

 MYCPE ONE

Equity Partner Evolution - 2024

Strategic Growth Insights for CPA & Accounting Firms

Comprehensive Analysis Based on our Practice Management Survey 2024

Executive Summary

This report provides a strategic analysis of equity partner structures across the US CPA & Accounting industry, revealing how partnership models evolve as firms scale from ultra-small practices to industry leaders. Our findings reveal distinct evolutionary stages in partnership structure, compensation mechanisms, and governance models that correlate directly with firm scale and growth trajectory.

Through comprehensive analysis of partner demographics, compensation structures, and governance frameworks across 421 firms, we have identified critical inflection points where fundamental shifts in partnership models catalyze growth. These insights provide a strategic roadmap for firms seeking to navigate the complex transition between market segments.

Key Strategic Insights:



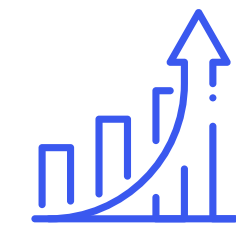
Partnership Leverage Evolution:

The ratio of equity to non-equity partners shifts significantly as firms grow, with smaller firms maintaining higher equity partner percentages (85-90%) while top firms strategically limit equity ownership (around 70%).



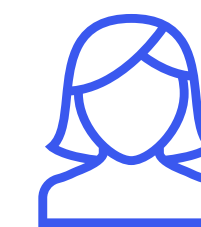
Compensation Inflection Points:

Mid-size firms (\$15-30M) represent a critical transition point where compensation systems shift from predominantly open to predominantly closed models, coinciding with formalized governance structures.



Succession Economics

As firms scale beyond \$30M, formalized succession planning becomes a market differentiator; at larger scales, board governance structures replace traditional plans.

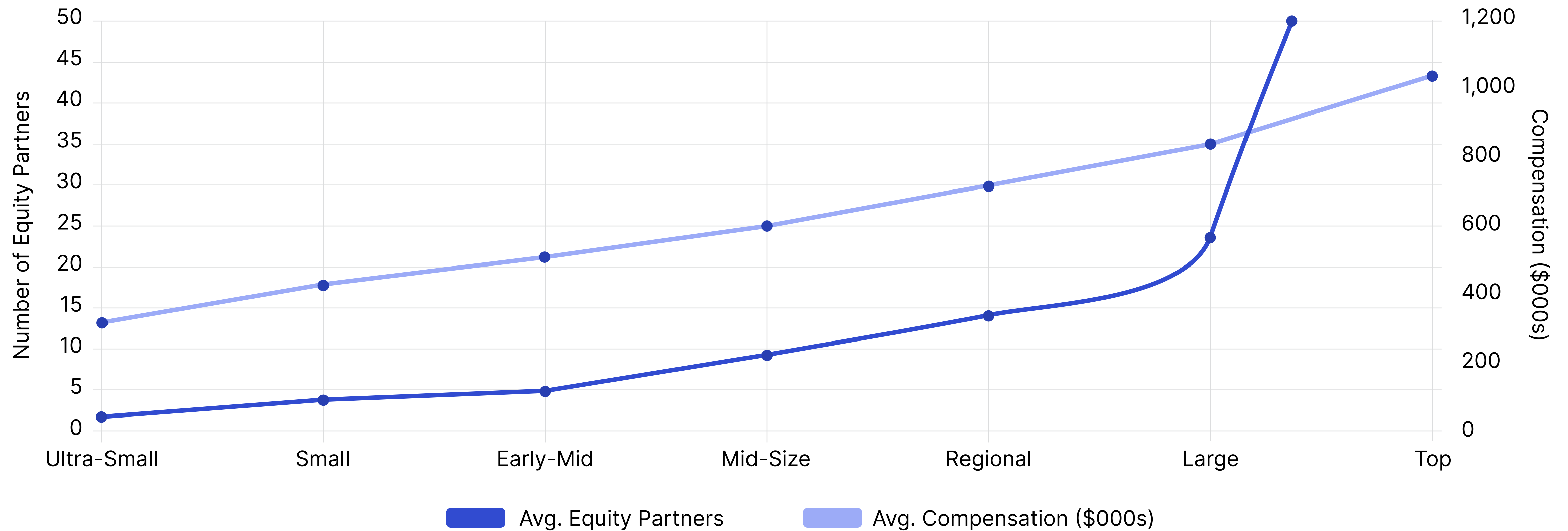


Gender Diversity Correlation

Female equity partner percentage shows notable correlation with firm performance, particularly in mid-size and regional segments.

