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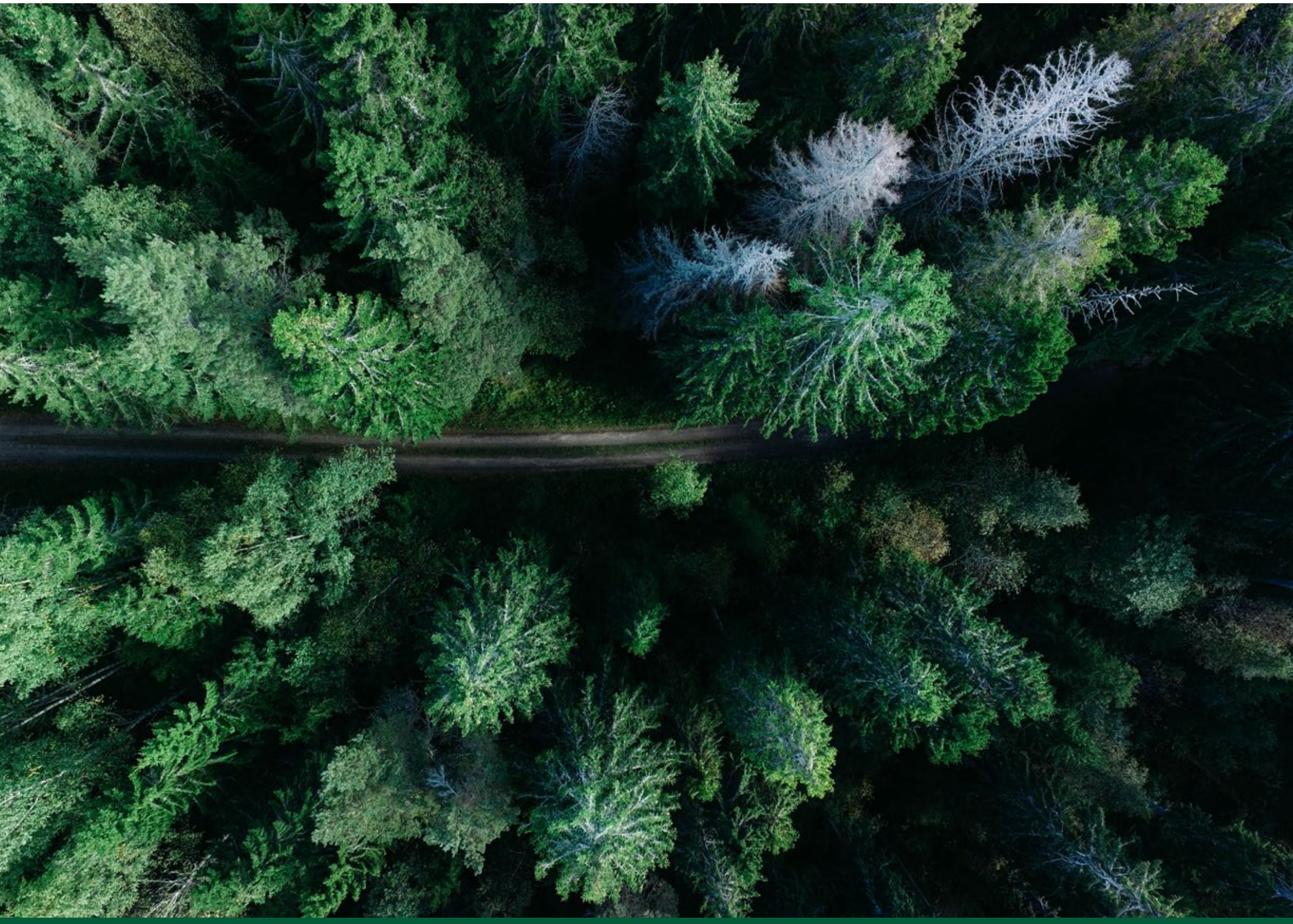
RevOps Intelligence in Private Equity Firms



About Cortado Group

As a strategic partner to private equity firms, Cortado Group provides data-driven insights to executive leadership and ownership groups. Our go-to-market solutions drive profitable revenue growth.

We combine the operating experience from tenured sales and marketing leaders with data-driven, go-to-market methodologies. This drives profitable revenue growth.

Our team is trained in this disciplined approach so we can help our clients develop a profitable, competitive market advantage.

About this Report

This report shares wide-ranging insight on the advent of RevOps (Revenue Operations) and the advantages private equity firms gain from deploying the discipline within their holdings and across their portfolios.

Insights were pulled from many of today's leading organizations, analysts, and publications to provide PE firms with consolidated insight to make an informed decision on their transformational journey to a revenue-focused operation.

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Executive Summary

RevOps is Predicted to be the Future of Private Equity Revenue Generation

Profitable revenue is the goal. But, amid a record-breaking period of growth, today's private equity firms face increasingly complex challenges. Traditional PE operational practices and a volatile marketplace have created a minefield that threatens to disrupt firms' ability to optimize revenue across their portfolios — from acquisitions to exits. Dispersed data makes critical business intelligence hard to reach. Disconnected marketing, sales, and customer success silos create significant informational and operational gaps. Poor quality data hampers the ability to make informed decisions confidently. Outdated, non-digital operating systems move too slowly and fail to identify opportunities and predict the future. A lack of well-defined processes prevents the right data from being captured initially.

At the same time, PE firms are under increasing pressure to deploy capital amid unprecedented economic and geopolitical uncertainty, increased competition, and rising stakeholder expectations. Yet, successful deals depend on the ability to move faster, drive rapid and strategic growth, and create greater value throughout the transaction lifecycle.

Within this challenging landscape, many PE firms are in a state of flux as they determine how to respond to market changes. Those succeeding have embraced revenue operations (RevOps) intelligence, an AI-driven, data-centered process for gathering, syncing, and managing data across revenue-generating teams, technologies, and processes. With RevOps in place, PE firms are poised to achieve the highest level of revenue from each investment versus leaving money on the table. It's no surprise that RevOps is predicted to be the future of PE revenue generation.

