

# Smart Industry

## How AI Is Reshaping Mid-Market PE- Backed Industrials

### Thought Leadership

Private equity (PE) firms are known for their disciplined approach to value creation—streamlining operations, executing strategic acquisitions, and embracing digital transformation. As artificial intelligence (AI) becomes a powerful enabler, mid-market PE firms are well-positioned to apply it across their portfolio companies (PortCos) in the industrial, industrial services, and manufacturing sectors.

AI is reshaping industries by boosting efficiency, enabling data-driven decision-making, and strengthening customer experiences. In response, PE firms are adopting AI across their industrial PortCos to unlock new opportunities for growth and profitability. With control over operations, access to transformation capital, and the ability to align management incentives with AI-powered metrics, PE sponsors are uniquely equipped to embed AI into value creation and scale it across portfolios.

This shift marks a move beyond traditional operational improvements toward future-ready, AI-enabled ecosystems. Now, PE-backed industrial and manufacturing businesses are leveraging technology to optimize performance, drive long-term value, and build sustainable competitive advantage in rapidly evolving markets.

## AI IN ACTION AT INDUSTRIAL PORTCOS

Mid-market private equity firms often invest in companies that are still scaling and vulnerable to disruption, so every advantage counts. With ongoing labor shortages, geopolitical risks, and rising tariff pressures, profitability is under strain. As a result, many firms are prioritizing AI initiatives that create operational efficiency and strengthen customer retention.

Yet, mid-market PE firms and their portfolio companies are still figuring out how best to implement AI to drive meaningful financial impact. While enthusiasm runs high, most companies focus on practical use cases that optimize resources, augment processes, and improve customer experience, all to expand margins and grow revenue. In industrial settings, AI is being used to improve asset utilization and reduce downtime through predictive maintenance. In fact, some industrial services companies have used machine learning models to forecast equipment failures, cutting unplanned outages. In manufacturing, firms augment quality control processes with computer vision to detect defects in real time, leading to fewer product recalls and reduced scrap costs.

On the customer experience front, industrial distributors are deploying AI-driven demand forecasting and intelligent inventory management to ensure product availability and reduce stockouts. An operating partner told Korn Ferry that one of their portfolio companies—a mid-sized HVAC supplier—used AI to personalize reorder alerts for its B2B clients, which resulted in an improvement in on-time delivery and a boost in repeat business. Early wins like this demonstrate the potential of AI, even as firms continue to test, learn, and scale what works best for their specific operating environments.

## SPONSORSHIP AI

At the firm level, AI helps identify hidden operational efficiencies, underutilized capacity, and pricing gaps during due diligence, leading to accelerated EBITDA improvements post-close. AI is also being used in the due diligence process and for identifying attractive target assets. For example, Ian Robertson, Technology Director at American Securities, says he evaluates target portfolio companies on AI maturity and potential opportunities as part of the due diligence framework.

At the same time, portfolio operations leaders are curating networks of AI startups to deliver plug-and-play solutions. By bringing ecosystem players together, PE firms are speeding up the adoption of AI. Through their PE sponsors, some mid-market companies can access AI tools and technical expertise that would otherwise be inaccessible. In this way, some private equity firms are even partnering with hyperscalers to build solutions for portfolio companies.

Robertson told Korn Ferry that “hyperscalers typically invest from their ‘innovation fund’ to develop solutions across a broad swath of value creation levers that multiple PortCos can benefit from.” It’s a win-win: PE firms sit at the center, orchestrating both the creation and adoption of these solutions.

## CASE STUDY: DEPOT CONNECT INTERNATIONAL

Depot Connect International (DCI), a KKR-owned industrial services business, plans to leverage AI in operational excellence and top-line growth. They are a one-stop shop for tank trailers and services that is beginning a bold digital transformation journey. To unlock new efficiencies and value, DCI is turning to AI.

To lead this charge, DCI appointed Vikas Parikh as Chief Information Officer. In the short time that Parikh has been there, working in close collaboration with the leadership team at DCI, he has outlined a strategic roadmap for AI adoption. The initiative prioritizes high-impact use cases designed to deliver both immediate wins and long-term transformation. Some of the prioritized use cases include:

- Deploy computer vision to fully automate the registration process when trailers come into the facility.
- Monitor floor-level security practices and policy compliance, such as ensuring technicians wear the required equipment for specific tasks.
- Use agentic AI to create a layer that integrates multiple systems, abstracts information, and automates workflows.

