

The Blind Spot at the Top: Why Private Capital Firms Are Underestimating Their CFO Risk



Private Capital operates in a fundamentally different environment than it did a decade ago. Many general partners (GPs) have evolved into diversified, multi-strategy platforms backed by increasingly sophisticated investors. Macro volatility, regulatory and limited partner (LP) scrutiny, and advances in data and AI are raising the bar for operations and governance. The old drivers of returns are no longer enough on their own. Performance increasingly depends on capital allocation discipline, platform scalability and the ability to turn fragmented data into enterprise-wide insight, all of which are directly supported by the chief financial officer (CFO).

The CFO mandate is evolving faster than most firms recognize. Once a function of control and reporting, the CFO is now a core architect of value creation, enabling firm-wide decision-making, shaping capital strategy and funding the infrastructure that underpins long-term performance.



"As traditional drivers of value, such as multiple expansion, become less reliable, there is greater emphasis on operational value creation within portfolio companies, and this influence extends up to the level of the investment firm. The CFO role shifts from core finance toward being a strategic enabler of the fund, helping to build operating platforms, technology capabilities and value creation infrastructure."

In this first installment in our series, "[The Private Capital C-suite Evolution](#)," we examine how the CFO role is being redefined as firms scale and diversify, and what this means for investors and finance leaders.

Methodology

Russell Reynolds Associates studied the backgrounds of 95 sitting CFOs across the top 100 US and European private capital firms (by fund size), analyzed 50+ CFO role specifications from 2018 to 2025, and conducted 10 interviews with CFOs at scaled platforms, quotes from these interviews are anonymized throughout this article.

Evolution of the CFO mandate

Our review of CFO backgrounds and role specifications reveals four distinct archetypes (Figure 1). Each reflects a model of value creation aligned to a firm's scale and strategic priorities.

Figure 1: Four CFO Archetypes



Control Stewards

In private capital, the foundation of the CFO role has always been fund accounting, valuation oversight, financial reporting, LP reporting, audit and regulatory compliance, budgeting, and forecasting. Value creation is anchored in financial integrity and operational reliability. Control Stewards are technically deep, retrospective in orientation, and often have backgrounds in accounting or audit.

What the data makes clear, however, is that foundational stewardship of accounting and controls is now table stakes, not a source of differentiation.



"In the past, the role was focused on core functional responsibilities. This included ensuring LP reporting was delivered on time, valuations were conducted in line with policy, and basic financial processes were executed effectively."

"If you look at reporting 10 to 15 years ago, it was typically done quarterly and focused on relatively basic information. Today, all of that still needs to be delivered, but faster, at greater volume and alongside more sophisticated analysis."

Platform Builders

The Platform Builder archetype emerged as firms outgrew the infrastructure their Control Stewards built. Scaling across strategies and geographies exposed the limits of lean, process-driven finance functions. The pandemic applied decisive pressure, as real-time visibility into liquidity, risk, and funding shifted almost overnight from a competitive advantage to an operational necessity. We see this shift reflected in CFO appointments over time: 29% of CFOs appointed five to ten years ago fit the Platform Builder archetype, compared with 36% of those appointed three to five years ago (Figure 2).

Platform Builder CFOs design financial planning and analysis (FP&A), liquidity management, and data infrastructure required to support growth at scale. Their impact is structural rather than transactional. They assemble teams, engineer repeatable processes, and create operating conditions for faster, more reliable decision-making across the enterprise.



"There are three core questions that define the role: how to execute the day-to-day responsibilities effectively; how to do this in a scalable way; and how to meet increasing demands in terms of volume, frequency, timeliness and accuracy. This requires building an operating model that can support both the current business and future growth – an operating model that spans people, processes and technology."

"As firms scale, the challenge becomes how to connect different functions and ensure that everyone is working from consistent data."

Strategic Operators

This archetype represents the most significant shift in what private capital firms are asking their CFOs to do, and where the gap between expectation and reality is most consequential.

