

KEYNOTE INTERVIEW

Generating value
through AI

*Investment in change management is key to harnessing real value from artificial intelligence, say CVC Capital Partners’
Jean-Rémy Roussel and Andrea Peyracchia*

Q How does CVC view the AI phenomenon?

Jean-Rémy Roussel: There has been innovation through the ages. We had the industrial revolution – horses were replaced with tractors. The same with the move towards computing – we had digitalisation with the arrival of the dotcoms – and now we have AI.

Whenever we are faced with something that is potentially transformative, we ask ourselves two questions. First, is this an opportunity or a threat from a strategic perspective? In the case of AI, you essentially need to ask if a business is going to thrive or struggle or become obsolete.

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The second question we ask ourselves is whether the innovation, whatever it may be, is going to boost productivity. Will I be able to do things faster and more efficiently? Consumer research, for example, was once carried out by canvassing people on the street. The internet meant that process could be completed in hours. Subsequent digital advances meant it could be completed in minutes and with AI we are now talking about seconds.

Meanwhile, some companies may

not be impacted strategically at all. Hotels, for example, cannot fundamentally be replaced by AI, but AI offers huge operational opportunities for the way that hotels function.

Q To what extent do you see AI as an important value-creation lever?

Andrea Peyracchia: At CVC, we believe AI can be a fundamental value-creation lever, which is why we have made it one of our core priorities. We have a multi-pronged approach and are dedicating significant resources to the space. For example, internally we are training every single one of

CVC's 1,200 employees in AI, which is something we are particularly proud of.

For our portfolio companies, we view our role at CVC as being an enabler. This means we want to help our portfolio companies identify the opportunity that AI represents to their business. We proactively support them on that journey, for example by giving access to relevant expert resources and through strategic agreements with the main cloud and AI providers, but we want the management teams themselves to own the opportunity, to ensure it is sustainable over time.

The foundation to our AI approach is the creation of our own proprietary data platform. Every single piece of data that CVC owns, either directly or through our portfolio companies, is being incorporated into that platform.

The outcome of AI is only as good as the data upon which it is based and the breadth of our portfolio means we are collating some truly unique intel that enables us to make better informed decisions. We are already seeing a number of active AI use cases that are really moving the needle across the portfolio.

Q How does the opportunity set differ across different strategies, from private equity to private credit, secondaries and infrastructure?

AP: At its heart, AI creates value by enabling us to make better decisions and deliver better outcomes, including augmenting or automating repetitive tasks. That applies across every strategy. I would say we are further ahead on our AI journey within our private equity strategies, but actually I think private equity is a little ahead on the adoption curve as an industry in general.

We have been very pragmatic in our approach within private equity, identifying key use cases that drive value, including better pipeline or opportunity management, customer support and software development. We can then leverage what we have been

doing in private equity across the other strategies.

Secondaries is very similar in terms of the underlying data, just focusing on a different point in the deal life cycle. We are probably a few months further out with credit. There are clear points of crossover, however. For example, we own a number of logistics businesses that are using AI extensively to track and trace packages. That exact same technology can be used to monitor critical infrastructure.

Q What do you consider to be best practice when it comes to leveraging that potential across the portfolio?

JR: Some managers take a very centralised approach, building substantial

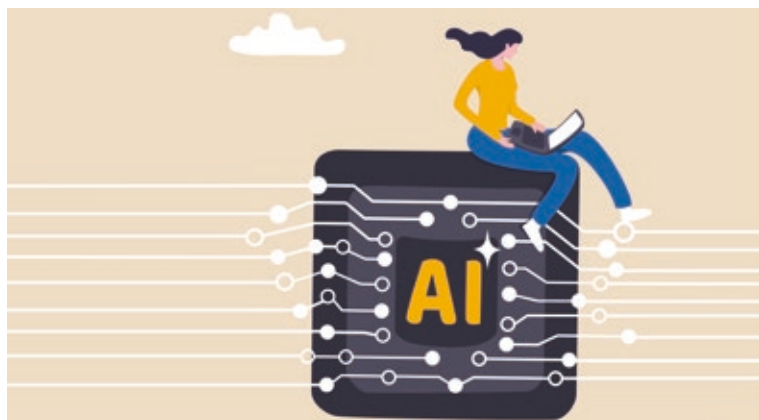
teams within their headquarters. Since its creation, CVC has done things a little differently, building smaller, entrepreneurial teams within each of its 30 office locations. This is the way we have addressed ESG, digitalisation, cybersecurity and now AI. We create a blueprint, outlining best practices, and then we work with each of our portfolio companies to evaluate a point of departure and support them as they build on that foundation.

