



Operational excellence: one path or many?

Key findings from the 2018
Global Private Equity Survey

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The better the answer.
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Private equity CFOs look for various ways to improve operational efficiency

They're facing investor pressures
and margin erosion



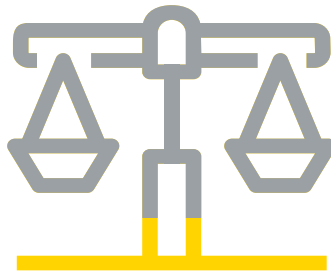
73%

of CFOs said their private equity firms
have experienced pressure from investors
to reduce management fees



31%

of private equity CFOs said they have experienced some form of margin erosion



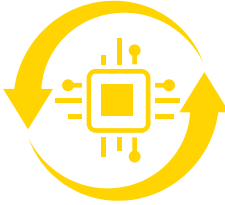
19%

of CFOs said their firms have neutralized margin erosion by strategically cutting expenses and growing topline revenue

They prefer to focus their time on strategic, value-add activities:



Investment
portfolio
analytics



Technology
transformation



Investor
relations



Meanwhile, capital continues to pour into private equity firms:



55%

of CFOs said they expect to raise a new fund this year



60%

of those CFOs expect the fund to be larger than the last fund raised

Next-generation technology is a valuable opportunity for PE firms

CFOs said they are in the early stages of tech transformation, especially:



51%

management reporting/portfolio analysis



53%

valuation technology



Private equity firms find implementing technology very difficult. The most challenging systems to date include:



83%
fund accounting



75%
management reporting

Despite the difficulties incorporating new technology, two-thirds of CFOs said they invest or plan to invest in next-generation technology.



Next-generation technology in which PE firms are currently investing includes:



37%

digital data
delivery



20%

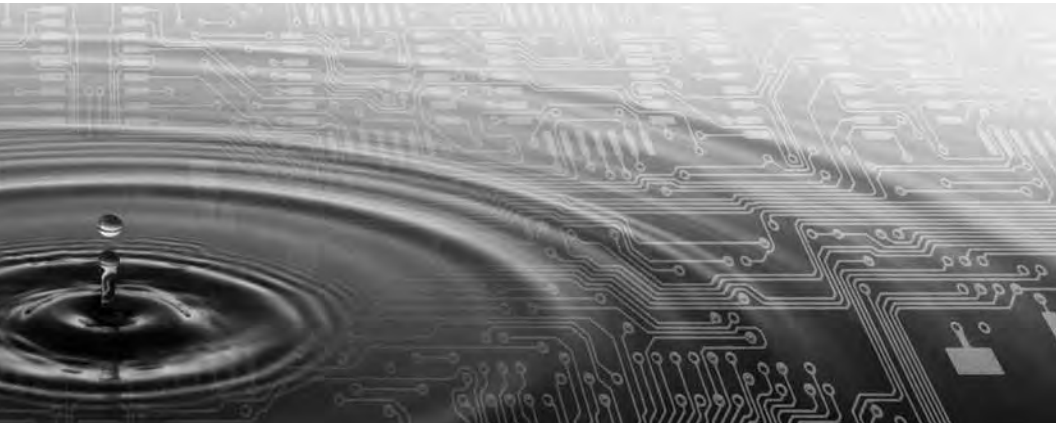
advanced predictive
analytics



4%

robotics*

*14% plan to invest in robotics

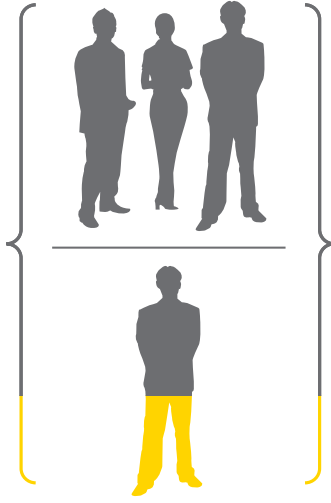


Talent management is still the highest strategic priority besides growth for PE firms

CFOs prefer a 3:1 ratio of investment professionals to finance professionals



41%
of CFOs prefer this ratio

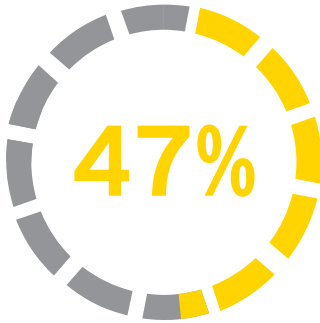


21%

of CFOs currently have this
ratio in place



Talent management is seen as a challenge for private equity firms



of all firms also identified talent attrition as a top risk



of CFOs find it difficult to attract talent in finance functions

CFOs are much more confident in their current pipeline of future investment leaders (76%) than they are in their future finance team leaders (54%).



76%

confident they have the future investment leader currently employed



54%

confident they have the future finance leader currently employed

CFOs view outsourcing as a way to shift finance teams' tactical responsibilities to more value-add activities

If a “perfect” outsourcing model existed, CFOs believe that the most valuable areas for ongoing success when shifting tactical finance to a third party are:



67%
fund accounting



67%
tax



62%
regulatory compliance

Tax is leading the way in outsourcing



On average, PE firms outsource

70%

of their tax function



But they are keeping investor-facing

tax functions

(investor onboarding, investor tax questions) largely in-house



Cybersecurity breaches are a matter of “when,” not “if”



22%

of private equity firms surveyed reported they have experienced a cybersecurity breach



58%

of those breaches were considered at least moderately serious



70%

of private equity firms rely upon externally developed intelligence products to monitor cybersecurity



Additional steps that private equity firms are taking to improve their cybersecurity include:



87%

employee training



80%

email monitoring



80%

external vendors to perform ethical hacks



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