Strategic Operators partner with leadership on capital allocation and capital structure, P&L transparency, input on transactions, regulatory oversight, sponsoring data infrastructure, and finance talent development and succession planning. A defining characteristic is integration. Where finance and deal teams once operated in separate spheres, Strategic Operators are increasingly present in areas that were historically the domain of investment professionals.



"Getting the numbers right is now the minimum requirement. Value-add comes from forward-looking contribution to strategy, capital allocation, technology, enterprise infrastructure, and people."

"Deal folks themselves don't always make the best operators. They are looking to the CFO role as a strategic position."

That shift in expectations extends to the firm's own economics. Firm-level P&Ls, once a secondary concern behind fund returns, are under real scrutiny as platforms bring in new sources of revenue, expand their investor bases, and require greater visibility into future performance and profitability.



"Historically, firm-level P&Ls were less important than fund returns and carried interest. The former is becoming increasingly relevant as firms pay dividends, diversify revenue streams, introduce new shareholders and require forward visibility of performance. This requires a shift in mindset for all: moving from purely fund performance to corporate performance."

The Strategic Operator requires commercial judgment, credibility with boards and LPs, and the confidence to operate as a genuine peer to investment leadership.

Capital Markets Leaders

Driven by firms diversifying capital structures, accessing new funding pools, navigating listed status and other GPs pursuing platform consolidation, this archetype defines how the CFO connects the firm to external markets.

These leaders serve as counterparts to LPs, rating agencies, and public market investors. They bring a strategic eye to M&A, assessing whether a deal advances the firm's long-term architecture and can be executed with discipline. This CFO is the external face of the firm's financial strategy, not just its internal steward.



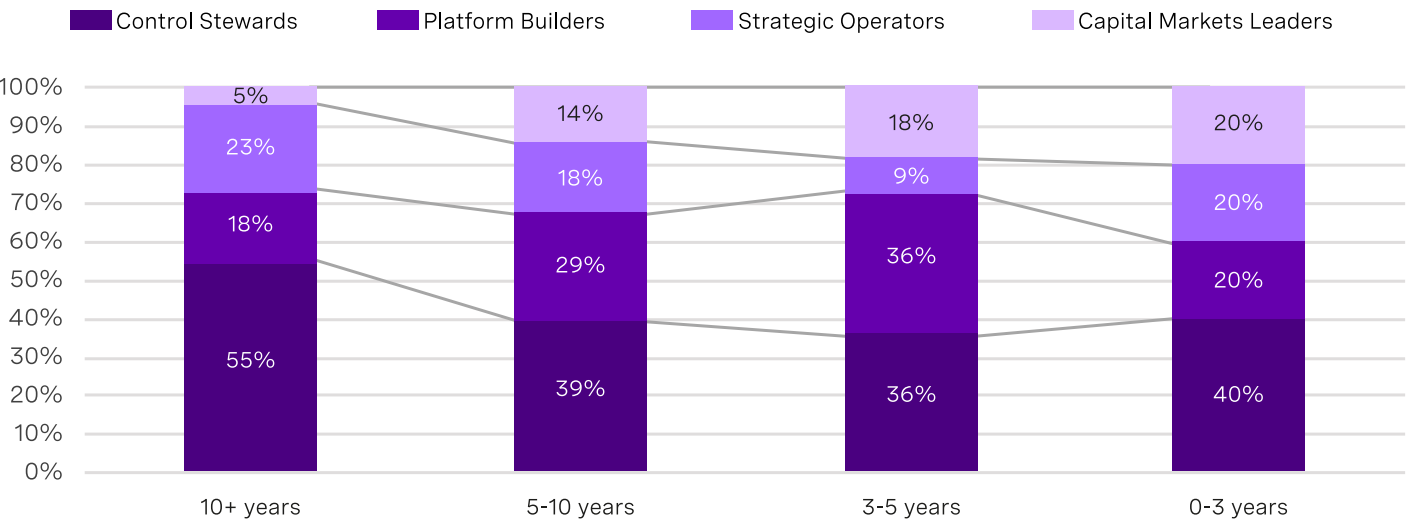
"CFOs are increasingly involved in areas such as capital solutions, including hedging strategies and the use of tools such as NAV (net asset value) loans and new subscription lines, where financial structuring decisions can directly influence outcomes for both the GP and individual funds."



