A Primer for Understanding and Researching Private Equity Investments in the Accounting Industry

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Abstract:

We investigate how private equity (PE) investments operate in the accounting industry, why PE investments have become increasingly appealing, and whether the setting and available data can be used to generate reliable causal inferences about the consequences of PE investments. First, we interviewed 41 professionals to gain new insights into partners and PE investors' motivations, target firm reorganizations, and PE acquisition strategies, as well as regulators and other stakeholders' concerns. We also use practitioners' insights to inform our archival analysis of PE investments. Second, we examine data from 1,314 PE investments in 778 U.S. firms between 2000 and 2024. We provide novel descriptive statistics and an illustrative example of early consequences of PE investments on firms' human capital. We discuss important challenges to causal inference in this setting, such as data incompleteness, treatment heterogeneity, pre-treatment activity, and two-sided matching effects. Finally, we provide suggestions for future research and regulatory oversight.

KEYWORDS: Private Equity (PE); Accounting Firms; Partnerships; Professional Services Firms (PSF); Alternative Practice Structures (APS); Mergers and Acquisitions (M&A), CPAs

1 Introduction

Private equity (PE) investments in the accounting industry have been garnering significant interest recently, not only because of their scale, frequency, and economic magnitude, but also because they result in a fundamental change in accounting firms' traditional business model, legal form, and incentive structure.[1] Importantly, the move towards alternative practice structures (APS) by PE-backed firms challenges the view that accounting firms function best as partnerships. Since 2021, several of the largest non-Big 4 firms have received PE investments and, as of mid-2025, the five fastest-growing firms were all backed by PE.[2] Moreover, many smaller firms have also received direct PE investments or merged with other PE-backed entities. However, the business media and some articles in practitioner journals oversimplify PE investments in the accounting industry by focusing on a few large targets and treating all these investments equally.[3] Next, PE investments are occurring at a point in time when many accounting firms seem threatened by technological innovation and difficulties in recruiting young talent. Finally, there is a dearth of academic research on PE investments in the accounting industry. We need more research to understand what is truly happening beyond the headlines and inform future studies in this area. Consequently, this study investigates three questions: (1) how PE investments operate in the accounting industry; (2) why PE investments appeal to partners and PE investors, and (3) whether

[1] Throughout this paper, we use "accounting firms" (and "firms") to refer to organizations that employ accounting professionals to offer a diverse mix of professional services related to clients' financial accounting, tax, and managerial information, which can be broadly categorized into audit and non-audit services. In our data analysis on PE investments, we use the term "traditional firms" to refer to a subset of firms that provide traditional accounting, audit and tax services. The subset of "traditional firms" is *not* limited to PCAOB-registered firms that offer audit services to SEC registrants, which are typically covered by the Audit Analytics database. We include non-PCAOB registered firms and firms that provide only tax preparation services, such as Jackson Hewitt Tax Service Inc. and Ryan. Next, we refer to private equity funds as "PE investors", which are investment partnerships that buy and manage companies for a period before selling them. Finally, we refer to "partners" as accounting firm partners, unless otherwise noted.

[2] Daniel Hood. March 5, 2025. The 2025 Fastest-Growing Firms. Accounting Today. https://www.accountingtoday.com/list/the-2025-fastest-growing-accounting-firms. Danielle Lee. July 28, 2025. Growing Pains at the Highest-Growth Firms. Accounting Today. https://www.accountingtoday.com/news/the-2025-fastest-growing-firms-growing-pains. Danielle Lee. July 21, 2025. The Secrets of Turbo-Charged Growth. Accounting Today. https://www.accountingtoday.com/news/2025-fastest-growing-firms-the-secrets-of-turbo-charged-growth.

[3] In Section 2 and Appendix 1, we provide a list of deals covered by news articles.

the setting and available data can be used to generate reliable causal inferences about the consequences of PE investments for target firms.

Our study is divided into two parts. First, we interview professionals with experience in PE investments in the accounting industry, as well as accounting professionals who considered PE investments but chose not to pursue them. Second, we analyze data from PE investments and use an illustrative example of potential consequences of PE investments to discuss research design issues and provide methodology recommendations. Next, we provide suggestions for future research and regulatory oversight in this area.

In the first part of our study, we aim to provide a rich qualitative understanding of PE investments by drawing on insights from semi-structured interviews. Moreover, we also seek to use practitioners' insights to inform our archival analysis and give research methodology recommendations. We conducted 39 semi-structured interviews with 41 professionals from 30 unique organizations, which reflect the collective views of partners at firms with and without PE investments, PE investors, deal consultants, and regulators.[4] The interviewees from firms represent all the main service lines (i.e., audit, tax, and advisory) and include senior and junior partners. Our interviews reveal nuances that are not publicly available, including the motivations of partners and PE investors, the workings of APS, perceived consequences for partners of various ranks and staff, and concerns about deep changes to the accounting profession and potential loss of independence. We summarize our takeaways in (1) partners' perspective, (2) PE investors' perspective, (3) deal organization and strategy, and (4) regulators and other stakeholders' concerns.

From the partners' perspective, PE investments are rising due to the accounting industry's perceived problems and partners' motivations. Our interviewees perceived a pressing need to reform the traditional partnership model, which is seen as ill-suited to today's business

[4] We received the approval of our University Institutional Review Board (IRB) to conduct our interviews.

environment, marked by underinvestment, rigid capital structures, and limited scalability. These problems are especially acute for mid-sized and small firms that constitute most PE targets to date. Unlike the Big 4, these firms lack the scale and resources needed to invest in technology, retain talent, and remain competitive. Thus, PE investments have emerged as an attractive avenue for firms seeking to modernize and expand. For most partners, the motivation is also financial. PE investments allow them to realize a substantial portion of their equity value early without waiting for retirement payouts. However, we also observe divergent views among partners at firms that have not pursued PE investments, who raise concerns about the loss of control and uncertainty over PE investors' long-term objectives.

From the PE investors' perspective, the integrated model of audit and advisory services presents a compelling investment opportunity. The advisory side, particularly within mid-sized accounting firms, is viewed as an underdeveloped area with high margin expansion. Meanwhile, the audit practice offers stable cash flows and established brand credibility. PE investors seek to disrupt and consolidate the fragmented accounting industry by expanding non-audit services while leveraging the brand and reputation associated with the audit practice. Taking partners and PE investors' motivations together, there is a two-sided matching behind PE deals. PE actively searches for opportunities in inefficient markets, while the recent surge in accounting deals is closely tied to partner-initiated efforts. Next, there is a great sense of urgency among partners and PE investors, even though many details remain unresolved until each deal closes. The target firm's reorganization and PE acquisition strategy exhibit substantial complexity and nuance. Due to state laws prohibiting non-CPA ownership of CPA firms, target firms must undergo legal and ownership restructuring, commonly through an Alternative Practice Structure (APS). Under the most common APS, the firm is separated into two legal entities: : a CPA-owned and audit-focused limited liability partnership (LLP) and a PE-owned non-audit-focused limited liability corporation

(LLC).[5] In practice, the audit-focused entity exists as a legal shell with a small group of senior partners, while audit professionals and management are typically outsourced from the non-audit to the audit entity through a professional services agreement.[6]

Following a deal's closure, PE investors pursue value creation through three primary strategies: acquisitions, operational improvements, and a revised compensation model. First, the acquisition strategy takes various forms, most commonly as a platform, roll-up, stand-alone, or mixed approach. The platform approach involves acquiring multiple firms to scale up, but where each target retains operational autonomy, while the roll-up approach begins with an "anchor acquisition" of a large firm and follows with smaller acquisitions under the anchor's brand name. Second, operationally, PE prioritizes revenue growth and margin expansion, often encouraging firms to enter new service lines and geographies. Firms also seek cost efficiencies through economies of scale, resource pooling, offshoring, and technology upgrades. We observe an immediate focus on offshoring staff-level tasks and investing in new IT systems and audit software. Lastly, firms move from a primarily fixed to an incentive-based compensation model for partners and staff. Partners retain equity in the audit partnership and shares in the non-audit LLC and anticipate a second windfall sometime later (after a "lock-in" window) that is contingent on the firm's growth realization. Staff are presented with a more attainable pathway to both career development and financial participation. Importantly, we learn from our interviews that many of the changes that occur after a PE deal may have happened anyways in response to changes in the accounting industry and other factors (e.g., talent shortages, an active M&A market in this industry, and availability of other sources of financing) , and it is difficult for most partners and staff to know which changes at their firm were directly attributable to PE.

[5] While this is the prevailing model, there are instances in which the non-audit entity retains a partnership form. It shows the heterogeneity of PE investments in the accounting industry.
[6] For more illustrations of the APS, see Section 3.4.1 and Figure 1.

Regulators and other stakeholders have raised concerns about the profound changes to the accounting profession, including threats to auditor independence, PE's short-term horizons, resource allocation problems, and uncertain exit strategies. The traditional partnership culture, which views partners as stewards of the firm, may conflict with PE investors' focus on short-term value creation and their lack of accounting expertise. Besides, stripping high-margin non-audit services may leave audit practices under-resourced. Some acquired firms have reduced or exited public company audit engagements post-acquisition. There is also concern that some deals prioritize payouts to partners over reinvesting in firm capabilities and technology. Lastly, the PE exit strategies remain highly uncertain: initial public offerings are rare, and secondary sales depend on firms retaining sufficient value and growth potential. Some interviewees expressed skepticism about whether potentially overvalued firms will remain attractive to future investors. Despite these concerns, the current regulatory environment seems puzzled about what to do in response to PE transactions. Neither the SEC nor the PCAOB has established clear mechanisms to monitor ongoing risks. So far, only the AICPA has recently issued a Discussion Memorandum addressing independence in APS, particularly those involving PE investment (AICPA 2025).

Turning to the second part of our paper, we aim to provide descriptive statistics on the wave of PE deals in the accounting industry and to critically assess the setting and quality of the available data for making reliable causal inferences about the consequences of PE investments for target firms. We gather and examine deal-level data from the commercial database Preqin over the period from 2000 to 2024. We focus on deals categorized broadly in the "accounting services" sector, which includes traditional firms—focusing on audit and tax services—and other entities that provide non-audit services in competition with traditional firms. We identified 1,314 deals involving 778 unique U.S. firms and a subset of 119 traditional firms. The data provider uses a classification that does not exactly match the strategies provided by our interviews, which include buyouts, minority growth investments, venture capital (VC), add-on acquisitions (subsequent

acquisitions by a PE-backed firm), debt infusion, and other investments.

We view the evolution in the frequency of deals in two timelines: between 2000 and 2015, we observe only a few deals each year, but between 2015 and 2025, we observe a notable increase in deals of all types, with most target firms located in New York, California, and Texas. Importantly, many deals are not independent but instead follow serial acquisitions. For example, EisnerAmper acquired eighteen firms following its initial PE investment in 2021 (see Appendix 4).[7] Next, among the 580 deals with investor information, 300 have a single investor, and the rest have multiple investors. There is also heterogeneity in the size of investors in terms of assets under management (AUM). Finally, we provide initial evidence that PE-backed firms are blended or diluted into professional organizations that offer accounting and non-accounting services.

Next, we provide an illustrative example of a difference-in-differences (DID) analysis to examine the consequences of PE investments and use it to assess our ability to draw causal inferences. Specifically, we investigate changes in human capital—a salient issue given the industry's reliance on skilled professionals, ongoing shortage of talent, and PE investors' focus on cost efficiency. We match the PE deals in our sample with data from Revelio Labs and examine firm-level employee composition and job postings. Next, we benchmark our sample (treated firms) against traditional firms that do not have PE investments (control firms) using the Audit Analytics database based on their total number of employees one year before the deal. We keep observations from two years before and after each deal.

We document some plausible early consequences of PE investments. First, treated firms tend to hire more employees overall, including a higher proportion based in India. This finding is aligned with our interview evidence about a push towards offshoring. Second, senior employees

[7] "EisnerAmper" is the brand name under which EisnerAmper LLP is a licensed independent CPA firm that provides attest services to its clients, and Eisner Advisory Group LLC and its subsidiary entities provide tax and business consulting services to their clients.

experience the largest decrease following the acquisition, suggesting a mixed strategy of layoffs, and restructuring of higher-paying leadership positions. Third, after receiving PE investments, treated firms exhibit a higher proportion of engineers, reflecting a growing emphasis on technology. Finally, we find similar trends when focusing on the sub-sample of traditional firms or using an alternative control group that includes firms that do not primarily provide audit services to SEC registrants.

However, we also detect significant pre-treatment differences between treated and control groups, with more pronounced differences among small firms. This pattern indicates a two-sided matching between PE investors and firms, especially in the small-firm segment, where there is substantial heterogeneity in services, performance, and partnership governance. We also highlight an inherent incompleteness of the available data and other challenges in setting up an appropriate panel or DID research design (we summarize these suggestions in Table 7). These issues combined pose serious threats to causal inference in this setting. Hence, the true incremental effect of PE investments on firms' human capital and other outcomes remains uncertain. We caution future researchers to carefully consider these limitations when conducting empirical studies in this area.

Our study complements a small group of studies in accounting that examine PE issues (e.g., Abraham, Olbert, and Vasvari 2024; Borysoff et al. 2024; Ou 2025) and fits within a broader set of studies and practitioner sources interested in PE (e.g., Talmor and Vasvari 2019; Sakovska 2022; McGrath and Nerkar 2023; Ljungqvist 2024). Notably, the prior literature on PE investments has barely explored what non-financial aspects (e.g., regulatory issues and industry composition) investors find attractive, may consider, or will look for when making funding and investment decisions. Our study is among the first to examine PE investments in the accounting industry alongside contemporaneous studies by Almer et al. (2025) Doan et al. (2024), and Donahoo et al. (2025). Although there is an overlap between our studies, we focus on describing the PE process in the accounting industry and providing methodology recommendations to study the

consequences of PE investments. We elaborate on these differences in our literature review.

Next, our study also relates to prior studies in accounting and other fields that examine professional and accounting partnerships (e.g., van Lent 1999; Empson and Chapman 2006; von Nordenflycht 2014; Huddart and Lian 2003, 2005), partner compensation and incentives (e.g., Lennox et al. 2023), changes in firms' partnership legal forms (e.g., Muzatko et al. 2004; Firth et al. 2012), and non-Big 4 firms' mergers and acquisitions (M&A) activity (e.g., Christensen et al. 2023; Lennox and Wu 2024). Regarding the stream of studies on M&A activities, we recommend that future studies assess whether there are differential consequences for PE-backed firms, especially if their samples include deals completed after 2015. Finally, we provide suggestions for future research (we include several open research questions in Table 8) and hope to inform regulatory oversight in this area.

2 Background and Literature Review

We reviewed five types of academic, practitioner, and media sources to inform our study. First, we consulted an established literature in finance, management, and other related fields that examine PE investments. The review papers by Metrick and Yasuda (2010), Cumming et al. (2023), and McGrath and Nerkar (2023) provide a thorough overview of the literature at two points in time and give details about PE deals. Below, we provide only some essential details for context.

PE funds are organized as limited partnerships, with a PE investor serving as general partners (GPs) of the funds, and large institutional investors and wealthy individuals providing the bulk of the capital to the funds as limited partners (LPs). Partnership agreements signed at the fund's inception define the expected payments. GPs earn fees and incentives, mostly contingent upon a successful exit (usually via sale or IPO). These partnerships typically last for ten years.

GPs raise a new fund every three to five years. A successful fundraising campaign largely depends on the performance of current funds. To improve the operations and generate economic value of the portfolio companies in their current funds, PE investors use a combination of financial

(e.g., high leverage and tax strategies), governance (e.g., active board leadership and close monitoring), and operational (e.g., strategic repositioning and cost-cutting) strategies. However, detractors of PE contend that these funds engage in value-destroying approaches such as asset stripping, market timing, tax avoidance, and suboptimal quick-flip exits to reap exorbitant renumeration that comes at the expense of employees, taxpayers, and other stakeholders.

