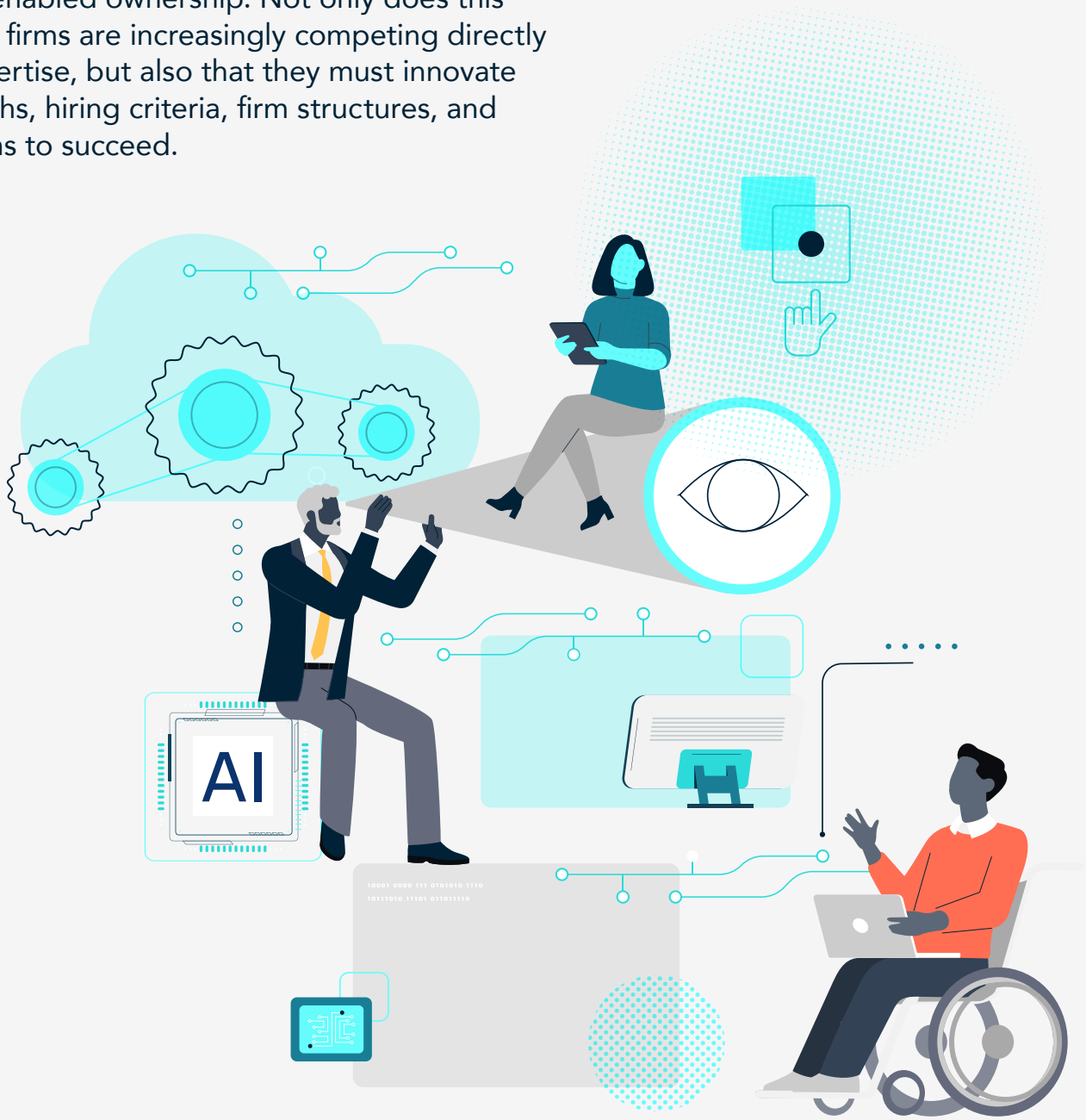
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Private equity focus: How evolving operating models are changing AI leadership needs

Private equity firms are evolving their models to an era of AI-enabled ownership. Not only does this mean that firms are increasingly competing directly for AI expertise, but also that they must innovate career paths, hiring criteria, firm structures, and ecosystems to succeed.



Private equity firms, like almost all other organizations, are increasingly turning to artificial intelligence tools and agents to create value. In private equity, this is changing what firms invest in, how they underwrite companies, how they create value, and how they operate their own firms. But, of course, the right technology alone isn't enough to succeed in any of these areas. Instead, succeeding with AI-enabled ownership requires the right human leaders to drive prioritization, integration, and change.