Executive Summary

Partner Evolution by Firm Size



The Evolving Landscape of Firms

Market Segmentation and Growth Trajectories

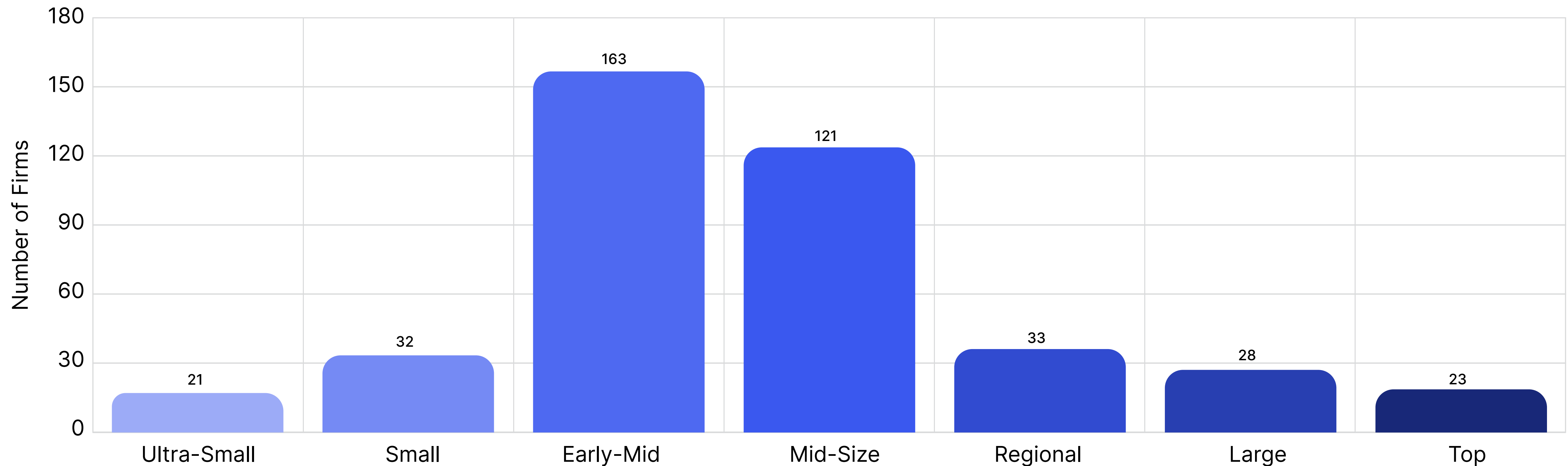
The firm landscape is not a monolith. Instead, it is a diverse ecosystem of firms at different stages of growth, each with its own unique set of challenges and opportunities. Understanding this segmentation is the first step for any firm seeking to navigate its own growth journey. Our analysis identifies seven distinct market segments, based on revenue, which provide a clear framework for understanding the evolutionary path of a firm. All commentary, data and tables exclude the Big 4, but include all other participating firms.

Market Segment	Revenue Range	Firm Count	Avg. Equity Partners	Avg. Non-Equity Partners	Equity: Non-Equity Ratio
Ultra-Small	< \$2M	21	2.4	0.4	6.0:1
Small	\$2-5M	32	3.5	0.8	4.4:1
Early-Mid	\$5-15M	163	5.3	1.9	2.8:1
Mid-Size	\$15-30M	121	9.1	5.2	1.8:1
Regional	\$30-50M	33	14.1	8.9	1.6:1
Large	\$50-150M	28	23.4	15.3	1.5:1
Top	> \$150M	23	167.0	71.6	2.3:1

Market Distribution Analysis

The distribution of firms across segments reveals market consolidation dynamics. The Early-Mid segment represents the largest cluster (38.7% of firms), indicating this as both a common growth plateau and a critical transition point where firms must evolve their partnership structures to advance.

