

# Accounting at the inflection point

Redefining value creation  
when partnership culture  
meets PE investment

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## Private equity in accounting: What to know before you dive in

Private equity's entry into accounting represents a transformational change, not just a cyclical opportunity. According to Accounting Today's 2025 research, spanning 304 firms across the industry, the profession is currently caught between two very different operating systems: the long-term partnership model and the time-bound return requirements of institutional capital.

One in three accounting firms reported a need for external capital. Of these, 54% are turning to private equity — a share that has eclipsed traditional bank financing. Forty-eight percent of firms remain open to PE investment, while 35% reject it outright. Among PE-backed firms, 27% report dissatisfaction and 24% report neutrality about the partnership.<sup>1</sup>

So, what do these results reveal? Can private equity succeed in professional services, or does this capital influx mask deeper tensions?

The 48% positive experience rate suggests the former is possible, but only when both sides enter the partnership with a clear mutual understanding of what it entails. The dissatisfaction and neutrality rates point to a potentially mismatched expectations; for example, firms that sought passive capital may have instead encountered active partnership demands, or PE investors may have identified a gap in professional services' change management efforts.

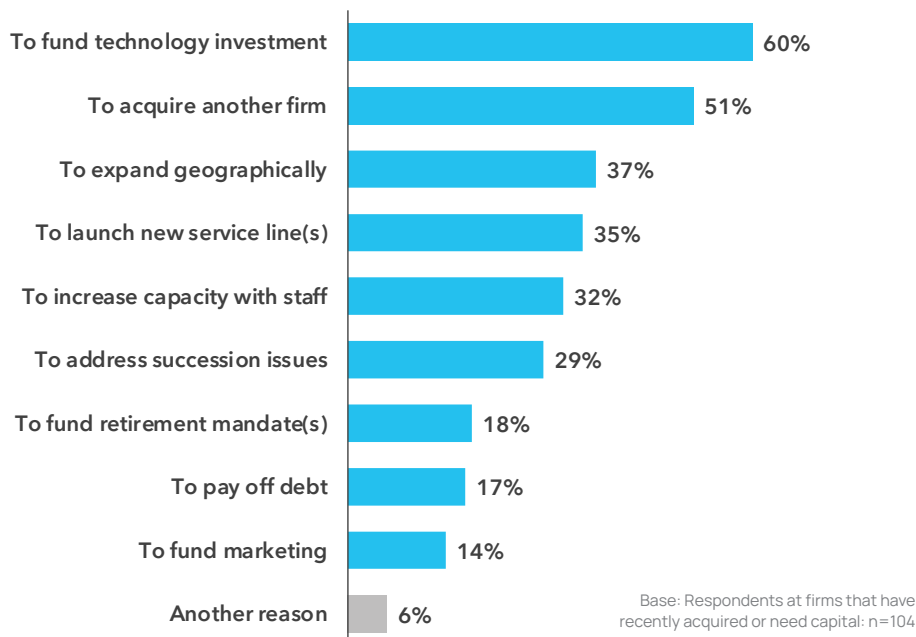
### **Great partnerships don't just happen. They're built.**

PE firms have recognized that they're not buying a services business with partners. Rather, they're investing in a regulated, reputation-dependent profession where the unit of production is trust, the moat is independence, and the exit is contingent on cultural resilience, not just EBITDA multiples.



What's driving this surge in external capital? The data tells a clear story: 60% of firms seeking capital cite technology investment as their primary driver, followed closely by M&A activity at 51%. These aren't supplemental needs. Rather, they represent fundamental shifts in how accounting firms must operate when traditional growth models no longer deliver sufficient returns.

## Why does your firm need capital / Why did your firm recently acquire capital?



This white paper explores the strategic considerations that will help accounting leaders determine whether a PE partnership is the right move for their firm, and how they can successfully modernize their growth models.