Second, we consulted practitioner sources, including a practitioner-focused literature review on the topic. Ljungqvist (2024), Sakovska (2022), and Talmor and Vasvari (2019) provide contemporaneous and thorough discussions of all key aspects of the PE industry, including issues such as target selection, motivations, deal structures, outcomes, etc. Although these sources largely align with academic reviews, we do not find a separate discussion of investments in the accounting industry or, more broadly, of investments in professional services.

Third, we identified some practitioner articles in outlets targeting accounting professionals, such as the CPA journal, by Drew (2021), Simmons (2024), Kravitz (2024), and Strickland (2025). These articles explain the growth of PE in the accounting industry, the structure of these deals, and the consequences of PE investments. However, these articles are relatively brief and do not provide in-depth evidence or backing to claims such as independence threats and disruption to the accounting industry.

Fourth, we consulted studies published in accounting journals focusing on PE. We only find a few studies, for example Badertscher et al. (2013) that examine variation in tax avoidance for companies owned by PE investors; Abraham et al. (2024) that examine and environmental, social, and governance disclosures by PE investors. More generally, Borysoff et al. (2024) makes a call for more studies of PE in the accounting literature.

Fifth, we consulted news and other media articles discussing PE investments in the accounting industry, including the *Wall Street Journal, Financial Times, Accounting Today, Journal of Accountancy*, and many others. We also spoke with journalists who report on PE

activity in the profession. Our review suggests that media reports often oversimplify the landscape by treating all deals as similar and disproportionately focusing on a few high-profile transactions. For instance, Appendix 1 summarizes the deals covered by news and social media, which largely emphasize the most recent and prominent transactions.

Overall, we conclude that the sources summarized above do not address our research questions in depth. Moreover, we argue that ex ante, it is not straightforward to identify the PE's interest in the accounting industry, especially when many firms face difficulties recruiting young CPAs, high levels of concentration in the audit market, and fear that technology will replace traditional CPA tasks. Finally, some open questions in the PE literature include where the PE investor's value-added comes from, how much the PE investor matters for successful investments, and what non-financial aspects PE investors find attractive when making funding and investment decisions (McGrath and Nerkar 2023).

Next, given the salience of the APS in PE investments within the accounting industry, we reviewed existing literature on the partnership model, including studies that discuss the advantages of partnerships in providing professional services. Some important takeaways of these studies are that partnerships mitigate agency costs, maintain individual autonomy, and help professionals to emphasize their competencies and service quality (e.g., Empson and Chapman 2006; von Nordenflycht 2014).

Van Lent (1999) argues that the partnership model is especially well-suited for audit firms because it aligns incentives, supports mutual monitoring, and protects firm-specific assets like human capital and reputation. Using incomplete contracting theory, it shows that allocating control rights to partners ensures effective governance when future contingencies can't be fully specified. Huddart and Liang (2003) examine how accounting systems and compensation schemes in professional partnerships can be structured to align incentives among partners. Huddart and Liang (2005) analyze how professional partnerships can optimally structure profit-sharing and

monitoring to mitigate shirking when individual efforts are unobservable. Lennox, Wang, and Wu (2023) examine how leadership is delegated within Chinese firms and its impact on audit quality.

Next, Von Nordenflycht (2014) investigates the rise of publicly traded firms in industries like law, accounting, and consulting, challenging the view that the partnership model is essential for professional service firms (PSFs). It finds that public ownership does not necessarily undermine professional standards or firm performance. Instead, the rarity of public PSFs is largely due to professional norms and regulatory barriers rather than inherent economic inefficiencies. Empson and Chapman (2006) explore how shifts from traditional partnership models to corporate structures affect PSFs. Through a case study of an alliance between a partnership and a corporation, they analyze the systems and structures professionals use to maintain the interpretive scheme of professionalism and partnership. The authors argue that while partnerships have historically been effective in balancing the interests of shareholders, professionals, and clients, the move towards incorporation necessitates a more nuanced understanding of governance issues.

Finally, we identified other contemporaneous studies that also examine PE investments in the accounting industry. First, Doan et al. (2024) explore the consequences of PE investments for five PE-backed CPA firms between 2021 and 2022, compared to a control group of top 100 firms. While our study also analyzes changes in firms' human capital after PE investments, our primary focus is on a comprehensive and descriptive understanding of the PE process and discussing the methodological challenges inherent to the nuances of the setting. We also include analyzing a more representative sample of the population of target firms in the accounting industry and providing incremental evidence on offshoring work. Second, Donahoo et al. (2025) conducted interviews with 20 audit partners from firms with PE investments, along with four PE professionals. While we both conducted interviews seeking insights about the PE investment process, our study (1) provides a more comprehensive analysis of the process and perceived benefits and challenges from a wide set of stakeholders, including firms with and without PE investments, junior and senior

professionals, PE investors, consultants, and regulators; and (2) uses interviews to inform our empirical data analysis. Finally, Almer et al. (2025) conducted only interviews to shed light on the determinants and consequences of PE investments, while we couple comprehensive interview evidence with empirical data analyses focused on methodological issues.

3 Interview Field Evidence

3.1 Methodology

We conducted semi-structured interviews with individuals with direct knowledge about PE investments in the accounting industry to gain a holistic understanding of what, why, and how PE investments have been occurring recently, along with an unprecedented rate of M&A activity among PE-backed firms. The primary purpose of these interviews is not to test or generate a specific theoretical framework. Instead, our interview findings constitute a primer descriptive understanding of PE deals in the accounting industry. Moreover, we seek to use practitioners' insights to inform our archival analysis and methodology recommendations.

Between January and June 2025, one co-author conducted 39 interviews, capturing 44 meetings with 41 different individuals from 30 firms or organizations, including 24 accounting firm partners or staff (16 with PE investment and 8 without), 5 regulators, 5 consultants, and 5 PE investors.[8] Interviews occurred via Zoom or Teams and lasted 20 to 90 minutes, with an average (median) length of 45 (35) minutes. We identified interview participants online for firms that have been PE targets and contacted them, as well as asked individuals in our networks to connect us with accounting firm partners or PE professionals who have been involved in deals recently and partners who have considered PE investments but had chosen to forego them. We also seek the input of partners of firms that chose APS but are not backed by PE or merged with other firms without PE backing.

[8] Two interviews included two practitioners (interview ID 4 and 34 on Table 1).

Table 1 reports background information about interviewees. Regarding roles, there are 20 partners, 5 CEOs, 5 executives from consulting firms, and 4 PE investor managers, and about 80% percent are male. Regarding accounting firm size, 9 are from large international non-Big 4 firms, 9 are from national firms, 4 are from regional firms, and 2 are from large local firms. These interviews reflect a variety of perspectives and give us a relatively complete picture of PE deals in the accounting industry. All but two interviews were recorded and transcribed for accuracy. For those interviews that were not recorded, detailed notes were taken during the interview. The transcripts or interview notes were reviewed by two coders not involved in the interviews for accuracy and pattern checking. We continued to seek out interviews until the co-authors agreed that the evidence reached saturation in the themes observed. We determined that the evidence had reached saturation at the 35th interview, as no substantial new relevant themes emerged in subsequent interviews (Guest, Bunce, and Johnson, 2006). We conducted four additional interviews to ensure no themes were missing from our interview evidence.

After a few interviews, we developed an initial version of the coding scheme based on the interview protocol, which included categories for responses to each question. Based on an initial test coding of the interviews, we refined the coding scheme by combining or adding response categories and rearranging the themes to reflect the story emerging from the interview data. Two individuals and a closed-AI model (data did not enter its training dataset) coded anonymized interview transcripts and notes independently for theme presence in the interview. Then, two co-authors met and reconciled any coding differences, which were typically due to one coder inadvertently overlooking a theme that the other coder had noticed. Below, in Sections 3.2 to 3.5, we summarize our interview data analysis and the key findings in the four sections (i.e., partners' perspective, PE investors' perspective, target firm reorganizations and PE acquisition strategies, and regulators and other stakeholders' concerns). Each section also mentions key issues that we revisit later in our archival analysis and methodology recommendations.

3.2 Partners' perspective

A key reason firms take on PE investment is that it gives partners, especially senior ones, the chance to cash out their ownership stakes earlier and more reliably than in retirement under the traditional partnership model. Several interviewees stated that senior partners have faced difficulties in realizing their partnership shares before retirement. Historically, partner compensation was structured around annual profit distributions and long-term equity accumulation, with financial rewards often deferred until retirement. This approach placed a significant economic burden on firms, which were responsible for funding retirement obligations internally, referred to by one interviewee as "the albatross liability that was our retired partner pension" (PA29). After PE investments, partners receive substantial payouts at the time of the transaction and expect further payouts when the PE investors exit by selling to a third party or IPO. Senior firm partners view PE as a dual solution—getting immediate liquidity and fresh growth capital. As interviewee 10, a senior national accounting firm partner put it: "Day one there's cash outlay—we could never do that without PE, and it's driven up the value of firms."

Additionally, there is a growing recognition that the traditional partnership model no longer aligns with the strategic and operational demands of today's accounting industry. As one interviewee explained, "it's very hard to have a long-term plan when everybody is short-term focused" (PA18). The legacy model, which distributes nearly all annual profits to partners, limits the firm's ability to invest in forward-looking strategies such as upgrading audit technology, adopting data analytics tools, or expanding advisory services. Another partner noted that under the old structure, firms were "just doing what had to be done and punting on the nice-to-have stuff" (PA20).

In addition to funding partners' payouts, more than half of the interviewees believe that firms use PE investments to overcome capital constraints and grow. As several interviewees noted, staying current with emerging technologies (e.g., upgraded audit platforms) requires substantial

investment that most firms cannot self-finance through partner contributions or annual profits alone. Additionally, increasing competition from the Big 4 and emerging mid-market players has exacerbated the smaller firms' challenges to attract experienced talent and expand services. As one interviewee explained, "If we stay where we're at, we're going to become irrelevant," highlighting the need to consolidate and scale to remain viable (PA26).

In this context, PE allows firms to acquire other businesses, enter underserved geographic markets, and strengthen non-audit service lines. Moreover, PE investments and the APS reorganization enable firms to offer more competitive compensation packages, expanded career advancement opportunities, and access to better tools, actions that collectively enhance firms' ability to attract and retain experienced professionals. As PA25 noted, "PE investors help fund that growth to be able to go out and find people and come up with the funding for ... finding good people." Growth seems particularly important in the middle market, where firms struggle to match the salary levels and resource advantages of the Big 4. While some growth investments may also occur in non-PE-backed firms, the PE capital infusion substantially accelerates these efforts. However, it is important to note that disentangling changes directly attributable to PE from broader industry trends remains a methodological challenge. Moreover, PE investors and firms face an inherent conflict between using capital to fund immediate partner payouts versus investing in growth, and we do not have access to data on payouts and internal capital allocation decisions.

Next, there are diverging views among partners of firms that have not sought PE investments. We find that some interviewees remain skeptical of the long-term implications of PE investors, citing concerns about cultural disruption, professional autonomy, and sustainability. Some firms express a strong preference to "be the master of my domain," particularly in regions or segments of the profession where firm ownership is tied closely to professional identity. Others express concerns about the potential erosion of firm culture, noting that the priorities under PE ownership may become overly oriented toward profitability and short-term performance metrics.

As one partner observed, under PE ownership, firms may become "hyper-focused on margins," which could eventually lead to "quality issues." This shift, some argue, could compromise service quality or staff well-being over time. Regulatory considerations also play a role. Some interviewees express their wariness of the increasing scrutiny and the additional independence risks introduced by complex PE ownership structures. These divergent views play a role in the two-sided matching between firms and PE investors that we identified later in our archival analysis.

3.3 PE investors' perspective

More than half of the interviewees state that PE investors are attracted by the accounting industry for its stable cash flow and see an opportunity to consolidate a fragmented market. The industry itself can be understood along two key dimensions: business lines (audit vs. non-audit) and firm size (Big 4, mid-tier, and small firms). PE investors attach importance to expanding non-audit services, where regulation is lighter, margins are higher, and independence requirements do not constrain growth potential. As one investor put it, "the value is in the tax and advisory services" (PA04), which are typically put in a separate legal entity from audit services.

Audit practices are often retained in part to preserve brand reputation and legitimacy, but operational attention—and primarily the firm's human capital—is typically allocated to the non-audit side. In addition to targeting non-audit services, PE investors are especially interested in mid-sized and smaller firms because these firms often face resource constraints in areas like technology and staffing. However, the PE and firms' emphasis on keeping non-audit services as a separate business, as well as the PE focus on firms that do not primarily depend on audit services provided to public clients, may make it challenging for archival researchers to find a direct effect of PE investments on the target firms' audit quality.

3.4 Target firm reorganizations and PE acquisition strategies

The target firm's reorganization and PE acquisition strategies exhibit substantial

complexity and nuance. Following the closing of a PE deal, the target firm reorganizes and may adopt a variety of changes in its governance structure, growth strategy, compensation model, and agreements between the audit and non-audit businesses. Our interviews emphasized the importance of understanding these elements to research the direct consequences of PE investments. For instance, subsequent changes in human capital or business acquisitions may be the joint result of the PE capital infusion and revised partners and staff incentives. We elaborate on some of these elements below. However, we note that archival researchers typically do not have access to confidential data on these elements in most cases, and these elements do not follow a homogeneous pattern across PE deals in the industry. Hence, we believe it is difficult to evaluate post-PE outcomes in a consistent and generalizable way (i.e., there is no unique PE "treatment").

3.4.1 APS reorganization and revised partners and staff incentives

The target firm's reorganization into an APS is a defining feature of PE investments. This reorganization is driven by state regulations that prohibit non-CPA ownership of audit practices. To circumvent these regulations, firms are typically split into two legal entities: a CPA-owned and audit-focused LLP and a PE-owned non-audit-focused LLC. Most responses from interviewees from firms with PE highlight that the audit entity consists of a small group of senior assurance leaders that includes "the audit seat president, head of technical standards, head of technical training, probably scheduling, QC (quality control) related issues" (PA05). This group retains legal control over the audit function. The two legally separated entities work together day to day as a single business, sharing personnel, branding, and client delivery processes. However, and very importantly, in several cases, audit professionals and junior management are employed by the non-audit entity and outsourced to the audit entity through a professional services agreement. As one partner described, "we lease everything from [the advisory entity] and give them about eighty-five percent of our revenues" (PA10). Figure 1 illustrates the most common form of an APS.

The target firm's reorganization also leads to changes in the partners' compensation scheme. Under the traditional partnership model, compensation was directly tied to equity; partners earned a share of the firm's annual profits, and retirement benefits were often funded internally as a burden. In contrast, the APS model separates equity from yearly compensation. While partners may retain an equity stake—typically in the non-audit entity—they no longer receive payouts based directly on profit sharing. Instead, they transition to W-2 employees receiving a combination of base salary and variable performance-based pay. One partner explained, "We still have equity, but you don't get paid on your equity" (PA10). At the time of the PE investment, senior partners typically receive an upfront payout based on the value of their equity. However, this is often only a partial realization. The remaining return is tied to a multi-year "lock-in" period during which partners must stay to receive the full deal proceeds, contingent on the partner's continued involvement and contribution to firm growth.[9] While this is the prevailing model, there are instances in which the non-audit entity retains a partnership form.[10]

The target firm's reorganization also reshapes career paths for professionals, especially junior and mid-level employees. The traditional incentive of "making partner" as the ultimate career goal, with significant rewards concentrated at the top. However, PE investment introduces alternative incentives earlier in one's career. As one interviewee noted, "your young people don't have to wait so long to start getting paid… for what the value they're bringing to the company" (PA19). While the transition to a higher performance-based compensation structure can create incentives for top employees, several interviewees expressed concern about how bonuses are determined, noting that the criteria are not always clear and can vary over time. "The challenge is really the clarity-or lack thereof-of the variable piece" (PA30), one explained. The lack of

[9] Interviewees described the deferred payout as a "golden handcuff," noting, "you [partners] work really hard now, and you grow the enterprise value for this liquidity at a later time" (PA20). Another explained it as "a way to lock them [senior partners], and you can defer the closing payments on the initial deal for five years" (PA20).

