



Executive  
Perspectives

# AI-First Companies Win the Future

Private Equity: Value Creation in Portfolio  
Companies

*January 2026*

## Introduction

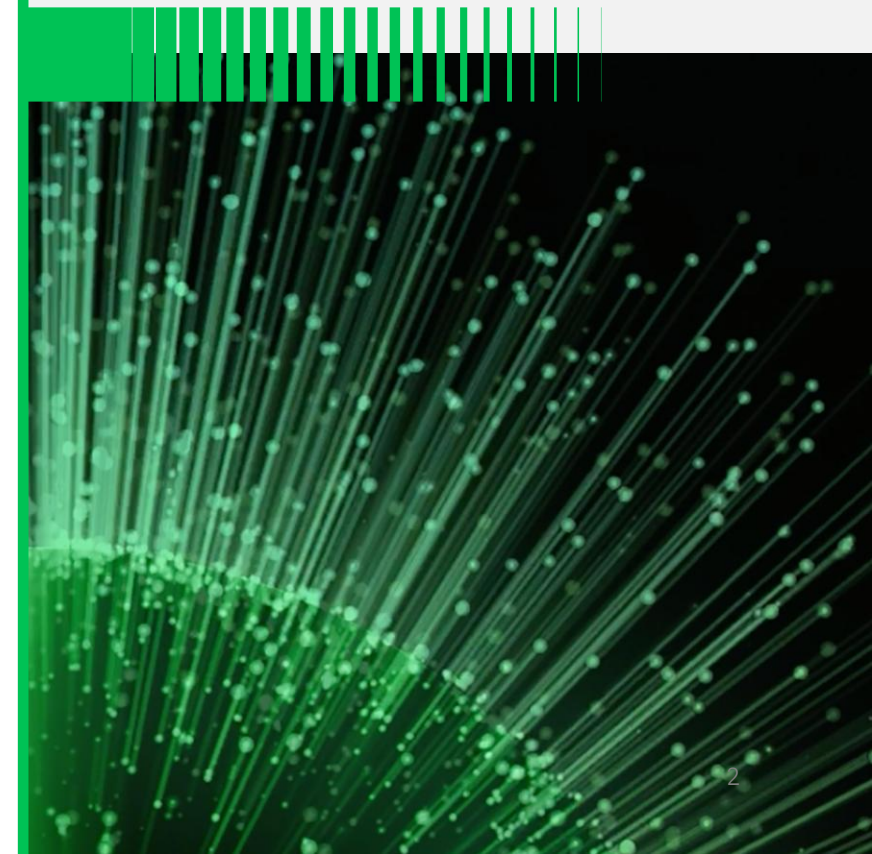
We meet often with CEOs to discuss AI – a topic that is both captivating *and* rapidly changing. After working with over 2,000 clients in the past 2+ years, we are sharing our most recent learnings in a new series designed to help CEOs navigate AI. With most sectors going through major shifts, the focus in 2026 is on how to leverage predictive, generative, and agentic AI to **fully transform organizations and create new sources of competitive advantage.**

In this edition, we discuss the future of Private Equity, and the role AI will play in turbocharging growth. We address key questions on the minds of executives:

- How can I leverage AI to win with the new economic equation?
- What does an AI-first enterprise do?
- What are sector leaders doing differently, and how are they using AI solutions to accelerate their transformation?
- How do I get started, and how do I get this right?

**This document is a guide for PE executives to cut through the hype around AI and understand what creates value now and in the future.**

**In this BCG  
Executive Perspective,  
we articulate the vision  
and value of the future  
of private equity with AI**



# AI impacts the entire investment lifecycle; This document focuses on value creation within portfolio companies

Learnings from AI value creation in the portfolio inform new deal sourcing and investment decisions (e.g., AI-enabled operational gains can be accounted for in new underwrites)



## Key success factors before

Strong historical returns, stable limited partnership (LP) relationships, and a credible investment narrative	Deep networks, sector specialization, and a robust deal pipeline	Rigorous diligence process and sound judgment based on experience	Proven ability to negotiate favorable terms and manage risk	Operational efficiency, cost reduction, and playbook-driven improvements	Exit timing and positioning based on experience, holding periods, and market intuition
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## Key success factors now

Differentiated AI strategy for sourcing, due diligence, and value creation for LPs	Demonstrated use of AI to expand and prioritize deal flow	Ability to evaluate target positioning in an AI-first world and management's AI vision and capabilities	Structuring deals to enable post-close data integration and AI value creation  Underwriting appropriate levels of AI potential	Use of AI to drive topline growth or margin growth across the portfolio	Compelling AI growth narrative that commands a premium valuation
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Focus of this document



# Executive summary | AI can deliver outsized value for portfolio companies

## WHY

is now the right time to act

- LPs expect higher returns on PE investments in light of AI developments – new revenue streams and greater productivity should produce higher margins
- Therefore, general partners (GPs) must have a clear AI investment thesis and strategy for portfolio value creation

## WHAT

Does an AI-first PE portfolio do

PE firms should pursue a combination of three strategic AI plays to drive value in the portfolio

- **DEPLOY:** Set **portfolio-wide** mandates for each company to buy and use **general-purpose and/or horizontal AI tools** (e.g., ChatGPT, Perplexity, Glean, low-code/no-code AI agent builders)<sup>1</sup>
- **RESHAPE:** Redesign **core business functions and processes to be AI-first** in **most portfolio companies**
  - **Invest in change management** across the end-to-end workflow to ensure that AI tools are properly leveraged
  - Most PE-backed companies should **adopt mature third-party tools** and prioritize Reshape in functions with higher AI third-party tool maturity (e.g., R&D, sales, marketing, customer success, customer service)
- **INVENT:** Selectively invest in high risk and high reward projects to build **new business models and revenue streams**
  - Prioritize companies exposed to high AI disruption; allocate dedicated funding and balance Invent initiatives against existing deal model execution pressures

## HOW

to start the journey to transform the portfolio to be AI-first

There are misconceptions that simply 'adopting the right standalone tools and pushing usage' will drive P&L uplift, but for measurable impact, sponsors must play an active role in the change management of portfolio companies

- Set a clear **vision and strategy with AI** at the forefront of value creation plans across the portfolio
- **Prioritize** portfolio companies and then specific AI use cases for each; then **spend** real dollars
- **Hire and upskill** both the entire PE value creation team and portfolio company leadership – all functional leads need to be AI fluent, not just the head of AI
- Focus on **change management** – embed members of the value creation team or third-party support to ensure the transformation of operating model, talent, and tools will last

1. Non-exhaustive examples; Not an endorsement of specific tools or software partners

# There are high expectations for AI to drive higher returns, but many companies are still in the early days of capturing measurable impact

LPs and PE firms have high expectations for AI to deliver higher alpha & stronger returns...



