



**MAXIMIZING ROI:  
6 REASONS WHY PRIVATE EQUITY FIRMS  
NEED TO SEEK DIGITAL MATURITY IN  
PORTFOLIO COMPANIES**



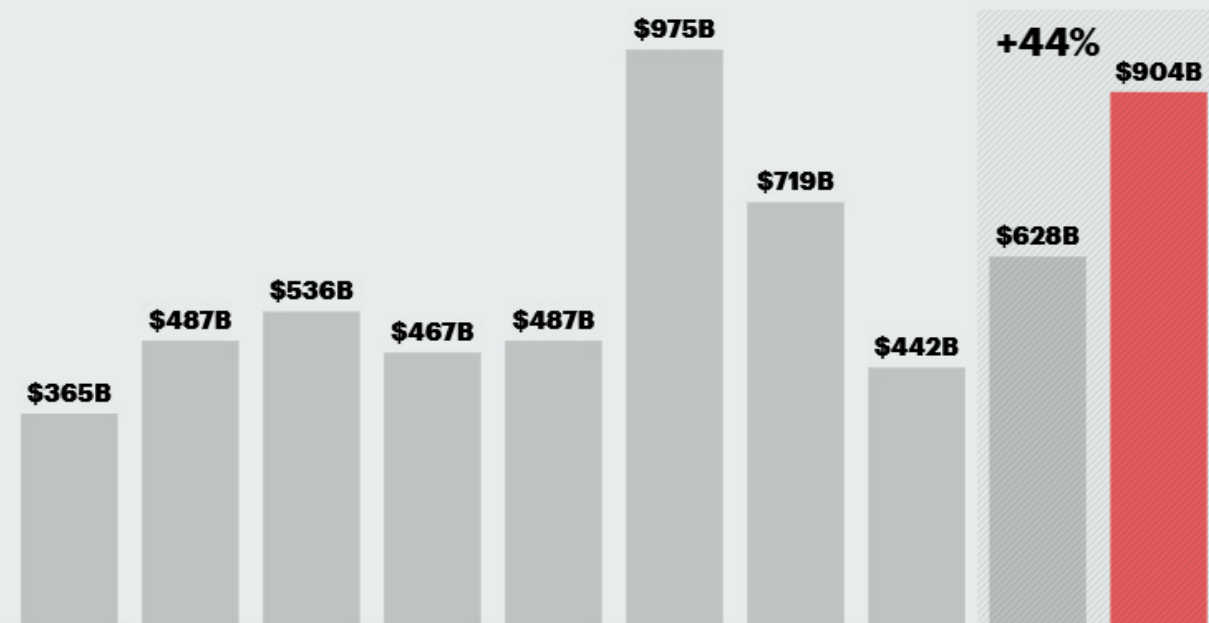
## This white paper covers:

- The ever-changing private equity landscape and evolving value creation pressures
- How digital maturity directly impacts deal execution, integration, and outcomes
- What differentiates high-performing “Pinnacle” enterprises based on research insights
- How PE firms can build Pinnacle portfolio companies and drive repeatable value creation

# INTRODUCTION

Private equity has become increasingly attractive to investors, enabling greater diversification across portfolios. By offering the ability to balance risk while driving strong returns, private equity continues to be a powerful engine for value creation. However, the current environment presents a new set of challenges for PE firms. With prolonged exit timelines, elevated cost of capital, and continued market uncertainty, firms must adapt to a more disciplined investment landscape.

As this new operating environment takes shape, PE firms are being compelled to embrace a revised investment playbook—one where digital capabilities play a central role in driving value. The outlook for the industry today is markedly different from the high-growth years of the past decade.



Source: [Bain](#)

For instance, according to McKinsey’s latest [Global Private Markets Report](#), global private equity deal value declined by approximately 20–25% year-on-year amid tighter financing conditions, while exit activity fell even more sharply, reflecting a significant slowdown in liquidity events.

At the same time, [Bain & Company](#) highlights that despite over \$3 trillion in global dry powder,

dealmaking remains selective and competitive, with investors focusing more on operational value creation than ever before. Additionally, Gartner notes that over 70% of organizations are increasing investments in digital technologies, particularly AI and data platforms, to drive efficiency and growth in uncertain conditions—underscoring the growing importance of digital maturity in sustaining returns.

