THE PRIVATE MARKETS FORUM

Compounding Knowledge: Making Operations the Edge in Capital Formation

How leading private markets firms are turning operational excellence, institutional knowledge, and AI readiness into a durable fundraising advantage.

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Executive Summary

The average private equity fund now takes roughly 26 months to close, from launch to final close.[1]

More than two years.

For firms running multiple products or eyeing their next vehicle before the current one is even closed, that timeline is an all too dramatic expression of their operating environment.

On June 2, The Private Markets Forum assembled a group of leading professionals at the intersection of capital formation and operations.

The discussion's central message: firms cannot out-relationship their way through a 26-month cycle. Sure, relationships remain the foundation of fundraising, but they no longer set a firm apart. What increasingly separates the firms pulling ahead is how well they capture, organize, and put institutional knowledge to work... across investor interactions, diligence responses, portfolio data, and market intelligence.

Participants were clear that AI and automation matter, but only as amplifiers. Strong processes, clean data, and organizational alignment are the prerequisites; technology compounds whatever foundation is already in place. Firms with strong foundations are starting to pull ahead at a pace that's difficult for others to match.

> ***"Relationships remain the foundation of fundraising, but they no longer set firms apart. Increasingly, differentiation comes from how effectively firms capture, organize, and apply what they know."***

Three themes ran through the conversation:

Operations decide what happens after the meeting. As performance and relationships converge across competitors, what investors notice most is response time, consistency, and how little friction they feel.

Every firm has more knowledge than it can use, just not where it's needed. Firms that turn scattered context into a living, searchable asset compound an advantage with every fundraising cycle.

AI doesn't fix a broken process, it runs it faster. The firms seeing real returns from AI are the ones that already had their data and processes in order. For everyone else, AI just automates the mess faster.

[1]: PitchBook, "Private Equity Fundraising in 2026" (2026).

Why This Matters Now

Most discussions of the fundraising environment start with the same observations: timelines are longer, diligence is deeper, the market is more crowded, wealth channels are growing. All true. None of it is news to anyone in this industry.

What's more interesting is what those pressures are doing *inside* firms.

A fundraise of this length runs on dozens of overlapping ones, parallel conversations with LPs at different stages, diligence requests arriving in waves, portfolio updates that need to go out regardless of where any individual raise stands. Stretch that across two years, and the firm isn't really running one fundraising campaign. It's running a continuous operation that happens to have fundraising as its current focus.

That's the shift that doesn't get talked about enough. The question used to be "how do we win this raise." Increasingly, the better question is "what does our raise leave behind for the next one."

A diligence response built well this cycle should make the next cycle's version faster to produce, not something to be rebuilt from scratch. A new LP relationship should add to a base of institutional knowledge, not exist in isolation.

Most firms aren't there yet.

Investor knowledge tends to live in spreadsheets, inboxes, decks, and the heads of a handful of senior people, an arrangement that worked fine when relationships and product lines were fewer and the pace of change was slower. As those things multiply, that same informal approach stops being a quirk and starts being a tax: paid every cycle, by every team, often without anyone naming it as the source of the friction.

The firms building durable advantages are the ones asking a different question than their peers. Not "how do we get through this raise," but "how do we make sure this raise makes the next one easier."

Market Context

Three insights exploring how leading firms are transforming operations, institutional knowledge, and technology into enduring fundraising advantages.

1. Strong Returns Get You in the Room. Operations Decide What Happens Next.

Two firms can have nearly identical track records, similar strategies, and comparable teams, and still land very different outcomes with the same LP. Increasingly, the difference isn't visible on the pitch deck. It's in what happens after the meeting: how fast the diligence follow-up arrives, how consistent the answers are across different people at the firm, how much friction the LP feels chasing down a simple question.

Operational execution has become visible. It used to be backstage; now it's part of the pitch, whether firms intend it to be or not.