As CIO, Parikh’s priority is to streamline data systems within the company. He is actively collaborating with customers and technology partners to design, deploy, and train AI models tailored to the organization’s specific needs—laying the groundwork for scalable, data-driven innovation.

Recognizing that AI isn't a silver bullet, PE firms are aiming for tangible, incremental results, such as defect reduction and throughput improvement. To guarantee repeatable success, AI maturity assessments are becoming embedded in diligence playbooks, evaluating everything from tech infrastructure to C-suite mindset. Mid-market PE firms are operationalizing AI as both a strategic diligence tool and a tactical lever for portfolio transformation, emphasizing 4-6-week pilots and a "fail-fast" approach.

While these firms set ambitious goals and push boundaries to achieve abnormal returns, most understand that investing in AI will not result in game-changing value immediately. Instead, mid-market PE firms should aim to achieve incremental results—as long as those gains come quickly and predictably—recognizing that investments in AI, when made with the proper organizational structures and frameworks in place, will deliver long-term value. As Robertson notes, "As we think about a company from the sell-side, accelerating product development through AI may not have immediate value for us, but it will be a source of value for the next owner."

## THE TALENT EQUATION

As AI becomes a critical driver of value, mid-market PE firms are increasingly factoring AI fluency into their talent strategy, particularly when hiring CEOs and other senior leaders for portfolio companies. These firms are no longer just looking for operators who can execute traditional playbooks; they're prioritizing leaders with a clear perspective on how AI can improve operations, customer engagement, and margin expansion.

While change-ready leaders emphasize broader adaptive principles like agility, collaboration, and purpose-driven decision-making in uncertainty, our research shows that AI-ready leaders focus as sharply on navigating disruption, reskilling, and staying ahead of tech shifts.

These leaders:

- Commit to a long-term AI vision, even without immediate results
- Remain resilient through setbacks and adapt quickly
- Move fast, avoiding paralysis from success or failure
- Build AI literacy and encourage a growth mindset
- Address fears openly and build trust by leading with integrity
- Deliver impact, even when transformation is complex

Today, technology leadership roles are being filled with individuals who bring hands-on AI experience and can serve as catalysts for change across the portfolio. Some forward-leaning firms have already brought on AI-savvy operating partners to guide strategy and execution.

While only a few firms are formally building AI Centers of Excellence (COEs), many more recognize that a centralized approach can amplify impact. Most others are still in the early stages, opting for cross-portfolio playbooks or curated networks of AI vendors to scale proven solutions like predictive maintenance, pricing optimization, and demand forecasting. No matter the strategy, one thing is clear: AI capability, both organizational and leadership-driven, is becoming a differentiator in mid-market PE hiring and diligence strategies.

## AI ROADBLOCKS

Deploying AI in industrial companies presents several challenges. Many firms lack the foundational data infrastructure needed for effective AI implementation. Legacy equipment, fragmented systems, and inconsistent data formats can hinder model accuracy and scalability. What's more, industrial environments often face cultural resistance to change, especially from workforce segments unfamiliar with digital tools.

On top of that, there is a shortage of AI talent and people who have implemented AI within the industrial sector. PE firms can help solve many of these challenges, but they will need to be patient for results. Before quick results are visible, fundamental upgrades will need to take place.

## EXPERIMENTATION TO EXECUTION

Mid-market private equity firms are emerging as pragmatic yet powerful catalysts for AI adoption across industrial, manufacturing, and industrial services companies. By combining operational control, targeted capital, and a growing bench of AI-savvy leaders, they're accelerating the rollout of high-impact AI solutions—from predictive maintenance and quality control to supply chain optimization and margin enhancement. Increasingly, AI is embedded into diligence processes, leadership hiring, and portfolio operating models. While challenges around data maturity and cultural readiness persist, PE firms are overcoming them through cross-portfolio playbooks, curated vendor networks, and in some cases, early-stage Centers of Excellence.

AI is quickly moving from hype to hard value. Companies that wait too long to think strategically about AI risk being left behind. The firms that prioritize execution over experimentation—and build teams that understand both—will gain a meaningful competitive advantage and drive long-term outperformance.

## HOW WE HELP

At Korn Ferry, we partner with mid-market Private Equity firms and Portfolio Companies to help them unlock the full potential of AI as a value creation lever. Our consultants specialize in assessing and recruiting transformative leaders who bring not only operational excellence but also a strategic understanding of how AI can drive margin expansion, customer engagement, and scalable innovation to PE-backed companies across Industrials, Industrial Services, and Manufacturing.

**To learn more about how we are partnering with mid-market PE firms, contact one of our experts:**

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