Improve portfolio companies' margin profiles by using AI to drive operational efficiency

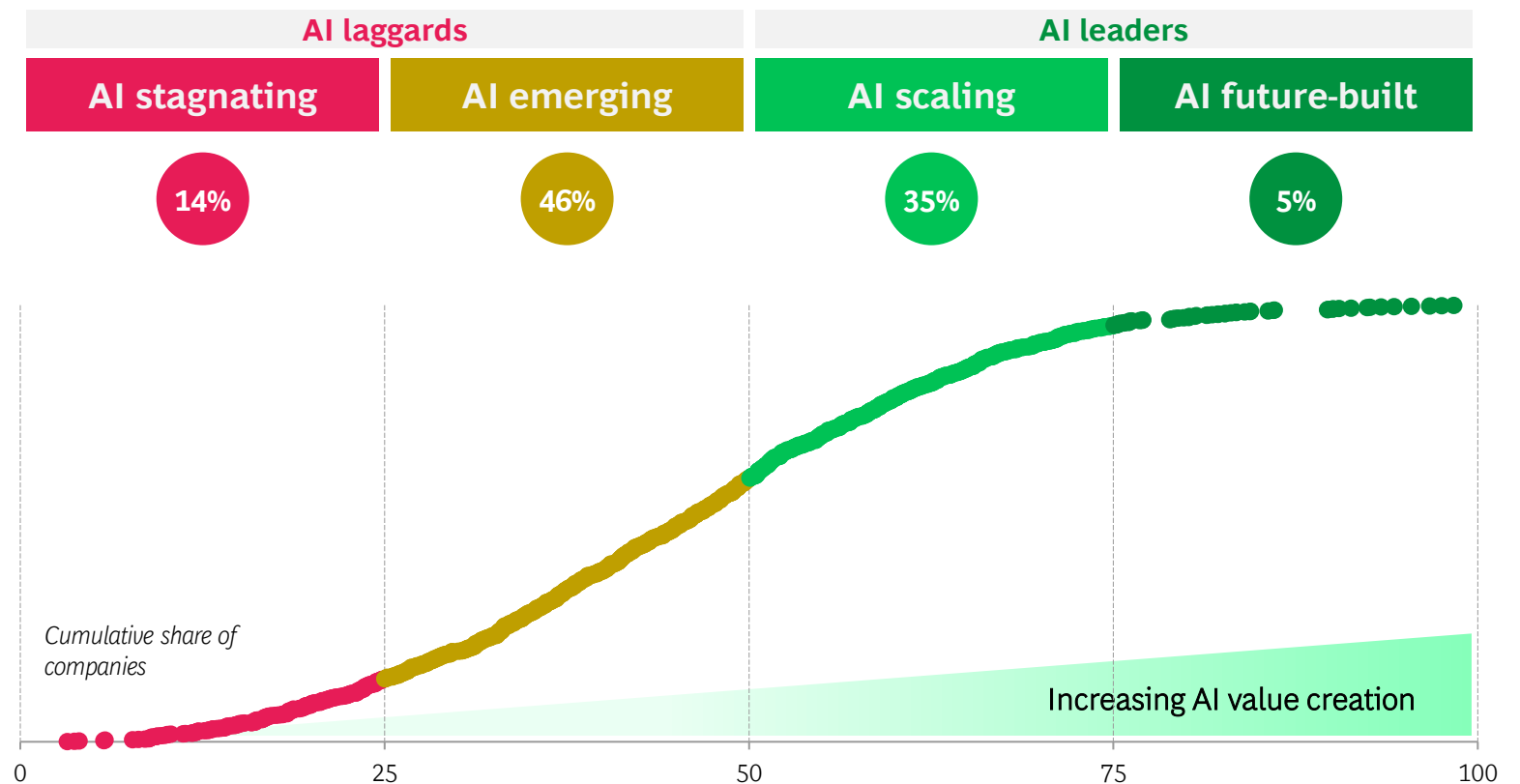


Modernize legacy portfolio companies to defend against newer AI-native challengers



Unlock revenue streams and business models through AI-native offerings

... but ~60% of companies have yet to realize measurable value from AI



Note: n = 1,250  
Source: BCG Build for the Future 2025 Global Study.

# Private equity firms also have unique structural challenges when it comes to transforming the portfolio to be AI-first

## Investor challenges

<b>Scaled PE investor challenges</b>	<b>Financial targets</b>	Quarterly EBITDA targets and LP reporting are at odds with levels of spend required for transformative AI operational or product plays
	<b>Dedicated holding periods</b>	Hold period (about 5 years) may end before AI investments pay off or the full value is realized
	<b>Reliance on playbooks</b>	Relying on playbooks can be at odds with AI initiatives when the impact or opportunity is not fully defined and they need to be rewritten for a value creation approach in the AI age

<b>Scaled PE portfolio company challenges</b>	<b>Prioritization</b>	Focus on series of incremental or small bets rather than a handful of big bets, particularly if the bet is not part of the underwriting
	<b>Technology readiness</b>	Existing (and sometimes legacy) data structures, telemetry, or technical architecture can slow AI deployment

## Implications for investors

Dedicate standalone P&L and budget for AI initiatives; consider AI value potential in future underwriting

Prioritize AI initiatives: pursue high-impact, longer-range use cases early in the holding period; index toward quick wins later<sup>1</sup>

Support portfolio company measured experimentation and failure; document lessons learned and build new targets and playbooks

Push company executives to own their AI strategy with investor guidance and support on transformational plays

Assess technology stack at each company; prioritize most urgent redesign based on assessment and AI value potential

1. Also educate future investors on the opportunity of in-flight AI initiatives as portfolio companies transact (e.g., as part of the equity story).  
Source: BCG analysis.

