Founder-led to institutional: the mid-market fund manager's scaling journey

*When early-stage, founder-led managers enjoy success and start to scale, the qualities that made them successful can start to come under pressure. In a tougher fundraising environment, scaling managers need to professionalize their operations without losing the entrepreneurial edge that set them apart initially. Drawing on their own experience in a scaling firm, **Matt Horton** and **Jim Whittingham** explore what mid-market fund managers need and when, without losing what made them distinctive in the first place.*

Successful early-stage managers can quickly evolve from founder-led businesses focused on a single fund and strategy, to complex multi-product platforms managing institutional capital. The operational transformation needed to adapt is where founders often encounter growing pains, as investor expectations rise, reporting demands expand, governance becomes more formal, and the firm's start-up operating model starts to creak under the pressure.

Amid increasingly challenging fundraising conditions, and with investors often seeking to pledge capital in blue chip managers or GPs they know well and trust, this scaling process is under even more pressure to succeed and add value. While returns will always be the most important thing to an investor, the strength of a manager's operational performance can provide differentiation for investors during due diligence processes.

McKinsey's 2025 Global Private Markets Report reinforces the point. It finds that private markets managers are having to look beyond traditional fundraising channels, build deeper operational capabilities and respond to the rapid rise of technologies such as generative AI. For scaling GPs, institutionalization isn't only about adding process as the business grows, but about building the resilience and adaptability that investors expect.

That raises two practical questions for emerging managers: what needs to change as the firm grows in scale and complexity, and how can they professionalize the platform without losing the founder-led qualities that helped them win investor confidence in the first place?

Early-stage managers: Founder dependence and speed

At the outset, most firms are built for execution, not scale. The operating model is typically lean, founder-centric and manual. Reporting tends to be investor-specific rather than standardized, and processes are often shaped around the people who know the business best.

This is as it should be. In the early stages, the priority is building credibility, proving the strategy and getting the first vehicle successfully launched. But what works at launch is rarely sustainable as the platform grows.

The pressure to mature is reinforced by the direction of the market. Goldman Sachs Asset Management's 2025 Private Markets Diagnostic Survey found that LPs with mature programs are consolidating relationships while still seeking investment in developing managers that can add differentiated value, which raises the bar for emerging and scaling GPs. Edelman Smithfield's 2025 Global LP Survey, based on 400 institutional investors, also highlights the role of trust, transparency and strategic communications in influencing capital allocation decisions.

Mid-market fund managers: The operational inflection point

As managers raise additional funds, broaden their investor base and expand into more complex structures, strategies and new territories, the demands on their operating model change significantly. A wider LP base brings a broader range of reporting needs, information requirements and service expectations, often including institutional investors with more rigorous diligence, governance and transparency standards. The bespoke, relationship-led servicing model that may have worked in the early stages becomes harder to manage consistently. This means managers need processes that show how information is captured, reporting is produced and decisions are governed, so that the platform can scale without becoming dependent on a small number of individuals.

At the same time, structures are more complex and crossing borders, product breadth is expanding through co-investments, continuation vehicles and adjacent strategies, and regulatory requirements continue to intensify. [Preqin's 2026 Global Reports] point to continued structural shifts across private markets, including more selective fundraising conditions and evolving investor preferences. This means that operations, which were a support function now become a strategic enabler.

1. Team: From generalists to functional specialization

Early-stage teams are typically small, multi-functional and heavily reliant on founders. Finance, operations, compliance, investor relations and fundraising may sit across a handful of people, supported by tactical outsourcing where needed.

As the platform scales, the model needs to look different, with a dedicated CFO/COO infrastructure, formal investor relations capability and embedded specialist partners. This increases firm resilience by moving away from key-person dependence towards repeatable, structured capability. This operational shift is often enabled by forging a long-term partnership with a fund administrator.