[10] For example, interviews 21, 25, and 35 mentioned that their firms were still partnerships after PE investment.

transparency in performance measurement and who measures performance leaves employees unsure about how much they will earn, even when their firm's performance is strong. The restructuring of partners and staff incentives makes human capital changes an interesting area for future research on the consequences of PE investments, and the primary reason why we focus on this outcome in our illustrative archival analysis.

3.4.2 Acquisition and expansion strategies

After initial PE investments, we observe aggressive acquisition strategies aimed at growing services and geographic footprint among target firms. We elaborate on the most common acquisition strategies, including platform and roll-up. A platform strategy involves buying an initial firm, often referred to as the "anchor" firm, and then acquiring other similar firms or businesses to create a larger entity. However, many subsequent acquisitions focus on specialist firms that provide supportive services, such as offshoring shared service centers or niche advisory practices, rather than traditional audit or tax services. For the target firms, a platform strategy implies becoming "sister-brother companies" that may share clients and resources, but it does not require a name change or a consolidation of all operations. A roll-up strategy involves full legal and operational consolidation between the PE-backed acquirer and target firms. However, in some cases, the target firm operates in a decentralized structure with a degree of autonomy. In these cases, local management may remain in place, and independence is preserved to avoid disrupting client relationships or services. Finally, some PE-backed firms adopt stand-alone or mixed strategies, either choosing not to pursue further acquisitions or combining both platform and roll-up approaches. See Appendix 3 for examples.

3.4.3 Technology investments and human capital offshoring

Most interviewees emphasized the ongoing or planned upgrades to the basic technology tools or advanced software among firms with PE investments. One interviewee noted, "We've been able to invest in tons of software, [including] a project management tool that sits over the top

of our audits and is more user-friendly for our people" (PA03). Others mentioned expanding bandwidth and replacing laptops, investments that "we just didn't do before" (PA29). Furthermore, many firms expanded their use of offshoring to handle high-volume and standardized tasks. While some still use external vendors, others described setting up their own offshore facilities to maintain control over quality and staffing. As one participant explained, "we can buy a facility in India and it's our people… we don't even have to disclose it to the client anymore" (INT05). These interviewees describe this approach as driven by cost savings, improving reliability, and building in-house capacity overseas. We use these themes to inform our choices of archival proxies for technology-related human capital investments and offshoring as part of our archival examination of changes in firms' human capital composition after PE investments.

3.5 Regulators and other stakeholders' concerns

3.5.1 Independence and audit quality

The question of auditor independence emerged as a prominent concern among several interviewees, particularly due to the complexity of the APS and limited regulatory guidance surrounding it. Target firms are required to obtain pre-approval from the SEC and demonstrate compliance with independence procedures before closing a PE deal. These firms are subject to heightened reporting demands, such as quarterly reviews. However, the regulatory environment seems puzzled about what to do with the growing number of PE investments and their consequences. Neither the PCAOB nor the SEC has established clear and comprehensive mechanisms to monitor independence risks in daily operations. The only tangible regulated outcome is the AICPA's initial effort to change the independent rule (AICPA 2025). However, the ability to ensure auditor independence and audit quality seems increasingly challenged.

One interviewee pointed out that "independence is challenging enough," and that PE ownership adds further complications because of "a bunch more affiliates that you need to evaluate on a constant basis" (PA17). Such a statement highlights the difficulty that firms face in

maintaining independence, even with good intentions, due to the complex and constantly shifting nature of PE fund ownership. With limited partners frequently entering and exiting, practitioners noted that firms often lack access to complete and up-to-date ownership information, making it challenging to verify independence with confidence. One interviewee noted that "the SEC wrote the rules for corporations and subsidiaries - they have never actually written [them] for PE," emphasizing the regulatory gap in addressing fund-level ownership structures (PA30).

Most regulator interviewees expressed concern that PE investors could introduce pressures to prioritize financial performance over professional standards. This perspective was often accompanied by skepticism toward the APS itself, which some described as a legal workaround rather than a well-governed structure. As one interviewee stated, "when I hear alternative practice structure, I cringe… it's alternative because you're working around the intent [of avoidance of independence rules]" (PA19). Others wondered whether regulators might be reluctant to investigate too deeply, fearing accountability "if and when something goes wrong" (PA06).

However, some interviewees emphasized that PE firms had not interfered with audit decisions or compromised audit quality. One respondent stated unequivocally, "It doesn't affect the day-to-day auditors at all. Zero impact" (PA10). Another added, "We would anticipate they would let the partnership do what they want to do and feel that they need to do, including the quality side." (PA26). These views reinforce our previous views that it might be difficult to find any direct link between PE investments and changes in the audit quality of public clients.

3.5.2 Post-deal frictions, uncertainties, and challenges

The target firms' operational consolidation process after a PE investment is highly uncertain, particularly when it involves integrating acquired firms with differing systems, cultures, and client portfolios. Several interviewees described the complexity of aligning document management systems, quality control procedures, and internal controls across firms. As one interviewee noted, "we have to change the new document management… and they don't have a

file structure like we do," emphasizing the operational disruption involved in routine integration tasks (PA25). Another explained, "the processes and controls and QC that we have in place are probably very different systems… it's going to take a long time to figure out who has the best process, which one do we want to adopt" (PA26).

In addition to integration difficulties, interviewees, especially those in regulatory roles or from non-PE-backed firms, express concern about the PE investors' exit strategy. A common fear is that after optimizing firm operations for efficiency and profit extraction, there may be limited strategic options left. As one participant observed, "you've kind of already optimized the accounting firm… so there's nowhere for [another buyer] to add value and extract additional returns" (PA03). The short-term horizon of PE investors also raised skepticism: "There's concern about the timeline for when the PE firm wants to squeeze the profits out and then get out of it" (PA01). Unfortunately, we have not seen many exits yet, and it is difficult to tell if the ongoing wave of PE investments in the accounting industry will be value-enhancing or value-destroying. Uncertainty regarding exit timing means it will be difficult for researchers to define the pre vs. post period in difference-in-differences analyses.

While some interviewees saw little change in day-to-day audit work after PE investment, many raised concerns about growing independence risks and long-term uncertainty. Complex ownership structures, limited transparency, and shifting firm priorities - like moving away from public audits - make it harder to assess whether audit quality is truly unaffected. Challenges in integrating systems across acquired firms and the unclear exit plans of PE investors leave many unsure about what comes next. These concerns point to a need for clearer regulation and better guidance as PE's role in the profession continues to grow. Ultimately, these qualitative tensions motivate the archival test of human capital shifts presented next in Section 4.

4 Data analysis of PE Investments

4.1 Sample selection

We gather and examine deal-level data from commercial databases. Our primary data source is Preqin, a market-leading data provider in the alternative asset market and a widely used data source in PE research (e.g., Abraham et al. 2024). Our sample includes all deals from Preqin involving target firms as PE-backed firms in the U.S. from 2000 to 2024. We define PE-backed firms as those whose sector is categorized as "accounting services" by Preqin. Thus, our sample includes firms that provide audit and non-audit services, including traditional and other firms.

By incorporating firms beyond those registered with the PCAOB that primarily offer audit services to SEC-registered public companies (typically covered by the Audit Analytics database), our sample selection aims to provide a comprehensive view of the wave of PE acquisitions in the accounting industry. There is rapid technological growth and increasing demand for non-traditional services in the marketplace, such as ESG assurance and decentralized finance assurance (Bourveau, Brendel, and Schoenfeld 2024; Gipper, Ross, and Shi 2024). Focusing solely on traditional firms would restrict the scope of our understanding of PE's interests and investment strategies.

Our sample comprises 1,314 unique deals and 778 distinct U.S. firms, spanning the period from 2000 to 2024. In Table 2, we follow Preqin's classification and categorize all deals into six types: Buyout, Growth, Venture Capital (VC), Add-on, Debt, and Other (for detailed definitions, see Appendix 2).

Buyout deals include acquisitions where the PE investors get at least a controlling stake in a firm. There are 136 firms, and 176 deals involved in buyout deals in our sample, and the difference suggests that some firms are bought and sold more than once by PE investors. For example, in January 2025, the PE investor Blackstone acquired a significant stake in Citrin Cooperman, a Top 20 firm, which involved the majority investment initially made in April 2022 by another PE investor, New Mountain Capital LLC.

Growth deals include acquisitions where the PE investors get less than a controlling stake in a firm that has significant growth potential. The number of growth deals is significantly lower than buyout deals, as minority investments are generally less attractive to PE investors. There are 78 growth deals in our sample. For example, Sikich LLC secured a $250 million minority growth investment from Bain Capital in May 2024.

Venture capital (VC) deals include acquisitions where the target firms are typically young, start-up, or early-stage businesses. VC investors are arguably drawn to the accounting industry because they see opportunities to integrate technology from their portfolio companies. There are 443 VC deals in our sample. For example, Platform Accounting Group secured an $85 million investment in February 2024 from Cynosure Group, Swell Capital, and Peery Partners.

Add-on deals include secondary or subsequent acquisition of businesses by firms backed by PE. There are 422 add-on deals in our sample, including 169 accounting firm acquisitions by PE-backed accounting firms and 253 acquisitions by companies from other industries (e.g., consulting and wealth management), respectively. As an example of the second type of add-on deals, in 2024, the PE-backed wealth management firm Cerity Partners LLC acquired the accounting firm Fishman Block + Diamond LLP. It is also worth noting that, unlike buyout, growth, and VC deals—where firms directly receive PE capital—relatively more businesses are acquired by PE-backed firms (i.e., add-on deals are an indirect form of PE investment). Finally, 42 firms received private debt from PE or VC firms, while 99 firms were involved in other types of deals with PE investors. We also manually identified traditional firms in our sample (see the last column of Table 2), which constitute a small proportion of the firms targeted by PE.

4.1.1 Takeaways from our analysis of the available data

We highlight four key insights from our analysis of the available data. First, we observe a clear gap in deals not covered by Preqin. For example, based on our interview with EisnerAmper, the firm has completed 18 acquisitions since its buyout by TowerBrook in 2021 (i.e.,

approximately one to two deals per quarter, see Appendix 4 for an acquisition timeline). However, Preqin ceased updating EisnerAmper's deal activity after May 2024, and the database reports only 11 acquisitions in total. Additionally, upon cross-referencing the PE-related accounting deals disclosed on Allan Koltin's website, we found that 14 deals are missing from the Preqin database as of 2024, all of which pertain to PE-backed firms' acquisition activities.[11] We also examined the accounting-related M&A deals from the Thomson/Refinitiv SDC Deals (SDC), Audit Analytics Audit Firm Events (Audit Analytics), and FactSet databases, identifying several PE-backed firms' acquisition activities not included in Preqin. In Appendix 5, we include a list of the deals collected from various sources that are not covered by Preqin. Unfortunately, it appears that no single database dominates in terms of coverage.[12] We recommend that researchers exercise caution when using mainstream databases to identify the population of PE investments and M&A activity by PE-backed firms.

Second, we observe that Preqin's classification differs from the perspectives of the practitioners that we interviewed. For instance, practitioners consider roll-up deals conceptually like add-on deals, and some platform deals could be classified under buyout, growth, or add-on categories, depending on the deal structure and particularly whether a majority stake was acquired.

Third, researchers must decide if they are interested only in direct PE investments (buyout, growth, and VC deals) or also in indirect PE investments (add-on deals). In our analysis of changes in human capital, we only focus exclusively on direct investments because add-on deals primarily involve firms that are acquired and consolidated, making it difficult to examine their post-

[11] Allan Koltin is a highly regarded figure in the accounting industry, serving as the CEO of Koltin Consulting Group, Inc. (https://koltin.com/). His firm specializes in mergers and acquisitions, management consulting, and PE advisory services for professional services firms. As the main advisor in many high-profile M&A, Koltin's website provides detailed insights and updates on M&A activities involving PE-backed firms.

[12] For example, EisnerAmper's M&A deals are largely covered by Audit Analytics, but not by the SDC. Preqin covers 9 acquisitions by Cherry Bekaert, while Audit Analytics covers only 4. FactSet doesn't provide any additional M&A deals.

acquisition performance. Next, debt and other deals are less relevant to the primary focus of our study.

Fourth, we find that PE investors' official websites are another useful source of data. For instance, Abraham et al. (2024) identify ESG disclosures on PE investors' websites, while Flam, Tiplady, and Tori (2025) show how PE investors use press releases to reduce information costs for new investors. In our study, we observe that once PE investors complete an acquisition, they often announce some details and follow-up strategies on their websites. For example, TowerBrook announced its acquisition of EisnerAmper and outlined subsequent strategies such as M&A and technology investments.[13] However, we cannot find reliable and systematic data on key aspects of the target firms' reorganization, such as the percentage acquired and deal size (transaction value in in dollar amounts), services and personnel that remain in the audit and non-audit partitions of the APS, partner payouts, changes in partners and staff compensation, and changes in investments (or even proxies for changes in investments).

4.1.2 Time trend and geographic distribution

As discussed above, from this point onward, we focus exclusively on the buyout, growth, and VC investment strategies. Appendix 6 presents the top 20 U.S. target firms ranked by total number of employees as of 2024.[14] Notably, the largest firms are primarily involved in consulting services, with some firms also diversifying into other sectors such as investment banking, human resources services, e-financial, and software. This finding is consistent with our interview insights

[13] Another example is Citrin Cooperman, which was resold by its initial PE investor, New Mountain Capital, to its current investor, Blackstone. In its press release, New Mountain Capital outlined a strategy of expanding through the integration of accounting and consulting firms to realize synergies, a goal successfully achieved since the initial capital infusion. Additionally, the acquisition and exit announcements align with their plans to grow the financial services and governance, risk, and compliance (GRC) sectors, including investments in expertise and technology. See https://www.towerbrook.com/us/eisneramper-announces-investment-by-towerbrook-capital-partners; https://www.newmountaincapital.com/portfolio/citrin-cooperman/; https://www.newmountaincapital.com/new-mountain-capital-citrin-cooperman-announce-strategic-partnership/.

[14] 40% of the observations lack information on the transaction value in dollar amounts; hence, we use the total number of employees for each target firm as a proxy for deal size.

that PE tends to target firms that diversify into business lines or sectors beyond traditional accounting services

Next, we explore the time trend and geographic distribution of PE investments. Figure 2 presents the trend in the number of firms acquired (Panel A), the number of traditional firms acquired (Panel B), and the number of firms acquired broken down by PE investment strategy (Panel C) from 2000 to 2024. The data reveals a significant increase in the number of PE investments in recent years. Figure 3 presents the geographic distribution of deals by state, measured in terms of the total number of deals (Panel A) and the total size of the deals (Panel B). Both panels indicate that the headquarters of target firms are concentrated in California, New York, and Texas. We also find a similar distribution for each type of investment strategy (untabulated).

4.1.3 PE-backed firms' subsequent acquisitions (M&A)

We examine variation in platform and roll-up strategies, which are the most common PE strategies according to our interviewees. As mentioned earlier, Preqin uses a different classification system. To address this issue, we examine the subsequent acquisitions (M&A) completed by PE-backed firms to infer if they fit into a platform or roll-up strategy. We note that subsequent acquisitions are not the same as add-on deals (in the Preqin classification). Subsequent acquisitions refer to cases where PE-backed accounting firms acquire other firms, which are not necessarily accounting firms. Add-on deals, in contrast, involve accounting firms being acquired by PE-backed firms, which are not necessarily accounting firms. To identify subsequent acquisitions, we match the PE-backed firms involved in buyout, growth, and VC deals with the investors in all the add-on deals from Preqin.[15]

We first examine the number of subsequent acquisitions by PE-backed firms, which we view as part of a platform or roll-up strategy. Table 3 Panel A shows that a substantial number of

[15] In the Preqin database, PE-backed firms are regarded as investors in add-on deals.

deals (i.e., 89 Buyout, 30 Growth, and 62 VC) involved subsequent acquisitions following an initial PE investment. We next examine subsequent acquisitions at the level of PE-backed firms. Table 3 Panel B shows that 97 out of 359 firms have made at least one subsequent acquisition, collectively acquiring 387 firms (i.e., an average of four subsequent deals per PE-backed firm).[16] Table 3, Panel B.1, further breaks down the number of subsequent acquisitions, revealing that 39 PE-backed firms acquired one firm, 42 acquired two to five firms, 10 acquired six to 10 firms, and six acquired more than 10 firms. Next, Table 3 Panel B.2, along with Figure 4 Panel A, presents the geographic distribution of the acquisitions. Most of the acquired firms are headquartered in the U.S. (347 out of 387 acquisitions), followed by firms in the United Kingdom and Germany (15 and eight acquisitions, untabulated). Within the U.S., California, New York, and Texas exhibit the highest frequency of subsequent M&A activity.

