

SUCCESSION ADVISORY

Case Studies and Benchmarking Data

The results for the first Succession Advisory Survey are in!

The question was:

What percentage of your partners will seek to retire or reduce their time commitment below full time over the next 5 years?

Of the 124 firms that responded the results are:

- only 16.1% of the firms say they have no partners in this category
- 54% said less than half their partners fall into this category
- 23.4% said more than half their partners will desire that reduction
- 6.5% said all their partners fall into this category.

What is obvious from the data is that 84% of firms will experience partner succession issues in the next five years. Almost one in three will lose at least half their partners. Most firms have found the loss of half their partner group in this short time frame to be extremely hard to manage and, for some, threatening their existence.

According to our experts, Joel Sinkin and Terrence Putney, CPAs from Accounting Transition Advisors, these results are very consistent with the recent AICPA PCPS Succession Survey and clearly indicative of the trends in our profession.

Joel Sinkin told us that, “What is crystal clear from this survey is that in the next few years, the amount of firms seeking succession solutions will be increasing geometrically. What one can take from this is that those who wait to deal with the succession of their senior partners either by building an internal succession team or combining with another firm will have fewer options available to them and much greater competition in finding solutions.” Terry Putney shared with us, “The oldest rule of economics will ultimately take hold, that being supply and demand. As the supply of firms seeking succession solutions increases, it will outstrip the demand from buying firms leading to decreasing value and alternatives for deals. Thus, planning ahead is the key while the market remains strong on the demand side.”

Sinkin and Putney continued by suggesting that despite the current economy, the value of firms seeking external succession is still high. Potential buyer firms are having difficulty sustaining organic growth and have stepped up their demand for mergers and acquisitions. Taking advantage of this market condition now can translate to not only greater valuations today then the future is likely to bring, but more options as well.

Our new membership option, Succession Advisors, will help guide members through these waters by providing a free market valuation of your firm, market updates and much more critical information to help our members navigate this new world.