This matters in a market where LPs are scrutinizing more than returns. Goldman Sachs' 2025 survey found that, when evaluating managers, LPs prioritize fees and terms, track records and team stability, while GPs often view their differentiators primarily through an investment lens. This perception gap is important for a scaling manager that can show how it is evolving its operating model to improve transparency.

2. Governance: From informal oversight to institutional frameworks

Early governance is often founder-led and pragmatic, characterized by quick decision-making, minimal process and the people involved usually have direct visibility across the whole business. As the platform grows, that informality can become a risk because a business must be able to make consistent decisions at scale. Multi-fund firms need clearly defined governance frameworks, valuation and conflict-management processes, and greater independence and oversight.

This is not simply about satisfying regulators or LP questionnaires. [McKinsey's 2025 report] frames private markets as an industry in transition, with managers adapting to a higher-rate environment, a more complex fundraising landscape and growing pressure to demonstrate operational transformation. In that context, governance is part of the value proposition, demonstrating to investors and regulators that the firm can grow without losing discipline.

3. Controls: From trust-based to process-driven

In a small, founder-led firm, controls often rely on trust and proximity. As firms add vehicles, jurisdictions, investors and counterparties, complexity compounds and controls need to be embedded into workflows. Segregation of duties, formal approvals, exception reporting and clear ownership of key processes help ensure consistency, transparency and risk reduction.

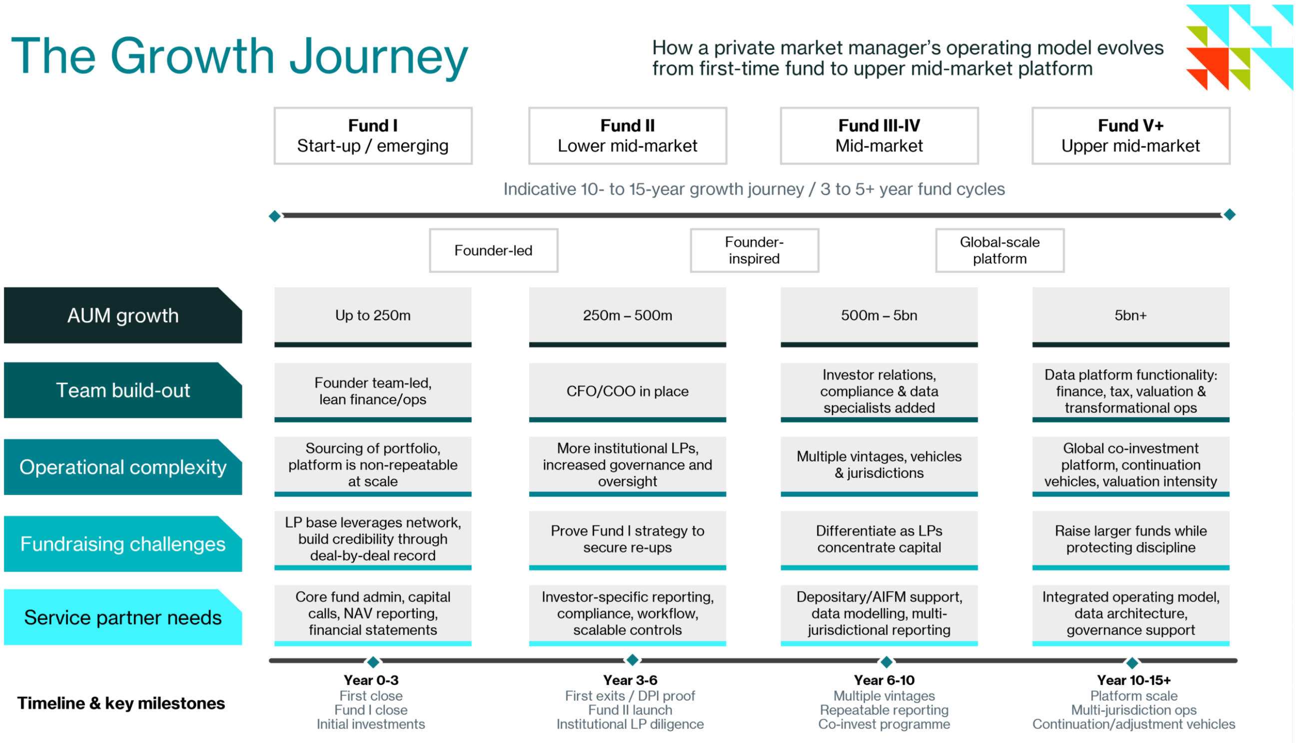
The need for stronger operating infrastructure is echoed across industry commentary. Preqin's 2026 private markets outlook points to a more selective fundraising environment, while McKinsey highlights that private equity value creation is shifting from traditional financial engineering towards sustained operational improvement. For managers, that makes internal controls a part of how the platform protects performance and investor confidence.