# Case studies | Proof points exist of companies capturing real AI impact, indicating the value that PE firms can generate

## Case study



**A SaaS company transformed customer success** with an AI client-management process

## AI use case

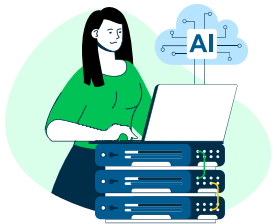
- AI sales recommendations at each customer touchpoint
- AI targeting to prioritize high-potential new clients

## Realized impact

**53%**  
uplift in cross-sell and upsell

**25%**  
reduction in churn rate

**8%**  
ARR uplift by month 12



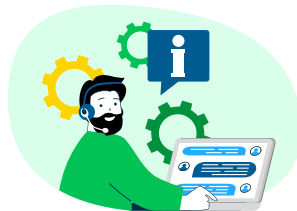
**A beauty company redefined supply chain** planning with an AI business-planning platform

- Automated forecasting with advanced signal integration
- AI demand simulation to optimize inventory

**15%-30%**  
reduction in inventory levels

**2%-3%**  
lower logistics costs

**2%-4%**  
increase in revenue



**A leading asset manager reimaged customer service** operations with GenAI

- AI client self-service experiences
- Agent assist capabilities like playbook and postcall summaries




**30%**  
cut in OPEX

**30%**  
reduction in call volume

**25%**  
decrease in average handle time

Note: ARR = annual recurring revenue; opex = operating expenses.  
Source: BCG case experience; BCG analysis.

# Sponsors need to determine which of three distinct AI plays are most relevant for each portfolio company

	<b>DEPLOY</b> <b>Adopt general-purpose AI tools for use cases across daily work</b>	<b>RESHAPE</b> <b>Redesign core business functions to be AI-first</b>	<b>INVENT</b> <b>Selectively invest in new business models or value propositions</b>
Strategic AI play	<b>Build the AI table-stakes muscle</b> <ul style="list-style-type: none"> <li>Buy enterprise-wide AI tools (e.g., ChatGPT, Perplexity, Glean, low-code/no-code platforms like n8n)<sup>1</sup></li> <li>Ensure robust training and enablement to deliver impact</li> <li>Negotiate cross-portfolio enterprise buying agreements with the largest tool providers</li> </ul>	<b>Transform full operating model: processes, tools, talent</b> <ul style="list-style-type: none"> <li>Prioritize the greatest opportunity functions, where there are mature third-party tools and the function is a sizable portion of P&amp;L</li> <li>Sufficiently invest in change management across the E2E workflow</li> </ul>	<b>Design new revenue streams or business models</b> <ul style="list-style-type: none"> <li>Create a new customer value proposition with a high-risk, high-reward bet; often vertical- or end-market specific</li> <li>Be prepared to invest heavily; beneficial to have ringfenced funding to manage pressures to balance with original deal terms</li> </ul>
Portfolio relevance	 All portfolio companies; universal deployment	 Nearly all portfolio companies; develop a playbook for each critical function	 Select portfolio companies that are high-risk, high-reward and/or that are exposed to the highest AI disruption; create a bespoke strategy for each portfolio company
Typical owner	Value creation and management teams	Operating and value creation functional leads and management teams	CEO and Board
Measurable P&L impact	Table stakes; tangible ROI is hard to measure	Cost reduction and margin improvement	Step function revenue growth

**Deploy, reshape, and invent are not a progression; they are separate AI plays that should be considered and pursued independently or in tandem**

1. Not an exhaustive list of examples; not an endorsement of specific tools or software partners.  
Source: BCG analysis.

# Deploy | Build the AI muscle enterprise-wide by deploying horizontal and general-purpose tools

## SCOPE



### Identify the value

Rapid value diagnostic to size value pools across select portfolio companies

#### 1 Rapid value diagnostic

#### 2 Integration and dashboards

- Run a rapid value scan on preselected portfolio companies and job functions
- Identify high-potential use cases for off-the-shelf AI tools
- Establish infrastructure for usage dashboards, including data integrations, onboarding, and access for priority portfolio companies

*Off the shelf AI tool examples<sup>1</sup>:*

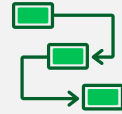
ChatGPT

Glean

Moveworks

.. etc.

## TEST



### Drive enablement

Drive enablement through targeted value sprints and GenAI telemetry

#### 3 AI enablement sprints

#### 4 ROI and upskilling

- Prep and run enablement sprints in roughly one to three job families of high-value workflows
- Design enablement strategy (e.g., top-down communications and training programs) to guide AI tool rollout
- Enable tracking of function- and portfolio company-level usage measurement and ROI insights

## SCALE



### Support for scale

Design the scaling playbooks and infrastructure for broader scale across portfolio

#### 5 Portfolio deployment strategy

- Codify lessons learned and build enablement playbook, including training strategy
- Stand up and enable a portfolio acceleration office to centrally manage resources and further rollouts
- Define a measurement control tower with consistent KPIs and reporting across the portfolio
- Identify the potential for portfolio-wide volume-purchasing discounts