With RevOps in place, PE firms are poised to achieve the highest level of revenue from each investment versus leaving money on the table.

The need for RevOps in PE rose from several core needs:

- Attain greater success in performance metrics.
- Find the next-best bolt-on acquisition to complement and extend the platform.
- Achieve better forecast future valuations.
- Balance reporting requirements with getting essential work done.
- Balance revenue generation among multiple companies.
- Transform into a data-driven operation.
- Deliver greater value to investors.
- Outperform competitors in the marketplace.

RevOps gives PE firms several advantages. They can deliver a standardized and shared view of performance across all lines of business. They can eliminate waste, adapt quickly, maximize efficiency, measure outcomes, and grow predictably. They can gain insights to generate more revenue and exit quickly at higher multiples — all while spending less to get there and generating higher margins. In today's more volatile and unpredictable marketplace, PE firms need to become more agile — including learning from their data so they can go to market rapidly. A cohesive RevOps strategy can make this agility possible.

Gain critical insight into how PE firms are achieving new levels of success with RevOps. In this Cortado Group report, you'll learn:

1. How PE firms are missing opportunities to generate revenue across the life of their portfolios.
2. How RevOps makes mergers and acquisitions smoother and more successful.
3. Why silos within companies are building walls instead of bridges and hampering revenue generation.
4. How fractured data from different parts of the company provide incomplete views of the operations.
5. Why digitization is an imperative, yet many firms are still slow to transition from outdated systems.
6. How RevOps offers a solution that overcomes all of these challenges and sets PE firms up for generating higher levels of revenue across their portfolios.

REVOPS BY THE NUMBERS

30%
reduction in GTM expenses with RevOps
Forrester Study: RO&I Drives Predictable Growth — Clari.com

59%
improved win rates with RevOps
Forrester Study: RO&I Drives Predictable Growth — Clari.com

63%
plan to invest in RevOps in next 3 years
SiriusDecisions' Dana Therrien Discusses New Revenue Operations Charter — Demand Gen Report

Finding 1:
Private Equity Is Missing Revenue Opportunities

Meeting Today's Challenges Calls for PE Firms to Focus on Revenue

The latest reports on PE firms declare a wide range of upbeat forecasts — from ever-climbing multiples to exits picking back up after the pandemic. However, buried in the uplifting news is another perspective — a rising concern about the need to break from the status quo and move to a more mature approach that optimizes revenue generation.

This means that instead of merely relying on organic increases in multiples, exit speeds, and sales prices — all of which have likely reached their peak — PE firms need to pivot and focus on revenue generation along the entire buyer's journey. To achieve this goal, firms need to optimize revenue at every step of the customer lifecycle for every company in their portfolios.

Here are highlights of our findings from industry reports:

PEs Need to Accelerate Value Creation Agendas

Source: "What an accelerating value creation agenda means for private equity" — Ernst & Young

PE firms have always been change agents, but the experiences of 2020 have strapped a rocket to the value creation imperative. Business decisions that used to take months now take days. Strategic ideas that seemed too disruptive are now firmly on the table. At a panel of value creation specialists from leading PE firms at the 2020 European Private Equity International (PEI) Operating Partners Forum, there was widespread agreement that the COVID-19 pandemic has permanently changed the value creation imperative. Key takeaways included: the need for automating routine tasks to drive efficiency, streamlining reporting to enable smarter data analysis, and an imperative to self-disrupt by changing legacy business or investment practices, regardless of the potential to rock the boat.

PE Firms Must Generate More Value to Make Good on Returns

Source: "Private equity firms dodge cost-cutting and aim for revenue growth" — Axios

An annual private equity report highlighted how PE has been paying dizzying prices: U.S. buyout multiples last year averaged 11.4x EBITDA, a record. A majority of U.S. leveraged buyouts last year were done above 7x debt-to-EBITDA ratios, also a record. Some of this is driven by technology, which keeps seeing its sector-leading deal share increase. The simple math says that general partners buying companies at these prices will have to generate more value if they are to deliver on return expectations — and they will have to do so in a highly volatile and uncertain business environment.

PE Firms Must Seek New Ways to Improve Returns

Source: Global Private Equity Report 2021 — Bain & Company

Today's valuations leave little room for error. Soaring asset prices in sectors like technology mean that multiples for deals getting done today are at or near record highs. The simple math says that general partners buying companies at these prices will have to generate more value if they are to make good on return expectations. An analysis of hundreds of funds shows that multiple expansion and revenue growth (not margin improvement) are by far the biggest drivers of PE returns. Funds will have to find ways to improve the mix if they aim to replicate the returns they've posted over the past decade.

Financial Controls Among Top Concerns for GPs

Source: "The growing private equity market: How PE firms can use expertise, technology, and agility to exceed stakeholder expectations" — Deloitte Insights

Some portfolio companies — mostly those expecting a decline in revenue — expressed concerns about PE investor actions. The top concern cited was financial controls — such as those placed on investments and expenses as well as a lack of capital infusion. It was followed by tighter talent policies, such as headcount reductions and reduced compensation, while excessive operational scrutiny ranked third.

PE Firms Need Stronger Focus on Hazards Ahead

Source: "Decision-making in private equity firms: An empirical study of determinants and rules" — Mark Broere, Leibniz School of Business

PE firms generally consider money multiples and internal rates of return more important than other measures of success, that they tend towards an early exit of poor-quality investments (early culling) more often than they tend towards an early exit of performing investments, and that price considerations usually govern the choice of exit channel. An increased awareness of these hazards should help improve the quality of their decisions.

PE is in a Mid-Life Crisis

Source: "Private Equity's Mid-Life Crisis" — Harvard Business Review

A HBR study found a meaningful drop of six percentage points from 1999 to 2019 between the 10-year annualized return that a buyout firm generates from buying, improving, and selling a company.

Source: "Private Equity's Mid-Life Crisis" — Harvard Business Review

There's trouble on the horizon for private equity. As the 50-year-old industry matures, investment returns are falling. For the past three decades, average buyout performance has been on a downward trend. A study found a meaningful drop of six percentage points between the 10-year annualized return in 1999 and the comparable return in 2019.