4. Reporting: From bespoke to scalable and data-driven

In the early stages, reporting may be manual, Excel-led, backward-looking and customized for individual investors. That approach can be manageable at small scale, but it becomes harder to sustain as the investor base grows and the product set expands. This is why reporting is often where pressure to professionalize shows up first.

At greater scale, reporting needs to be standardized and data-led because LPs want faster access to information, clearer look-through visibility and reporting that supports better decision-making rather than simply meeting a quarterly deadline. This pressure isn't peculiar to private markets – Funds Europe 2025 Asset Managers Report found that technology and competitive pressure have overtaken regulation as top concerns for asset managers, while 90% of firms recognize data as critical to decision-making and 53% are prioritizing investment in data governance and integration. EY's 2025 survey of wealth and asset managers found that 95% of firms have scaled generative AI adoption to multiple use cases, with compliance, risk management and IT among the areas seeing early benefits.

For fund managers, scalable data infrastructure is inextricably linked to credibility and differentiation. This is especially true as private and public markets continue to converge, creating the expectation of faster, data-based reporting as an industry must-have.



What do founder funds wish they'd done earlier?

Across the market, hindsight is remarkably consistent. Scaling firms often wish they had invested in infrastructure sooner, standardized data and reporting from the outset, formalized governance before LPs required it, separated responsibilities earlier and built an integrated operating model rather than adding point solutions as problems emerged.

In most cases, the cost of delay is paid during a fundraising cycle when weaknesses are hardest to fix. By then, operational gaps are diligence questions rather than internal inconveniences.

As well as a desire to grow and professionalize, half an eye should be on what got you to where you are now too. Moving from founder-led to founder-inspired puts more focus on firm culture and decision-making, which does mean selecting partners who share those core values, with an investor-first attitude, is even more key.

Consequently, institutionalization need not be a burden, instead, done correctly, it becomes a differentiator. Firms that get it right can raise capital more effectively, scale across jurisdictions and strategies, meet rising LP expectations with confidence and free senior leadership to focus on value creation. While performance always matters, operational excellence is becoming one of the criteria for investors looking for a long-term trusted relationship.

What’s the best way to tap into technology and expertise?

To effectively professionalize, founder-led managers should seek the services of a fund administrator able to act as an extension of the manager’s operating model, providing access to institutional-grade systems, data infrastructure and specialist expertise that would be costly and time-consuming to build independently.

That matters because scaling is rarely linear. Investor demands and regulatory requirements can increase quickly once a manager moves beyond its first fund. Working with an administrator that already has the people, platforms and experience in place can reduce the operational burden on internal teams, help avoid expensive infrastructure decisions too early, and allow founders and senior leaders to stay focused on fundraising and investing.

Aztec turns 25 this year and is constantly evolving to effectively retain the founder-led entrepreneurial spirit that made it into one of the leading specialist private markets fund administrators in Europe, while also expanding to become a global service provider that continues to deliver the high-touch service clients expect supported by a tech-enabled institutional framework.

The best partners combine intentional deployment of technology with expert teams who understand the manager’s strategy, anticipate what will be needed next and help build an operating model that can grow without losing the responsiveness and entrepreneurial culture that made the firm successful in the first place.

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