Importantly, we also measure the progress that is made, carrying out an external assessment on an annual basis, the results of which are reported to the portfolio committee. There is a scoring system in place tracking progress of every portfolio company. We ultimately aim to bring every portfolio

Q What have been the main lessons learnt when it comes to integrating AI into portfolio companies?

JR: My number one lesson would be that change has to come from the top. Senior leadership needs to be convinced that this is something that is going to be transformational across all functions within a business. Without that buy-in, you will inevitably face stumbling blocks.

AP: I would add that even where senior leaders are enthusiastic, they don't always understand the full change management required. If you really want to use AI at scale, you need to be willing to transform your business. That means getting management on board. It means getting the underlying data right, and it means securing the right budget to test that data. We have invested a lot more in change management than we have in technology, and I think that will continue to be the case because driving value is about business transformation and not about buying yet another AI tool.



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JEAN-RÉMY ROUSSEL

company into the top quartile in terms of performance against their peers. You get what you inspect, and not what you expect!

AP: I would add that while it might sound counterintuitive, we believe that AI technologies are already a commodity. Best practice, for us, therefore, means retaining a focus on where value can be driven for a business and not jumping on the latest tech hype.

Q What kinds of risks does AI present and how can these be mitigated?

AP: AI represents a huge opportunity, but all opportunities carry risks. That includes technical risks, related to the

tools themselves, information security risks, as well as ethical debates around the impact of AI on job creation.

Our starting point is that we want to ensure that anything that we do is sustainable. It is essential that we find the right balance between impact and risk upfront, rather than try to deal with it in the aftermath. To this end, we view the new EU AI Act as the North Star. It is very well structured, and we believe it is going to be similar to the General Data Protection Regulation in terms of Europe setting the global standard. We therefore aim to be compliant with the act from day zero.

For example, we are in the process of rolling out general purpose AI tools to everyone in CVC, but it is totally unacceptable to us that personal data is used in any of those algorithms.

The challenge is that none of the tools currently available are capable of telling you if that rule has been breached. We are responding by establishing our own tools to prevent AI from using personal data. That is indicative of the level of risk appetite that we have. We are also taking our portfolio companies on that same journey and so ask each company to nominate a board member responsible for AI governance.

Q Can you share some specific examples of where AI is having a meaningful impact within portfolio companies?

AP: In general, professional services companies are the most sophisticated because of the nature of what AI can do within those businesses. Unily, for example, is a marketing and communications company that has adopted AI at scale in order to produce high-quality, personalised communications. That is a space that AI is certainly disrupting.

Then there is our online digital university, Multiversity. Education is an obvious playground for AI with its potentially infinite knowledge and infinite patience. Multiversity has built AI tools

to respond to student questions. So far, 80 percent of those questions can be answered automatically, any time of day, without needing to be rerouted to a professor, and feedback suggests that 99 percent of those questions are answered correctly.

Finally, I would point to STARK Group, which is a distributor of construction materials. You might think that nothing could be further away from the world of AI than construction, but AI can drive huge operational benefits. The business has hundreds of thousands of potential products that can be used in that industry and maintaining that database is a gigantic effort. STARK is using AI to prepare, standardise and improve the quality of product descriptions to ultimately improve the experience and speed of interactions for STARK’s customers.

JR: I would add that STARK is a good example of a business that is not being strategically disrupted by AI, but where AI can be a value-creation lever by driving value through efficiency and by helping the customer receive a better product and service.

Q Looking ahead, how transformative an impact do you think AI will have?

JR: I believe it is going to be like another industrial revolution. That is certainly how it feels given the quantum leaps in what AI is able to achieve that we are seeing on an almost weekly basis. There is a huge opportunity coming our way, but that means there is also real danger for those that are not prepared. It is impossible to know exactly what the future holds, but CVC is gearing up for big changes based on the same data- and research-led approach that we have always used in our business. ■

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