



## PRIVATE EQUITY PERFORMANCE IMPROVEMENT

# Generative AI Catalyst: A 6-Month AI Roadmap to Accelerating Transformation in Private Equity Portfolio Companies

This is the second installment of a three-part series from Alvarez & Marsal on the impact of artificial intelligence on private equity.

Generative AI uses algorithms, data sets and deep learning to create new content — including images, text and audio — and has the potential to automate tasks and support informed decisions. Private equity (PE) firms adopting generative AI quickly and integrating it into their portfolio companies' operations can significantly boost competitiveness, while those who don't may lag behind. This whitepaper offers guidance on leveraging generative AI's transformative potential by pinpointing high-impact use cases, assessing return on investment (ROI) and formulating a strategic implementation plan. By harnessing generative AI, PE firms can unlock immense value and stay ahead in the constantly evolving business landscape.

### KEY POINTS:

**PE portfolio companies can harness generative AI's potential by exploring its technologies, identifying high-impact use cases and carefully evaluating in-house versus external expertise to ensure competitive advantage and operational success. The key is to select a tool and start exploring the opportunities.**

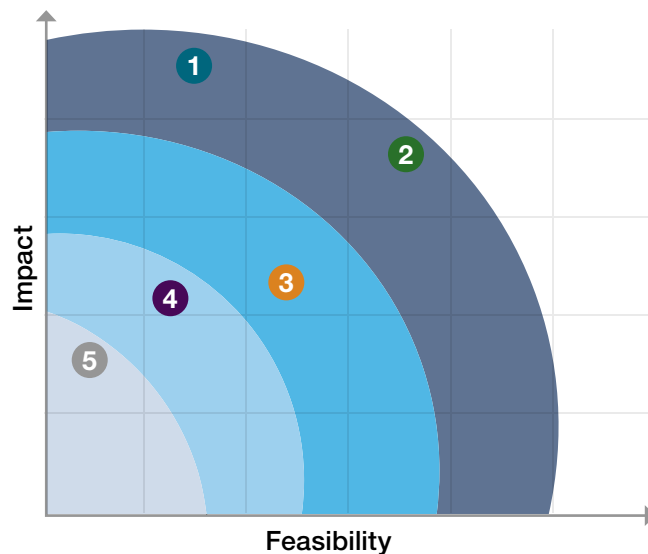
1. Generative AI holds the promise of enhancing decision-making, boosting efficiency and optimizing operations for PE portfolio companies.
2. To maintain a competitive edge, PE portfolio companies must explore generative AI technologies and consider various implementation approaches.
3. Practically adopting generative AI starts with pinpointing high-impact use cases tailored to each company's distinctive needs and challenges.
4. Building in-house AI capabilities and partnering with external AI vendors both present benefits and obstacles. The optimal choice hinges on a portfolio company's digital maturity, resource availability and generative AI application complexity.

# 1. Identify Areas Where Generative AI Adds the Most Value and Efficiency Gains

To effectively implement generative AI within an organization, it's essential to identify areas where it can provide the most significant value and efficiency gains. This step involves listing potential use cases and prioritizing them based on the expected impact (high, medium or low).

## Measuring and Mapping Use Case Impacts and Feasibility of Generative AI Capabilities

Functions	Use Cases
 <b>Sales and Marketing</b>	<ul style="list-style-type: none"><li>• Lead prioritization</li><li>• Personalized content creation</li><li>• Customer segmentation</li><li>• Chatbot and virtual assistant</li></ul>
 <b>Customer Support</b>	<ul style="list-style-type: none"><li>• Customer issue categorization and prioritization</li><li>• Knowledge base generation and updating</li><li>• Resolution prediction and recommendation</li></ul>
 <b>Operations</b>	<ul style="list-style-type: none"><li>• Process optimization</li><li>• Forecasting and demand planning</li><li>• Data cleansing and preprocessing</li><li>• Logistics optimization and routing</li></ul>
 <b>G&amp;A</b>	<ul style="list-style-type: none"><li>• Expense categorization and tracking</li><li>• Risk assessment</li><li>• Anomaly detection</li></ul>
 <b>HR</b>	<ul style="list-style-type: none"><li>• Recruitment: job description generation and candidate screening</li><li>• Employee onboarding: personalized training material and documentation</li><li>• Performance analysis and personalized feedback</li></ul>
 <b>Legal</b>	<ul style="list-style-type: none"><li>• Contract review, analysis, and summarization</li><li>• Compliance monitoring and reporting</li><li>• Intellectual property management and analysis</li></ul>