### What is Digital Maturity in Private Equity Portfolio Companies?

Digital maturity refers to a portfolio company’s ability to use data, cloud platforms, AI, automation, and cybersecurity as core operational enablers—not support functions—to improve EBITDA, reduce risk, and maximize exit valuation.

# WORLD ECONOMIC OUTLOOK UPDATE JANUARY 2026

## GROWTH PROJECTIONS

(REAL GDP GROWTH, PERCENT CHANGE)



Source: IMF

However, while digital investment is increasing, not all firms are able to translate these investments into measurable outcomes. Many portfolio companies adopt technology, but only a subset consistently realize value across cost, growth, and risk. This raises a critical question: what differentiates companies that succeed from those that struggle?

To answer this, Synoptek, in association with Everest Group, conducted a benchmarking study to identify what defines high-performing, or “Pinnacle,” enterprises—and how they leverage technology to drive superior results.

## THE EVER-CHANGING PE LANDSCAPE

Rough. Selective. Competitive. These are now some of the most accurate ways to describe the PE landscape. While conditions have improved from the sharp dislocation of 2022–2023, private equity firms are still operating in a market defined by uneven liquidity, elevated valuation scrutiny, and persistent pressure to create value through operations rather

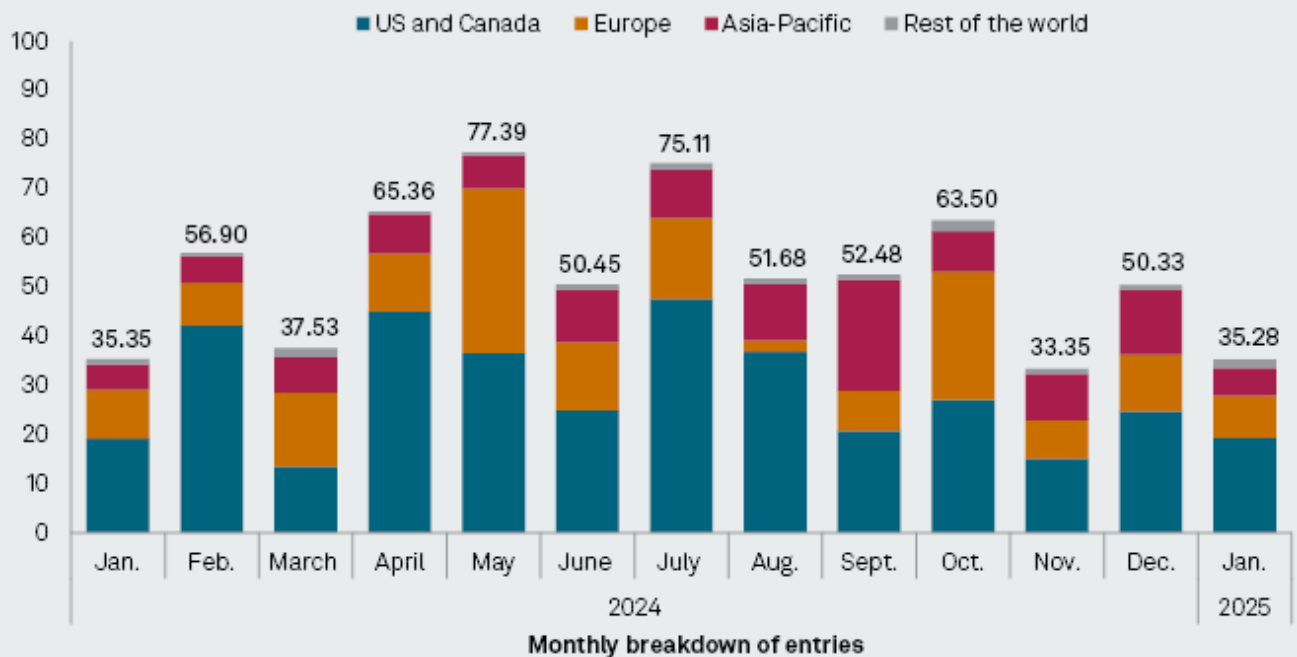
than financial engineering alone.