The most sophisticated platforms require the capabilities of both the Strategic Operator and Capital Markets Leader, whether embodied in a single CFO with exceptional breadth or distributed across a broader finance leadership team. This is particularly true in organizations where the CFO role is viewed as a rotational leadership position rather than a traditional career appointment. In these cases, firms often need to complement the CFO with deep functional expertise across accounting, controls, tax, treasury, and financial operations.

Taken together, the four archetypes make one thing clear: the private capital CFO is no longer a single, standardized role, but a set of distinct leadership profiles shaped by a firm’s complexity, stage of development, and strategic priorities. As the drivers of value creation have evolved, so have expectations of the CFO. Firms are increasingly prioritizing Strategic Operators and Capital Markets Leaders, reflecting where performance now requires the greatest degree of financial leadership and strategic influence (Figure 2).

Figure 2. Trending Private Capital CFO Archetype by Tenure Bracket



Source: RRA analysis of CFOs at Global Private Capital firms, N=95, 2026

Context shapes the role

Three factors determine which archetype a firm needs: scale and strategy, ownership structure, and technology.

Scale and strategy

The CFO at a firm with \$5 billion in AUM and the CFO at a firm with \$50 billion in AUM aren’t doing the same job at different scales. They’re doing two fundamentally different jobs.

At smaller firms, the CFO tends to be a hands-on generalist spanning finance, operations and compliance. At larger platforms, the role becomes architecturally different: functionally specialized, more structurally complex, and operating through regional or product CFOs.



“As firms grow, roles become more functionally siloed, and responsibilities are distributed across specialists. In larger, more complex organizations, communication becomes more matrixed and requires stronger interpersonal and organizational skills.”

Ownership structure

Changing CFO requirements are significant for firms that have listed or are considering an IPO. The CFO of a publicly traded firm must balance rigorous internal performance management with clear, consistent communication to public market investors, while navigating heightened regulatory and disclosure obligations.

Technology, data, and AI

Technology is a critical enabler of the CFO's evolving role. Immediate priorities include establishing consistent data definitions, building scalable reporting infrastructure, and automating manual processes. However, the deeper impact is on the nature of the CFO's contribution itself. As technology increases the speed and granularity of insight available to leadership teams, the CFO's role shifts from producing information to interpreting it, translating data into decisions, identifying risks and opportunities, and shaping strategic action.



"With the pace of development in technology and AI, CFOs need to spend significant time thinking about automation, process transformation and portfolio monitoring tools. Many existing processes are likely to become redundant over time."

"You will never be as good as the data scientist, but you need to be able to ask the right questions and use the data to drive decisions."

At the same time, technology is only one dimension of a bigger transformation. As firms expand into new products, regions and investor segments, complexity continues to increase, particularly in risk management and regulatory oversight.



"AI will clearly play a role in shaping the future, but it is only one part of a broader shift. As the industry grows and accesses new pools of capital, risk will need to be more formally embedded."



The succession imperative

At an average tenure of eight years, private capital CFOs hold their roles significantly [longer than their global publicly listed company counterparts](#) who depart on average after a tenure of six years. Nearly half have been in role for more than 10 years (Figure 3a). While this continuity has historically provided stability, it's increasingly becoming a risk.

The industry has started responding by investing in internal development. A decade ago, only 16% of CFOs were promoted from within. Today, that figure stands at 60% (Figure 3b), a meaningful shift that signals firms understand the value of cultivating CFO-ready talent rather than relying on the external market. As private capital firms have scaled and professionalized over the last 15 years, the largest platforms have begun developing finance talent in ways more commonly associated with corporate "academy" companies. Historically, most private capital firms lacked the scale to create these pathways, but, leading firms are increasingly building their own structured pipelines of CFO-ready talent from within.

