



PRIVATE EQUITY: TECHNOLOGY AS A GAME CHANGER

VIDEO TRANSCRIPT

In essence, technology we see moving from becoming more a must-do, hygiene kind of factor, maybe around risk, around red flags. Are there any landmines in the legacy that you are acquiring to becoming a value creator for the entire full potentially or value acceleration agenda? So, when it comes to digital technology drives transformation in a much more accelerated or compressed fashion, it provides scalability for the growth plans that you have. It provides innovation. And also in cybersecurity, it goes more from an administrative approach to a resilient business model around trust and data sovereignty. And I'll talk more about the synergies between ESG and technology at a later stage.

So, what has been the game changer? And I promise this will be the only chart where you talk about software. The game changer is really the cloud. Cloud is the enabler for data as the driver for AI, which is the true differentiator. The cloud means that now truly any company can become a digital company, because the times of handcrafted, customized digital initiatives are more or less over. You can get a lot of those solutions off the shelf because they have built in cloud infrastructure like AWS or software-as-a-service solutions. That means you can drive your digital transformation programs in your portfolio in a much more technology instead of business-led way, and also compress them, accelerate the big time.

Let me give you one example. If you think about the digital transformation of your HR function, you don't really have to develop so many use cases because they are all there. If you go

live with a solution like Workday or SuccessFactors, pretty close to the standard, you will be 80% there. You will have a data driven, much more efficient, high-quality HR function than before because from hire to retire, all things will be in a single source of truth. You will have applications coming in with PDFs attached, but you don't have to respond to them in emails. You don't have to issue contracts in Word anymore. You don't have to do a succession planning on a different sheet of paper in Excel again. You will bring it all together and based on the access rights management, people will be able to measure what they manage and then manage accordingly.

Interestingly, our research shows that most of the private equity firms feel pretty advanced when it comes to their technology capabilities (58%) or their digital capabilities (77%). But the same respondents replied that only one third of the technology or digital programs are considered successful in terms of achieving the objectives on time and on budget. So that seems to be a gap between perception and reality, and we go a little bit deeper into this.

So, what makes a technology re-platforming, a digital transformation, successful? First and foremost, we think that you have to apply certain guiding principles throughout the program. It starts with value first, so the business value has to be closely tied to the technology. As such, technology is never a sake for itself. And based on this plan, you rigorously execute in an agile or hybrid, agile kind of fashion. And for that top management,



sponsorship is incredibly important because the biggest risk for technology programs to derail is that the business will have ever more requirements coming in and you are never done. And then the big fatigue is basically created. So, you need a very clear definition of done, and all the requirements that come after that might make sense, might add value, but they will be business as usual in the pipeline after the actual program. And then fit to standard is a very important criterion. So, if you look at the right side, we are increasingly moving from the more traditional lift-and-shift approaches or standalone IT optimizations to what we call lean greenfield. So we are able to put the entire technology ERP, HR, CRM, all things in between, on a completely new technology stack, making that technology stack the leading one in the industry of your portfolio company. It will not take more time if you fit to the standard and don't try to rebuild all the custom stuff. So if you look at the time frames here can be done under two years and we have the examples, I'll show one in a bit. The reward will not only be that you have the latest technology, but you have a much less complex application architecture: 80 applications instead of 150 to 400 that we see elsewhere. Your total cost of ownership in IT will of course be lower, but much more important, and that's the Harvey Ball at the bottom, the business impact is ten times higher.

So let me show you one example. This is a software company, of 1400 people, was carved out of a large technology conglomerate. That technology conglomerate had a legacy IP, which was completely outdated, no option really to take it along or to clone it. So the investor was bold enough to decide to take it, leave everything behind, the entire team, the entire technology, and rebuild the whole thing during the TSA period based on 100% cloud. All of the technologies that I mentioned are basically included in that architecture. We completed this agenda below two years, actually before the actual TSAs were terminating, saving millions of we return to the invest. And the program, as I said, was always tied to what you see on the left-hand side here to a clear business agenda. So reducing one cost for it was only one

element, but in essence, it was all about accelerating the value creation agenda in back office, informed office, becoming a data-driven company and supporting the new businesses that the client had in mind. When we finished, they were able to run their business with 30% less FTE. They had 50% fewer disputes from a sales rep and they had a 36% reduced run rate in IT, just to mention some illustrative KPI here. And actually they have been IPO'd, meanwhile, and the accelerated value track that was driven by technology was a key success factor.

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