

EXECUTION EDGE: **Leveraging AI in Value Creation**

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Executive Summary

AI has moved rapidly from experiment to boardroom priority. For Private Equity-operating partners, investors and the CEOs of their portfolio companies, it offers extraordinary opportunities to transform EBITDA and accelerate exit valuations but only when applied with discipline.

The promise is enticing; greater customer insight, more consistent service, faster cycle times, lower error rates, improved decision making and lower people costs, all of which can dramatically improve EBITDA and drive higher exit multiples.

However, what we often see is that the path to real impact is neither automatic nor purely technological. Many initiatives launch with fanfare only to stall in pilot mode or deliver improvements that barely touch the P&L.

This paper reflects the lessons we have learned working with PE firms and management teams under the pressure of impact timescales and demanding investors. We have seen AI create transformative results when it is applied to the right business processes with clarity of purpose and disciplined execution.

We have also seen how easily enthusiasm for new technology can overwhelm sound management practice: unclear objectives, poor data, fragmented processes and weak governance remain the most common reasons for failure.

Drawing on those observations, the pages that follow set out a pragmatic, process-driven approach to capturing AI's potential. We explain why success begins with the business process, how to identify the most promising opportunities, how to select and embed AI solutions and how to scale early wins across a portfolio.

Our aim is to give PE-operating partners, investors and CEOs a clear, experience-based guide to achieving measurable value creation from AI without the distractions of hype or the wasted effort of misdirected pilots.

Introduction

Private Equity is built on compressed timeframes and measurable results. Value creation needs to show results quickly and withstand rigorous exit scrutiny..

Against that backdrop, AI promises dramatic gains in productivity, insight and customer experience. Yet many initiatives stall, proofs of concept never scale, or models deliver clever outputs but do little for the P&L.

The reason is familiar. AI is too often treated as a technology experiment. Pilots in a lab, disconnected from core business goals. Mid-cap portfolio companies, already running a patchwork of legacy systems, cannot afford that misstep.



Our companion paper, *Data Foundations Before AI*, explains how to prepare data and processes so AI has something solid to build on. This paper moves to the next stage, how to introduce AI into processes once the foundations are ready, with a discipline that speaks to investors, boards and management teams alike.

A process-driven approach to AI

AI contributes value when it improves a business process, shortening cycle times, reducing errors, sharpening pricing, accelerating growth or optimising inventory. The unit of change is not "AI", it is a repeatable workflow with a measurable outcome.

Focusing on processes delivers three clear advantages. It anchors each initiative to a P&L metric so the return on investment is obvious. It defines natural boundaries for data, governance and change management.

Once a process is proven, its methods, data model, evaluation and governance can be reused across other areas of the business.

Contrast this with "AI labs" or (overly ambitious) enterprise-wide programmes that showcase technology but rarely deliver lasting EBITDA impact. Private equity hold periods are too short for that kind of experimentation.

