

The AI Operating Partner: The Latest PE Portfolio Value Creation Role?

Thought Leadership

Technology operating partners have long driven digital transformation and ensured technology investments deliver value. But the rapid advancement of artificial intelligence (AI) has spurred the need for more specialized expertise. Concerns that traditional tech-focused leaders may lack the depth needed to maximize AI's potential have led some private equity (PE) firms to introduce a new position: the AI Operating Partner.

The concept of an "AI Operating Partner" in private equity (PE) firms is an emerging and evolving trend, especially as AI technologies become more integral to business. This role reflects the growing recognition among PE firms that not only is AI a game-changer, but it also needs specialized skills to strategize and deploy. AI will enhance operational performance and also reshape business models and commercial offerings.

THE ADVENT OF THE AI OPERATING PARTNER

Over the last few years, PE firms have contemplated whether the Tech Operating Partner should come from a digital or traditional IT background. Some even considered splitting responsibilities between a "Digital Operating Partner" and an "IT Operating Partner."

This debate caused consternation in the Tech Operating Partner community, as they believed they had the skills to oversee all aspects of digital and IT. Despite this, most firms ultimately had Tech Operating Partners oversee both digital and IT at the portfolio companies.

A similar debate is happening around AI. However, unlike previous trends, early evidence suggests the advent of a new role leading the AI agenda in PortCos: the AI Operating Partner.

Some large PE firms, including Apollo and Advent, have already introduced AI Operating Partners. Like Tech Operating Partners, AI Operating Partners can be full-time employees or part-time advisors. Either way, their presence shows that PE firms are committed to bringing AI expertise to their PortCos and making sure they do not fall behind in benefiting from AI.

Smaller PE firms may not yet have dedicated AI operating leaders, but they are far from behind in pursuing AI initiatives. In fact, some of the most notable examples of AI adoption within PortCos come from mid-market PE firms. While these firms may lack a standardized playbook, they take a more customized and bespoke approach focused more on creating a quick impact.

Speed to market is critical for PE firms. Firms want proof-of-concepts (POC) to take 2 to 4 weeks, and if they don't see potential within that time frame, they move on to the next challenge. AI startups are playing a key role in helping companies leverage AI. They are eager to gain clients and engage with PE firms that can execute rapid POCs. Incubators are playing the intermediary, connecting PE firms with startups, and creating a vibrant ecosystem where experimentation, fast learning, and mutual benefits from AI thrive.

THE BACKGROUND OF AN AI OPERATING PARTNER

We see three main archetypes for today's AI Operating Partner:

- 1. Entrepreneurial Business Leaders:** Many AI Operating Partners come from the entrepreneurial world, having founded or led AI-driven companies. While not necessarily technical, these individuals do have experience integrating AI into business models. Their value lies in understanding how AI can solve specific business problems and creating AI-driven value propositions.
- 2. Technical Product Leaders:** These individuals have both a commercial mindset and hands-on AI experience. They understand how to apply AI in specific business situations—whether in B2B or B2C models—and can drive AI adoption within portfolio companies.
- 3. Executive Technology Leaders:** Some AI Operating Partners have a strong background in technology leadership, having overseen the deployment of AI solutions in large organizations. These former IT executives bring the experience of scaling and integrating AI solutions into the broader tech infrastructure. Amongst the CIOs / CTOs, they are the early adopters of AI.

WHERE AI OPERATING PARTNERS ARE SEEING EARLY WINS

PE firms see the value of AI in their PortCos in two distinct ways:

- 1. Transforming Core Business Models and Products:** AI directly impacts a company's business model, products, commercial offerings, and core business process. This can include leveraging AI in credit card decision-making, fraud detection, and insurance claims adjudication. A more advanced example would be embedding AI logic in a SaaS product to improve its functionality. For example, adding AI to a healthcare agent in a health tech company to assist in matching patients with the right caregivers based on symptoms.
- 2. Using AI for Greater Operational Efficiency in Business and Enabling Processes:** One of the AI Operating Partners we spoke with has developed a playbook to improve the efficiency of the Finance and Accounting (F&A) function by 25% through the use of AI and automation. They have refined this playbook to the point where the F&A function is achieving a 25% productivity increase within the first year of investment, as outlined in their investment thesis. Similar gains are happening in customer service and other enabling functions, where Many PE firms believe they see more immediate returns from their AI interventions. AI is also being aggressively deployed in marketing, customer engagement, customer support, inventory management, warehousing, and legal.

CHALLENGES OF ADDING AN AI OPERATING PARTNER

AI Operating Partner role can bring value, but there are several issues to consider:

- **It creates complexity for the PortCo leadership.** They have to work with more stakeholders from the PE firm. They might find the engagement more cumbersome.
- **It creates an overlap between the Tech Operating Partner and the AI Operating Partner.** While the mandates may be different, the roles have interdependencies, which can sometimes lead to conflicting priorities and confusion around roles and responsibilities.
- **An AI Operating Partner will force AI conversations at PortCos.** This is useful, as long as the discussions do not create pressure to “do something” even when not justified.

THE FUTURE OF THE AI OPERATING PARTNER ROLE

As AI technologies continue to evolve and disrupt industries, more PE firms will likely hire dedicated AI Operating Partners or expand the role of Tech Operating Partners to include AI expertise. However, the key to success will be ensuring that AI efforts align strategically with business goals and don't overwhelm portfolio companies with added complexity.

If managed effectively, the AI Operating Partner could become a pivotal figure in driving long-term, sustainable growth for PE firms and their portfolio companies.

AUTHORS

Maneesh Dube

Senior Client Partner,
Technology and Digital Officers
Korn Ferry

Yasmine Nejdawi

Operations and Go-to-Market Strategy,
Technology and Digital Officers
Korn Ferry

ABOUT KORN FERRY

Korn Ferry is a global organizational consulting firm. We work with our clients to design optimal organizational structures, roles, and responsibilities. We help them hire the right people and advise them on how to reward and motivate their workforce, while developing professionals as they navigate and advance their careers.