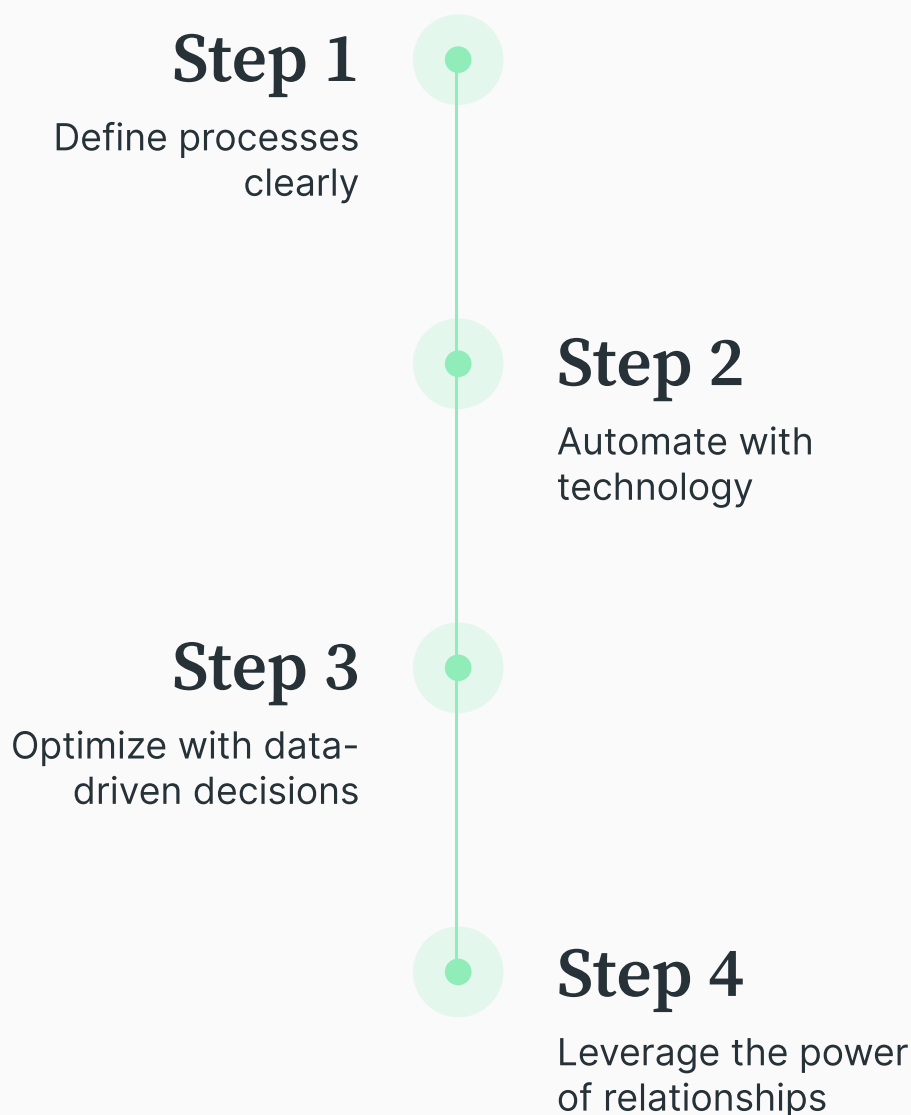


WHITE PAPER

# 4 Steps to Differentiate in Private Capital Markets

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Differentiation is the result of efforts to stand out as a provider of unique value to customers versus the competition. In the private capital markets, this often translates into a firm's "secret sauce" in how they source deals and communicate to their investors. However, differentiation is highly dynamic. It changes as the market, business environment, technology, and preferences change. Differentiation, in the case of today's private equity firms, involves the ability to discover new insights from your data and act faster than ever before capitalizing on where you invest to be perceived as a leader by your peers, investors, and competitors. Additionally, the level of trust and transparency a firm needs to demonstrate to its potential investors or current LPs has changed drastically in the past few years. Many private equity firms embrace technology to differentiate from others in their space. If you're looking for ways to differentiate your firm, here are four steps you can take to differentiate your private equity firm using technology for processes, communications, and decision-making:



## STEP 1:

# Clearly Define Processes

Clearly defining processes in your firm is important for several reasons. First, it provides consistency in timing and quality of decision-making. It also creates alignment with your staff and transparency with other stakeholders. Defining processes also highlights what can be automated and/or optimized to improve both the efficiency and the efficacy of each process. All of these outcomes increase firm productivity, transparency, and agility as you continue to build the foundation of your firm's differentiation.