1. Non-exhaustive examples; not an endorsement of specific tools or software partners  
Source: BCG analysis.

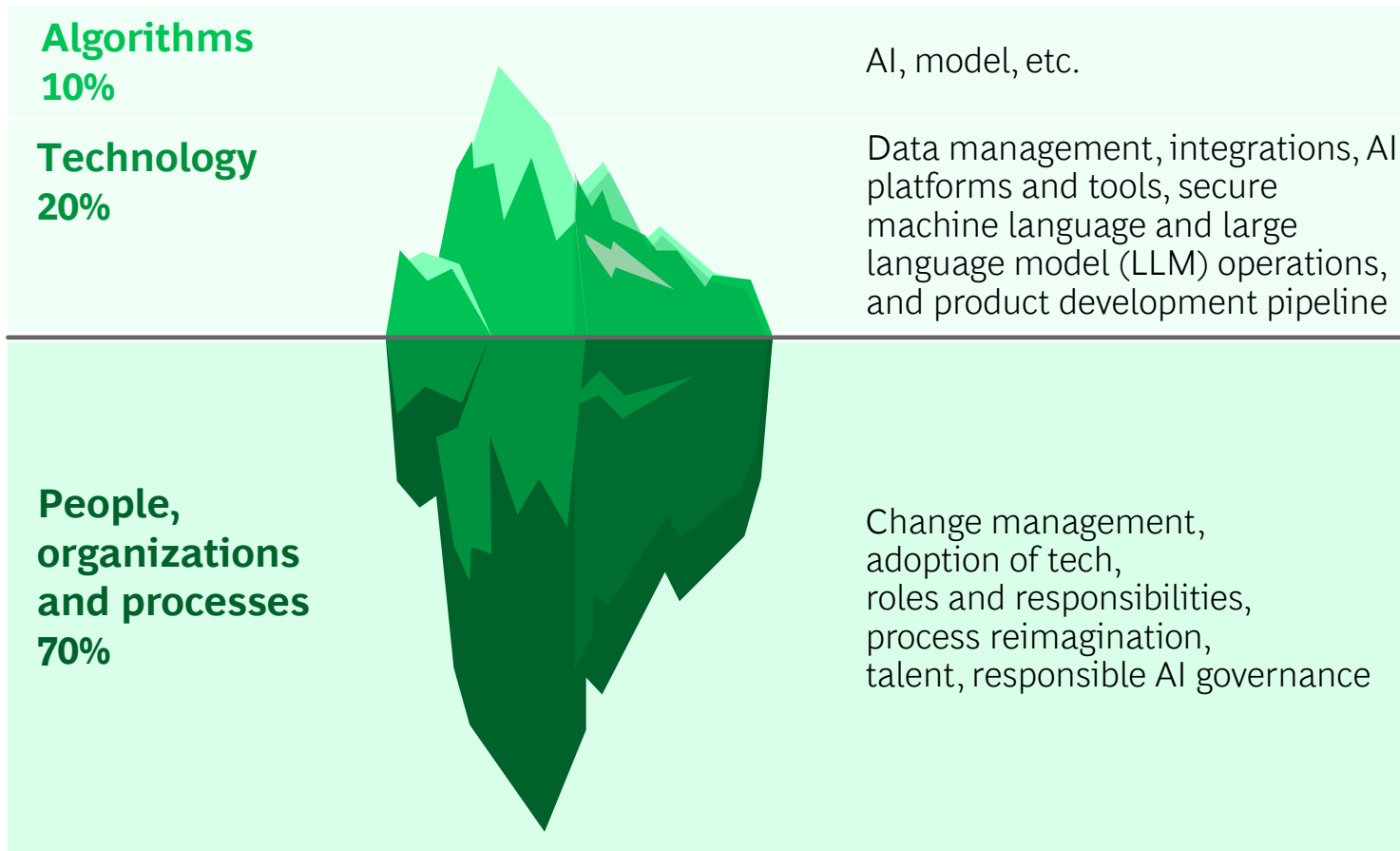
# Deploy | Key actions to succeed in executing the deploy AI play



## Five factors to deploy AI successfully

- 1 Spot and scale quick-win AI initiatives** for short-term productivity impact
- 2 Buy, don't build**, because horizontal AI tools are generally more economical and feature rich than those developed in-house
- 3 Upskill and educate employees to build AI fluency**; encourage adoption and promote best practices across the portfolio
- 4 Design and deploy dashboards** to track tool uptake and usage, but do not expect meaningful or measurable P&L impact
- 5 Codify lessons learned from each AI tool rollout** to create a repeatable enablement playbook portfolio-wide

# Reshape | The opportunity from Reshape initiatives requires change management of operating model and talent alongside new AI platforms



Source: BCG analysis.

“

The greatest returns on AI investment come not from the tools themselves, but from a strategic focus on the underlying organizational system

- Google Cloud DORA report 2025

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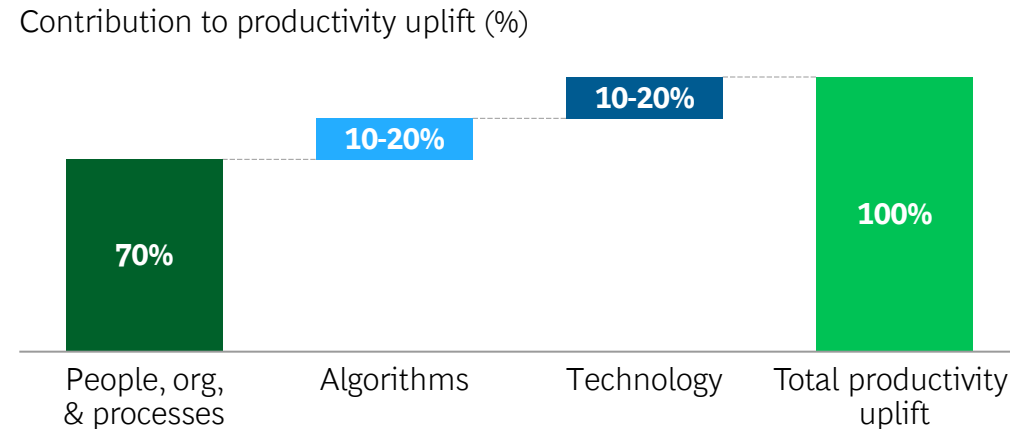
# Reshape case study | A technology company drives R&D productivity uplift via a complete change management effort – not just new coding tools

Illustrative BCG case example

## Context

- A technology company sought to double developer productivity
- While AI tools were deployed (among more than 80% of weekly users), the company had captured minimal productivity uplift
  - 50% of developers cited concerns with time to learn AI tools properly and code reliability

## Productivity uplift was driven by overhauling the software development life cycle (SDLC), not by just adopting coding tools



**Utilized seven change management and restructuring levers in its R&D organization (e.g., project management process, incentive restructuring, and measurement and monitoring)**