Where leaders often go wrong

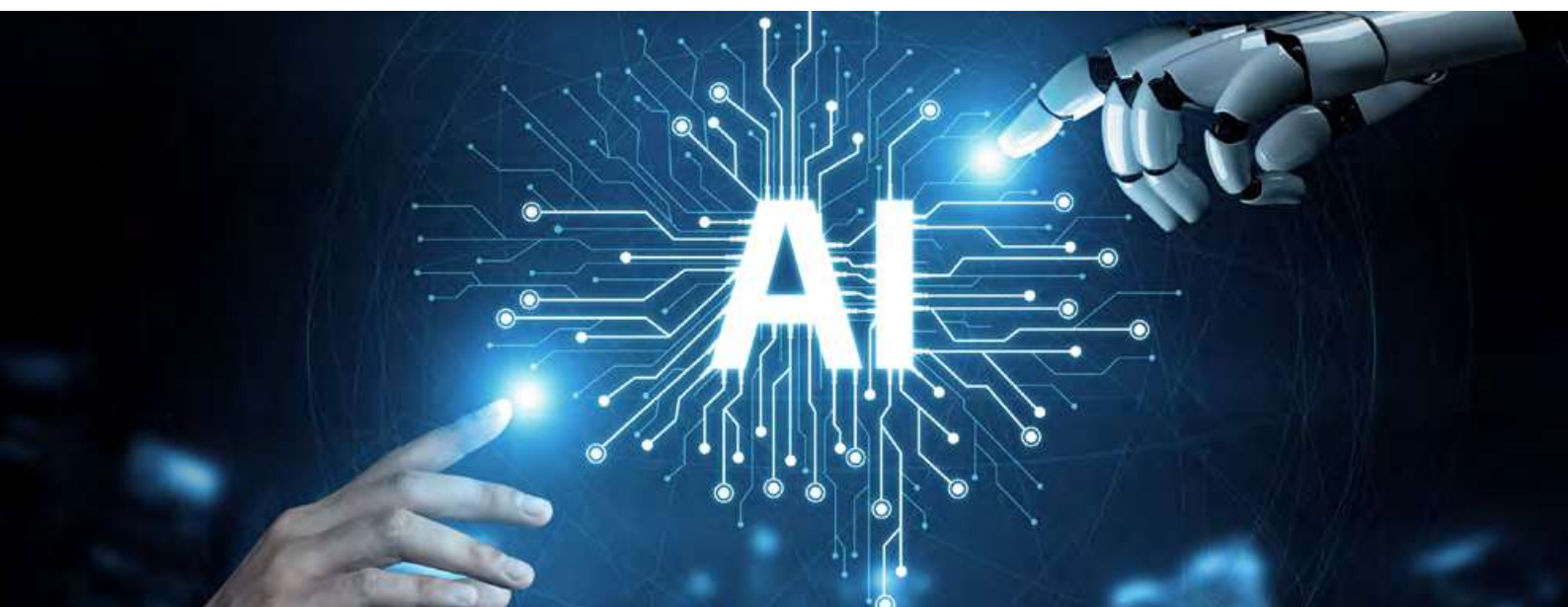
The first question for investors and leadership teams is straightforward: where will AI move the numbers fastest?

High-impact candidates share four characteristics:

- + They carry clear financial leverage
- + Their workflows and decision points are well-defined
- + The necessary data is available and trustworthy
- + Their risk profile is acceptable

Within those criteria, the sweet spot is unmistakable, processes that are part of the core value-chain (sales-delivery-settlement), performed at volume and are rules-based

Examples include dynamic pricing, quotations, customer contact, demand forecasting, claims handling, invoice matching and payment. Their consistency and scale allow AI to multiply efficiency without endless exceptions or bespoke modelling.



What has to happen before AI can help?

Selecting the right process is only the beginning. Before any AI solution is introduced, that process must be simplified and standardised in so far as possible to reduce the number of use cases the AI must be able to process, making it easier and faster to implement. There will always be edge cases, and initially these may best be handled with human intervention.

Without this discipline, AI can simply accelerate chaos.

In our experience, the first task is to map the current workflow in detail, capturing every step, decision point and exception. This often reveals unnecessary complexity, such as parallel approvals, inconsistent data entry, manual workarounds, that add noise without adding value.

Streamlining these steps shortens cycle times and reduces variation, creating a cleaner target for AI.

Equally important is the creation of unambiguous business rules. AI performs best when it is grounded on a stable pattern of decisions. That means agreeing clear definitions for data fields, decision thresholds and escalation paths, and documenting them so they are applied consistently across teams and geographies.

Where judgement calls are unavoidable, they should be codified into explicit criteria so that human and machine can operate to the same standards.

This work is not simply administrative. It frequently surfaces performance issues and accountability gaps that, once resolved, improve results even before any AI is deployed.

Many companies find that by clarifying ownership, tightening data definitions and eliminating redundant steps, they achieve immediate gains in accuracy and speed.

By the end of this stage, the chosen process should be lean, repeatable and governed by rules that everyone understands. Only then is it truly "AI-ready", allowing technology to amplify a well-designed operation rather than automate a flawed one.

Building the AI capability

Introducing AI is not a technology sprint, it is a management discipline. Successful programmes have an executive sponsor accountable for the P&L outcome, a process owner who understands the work in detail and data specialists who are integrated into the business team rather than isolated in a technical silo.