Table 3 Panel B.3 shows that among the 397 acquired firms, 145 provide accounting services, 191 provide consulting services, 69 offer other financial services, and the remaining firms provide non-financial services (e.g., IT, software, and healthcare).[17] This breakdown provides initial evidence that PE-backed firms are blended or diluted into professional services organizations. We also show the yearly trend of subsequent acquisitions by industry in Figure 4, Panel B. Not surprisingly, accounting (yellow line) and consulting services (red line) have experienced significant increases, particularly in recent years, with sharp peaks starting around 2021.

Overall, this descriptive evidence suggests that PE-backed firms are actively expanding their portfolios, particularly within the consulting and financial services sectors. This probably marks the onset of a second wave of acquisitions. In the early years, the focus was primarily on

[16] Again, the number of firms with subsequent M&A and the total number of acquisitions may be understated for the same reasons discussed in the previous paragraph.
[17] The sum of the subsequent M&A across each industry exceeds the total number of subsequent M&A because the industries are not mutually exclusive.

initial cash infusion deals, which set the foundation for future expansion. Importantly, this aspect may be understated given the incompleteness of Preqin's coverage and that a large portion of the post-PE-investment deals have just occurred in the past three years, and the target firms may continue acquiring other businesses.

4.1.4 PE investors

Table 4 Panel A shows the distribution of PE investors. Of the total 580 deals with investor information, 300 deals involved a single investor. The remaining deals involved multiple investors, with 179 deals having between 2 to 4 investors, 95 deals with 5 to 10 investors, and 6 deals with more than 10 investors. For example, in May 2024, New Mountain Capital led the buyout of Grant Thornton U.S., with CDPQ and OA Private Capital making minority investments alongside it. Panel B breaks down investor size by assets under management (AUM). For deals with multiple investors, we use the largest AUM. Most deals involved investors with AUM between $1,000 - $10,000 million (204 deals). Fewer deals involved investors with larger AUM, including 99 deals with AUM between $10,000 - $100,000 million, and 36 deals with AUM between $100,000 - $500,000 million. Panel C focuses on investor industry expertise. It shows that a large proportion of investors (470) targeted firms in the financial sector, while 110 investors targeted other sectors.

Next, we examine the most engaged investors. Appendix 7 presents the top 20 investors based on their deal involvement. Panel A ranks these investors by the number of deals in the accounting industry. It includes details on the number of deals, covering both accounting-related and all-industry deals, as well as the investors' AUM, region, and the total number of employees in the acquired firms. For example, Bain Capital, with an AUM of $185,000 million and based in Boston, has completed 12 deals in the accounting sector (e.g., Sikich LLC), accounting for 1.3% of all its completed deals. Panel B shows the ranking of the top 20 investors by deal size. For instance, New Mountain Capital, with an AUM of $55,000 million, has participated in 5

accounting-related deals (e.g., Grant Thornton LLP, Citrin Cooperman & Company LLP), accounting for 8.1% of all its deals, affecting approximately 23,201 employees.

It is worth noting that the investors in these two panels differ significantly: some investors, particularly those in Panel B, focus on larger firms, while others, such as VC investors, tend to target a greater number of smaller firms.

4.2 Early trend post-PE investment–an illustrative example

4.2.1 Research design and descriptive statistics

In this section, we provide an illustrative example of the consequences of PE investments for target firms and assess the threats to reliable causal inferences in this setting. We focus on changes in human capital for several reasons. First, the accounting industry is labor-intensive and heavily reliant on human expertise (Aobdia et al., 2024), but it faces a growing shortage of talent.[18] As mentioned by our interviewees, PE investments may provide firms with the resources needed to attract and retain skilled professionals. Next, PE investments change staff compensation structure and focus on offshoring and emerging technologies (Baik, Chen, and Srinivasan, 2024).[19] Finally, due to PE's focus on non-audit services, firms could shift towards hiring consultants and advisory professionals. However, PE investors in other industries have also faced criticism for undermining long-term growth by aggressively cutting human capital (Morgenson and Rosner, 2023). The net effect of PE investments on the target firms' human capital is uncertain.

We begin by matching the PE-backed firms identified in Preqin with data from Revelio Labs. This database provides nearly all available LinkedIn profiles dating back to 2007 and job posting data since 2021. Using Revelio Labs, we calculate firms' employee composition and job postings. To ensure the accuracy of our matching process, we manually verify the LinkedIn page

18 According to the American Institute of Certified Public Accountants (AICPA), between 2010 and 2020, the number of CPA candidates dropped by over 20%. See https://the-cfo.io/2024/08/12/the-accounting-shortage-is-hurting-your-bottom-line/.

19 See https://anduintransact.com/blog/private-equity-embraces-ai-portfolio-companies.

for each firm in our sample. Additionally, we exclude firms that lack LinkedIn data for at least one year before and after the deal date. This procedure results in a sample of 565 deals and 281 PE-backed firms (Table 5, Panel A).

Next, we benchmark our sample (the treated group) against firms primarily focused on traditional accounting services (the control group). To do so, each treated firm is matched with three PCAOB-registered firms (obtained from the Audit Analytics database) based on their total number of employees one year before the deal. We use PCAOB-registered firms as the benchmark because they offer a standardized approach for constructing control groups, and no comprehensive database exists that covers all firms in the accounting industry.[20] The difference in total employees between the treated and control firms is restricted to within 20%.[21] We also require that the control firms have LinkedIn data for at least one year before and after the deal date.

Lastly, we keep the sample period as two years before and after each deal. Our final sample consists of 95,312 monthly observations of employee data and 32,982 job posting records. Table 5, Panel B, presents the descriptive statistics for the full sample. On average, each firm has 141 employees (*#Employees*). Given that our sample is comprehensive and includes both large and small firms, there is considerable variation in the number of employees, with values ranging from 6 to 253 between the 10th and 90th percentiles. Additionally, on average, six employees are based in India (*#Employees (India)*). As PE-backed firms are increasingly outsourcing operations to countries like India, we use this measure as an indicator of firms' outsourcing activities. In terms of employee seniority, 45% are junior-level (*%Junior (%)*), 43% are middle-level (*%Middle (%)*), and 12% are senior-level (*%Senior (%)*).[22] Next, regarding employee job roles, it is not surprising

[20] As a robustness check (Section 4.2.3), we also re-run the analysis using an alternative control group.

[21] Our results remain consistent when we match each treated firm with five control firms, or if we restrict the difference in number of employees within 10% or 30%.

[22] Revelio Labs classifies jobs into seven levels: Level 1 refers to entry-level positions such as interns or trainees, Level 2 to junior-level roles such as bookkeepers or junior software engineers, Level 3 to associate-level roles, Level 4 to manager-level positions, Level 5 to director-level roles, Level 6 to executive-level positions, and Level 7 to senior

that 48% are in finance-related positions (*%Role_Fin (%)*) such as auditors, 15% are in sales (*%Role_Sale (%)*), 14% are engineers (*%Role_Eng (%)*), and 10% are in administrative roles (*%Role_Admin (%)*). Given the recent trend of PE investors quickly adopting AI, these job role distributions can help us understand how PE-backed firms are structuring their workforces and engaging with AI. Lastly, regarding job posting activities, each firm posts an average of 22 new jobs per month (*#Postings*). For months with at least one posting, 85% of the positions are based in the U.S. (*%Postings_US (%)*) and 2% are in India (*%Postings_India (%)*).

4.2.2 Univariate difference-in-difference analysis

We conduct a univariate difference-in-difference (DID) analysis using the employee and job posting data. The purpose of these analyses is to illustrate that the data and setting do not lend themselves to a traditional DID regression analysis, primarily due to the three interrelated issues listed below (also summarized in Table 7).

First, the sample period is highly uncertain, and the pre- and post-investment periods are ill-defined. For example, PE investors can keep acquiring and consolidating firms over extended periods; some target firms pursue PE investments and change actions for years before the first deal closes; and in many cases, PE exits have not yet occurred. For example, one interview revealed that a firm had been pursuing PE capital for several years and had taken a series of steps to make itself more attractive to investors. In addition, some PE impacts, particularly on audit quality, may not be immediately observable due to heightened sensitivity around independence issues. In this environment, both PE investors and audit entities may remain risk-averse, further delaying any noticeable changes in audit performance.

Second, there is uncertainty about the treated group and the heterogeneity of the PE treatment. It is challenging to provide a precise definition of an accounting firm (i.e., potential

executive-level roles. For this study, we categorize Levels 1-2 as Junior, Levels 3-5 as Middle, and Levels 6-7 as Senior. Our main inferences remain robust even if this classification is adjusted.

targets) and set the boundaries of the accounting industry. Next, it is difficult to precisely categorize the strategy of each deal (e.g., a stand-alone buyout may become an add-on in the future). PE deals vary substantially in structure (e.g., ownership acquired is not the same, and the mix of traditional and other firms' deals, strategies such as roll-up and platform, and target firms of different sizes). Finally, many deals are not independent but instead constitute a link within a chain of subsequent acquisitions.

Third, the control group is highly imperfect. PE investments may indirectly affect firms without direct investments, as firms compete for human capital and clients. This is a violation of the stable unit treatment value assumption. Next, firms that received and did not receive PE investments (i.e., "treatment" and "control" firms) diverge in multiple dimensions (e.g., size, specialization, geographic focus, and pre-acquisition growth). It is challenging to identify an appropriate control group of firms without PE investment due to the lack of comprehensive data covering the entire accounting industry, not just audit firms. Also, treatment and control groups often do not follow a parallel trend in the pre-investment period due to two-sided matching effects (e.g., target firms have a higher level of employees in India and more engineers). Finally, based on our assessment of recent trends, firms without PE investments may currently be actively approached by PE investors and preparing for potential future deals. Importantly, matching treatment and control firms by size or other observable characteristics is not enough to make them truly comparable.

Table 6 Panel A presents the result using the full sample. The pre-period is defined as the 24 months preceding the deal date, and the post-period is the 24 months following the deal date. Importantly, the firms targeted by PE (treated firms) differ significantly from traditional CPA firms, although their sizes are comparable in the pre-period (#Employees: 119.25 vs. 119.73 in Columns 1 and 4). For example, treated firms have a much lower proportion of finance-related employees and a higher proportion of engineers (*%Role_Fin (%)*: 25.28% vs. 70.11%; *%Role_Eng*

(%): 24.23% vs. 4.01%). Another notable comparison is the number of job postings (*#Postings*) and job postings in India (*%Postings_India (%)*). It seems that treated firms made fewer job postings before being targeted by PE (11.03 vs. 28.85). Besides, these firms tend to hire a higher ratio of employees from India. Since outsourcing to India and other lower-cost regions is a common strategy for PE investors, this suggests that PE investors are more likely to target firms that already outsource a significant portion of their workforce to India, or such firms are more willing to accept a PE investment.

After receiving PE investment, treated firms hire more employees overall (*#Employees*: 14.31 in Column 9), including a higher proportion in India (*#Employees (India)*: 2.92; *%Postings_India (%)*: 1.32% in Column 9), compared to the control firms. It is consistent with our interview evidence that PE encourages firms to outsource and offshore tasks. Third, in terms of employee composition by seniority, senior employees appear to experience the largest decrease in the year following the acquisition (*%Senior (%)*: -3.13% in Column 9), while junior-level employees show a smaller, more consistent decrease (*%Junior (%)*: -1.10% in Column 9). Our findings suggest that layoffs are being used as a cost-cutting strategy, potentially accompanied by restructuring of higher-paying leadership positions.

Furthermore, after receiving a PE investment, treated firms tend to have a larger portion of engineers (*%Role_Eng (%)*: 1.28% in Column 9). In comparison, the proportion of finance-related employees does not change significantly (*%Role_Fin (%)*: 0.4% in Column 9). This trend reflects the growing pressure on PE investors to integrate AI and advanced technologies. It also helps explain why many VC investors are showing interest in the accounting industry, seeing opportunities to introduce innovative technologies into this traditionally conservative sector. However, given the methodological issues we noted above, these consequences should be interpreted with caution.

4.2.3 Alternative control group

One limitation of the univariate DID example above is that most treated firms are not PCAOB-registered, raising comparability concerns with the control group. To partially address this issue, we reconstruct the sample using an alternative control group including U.S. firms covered by the Audit Analytics Auditor Information. This dataset covers more than 28,000 U.S. firms, 97.24% of which are not PCAOB-registered. We apply the same matching process to identify alternative control firms for each treated firm, re-run the univariate DID analysis, and report the results in Table 6, Panel B. Column (7), which compares the treated and control groups in the pre-period, shows smaller, though still significant, differences. Overall, our main takeaway from Panel A remains unchanged.

4.2.4 Traditional firms

Given the significant differences between the treated and control groups shown in Table 6, Panel A-B, we cannot draw solid causal inferences regarding their post-acquisition performance. Therefore, we also conduct our analysis using a subset of the sample consisting only of traditional firms in Table 6, Panel C. Even conditional on traditional firms, the difference between treated firms and control firms is obvious in the pre-period. As shown in Columns 1, 4, and 7, treated firms already have a larger proportion of employees based in India (*#Employees (India)*: 47.42 vs. 6.05; *%Postings_India (%)*: 2.76% vs. 0.52%), a lower proportion of finance-related employees (*%Role_Fin (%)*: 52.55% vs. 68.93%), and a higher proportion of engineers (*%Role_Eng (%)*: 8.9 % vs. 4.71%). These differences also suggest the existence of two-sided matching between PE investors and firms. PE investors may be more likely to target firms that have already embraced outsourcing or technology, or such firms may be more willing to accept PE investments. Second, when examining the post-acquisition performance, our takeaways from Panel A are largely unchanged: PE-backed firms tend to hire more engineers and outsource more employees from

India; however, the significant differences in the pre-period make it difficult to make causal inferences.

4.2.5 Two-sided matching issues by firm size

As shown in earlier sections, the two-sided matching issue is more pronounced when using PCAOB-registered firms as the control group or when analyzing the full sample that includes non-traditional firms. In this section, we further explore whether the issue varies by firm size. The accounting industry is highly fragmented and encompasses a wide range of professional services. We argue that heterogeneity in factors such as performance, service offerings, client base, regional focus, operations, strategy, and governance is likely greater among smaller firms. Thus, the two-sided matching effects may be more pronounced for smaller firms.

In Table 6, Panel D, we partition the treated firms into size terciles and report pre-treatment differences with their control groups across all ratio variables, as these variables are already scaled and thus comparable across the large, medium, and small firm groups. Large firms (Column 1-3) show the smallest differences between treated and control groups in job level, job role, and job posting, consistent with our predictions.

Overall, our illustrative example of the univariate DID analysis demonstrates the persistence of two-sided matching across different samples, with some variation depending on the choice of control group, firm type (traditional vs. non-traditional), and firm size. These findings suggest that researchers should be careful with the sample selection and research design, and any causal interpretation should be made with extreme caution.

4.2.6 Summary of Methodological Issues

Table 7 catalogues and summarizes the four types of design hazards discussed above that jeopardize credible causal inference: (1) pervasive data gaps—no single source captures the full population of first-time and follow-on deals, nor confidential terms such as partner payouts or APS allocations, (2) ill-defined event windows, because firms often reposition years before closing

while many exits have yet to occur, (3) severe treatment heterogeneity in deal form, ownership share, size, and sequential acquisitions, which undermines a clean "PE shock," and (4) imperfect control groups that violate both the stable-unit treatment value and parallel-trend assumptions, given industry-wide labor competition and two-sided matching between investors and already atypical targets. These limitations collectively warn that standard difference-in-differences or matched-sample designs may produce unreliable estimates unless supplemented by richer data or alternative identification strategies.