This is an opportunity disguised as a burden. Firms that treat their fundraising workflows as a system worth designing, rather than a series of one-off efforts powered by heroics, find that the system itself becomes an asset. It gets faster and more reliable every cycle, while competitors rebuild from scratch each time.

What this means in practice:

- Response time and consistency are now part of how investors evaluate a manager, whether or not anyone says so explicitly.
- Firms that invest in reducing fundraising friction see the benefit compound, cycle over cycle.
- Operations is no longer a cost center supporting capital formation. It's becoming part of capital formation.

2. Every Firm Has Far More Knowledge Than It's Effectively Using.

The problem isn't a lack of information.

It's that the information is everywhere except where it's most needed.

A meeting note from three years ago sits in one partner's inbox. A diligence answer that took two days to draft for one LP gets rewritten from scratch for the next, because no one remembers it exists. Portfolio updates, relationship history, and market intel scatter across decks, email threads, and the memory of whoever has been at the firm longest.

This was manageable when teams and investor bases were smaller. As firms scale, the cost of constantly re-deriving information starts to show up everywhere: slower responses, inconsistent answers, new hires who take months to get up to speed because nothing was written down where they could find it.

The shift underway treats that knowledge as infrastructure rather than as documentation that happens to exist. The goal isn't simply to store it, it's to make it accessible and reusable, so work done for one conversation becomes a foundation for the next rather than a one-off. Firms that get this right are building a compounding asset: every interaction makes the next a little easier. Firms that don't are running the same race every cycle with no memory of having run it before.

> ***"The firms that succeed are not necessarily those adopting the most technology, but those continuously evolving how technology supports their processes."***

What this means in practice:

- The value of institutional knowledge grows with firm size. What's a minor inefficiency at $500M in AUM becomes a serious drag at $5B.
- Preserving context across years of investor relationships is becoming one of the clearest differentiators in capital formation.
- The firms thinking hardest about this aren't asking how to store information. They're asking how to make sure nothing they learn gets lost.

3. AI Doesn't Fix a Broken Process. It Exposes It Faster.

A firm whose investor information is scattered and undocumented won't get reliable output from AI tools, no matter how advanced those tools are. It'll just get scattered output faster. A firm with structured data, integrated systems, and clear processes has something AI can actually work with, and the gains show up quickly: faster turnaround on diligence requests, materials that don't need rebuilding, insights that surface without anyone going looking for them.

This reframes the AI conversation usefully. The real question isn't "should we adopt AI," most firms already know the answer to that. It's "what would need to be true about our data and processes for AI to actually help us." Firms that can answer that are positioned to see real returns quickly. Firms that can't risk layering new tools on old problems, and finding the problems just move faster.

The upside is significant: this isn't a race that requires firms to out-spend each other on technology. It rewards firms willing to do the foundational work, and that work pays off regardless of how the AI layer on top of it changes next.

AI becomes transformative only when built on strong data foundations. Otherwise, firms simply automate inefficiency and move existing problems faster."

What this means in practice:

- The highest-leverage AI investment for most firms right now is in their underlying data and process foundation, not the AI tools themselves.
- Administrative friction, searching, recreating, reformatting, is the lowest-hanging fruit for automation, freeing teams to focus on judgment and relationships.
- Firms with strong foundations today are positioned to compound that advantage as AI capabilities continue to improve.

Conclusion

As fundraising becomes more competitive and investor expectations continue to rise, operational infrastructure is emerging as a defining feature of successful capital formation strategies. A firm's ability to capture what it learns, preserve that knowledge, and apply it consistently across future interactions increasingly shapes both the investor experience and fundraising outcomes.

The opportunity is significant. Every investor conversation, diligence response, and piece of portfolio reporting can either remain a one-off expense or become part of a durable institutional asset. Firms that deliberately build and reuse that knowledge create advantages that compound over time, making each fundraising cycle more efficient than the last.

The next era of capital formation will not be won through a single exceptional fundraise. It will belong to firms whose operating models ensure they never have to start from zero again.

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