What's ailing the industry is that the traditional tools of PE for generating performance have become less effective, a natural evolution for a maturing industry. Faced with a maturing, more efficient market that is chipping away at their returns, PE firms have innovated — operationally and financially — to create value. But the incremental moves are not sufficient to halt the structural erosion of industry returns. What is called for is a novel way for PE firms to create value.

Finding 2:
PE Is Increasingly Dealing with M&A Challenges

Mergers and Acquisitions Come with Big Challenges

Private equity firms broke two records in the first half of 2021 — they generated over $500 billion worth of deals and propelled mergers and acquisitions to an all-time high. These achievements have been called by the industry as “truly extraordinary” and going “beyond any of our expectations.” Among the reasons for this success is that mergers and acquisitions can offer a clear path to value at a time when deal multiples are at record levels and GPs are under pressure to deploy strategies that do not depend on traditional tailwinds, such as stable GDP growth and declining interest rates.

An increasingly popular acquisition strategy for PE firms is “buy and build.” In this approach, existing portfolio companies create platforms and look for add-on acquisitions to achieve rapid growth and scale. In 2004, add-on transactions accounted for about 43% of PE firms’ deal volume. By the end of 2020, the percentage increased to nearly 71%.

While acquisition deals have been a growth initiator for PE, they also come with big challenges. Among them is determining the ideal ratio of integration versus standalone for new acquisitions, and maintaining a consistent product user experience, all the way through to customer support. PE firms that mismanage an acquisition risk moving too quickly in the wrong direction, neglecting essential steps along the path to a smooth integration, losing customers in a clumsy transition process, and missing opportunities to maximize the revenue potential of the purchase. To succeed and hit the ground running on revenue generation of new acquisitions requires having the right infrastructure and platform integration strategy for merging the acquisition into the firm’s business structure and having a clear financial plan to achieve the targeted ROI.

Here are some highlights from industry reports on the growth of PE mergers and acquisitions:

Successful Acquisitions Require Solid Foundations

Source: “Buy-and-Build: A Powerful PE Strategy, but Hard to Pull Off” — Bain & Company

To pursue an efficient acquisition strategy, buyers need the right foundational infrastructure — including a robust IT system, a strong balance sheet, repeatable financial and operational models, and assets like distribution and sales networks that are set up for expansion. These objectives are not always easy to accomplish. A central question in due diligence is how much work the platform company needs to do to spearhead the strategy. If the answer is a lot, it can dramatically impact the timing of value creation. PE firms are often buying someone else’s starting point. So, the company might already have made acquisitions that are poorly integrated. For example, IT systems that look like spaghetti, go-to-market strategies may be at odds, or one unit’s delivery trucks might be driving past another’s distribution centers. Fixing issues like these takes both time and planning, which may pay off if the opportunity is big enough. The key, however, is going in with eyes wide open as to what the costs and revenue potential actually are.

Winning at PE Integrations

Source: "Winning at private-equity integrations" — McKinsey & Company

Private equity firms broke two records in the first half of 2021 — they generated over $500 billion worth of deals and propelled mergers and acquisitions to an all-time high.

Source: Private equity breaks 40-year record with $500bn of deals — Financial Times

While buy and build can be a winning strategy, mediocre integrations turn deals that might have been transformative into slow-growing add-ons. At worst, poorly managed integrations can erode investor returns. A large group of PE owners and portfolio companies will likely have inconsistent integrations for many reasons, including a lack of expertise, slow decision making, and poorly defined roles. Firms often call on management teams that lack merger-management experience to execute the integration. Although the leaders of the teams may be experienced in running private companies with great success, they often realize too late that an integration is different and that it requires highly specific expertise. In such situations, the integration falters and is managed only intermittently. PE firms can, however, capture maximum value from their integrations. For example, leading PE firms approach integration planning with the same discipline and rigor they use in deal sourcing and diligence.

Finding 3:
Silos Obstruct Revenue Growth

It's Time for PE to Enter the No Silo Zone

Businesses leak revenue and are unable to maximize their revenue potential for many reasons. One of the most significant is due to the challenges that silos create. Different departments tend to create information silos between teams, which grow larger as a company matures. The teams are increasingly bound together by their own systems and processes. Often, they are culturally misaligned, and inherently distrustful and territorial. During times of significant change, when organizations must be agile, silos can be stubborn obstacles to creating a more effective path to growth and profitability.

However, to stay competitive in the face of accelerating business disruptions, companies need to rethink and retool their operations. The level of transformation required demands a collaborative effort from all parts of the organization. Simply stated, the silos need to break down and work together with a shared sense of purpose. They need to share the data, systems, and analytics required to get a holistic view of the customer journey and make meaningful changes that result in higher revenue generation.

Highlights from industry reports on the constricting impact of departmental silo:

Breaking Down Departmental Silos Is an Imperative

Source: "Cross-Silo Leadership — How to create more value by connecting experts from inside and outside the organization" — Harvard Business Review

The integrated solutions that most companies want to deliver to customers — but struggle to create — require horizontal collaboration. Employees who can reach outside their silos to find colleagues with complementary expertise learn more, sell more, and gain skills faster. Research involving hundreds of executives and managers in dozens of organizations confirms both the need for and the challenge of horizontal collaboration. However, although most executives recognize the importance of breaking down silos to help people collaborate across boundaries, they struggle to make it happen.

Silos Are the Enemy of Effective Marketing

Source: The State of the Customer Journey in 2019 — Treasure Data

Marketing silos can result in lost opportunities, ineffective campaigns, lower customer satisfaction, and an eroded bottom line. More than half of marketers say their biggest barrier to leveraging data is fragmented or siloed data, making it tough to get the accurate, integrated view of today's complex customer journeys. Nearly 48% of marketers say they are not using a formal attribution strategy, making it difficult to know which efforts produced sales. Some marketers may count on unreliable data because it's easy, not necessarily correct.