I also invite you to schedule a confidential conversation with me to discuss what success looks like for your firm, and how we can meet your firm's specific needs while empowering EBITDA expansion. You can reach me at [tom.koehler@intapp.com](mailto:tom.koehler@intapp.com).

I hope you find the insights ahead both clarifying and actionable for your firm's strategic decisions.

- Tom Koehler



# Principle 1: Understand the expectation divergence before entry

At this stage of market evolution, most PEs are highly sophisticated about the accounting industry. They understand the regulatory constraints, the independence requirements, the partnership economics, and the long-term client relationships that define your business.

## The pre-deal vs. post-deal reality

PEs also know that many accounting firms underestimate what PE partnership actually entails. Before a transaction, accounting firm partners typically envision retaining significant autonomy over strategy, staffing decisions, technology choices, and M&A opportunities. But PE firms view governance as investor protection. So if a PE is more hands-on, partners should assume extensive involvement to a degree that many will experience as professional dismantling. This points to a need to come to a mutual, pre-transaction understanding about partner autonomy, most acutely in financial and M&A decisions.

## What you must understand before signing

Accounting Today's research reveals the top concerns that firm leaders have about PE partnership. Review these friction points<sup>1</sup> to determine whether you fully understand what a PE partnership entails:

- **Client service expectations:** 50% fear PE ownership will change service quality. Have you discussed explicitly how your PE partner defines quality? What metrics will they use? What client satisfaction benchmarks must you maintain?
- **Talent and culture:** 48% cite retention and morale concerns. Does your partnership agreement address compensation philosophy, promotion timelines, and cultural preservation? Or are you hoping it just all works out?
- **Independence and compliance:** 51% believe PE adds regulatory risk, and 60% are concerned about reputation. Have you built independence frameworks with your PE partner? Have you established ring-fenced audit entities or built conflict registries?

**“Don't believe you know more than you do.”**

Ray Dalio, Founder, Bridgewater Associates



- **Time horizons:** 40% worry about short-term returns undermining long-term sustainability, and 41% expect equity sales within five years. Have you negotiated explicit provisions protecting client relationships during exit? Do you understand your role in any future transitions?

PE firms know the mechanics of their capital model better than you do. Your expertise is in understanding the accounting profession. Together, these perspectives create value. Separately, they create friction.

## Principle 2: Resolve the potential temporal conflict

Private equity operates on five- to seven-year investment horizons, with a focus on realizing returns within that window. In contrast, your clients expect continuity through multiple business cycles, and your most productive partners are in their peak earning years with another 15–20 years of capacity. Herein lies a structural challenge that must be addressed before you sign, not discovered after.

### Managing investor and firm timelines

The way forward requires a common understanding about the “exit-ready EBITDA” and broader value creation management metrics:

- **Growth strategy:** Will expansion come through M&A velocity, organic capability building, or technology deployment? What client disruption is acceptable? What cultural dilution is tolerable?
- **Build durable growth engines:** 92% agree PE will shift service mix; 57% confirm faster AI adoption.<sup>1</sup> The goal is not immediate revenue — it’s building AI-augmented delivery that sustains beyond exit.
- **Governance frameworks:** What decisions require partner consensus? What decisions require PE approval? What conflicts of interest protocols will you establish? How will you handle disputes?
- **Leadership development:** Is capability-building viewed as ROI or overhead? Will you allocate adequate percentages of EBITDA to structured leadership programs?

Value creation in accounting must be measured across two horizons simultaneously: the PE’s exit window and the partnership’s generational continuity. This dual mandate makes early value management critical because leakage compounds differently across each timeframe.