However, this transition remains incomplete. In the past three years, 40% of firms hired an external CFO when faced with turnover, typically because their internal candidates weren't ready. It is important to note, of those that hired externally in the past three years, three-quarters were first-time appointments, bucking the trend of public companies, which are often able to hire experienced CFOs.

Figure 3a. Distribution of Private Capital CFOs Hiring by Tenure Bracket

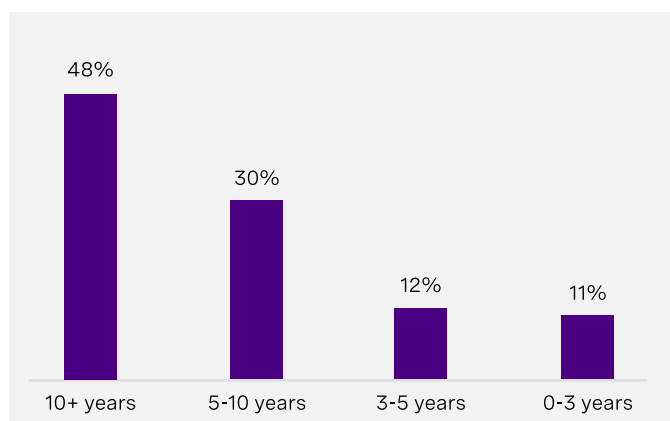
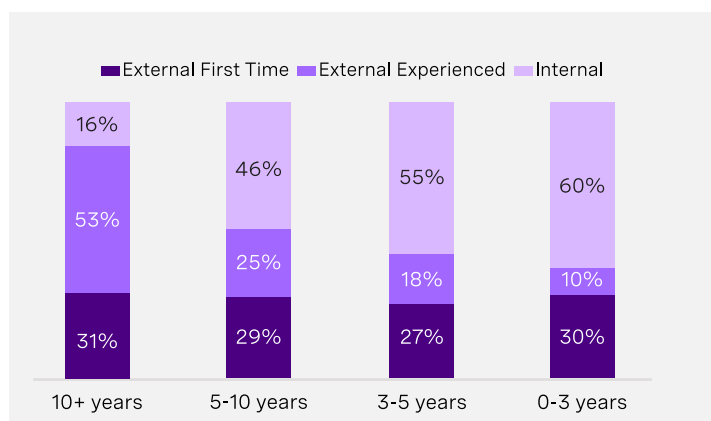


Figure 3b. Private Capital CFO Hiring Trends by Tenure Bracket



Source: RRA analysis of CFOs at Global Private Capital firms, N=95, 2026

As the CFO mandate grows more complex and strategically consequential, the supply of experienced candidates is failing to keep pace. Rising retirement rates are further tightening the market. Organizations without strong internal succession pipelines will have to compete for a shrinking pool of proven talent, increasing the likelihood of higher-risk and potentially costly hiring decisions.

Practical considerations for private capital CFOs, GPs and LPs



For CFOs

Technical expertise remains foundational but is no longer enough. The CFO role now demands advanced FP&A capabilities, commercial judgment, credibility with investors and boards, and fluency in capital markets and strategic finance.

“The role’s evolution is similar to what is expected of CFOs in listed companies, but the shift happened later in private equity due to the simplicity of the model up until now and the high financial sophistication and literacy rate of investment teams.”

For CFOs leading teams today, the same scrutiny applied to the role itself should be applied internally. Assess your finance function honestly against the archetype the firm will need, not the one it has today, and build development pathways accordingly.

For those building toward the role, one experience stands above others. FP&A provides unparalleled exposure to the firm’s financial narrative and strategic priorities, placing finance leaders at the center of the decisions that shape performance, growth, and capital allocation in a way that few other functions can replicate.

“FP&A is critical. You are close to the sun, you must provide the story, even when the news is not positive. It gives you a real understanding of what the role requires day-to-day.”

What differentiates exceptional candidates isn’t the breadth of functions they have touched, but the depth of accountability they have carried in high-stakes decisions.



For GPs

The archetype a firm needs isn’t a function of what its current CFO’s remit entails; it should represent where the firm is going. A Control Steward in a firm that requires a Strategic Operator will encounter a structural mismatch that compounds overtime.

