

**2024 Guide**

# Playbook for Data Intelligence in Private Equity's New Era

**bluemargin** 

## The Strategic Power of Data-Driven Value Creation

The private equity landscape is undergoing significant transformation, driven by economic volatility, rising financing costs, and the growing importance of operational efficiency. In this new era, data has emerged as a critical lever for value creation. Traditional value drivers like leverage and multiple expansion are increasingly challenged in today's macroeconomic climate. With *private market assets under management growing at nearly 20% annually since 2018*, according to McKinsey, the need for robust data strategies has never been more pressing.



Operational improvements—powered by data and analytics—are becoming the key determinants of success. By applying the strategies outlined in this guide, PE firms can navigate these changes effectively and continue to deliver value for their stakeholders.

***"The rising star of this new investing paradigm is the portfolio-operations pro. Instead of just minding companies between their purchase and eventual sale, they're helping transform them into revenue-generating machines."***

- Business Insider

## Benefits of Effective Data Management

Effective data management provides multiple advantages that propel business success. The advantages of a good data system collectively provide a competitive edge, enabling businesses to leverage data as a strategic asset for growth and innovation.

### ***Improved Decision-Making***

Achieve a unified and accurate view of portfolio company performance. By integrating data from various sources such as ERP, CRM, and financial systems, management teams, operating partners, and deal teams gain real-time insights that drive strategic actions and improve outcomes.

### ***Increased Operational Efficiency***

Automate reporting processes and streamline data flow across the organization. This reduces manual efforts, minimizes errors, and allows teams to focus on higher-value tasks. For PE firms, operational efficiency directly translates into cost savings and increased productivity across portfolio companies.

### ***ROI on Data Initiatives***

Identify high-impact initiatives that offer the greatest return on investment with data visualization. This ensures that resources are allocated to projects that will drive the most significant value.

### ***Risk Mitigation***

Enhance data accuracy and consistency, which are critical for risk assessment and compliance, facilitating speed to respond proactively to potential issues, protecting investments and reputation.

### ***Scalable Growth***

As firms grow and acquire new businesses, scalable data systems allow for seamless integration and consistent performance monitoring, enabling continued growth without compromising data integrity or operational effectiveness.

## Determining Which Portfolio Companies Need a Data Overhaul

Not all portfolio companies require a data overhaul, but identifying those that do can significantly enhance their performance. *Circle yes or no* to determine which companies could benefit from improved data management:

**Y/N** Does the company have a manual reporting process? *(If **yes** you may need a data overhaul.)*

**Y/N** Are functional areas of the company beholden to IT or finance to supply them insights? *(If **yes** you may need to reassess your data strategy.)*

**Y/N** Do they have an automated view in to leading indicators of future financial performance? *(If **yes** you may not need a data overhaul.)*

**Y/N** Do they have transactional systems (ERP, CRM, etc) that house valuable data? *(If **yes** you may want to assess if you have easy access to that data and if it's actionable.)*

When determining which portfolio companies need improved data management, focus on identifying those with fragmented data systems, reliance on manual reporting, and a lack of real-time insights. Companies struggling with delayed decision-making or a siloed view of key metrics are likely missing out on opportunities for growth and efficiency. Addressing these data challenges can create significant value, enhancing both operational performance and strategy across your portfolio.

### Example:

**(Data Integration Priority)** A portfolio company relies on multiple disconnected data systems, causing delays in reporting and fragmented views of key metrics. By integrating these systems into a unified data platform, the company can streamline operations, reduce manual data entry, and enable a comprehensive view of performance across departments.

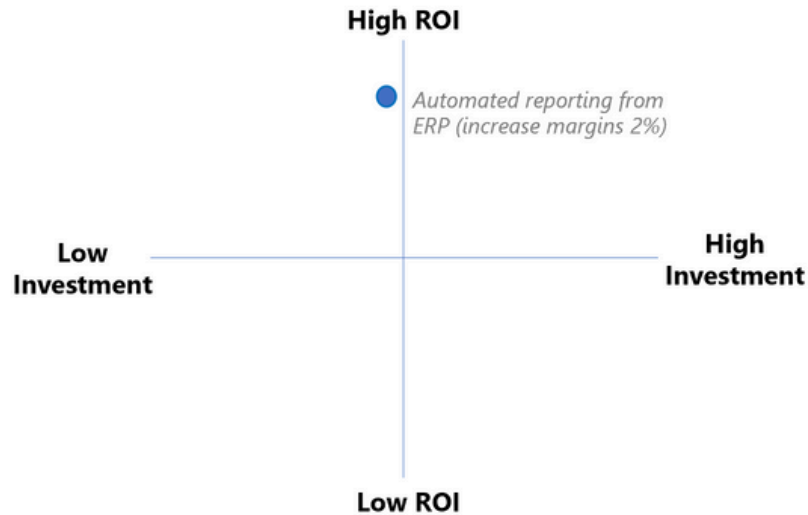
**(Leadership Empowerment)** Without real-time insights, company leadership spends too much time piecing together information from various sources, leading to slower decision-making. By implementing automated dashboards that pull data from integrated systems, leaders can access real-time insights instantly, allowing them to make informed, strategic decisions that drive growth and efficiency.