Teamwork Across Functions Is Fundamental to Growth

Source: The Revenue Operations Report — Revenue Enablement Institute

Developing operating models, incentives, and platforms that help get marketing, sales, and customer success silos working as one revenue team with a single common purpose has become a primary growth imperative. An analysis of hundreds of organizations found that businesses that continue to use outdated functional approaches to managing these departments and the enterprise customer journey are struggling to become more digital, data driven, and dynamic. The failure to align commercial teams, operations, processes, and systems around the customer has significant financial consequences, including the fragmented management of revenue-generating commercial assets — customer data, digital technology, digital channel infrastructure, and customer relationship equity. And this has resulted in lower than acceptable returns on the technology, data, and digital infrastructure assets that underpin firm value and future revenue streams. The fractured management of enterprise commercial processes causes revenue and margins to leak through air gaps and handoffs in the customer journey. The uncoordinated leadership of customer-facing revenue teams leads to coverage gaps, suboptimal resource allocation, higher selling costs, customer churn, and missed opportunity.

Firms with more cross-boundary collaboration achieve greater customer loyalty and higher margins.

Source: When Senior Managers Won't Collaborate: Lessons from professional services firms — Harvard Business Review

REVOPS BY THE NUMBERS

38%

more revenue generated in 27% less time with aligned teams

"The RevOps Maturity Model: Fix A Leaky Funnel & Align The Right Teams" — Varicent

10%

increases in lead acceptance when using superior RevOps

SiriusDecisions' Dana Therrien Discusses New Revenue Operations Charter — Demand Gen Report

15-20%

increases in internal customer satisfaction using RevOps

SiriusDecisions' Dana Therrien Discusses New Revenue Operations Charter — Demand Gen Report

10-20%

increases in sales productivity when GTM functions are aligned through RevOps

SiriusDecisions' Dana Therrien Discusses New Revenue Operations Charter — Demand Gen Report

Finding 4:
Fractured Data Inhibits Business Insight

Leveraging Today's Big Data for PE Revenue Growth

Better data supports better decision making and more accurate predictions, and recent market uncertainties have led to an increased reliance on data-driven decision making. Today, the world is drowning in data. In fact, according to Domo.com, 90% of all the world's data has been generated in 2019 and 2020 alone — and in 2021 we're producing another 2.5 quintillion bytes of data per day.

For companies with strong data and analytics capabilities, this represents a significant opportunity to gain a competitive advantage. Data can enhance their ability to manage risk, identify opportunities, make informed decisions, and measure aspects of their business — such as trust — that were difficult to quantify in the past. Data can be invaluable to help better understand how businesses are positioned to perform and create stakeholder value in the long term.

For PE firms, data science can help them make smarter, faster decisions by providing more confident rationales for investment or uncovering red flags that stop a deal from completion, thus, allowing money to be deployed more profitably elsewhere. The ability to access and parse the data is a key determinant of business success moving forward. However, for PE firms the data they need is often locked in different systems in different departments, including marketing, sales, customer support, finance, and human resources. For the PE industry, now is the time to solidify and accelerate a comprehensive approach to data science.

Highlights from current reporting on the growing demand for data-driven business insights:

PE Needs to Accelerate Move to Data Science

Source: "Why private equity leaders need to level up on data science" — West Monroe

PE has long relied on spreadsheets, analysts' experience, and personal relationships to guide decisions on which companies to acquire and strategies to pursue. This approach helped vault the global PE industry into the $4.4 trillion juggernaut it is today. But new methods have emerged and are quickly advancing — like data science.

Data science is multidisciplinary. It brings together statistics, econometrics, data engineering, and computer science to collect, combine, and analyze significant amounts of structured and unstructured information to provide better insights and predictions that drive strategic decision making. When applied to PE, the result is a faster, more accurate way of assessing value both pre- and post-deal making. This is a landscape where the consequences of slower decision-making or a false step from faulty reasoning or incomplete information has significant costs. As a result, the future of PE is one where data science is fully integrated into deal investments and firm operation.

High-Quality Data Eliminates Uncertainty

Source: "The Importance of Data Quality for Private Equity Deal Teams" — Middle Market Growth

Decision-making is only as sound as the data that supports it, yet firms often don't fully appreciate how data management can drive business outcomes and smooth due diligence efforts. Poor data quality is one of the common reasons why business initiatives fail, which explains why PE buyers are more likely to invest in data-driven businesses that demonstrate they care about quality. If the goal is to increase investor interest and drive higher valuation multiples, firms need to focus on high-quality data that eliminates uncertainty and directs the focus on the strength of the business and value creation opportunities.

AI to Become Deal Driver in PE

Source: "Special Report Q&A: Outlook for private equity — challenges and opportunities" — Financier Worldwide

Data analytics is omnipresent and expanding in the toolkit of many portfolio companies. Artificial intelligence does not have the same broad application, though this is likely evolving. We are seeing increased deal volume focused on data monetization and efficiencies created through the implementation of AI-driven strategies. Experts expect to see AI continue to be a deal driver for PE firms and their portfolio companies, including the use of data analytics to identify value-enhancing synergies among prospective targets and business models.