Three questions deserve honest answers on an ongoing basis, not only at the point of succession:

1. What CFO archetype does the firm have today?
2. What does its long-term strategy require?
3. If those answers differ, what’s the plan to close the gap through development or external recruitment?

With tenures averaging eight years and only one in four CFOs having previously held the role in a private capital firm, developing the right successor takes longer than most firms expect. The firms that get it right start before they need to.



For LPs

The quality of a platform's leadership signals something that fund performance alone cannot: how well the firm is run, how decisions are made under pressure, and whether the infrastructure exists to sustain performance and reporting as complexity grows.

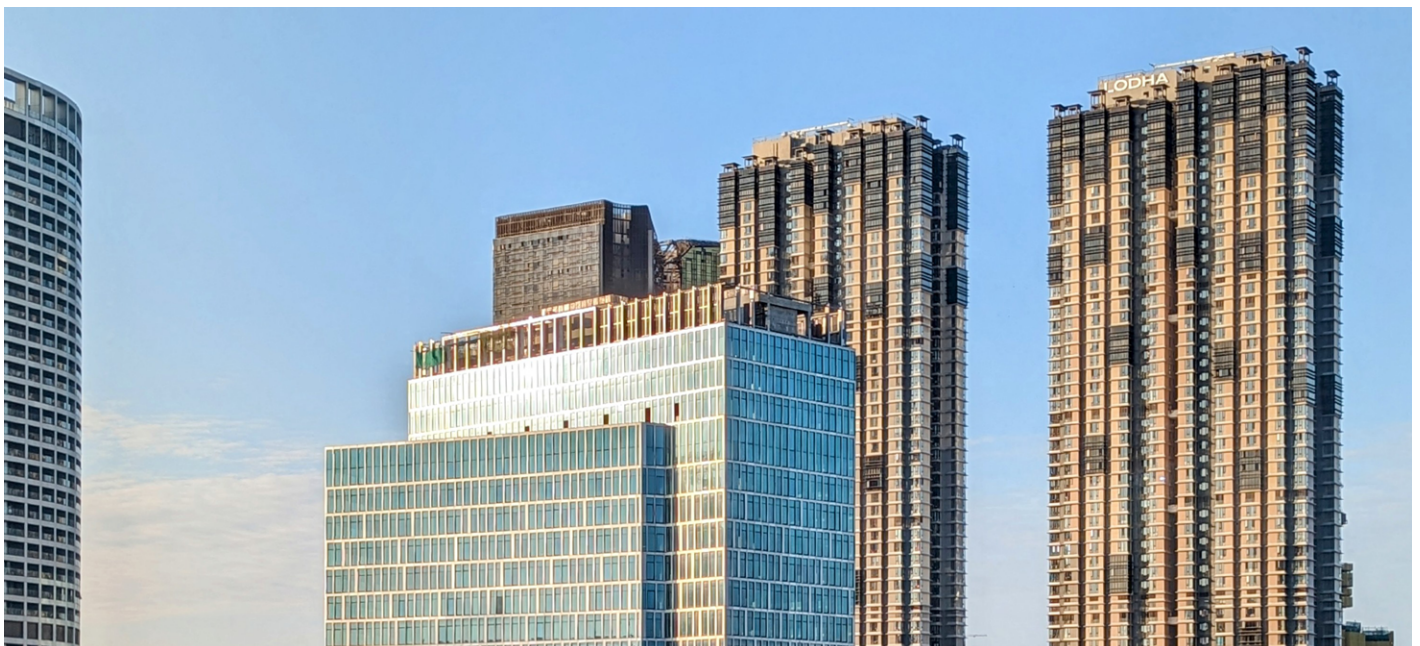
"LP expectations have increased materially, with more bespoke relationships and more sophisticated investors who have their own capabilities to analyze performance and therefore demand more detailed information. This has pushed the CFO role into a more strategic position."

The relevant assessment includes whether the finance function has the bench strength to scale, whether it's genuinely integrated with investment decision-making, and whether there's a credible succession plan. The answers to these questions are a leading indicator of institutional maturity.