- 1 Content Generations driven Use Cases
- 2 Knowledge Repository and Summarization Functions
- 3 Directional Analysis and Research
- 4 Contracts and Compliance Monitoring
- 5 Anomaly Detection Use Cases

Generative AI - Selection of Functional Use Cases

### Steps:

- **Conduct a thorough analysis of current pain points, bottlenecks and manual processes:** This will help management gain a clear understanding of areas where generative AI can be most beneficial.
- **Engage stakeholders and subject matter experts from various departments:** Gather insights into the daily operations of departments such as sales, marketing, finance, human resources, and IT to identify potential generative AI applications.
- **Prioritize use cases based on their potential ROI and feasibility:** Consider factors such as the complexity of implementation, required expertise, available data and the potential for quick wins or long-term benefits when deciding where to implement AI.

Focus on high-priority cases with maximum efficiency and feasibility. For example, content generation, knowledge repository related tasks, and documentation can be targeted initially to streamline processes and boost productivity. During the identification phase, management should consider involving stakeholders and subject matter experts to ensure a comprehensive understanding of potential use cases and their expected benefits.

## 2. Form a Cross-functional Implementation Team

Successful generative AI implementation will require a cross-functional team with expertise in various aspects of the organization's operations.



### Steps:

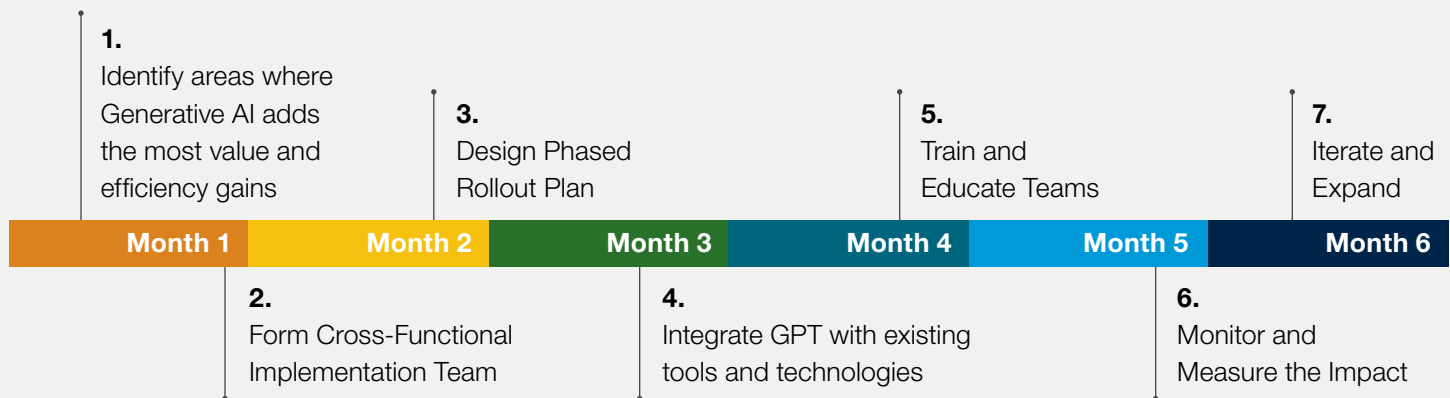
- **Assemble a team consisting of representatives from different functional areas:** Identify individuals with a strong understanding of the organization's processes and systems, as well as those with experience in AI and machine learning technologies.
- **Define roles, taking into consideration skills, knowledge and experience:** Create a project charter outlining the roles, responsibilities and expectations for each team member to ensure that they are leveraging generative AI's potential.
- **Encourage early feedback sharing:** Establish regular team meetings, brainstorming sessions and progress updates to facilitate knowledge sharing and problem-solving. Generative AI will entail a high degree of experimentation, so early feedback will be important.

The cross-functional team will act as the driving force behind generative AI implementation, ensuring that the technology is effectively integrated into existing workflows, systems and processes. Additionally, this team will provide valuable feedback, identify potential risks and recommend improvements to enhance the effectiveness of the solutions being deployed.

### 3. Design a Phased Rollout Plan

A phased rollout plan can help mitigate risks and enable the organization to gradually adopt generative AI capabilities. This approach allows for incremental adoption of the technology while minimizing disruption, optimizing resource allocation, and facilitating continuous learning.