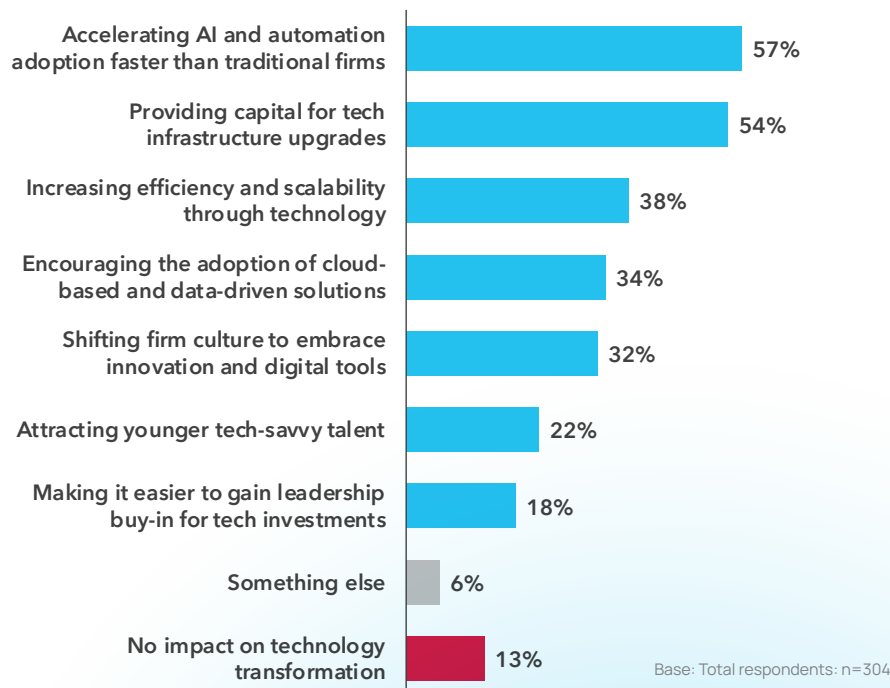
# Principle 3: Treat AI as infrastructure

The most significant takeaway from Accounting Today’s research isn’t that 57% of PE-backed firms are accelerating AI adoption. That’s expected. It’s the fact that AI is no longer a competitive differentiator but rather the new baseline.

Consider this: CB Insights reports that AI agents generated more than \$10 billion in revenue in 2024, with projections surpassing \$20 billion in 2025.<sup>2</sup> McKinsey has deployed 12,000 internal AI agents,<sup>3</sup> and Accenture has reorganized five business units around AI-driven reinvention.<sup>4</sup>

For accounting firms, the same shift is already underway. PE investors recognize that AI infrastructure investments made today determine competitive positioning tomorrow. For this reason, AI adoption and related technology and infrastructure investments are set to significantly increase within the next 18 to 24 months.

## Is private equity investment driving any of the following technological transformations at PE-backed firms?



## Why accounting AI requires trust architecture, not just technology

### 1. Orchestration layer

Accounting firms operate within complex business environments, requiring AI orchestration across fragmented vendor landscapes. Firms need integration frameworks that connect specialized agents, such as tax, audit, and advisory, into unified workflows. This requires platform thinking, not point solution accumulation.

### 2. Proprietary data layer

Generic AI no longer provides firms with a competitive advantage. Today, differentiation comes from training models on proprietary transaction data, industry-specific compliance patterns, and firm-accumulated expertise. Stay ahead of competitors by building data infrastructure that converts institutional knowledge into algorithmic IP.

### 3. Human-AI workforce design

Fifty-four percent of respondents prioritize tech infrastructure upgrades,<sup>1</sup> but infrastructure alone is insufficient. The constraint is talent redesign. Firms need new role architectures where AI handles routine procedures, and professionals focus on judgment, client advisory, and complex problem-solving. This is workforce transformation, not headcount optimization.

### 4. Trust and performance management

In regulated professions like accounting, AI introduces novel independence and liability questions. Firms that solve AI governance (e.g., establishing audit trails, performance benchmarks, and ethical guardrails) will command premium valuations because they reduce buyer risk.

AI and technology have become the top two value-creation levers across portfolio companies. But deployment determines outcome. Superficial AI adoption and technical depth create cost without capability. Systematic AI integration and laser-focused technology investments enhance enterprise services. Stringent technology portfolio management becomes a must-have to avoid value leakage and compounds competitive advantage.