Looking forward

Long tenures, increased retirement rates, and an expanding CFO mandate are converging. Firms that wait for a departure to define the archetype they need will consistently find themselves hiring for yesterday's complexity at exactly the moment the business demands something more.

The firms that succeed will define the CFO mandate of the future, build internal pipelines with rigor, and assess CFO capabilities with the same precision they bring to any other critical leadership hire.



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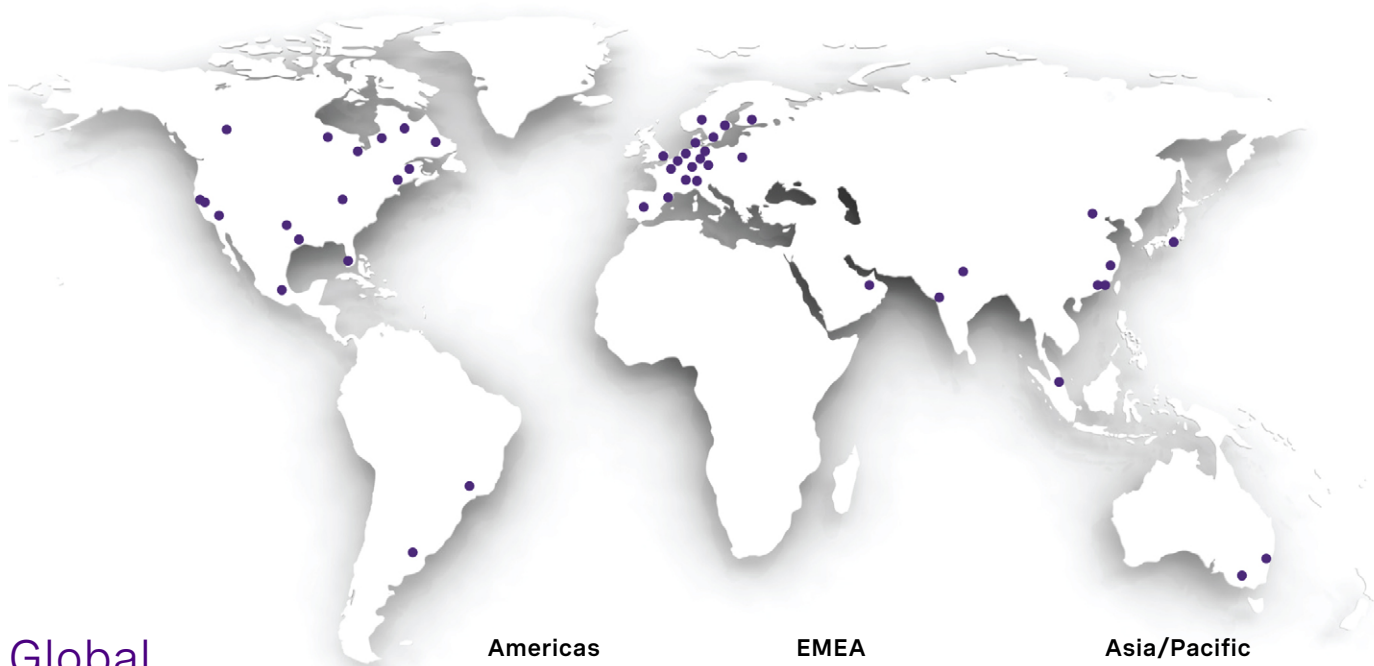
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About Russell Reynolds Associates

Russell Reynolds Associates is a global leadership advisory firm. Our 500+ consultants in 47 offices work with public, private, and nonprofit organizations across all industries and regions. We help our clients build teams of transformational leaders who can meet today's challenges and anticipate the digital, economic, sustainability, and political trends that are reshaping the global business environment. From helping boards with their structure, culture, and effectiveness to identifying, assessing and defining the best leadership for organizations, our teams bring their decades of expertise to help clients address their most complex leadership issues. We exist to improve the way the world is led.

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