embedded into the way people actually work.”





Build the Future, Before It’s Built Without You

The move toward AI-first operating models highlights a broader lesson for private equity: lasting value stems not just from adopting new tools, but from understanding the business, aligning people and processes, and investing in readiness for change.

“Many companies lack a clear understanding of inefficiencies in their core business processes. Before rolling out any AI solution, it’s essential to identify and rank the top tasks where the business is wasting valuable time and resources. This prioritization ensures technology is applied where it creates the most value, rather than where tech vendors push their solutions.” says Lopez-Valcarcel.

Firms that invest in mapping processes, empowering strong leadership, and setting clear priorities will be best positioned to capture opportunities others miss. The next decade of value creation will belong to organizations that move decisively beyond pilots to deliver enterprise-wide impact, those invest strategically, empower leaders to drive change, and foster a culture of agility and continuous learning.

“The future belongs to firms that treat AI as a core business enabler, not just a technology initiative,” concludes Kavanaugh.

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