## Principle 4: Solve talent retention or accept underperformance

Forty-eight percent of respondents cite talent morale and retention as their top concern following PE investment, and one in five reports the emergence of toxic or hyper-metric cultures.<sup>1</sup> In these environments, leadership alignment and operational governance become the true drivers of long-term value, and are often more crucial than revenue growth or margin expansion.

This is the critical path variable most leaders underestimate. In accounting, talent is not mobile labor. Rather, it's embedded client relationships and accumulated specialized knowledge. When senior managers or partners exit, they often take clients, institutional memory, and team cohesion with them.

### The talent-retention framework

Many firms mistakenly treat retention as an HR problem, when in fact it's an economic alignment problem. Winning firms deploy systematic approaches:

#### Economic participation

Talent drives enterprise value, which is why you must give talent equity exposure to that value. Expand equity participation beyond senior partners to include high-performing directors and managers. Use phantom equity or profit interest units to align wealth creation without immediate cash outflows.

#### Leadership development as capex

Allocate adequate percentages of EBITDA to structured leadership development, including executive coaching, strategic planning facilitation, and change management training. Industry data shows firms with formal leadership

programs outperform peers by 15–20% in partner satisfaction and client retention.<sup>1</sup>

#### Cultural codification

Document partnership principles, decision-making protocols, and autonomy boundaries in writing. Make these frameworks part of onboarding and annual reviews. This reduces ambiguity about what PE ownership changes and what it doesn't.

#### Visible career pathways

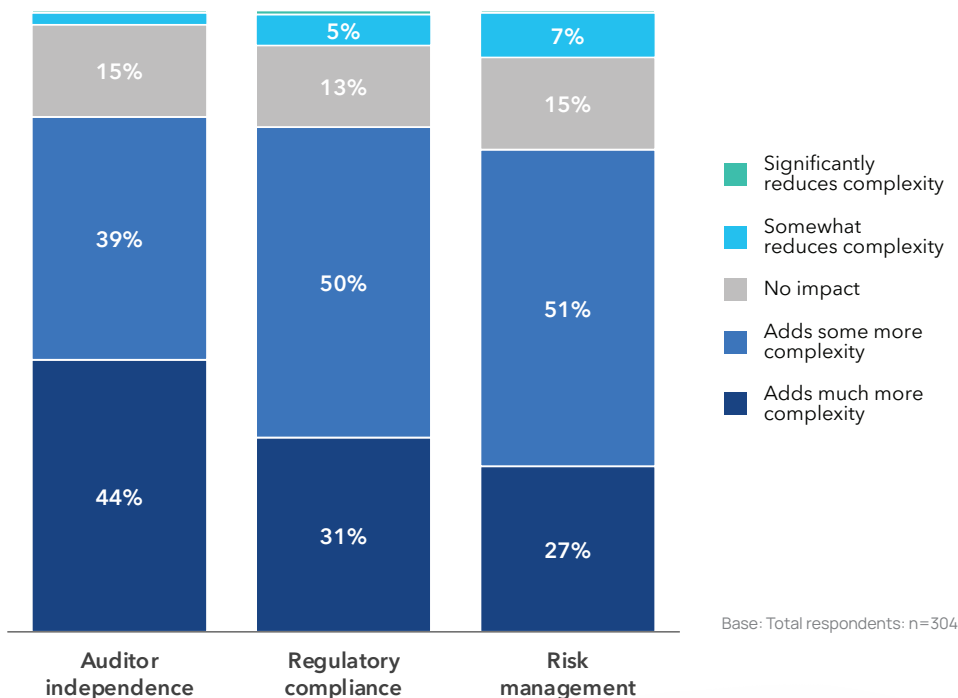
Establish transparent promotion criteria with clear timelines and skill requirements. In professional services, opacity around advancement creates exit risk. Transparency creates planning certainty.