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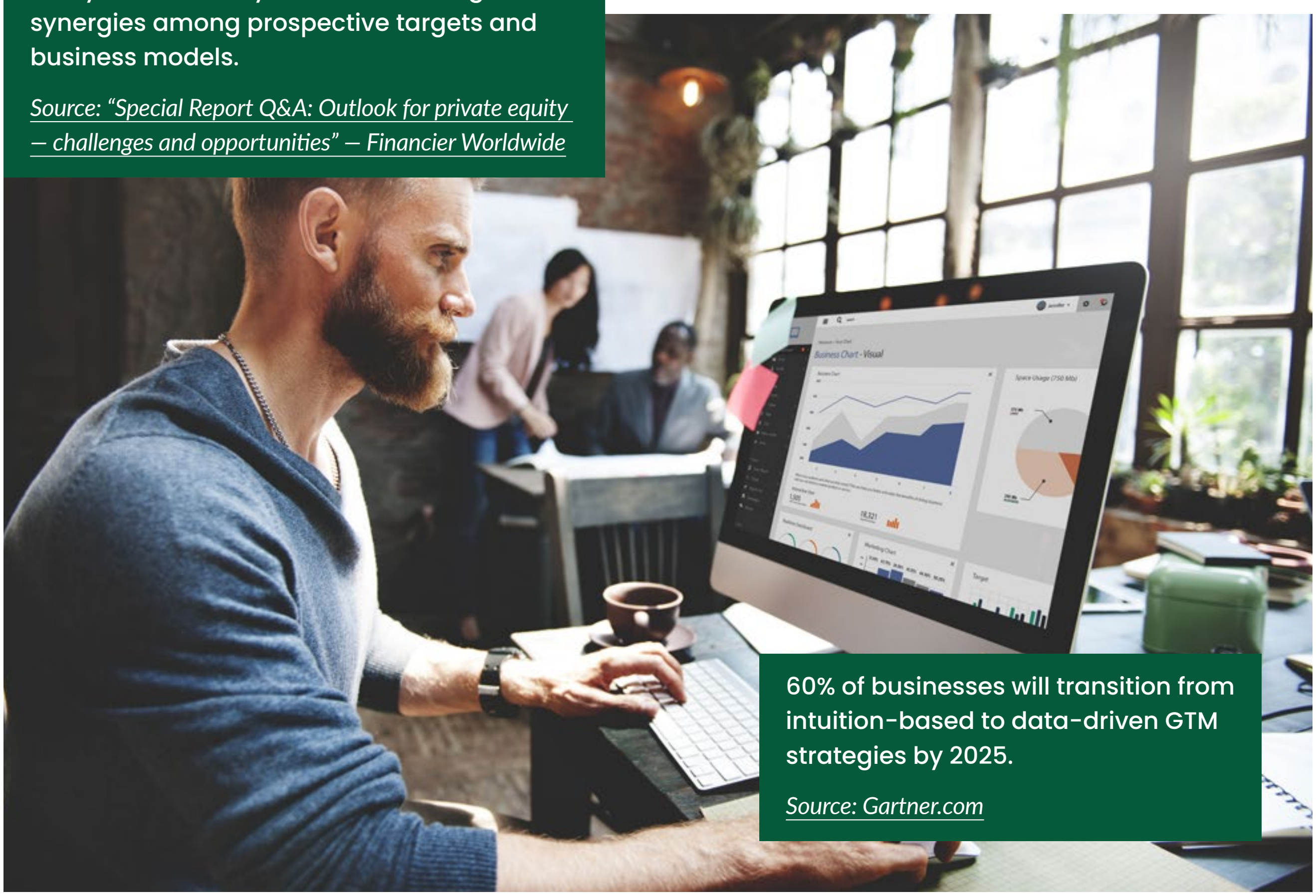
Source: "Special Report Q&A: Outlook for private equity — challenges and opportunities" — Financier Worldwide



60% of businesses will transition from intuition-based to data-driven GTM strategies by 2025.

Source: Gartner.com

Finding 5:
Digital is Now a Value-Creation Lever Throughout the Deal Lifecycle

Driving Value through Digitalization vs. Outdated Business Practices

The pandemic has raised the stakes on the potential for digital value creation. The digitizing of customer journeys is transforming what companies can do with data. A great deal of value can be captured from the creation of data assets that flow naturally from the rapid digitization of the customer journey. Digital is about driving enhanced experiences for customers and stakeholders, whether it's an end consumer, business customer, employee, business partner, or investor. It is about modernizing businesses and incorporating new ways of thinking, as well as deploying the technologies that underlie enhanced user experiences.

As the focus on digital technology rapidly accelerates for top-performing PE firms, who are ahead of the curve on this trend, activating a digital strategy throughout the deal lifecycle is becoming a core component of the value creation agenda and leading to higher multiples on exit. Yet, many other PE firms have been slow adopters of digital ecosystems.

Highlights from several reports on digitalization:

Digitalization Leading Drive of Higher Deal Valuation

Source: EY 2021 Global Private Equity Divestment Study: "How private equity is refining exit strategies for stronger valuations" — Ernst & Young

Digitalization of a business ranked as a critical component of the value story and divestment thesis in the last major exit for 52% of respondents.

Source: EY 2021 Global Private Equity Divestment Study — Ernst & Young

The EY 2021 Global Private Equity Divestment Study reveals that digitalization of businesses' operating models or routes to market have become a leading driver of higher deal valuation — more important than proven organic growth. Digitalization of a business ranked as a critical component of the value story and divestment thesis in the last major exit for 52% of respondents. While 51% of PE firms regard AI as a critical value lever for portfolio companies over the next 18 to 24 months. What's more, for 45% of PE firms with a primary focus on digital growth, digital analytics is the top priority for their portfolio companies' digital development. Accelerated by the pandemic, digitalization is a key value driver that impacts the operating model, cost base, and break-even point for a business; enables revenue growth through better customer service, pricing, and margins; and allows new routes to market that expand the addressable customer base. In addition to increased automation of processes and controls, AI can also support forecasting and decision-making that directly impacts margin enhancement and cash conversion.

PE Firms Must Accelerate their Transition from Analog to Digital

Source: Global Private Equity Report 2021 — Bain & Company

Before Covid-19 hit, the most effective PE firms were already deploying big data, AI, web-based analytics, and other technologies to make smarter and faster decisions about companies and their prospects. Over the past year, they've learned that these tools can lead to significantly deeper insights into how industry patterns are shifting, where disruption is coming from, and whether their portfolios are prepared for whatever comes next. Digital-assisted due diligence is rapidly becoming table stakes. Yet, despite widespread growth of digitalization, many PE firms still use highly labor-intensive, paper-driven processes. They must realize that a major result of going digital will be excellence in using tools and analytics throughout the PE value chain.

Early Adopters Move into the Digital World

Source: A new decade for private markets: McKinsey Global Private Markets Review 2020 — McKinsey & Company

Only the largest and most sophisticated private market firms are starting to capture real business value from digital and analytics. Most of the industry is watching from the sidelines, either unwilling to change established ways of working, unconvinced of the potential, or unable to design a path toward building the desired digital capabilities. In 2019, several PE firms announced efforts to build or expand data-science and analytics teams, recruiting new tech talent, and investing in new capabilities. One leading GP hired a new chief information and innovation officer to lead data strategy initiatives on investing and operations. A rival firm hired a dozen data scientists to assist investment decision making and portfolio company support while developing a proprietary data platform. One firm built a quantitative research group, whose mandate was to use data science to better understand and evaluate risk exposures in its own portfolio and those of its LPs. Another firm's venture arm has completely integrated algorithmic tools such as neural networks into its sourcing process, which drastically increased the pool of deals evaluated by targeting deals with similar characteristics to those that had been successful in the past.