### Impact and value creation

**~60%** developer productivity gains from GenAI (vs. ~10% pre-kickoff), realized in code throughput

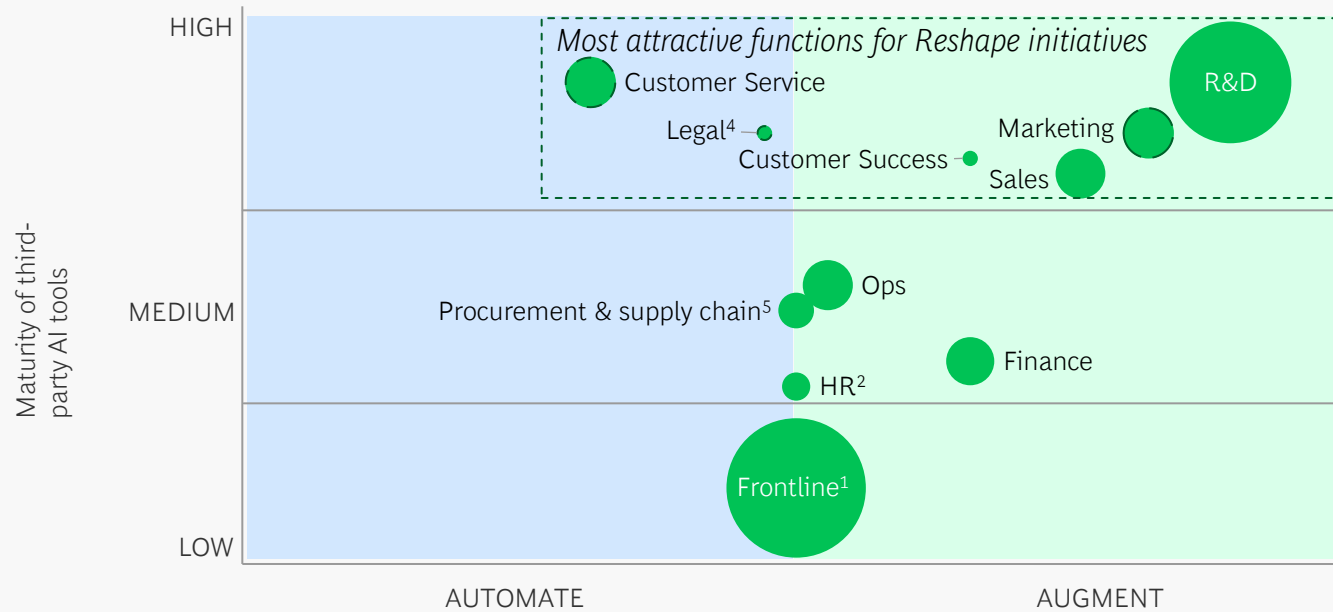
**~90%** of developers would recommend AI adoption sprints to another developer

**~12x** GenAI usage vs. pre-kickoff

# Reshape | Prioritize reshape initiatives in functions that have high P&L impact and mature third-party AI tools

## Prioritization of job functions for reshape initiatives

Illustrative, varies significantly by industry



Relative P&L impact of function<sup>3</sup>

High
  Medium
  Low
  Often outsourced function

1. Employees who directly provide the core product; the definition of frontline and employees' roles vary by vertical (e.g., nurses and doctors in hospitals, lawyers in law firms, retail associates in brick-and-mortar chains); the degree of automation vs. augmentation varies among frontline roles (e.g., kitchen staff are less likely to be automated, while inventory checkers are more likely). 2. Overall HR; maturity varies across the HR tech stack (e.g., Applicant Tracking System vs core Human Resources Information System). 3. Varies significantly by vertical, estimated roughly on head count. 4. While there are mature AI third-party legal AI tools, the small size of legal limits the reshape opportunity. 5. The P&L impact of the procurement and supply chain function varies with industry asset intensity; in asset-heavy verticals, the impact of the cost of goods sold is often outsized relative to the function's head count.

Source: Revelio Labs; BCG analysis.

### AUTOMATE: AI can do most of the job done by a human today

- More streamlined path to organization restructuring and P&L impact
- However, few roles can be fully automated

### AUGMENT: AI serves as a force multiplier, allowing humans to be significantly more productive, but AI only performs certain tasks and not the full job

- Creates complexity around path to P&L impact
  - Requires changes to workflows and effective tool usage to unlock productivity
  - Productivity release is not always redirected towards high-value-add activities
- Hence, requires reshaping of the organization, operating model, and so on, to capture the full value

### Most PE-backed companies should buy, not build, reshape tools given size of the companies and broad investment going into AI applications


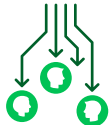



# Reshape | R&D, sales, marketing, customer success, and customer service present the greatest immediate opportunities for AI value

Overall priority	Function	AI functional capability	Maturity of 3 <sup>rd</sup> party AI tools <sup>1</sup>	Relative share of P&L <sup>2</sup>	
High	R&D	Augment	Augments product developers by automating low-value, repetitive tasks (e.g., debugging and product testing), enabling humans to focus on innovation	High	High
	Sales	Augment	Augments sales organization by conducting lead generation, initial outreach, and so on, freeing sales reps to focus on relationship development	Medium	Medium
	Marketing	Augment	Pushes marketers toward innovative roles (e.g., brand asset strategy) and provides rapid content creation and analytics to run more targeted campaigns	Medium	Medium
	Customer service	Automate	Replaces Tier 1 customer support roles; to a lesser extent, augments higher tier support by providing deeper customer inquiry information	High	Medium
	Customer success	Augment	Supports customer success with guidance and analytics to identify targeted upsell opportunities and reduce churn	Medium	Medium
Medium	Legal	Mixed	Automates contract review and document drafting—today, still need legal oversight for nuances or complex issues	Medium	Low
	Finance	Augment	Streamlines and automates certain accounts payable, accounts receivable, and reporting functions; high-value strategic planning and forecasting remain human led	Medium	Medium
	HR	Mixed	Automates recruiting, screening, and administrative tasks; people decisions remain largely human led, with potential for AI to assist with administration	Medium	Medium
	Procurement and supply chain	Mixed	Reduces cost of goods sold via better purchasing decisions, particularly in asset-heavy industries; high-value vendor negotiations are still human led	Medium	Medium
	Operations	Augment	Optimizes scheduling and coordination	Medium	Medium
Low	Frontline <sup>3</sup>	Mixed	Varies significantly by frontline role, with AI primarily augmenting roles with customer interaction, and automation being used for rules-based roles	Low	High

 High
  Medium
  Low

1. Relative maturity as of Q4 2025, with the innovation opportunity existing across all functions. 2. Varies significantly by vertical; accounts for outsourced costs. 3. Employees who directly provide the core product; definition of frontline and employees' roles vary by vertical (e.g., nurses and doctors in hospitals, lawyers in law firms, retail associates in brick-and-mortar chains). Note: Function relevance and attractiveness vary by industry. Source: Revelio Labs; BCG analysis.