The industry is no longer navigating a short-term shock; it is adjusting to a more disciplined environment in which fundraising remains difficult, exits are harder to time, and investors are demanding clearer pathways to returns. Here are some notable statistics shaping the market today:

- McKinsey reports that private markets fundraising continues to face pressure, with capital raising remaining below long-term averages as LPs rebalance portfolios and prioritize distributions in a constrained liquidity environment.
- **McKinsey** also highlights that global private equity dry powder remains elevated at over \$2 trillion, reflecting significant undeployed capital but increasing selectivity and longer deal cycles across the industry.
- The private equity exit backlog remains a major challenge: a growing share of portfolio companies are being held beyond traditional timelines, with assets increasingly exceeding four to five years of ownership, signaling prolonged exit horizons and delayed realizations.
- **Bain** reports that buyout deal activity is showing signs of recovery, with total deal value rebounding and average deal sizes remaining historically high, driven by continued competition for high-quality assets.
- **S&P Global Market Intelligence** reports that while exit activity is gradually improving, overall exit values remain under pressure, highlighting ongoing challenges in achieving strong valuations and timely liquidity events.

## Value of global private equity and venture capital entries worldwide by region

Monthly aggregate value (\$B)



Data compiled Feb. 3, 2025.

Analysis includes global whole-company acquisitions, minority stake acquisitions and rounds of funding announced between Jan. 1, 2024, and Jan. 31, 2025, where the buyer/investor is or includes a private equity or venture capital firm.

Excludes terminated deals, asset deals, debt and early-stage funding rounds, and add-on acquisitions.

Source: S&P Global Market Intelligence.

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Despite how choppy the PE waters might look, companies will continue to navigate an increasingly complex market environment. PE investors need to be prepared for several roadblocks that may lead to slower transaction activity, especially as valuations stabilize and financing conditions remain tight. PwC suggests that this environment offers investors a strong opportunity for innovation. Firms that can adapt in response to both immediate pressures and longer-term trends are most likely to continue to capitalize on value creation opportunities. Those

that can find new ways to transform companies digitally and deliver value are also expected to define the leaders in the next generation of private equity.

One of the biggest shifts the PE sector is witnessing is increased investment in digital technology. Although digital has long been a crucial part of the PE playbook, the current environment is accelerating its adoption. This is because more and more PE firms are recognizing the role digital plays in driving efficiency improvements, revenue growth, and earnings.

## HOW DIGITAL MATURITY DIRECTLY IMPROVES DEAL OUTCOMES

Value creation in private equity is no longer driven by financial engineering alone. In today's environment, digital maturity plays a central role in determining how effectively firms execute deals, scale portfolio companies, and realize returns. The impact of digital

is most meaningful when viewed through the lens of deal outcomes—not just operational improvements. Here are six ways digital maturity directly influences value creation across the investment lifecycle:



**Improves Digital Diligence and Deal Visibility**



**Accelerates Post-close Integration**



**Enables Scalable Architecture**



**Reduces Value Leakage**



**Strengthens Data-driven Decision Making**



**Creates a Repeatable Operating Model**

## 1. Improves Digital Diligence and Deal Visibility

Digital maturity provides earlier and deeper visibility into technology cost structures, technical debt, scalability, and risk—enabling more accurate deal underwriting and better-informed investment decisions.

## 2. Accelerates Post-Close Integration

Standardized systems, data structures, and platforms reduce integration complexity, enabling faster synergy realization and minimizing disruption during acquisitions and carve-outs.

## 3. Enables Scalable Architecture Across Portfolio Companies

A modern, scalable technology foundation allows firms to drive consistency across portfolio companies, supporting growth, platform strategies, and operational efficiency.

While many organizations recognize these benefits, only a subset consistently achieve them at scale. Synoptek's research reveals a clear distinction between organizations that experiment with digital

## 4. Reduces Value Leakage Through Resilience and Security

Strong cybersecurity, governance, and operational resilience help prevent disruptions, protect enterprise value, and reduce downside risk across the portfolio.

## 5. Strengthens Data-Driven Decision Making

Unified data environments and analytics capabilities enable real-time visibility into performance, improving capital allocation, operational decisions, and strategic planning.

## 6. Creates a Repeatable Operating Model for Value Creation

Standardized technology frameworks, governance models, and execution approaches enable firms to replicate success across multiple portfolio companies—driving consistent and predictable outcomes.

initiatives and those that systematically translate technology investments into business results. These high-performing organizations are what we define as Pinnacle enterprises.

# THE PINNACLE MODEL: WHAT HIGH-PERFORMING ENTERPRISES DO DIFFERENTLY

The mid-market [benchmarking study](#) conducted by Synoptek and Everest was aimed at understanding the role technology plays in driving business agility and success. 119 organizations from various industries participated in the study and were

assessed on their ability to achieve greater results from technology investments across four key areas: Strategic Impact, Operational Impact, Financial Impact, and Risk Impact.