## Principle 5: Monetize independence, don't compromise it

Here's the paradox: Roughly 80% of respondents believe PE ownership adds meaningful complexity to auditor independence, regulatory compliance, and risk management.<sup>1</sup> However, the firms that worry about complexity are often the ones that don't manage these issues systematically, and they consequently miss out on building a highly defensible, competitive moat.

**Do you think private equity ownership in accounting firms adds complexity to any of the following?**



Strong independence frameworks signal regulatory sophistication to future acquirers. PE investors in accounting recognize that independence, when systematized, reduce regulatory risk and justify higher valuations. When these investors exit, buyers discount valuations for firms with weak compliance systems. In contrast, firms with demonstrable independence architecture command premium multiples because they reduce post-acquisition integration complexity.



## What best-in-class firms are building

Private equity ownership is reshaping accounting firms, expanding advisory work while adding significant independence risk through complex portfolio relationships and co-investments. This transformation requires firms to move beyond error-prone manual tracking.

Best-in-class PE-backed accounting firms are building structural independence frameworks combined with purpose-built technology and high automation that signal regulatory sophistication:

- **Ring-fenced audit entities:** Separate governance structures for audit versus advisory, with independent quality control boards
- **Transparent conflict registries:** Real-time systems tracking overlaps in client conflicts, referral relationships, and economic interest
- **Third-party independence audits:** Annual reviews by external ethics firms certifying compliance frameworks
- **Personal independence enhancement management:** Automated compliance workflows that convert regulatory tracking into scalable strategic intelligence and future-proof personal independence management

By implementing centralized ownership and relationship data systems, firms can easily map cross-client ties and identify potential conflicts before engagements begin. Automated rules engines are also critical to consistently apply SEC, PCAOB, AICPA, and state independence requirements across all service lines. And continuous monitoring helps firms detect changes in portfolio holdings, partner financial interests, or new engagements that could impair independence mid-engagement.

Plus, these systems establish robust access controls and information barriers to maintain clear separation between attest and advisory practices. With complete workflow documentation and audit trails, firms demonstrate compliance and protect audit function integrity while scaling advisory growth.

Put simply, firm leaders need to establish an accountability architecture that withstands regulatory scrutiny, avoids a compliance-checkbox culture, and builds institutional trust as a sellable asset.



# Build for duration: Evolving value creation in professional services

The traditional PE value creation model — buy, optimize operations, expand margins, and sell — is insufficient for accounting. The profession's regulatory constraints, independence requirements, and talent dependencies demand a different approach.

Most successful PEs are thinking like institutional builders, not financial engineers. This means designing governance frameworks that outlast the hold period. It means building AI infrastructure that compounds in capability, rather than depreciating like point solutions. And it means creating talent development systems that strengthen, rather than hollow out, the partnership culture.

The framework that follows is offered not as a definitive blueprint, but as a provocation for necessary pre-sign dialogue. The accounting-PE intersection is too nascent, the regulatory environment too complex, and the firm-level variation too significant for any single playbook to be universally applicable. Instead, this framework is a synthesis of observable best practices, cross-industry patterns from professional services transformation, and first-principles thinking about what differentiates accounting from other PE targets.

## The architectural value framework

### Phase 1: Foundation (months 1–12)

- Codify governance frameworks with explicit decision rights for partners versus investors.
- Conduct independence audit and implement conflict registry systems with enhanced automation capabilities.
- Map AI readiness by assessing data infrastructure and governance, identifying automation opportunities, and prioritizing use cases by ROI with committed capital allocation.
- Launch a talent-retention program with expanded equity participation beyond senior partners.



## Phase 2: Capability building (months 13–30)

- Deploy an AI orchestration layer across tax, audit, and advisory workflows with specified integration requirements.
- Build proprietary data architecture by converting firm knowledge into algorithmic IP with ownership rights clearly defined.
- Redesign your talent model by creating hybrid roles that combine AI augmentation with professional judgment.
- Formalize leadership development programs tied to succession planning.