# Reshape case studies | Across industries, companies have pushed AI initiatives into high impact functions to realize value and cost savings

	Reshape focus	Reshape initiative	Impact delivered
 <b>R&amp;D</b>	B2B software company <b>increasing developer productivity</b>	<b>Restructured SDLC with GenAI programming tool</b> Adjusted operating model and SDLC to incorporate tooling in phased pilot approach of third-party programming GenAI tool	<b>15-25%</b> Programmer productivity improvement <b>2x</b> Share of developers using GenAI tool vs. pre-pilot
 <b>Sales</b>	Global logistics company <b>accelerating RFP process</b>	<b>Transform RFP and proposal process</b> Redesigned sales process with AI-powered RFP solution that automates document analysis and proposal generation to accelerate bid responses	<b>40-50%</b> faster proposal creation <b>10%</b> increased proposal win rate
 <b>Marketing</b>	Consumer health firm <b>streamlining marketing material development</b>	<b>Reshape marketing campaign process</b> Create continuous marketing output for global brands and products with GenAI tool for content generation and localization across 10+ markets	<b>~35%</b> Cost efficiency improvement <b>75%+</b> quicker material development <b>~75%+</b> marketers leveraging GenAI
 <b>Customer Service</b>	BPO <b>reducing handling time and improving service quality</b>	<b>Revamp service and handling workflows</b> Restructure service workflow and implement a GenAI-powered platform that guided agents	<b>15-20%</b> reduction in Average Handling Time <b>90%+</b> agents reported improved efficiency and desire to continue using the tool
 <b>Customer Success</b>	Insurer <b>improving customer retention and reducing discounting</b>	<b>Transform customer retention strategy</b> Redesign customer retention strategy around AI-based customer retention model that optimizes for customer interactions and provided discounts	<b>~10%</b> increase in customer retention <b>~30%</b> decrease in discount expenses to retain customers

# Reshape case study detail | Companies restructure and transform functions to unlock Reshape benefit

	Sales	Customer service
	Global logistics company accelerating RFP process	BPO firm reducing handling time and improving service
<b>Reshape focus</b>	Sought to better manage sales documentation to enable sales teams to <b>respond to RFPs with greater accuracy and speed</b>	Faced pressure to <b>reduce operating costs and boost customer satisfaction</b> Had previously deployed GenAI tools but failed to recognize benefit
<b>Workflow transformation</b>	<b>Mapped sales workflow from opportunity to proposal</b> , and pinpointed areas where GenAI could accelerate and enhance the process <b>Redesigned sales teams and workflows</b> away from low-value activities (e.g., data collection) towards high-value relationship and customization tasks	<b>Introduced GenAI agent tool in larger organization restructuring</b> , which included standing up an AI transformation office, AI upskilling of leadership, and employee AI engagement <b>Designed phased implementation strategy</b> , continuously refining workflows based on feedback
<b>AI tool used</b>	<b>GenAI document analyzer</b> , which reviews, summarizes and compares sales documents	<b>GenAI agent assist</b> , which provides coaching and search functions to service agents
<b>Impact delivered</b>	<b>10% increased win rate</b> from more time spent on high-value proposal customization and relationships <b>40%-50% faster proposal creation</b> enabling greater RFP volumes	<b>15-20% reduction in handling time</b> from employees leveraging AI tool in live calls (e.g., AI search) <b>≥ 90% adoption</b> due to Transformation Excellence operation restructuring

# Reshape | Reshape initiatives have the largest relative impact in technology, media and entertainment, and manufacturing verticals

Functions with greatest relative reshape opportunity by vertical<sup>1</sup>

Verticals	Reshape relevance	R&D	Go to market	Supply chain	Admin	Front-line <sup>2</sup>	Subsectors most relevant to Reshape initiatives	Sample Reshape impact <sup>3</sup>	How Reshape can support PE investment thesis (example)	
Tech, software and digital services	High	Highly relevant	Highly relevant	Limited	Limited	Limited	<ul style="list-style-type: none"> <li>SaaS and enterprise software</li> <li>IT infrastructure</li> </ul>	60%	Productivity gain across SDLC	Accelerate product launches without meaningful R&D hiring
Media and entertainment	High	Highly relevant	Highly relevant	Limited	Limited	Limited	<ul style="list-style-type: none"> <li>Streaming; digital media</li> <li>Digital advertising</li> </ul>	75-95%	Time reduction in ad production	Produce more tailored content, faster to improve engagement
Industrials and manufacturing	Mixed	Moderately relevant	Limited	Highly relevant	Moderately relevant	Moderately relevant	<ul style="list-style-type: none"> <li>Automotive and mobility</li> <li>Electronics manufacturing</li> </ul>	3-5%	Margin uplift from improved pricing	Increase throughput/yield/asset-productivity; reduce stock out
Retail and consumer	Mixed	Limited	Highly relevant	Moderately relevant	Moderately relevant	Moderately relevant	<ul style="list-style-type: none"> <li>E-commerce</li> <li>Fast-moving consumer goods (FMCG) firms</li> </ul>	5-10%	EBITDA uplift	More targeted sales to improve LTV and customer acquisition cost; optimize inventory
Business and professional services	Mixed based on service	Moderately relevant	Highly relevant	Limited	Moderately relevant	Moderately relevant	<ul style="list-style-type: none"> <li>Call centers</li> <li>Staffing services</li> </ul>	35-50%	Cost savings with digital agents	Automate basic processes so humans address complex cases
Transportation, travel, and logistics	Mixed	Limited	Limited	Highly relevant	Moderately relevant	Moderately relevant	<ul style="list-style-type: none"> <li>Airlines</li> <li>Freight and trucking</li> </ul>	5-6%	EBITDA uplift in airlines	Optimize routes and capacity to improve utilization/EBIDTA
Healthcare	Mixed	Moderately relevant	Limited	Limited	Limited	Limited	<ul style="list-style-type: none"> <li>Biopharma</li> <li>Diagnostics and imaging</li> </ul>	15-25%	Reduced clinical trial time	Deliver products to market faster with reduced trial times
Education	Mixed	Limited	Moderately relevant	Limited	Limited	Limited	<ul style="list-style-type: none"> <li>Online learning</li> <li>Higher education</li> </ul>	10-20%	Increase in enrollment yield	Personalize classes to improve enrollment; reduce delivery cost
Government services	Mixed	Limited	Moderately relevant	Limited	Limited	Limited	<ul style="list-style-type: none"> <li>Citizen and administrative services</li> </ul>	10-20%	Personnel cost savings	Reduce labor cost by automating parts of the services workflow


