# Private Credit's Next Capability Frontier: The Rise of Operating Partners

Russell Reynolds Associates

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## Private credit has evolved from a post-GFC financing alternative to a core institutional asset class. S&P Global cites Preqin data estimating private credit assets under management (AUM) at almost $2.3 trillion in 2025 and nearly doubling to $4.5 trillion by 2030.[1]

At this scale, success is no longer defined only by origination discipline, structuring expertise and sponsor relationships. Platforms must be able to identify potential stress early, intervene effectively and preserve enterprise value across large and complex portfolios.

The pressure is structural as much as cyclical. Portfolios that used to be managed via close lender-sponsor relationships now often span hundreds of businesses across direct lending, opportunistic credit and special-situations strategies. At the same time, macro stress is becoming more frequent. In 2024, U.S. corporate bankruptcy filings reached their highest annual total since 2010,[2] while liability management exercises (LMEs) represented 69% of dual-track defaults in the same year.[3]

Amend-and-extend transactions, distressed exchanges, out-of-court restructurings and debt-for-equity outcomes are no longer exceptional events. They're part of the operating landscape that every scaled credit manager must now be built to navigate.

Private equity (PE) firms have spent decades institutionalizing operating capabilities to drive transformation, accelerate growth and maximize exit value. What began as networks of former CEOs serving as part-time senior advisors has evolved into dedicated value creation platforms that combine sector expertise, functional excellence and rigorous execution.

Private credit firms, by contrast, have historically prioritized underwriting discipline, downside protection and financial restructuring. Those capabilities remain essential but are no longer sufficient. As lenders become more active stewards of portfolio performance, more frequent participants in complex creditor negotiations and more often owners after restructurings, the role is expanding beyond protecting downside to preserving and enhancing enterprise value. Success increasingly depends on combining financial discipline with the operational capability to influence performance long before a business reaches distress.

For credit managers, the question is no longer only, "How do we protect our position?" but becoming, "How do we improve the business and enterprise value when the underwriting case changes?"

# From workout coverage to operating capability

"Value creation" means different things depending on where a credit fund sits on the control continuum: lender, influential creditor, or owner. Two capabilities sit underneath the phrase.

## 01 Financial value protection is the traditional credit skill set

It includes disciplined underwriting, covenant and amendment strategy, liquidity analysis, collateral monitoring, creditor negotiation, rescue financing, restructuring strategy and recovery maximization.

## 02 Operational value creation is a different discipline

As private credit investors gain greater influence and, in some cases, become owners in restructurings, preserving (and enhancing) value increasingly depends on improving business performance. This requires assessing and upgrading management and the board to stabilize the business, improve commercial performance, optimize costs and working capital, reset the operating plan and prepare the company for refinancing or exit.

This strategic gap is coming into focus, with several leading managers building operating capability across credit, hybrid and opportunistic models. They're embedding full-time execution support rather than relying on external workout teams or borrowed PE resources.

The implication for the rest of the market is clear. Workout coverage is becoming the baseline, with the differentiator being whether operating capability is integrated early enough to change outcomes.

# The credit operating partner's new role

Credit operating partner isn't a single job. It's a set of mandates that shift depending on a fund's strategy, control rights and proximity to ownership. What connects them is a common requirement: operating judgment calibrated to creditor reality.

Here's what the position can require:

## 01 Underwriting and diligence

Operating partners are being pulled in by deal teams earlier to pressure-test the business plan, identify execution risk and translate the investment thesis into pullable value levers.

## 02 Portfolio monitoring and re-underwriting

As credit books scale, passive surveillance becomes a liability. Operating partners help build the KPI frameworks, re-underwriting disciplines and early-warning systems that distinguish temporary underperformance from structural deterioration. Some firms are also hiring data and AI experts to strengthen portfolio monitoring, using predictive analytics to identify emerging risks before they become critical.

## 03 Operational intervention

When performance diverges from plan, operating partners diagnose the root causes, challenge management assumptions, prioritize operational actions and align sponsors, lenders, advisors and the board around a credible recovery plan.

## 04 Restructuring and creditor control

In distressed situations, the focus shifts to preserving value through liquidity management, creditor coordination, board representation and governance. The operating partner must protect lender interests while acting with an owner's sense of urgency.

## 05 Post-reorganization value creation and exit-readiness

Once creditors become owners, the objective shifts from minimizing loss to maximizing enterprise value. This requires a credible value-creation plan, new leadership, execution infrastructure and preparing a path to refinancing or exit.