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*The future path to value creation will be different than in the past, requiring a renewed focus on operational value creation levers—revenue growth and margin expansion.”*

Goldman Sachs

## Ranking Data Initiatives by Potential Value



When prioritizing data projects, it's essential to focus on those that can automate actionable insights for the right stakeholders at the right time, driving revenue growth or controlling costs. For example, initiatives like automated reporting from ERP systems, which have the potential to increase margins by even a modest percentage, should be prioritized due to their high ROI. The key is to align these initiatives with specific business outcomes rather than simply delivering metrics that stakeholders request.

Instead of asking what data people want to see, consider what outcomes you need to achieve that will positively impact the business.

### A few questions to consider:

*Without this problem, what might be accomplished?*

*What changes to the current state will enable this future state?*

*How will you monitor your key strategic initiatives? Is data available?*

### Example:

(Ideal future state) Automated reporting that draws data from the ERP and uses applied business logic to accurately reflect average quotes and project margins—with the ability to drill into specific regions and sales reps. Executive leadership spends no time searching for data or running ad-hoc reports; instead, their time is focused on analyzing data and making strategic decisions.

(Changes to current state to enable future state) Sufficient data architecture to extract ERP data and model it to support key metrics and visualizations. Implement a BI platform to facilitate automated reporting, allowing the executive team to access reports seamlessly.



## Using Data for Strategic Growth and Sustainable Value

Good data management is no longer optional; it's a necessity for driving value creation across portfolios. The examples and strategies shared in this guide demonstrate how data, when properly managed, can lead to significant gains in efficiency, revenue growth, and overall portfolio performance.

In the new era PE firms must move beyond traditional metrics and focus on predictive analytics, machine learning, and AI-driven insights. These advanced technologies enable a forward-looking approach, allowing firms to anticipate market shifts, mitigate risks, and identify new growth opportunities before their competitors. Data is not just as a tool, it is the foundation for strategic growth and value creation. By applying these principles, PE firms and their portfolio companies can position themselves not just to survive, but to thrive, turning today's challenges into tomorrow's opportunities.

***"The competitive advantage of tomorrow will not be determined by which company has the best products but by which company has the best data."***

-CIO Magazine

## Case Studies

Client: **Mid-Market Commercial Services Portfolio Company**

Challenge: Stagnant revenue growth and inefficiencies across multiple departments due to a lack of integrated data systems.

Solution: Real-time dashboards were developed to provide actionable insights into revenue drivers, operational efficiency, and financial performance.

Results:

- Achieved a 15% increase in revenue by identifying and capitalizing on new market opportunities.
- Improved operational efficiency by 25%, reducing costs and increasing productivity.

Client: **PE-Backed Manufacturing Firm**

Challenge: Production delays and inventory management issues, resulting in increased costs and reduced profit margins.

Solution: An advanced analytics solution was developed to integrate data from the company's supply chain, production lines, and inventory systems.

Results:

- Increased production efficiency by 20%, reducing overall lead times.
- Improved profit margins by 10% through optimized production processes and reduced operational costs.

Client: **Healthcare Services Firm in PE Portfolio**

Challenge: Lack of integrated data systems made it difficult to track patient flow and optimize operational performance.

Solution: A tailored data solution was implemented that tracked patient flow, appointment scheduling, and operational performance in real-time.

Results:

- Boosted revenue by 12% due to higher patient retention and optimized scheduling.
- Increased patient retention by 25% through improved service delivery and patient experience.

Want to read more about our partner's success?

[\*\*Visit Our Resource Page\*\*](#)

## Why Blue Margin?

Our approach begins with a deep understanding of your unique business challenges and strategic goals. We work alongside your team to tailor our solutions, ensuring alignment with your objectives and a focus on driving tangible results. Our partnership goes beyond mere technology deployment; it's about building a lasting relationship based on trust, clear communication, and a commitment to your success. We specialize in rapidly consolidating company data into a data lakehouse—in as little as two weeks—enabling quick access to centralized, reliable data. This positions your business to fully utilize advanced analytics, machine learning, and future AI analytics tools.

Blue Margin's Managed Data Service is a key component of this strategy, providing continuous support and optimization to ensure your data remains a powerful asset that drives faster improvement and higher enterprise value. With over 300 clients served, we pride ourselves on being a nimble, agile team that adapts as your needs evolve, offering real-time collaboration and the flexibility to adjust as priorities shift. Choosing us as your data partner means you're not just selecting a service provider; you're engaging with a team dedicated to enhancing your enterprise value and supporting your long-term growth.



*[Blue Margin's Managed Data Service] gives me the ability to plan out the year, gather consensus on initiative priorities, and better predict the budget I need to secure.*

Pedro Renteria, Director of FP&A | SimonMed

Data management challenges don't have to be your reality, and you don't need to be a billion dollar enterprise to have a robust approach to data either. Contact us to talk to you further about our fractional approach to BI.