#### A Six-Month Approach to Implementing Generative AI



#### Steps:

- **Develop a comprehensive project plan:** Create a project plan that outlines milestones, timelines, objectives, resource requirements and risk mitigation strategies.
- **Prioritize pilot project selection:** Begin the implementation process by selecting a high-priority pilot project that is manageable in scope and can demonstrate the potential benefits of generative AI to the organization. The pilot project should address a critical pain point, offer a high potential ROI and be feasible to implement within a reasonable time frame.
- **Establish evaluation criteria:** Before initiating the pilot project, determine a set of evaluation criteria to measure its success. These criteria may include factors such as process efficiency improvements, cost savings, customer satisfaction increases and manual task or error reductions.
- **Develop a roadmap for phased implementation:** Following the successful completion and evaluation of the pilot project, create a roadmap for implementing generative AI across additional projects, teams and use cases. This roadmap should be aligned with the organization's overall strategy and consider factors such as resource availability, budget and technology readiness.
- **Continuously review and update the phased rollout plan:** The phased rollout plan should be a living document, subject to regular reviews and updates based on progress, emerging challenges and evolving organizational priorities.

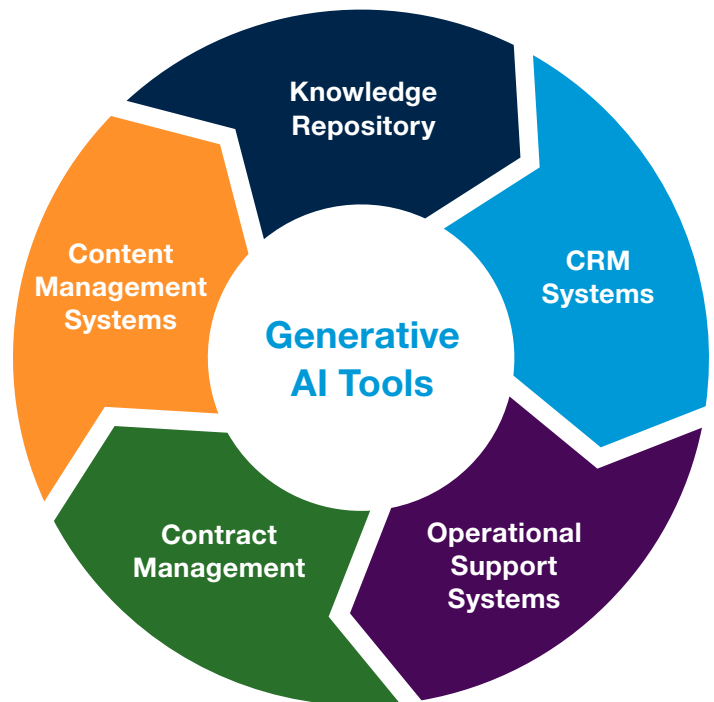
A phased rollout plan can help manage expectations, facilitate learning and minimize disruption to the organization. It enables the smooth adaptation of new processes and technologies, and increases the chances of a successful generative AI implementation.

## 4. Integrate Generative AI Technologies With Existing Tools and Technologies

Integrating generative AI solutions into existing tools and technologies is critical for ensuring its adoption and maximizing its benefits. Coordinating generative AI with the tools that teams are already using will help minimize friction and ensure that the transition is smooth and efficient. Following the steps noted in the above section will help your organization integrate generative AI technologies with existing tools and technologies.

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### Existing Technologies That Can be Supported with Generative AI



## 5. Train and Educate Teams

Effective adoption of generative AI technologies requires that teams be equipped with the necessary skills and knowledge. Providing training and educational resources can help ensure that employees understand how to use generative AI effectively and responsibly.

### Steps:

- **Conduct generative AI workshops and training sessions:** Organize workshops and training sessions focused on generative AI concepts and the specific generative AI applications relevant to the organization.
- **Provide resources for easy reference:** Develop guides, cheat sheets and FAQs that can be used as reference materials for employees. These resources should provide clear instructions on using generative AI, troubleshooting common issues and adhering to established guidelines and policies.
- **Encourage employees to share their experiences, challenges, and successes with generative AI:** Create channels for communication — such as dedicated Microsoft Teams channels, message boards or regular team meetings — where employees can discuss their insights and learn from one another.

Training and educating teams on the use of generative AI will not only improve their ability to leverage the technology effectively, but will also help to address concerns, manage expectations and foster a culture of innovation and continuous learning.

## 6. Monitor and Measure the Impact

To determine the success of generative AI implementation and justify continued investment in it, it's crucial to monitor and measure its impact on the organization's processes and performance. It's important to be ready to double down on promising results and to shift the approach if it's not yielding the desired outcomes.