Change management and communication are critical, employees need to know what will change and how human judgement remains central. Strong controls are essential, confidence thresholds, human-in-the-loop review for high-stakes decisions and continuous monitoring for model drift or bias.



Selecting the right AI Solution

Once a high-value process has been simplified and standardised, attention turns to the specific AI capability that will deliver measurable gains.

From what we've seen, we'd advise that the first step should be to translate the business objective into a clear problem statement: *What decision are we trying to improve, and what data are available to guide it?*

This clarity prevents teams from chasing fashionable tools and ensures that technology choice flows from business intent.

With the problem defined, the next question is whether the solution already exists in the market or must be built. Many high-volume, rules-based use cases, such as document classification, demand forecasting or anomaly detection, can be addressed with proven, off-the-shelf services from major solution providers.

Others may require tailored solutions, particularly where proprietary data or competitive differentiation is critical.

The trade-off is between speed and specificity: a packaged service can be deployed rapidly, while a custom development may deliver unique advantage but demands more data, specialist skills and time.

Vendor selection requires the same rigour as any core IT investment. Scalability, security and integration capabilities must be tested, along with cost models and contractual flexibility.

For PE-backed companies, the ability to move quickly without locking into inflexible long-term commitments is especially important. The aim is to balance ambition with pragmatism, choosing a technology path that meets today's value creation objectives while leaving room for future evolution.

Throughout this stage, leadership discipline matters as much as technical evaluation. Project sponsors

should insist on a concise business case with projected financial impact, defined success metrics and a plan for how the solution will be supported and maintained after go-live. Selecting the right AI solution is therefore not just about clever technology, it is a strategic investment decision that ties directly to the value creation plan.

It's only the beginning

We believe that selecting an AI solution is only the start. The real value is unlocked when the technology becomes part of the organisation's everyday operations, when it quietly powers decisions and outcomes rather than sitting in a pilot environment.

Achieving this requires a deliberate plan for how AI outputs flow through people, processes and systems.

The first priority is seamless integration with existing workflows. AI insights must appear where work is already done: in the ERP system, the CRM interface, the planning tool or the customer-service dashboard. If users have to log into a separate tool or manually copy outputs, adoption falters and the promised efficiencies disappear.

Well-designed APIs and event-driven data pipelines ensure that outputs, predictions and recommendations or classifications are delivered directly into the applications and screens employees already trust.

Next comes human-AI collaboration. Few processes can be fully automated from day one, and many should never be. Effective designs specify the points where human judgement remains critical, the thresholds at which an AI recommendation requires review and the feedback mechanisms that capture corrections. This "human-in-the-loop" model not only manages risk but also creates the continuous learning signals that allow models to improve over time.

We think model management and monitoring is equally as important. AI systems are not "set and forget." Data distributions shift, behaviour patterns change and even small process tweaks can



degrade performance. Continuous monitoring of accuracy, bias and drift combined with scheduled recalibration and formal change-control keeps models reliable.

Governance boards should receive regular performance reports just as they would for any other critical operational system.

Finally, operationalising AI demands communication and training. Staff need to understand how AI supports their work, where it replaces manual effort and how their own decisions feed back into model refinement. Clear messaging reassures teams that AI is a tool to enhance performance, not an opaque black box.

When users see that their expertise shapes the system and that the system helps them deliver better outcomes, adoption accelerates and the cultural shift toward data-driven execution takes root.

In short, embedding AI is as much an organisational change programme as a technology deployment. Success depends on careful integration with day-to-day operations, explicit design of human oversight, disciplined model management and sustained communication. These disciplines turn a promising pilot into a dependable engine of value creation.

Governance, risk and organisational capability

Introducing AI into core operations raises new questions of accountability and oversight. Boards and investors need confidence that the technology is reliable, explainable and compliant with regulation. Establishing governance structures early avoids costly surprises later. Clear model ownership, documented data lineage and explicit approval pathways ensure that decisions made by or with AI can be traced and defended.

Risk management extends beyond technical reliability. Bias in training data can create unfair or legally sensitive outcomes; privacy breaches can damage reputation and invite sanctions. Regular audits, bias testing and robust security controls are essential.