**Let's Talk**

## Additional Resources

We offer a wealth of resources to support your data management journey. Here are some key resources that can provide further insights and help you make informed decisions:

### Whitepapers and eBooks

- [The Dashboard Effect Book](#)
- [Guide to Data and Generative Ai](#)
- [Dashboard Design to Ensure Adoption](#)

### Blog and Articles

- [How Successful Private Equity Companies Leverage Data](#)
- [How Data Helps You Survive Private Equity's New Era](#)
- [Private Equity Has Achieved Formula One Status](#)

### Tools and Worksheets

- [ROI Calculator for Data Transformation Projects](#)
- [Middle Market Playbook](#)

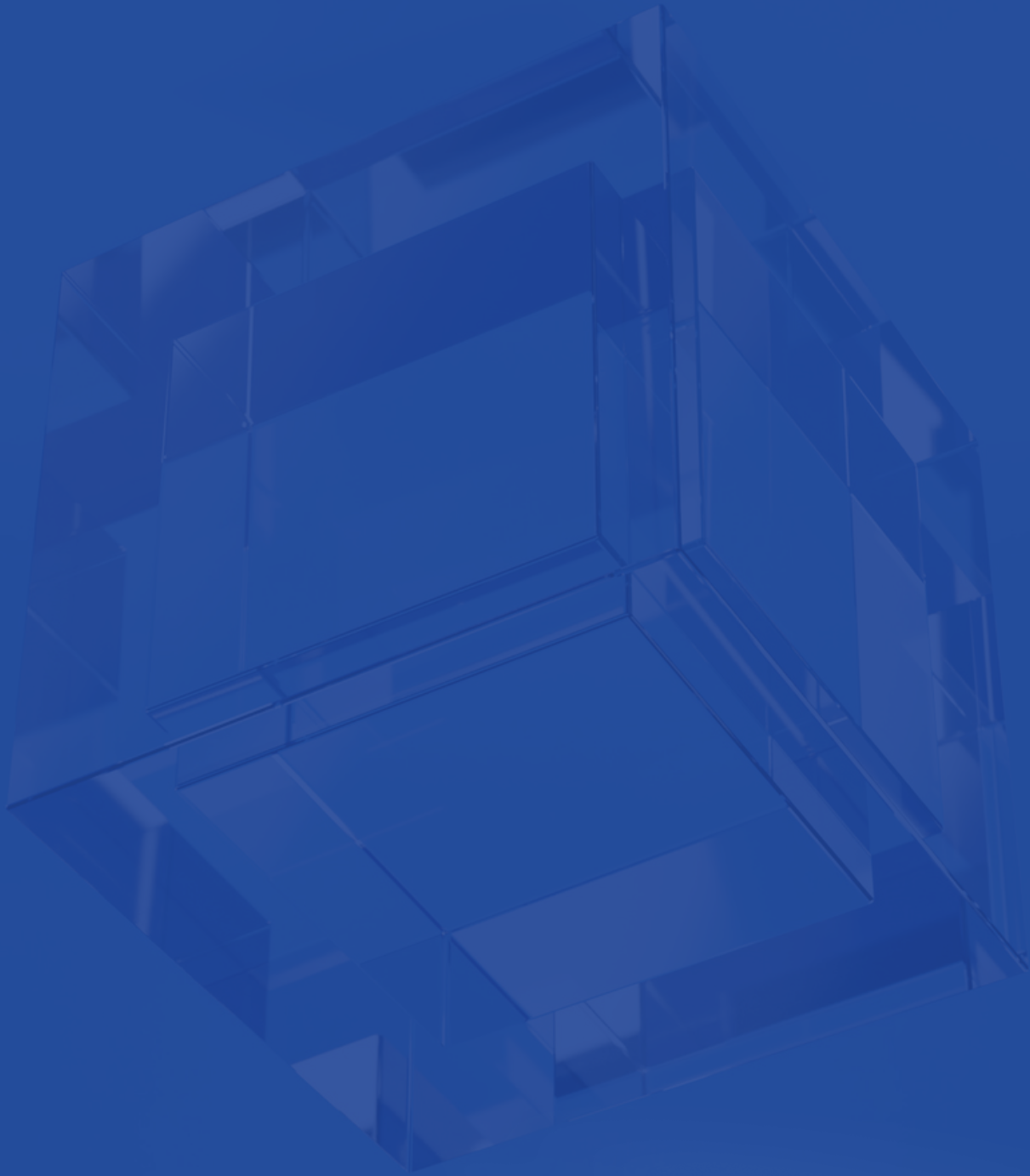
### Podcast Episodes

- [Value Creation Roadmap™ for Private Equity](#)
- [PE's Late Adoption of Data-Driven Practices](#)
- [ERP Digital Transformation for Private Equity](#)
- [BI Strategies for PE Portcos with Marty Moore](#)

### Third Party Sources

- [West Monroe Private Equity 2024 Outlook](#)
- [Portfolio Company Operators are the Rising Stars of Private Equity](#)
- [The New Math of Private Equity Value Creation](#)





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Data expertise that increases profit  
for mid-market industrials and  
services companies

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