### Critical processes for your firm to define include:

- Raising capital
- Identifying new deals or investment opportunities
- Reporting performance to investors
- Managing and understanding your portfolio of investments

It is not enough to simply define processes. You must build alignment and excitement around them across the organization. This alignment must start from the leadership level and permeate through the rest of the organizations. Because if people aren't being managed to the processes that are defined, they end up being words in a document that never gets opened again.

Technology built specifically for private equity has improved significantly in recent years.

Choosing the right one(s) requires consideration of a number of factors.

## STEP 2:

# Use Technology to Automate

Once your core processes are well defined and there is buy-in throughout the organization, your firm can begin to look at what tasks can be automated.

Technology built specifically for private equity has improved significantly in recent years. Choosing the right one(s) requires consideration of several factors. No matter which vendor you choose, you'll first need to be able to answer the following questions:

01

What are the biggest pain points in our current process?

02

What types of data do we need to deliver against our investment strategy?

03

How can we successfully hit the ground running after implementation?

In our experience, the first two questions come from internal reflection on the current state of the state while the third is an active conversation with your vendor of choice. Generally, successful new firm technology implementation requires:

01

Executive sponsorship

02

Inclusion of stakeholders at all levels

03

A full commitment to populating clean data & maintaining system

04

A plan to streamline existing workflows with automation

## STEP 3:

# Optimize With Data-Driven Decisions

Once you have firm processes in place and are automating at least some areas of those processes using technology, you're ready to start optimizing. The right private equity solution allows you to consolidate, integrate, and harness your data in such a way that insights become more visible and actionable. This data likely comes from anywhere internal data linked with the market and publically available data with portfolio data sourced from your investments to create a single source of truth and bring to light trends and information that differentiate your firm.

Visualizations and dashboards also help your team make better sense of the data collected, rather than solely pouring over spreadsheets and notes to try to find those insights.

Optimization doesn't happen overnight. And it's really never "complete". As the system gathers more data, you continually have better insights and trends. Also, trends in investing behavior, communications, and other external factors change over time so using a solution that allows you to adjust to these external shifts as well as optimize internal processes is important.

When your team enters the optimization phase of this 4-step differentiation program, you must understand and define the problem you are trying to solve. You'll want to be able to answer three key questions:

01

Now that we're capturing the data, what are we going to do with it?

02


Is the data complete and normalized to get accurate analyses?

03

Is the sample size large enough?

## STEP 4:

# Leverage the Power of Relationships



Of course, success in the private capital markets relies heavily on the power of relationships. To differentiate your firm, you should improve how you build and maintain your investor relationships.

Clear, consistent communication is the foundation of your investor relationships. Using PE communication technology to personalize communications and automate wherever possible, helps your firm's brand stand out from the crowd and keeps you connected and top-of-mind.

Building your LP relationships means getting proactive with transparent fund performance data and reporting in a visually appealing and easy-to-understand way. It also means providing these reports consistently, so that investors always know what to expect and when to expect it.

PE firms that truly set themselves apart today are using LP portals to provide enhanced access to firm information 24/7/365. They're also using their systems to not only send Capital Call notices, PPMs, and K1s securely but also provide LPs with an easy way to request, capture, and track digital signatures to streamline due diligence and the overall investor experience.

Differentiation in the private capital markets is difficult to accomplish in today's crowded market-space, but many firms, find the use of solutions built specifically for their firm to be extraordinarily helpful in this area. Adopting technology doesn't just improve the productivity of your internal team's time. It also improves decision-making through data-driven insights and LP communications and relationship building.