We'd recommend embedding these practices in the same risk framework that governs financial reporting and operational controls, not treating it as an afterthought.

From pilot to portfolio advantage

Equally important is building organisational capability. A successful first deployment is only valuable if the company can repeat it. This means developing a cross-functional AI team that blends process experts, data specialists and change leaders.

It means upskilling managers to interpret model outputs, challenge recommendations and make decisions informed by data. And it means creating reusable assets, feature libraries, testing protocols, governance templates, so that each subsequent project is faster and cheaper.

Private Equity ownership provides a unique advantage here. Lessons learned in one portfolio company can be codified and shared across others, creating a multiplier effect. By investing early in governance and internal capability, leadership teams not only reduce risk but also create a repeatable, scalable model for AI-enabled value creation.

Over time organisations develop a cultural shift, treating AI as a strategic capability embedded in everyday operations rather than a one-off project.





The Stratex Plus AI value cycle

Stratex Plus encapsulates these stages in a repeatable framework: Assess, Target, Simplify, Standardise, Automate, Measure and Improve.

- + **Assess the opportunities** to understand where AI could deliver the greatest financial impact
- + **Target the single process**, or small cluster of processes, where value potential and data readiness intersect
- + **Simplify the workflow** by removing unnecessary steps and variations and eliminating manual workarounds
- + **Standardise definitions and business rules** so every transaction follows the same path
- + **Automate with AI** once the process is stable and clearly defined, applying the technique best suited to the task
- + **Measure and improve** by tracking business outcomes, not just model accuracy and by refining both process and AI over time

We've seen several examples of this cycle turning AI from a series of pilots into a disciplined capability that compounds value.

Cautionary notes: Discipline still matters

AI is powerful, but it is not a shortcut around good management practice. Before selecting a single solution or vendor, choose and improve the process first. Make sure the workflow itself is worth automating. Eliminate waste, clarify decision points, and raise current performance. If a process is broken, AI will only accelerate the chaos.

Good IT project disciplines remain non-negotiable. Strong AI programmes look a lot like strong IT programmes: clear objectives, defined scope, explicit business and technical requirements, and agreed measures of success. Governance, testing, and change management do not disappear because the technology is novel.

Remain open-minded about solutions. Not every performance step-change needs AI. Sometimes the best result comes from straightforward process redesign, clearer roles and accountabilities, or better data hygiene. Avoid the temptation to force-fit AI into problems that do not warrant it. Match the tool to the opportunity.

Where a process is high-volume, rules-based, and repeatable, AI can transform speed and accuracy. Where it is not, the right answer may be simpler and faster to deliver.

Summary

AI will be one of the most powerful value creation levers of this decade. But in Private Equity-backed businesses, where value generation windows within the hold period are short and investor scrutiny is relentless, success depends on a disciplined, process-driven approach.

The pattern is clear: focus on processes that will deliver the greatest benefit; apply the Stratex Plus AI Value Cycle approach, measure and scale.

With strong data foundations already in place, this method delivers early wins and builds a repeatable playbook across the portfolio.

Where this leaves you

For Private Equity partners, Stratex Plus would recommend embedding a process-driven AI playbook into the value-creation plan from day one. Require management teams to identify and prioritise candidate processes and hold them accountable for measurable outcomes.

For portfolio CEOs and leadership teams, select two or three high-impact, processes. Use the Stratex Plus approach to simplify, standardise and then automate. Demonstrate financial impact early to build confidence with investors and employees alike.

AI's potential is undeniable.

The winners will be those who start now, start with process and scale with discipline.

Make execution your competitive edge

At **Stratex Plus**, we work with ambitious, PE-backed service businesses to build scalable operating models, embed execution discipline and unlock trapped value.

We don't offer off-the-shelf solutions and will never suggest (someone else's) best practice. We develop and deliver best for you, with focus and precision.

We help you see what's really going on, making the invisible, visible across strategy, operations, systems, and people and design the path to better performance, lower effort and greater investor confidence.

If you're serious about value creation, let's talk.



stratex⁺

Strategy Execution Specialists,
Business Transformation Experts

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