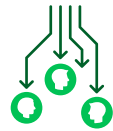



**Legend** High vertical relevance Low vertical relevance Function highly relevant Function moderately relevant Limited function relevance

1. Based on relative headcount and AI relevance 2. Definition / roles and relevance vary by vertical (e.g., nurses/doctors, lawyers, retail associates, call center reps) 3. BCG case experience Source: Revelio; BCG analysis.

# Reshape | Within the E2E workflow transformation, PE firms should generally leverage third-party AI tools as part of their reshape AI play

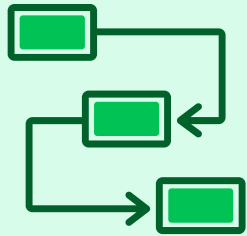
**As part of end-to-end workflow transformation, PE firms should generally buy mature third-party AI tools, given:**

- The size of PE-backed companies
- The complexity of heavily bespoke functional transformations
- The massive investment and development going into AI applications space

		Select tools <sup>1</sup>				
	<b>R&amp;D</b>	Claude Code Replit	Cognition	Continue	Cursor	OpenAI Codex
	<b>Sales</b>	Salesloft	Clay 6sense	Gong	Outreach	Piper Regie.ai
	<b>Marketing</b>	Northern Light	Adobe Marketing Cloud Plai	Blaze	Gradial Persado	Jasper Salesforce Marketing Cloud Mutiny Writer
	<b>Customer Service</b>	Totango	ChurnZero	Gainsight	Gong	Outreach Salesloft
	<b>Customer Success</b>	Decagon	Forethought	Intercom	Sierra	Zendesk

1. As of November 2025; Relevant tools will change as AI technology evolves; Non-exhaustive examples; Not an endorsement of specific tools or software partners  
Source: BCG analysis.

# Reshape | Key actions to succeed in executing the Reshape AI play




## Five factors to drive Reshape success

- 1 Prioritize Reshape initiatives in key functions and use cases** that most benefit from automation and greater efficiency, rather than attempting to reshape the entire organization at once
- 2 Push AI pilots in high-potential use cases**, even if the perfect benchmark is not available
- 3 Redesign function-level workflows end-to-end** to ensure that AI tools are properly leveraged (e.g., roles, organization structure, ways of working, etc.)
- 4 Hardwire value tracking to P&L impact with adoption and behavior incentives** (e.g., R&D throughput, service headcount, upsell rates); be willing to refine metrics
- 5 Default to buying third-party tools for general business functions**, building tools when function is core to business strategy (e.g., optimization for logistics)

# Invent | The Invent AI play is high investment, high risk, and high reward, suitable for companies exposed to high disruption or outsized opportunity

Relevance of Invent to company sector



	<b>Invent relevant to most companies</b>	<b>Invent relevant to some companies</b>	<b>Invent relevant to few companies</b>
<b>Description</b>	Value shifts rapidly as AI agents replace coding and content creation tasks; high exposure but large upside for innovation and scale	AI changes how value delivered but does not undermine core value prop; certain sub-sectors like digital commerce are more impacted by AI	Physical workflows limit AI substitution of core offering's value proposition; still opportunity for AI to improve operational efficiency
<b>Industry examples</b>	<ul style="list-style-type: none"> <li>Software</li> <li>Technology and digital services</li> <li>Media</li> <li>BPO</li> <li>Pharmaceuticals and biotechnology</li> </ul>	<ul style="list-style-type: none"> <li>Retail</li> <li>Healthcare providers</li> <li>Education</li> <li>Travel</li> </ul>	<ul style="list-style-type: none"> <li>Construction</li> <li>Transportation and logistics</li> <li>Government</li> </ul>

Note: Represents a broad and general view of disruption faced by industry. The level of disruption varies within sectors and at times even between companies within sectors  
 Source: BCG analysis.

# Invent case studies | A step change in revenue and margin is possible from focused and transformative approaches to the invent AI play

Case study		CPG created B2C channel through conversational AI agent	Financial data provider reinvents equity research product	Publisher transformed content creation
Context	Company	Beauty and personal care FMCG	Financial data provider	Academic content publisher
	Prior model	B2B sales; consumers interacted with brand through third-party retailers	Poor end-user experience, with end-users faced with overwhelming data volumes and tedious workflows	Manual, multi-cycle iteration and review process for all new and updated content
	Objective	Create industry's first personal virtual assistant to provide hyper-personalized beauty guidance	Reinvent user experience with improved insight into delivery and a commercial upside	Improve content creation timeline and quality, while reducing internal and external vendor costs
AI product	AI product build	Product built off structured and unstructured data and firm knowledge	Bespoke GenAI-powered research assistant	Bespoke platform built on top of off-the shelf LLMs
	New model	Transformed marketing process from touchpoints via third-party stores to B2C model with direct customer interactions	End users provide search criteria using conversational language, and an AI tool summarizes insights and drafts structured reports	Automate content creation and initial reviews, accelerating publishing timelines and human-in-the-loop review
		~ <b>2X higher ROI over traditional touchpoints</b>	<b>Grew from no revenue to more than ~\$100M in potential topline uplift</b>	<b>~40% reduction in the number of employee hours needed to publish a title</b>



## Five factors to drive Invent success

- 1 Prioritize Invent initiatives in select portfolio companies** with clear revenue upside (expanded value prop) and/or risk of AI disruption (from AI-enabled competitors), accounting for PE hold period and position
- 2 Set strategy at the executive level** with partnership across the C-Suite, deal team, and value creation leadership
- 3 Bet big** – do not get caught in the trap of developing incremental products that customers think they want
- 4 Commit consistent and meaningful investment;** often ringfenced from the rest of the P&L
- 5** Establish targets for success but **be willing to redefine targets or strategy;** there is no 'well-proven' playbook for AI product strategy