4.3 Suggestions for future research and open issues for regulators

Table 8 sets a roadmap for empirical work on private-equity investments in accounting firms by providing a list of specific suggestions for future research. These detailed recommendations aim to advance research on PE's role within the accounting industry systematically. We organize our suggestions into four categories of research questions. First, we recommend that researchers tackle theoretical modeling of incentive structures under different ownership scenarios, particularly the transition from traditional partnership models to alternative practice structures (APS). Second, we advocate for examining variation in PE investment deals and strategies and the implications of those differences. Third, we recommend investigating PE investments' effects on human capital dynamics such as compensation, workforce composition, employee retention, audit market structures, service portfolio mixes, and technology investments. Note that while we outline multiple methodological issues and caution researchers against simply performing traditional difference-in-differences analyses, we do not imply that these consequences cannot or should not be examined. Rather, we hope that researchers will think of creative ways to address these questions with research designs that mitigate the methodological pitfalls in Table 7. Some avenues to mitigate these problems may include using practitioners' insights to support arguments about underlying mechanisms, seeking access to confidential data, and identifying shocks or exogenous sources of variation for identification purposes (e.g., changes in regulation,

shifts in lending terms, or state-level variation in relevant factors affecting PE deals). Only then can future research convert descriptive insight into robust and reliable evidence that informs practitioners and policymakers alike. Lastly, research should address regulatory implications, particularly how PE ownership influences independence regulations, enforcement actions, and subsequent operational changes in accounting firms. See Table 8 for a complete list of specific future research question suggestions.

5 Conclusion

We investigate how PE investments operate in the accounting industry, why they have become increasingly appealing in recent years, and whether the setting and available data can be used to generate reliable causal inferences about the consequences of PE investments for target firms. We foresee a stream of research and regulatory discussions on the consequences of these investments, because they are economically substantial, disruptive, complex, and occurring at a fast pace. However, we also caution that these investments are opaque and endogenous, and we need careful analysis beyond the discussions in the media or relatively standard analysis of publicly available data.

We document the firms targeted by PE offer a diverse mix of professional services, including highly regulated audit services and less regulated non-audit services. However, PE's primary interest is in non-audit-services that are moved to a separate legal entity managed by PE investors with equal or more control rights than the firm's partners. The reorganization triggered by PE challenges the traditional view that professional service firms function best as partnerships rather than corporations. Next, while PE investors expect to exit by selling the firm to other PE funds or taking the firm public in five to seven years, outcomes remain uncertain and implications for the accounting profession in the long run remain unclear.

Partners seek early equity payouts, access capital to grow and compete with larger firms, attract talent, and invest in technology. PE investors seek to disrupt and consolidate the fragmented

industry by expanding non-audit services while leveraging the brand and reputation of the audit practice. There is a two-sided matching between PE investors and firms, and a great sense of urgency among partners and PE investors. Accounting firms undergo legal and organizational restructuring, and PE strategies vary widely, but PE pursues value creation through acquisitions, operational improvements, and performance-based compensation, often leveraging a larger scale, outsourcing, offshoring, and technology. However, regulators and other stakeholders continue to be concerned about threats to independence, diminished audit quality, and other issues.

Next, we provide comprehensive descriptive statistics on these deals and an illustrative example of early consequences on firms' human capital. We discuss important challenges to causal inference in this setting. We hope that our findings and suggestions inform research and regulatory oversight in this area.

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Appendix 1: Deals Covered by News Media Articles on PE Investments in Accounting Firms

	Firm Name	Deal Year	Investor
1	Aprio LLP	2024	Charlesbank Capital Partners
2	Armanino	2024	Further Global Capital Management
3	Baker Tilly US	2024	Hellman & Friedman and Valeas Capital Partners
4	Carr, Riggs & Ingram L.L.C.	2024	Bessemer Venture Partners, Centerbridge Partners
5	Cherry Bekaert	2022	Parthenon Capital
6	Citrin Cooperman & Company, LLP	2021, 2025	New Mountain Capital (2021), Blackstone (2025)
7	Cohen Co	2024	Lovell Minnick Partners
8	EisnerAmper LLP	2021	TowerBrook
9	Grant Thornton LLP	2024	New Mountain Capital, OA Private Capital, CDPQ
10	Prosperity Partners	2023	Unity Partners
11	PKF O'Connor Davies LLP	2024	Investcorp, Public Sector Pension Investment Board
12	Schellman	2021	Lightyear Capital
13	Sikich	2024	Bain Capital
14	Smith+Howard	2022	Broad Sky Partners

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Appendix 2: Variable and Term Definitions
Panel A: Variable Definitions

Variable	Definition
Deal Type (Source: Preqin)	
Buyout	Deals classified by Preqin as: *Buyout; Secondary Buyout; Public to Private*
Growth	Deals classified by Preqin as: *Growth*
Venture Capital (VC)	Deals classified by Preqin as: *Angel, Seed, Series A-G, Unspecified Round*
Add-on	Accounting service firms are acquired by PE-backed portfolio firms, deals classified by Preqin as: *Merger; Add-on*.
Debt	Deals classified by Preqin as: *Private Debt, Venture Debt*
Other	Deals classified by Preqin as: *IPO; Company Formation; Spin-Off; Bankruptcy/Write-off; Sale to Management; Unspecified Exit; Private Placement; Recapitalization; Restructuring; Secondary Stock Purchase; PIPE; Corporate Carve-Out; Grant; LP Direct; Trade Sale; PIPE*
Employee (Source: Revelio Labs)	
#Employees	Total number of employees in Firm *i* at year-month *t*.
#Employees (India)	Total number of employees based in India for Firm *i* at year-month *t*.
%Junior (%)	The proportion of employees whose job role is classified as Level 1 or 2 (entry or junior level) in Revelio Labs for Firm *i* at year-month *t*.
%Middle (%)	The proportion of employees whose job role is classified as Level 3 to 5 (associate, manager, or director level) in Revelio Labs for Firm *i* at year-month *t*.
%Senior (%)	The proportion of employees whose job role is classified as Level 6 or 7 (executive or senior executive level) in Revelio Labs for Firm *i* at year-month *t*.
%Role_Fin (%)	The proportion of employees whose job role is classified as finance-related in Revelio Labs for Firm *i* at year-month *t*.
%Role_Sale (%)	The proportion of employees whose job role is classified as sales-related in Revelio Labs for Firm *i* at year-month *t*.
%Role_Eng (%)	The proportion of employees whose job role is classified as engineering-related in Revelio Labs for Firm *i* at year-month *t*.
%Role_Admin (%)	The proportion of employees whose job role is classified as administrative-related in Revelio Labs for Firm *i* at year-month *t*.
%Role_Mkt (%)	The proportion of employees whose job role is classified as marketing-related in Revelio Labs for Firm *i* at year-month *t*.
%Role_Oper (%)	The proportion of employees whose job role is classified as operations-related in Revelio Labs for Firm *i* at year-month *t*.
%Role_Scien (%)	The proportion of employees whose job role is classified as scientist-related in Revelio Labs for Firm *i* at year-month *t*.
Job Posting (Source: Revelio Labs)	
#Postings	Total number of job postings in Firm *i* at year-month *t*.
%Postings_US (%)	The proportion of job postings where the office is based in the U.S. for Firm *i* at year-month *t*.
%Postings_India (%)	The proportion of job postings where the office is based in India for Firm *i* at year-month *t*.

Variables Appendix Continued
Panel B: Term Definitions

Term	Definition (Source: Preqin)
Add-on	A PE- or venture capital-backed portfolio company acquires a smaller company or the assets of another company. This is typically to consolidate market position or acquire proprietary technologies from competitors and often involves acquiring smaller rivals.
Angel	An initial stage of funding provided by angel investors, typically friends, relatives, or individual entrepreneurs.
Bankruptcy/Writeoff	The portfolio company discontinues operations and goes into liquidation, with the result that the PE investor no longer has a stake in an operating entity. Equivalent to Chapter 7 in US bankruptcy law.
Buyout	A leveraged acquisition where the PE investor will typically acquire the whole, majority of, or a controlling stake in a private company.
Company Formation	The process of incorporating an entity with the support of a GP.
Corporate Carve Out	A partial divestiture of a business unit in which the parent company sells an interest in a subsidiary to outside investors.
Deal Date	The date the transaction was fully finalized and completed, or the date the transaction was agreed and announced, where it is subject to regulatory filings and customary closing conditions before completion.
Grant	An award of financial assistance, typically by a government, to an eligible grantee with no expectation that the funds will be paid back.
Growth	Typically takes significant minority positions in companies without the use of leverage. Targets profitable, but still maturing, investee companies with significant scope for growth. Investment horizons are mid-to-long term, similar to those seen with buyout funds.
IPO (Initial Public Offering)	A company is listed on the stock exchange. Also known as a flotation.
LP Direct	An investment or acquisition made into a single, specific asset by a limited partner.
Merger	Where a PE or venture capital-backed company merges with another company to form a new entity.
PIPE (Private Investment in Public Equity)	An investment made by a PE or venture capital firm in a public company, which remains public post-investment.
Private Debt	Non-listed debt issues. May take the form of bonds, notes, or loans. Includes all non-bank lending.
Private Placement	A PE investor sells some/all of its shares in a publicly listed portfolio company.
Public to Private	Where a company is bought from the stock exchange and delisted by the PE investor.
Recapitalization	A portfolio company issues debt to pay a dividend to a PE investor (dividend recap), or a portfolio company is sold as part of a recapitalization.
Restructuring	A company restructures its debt, often leading to the investors ceding control of the company to the debt providers. Equivalent to Chapter 11 in US bankruptcy law.
Sale to Management	The management team of the portfolio company buys it from the PE investor.
Secondary Buyout	A PE-backed company is sold to another PE/venture capital firm.

Secondary Stock Purchase	Where part or all of an investor's stake in a venture capital-backed company is acquired directly from a shareholder/investor, rather than purchasing stock from the company.
Seed	The first stage of venture capital financing by a professional venture capital firm, typically a small investment in a very early-stage company that has usually not yet established commercial operations.
Series A	Series A preferred stock leads on from the Angel/Seed Stages and is the first significant round of venture capital funding offered by a portfolio company to the venture capitalist. Series A preferred stock is convertible into common stock in certain cases, such as an IPO or the sale of the company.
Series B, Series C, etc.	A mid-stage second round of financing provided by venture capitalists. Successive rounds are then termed Series C, Series D, and so forth, each offering preferred stock typically once a company has accomplished certain milestones in developing its business.
Spin-off	When a company creates a new independent company by selling/divesting or distributing new shares of its existing business.
Trade Sale	The portfolio company is sold to another company.
Unspecified Exit	An exit in which the investor(s) have exited their stake, but details are unconfirmed.
Unspecified Round	A venture capital financing round where the stage/series has not been disclosed.
Venture Capital	Providing capital to young, start-up, or early-stage businesses that are or have the potential to grow quickly.
Venture Debt	A type of debt financing provided to venture capital-backed companies by a specialized financier to fund working capital or capital expenses. Venture debt providers combine their loans with warrants or rights to purchase equity to compensate for the higher risk of lending.

Appendix 3: Deal Examples by Type

Roll-up

- After EisnerAmper received an investment from TowerBrook 2021, it worked on expanding the business by acquiring smaller firms (see Appendix 4). Between 2021 and 2024, EisnerAmper bought 18 firms, some of which were integrated into the company and no longer operate independently.

Platform

- Smith & Howard Advisory, a firm offering tax, accounting, and advisory firm, received private funding from Broad Sky Partners in 2022 to begin building its platform. According to Preqin, Smith & Howard has acquired several firms into the brand, including Market Street Partners, Jones, Maresca & McElwaney, Fahrenheit Advisors, and Smith, Kesler & Company. These companies operate independently and maintain their websites, with a collaborative signal displayed as the Smith & Howard trademark on the homepage.

Stand-alone

- Method CPA accepted the investment from the PE investor Assurance Mezzanine in 2012. After the acquisition, Method CPA didn't expand its business through any mergers or acquisitions. Besides, there is no publicly available information about the follow-up of this deal and Assurance Mezzanine's exit sale.

Mix strategy

- Some PE-backed firms utilize the mix strategy of roll-up and platform. For example, Ryan LLC is a financial service firm that provides a range of state, local, federal, and international tax advisory and consulting services, as well as software solutions. It was initially acquired by Onex in 2018 and was later transferred twice, ultimately owned by Onex in 2023. As part of its expansion strategy, Ryan has integrated several small targets, which no longer exist as independent entities, such as Morrison & Head. The partners of Morrison & Head joined as principals in Ryan's Property Tax practice, entrusting the client base to Ryan. However, some other mergers have maintained their independence post-transaction. For instance, the transaction with Popp Hutcheson brings Ryan additional expertise and property tax consulting services, while Popp Hutcheson continues their business framework.

Note: This appendix illustrates how PE investors manage portfolio firms using different strategies. Examples include stand-alone acquisitions with no further integration, roll-ups involving full consolidation of acquired firms, platform models that build a network around a core firm, while preserving brand independence, and also mixing strategies that combine elements of both roll-up and platform approaches.

Appendix 4: EisnerAmper Deal Timeline (compiled from announcements on the firm's website)

2021

- Aug: Received investment from TowerBrook Capital Partners
- Dec: Merged with Keating Consulting Group (San Mateo, CA)
- Dec: Merged with Caler, Donten & Levine (West Palm Beach, FL)

2022

- Mar: Merged with Popper & Company (New York, NY)
- June: Merged with Raich Ende Malter & Co LLP (New York, NY)
- Aug: Merged with Lurie LLP (Minneapolis, MN)
- Oct: Merged with Hoffman Group (Owings Mills, MD)
- Nov: Merged with Lindsay & Brownell (La Jolla, CA)

2023

- Apr: Merged with Postlethwaite & Netterville (Baton Rouge, LA)
- May: Merged with Morrison & Morrison (Chicago, IL)
- Nov: Merged with Spielman Koenigsberg & Parker (New York, NY)
- Dec: Merged with Hughes Pittman & Gupton (Raleigh, NC)

2024

- Mar: Merged with Tidwell Group (Birmingham, AL)
- May: Merged with Edelstein & Company, LLP. (Boston, MA)
- Aug: Merged with KROST CPAs (Los Angeles, CA)
- Sep: Merged with Tighe, Kress & Orr PC. (Elgin, IL)

2025

- Jan: Merged with HAD Accounting Group (Denver, CO)
- Mar: Added EisnerAmper Luxembourg S.à r.l. to the global network (Luxembourg)
- Apr: Merged with Prague & Co. (Boston, MA)
- Apr: Entered into a joint venture with RPM Partners (Kernersville, NC)