Firm Distribution by Market Segment



Equity Partner Demographic

As firms scale, their equity partner models undergo predictable transformations in demographics, compensation structure, and governance frameworks. Understanding these evolutionary pathways provides strategic insights for firms planning their growth trajectory.

Partner Demographics Transformation

Partner demographics evolve systematically across firm segments, reflecting changes in business model sophistication and market positioning.



Market Segment



Avg. Partner Age



Female Equity %



MP/CEO Age



MP Tenure (Years)

Ultra-Small (<\$2M)	54.0	25.0%	56.5	12.2
Small (\$2-5M)	52.9	28.8%	55.4	10.1
Early-Mid (\$5-15M)	52.3	25.1%	55.4	9.6
Mid-Size (\$15-30M)	52.2	24.3%	54.4	8.3
Regional (\$30-50M)	51.3	24.8%	55.3	8.0
Large (\$50-150M)	51.3	20.8%	55.4	7.0
Top (>\$150M)	51.2	25.1%	58.0	5.2



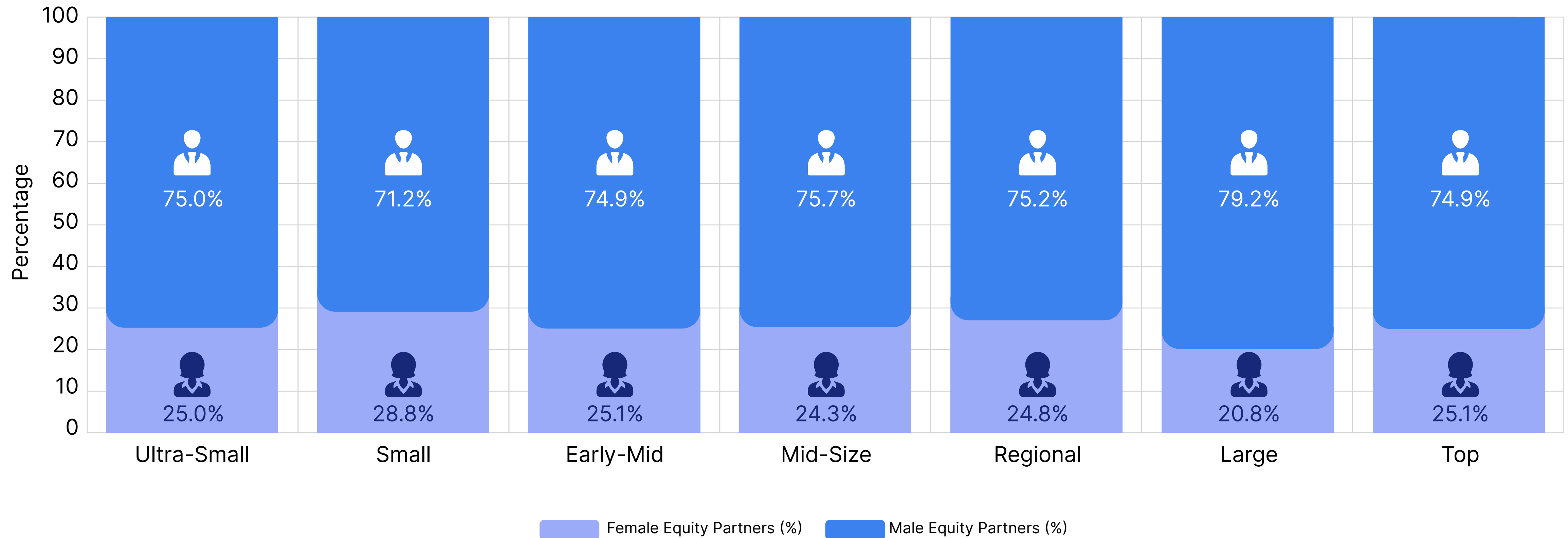
Demographic Evolution Insights:

- Partner age decreases systematically with firm size, from 54.0 years in Ultra-Small firms to 51.2 years in Top firms, reflecting more structured career progression pathways in larger firms.
- Female equity partnership shows a non-linear pattern, with Small firms having the highest percentage (28.8%), suggesting potential gender diversity advantages in early-stage growth.
- Managing partner tenure decreases with firm size, indicating more formalized leadership rotation in larger organizations.