### Potential Efficiency Gains from Generative AI

Functional Area	Generative AI Efficiency Levers (Rough estimates)	Potential Efficiency Gains (12 months post-implementation)
Sales & Marketing	<ul style="list-style-type: none"> <li>Automate lead qualification</li> <li>Enhance content creation</li> <li>Personalize customer outreach</li> <li>Streamline CRM updates</li> </ul>	5% to 15%
Customer Support	<ul style="list-style-type: none"> <li>Implement AI chatbots</li> <li>Enhance support knowledge base</li> <li>Streamline ticket triaging</li> <li>Reduce response times</li> <li>Identify at risk customers</li> </ul>	10% to 20%
Product / Research & Development	<ul style="list-style-type: none"> <li>Accelerate ideation process</li> <li>Improve requirements management</li> <li>Enhance code generation</li> <li>Optimize knowledge management</li> <li>Improve team collaboration</li> </ul>	15% to 25%
Procurement & Supply Chain Operations	<ul style="list-style-type: none"> <li>Automate repetitive tasks</li> <li>Improved demand forecasting / inventory management</li> <li>Optimize routing and scheduling</li> </ul>	5% to 15%
General & Administrative	<ul style="list-style-type: none"> <li>Automate repetitive tasks</li> <li>Improve document processing</li> <li>Enhance decision-making insights</li> <li>Streamline communication efficiency</li> <li>Prioritize strategic initiatives</li> </ul>	5% to 20%

Generative AI – Risks and Opportunities

#### Steps:

- **Establish Key Performance Indicators (KPIs):** Define a set of KPIs that reflect the goals of generative AI implementation. These KPIs may include metrics such as process efficiency, cost savings, time savings, customer satisfaction and quality improvements.
- **Implement tracking and analytics tools:** Use tools such as business intelligence platforms, analytics software and performance management systems to collect data on the established KPIs.
- **Assess performance:** Schedule reviews of collected data to assess the impact of generative AI on the organization. These reviews should involve key stakeholders and help identify areas of success, as well as opportunities for the improvement or expansion of use cases.

By monitoring and measuring the impact of generative AI, management can demonstrate its value to their organization, make data-driven decisions about resource allocation and refine implementation strategy based on actual performance.





## 7. Iterate and Expand Usage

Continuous improvement is a critical aspect of implementing any new technology. As the organization gains experience with generative AI, it's essential to iterate on the approach, address improvement areas and expand usage across projects, teams and use cases.

### Steps:

- **Address improvement areas:** Based on the feedback and performance metrics gathered during the monitoring phase, identify areas where generative AI implementation can be improved. This may include refining generative AI models, adjusting integration strategies or modifying workflows and processes.
- **Apply lessons learned to subsequent phases:** As the organization gains experience with generative AI, use the insights gathered from the pilot project and initial phases to inform the strategy for future implementation efforts. This can help ensure that subsequent phases are more efficient and effective, leading to greater ROIs.
- **Gradually expand generative AI usage:** Once management has successfully implemented generative AI in the initial high-priority areas, begin to expand its usage to additional projects, teams and use cases. This gradual expansion allows the organization to maximize the benefits of generative AI while minimizing disruption and risk.

By iterating on generative AI implementation strategy and expanding its usage, management can drive continuous improvement, unlock new value and enhance the overall competitiveness of their organization.

## The Generative AI Imperative

PE funds should encourage their portfolio companies to adopt a plan for implementing AI, specifically generative AI, by focusing on seven key steps:

1. Identifying high-priority use cases
2. Forming a skilled cross-functional team
3. Designing a phased rollout plan
4. Integrating generative AI with existing tools
5. Educating teams
6. Monitoring impact using KPIs
7. Iterating and expanding the implementation

By following these strategic and action-oriented steps, organizations can successfully implement Generative AI, maximizing efficiency gains and driving long-term success

*The adoption of generative AI within PE portfolio companies requires a strategic and structured approach. By following a tactical approach, organizations will be better positioned to implement generative AI effectively, harness its potential and ultimately reap the rewards of increased efficiency and productivity.*

### About the Series

This series aims to explore the transformative effects of generative AI, a groundbreaking AI language model, on private equity portfolio companies in a range of key industries and to provide insights into enhanced operational efficiencies through its implementation.

### Contact Us

To find out more about this opportunity please reach out to the authors.



**Jeffrey Klein**  
Managing Director  
[jklein@alvarezandmarsal.com](mailto:jklein@alvarezandmarsal.com)



**Anil Kumar**  
Managing Director  
[anil.kumar@alvarezandmarsal.com](mailto:anil.kumar@alvarezandmarsal.com)



**David Stass**  
Senior Director  
[dstass@alvarezandmarsal.com](mailto:dstass@alvarezandmarsal.com)



**Kyle Steffens**  
Director  
[ksteffens@alvarezandmarsal.com](mailto:ksteffens@alvarezandmarsal.com)

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