## Phase 3: Compounding advantage (months 28–54)

- Scale AI-enabled service delivery and reduce cost-to-serve while improving client experience.
- Expand to adjacent services by using AI infrastructure to enter higher-margin advisory work.
- Build platform economics by creating industry-specific AI models for clients as subscription revenue with IP ownership clarity.
- Establish thought leadership by publishing research on AI governance, and position your firm as a regulatory innovator to enhance exit valuation.

**Remember:** Accounting firms aren't industrial companies, where efficiency gains compound linearly. They are knowledge networks where trust, independence, and talent quality determine enterprise value more than revenue scale.

# The forward view: Accounting as an institutional asset class

Private equity has proven it can support growth in accounting firms, but success is not always guaranteed. The firms that dominate the next decade won't be the ones with the most aggressive acquisition strategies or the tightest cost structures. Rather, the most successful firms will be those that solve architectural challenges.



A firm's success is the result of clear-eyed decision-making by firm leaders who understand what they're choosing and why. Your leaders must develop a common understanding within the partnership to determine the best path forward:

- How can we combine partnership culture with institutional discipline?
- How can we monetize independence rather than compromise it?
- How can we deploy AI as infrastructure while preserving professional judgment?
- How can we retain talent by expanding ownership rather than extracting margin?

If you're unable to answer these questions with specificity, your firm isn't ready for PE partnership — and that's fine. There's no imperative to take institutional capital. Internal succession, strategic mergers with like-minded firms, and patient bank financing remain viable paths that may better align with your values and operating philosophy.

## Bringing it together

- PE firms know the accounting industry well, from regulatory constraints and independence requirements to partnership economics. The knowledge gap runs the other direction: Many CPA firm leaders underestimate what PE partnership demands.
- Independence is not a constraint on value creation. Rather, it's the primary mechanism for differentiation, pricing power, and premium exit valuations when properly architected.
- Talent retention is not HR administration. Instead, it's the critical path variable for enterprise value and must be addressed in partnership agreements.
- AI is not an optional technology investment. It is baseline infrastructure for competitive viability within 24 months. Your partnership agreement must fund systematic deployment.
- Five- to seven-year PE horizons must accommodate multi-decade client relationships and partnership continuity, or you must accept discounted valuations and cultural disruption.



# An invitation to strategic dialogue

The transformation of accounting under PE ownership represents one of the profession's most significant structural shifts in decades. The firms that will thrive are those whose leaders recognize that success requires more than capital – it also requires strategic architecture that balances investor returns with professional excellence.

Technology has become a strategic success factor. Strategic infrastructure enables ambitious firms to deliver on their growth vision without compromising the professional standards and client relationships that remain accounting's foundation.

We have spent considerable time working alongside PE-backed accounting firms navigating precisely the challenges discussed in this paper. Our focus centers on the operational constraints that consistently emerge as differentiators between high-performing and underperforming PE-backed firms:

- Enabling faster compliant business intake processes that accelerate revenue capture
- Establishing engagement-centric collaboration frameworks that preserve client services quality while improving margin performance
- Implementing intelligent time capture systems that provide the visibility PE partners need without creating administrative burden that drives talent attrition

Let's discuss what technology-strategic success looks like for your firm. We'll explore your firm's specific circumstances, and how we can empower your partners with relationship intelligence capabilities that systematically surface cross-sell service opportunities, instead of relying on individual memory and ad hoc networking.

**Book an executive meeting and learn more about our accounting solutions at [intapp.com/accounting](https://intapp.com/accounting).**



## About the author

Tom Koehler has been a partner at two of the Big Four accounting firms and held senior executive roles at global technology powerhouses. He combines deep operating experiences with dealmakers' perspectives and transformation leadership across accounting and consulting ecosystems. As Intapp's Global Managing Principal for Accounting and Consulting, Koehler translates complex professional-services operating models into scalable business empowered by purpose-built SaaS value chains, driving EBITDA expansion and cross-service growth enablement.



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