PE Needs to Define a Business Strategy for a Digital World

Source: PE Pulse 2020Q3 — Ernst & Young

The pandemic exposed organizations lacking strong digital capabilities and relegated them to the sidelines as their savvier competitors delivered measurable business benefits and attractive returns for investors. It's now clear that the organizations caught off-guard by the pandemic are the ones now making digital a priority. The time has come for PE to embed a digital strategy throughout the deal cycle — from origination and due diligence, through value creation and exit — as well as within the infrastructure of the firm itself. Activating that transformation has become a core component of the value creation agenda. Digital can help PE drive transformative growth both midstream and downstream. It can help them be better connected to their portfolio companies and operate more effectively.

Finding 6:
The Rise of RevOps in Private Equity

Predictable Revenue through Transparency and Cross-Functional Wisdom

The concept of revenue operations is not new, but its popularity is on the rise as more companies realize that their entire organization needs to work together to accelerate the revenue pipeline, profits, and value growth. RevOps is the alignment of sales, marketing and customer success operations across the full customer lifecycle to drive growth through operational efficiency and keep all teams accountable to one leading metric — revenue. Revenue intelligence means business leaders operate with a complete 360-degree view of activities throughout customer journey. By unifying all teams with a cohesive set of revenue metrics, RevOps becomes the neutral arbiter, keeping everyone tracking toward the same goals.

To achieve this outcome, RevOps bridges gaps created by silos, bringing all the wisdom, data, and systems together as a single source of truth. RevOps is the glue that binds everything together. This enables a clear view of the sales funnel, leading to quick internal and external analysis and translating into prompt actions and adjustments. While creating material gains in revenue, RevOps also structures the critical insights needed to accelerate exit plans. With better information, PE firms can exit faster and maximize multiples.

Highlights from several reports on the state of digitization:

Private Equity's Next Frontier for Value Creation

Source: "Private Equity's Mid-Life Crisis" — Harvard Business Review

The current PE approach is to treat holdings as several isolated, individual investments, and to focus on how the stand-alone performance of each one can be improved over time. This approach is about diversifying risk, and it's how PE investors create value vertically. Conversely, the next frontier of value creation is to design and manage PE portfolios as a business ecosystem. In this approach, which is largely unexploited so far, value is primarily created through revenue enhancements, cost efficiencies, higher valuation ratings, and some downside protection. In one area, procurement, a large PE fund generated $550 million in cumulative savings over five years through coordination across its portfolio. Another generated a 2.3-times ROI in three and a half years in a declining sector, driven in large part by revenue relationships between interacting businesses. In sophisticated cross-portfolio arrangements, experts find that operating profit can be increased by 15% or more.

Companies that align their revenue engines grow up to 15% faster and are 34% more profitable than their competitors.

Source: SiriusDecisions' Dana Therrien Discusses New Revenue Operations Charter— Demand Gen Report

PE Needs a New Formula for Revenue Growth

Source: The Revenue Operations Study: Executive Summary — Revenue Enablement Institute

The formula for revenue growth has changed dramatically in the last 25 years as buying has become more digital, data-driven, and complex. The commercial model has evolved to the point where traditional structures for managing the people, processes, technologies, and assets that support revenue growth are inadequate. The emergence of complex technology-enabled selling systems — amplified by the wholesale business model transformation and changing customer buying behavior — have changed the basis for generating revenue growth in the 21st century. This has put pressure on organizations to establish a single cross-functional process across management systems and platforms to ensure a unified customer experience, to find ways to work together collectively, to accelerate the velocity of information sharing across teams, and to launch operating models that support marketing, sales, and service silos working as one revenue team with a single common purpose.

RevOps Strategy Can Solve PE Challenges

Source: The State of Revenue Operations 2019 — LeanData

RevOps is a new concept, but many companies are catching on fast. According to the Lean Data State of Revenue Operations, there was a 55% increase in revenue operations adoption from 2018 to 2019. Across all industries, consistent revenue growth is a challenge for 78% of B2B companies. A well-executed RevOps strategy can help solve these challenges.

By 2025, 75% of the highest growth companies in the world will deploy a RevOps model.

Source: Gartner.com — Press Release, May 2021

Rally Teams Around Revenue Goal

Forrester Study: RO&I Drives Predictable Growth — Clari.com

Under RevOps, sales teams can share forecast data for the month, quarter, and year and the pipeline necessary to hit those target forecasts with marketing and customer success in real time. As a result, marketing and customer success can prioritize the activities necessary to help sales and achieve revenue targets. For example, marketing can provide support with additional campaigns in different target markets, or customer success can help nurture an at-risk account. RevOps enables this full-funnel revenue process so teams can work cross-functionally and act quickly. For sales, revenue operations allow the entire organization to focus on helping their team do what they do best: close deals and generate revenue.

Traditional Business Practices Hinder Revenue Generation

Source: Forrester Revenue Operations Report: The Rise Of Revenue Operations — Forrester (commissioned by Salesforce)

Over 57% of businesses say their organizations plan to invest in a RevOps function in the next 12 months. Regardless of maturity level, organizations with RevOps functions can accurately plan, collaborate, and increase win rates. The benefits of a RevOps are clear: more robust and accurate planning, improved internal productivity, and increased win rates. Companies with highly mature RevOps teams are two times more likely to receive these benefits than low-maturity teams.

RevOps Generates Faster Organic Revenue Growth

Source: "What Is Revenue Operations and How Does It Create Value?" — Forbes.com

The growing relationship between revenue growth and firm value has made RevOps a critical issue for PE investors who need faster organic revenue growth to justify purchase price multiples that exceed 13 times EBITDA. The research shows that businesses that deploy RevOps can generate significantly more revenue and profits by better managing, measuring, and monetizing their revenue generating commercial assets and the growing operations that support front-line sellers to reflect the new economics of selling.

