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The Evolving Role of the CFO in Private Equity-Owned Manufacturing Firms

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Although private equity investments slowed in Q2 2025, the market isn't broken. According to Bain, there's $1.2 trillion of buyout dry powder still waiting to be invested. Likewise, PwC reports that while deal volume has moderated, investors are still pursuing premium opportunities that will contribute to strategic transformations, especially in sectors like automation, defense, and energy transition.

To capitalize on this opportunity, CFOs in private equity (PE)-owned manufacturing firms are finding their role shifting from financial steward to value creation leader. By merging strategy with execution, securing stakeholder alignment, and adopting digital transformation, CFOs can deliver significant value and position their companies for strategic investments and exits.

Key takeaways

- **Dealmaking in manufacturing is evolving, not disappearing.** While volume has slowed, activity remains strong in high-growth and transformation-oriented sectors, particularly where supply chain resilience and innovation intersect.
- **The modern CFO is a value creation leader.** PE-backed manufacturers now require CFOs who combine financial expertise with operational acumen, digital fluency, and the ability to drive both strategic and tactical execution.
- **Talent availability, turnover, and incentives are reshaping the CFO market.** With high demand, limited internal pipelines, and short tenures, PE firms must think strategically about hiring, compensation, and succession to secure the right financial leadership.

Dealmaking Enthusiasm in Manufacturing is Still Strong

The recent reduction in manufacturing deals isn't necessarily a sign of market *contraction*. Rather, it's more of a *reshuffle*. For example, some companies are divesting from non-core assets to sharpen focus on high-growth areas. As such, companies geared toward high growth and high transformation are still attractive to investors.

Additionally, manufacturers have a growing interest in domestic and nearshore mergers & acquisitions (M&A) to bolster supply chain resilience. This response to ongoing disruptions, tariff exposure, and geopolitical pressures signals a desire to mitigate the risks associated with offshoring.

Dealmaking remains active in those resilient sectors where tariff exposure is limited and long-term innovation remains viable. For manufacturing, this includes businesses positioned at the intersection of technology, efficiency, and innovation, where transformation potential can drive outsized returns.

The Ideal CFO Profile for Manufacturing Portfolio Companies

CFOs for PE-backed manufacturing companies are responsible not only for ongoing financial management but active value creation. We're seeing that companies hiring CFOs are requiring a combination of financial expertise with operational insight, particularly in the following areas.

Strategic execution

Today's CFOs, especially at larger companies, no longer take a hands-off, supervisory approach to their job. We're seeing companies from $50M to $500M+ in revenue valuing hands-on CFO capabilities, meaning executives who have personally managed and executed key financial processes.

This trend of preferring active implementation over "directing from above" can favor finance professionals of all stripes. But first-time CFOs have a specific advantage, as they're often more willing to engage in tactical operational details. The same is true for experienced CFOs who want to roll up their sleeves and use their experience in a more tangible, on-the-ground way.

Securing stakeholder alignment

The CFO is not the only C-suite executive whose role is evolving in the current PE climate. CEOs are called upon to master technological transformation, while CTOs have to frame their work more around outcomes and value vs. just shipping more features. With all of these changes happening, it's critical for everyone to be proactively communicating with one another.

Before you begin your search, it's important to secure pre-search alignment among all stakeholders, especially those in the C-suite. Most people have long-standing assumptions around what a CFO role is supposed to look like. As the requirements evolve, it's important to have alignment around the organization's expectations. Not only will this help in sourcing and screening candidates, but it can set new hires up for success once they're in the role.

Adopting digital transformation to maximize liquidity & exploit opportunities

Digital transformation is top of mind among manufacturers; 92% of companies claim it to be a strategic priority. This shouldn't be surprising, considering that 72% of manufacturers report reduced costs and improved operational efficiency as a result of AI deployments.

How digital transformation creates value will vary based on department. For CFOs, two of the biggest advantages are increased liquidity and reduced opportunity costs, or freeing up resources to exploit other revenue opportunities. CFOs can bring this to fruition in several ways:

- Process automation to accelerate receivables and payables, as well as reduce human error
- Data analytics, often supported by AI, to provide real-time cash flow visibility and improve forecasting and strategic planning
- Digital and cloud payment solutions to reduce payment friction
- Hybrid operating models to leverage both in-house, specialized expertise and outsourced, scalable solutions

AI adoption & change management

Perhaps the biggest change companies are navigating right now is AI adoption. A recent KPMG report showed that 71% of companies are currently using AI in finance, and that number is only more likely to grow. But adopting AI for its own sake won't create value for your organization. Equally important is identifying the areas where it can add the most value.

CFOs play an important role in navigating the waters of demand from PE investors for AI-driven innovation. Yes, adoption is important to avoid falling behind. But whether it's assisting in financial planning, accounting, or risk management, CFOs have a greater sense of where that investment is going to contribute to cost savings or revenue generation. Scoring short-term wins will bolster confidence in these pilot programs, ensuring a more seamless change going forward.

Shifts in CFO Recruiting & Succession Planning

As the role of the CFO in PE evolves, the trends around recruiting and hiring those professionals are likewise shifting. If you're looking to hire in 2025, be sure to keep these factors in mind:

- According to some studies, 80% of CFOs for portfolio companies in PE are external hires, almost double the rate of the S&P 500. This aligns with our own experience; many firms simply don't have the internal talent pools to promote from within.
- The market for CFOs in PE is tight, with high turnover and average tenure of 2.5 years; companies often need to expand their talent pools to find qualified hires
- In the same vein, high turnover rates mean that there's rarely time to implement a

strategic succession plan; often the need is acute before the search process begins

Compensation & Incentive Evaluation

When deciding how best to build compensation and incentive packages for CFO hires, here are some practices we recommend based on our experience with the current market:

- Offer performance-based incentives, with bonuses ranging from 40% to 60% of base salary; consider long-term incentives to align CFO interests with sustained company performance
- Equity participation typically can represent as much as 60% of total CFO compensation, and can be an especially attractive option for early- to mid-stage companies that need lighter capital expenditures
- Align compensation metrics with business outcomes, including targets for profitability, growth, operational improvements, and exit readiness

The Path Forward

The manufacturing landscape may be evolving, but for CFOs, the opportunity has never been greater. Private equity's push for transformation demands financial leaders who don't just track performance but actively shape it.

The next generation of CFOs will bridge strategy and execution, unlock the power of digital technologies, and inspire confidence among stakeholders. For PE firms and portfolio companies alike, securing this caliber of talent helps to position the business for resilience, growth, and lasting impact in a future defined by change.