Gender Diversity Strategy

The data reveals significant variations in female equity partner representation across firm segments. While smaller firms show higher percentages of female equity partners in some cases, the strategic approach to gender diversity evolves as firms scale.







Gender Distribution of Partners by Firm Size




Partnership Compensation

Partnership economics demonstrate clear evolutionary patterns as firms scale, with compensation structures becoming increasingly sophisticated and strategically aligned with firm growth objectives.

Compensation Evolution Across Segments

 Market Segment	 Avg. Equity Partner Comp.	 Highest Paid Partner	 Lowest Paid Partner	 Comp. Ratio (High:Low)	 MP/Owner Comp.
Ultra-Small (<\$2M)	\$311,000	\$422,000	\$217,000	1.9:1	\$380,000
Small (\$2-5M)	\$419,000	\$474,000	\$242,000	2.0:1	\$430,000
Early-Mid (\$5-15M)	\$508,000	\$683,000	\$331,000	2.1:1	\$604,000
Mid-Size (\$15-30M)	\$603,000	\$914,000	\$348,000	2.6:1	\$823,000
Regional (\$30-50M)	\$710,000	\$1,212,000	\$386,000	3.1:1	\$1,145,000
Large (\$50-150M)	\$828,000	\$1,658,000	\$406,000	4.1:1	\$1,334,000
Top (>\$150M)	\$1,039,000	\$4,048,000	\$337,000	12.0:1	\$3,853,000

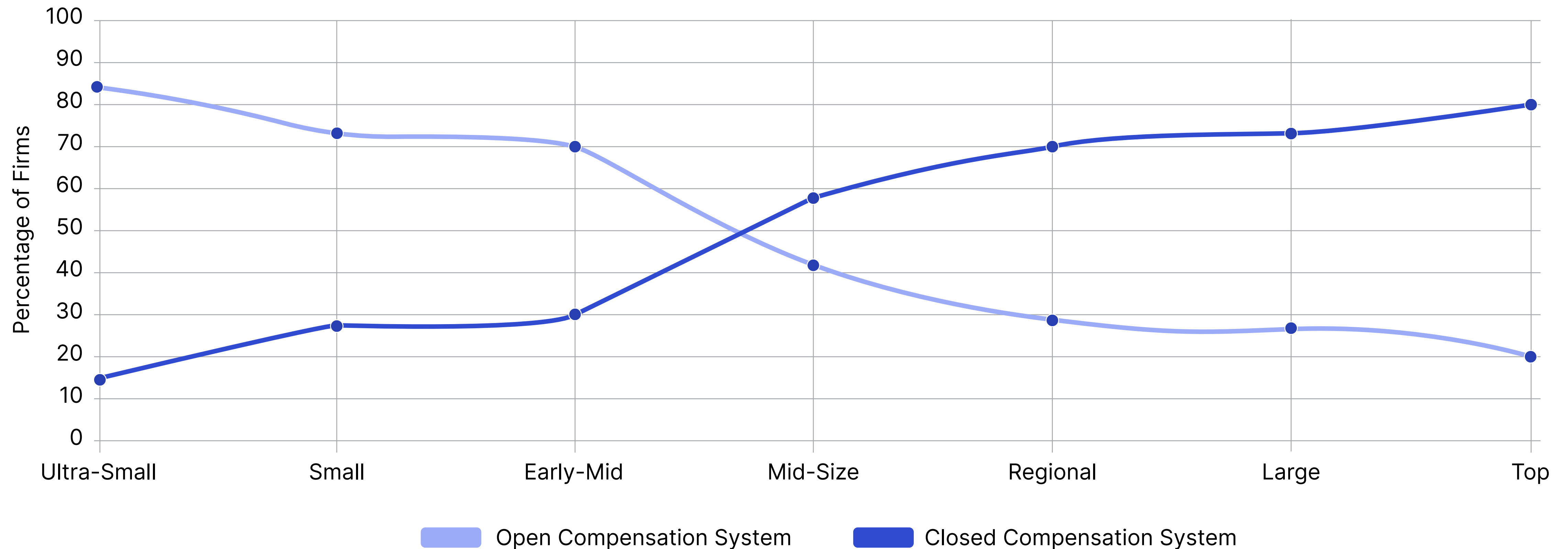
 **Compensation Structure Transformation Points:** The data reveals three distinct transformation points in partner compensation structure:

- **Initial Scale (\$5-15M):** First meaningful differentiation between highest and lowest paid partners (2.1:1 ratio)
- **Mid-Market Inflection (\$15-30M):** Significant increase in compensation spread (2.6:1 ratio) coinciding with transition to more formalized governance
- **Enterprise Structure (\$150M+):** Dramatic expansion of compensation ratio (12.0:1) reflecting market-competitive CEO compensation and strategic value-based partner compensation

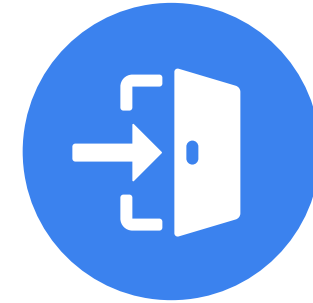
Compensation Governance Evolution

As firms grow, their approach to determining partner compensation undergoes systematic transformation, moving from predominantly open systems in smaller firms to committee-driven, closed systems in larger organizations.

Evolution of Compensation Systems by Firm Size



Compensation Governance Evolution



Market Segment

Open Compensation System

Closed Compensation System

Primary Decision Method

Ultra-Small (<\$2M)	85%	15%	Owner/MP (38%)
Small (\$2-5M)	74%	26%	Owner/MP (24%)
Early-Mid (\$5-15M)	71%	29%	Pre-defined Formula (30%)
Mid-Size (\$15-30M)	42%	58%	Compensation Committee (61%)
Regional (\$30-50M)	29%	71%	Compensation Committee (81%)
Large (\$50-150M)	26%	74%	Compensation Committee (78%)
Top (>\$150M)	19%	81%	Compensation Committee (45%)



Compensation Governance Insight:

The mid-size segment (\$15-30M) represents a critical inflection point where firms shift from predominantly open compensation systems to predominantly closed systems. This transition typically coincides with the adoption of formal compensation committees, indicating a fundamental shift in firm governance that enables scaling beyond regional boundaries.

Partner Admission & Succession Dynamics

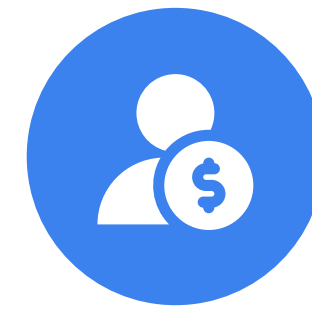
Partner admission, buy-in structures, and succession planning reveal strategic approaches to firm perpetuation that evolve with scale.



Market Segment



New Equity Partners Admitted (%)



Avg. Buy-in Amount



Formal Succession Plan (%)

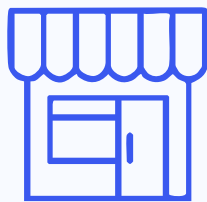
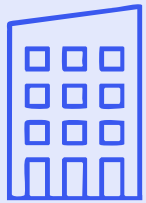




Mandatory Retirement Policy (%)