REVOPS BY THE NUMBERS

71% **higher stock performance for companies using RevOps solutions**

SiriusDecisions' Dana Therrien Discusses New Revenue Operations Charter — Demand Gen Report

69% **quantifiable revenue benefits from RevOps**

Forrester Study: RO&I Drives Predictable Growth — Clari.com

53% **increased net-dollar retention from RevOps**

Forrester Study: RO&I Drives Predictable Growth — Clari.com

Learnings from Our Findings on PE and RevOps

Key Take-Aways

Incorporating a RevOps strategy into PE operational practices delivers these key benefits:

Deliver greater accuracy in predicting future growth

RevOps brings visibility to leading and behavioral KPIs that translate over time to lagging KPIs (revenue, ARR, etc.). For example, an OP wants forecast accuracy. The ability to measure and predict the entire marketing, sales, and customer success funnel facilitates that outcome.

Align all teams on a single set of revenue metrics

RevOps keeps all departments on the same page by treating marketing, sales, and customer success as their stakeholders. This includes operations, enablement, insights, and technologies. This alignment ensures every initiative has a measurable impact on the full funnel — from awareness to expansion.

Centralize data into real-time single source of truth

RevOps consistently maps information from existing systems, including marketing, sales, customer success, supply chain, human capital, technology, and finance. Everyone gains more critical insights which informs every corner of the business. This fuels the opportunity for real-time insights that generate confidence.

Create focus on business goals

RevOps enables go-to-market teams to focus on their KPIs, such as generating leads, closing deals, and expanding accounts.

Accelerate processes with greater insight

RevOps identifies critical insights and removes roadblocks, enabling teams to move faster. A predictable model gives organizations the confidence to invest in high-growth initiatives, like expanding the sales operations.

Optimize the technology stack to strengthen alignment

This not only strengthens team performance, but also results in considerable savings on unnecessary technology expenditures.

Optimize staff hiring

RevOps enables the evaluation of talent based on outcomes. In doing so, only the most productive team members are retained. Likewise, new members can become productive more quickly with shorter ramp up times.

In-Demand RevOps Capabilities

Forrester identified the following capabilities that companies are looking for in RevOps solutions.

Source: Forrester Study: RO&I Drives Predictable Growth — Clari.com

Gain full visibility across all lines of business

A key reason for the interest in RevOps solutions has been the ability to leverage a standardized and shared view of performance across all lines of business, regions, and functions at every stage of the sales process. The solutions enable easy analysis of a broad range of revenue-performance indicators, including deal health, forecast probability, and buyer interaction — all of which drive smarter decision-making, accountability, and more proactive and targeted sales coaching.

Deploy digital workflow automation solutions

In a world of primarily digital interaction between sellers and buyers, buyer orchestration and sales forecasting requires robust insights about what interactions are taking place, with whom, and whether they were successful in driving forward deals and business relationships. A lack of transparency leaves organizations blindfolded and reliant on manual activity tracking. RevOps solutions capture these interactions automatically and intelligently map them to accounts, opportunities, and contacts in the CRM platform, giving both sellers and managers visibility into how deals are tracking.

Generate real-time data to track revenue processes

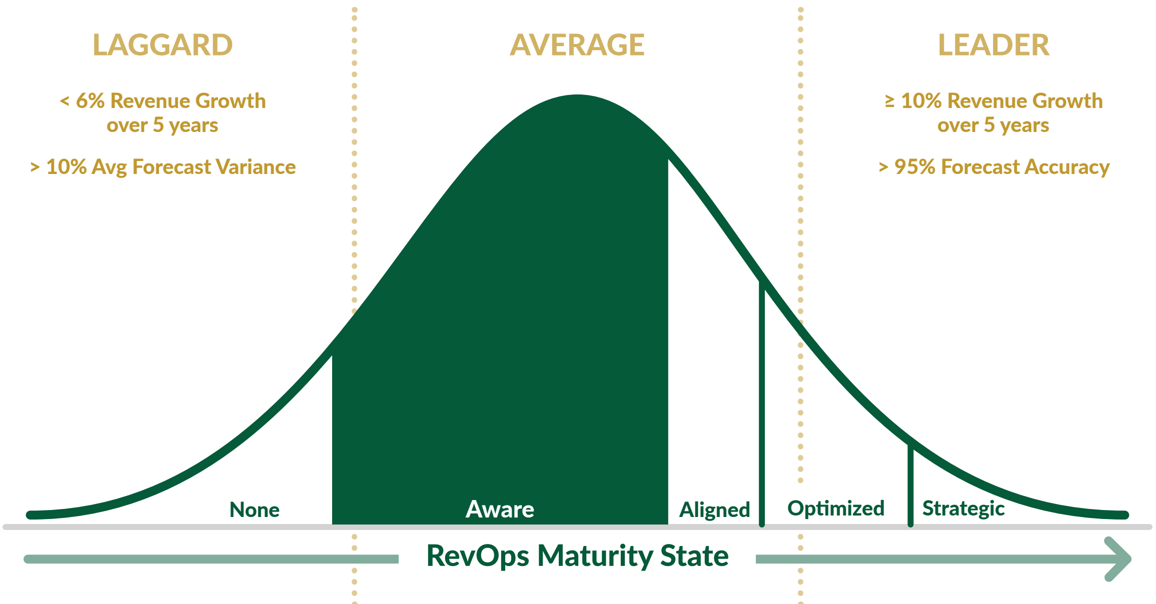
The ability to robustly capture buyer interactions as they happen enables users of RevOps solutions to leverage insights about what works and what doesn't, and dynamically adjust deal strategies, forecast predictions, and enhance sales rep actions. It also brings significant productivity benefits for sellers and other customer-facing roles, who are freed from the burden of manually tracking interactions.

Leverage insights into revenue pipeline and performance

Bookings and revenue are outcomes or impacts of what revenue teams do or don't do in the sales cycle. While vital, these performance metrics come with a low level of control for leadership because they're lagging indicators. Having full transparency into the actions and interactions that take place between the organization and its prospects and customers provides insights into decision-time, allowing leadership across marketing, sales, and customer success to consider which activities should be prioritized, and how and when they are executed.