Appendix 5: Subsequent M&A deals from other sources

Portfolio Firms (Target)	PE-backed Firms (Acquirer)	PE investors	Deal Year
FD Fund Administration LLC	Ultimus Fund Solutions LLC	GTCR	2021
Avadyne Health Holdings Inc	Meduit Group, LLC	Nexphase	2021
Caler Donten Levine Cohen Porter & Veil PA CPAs	EisnerAmper LLP	TowerBrook	2021
Keating Consulting Group	EisnerAmper LLP	TowerBrook	2021
Untracht Early	Citrin Cooperman & Company, LLP	New Mountain Capital	2022
Shepard Schwartz & Harris	Citrin Cooperman & Company, LLP	New Mountain Capital	2022
Kingston Smith Barlevi	Citrin Cooperman & Company, LLP	New Mountain Capital	2022
Kingston Smith Barlevi	Citrin Cooperman & Co LLP	New Mountain Capital	2022
DHS Advisors	Platform Accounting Group	Peery Partners, Swell Capital, The Cynosure Group	2023
Clayton & McKervey	Wipfli Financial Advisors	Creative Planning, LLC	2023
Chapman Bird & Tessler	Citrin Cooperman & Company, LLP	New Mountain Capital	2023
Raymond F Book & Associates	Savant Wealth Management	Kelso & Company	2023
Chapman Bird & Tessler Inc	Citrin Cooperman & Co LLP	New Mountain Capital	2023
Gold Gerstein Group LLC	Citrin Cooperman & Co LLP	New Mountain Capital	2023
Tighe, Kress & Orr, P.C.	EisnerAmper LLP	TowerBrook	2024
BGBC	Springline Advisory	Trinity Hunt Partners	2024
Reid Tax & Advisory Services LLC	Crete Professionals Alliance	Thrive Capital, Bessemer Venture Partners	2024
Kirsch Kohn & Bridge LLP	Aprio LLP	Charlesbank Capital Partners	2024
Fiske & Co	Springline Advisory	Trinity Hunt Partners	2024
Clark Raymond & Co	Springline Advisory	Trinity Hunt Partners	2024
Seiler LLP	Baker Tilly US	Hellman & Friedman, Valeas Capital Partners	2024
Katz Nannis + Solomon PC	Cherry Bekaert	Parthenon Capital	2024
Facta Inc-Accounting Services	Decimal LLC	Arthur Ventures, Service Provider Capital	2024
Peay & Associates LLC	Savant Wealth Management	Kelso & Company	2024
BD & Company Inc (MD)	Citrin Cooperman & Co LLP	New Mountain Capital	2024
Tidwell Group LLC	EisnerAmper LLP	TowerBrook	2024
Hughes Pittman & Gupton LLP	EisnerAmper LLP	TowerBrook	2024
KROST CPAs	EisnerAmper LLP	TowerBrook	2024
Spielman Koenigsberg & Parker LLP	EisnerAmper LLP	TowerBrook	2024
Chigbrow Ryan Murata Chtd	Harris CPAs	DFW Capital Partners	2024
KDP CPAs LLP	Harris CPAs	DFW Capital Partners	2024
TRS CPA Group PA	Platform Accounting Group	Peery Partners, Swell Capital, The Cynosure Group	2024
DH Scott & Company	Platform Accounting Group	Peery Partners, Swell Capital, The Cynosure Group	2024
Philip+Rae & Associates CPAs	Platform Accounting Group	Peery Partners, Swell Capital, The Cynosure Group	2024
Silver & Company (NY)	Platform Accounting Group	Peery Partners, Swell Capital, The Cynosure Group	2024
Peachin Schwartz & Weingardt PC	Platform Accounting Group	Peery Partners, Swell Capital, The Cynosure Group	2024
Caldwell & Company CPAs (MD)	Platform Accounting Group	Peery Partners, Swell Capital, The Cynosure Group	2024
Krost Certified Public Accountants & Consultants	EisnerAmper LLP	TowerBrook	2024

Note: This table presents a list of M&A deals made by PE-backed firms that Preqin does not cover through December 31, 2024. The deals were collected from sources such as PE-backed firms' press releases, Thomson/Refinitiv SDC Deals (SDC), Audit Analytics Audit Firm Events (Audit Analytics), and FactSet, excluding those already covered by Preqin.

Appendix 6: Top 20 US Deals by Firm Size
Panel A: Full sample

	Firm Name	Most Recent Deal	Industries/Business	Total employees 2024
1	Grant Thornton	2024	Consulting, Accounting, Accounting/Finance Software	17,762
2	Hersha Hospitality Management	2020	Consulting, Facilities & Maintenance Services, Intellectual Property, Marketing/Advertising, Accounting	15,576
3	Connolly	2012	Accounting	8,803
4	JTH Tax	2014	Accounting, e-Financial	8,436
5	Jackson Hewitt Tax	2018	Accounting, Consumer Finance	8,168
6	Baker Tilly	2024	Accounting, Investment Banking	7,318
7	Ryan	2023	Consulting, Accounting, Software	6,648
8	Cetera Financial	2023	Accounting, Brokerages	6,125
9	EisnerAmper	2021	Consulting, Accounting, Investment Banking	5,362
10	Transworld Systems	2014	Accounting, Credit Collections & Services	4,957
11	AlixPartners	2016	Consulting, Accounting Advisory Services	4,225
12	Citrin Cooperman	2021	Consulting, Accounting, Investment Banking, IT Security/Cybersecurity, Accounting/Finance Software, Analytics & Performance Software	3,946
13	Aprio	2024	Consulting, Human Resources Services, Accounting, Accounting/Finance Software	3,908
14	Cast & Crew	2022	Human Resources, Accounting, Software, HR & Workforce Software	3,700
15	AML RightSource	2020	Consulting, Accounting	3,629
16	Cherry Bekaert	2022	Consulting, Accounting	3,563
17	Entertainment Partners	2019	Human Resources, Recruitment/Executive Search, Accounting, Web Applications, Software, HR & Workforce Software	3,133
18	Hilco Trading	2019	Consulting, Accounting	3,030
19	Carr, Riggs & Ingram (CRI)	2024	Consulting, Accounting	3,019
20	Teneo Holdings	2019	Consulting, Accounting, Investment Banking, Analytics & Performance Software	2,993

Panel B: Traditional Accounting Firm Deals

	Traditional firms	Most Recent Deal Year	#Employees as of 2024	#Public Audit	Subsequent M&A (Example)
1	Grant Thornton LLP	2024	17,762	321	Grant Thornton Ireland
2	Jackson Hewitt Tax Service Inc	2018	8,168	0	
3	Baker Tilly US	2024	7,318	66	CironeFriedberg
4	EisnerAmper LLP	2021	5,365	50	Morrison & Morrison, Ltd.
5	Citrin Cooperman & Company LLP	2021	3,946	5	Berdon LLP
6	Aprio LLP	2024	3,908	0	KRD, Ltd.
7	Cherry Bekaert LLP	2022	3,563	28	PKF Mueller
8	Carr Riggs & Ingram (CRI) LLC	2024	3,019	2	CapinCrouse LLP
9	Armanino LLP	2024	2,938	12	
10	Creative Planning, LLC	2024	2,905	0	Kowal Investment Group
11	Sikich LLP (LLC)	2024	2,831	0	Saggar & Rosenberg, P. C.
12	UHY LLP	2024	2,181	42	Botz Deal & Company PC
13	PKF O'Connor Davies LLP	2024	1,928	10	
14	Cohen & Company Ltd (OH)	2024	1,112	275	Tax & Wealth Management Inc.
15	Doeren Mayhew PC	2024	745	1	
16	Smith + Howard PC	2022	428	0	Jones, Maresca & McElwaney, P.A.
17	Aduro Advisors, LLC	2024	307	0	
18	MarksNelson Advisory, LLC	2023	168	0	Integrity Advisory
19	Harris CPAs	2024	105	0	Medford
20	CyberGuard Compliance LLP	2022	103	0	Elite Consulting Solutions

Notes: Panel A presents the top 20 deals in the sample by the size of the target firms, as measured by their total number of employees as of 2024. The year corresponds to the most recent deal involving each target firm.
Panel B tabulates the top 20 traditional firms' deals in our sample. #Public Audit reports the number of public company audit clients based on the most recent year of available PCAOB data, and the Subsequent M&A (Example) provides an example of a follow-on acquisition made by the firm post-PE investment.

Appendix 7: Top 20 Engaged PE Investors

Panel A: By Deal Number

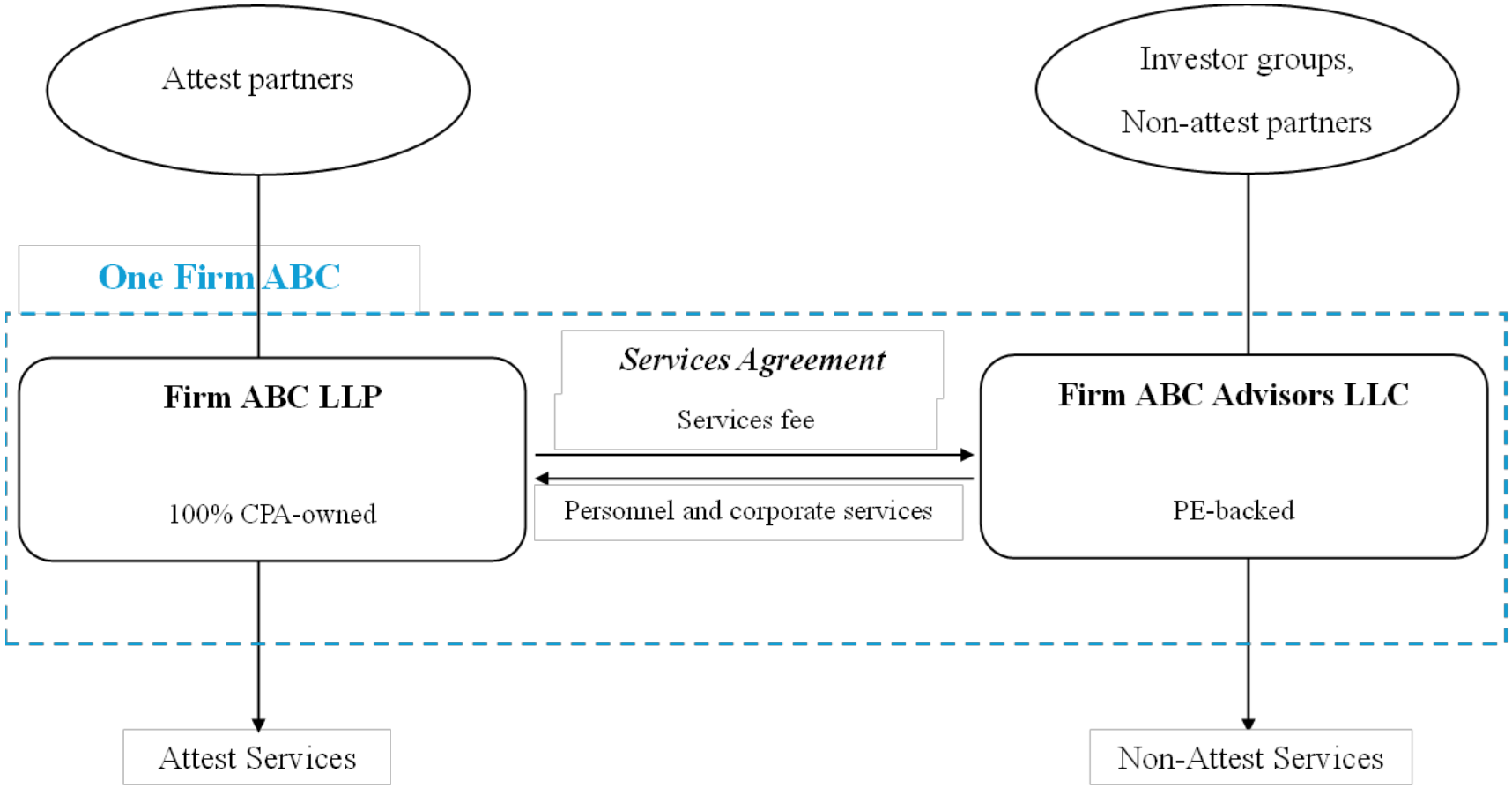
	Investor	AUM ($mil)	Region	#Deals (Acctng)	#Deals (All)	#Employee (Acctng)
1	Lightspeed Venture Partners	25,000	Menlo Park	16	1,115 (1.4%)	10,899
2	Y Combinator	5,587	Mountain View	13	2,044 (0.6%)	387
3	Bain Capital	185,000	Boston	12	900 (1.3%)	6,127
4	Better Tomorrow Ventures	225	San Francisco	12	38 (31.6%)	1,711
5	SV Angel	N/A	San Francisco	11	922 (1.2%)	1,598
6	TTV Capital	750	Atlanta	10	161 (6.2%)	738
7	Venrock	1,574	Palo Alto	10	735 (1.4%)	1,502
8	Valar Ventures	N/A	New York	10	77 (13.0%)	1,022
9	Khosla Ventures	15,000	Menlo Park	9	1,130 (0.8%)	437
10	RiverPark Advisors	3,000	New York	9	117 (7.7%)	647
11	Bessemer Venture Partners	18,000	Larchmont	9	1,080 (0.8%)	9,935
12	Commerce Ventures	500	San Francisco	9	149 (6.0%)	2,464
13	Emergence Capital Partners	1,000	San Francisco	9	261 (3.4%)	9,470
14	Andreessen Horowitz	42,000	Menlo Park	8	1,552 (0.5%)	1,954
15	500 Global	2,200	Pleasant Hill	8	1033 (0.8%)	2,214
16	Sigma Partners	1,447	Campbell	8	214 (3.7%)	5,287
17	BoxGroup	N/A	New York	8	475 (1.7%)	1,690
18	Alumni Ventures Group	1,313	Manchester (US)	7	1,073 (0.7%)	442
19	Baird Capital Partners	1,300	Chicago	7	190 (3.7%)	1,068
20	Aspenwood Ventures	N/A	San Francisco	7	182 (3.8%)	3,348

Panel B: By Deal Size

	Investor	AUM ($mil)	Region	#Deals (Acctng)	#Deals (all)	#Employee (Acctng)
1	CDPQ	313,163	Quebec	3	73 (4.1%)	25,017
2	New Mountain Capital	55,000	New York	5	62 (8.1%)	23,201
3	ABRY Partners	55,000	Boston	2	93 (2.1%)	19,276
4	Edison Partners	2,000	Princeton	6	278 (2.2%)	19,030
5	Onex	50,000	Toronto	3	33 (5.5%)	15,760
6	Lightspeed Venture Partners	25,000	Menlo Park	16	1,115 (1.4%)	10,899
7	Bessemer Venture Partners	18,000	Larchmont	9	1,080 (0.8%)	9,935
8	Emergence Capital Partners	1,000	San Francisco	9	261 (3.4%)	9,470
9	Advent International	89,000	Boston	1	178 (0.6%)	8,803
10	Lightyear Capital	5,000	New York	2	34 (5.9%)	8,589
11	BMO Financial Group	1,015,662	Toronto	1	5 (20%)	8,436
11	Truist Wealth	523,434	Charlotte	1	12 (8.3%)	8,436
11	Envest PE	162	Virginia Beach	1	12 (8.3%)	8,436
14	Corsair Capital	9,900	New York	2	18 (11.1%)	8,295
15	Genstar Capital Partners	49,000	San Francisco	3	72 (4.2%)	8,124
16	HarbourVest Partners	138,000	Boston	3	102 (2.9%)	7,886
17	Stone Point Capital	55,000	Greenwich	3	98 (3.1%)	7,222
18	CVC	208,470	Luxembourg	2	55 (3.6%)	7,218
19	Ares Management	484,000	Los Angeles	1	111 (0.9%)	6,648
20	TA Associates	49,700	Boston	3	100 (3.0%)	6,376

Notes: This table presents the top 20 PE investors. Panel A ranks the top 20 engaged investors by the number of deals involving accounting firms. Panel B lists the top 20 engaged investors by the intensity of their investments, measured by the sum of the number of employees of acquired firms. Each panel also reports the proportion of accounting-related deals relative to the investor's total deal activity across all industries.

