ERP as the Spine of the Value-Creation Plan in PE-Backed Businesses

In many PE-backed companies, ERP is still treated as an IT headache rather than a strategic asset.

Yet the portfolios that are now pulling ahead are those where ERP, data and AI form the **spine** of the value-creation plan, not a side-line workstream that is left to the CIO. [3][4]

Why ERP has moved centre-stage in PE value creation

The value-creation conversation in private equity has shifted.
Recent commentary from E78 Partners, for example, highlights five key levers for value creation in 2025, with digital transformation and AI integration now sitting alongside operational efficiency and margin improvement as core priorities for operating partners.

Crucially, E78 argue that AI execution only works when it is built on a strong digital foundation, including modern ERP and EPM platforms that provide clean, timely and integrated data.

Kenway Consulting make a similar point in their framework for ERP modernisation in private equity: for lower mid-market PE especially, technology modernisation is "more than an IT upgrade, it's a direct path to operational efficiency, EBITDA growth and higher exit valuations."

From "systems clean-up" to value-creation spine

Despite this, ERP still shows up in many value-creation plans as a vague "systems clean-up" line item.

In my experience, that is exactly how value gets left on the table: ERP is scoped as a technical refresh, not as the backbone of how the business makes money and scales.

Done properly, ERP modernisation compounds value across the fund lifecycle. Specialist ERP advisors working with PE investors have shown how unified, modern ERP platforms can deliver real-time visibility, fewer manual workarounds, faster integrations and cleaner data at exit – all of which directly support valuation.

For example, E78 point to portfolios where upgraded ERP and CRM systems, coupled with real-time dashboards, have produced measurable cost savings and 10–20% faster cycle times, with better-connected operations supporting higher exit valuations.

What the spine actually looks like in practice

When I talk about ERP as the spine of the value-creation plan, I mean something very specific.
First, the value-creation plan itself is structured around a few clear levers – revenue growth, margin improvement, working capital, scalability, and each of those is mapped to processes and data that sit on the ERP.

Second, the ERP roadmap is designed “from the outside in”, starting with those levers rather than with modules or features.

Kenway’s first-principles approach to ERP modernisation makes the same point: break down the business’s core objectives and inefficiencies before making technology decisions, and avoid simply automating broken processes.

Third, ERP releases are sequenced in waves that the business can absorb, with each wave tied to specific value-creation milestones – for example: shortening order-to-cash, standardising pricing and discounting, or improving inventory turns.

Boston Consulting Group’s work on demand forecasting and supply-chain optimisation suggests that improved forecasting alone can lift revenue by 2–4%, while smarter product targeting and better inventory planning can deliver meaningful margin uplift and lower write-offs.

Those gains only show up reliably when the underlying processes and data run through a coherent spine rather than a patchwork of spreadsheets and point solutions.

Where AI and analytics really fit

There is now no shortage of AI pilots in PE-backed portfolios.

KPMG’s recent perspective on value creation in private equity notes that emerging technologies such as machine learning and generative AI are enabling more probabilistic, data-rich decision-making, but stresses that poor-quality data and pilots with no path to scale are common failure modes.

In other words, AI without an ERP and data spine is just noise.

E78’s commentary on AI-powered value creation reinforces this: 2024 was about experimentation, but 2025 is about execution, and that depends on data readiness, integration and clear alignment to value-creation priorities.
In my own work, the AI use-cases that stick – from dynamic pricing and margin analytics to automated exception handling – all depend on the quality and structure of data flowing through ERP and adjacent systems.

Designing an ERP roadmap that PE sponsors will back

For PE sponsors and their executive teams, the question is not “should we modernise ERP” but “how do we do it in a way that fits the hold period and investment thesis”.
Kenway emphasise aligning ERP modernisation with the investment timeline, focusing on high-impact, lower-cost improvements that reduce operational disruption while still unlocking material value.

Across portfolios, a few design principles stand out:

- Start with a portfolio-wide systems and process “health check”: age of systems, number of platforms, manual workarounds, data latency, and integration gaps.
- Define a target operating model that makes explicit what should be standardised (chart of accounts, order-to-cash steps, pricing logic, KPIs) and where local variation is acceptable.
- Build a business case at lever level: what would a 5–10 day reduction in cash collection, a 5–20% reduction in inventory, or a 1–2 point gross-margin improvement mean over the hold period.

Advisors such as FluidIT have also underlined the role of low-code and no-code platforms as extensions to the ERP spine: standard processes and data live in ERP, while governed workflow and apps handle edge cases and compress change windows in under-resourced IT environments.

That pattern – a strong core spine with flexible extensions – is especially important in mid-market portfolios, where IT benches are thin but the change agenda is heavy.

What PE firms and recruiters should look for in ERP-savvy leaders

For PE houses and executive recruiters, this has clear implications for the profiles they prioritise.

ERP decisions used to be parked with CIOs or finance teams; today, value-creation commentary from firms like E78 and specialist recruiters points to a growing demand for CFOs, COOs and CTrOs who can treat ERP as a value-creation lever rather than a cost centre.

The leaders who make a difference share a combination of traits:

- They can translate investment theses into ERP and data requirements, not just into org charts and project lists.
- They understand the risks of over-engineering ERP within a 3–5-year hold period, and design pragmatic, staged modernisation that investors will back.
- They insist on clean, standardised data and processes, because they know that valuation, due diligence and exit narratives all depend on credible operational and financial information.

In a market where deal timelines are stretching and capital is more expensive, Bain have noted that “easy wins may be over” and that operational excellence and digital capability are becoming the new basis of differentiation.
Treating ERP as the spine of the value-creation plan – rather than a necessary evil – is one of the most pragmatic ways PE-backed companies can position themselves to deliver that differentiation and defend valuations at exit.