Leaders in private equity are even more often than others focused on the financial value of having the right leaders in the right places at the right times, our research has found. Yet the sector's dynamics had created a significant leadership talent crunch even before AI became a competitive necessity. The focus of value creation had shifted from financial engineering to operational value creation and digital transformation.

Now, ownership models are evolving even more quickly. Just last year, in the context of digital transformation and AI experimentation, we explored how private equity firms were bringing in AI expertise: by defining an AI operating partner role, a single person autonomously responsible for delivering measurable results, communicating AI concepts broadly across the firm through a business lens, and managing AI-related risks. Forward-looking firms were hiring people into these roles more or less experimentally, to see whether and where they could add value.



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Steven Futter
Principal at BharCap

A year later, leading private equity firms are firmly in an era of AI-enabled ownership, embedding AI throughout the investment lifecycle and using it to transform their own and portfolio company operations fundamentally. This means that they are seeking AI expertise at the firm and portfolio company levels. To succeed, they need to innovate career paths, hiring criteria, firm structures, and ecosystems. Steven Futter, a principal at BharCap, explained that "Curiosity and eagerness to adopt entirely new approaches to work are very important—it's reshaping how we think about diligence and value-creation criteria far beyond just AI specialists."

How private equity is deploying AI across the investment lifecycle

Private equity firms are now applying AI across a wide range of opportunities:

- **Firm-level operations, from deal sourcing and market analysis to due diligence to performance and risk analysis and tracking**
- **Operations and innovation at existing portfolio companies**
- **Entirely new investment opportunities, including both AI-native companies and legacy-sector rollups made viable by AI-driven operational efficiencies**

At the beginning of the investment lifecycle, some firms are deploying AI agents trained on a firm's proprietary data sets, from deal data to portfolio company financials, to speed up information gathering and decision-making. By shifting the onus of process-driven, repetitive work from junior-level people to agents, firms are not only empowering dealmakers and operating partners to make decisions faster but are changing firms' traditional staff-leverage model.

One chief product officer we spoke with explained that his firm is "experimenting with building agents in various areas, such as the diligence process, that shift associate work from assembling the fact base to interrogating it, which favors smaller and more senior teams with real technical fluency over analyst throughput."

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Some large firms with huge data sets and, typically, expertise in technology investing are building agents that can meld the approaches of their investment partners and essentially sit alongside the human partners.

Other firms, often those with investments in fintech or crypto, are starting to deploy venture intelligence platforms on top of their funds. Efforts like these are primarily developed by in-house engineers or AI leads.

More fundamentally, AI-driven efficiencies are creating new investment theses, including by enabling rollups in a wide range of service sectors and small businesses.

During the ownership phase, most private equity firms focus on the operational efficiencies AI can create, finding that carefully calibrated investment in AI can increase profit and exit value. Creating value in these situations requires firms to have ready access to people with a combination of AI and leadership expertise that is rare in any sector.

One executive notes that "Across the portfolio, agent-orchestrated engineering flattens the traditional pyramid, but requires CPOs and CTOs who are capable of dramatically transforming their organizations from a structural, cultural, and operational perspective." Joe Christman, until recently the chief technology and AI officer at Novacore, a portfolio company of New Mountain Capital, adds, "The talent that matters most to me is not the person with the best AI credential; it is the person still building with the models every week." He added that over time, "As agentic tools absorb routine work, the roles that remain demand judgment, deep industry expertise, and the EQ to drive real organizational change. We need people who pair hands-on fluency in the latest AI architectures with an understanding of how people and organizations work—who can build these systems, earn the trust needed to put them into practice, and hold their output to a high standard."

How AI is changing structure and compensation at private equity firms



People with some depth across all the competencies and the ability to orchestrate vendors/ company resources to get the job done is the scarcest profile."

These new value-creation models are changing the remit of AI operating partners as well as firms' structure and hiring criteria for AI talent of all kinds. AI operating partners most often now act almost entirely at a strategic level. One example is informing investment theses by translating AI's benefits to investment partners and convening investment expertise and AI product-development expertise. Steven Futter explained that this skill set "is much rarer than technical AI expertise alone. What we need is people who can translate AI capability into operating and investment judgment–these are people who understand a function well enough to know where AI can change the unit economics."