# Impact Of Technology On Business

The distinctive differences between Pinnacle and non-Pinnacle enterprises are seen in their approach to technology

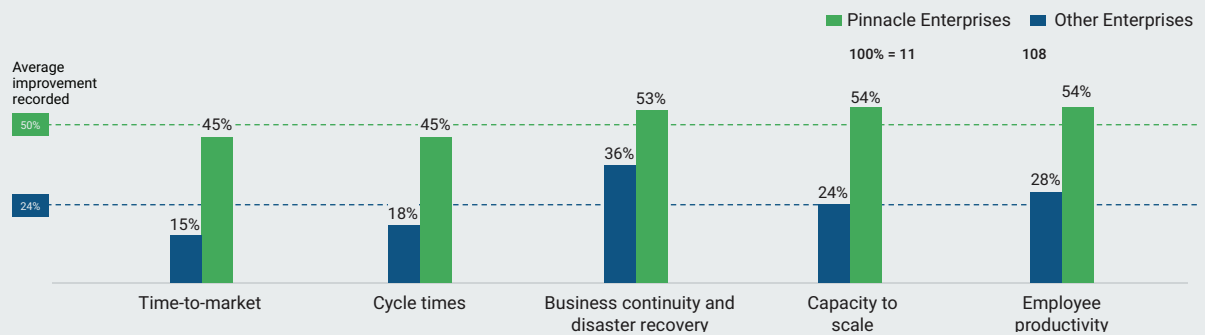
investment techniques and plans. Here is a closer look at the impact areas:



**Strategic Impact -**  
The ability to intertwine multiple strategies that have impact across a broader spectrum of the business.

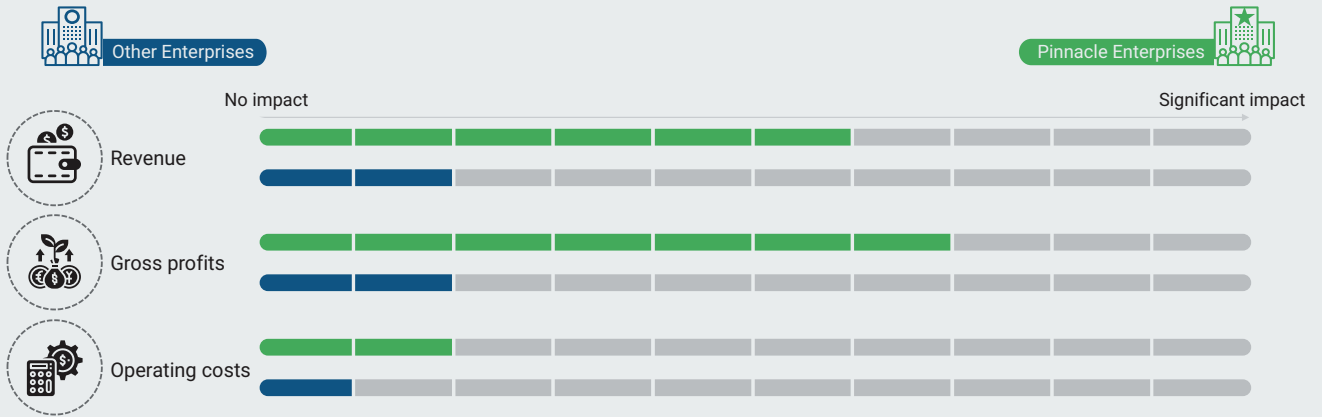
**Operational Impact -**  
Business results experienced from technology investments.

## Operational Impact



# Impact Of Technology On Business

## Financial Impact



- Bottom line financial impact sometimes takes years due to the cyclical nature of enterprises.
- Pinnacle enterprises have mastered the ability to stay focused and manage long term value realization.

## Risk Impact



- Cyber and compliance had nearly identical responses due to the issues inherent in these areas.
- However, Pinnacle Enterprises were far greater at managing talent and third-party risks due to ongoing planning & risk mitigation efforts.

The main crux of the report was the “Pinnacle Model,” a way of taking everything a company is doing with technology and correlating it to the business results they are achieving based on the use of technology. During the study, it was found that the line between a traditional business and

a tech organization is starting to fade because organizations are becoming increasingly dependent on technology to enter new markets, provide new products and services, and gain a competitive advantage.