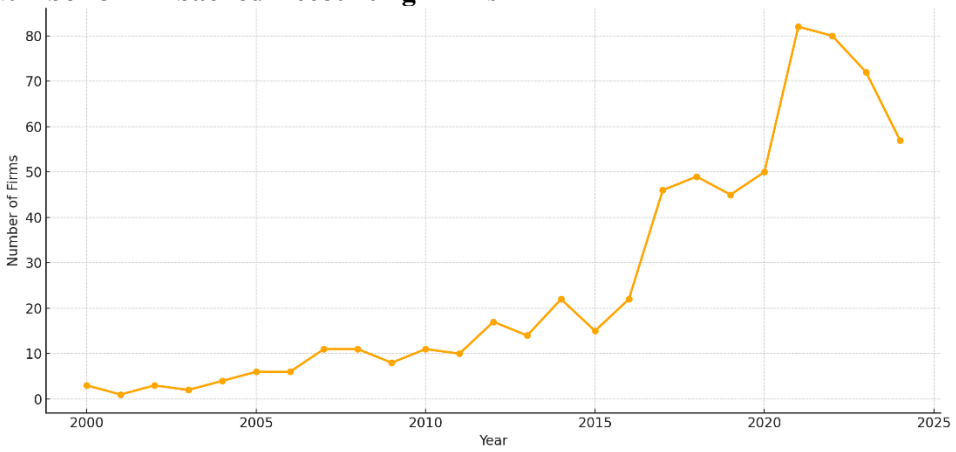
Figure 1: Alternative Practice Structure (APS)



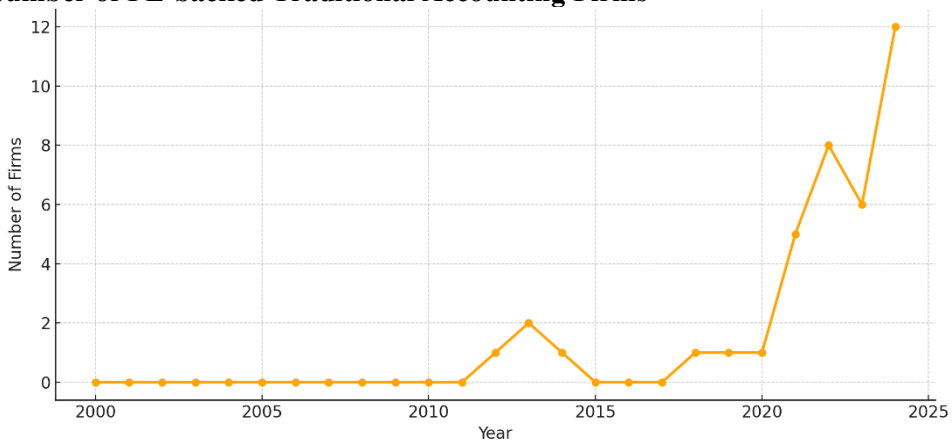
Notes: This figure illustrates the Alternative Practice Structure (APS) of accounting Firm ABC.

Figure 2: Year Trend of PE Investment in the Accounting Industry

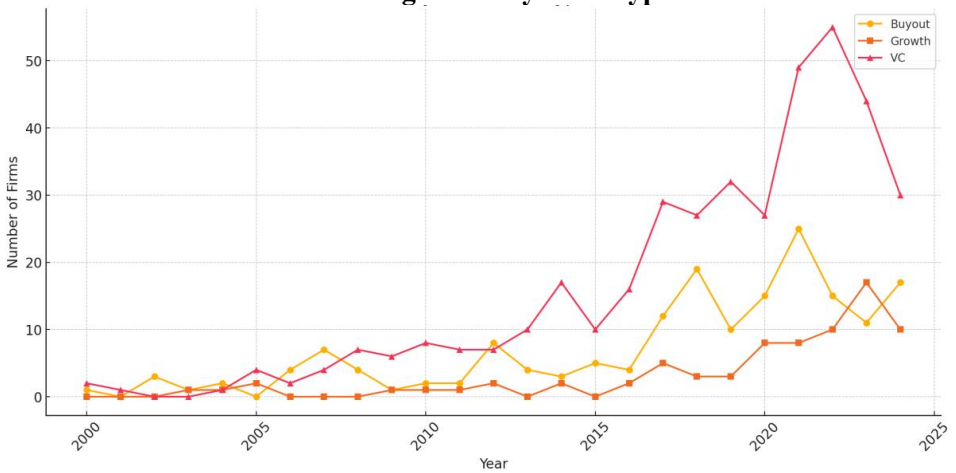
Panel A: Number of PE-backed Accounting Firms



Panel B: Number of PE-backed Traditional Accounting Firms



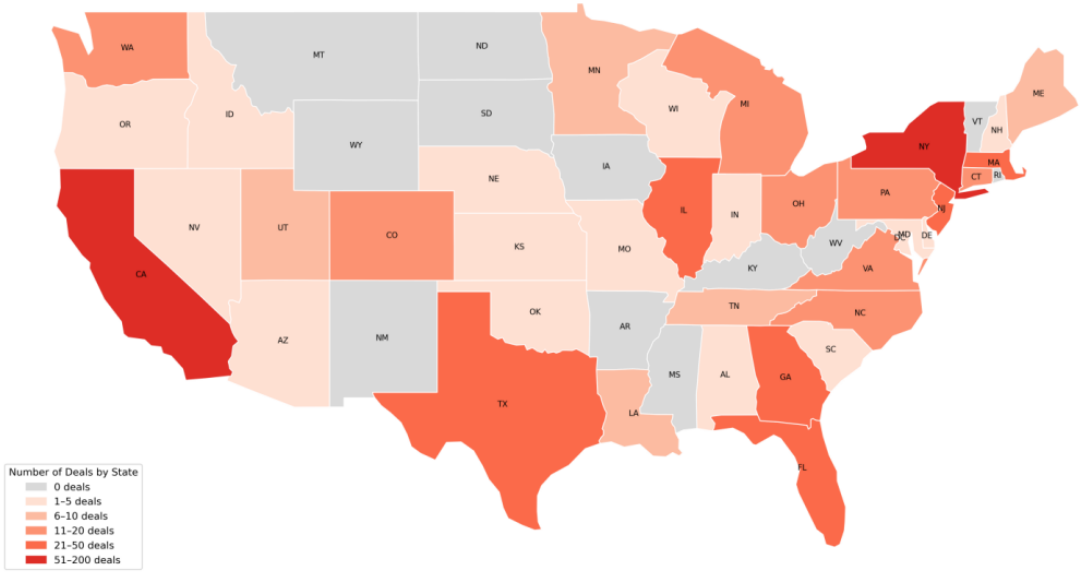
Panel C: Number of PE-backed Accounting Firms by Deal Type



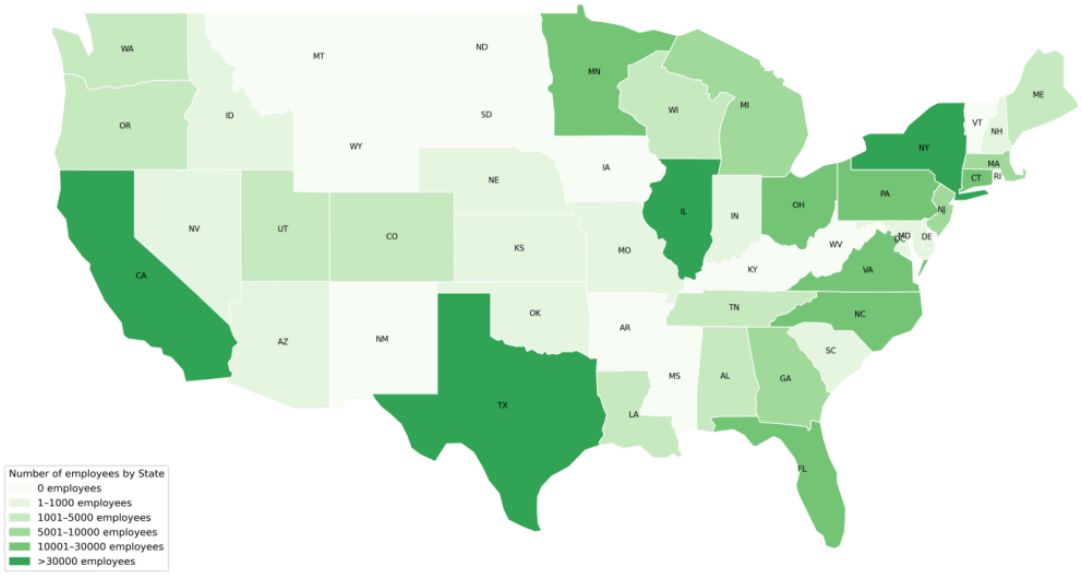
Notes: This figure presents the year trend for the number of PE-backed firms in the Buyout, Growth, and VC deals. Panel A presents the trend for all PE-backed firms. Panel B presents the trend for PE-backed traditional firms. Panel C breaks down the sample by deal type (Buyout, Growth, and VC) from 2000 to 2024.

Figure 3: Geographic Distribution

Panel A: Number of Deals



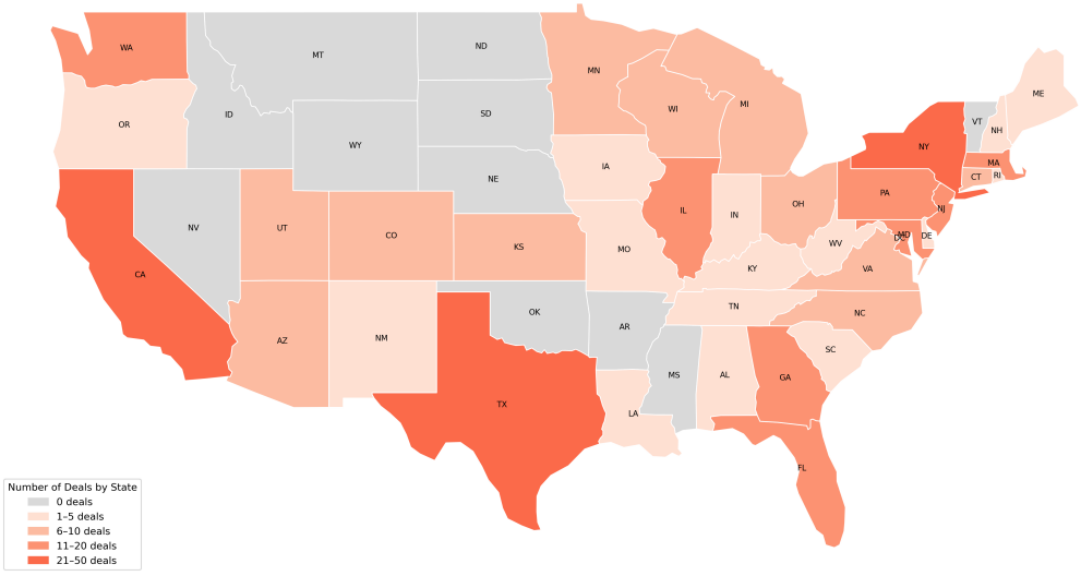
Panel B: Number of Employees



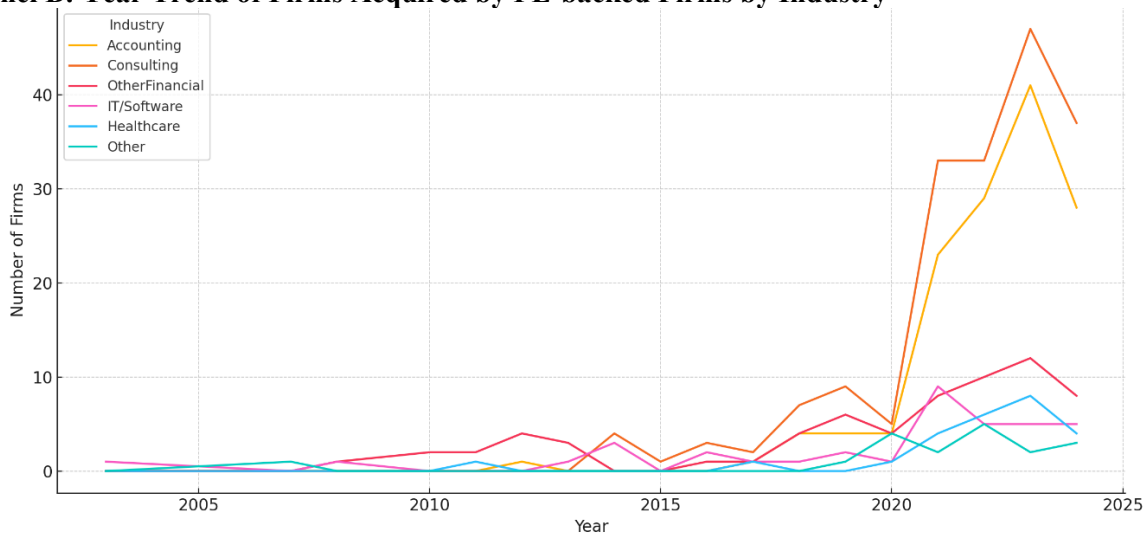
Notes: This figure presents the geographic distribution of deals by state, measured as the total number of deals (Panel A) and the total size of the deals (Panel B). The size of the deal is measured by the total number of employees of the acquired accounting firm.

Figure 4: Subsequent M&A by PE-backed Firms

Panel A: Geographic Distribution of Firms Acquired by PE-backed Firms



Panel B: Year Trend of Firms Acquired by PE-backed Firms by Industry



Notes: This figure shows the geographic distribution and yearly trend of PE-backed firms' subsequent M&A deals. Panel A presents the number of subsequent M&A by state. Panel B presents the number of subsequent M&A deals by industry from 2000 to 2024. The yellow line represents accounting, the orange line represents consulting, the red line represents other financial services, the pink line represents IT/software, the blue line represents healthcare, and the green line represents other industries.

Table 1 Interview Descriptive Information

Interview ID	Duration (Min)	Org ID	Org Type	Org Scope	PE Invest	Has APS	Add-Ons	Position	Level	Functional Area	Gender
1	27	1	Regulator							Audit	Female
2	30	1	Regulator							Accounting	Male
3	30	2	Acc Firm	Intl.	No	Yes	Yes	Director	Junior	Advisory	Male
4*	30	3	Consulting Firm					CEO		Audit	Male
5	30	4	Consulting Firm					CEO		Advisory	Male
6	60	5	Regulator							Audit	Male
7	60	5	Regulator							Audit	Male
8	60	5	Regulator							Audit	Male
9	60	6	Acc Firm	Intl.	No	No		Partner	Senior	Audit	Male
10	30	7	Acc Firm	National	Yes	Yes	Yes	Partner	Senior	Audit	Male
11	30	8	PE firm					Vice Chair			Male
12	30	2	Acc Firm	Intl.		Yes	Yes	Partner	Junior	Tax	Male
13	60	7	Acc Firm	National	Yes	Yes	Yes	Partner	Senior	Tax	Male
14	60	8	Consulting Firm	National				CEO		Audit	Male
15	30	9	Acc Firm	Local	Yes	Yes	No	Partner	Senior	Tax	Male
16	30	10	Acc Firm	Intl.	No	No	Yes	Partner	Senior	Audit	Female
17	30	11	Acc Firm	Intl.	No	No	No	Partner	Senior	Audit	Male
18	30	12	Acc Firm	Intl.	Yes	Yes	Yes	Partner	Senior	Audit	Female
19	90	13	Acc Firm	Local	No	No	No	Partner	Senior	Tax	Male
20	35	14	Acc Firm	National	Yes	Yes	Yes	Partner	Junior	Tax	Male
21	30	15	Acc Firm	Regional	Yes	Yes	No	Partner	Senior	Audit	Male
22	30	16	Consulting Firm	Regional			Yes	CEO		Accounting	Male
23	30	17	Acc Firm	National	Yes	Yes	Yes	Partner	Senior	Audit	Male
24	30	18	Acc Firm	National	No	Yes	Yes	Partner	Senior	Audit	Male
25	30	15	Acc Firm	Regional	Yes	Yes	Yes	Partner	Senior	Tax	Female
26	30	19	Acc Firm	National	Yes	Yes	No	Partner	Senior	Audit	Male
27	45	20	PE firm		Yes			MD	Senior		Male
28	30	21	PE firm		Yes			CEO	Senior		Male
29	60	12	Acc Firm	Intl.		Yes	Yes	Partner	Junior	Audit	Male
30	33	22	Consulting Firm	Intl.	Yes	No	Yes	MD	Senior	PE Due Diligence	Male
31	30	23	Acc Firm	National	Yes	Yes	No	Senior	Junior		Male
32	60	24	PE firm					Advisor	Senior	PE Due Diligence	Male
33	25	25	Acc Firm	National	Yes	No	Yes	Intern	Junior	Tax	Male
34*	30	26	PE firm					Director	Junior	Financial Ops	Male
35	35	27	Acc Firm	Regional	Yes	Yes	Yes	Partner	Middle	Tax	Female
36	35	11	Acc Firm	Intl.	No	No	No	Partner	Senior	Audit	Female
37	30	28	Acc Firm	National	Yes	Yes	Yes	Partner	Senior	Tax	Female
38	20	29	Acc Firm	Intl.	Yes	Yes	Yes	MD	Junior	Advisory	Male
39	45	30	Acc Firm	Regional	Yes	Yes	Yes	Partner	Junior	Audit	Male

*Interview included 2 professionals.