Market Segment	New Equity Partners Admitted (%)	Avg. Buy-in Amount	Formal Succession Plan (%)	Mandatory Retirement Policy (%)
Ultra-Small (<\$2M)	7%	No Formal Buy-in	10%	26%
Small (\$2-5M)	11%	No Formal Buy-in	14%	30%
Early-Mid (\$5-15M)	22%	\$104,000	22%	58%
Mid-Size (\$15-30M)	34%	\$145,000	21%	72%
Regional (\$30-50M)	56%	\$151,000	47%	83%
Large (\$50-150M)	56%	\$141,000	35%	81%
Top (>\$150M)	55%	\$217,000	34%	81%

Strategic Growth Levers





Our analysis identifies key strategic levers that firms in each segment can utilize to optimize their partnership structure for growth. These levers represent actionable strategies that address segment-specific challenges and opportunities.

	Key Levers	Strategic Focus
 <p>Ultra-Small to Small Transition \$0-2M → \$2-5M</p>	<ul style="list-style-type: none"> • Initial non-equity partner introduction (0.4 → 0.8 partners) • Moderate compensation differentiation (1.9:1 → 2.0:1 ratio) • Initial formal retirement policies (26% → 30%) 	<ul style="list-style-type: none"> • Initial diversification of partner expertise while maintaining founder-driven governance and compensation models.
 <p>Small to Early-Mid Transition \$2-5M → \$5-15M</p>	<ul style="list-style-type: none"> • Initial formula-based compensation systems (30%) • Substantial increase in non-equity partners (0.8 → 1.9) • Implementation of formal retirement policies (30% → 58%) 	<ul style="list-style-type: none"> • Developing specialized service lines and departmental structure while maintaining entrepreneurial culture.
 <p>Early-Mid to Mid-Size Transition \$5-15M → \$15-30M</p>	<ul style="list-style-type: none"> • Critical shift to closed compensation systems (29% → 58%) • Introduction of compensation committees (61%) • Higher partner admission rate (22% → 34%) 	<ul style="list-style-type: none"> • Fundamental governance transformation enabling scalable departmental structure and specialized partner roles.
 <p>Mid-Size to Regional Transition \$15-30M → \$30-50M</p>	<ul style="list-style-type: none"> • Formalized succession planning (21% → 47%) • Significant increase in partner admission rate (34% → 56%) • Enhanced compensation differentiation (2.6:1 → 3.1:1 ratio) 	<ul style="list-style-type: none"> • Professional management infrastructure development and market expansion supported by strategic talent acquisition.

Partnership Model Transformation Framework

Based on our analysis of evolutionary patterns across segments, we have developed a strategic framework for partnership model transformation that addresses the unique challenges of each transition point.

Four-Stage Partnership Evolution Model

Stage	Revenue Range	Partnership Characteristics	Governance Model
 Founder- Driven	< \$5M	High equity concentration, minimal non-equity partners	Owners/MPs decision-making, open compensation systems
 Entrepreneurial	\$5-15M	Emerging non-equity tier, initial specialization	Pre-defined Formula, initial departmentalization
 Institutional	\$15-50M	Strategic non-equity leverage, formalized admission	Compensation committees, closed systems, succession planning
 Enterprise	> \$50M	Strategic equity distribution, significant compensation differentiation	Board governance, professional management, market- competitive structures



The shift in equity partner structures plays a key role in the growth strategy of CPA & Accounting firms. Our findings highlight noticeable trends in how partnership models evolve, with clear links to success as firms move through different market stages.



Firms that proactively align their partner demographics, compensation structures, and governance models with their growth stage, position themselves for sustainable advancement. By understanding the evolutionary patterns identified in this analysis, firm leadership can implement strategic changes that catalyze rather than hinder growth.



The most successful firms recognize that partnership model evolution is not merely an administrative concern, but a core strategic imperative that directly influences market positioning, talent acquisition, succession planning, and, ultimately, firm value.



Strategic Path Forward

For CPA & Accounting Firm leadership, this analysis provides a strategic roadmap for partnership model evolution. By benchmarking your firm's current structure against segment-appropriate models and implementing targeted transformations aligned with growth objectives, you can position your organization for sustainable advancement in an increasingly competitive market.



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Note: All data in this report is based on financial year 2023.

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