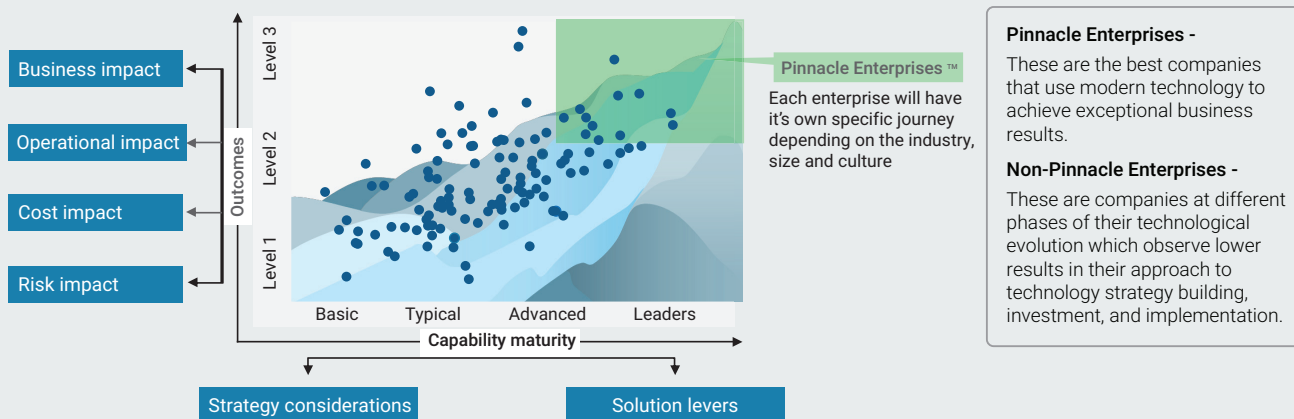
# The Pinnacle Model

A quantitative survey was carried out with 115+ CXOs along with in-depth interviews with executives from 15 enterprises. The survey seeks to measure

an organization's ability to chain multiple activities to achieve greater results from technology investments.

## Pinnacle Model® overview

Source: Everest Group (2022)



# HOW PE FIRMS CAN BUILD PINNACLE PORTFOLIO COMPANIES

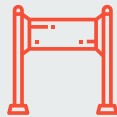
It is becoming increasingly evident that digitalization can unlock exceptional future returns. Therefore, PE firms today are taking a very pragmatic approach to investments, validating each deal through a digital lens. As digital maturity promises substantial returns within the typical PE holding period, many are actively seeking companies that invest in low-risk digital technology such as analytics, AI, and IoT.

Considering the impact digitalization has on driving value post-deal, they are also demanding proof of digital execution from portfolio companies along with a clear, data-driven roadmap.

Here are some steps PE investors need to take to transform portfolio companies into Pinnacle companies:



Set realistic goals



Start early



Cultivate a growth mindset



Work as digital operating partners



Ensure governance



Address imminent challenges

### 1. Set realistic goals:

PE firms need to realize that no transformation undertaking can ever produce immediate results. This can impact the holding period but must not be considered as a reason not to invest in transformation. Since hold periods are shorter than what's required for successful transformation, sponsors need to think carefully about which projects to prioritize. Instead of coming up with dozens of initiatives, PE firms need to tread the path carefully and with caution. Results from transformation might take a while to reflect, therefore, firms need to set realistic goals to accelerate the success of their equity story. A complete transformation might increase the holding period, but the exit value generated at the end will more than compensate for it.

### 2. Start early:

Starting digital initiatives early in the holding period can give PE investment teams to have enough time to measure (and convey) results. It can help them assess the business value that will be gained post-transformation as well as ascertain the time frame for a decent ROI. Starting early can also help PE firms better understand potential challenges such as budget and resource constraints and build a transformation strategy and roadmap that addresses these roadblocks in time.

### 3. Cultivate a growth mindset:

One of the main reasons why digital transformation projects fail is culture. Cultivating a growth mindset early on can help in achieving digital goals more easily. From bringing new tools to enabling new ways of working – PE firms must embark on the journey of kickstarting a cultural shift as early as possible. They should also introduce agile methods, delegate decision-making, and create multi-disciplinary teams to drive digital success.