# Four emerging operating partner archetypes

Each one brings strengths and considerations.

| | 1 Restructuring native | 2 Asset management value creation leader | 3 Operator/C-suite turnaround executive | 4 Data and AI portfolio intelligence leader |
|---|---|---|---|---|
| **Strengths** | Deep expertise in financial restructuring, liability management, creditor negotiations and liquidity stabilization. | Proven value creation methodologies, performance improvement, PMO discipline and commercial acceleration. | Credible operational leader with experience driving transformation, aligning management teams and executing under pressure. | Enables portfolio-wide monitoring through predictive analytics, early-warning indicators and data-driven prioritization. |
| **Considerations** | Strong in stabilization but typically less focused on long-term operational value creation and growth. | May underestimate the pace, complexity and stakeholder dynamics of distressed or creditor-led situations. | May have limited experience navigating complex capital structures, restructuring processes and multi-creditor negotiations. | Identifies risks and opportunities but relies on operating teams to translate insights into action. |
| **Best suited for** | Complex restructurings, liability management exercises and acute financial distress. | Improving operational performance before financial stress emerges. | Leading operational turnarounds, management change and post-restructuring execution. | Scaling portfolio oversight, identifying emerging risks and prioritizing intervention across large credit portfolios. |

Pure restructuring professionals may be too focused on capital structure. Pure operators may underestimate creditor dynamics. Pure consultants may lack the authority required for execution in distress situations. The most sought-after candidates sit at the intersection of these archetypes: restructuring-literate operators, value creation leaders with creditor fluency, and data-driven executives who can translate intelligence into action.

# An overlooked talent pool

One of the greatest sources of these hybrid profiles is the turnaround CFO. Having led businesses through financial and operational stress, these executives combine balance sheet expertise with hands-on operational leadership, managing liquidity, driving performance improvement and working simultaneously across lenders, sponsors and boards.

Many of the strongest candidates began their careers at firms such as AlixPartners and Alvarez & Marsal before moving into interim and transformation CFO roles. Firms that look beyond traditional restructuring advisors and asset management operating teams to these hybrid leaders will gain access to differentiating talent.

# Strategic implications for credit platforms

There won't be one operating model for value creation in private credit. The right answer depends on strategy, scale, sector concentration, control rights and portfolio complexity. Firms are experimenting with different organizational models, embedding operating partners within investment teams, establishing dedicated portfolio value-creation functions or integrating them with restructuring and workout groups.

- A direct lending platform needs sharper early-warning systems, tighter workout integration and clearer escalation protocols.
- A special-situations or opportunistic credit platform needs deeper operating partners, board-level talent and the infrastructure to manage post-reorganization ownership.
- A sector-focused strategy needs operators with domain expertise that earns credibility with management on day one, not week six.
- A scaled multi-strategy platform needs all three.

The mandate, however, is consistent across models and the hiring implication is direct. Credit funds want leaders who can diagnose performance drift, influence management without formal control, reset operating plans, navigate creditor and sponsor dynamics and step into ownership situations with urgency. The role is shifting from protecting the loan to preserving and enhancing enterprise value.

This shift is changing the conversation with limited partners (LPs) and investment committees. The questions are becoming more operational and evidence-based, including:

- How early is stress identified, how is performance actively monitored, and who owns the response?
- How do you influence management without formal control?
- What operating levers have you pulled, and what did they deliver?
- What is the plan if you end up owning the company?

The funds that can answer those questions will have an advantage. They will intervene earlier, preserve more options for recovery and enter restructurings with a clearer path to value realization. Those that wait until default will need the same talent, but they'll be hiring under worse conditions: less time, less leverage, less information and fewer high-quality candidates readily available.

## What will set private credit firms apart

Private credit's next competitive advantage isn't better workout capability. It's institutional operating capability integrated earlier in the investment lifecycle, closer to portfolio companies and more consistently across the broader portfolio.

This proficiency must be established before defaults emerge, not assembled in response. As the asset class continues to scale faster than the operating models supporting it, firms that close this capability gap will build a compounding advantage through earlier intervention, stronger recoveries, better post-reorganization outcomes and a more compelling story for LPs on how they preserve and create enterprise value through periods of stress.