As firms broaden the range of technical expertise they are seeking to include both deep engineering expertise and product and agent development expertise. The AI operating partner at a growth firm noted that "The constraint right now is people who can actually build and ship. That's true at the portfolio level and increasingly true at the firm level." Large firms are building teams of forward-deployed engineers under their AI operating partner and can deploy them for firm operations or, like SWAT teams, to portfolio companies as needed. But, as one chief product officer we spoke with explained, "People with some depth across all the competencies and the ability to orchestrate vendors/company resources to get the job done is the scarcest profile."

Because roles like these haven't existed before at private equity firms, career paths and compensation plans are being newly created. The AI operating partner at the growth firm explains that "This is a very new muscle for us. The transition requires a new organization structure, new skill sets, and a fundamentally different way of thinking about what internal technology is for. It's as much a hiring exercise as it is an operating model change."

Effective AI operating partners are often younger than other partners; firms are still getting comfortable managing intergenerational dynamics at the partner level.

At many firms, there is also often an entrenched dynamic in which operating partners are less important than investment partners. Smaller firms are more comfortable competing for operating-partner expertise with career path innovations such as providing an AI operating partner with a clear pathway to an investment partner role. In terms of compensation, most firms now offer carry to AI-specific hires. One executive added, "At the firm level, retention comes from breadth of problem surface areas, direct access to the investment side rather than a service relationship to it, and economic participation tied to the value the function creates."

For purely technical talent, the AI operating partner describes the challenge as "positioning our companies as competitive, appealing options against tier-1 institutions and well-funded startups. Many legacy companies lack the technology infrastructure to support serious AI work, so there's meaningful foundational engineering required before you can build AI capabilities on top. That reality narrows the pool of candidates who would even consider the role. The strongest AI engineers want to build, not spend 18 months rebuilding a data layer first, so part of the challenge is framing the foundational work as the opportunity rather than the obstacle."

Joe Christman adds that what private equity firms "can offer that a lab or a startup often cannot is real business problems, real data, and the authority to put solutions into practice inside a fast-growing portfolio company. But delivering on that opportunity means giving people the time and flexibility to experiment with the latest models and capabilities from the leading AI labs and apply them to those problems. That is a real organizational shift: treating hands-on experimentation as part of the job, rather than a weekend hobby."

As AI becomes embedded in the private equity value creation model, it's also clear that no one firm will have consistent access to all the AI talent it needs, no matter how much it innovates its talent model. Firms are increasingly wrestling with which capabilities they should build and which they should access through partners.

One answer an increasing number of firms are turning to is AI-focused ecosystems. AI companies, private equity firms, implementation partners, and portfolio companies are exploring a range of structures for what can be multibillion-dollar relationships in which the organizations share talent, technology, and capital.

Private equity firms, regardless of asset size, are increasingly creating value with AI-enabled ownership models. This requires firms to find not only the leaders they need to orchestrate this increasingly fluid ecosystem, but also the right mix of owned capability, external expertise, and strategic partnerships to give them ongoing access to people with current AI expertise, from AI operating partners to AI engineers to bespoke AI agents. Firm leaders will benefit from asking themselves these questions:

- What mix of business and AI expertise is most valuable to us right now, and what organizational structure and compensation model will help us find the AI operating partner or partners with that mix?
- How else can we build relevant AI knowledge among our investment and operating partners, or get them access to the expertise they need?
- Where across our investment lifecycle can we most benefit from AI right now? What mix of AI tools and AI agents will create the most value?
- How can we ensure we have access to knowledge about emerging AI technologies?
- What mix of strategic technology, product-development, and engineering expertise do we need to achieve our investment theses?
- Which capabilities should we hire for or develop internally, and which should we reach through external relationships?
- How do we need to change our structure or compensation and retention models to attract and retain engineers with current AI expertise?
- What cultural changes will we need to instill at the firm or portfolio-company level to make the most of our AI talent?

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Private Equity Practice

Heidrick & Struggles' global Private Equity Practice combines a deep understanding of private equity markets with world-class expertise across all major industries and functions to provide a broad range of value-adding services.

With more than 80 consultants in 50 offices around the world, our expertise shadows the private equity life cycle from pre-deal due-diligence support to pre- and post-acquisition executive search, leadership assessment, proactive introductions, and the construction of advisory boards for both private equity firms and their portfolio companies.

We pride ourselves on our work with private equity–backed portfolio companies to secure the leadership needed to deliver on tomorrow's strategies. Our consulting services enable us to develop long-term strategic partnerships that build winning leadership teams and create substantial value.

In addition, we are the leader in finding top private equity management talent by recruiting investment professionals, operating partners, and other essential senior managers who support financial growth.

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AI & Technology Officers Practice

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