### 4. Work as digital operating partners:

To help realize the full digital potential of portfolio companies, innovative PE houses need to work as digital operating partners and help in identifying, planning, and driving the execution of high-impact digital initiatives. Since companies that successfully embark on their digital transformation journey are known to have a higher total shareholder return, supporting portfolio companies' digital initiatives can lead to increased revenue and value generation. This is enabled by the ability to monetize data, create data-driven products, boost operational efficiency and asset utilization, and integrate digital platforms.

## 5. Ensure governance:

Governance is essential to bring any digital transformation strategy to fruition. Strong governance established and maintained by an executive steering committee can enable PE firms to combine operational excellence with company leadership while allowing them to have a regular dialogue on digital performance. Governance will also help them periodically track transformation progress and find quick solutions to incompatible operating models, outmoded working methods, cultural resistance, etc.

## 6. Address imminent challenges:

Digitally transforming any portfolio company isn't without challenges. Understanding these challenges upfront can help in addressing them in a timely and efficient manner. An initial hurdle is ensuring a common understanding of what digital transformation entails. PE firms need to create sufficient awareness and strong alignment between portfolio companies to curate a clear vision of how digital solutions will support the overall equity story. They will also have to figure out how they can manage stakeholder expectations around the value of digitalization and the associated effort and timeline needed.

## Digital transformation checklist

Before acquiring a potential portfolio company, PE firms must ask these questions:

- ✓ Does the target company have a digital strategy in place?
- ✓ Where does it lie in the digital maturity model?
- ✓ Does the target company have a dedicated digital department?
- ✓ How modern (or archaic) is the IT ecosystem?
- ✓ What is the level of automation being employed?
- ✓ Are modern digital systems incorporated into the target company's operations?
- ✓ Are the target company's suppliers, vendors, and customers connected digitally?
- ✓ Does the business have an integrated, birds-eye view of processes across departments and locations?



# CONCLUSION

Geopolitical risks, surging inflation, elevated interest rates, and economic uncertainty are creating new challenges for private markets across the globe. As fundraising hurdles persist, PE investors seeking new capital must look for ways to augment competitive advantage. Although carrying out detailed due diligence is every PE firm's forte, in today's era, it should include analyses made through a digital lens.

Investing in digitally enabled portfolio companies can open doors to substantial benefits in terms of higher value deals, more premium, and shorter closing periods. But this is easier said than done.

The widespread adoption of digital technologies has emerged as one of the most powerful and disruptive forces in the business world, driving a revolution in which entire sectors are being restructured, and business models are metamorphosed. Yet, many PE firms find that their portfolio companies lack a decent level of digital maturity, and this impacts their bottom line. With competition in the PE sector getting more heated than ever, there is more money available for investments. Since deals and decisions need to be made at ever-increasing speeds, mature digital investments by portfolio companies are increasingly being considered as a value driver at the exit.

With the **PE market** forecast to grow by \$734.93 billion during 2022-2027, to ensure good returns, PE firms will have to invest in the digital transformation of their portfolio, so they can strike the right deals and raise their risk appetite. Since generating higher value in portfolio companies is key to securing higher returns, digitally transforming portfolio companies into Pinnacle companies can lead to increased financial performance. Investing in companies with a higher level of digital maturity can lead to annual net revenue growth and net profit margins that are significantly above their industry average.

No two companies are the same, and each investment requires a tailored approach. Successfully transforming portfolio companies into digital specialists requires people with the right experience and execution framework. Since stage-relevant teams and technology needed for transformation are expensive and hard to find, partnering with a **Managed Experience Provider (MxP™)** can deliver the required experience and expertise to bring projects to successful closure. Acting as a digital innovation partner, an MxP can help improve portfolio companies' digital strategy, operations, finances, and risk-taking ability while enabling them to experience an array of benefits in disruptive times.

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## ABOUT SYNOPTEK

Synoptek is the first global Managed Experience Provider (MxP™), delivering end-to-end IT and digital transformation services that align technology performance with business outcomes. Powered by its aiXops™ platform, Synoptek provides advisory, integration, and AI-activated managed services across four core pillars: Cloud & Agile Infrastructure, Business Applications & Platforms, Customer & Employee Experience, and Cybersecurity. With 24/7 global delivery, deep industry expertise, and a holistic strategy-to-operations model, Synoptek helps organizations reduce operational burden, accelerate transformation, and continuously evolve their digital capabilities.