The goal isn't to turn lenders into PE firms. It's to adopt the ownership disciplines that matter most when capital is at risk and the business needs to change, including management assessment, a credible value creation plan, execution infrastructure and the urgency to act.

In a market where lenders are increasingly asked to influence, stabilize and sometimes own the businesses they finance, protecting recovery and improving enterprise value are no longer separate objectives. The best credit platforms have stopped treating them that way.

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## Footnotes

[1]Joyce Guevarra and Neel Hiteshbhai Bharucha, "Private credit gains ground among top private equity managers," S&P Global, Nov. 13, 2025, https://www.spglobal.com/market-intelligence/en/news-insights/articles/2025/11/private-credit-gains-ground-among-top-private-equity-managers-94290783?

[2]Nick Lazzaro and Annie Sabater. "US corporate bankruptcies soar to 14-year high in 2024; 61 filings in December," S&P Global, Jan. 7, 2025. https://www.spglobal.com/market-intelligence/en/news-insights/articles/2025/1/us-corporate-bankruptcies-soar-to-14-year-high-in-2024-61-filings-in-december-87008718

[3]Isaac Taylor, "Private-Credit Firms Expand Restructuring Teams Amid Bankruptcy Surge," The Wall Street Journal, March 12, 2025, https://www.wsj.com/articles/private-credit-firms-expand-restructuring-teams-amid-bankruptcy-surge-0493d21d

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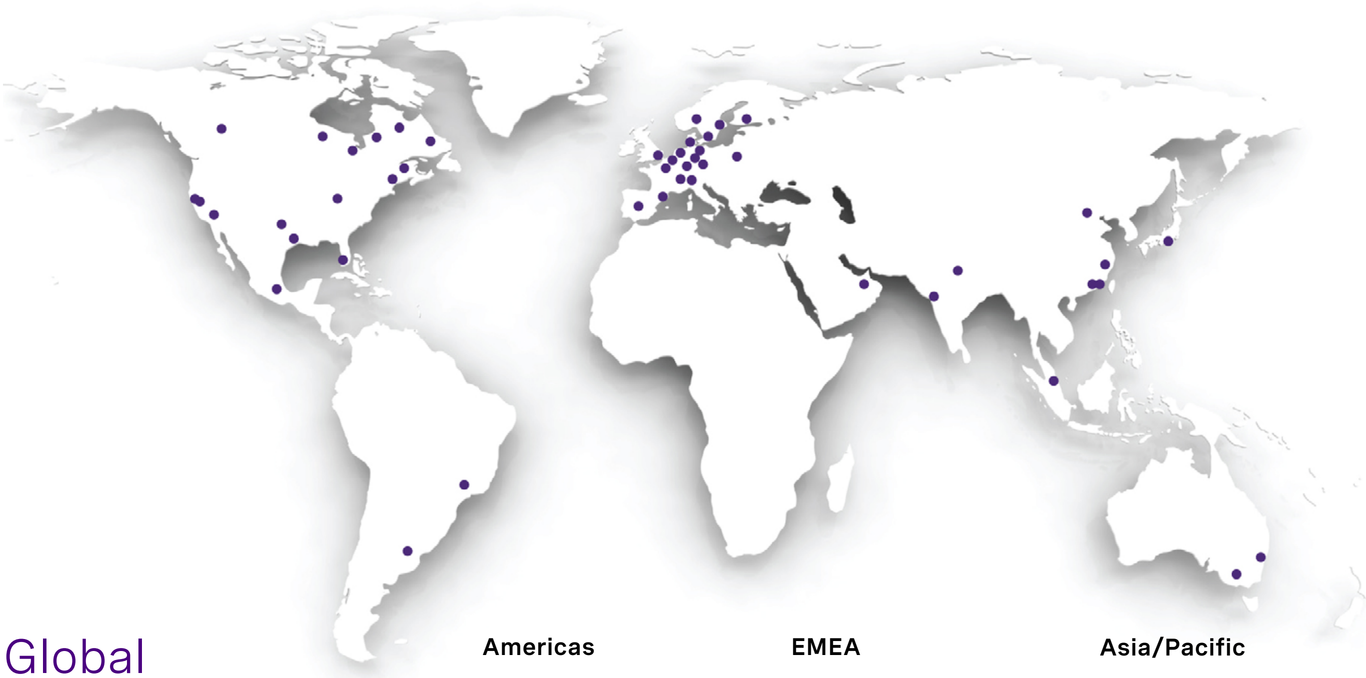

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