RevOps Maturity Curve

The following graphic is based on data from the 2021 Forrester report, “Revenue Operations and Intelligence Delivers Predictable Growth” on the rise of RevOps. It shows that the vast majority of organizations have only reached the “aware” stage of RevOps adoption. However, the leaders are already generating over 10% more revenue and 95% greater forecasting accuracy than their competitors. The laggards are 6% behind in revenue growth and have only improved forecasting accuracy by 10%. It’s predicted that the shift from aware to aligned and optimized will begin picking up steam in the near future. Using both independent and 3rd party commercial insights, Cortado Group identified key characteristics of companies at their various states of maturity (see table). This applies to both RevOps as well as a parallel consideration for their overall analytics capability.



	None	Aware	Aligned	Optimized	Strategic
Analytics Capability	**Undefined**	**Descriptive**	**Diagnostic**	**Predictive**	**Prescriptive**
Strategy	No revenue operations strategy	Strategy defined, but not utilized.	Strategy is defined and used with Sales & Marketing only.	Strategy is used with Sales, Marketing, and Customer Success. Outcomes are monitored.	Outcomes are monitored and change is implemented quickly based on expected future path toward success.
Team	No (or limited) team	Roles are defined, but there is high team turnover. Performance is not measured.	Roles are defined, but with low team turnover. Actions are measured.	Roles are defined, but with team turnover. Outcomes are measured.	The RevOps team is viewed as a strategic partner. The team is aligned with the rest of org and provides strategic value.
Process	Manual process	Siloed processes where some processes are automated. Processes are Inconsistently enforced.	Employee and customer journeys are mapped. Friction points are defined with remediation plans.	The customer journey is seamless with clear handoffs between sales, marketing, and customer success.	Frictionless customer experience. "Next Best Actions“ are defined by activity and health scores and hyper personalization
Data	Siloed data sources	Data is basic, not usable for decision-making.	Centralized CRM with real-time reporting and dashboards that track all go-to-market KPI’s.	Internal and external data is aggregated. Data is used for strategic decision-making.	Automation and machine learning are utilized to provide a foundation for prescriptive analytics.
Tech & Tools	No dedicated tech stack	Legacy systems are in place. Siloed purchasing & usage drives decisions. There are no cross-platform integrations.	Best-in-class systems are in place. There is cross-functional usage while most systems are integrated	Best-in-class systems are in place. All systems are properly configured and utilized.	Continuous testing & maintenance is standard operation procedure. The tech stack is fully aligned with the processes.
Insights & Analytics	No measurement	Data collection and measurement is at the individual-level.	Cross-functional data is collected. Major data categories are tracked but with a bias towards actions instead of outcomes.	Cross-functional data is aligned. Analytics provides predictions on future revenue opportunities	End-to-end lead funnel measurement is in place. Attribution models are used. Actions are prescribed for revenue growth.

Deploying RevOps: How to Launch a RevOps Engine in Your Private Equity Firm

Today, RevOps has become a strategic component of PE fund management. Moving to a RevOps business model is a transformative process for firms. As they move from traditional models to a RevOps model, they begin to see the breakdown of silos and alignment among teams, new levels of visibility through data analytics, greater efficiencies, and smarter decision making across the value chain. However, the transition to RevOps is complex and should not be taken lightly.

RevOps Framework: Six Critical Steps

The process of deploying a RevOps division requires executing critical steps effectively. The following six-step framework provides a sequential methodology for building and deploying a successful RevOps initiative.

Step 1: Create a RevOps Strategy

This is the cross-functional plan and alignment of objectives used to design and mobilize a RevOps program. Among the key deliverables are a KPI map, budget, and data strategy. Outcomes of the process include: effectively allocating people, time, and money.

Step 2: Design the Process

This step includes development of the end-to-end processes required for the effective support for the go-to-market functions in the organization. Among the key deliverables are a customer lifecycle map, operational process deployment plan, and internal service level agreements. Outcomes of the process include: doing the right things the right way.

Step 3: Bring Together the RevOps Team

Create the team structure and enablement required to execute the RevOps strategy. Among the key deliverables are roles and responsibilities and cross-functional team workflows. Outcomes of the process include: gaining the capability and capacity to execute the RevOps strategy.

Step 4: Plan Data Design

This step includes identifying the data required to monitor, understand, and optimize all phases of the revenue cycle. Among the key deliverables are a data definitions catalog, data supply chain design, and data storage design. Outcomes of the process include: a solid foundation for accurate data across the enterprise.

Step 5: Build the Tech Stack

This involves identifying the software, security, and network required to execute the RevOps strategy. Among the key deliverables are a technology roadmap and budget, and an agile delivery methodology. Outcomes of the process include: collecting, processing, and security data

Step 6: Optimize Analytics

This step provides the processes that optimize revenue data and analytics for strategic executive-level decision making. Among the key deliverables are a data visualization plan, executive dashboards, and forecast and pipeline analytics. Outcomes of the process include: finding the right deals, the right reps, and the right accounts and making go-to-market decision making with confidence.

Partner with a Strategic RevOps Expert

Leverage a trusted advisor with private equity, revenue operations, and go-to-market experience.

As a strategic partner to private equity firms, the Cortado Group can manage every step of a RevOps transition or support any steps along the way. By listening to our customers and monitoring market trends on a regular basis, we provide leading-edge solutions across six critical stages of development of a robust revenue ecosystem.

We are the leaders to high-growth companies. We help them achieve their most challenging revenue growth objectives, especially in times of economic uncertainty. We combine the operating experience from tenured leaders with a data-driven approach, which drives profitable revenue growth. Our team is trained in this disciplined approach so we can help our clients develop a profitable, competitive market advantage.

Bringing on an experienced partner can make your RevOps transition painless, accelerate the process, and deliver value faster. During the process, your team is free to stay focused on your critical day-to-day business operations.

cortado group

To learn more about making a fast and smooth RevOps transition with an experienced partner, contact us today.