# Role of sponsor | A PE firm defines the vision, execution, and accountability to become an AI-first portfolio

	Lever	Sponsor role and action
Vision	Mandate	Make AI a board-level priority and <b>set measurable output targets</b> across the portfolio to drive leadership focus and accountability
	Strategy	Embed <b>AI explicitly in the value creation plan</b> (internal operations and as relevant, customer-facing product); define where AI can deliver defensible advantage and quantify <b>potential EBITDA impact</b>
	Prioritization	<b>Prioritize portfolio companies</b> (based on holding period, position, size, and relative opportunity) for targeted Reshape operational changes and Invent product transformations, before scaling portfolio wide
	Investment	Deal teams must <b>reassess and underwrite both market position and management's capability</b> to execute and scale AI initiatives, accounting for the upside EBIDTA potential of AI initiatives
Execute	Funding	<b>Be willing to spend meaningfully where Invent initiatives are necessary</b> as underinvestment may have inverse effects; must repeat and sustain spend across portfolio companies
	Value creation team talent	Build a <b>value creation team that is AI fluent</b> beyond just the designated AI leader; combine internal upskilling with selective hiring or external expertise to close capability gaps and accelerate delivery
	Portfolio company leadership	Ensure <b>portfolio company leadership is fluent in and dedicated to AI</b> ; upskill, hire, or supplement with external expertise to accelerate change
	Portfolio enablement	Build <b>portfolio-wide AI Centers of Excellence by function</b> ; share best practices, accelerate capability building, adjust incentives, establish change management playbooks, and codify reusable assets
	Governance	Embed AI targets into 100-day and value creation plans; <b>set clear guardrails and governance</b> to monitor execution, ensure ethical implementation, and ensure alignment with fund strategy
Enforce	Measurement	<b>Establish and track AI metrics</b> (e.g., adoption, automation, ROI, financial outcomes) at each portfolio company; refine targets, adjust resource allocation, and inform future underwriting accordingly

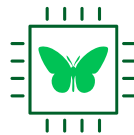
# AI efforts start with the people and capabilities

## AI roles



### PE value creation team

Value creation functional leads and AI capability lead



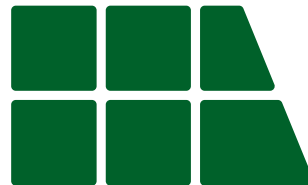
### Portfolio company leadership

e.g., CEO, CTO, COO



### Broader portfolio company

e.g., Function managers and professionals



## Implications on AI value capture

### Do not assume fund-wide AI expertise can sit with a single "Head of AI"

Commit to dedicated hiring and/or upskilling of value creation team's functional leads (e.g. GTM, R&D, supply chain)

### Hire and upskill portfolio company leadership to drive AI initiatives

Portfolio company leadership must be bought in to the power of AI; they do not all need data science PhDs, but need to be committed and educated

### Build or partner for scaled transformation delivery

PE firms need in-house capabilities or external partners to deliver AI transformation; successful change management requires sustained, embedded support

# PE firm case studies | BCG has supported PE investors at both the firm-level and individual portfolio company level

## Case study

### Fund and value creation team level

### Portfolio company level

#### Large scale PE firm

#### Large scale PE tech investor

#### Portfolio company 1 held by scaled PE firm

#### Portfolio company 2 held by scaled PE firm

## Context

Identify AI value pools across verticals in its broad portfolio

Identify portfolio companies that need the most support to remain competitive in AI world

Streamline data operations and decisions with AI in PE-owned insurance company

Identify opportunities to use AI to drive EBITDA uplift in portfolio company

## BCG-supported AI initiative

### RESHAPE

- **Outlined AI investment opportunities and risk** by each vertical
- Defined **required organizational enablers** to capture value
- Developed **readiness assessment framework**

### INVENT

- **Conducted a rapid assessment** of AI disruption opportunity and risk for each portfolio company
- **Identified and prioritized Invent product initiatives in portfolio companies** facing high AI disruption

### RESHAPE

- Developed a **change management strategy and user-training** roadmap
- Set up **ongoing governance and reporting** metrics
- **Achieved about 10% productivity uplift** for data teams due to reduced data query requests

### RESHAPE

- **Assessed cost takeout opportunities** within the value chain via AI
- **Developed understanding of customer, competitor, and regulatory** considerations from potential AI Reshape play

# More information | Read more about BCG's perspectives on how to enable AI-first companies in each industry

## Select sector-specific perspectives



### Consumer Products

The AI-First Consumer Products Company



### MedTech

The AI-First MedTech Company



### Automotive

The AI-First Automotive Company



### Airlines

The AI-First Airline



### Oil and Gas

The AI-First Oil and Gas Company



### Retail

The AI-First Retailer

## Additional perspectives



### Cross-Sector Perspective

How to Prepare for an AI-First Future



### ...and many more

BCG AI-First Executive Perspectives Collection

# BCG experts | Key Private Equity contacts for AI transformation

## Americas



**Greg Emerson**  
Tech Capital Global Sector Leader & AI Topic Expert



**Clark O'Niell**  
Tech Capital & AI Topic Expert



**Tanveer Kapadia**  
Private Equity & AI Topic Expert



**Braden Holstege**  
Tech Capital & AI Topic Expert



**Jan Rejeski**  
Tech Capital & AI Topic Expert



**Julie Bedard**  
AI Topic Expert



**Japjit Ghai**  
AI Topic Expert



**Amanda Luther**  
AI Topic Expert

## Europe, Middle East, and Africa



**Moritz Hagenmüller**  
Tech & AI Topic Expert



**Jad Rahbani**  
Tech & AI Topic Expert



**Benjamin Sheridan**  
Principal Investors Global Sector Leader and AI Topic Expert



**Nicolas De Bellefonds**  
AI Topic Expert & BCG X Leader



**Olivier Bouffault**  
AI Topic Expert & BCG X Leader



**Romain de Laubier**  
AI Topic Expert & BCG X Leader



**Robert Xu**  
AI Topic Expert & BCG X Leader



**Florian Schmieg**  
Tech Capital Topic Expert

## Asia-Pacific



**BCG**