Table 2: Sample Selection

Deals Disclosed in Preqin (2000–2024)	# Deals	# Firms	# Traditional Firms	
Break Down by Deal Type:				
Buyout	176	136	22	
Growth	78	73	14	
Venture Capital (VC)	443	175	8	
Subtotal*	**697**	**359**	**42**	
Add-on (Acquired)	422	422	73	
Acquired by PE-backed firms	*169*	*169*		*45*
Acquired by PE-backed non-accounting firms	*253*	*253*		*28*
Debt	63	42	5	
Other	132	99	11	
Total*	**1,314**	**778**	**119**	

****** The sum of the number of firms across Buyout, Growth, and VC deals (e.g., 136 + 73 + 175 = 384) exceeds the total number of firms (e.g., 359) because a firm could be involved in more than one type of deal. Similarly, the sum of the number of traditional firms across Buyout, Growth, and VC deals exceeds the total number of traditional firms. This also explains why the total number of firms across all six types of deals exceeds the overall firm count.*

Notes: This table summarizes the sample selection based on deal types classified by Preqin (2000–2024). The data are reported by the number of deals, the number of unique firms involved, and the subset of traditional firms. See Appendix 2 for term definitions.

Table 3: Subsequent M&A by PE-backed Firms

Panel A: PE-backed firms' deal level statistics

	Synergy	Stand-alone	Total
Buyout	89	87	176
Growth	30	48	78
Venture Capital (VC)	62	381	443
Total	181	516	697

Panel B: Distribution of acquired firms by PE-backed firms

	# PE-backed Firms	# Subsequent M&A
# Firms in Buyout, Growth, VC	359	
# Firms w/o subsequent M&A	262	
# Firms w/ subsequent M&A	97	387
Panel B.1: Number of Acquisitions per Firm		
1 acquisition	39	39
2-5	42	131
6-10	10	75
>10	6	142
Total	97	387
Panel B.2: Geographic Distribution (Acquired Firm)		
United States		347
Non-US		40
Total		387
Panel B.3: Industry Distribution (Acquired Firm)		
Accounting		145
Consulting		191
Other Financial		69
Other Non-Financial		80
IT/Software		37
Healthcare		25
Other		19
Total*		387

** The sum of the number of subsequent M&A across each industry (e.g., 145+191+69+80+37+25+19 = 566) exceeds the total number of subsequent M&A (e.g., 387) because the industries are not mutually exclusive.*

Notes: This table presents PE-backed firms' subsequent M&A. Panel A categorizes PE-backed accounting firm deals based on whether the firm engaged in subsequent M&A deals to expand its scale after the initial investment. Synergy represents deals with subsequent M&A by PE-backed firms. Panel B presents information about the subsequent M&A deals by PE-backed firms. Panel B.1 shows the distribution of the number of M&A. Panel B.2 displays the geographic distribution of acquired firms across countries. Panel B.3 reports the industry classification of acquired firms, including both financial and non-financial sectors.

Table 4: PE Investor Information

	# Unique Deal	# Unique Investor
# Deals in Buyout, Growth, VC	697	
#Deals w/o investor information	117	
#Deals w/ investor information	580	757
Panel A: Investor Number		
Single investor per Deal	300	
Multiple		
2-4	179	
5-10	95	
>10	6	
Panel B: Investor Size AUM ($mil)		
0-1,000	88	121
1,000-10,000	204	165
10,000-100,000	99	55
100,000-500,000	36	17
>500,000	17	8
No investor size information	136	391
Panel C: Investor Industry Expertise		
Breakdown by investors targeting industry		
Financial Service:	470	428
Other	110	329

Notes: This table provides the investor information for the sample. Panel A shows the distribution of the number of investors involved per deal for the 580 deals with available investor data. Panel B reports the distribution of investors by their assets under management, categorized into size ranges. Panel C presents a breakdown of investors by their stated industry expertise, including those targeting financial services and other sectors.

Table 5: Univariate Analysis

Panel A: Sample Selection

	# Deals	# Unique Firms
Buyout, Growth, VC Deals in Preqin (2000–2024)	697	359
Less: Firms without one year prior and post period LinkedIn Data	(132)	(78)
Final sample	**565**	**281**

Panel B: Descriptive Statistics

	N	Mean	St. dev	p10	p25	p50	p75	p90
#Employees	95,312	140.78	414.07	6.00	14.00	37.00	111.00	253.00
#Employees (India)	95,312	5.59	44.86	0.00	0.00	0.00	0.00	3.00
Employees by Level								
%Junior (%)	95,312	44.73	19.51	20.00	32.58	45.72	57.14	66.67
%Middle (%)	95,312	43.40	16.62	24.14	33.93	43.75	52.83	62.22
%Senior (%)	95,312	11.87	13.55	0.00	3.30	8.11	15.43	27.27
Employees by Role								
%Role_Fin (%)	95,312	47.89	30.29	4.88	15.79	57.10	72.73	82.16
%Role_Sale (%)	95,312	14.84	15.53	0.00	4.24	9.38	22.79	35.00
%Role_Eng (%)	95,312	14.48	17.79	0.00	0.00	6.43	23.48	41.82
%Role_Admin (%)	95,312	9.82	9.07	0.00	3.85	8.57	13.92	20.00
%Role_Mkt (%)	95,312	5.32	8.53	0.00	0.00	2.84	6.67	14.38
%Role_Oper (%)	95,312	6.07	7.47	0.00	0.82	4.24	8.00	14.29
%Role_Scien (%)	95,312	1.58	5.50	0.00	0.00	0.00	0.81	3.33
#Postings	32,982	22.13	122.50	0.00	0.00	1.00	7.00	31.00
%Postings_US (%)	18,808	85.40	29.96	33.33	91.67	100.00	100.00	100.00
%Postings_India (%)	18,808	1.93	11.89	0.00	0.00	0.00	0.00	0.00

Notes: This table summarizes the sample selection and descriptive statistics the full sample from 2000-2024. Panel A shows the sample selection process. Panel B reports descriptive statistics on employee and job posting related variables. See Appendix 2 for variable definitions.

Table 6: Univariate Difference-in-Differences
Panel A: Full Sample

	Treat			Control			DID		
	(1) *Pre* mean	(2) *Post* mean	(3) *diff.* (2)-(1)	(4) *Pre* mean	(5) *Post* mean	(6) *diff.* (5)-(4)	(7) *diff.* (1)-(4)	(8) *diff.* (2)-(5)	(9) *DID* (8)-(7)
Panel A.1: Employee									
#Employees	119.25	165.99	46.74***	119.73	152.16	32.43***	-0.48	13.83***	14.31**
#Employees (India)	5.90	10.88	4.99***	1.51	3.58	2.07***	4.38***	7.30***	2.92***
Employees by Level									
%Junior (%)	38.16	38.48	0.32	50.31	51.73	1.42***	-12.15***	-13.25***	-1.10***
%Middle (%)	43.37	46.54	3.17***	42.30	41.24	-1.06***	1.07***	5.30***	4.23***
%Senior (%)	18.47	14.98	-3.49***	7.39	7.03	-0.36***	11.08***	7.94***	-3.13***
Employees by Role									
%Role_Fin (%)	25.28	25.66	0.38	70.11	70.08	-0.02	-44.83***	-44.43***	0.4
%Role_Sale (%)	24.45	22.98	-1.47***	5.95	6.23	0.29***	18.50***	16.74***	-1.76***
%Role_Eng (%)	24.23	25.62	1.39***	4.01	4.12	0.12*	20.22***	21.50***	1.28***
%Role_Admin (%)	8.25	8.79	0.54***	11.15	11.03	-0.12	-2.89***	-2.23***	0.66***
%Role_Mkt (%)	7.91	8.38	0.47***	2.50	2.51	0.01	5.41***	5.87***	0.46***
%Role_Oper (%)	7.14	6.14	-1.00***	5.70	5.41	-0.29***	1.44***	0.72***	-0.71***
%Role_Scien (%)	2.74	2.44	-0.31**	0.59	0.61	0.02	2.16***	1.83***	-0.33***
N	11,106	13,067		33,064	38,075				
Panel A.2: Job Posting									
#Postings	11.03	12.65	1.62	28.85	33.01	4.16	-17.82***	-20.36***	-2.54
%Postings_US (%)	79.65	75.01	-4.65***	94.12	93.06	-1.06**	-14.47***	-18.06***	-3.59***
%Postings_India (%)	1.93	3.52	1.59**	0.71	0.98	0.27	1.21***	2.54***	1.32***
N	2,464	5,763		7,547	17,208				

Panel B: Full Sample with Alternative Control Group

	Treat			Control *(Alternative)*			DID		
	(1) *Pre* mean	(2) *Post* mean	(3) *diff.* (2)-(1)	(4) *Pre* mean	(5) *Post* mean	(6) *diff.* (5)-(4)	(7) *diff.* (1)-(4)	(8) *diff.* (2)-(5)	(9) *DID* (8)-(7)
Panel B.1: Employee									
#Employees	135.90	188.18	52.28***	140.75	166.86	26.11***	-4.85	21.32***	26.17***
#Employees (India)	5.88	11.36	5.49***	4.99	7.90	2.91***	0.89*	3.46***	2.57**
Employees by Level									
%Junior (%)	38.45	38.76	0.31	51.90	52.77	0.87***	-13.45***	-14.01***	-0.57*
%Middle (%)	43.34	46.44	3.10***	39.81	39.09	-0.72***	3.53***	7.35***	3.82***
%Senior (%)	18.21	14.80	-3.41***	8.29	8.13	-0.16*	9.92***	6.66***	-3.25***
Employees by Role									
%Role_Fin (%)	25.48	25.85	0.38	65.20	64.79	-0.41**	-39.72***	-38.94***	0.78**
%Role_Sale (%)	24.25	22.81	-1.44***	6.35	6.81	0.47***	17.91***	16.00***	-1.91***
%Role_Eng (%)	24.07	25.46	1.38***	5.24	5.32	0.08	18.84***	20.14***	1.30***
%Role_Admin (%)	8.43	8.94	0.51***	13.58	13.84	0.25*	-5.15***	-4.90***	0.26
%Role_Mkt (%)	7.91	8.36	0.45***	3.00	2.87	-0.13**	4.91***	5.48***	0.58***
%Role_Oper (%)	7.11	6.13	-0.98***	5.90	5.57	-0.33***	1.21***	0.56***	-0.65***
%Role_Scien (%)	2.75	2.45	-0.30**	0.73	0.80	0.06**	2.02***	1.65***	-0.36***
N	11,358	13,367		34,144	39,291				
Panel B.2: Job Posting									
#Postings	11.03	12.81	1.79	24.41	28.41	4.00	-13.38***	-15.60***	-2.21
%Postings_US (%)	79.65	75.19	-4.46***	93.06	93.19	0.13	-13.41***	-18.01***	-4.59***
%Postings_India (%)	1.93	3.50	1.57**	1.33	0.91	-0.42**	0.60*	2.58***	1.98***
N	2,464	5,836		7,517	16,924				

Panel C: Traditional Accounting Firm

	Treat			Control			DID		
	(1) *Pre* mean	(2) *Post* mean	(3) *diff.* (2)-(1)	(4) *Pre* mean	(5) *Post* mean	(6) *diff.* (5)-(4)	(7) *diff.* (1)-(4)	(8) *diff.* (2)-(5)	(9) *DID* (8)-(7)
Panel C.1: Employee									
#Employees	447.83	557.83	110.00*	499.22	583.66	84.44**	-51.39	-25.83	25.56
#Employees (India)	47.42	75.47	28.05***	6.05	12.12	6.07***	41.37***	63.35***	21.98***
Employees by Level									
%Junior (%)	46.27	46.56	0.29	48.68	50.16	1.48***	-2.41***	-3.60***	-1.19
%Middle (%)	42.73	42.97	0.24	43.40	42.66	-0.74	-0.67	0.31	0.98
%Senior (%)	11.00	10.47	-0.53	7.92	7.18	-0.73***	3.08***	3.29***	0.2
Employees by Role									
%Role_Fin (%)	52.55	48.77	-3.78***	68.93	69.11	0.18	-16.39***	-20.34***	-3.96***
%Role_Sale (%)	17.81	18.75	0.94	5.66	6.23	0.56***	12.15***	12.52***	0.38
%Role_Eng (%)	8.90	11.17	2.27***	4.71	5.06	0.35*	4.20***	6.11***	1.92***
%Role_Admin (%)	8.92	8.89	-0.03	11.08	10.71	-0.37	-2.15***	-1.82***	0.34
%Role_Mkt (%)	4.81	5.73	0.92**	2.30	2.36	0.06	2.51***	3.36***	0.85**
%Role_Oper (%)	6.07	5.51	-0.56	6.40	5.65	-0.75***	-0.33	-0.14	0.19
%Role_Scien (%)	0.93	1.18	0.25**	0.91	0.88	-0.03	0.01	0.30***	0.28**
N	1,102	1,112		3,000	3,018				
Panel C.2: Job Posting									
#Postings	49.05	37.46	-11.59	127.87	153.02	25.15	-78.82***	-115.56***	-36.74
%Postings_US (%)	86.15	77.65	-8.50**	96.16	94.46	-1.71	-10.02***	-16.81***	-6.79**
%Postings_India (%)	2.76	4.25	1.50	0.52	0.24	-0.28***	2.24***	4.01***	1.77*
N	339	624		890	1,657				

Panel D: Pre-Treatment Difference by Size Partition

	Large			Medium			Small		
	(1) *Treat* mean	(2) *Control* mean	(3) *diff.* (1)-(2)	(4) *Treat* mean	(5) *Control* mean	(6) *diff.* (4)-(5)	(7) *Treat* mean	(8) *Control* mean	(9) *diff.* (7)-(8)
Panel D.1: Employee									
Employees by Level									
%Junior (%)	43.40	48.06	-4.66***	37.34	51.49	-14.15***	33.49	51.39	-17.90***
%Middle (%)	46.31	44.64	1.67***	44.52	41.74	2.78***	39.05	40.52	-1.47***
%Senior (%)	10.30	7.30	2.99***	18.14	6.77	11.37***	27.47	8.09	19.38***
Employees by Role									
%Role_Fin (%)	31.39	68.26	-36.87***	23.18	72.16	-48.98***	21.00	69.90	-48.90***
%Role_Sale (%)	18.64	5.89	12.75***	24.63	5.60	19.03***	30.41	6.35	24.06***
%Role_Eng (%)	24.18	6.22	17.96***	26.05	3.63	22.42***	22.36	2.18	20.17***
%Role_Admin (%)	10.95	11.20	-0.24*	7.34	10.74	-3.40***	6.36	11.50	-5.14***
%Role_Mkt (%)	6.55	2.82	3.73***	8.85	2.31	6.54***	8.37	2.38	5.99***
%Role_Oper (%)	5.79	4.89	0.89***	7.34	5.25	2.09***	8.36	6.95	1.41***
%Role_Scien (%)	2.50	0.72	1.78***	2.60	0.30	2.30***	3.15	0.74	2.41***
N	3780	10,395		3757	11,277		3,569	11,392	
Panel D.2: Job Posting									
%Postings_US (%)	80.88	93.74	-12.86***	76.53	95.34	-18.81***	73.93	92.94	-19.01***
%Postings_India (%)	1.92	1.15	0.77*	0.62	0.08	0.54*	9.09	0.10	8.99***
N	996	2,718		869	2,642		599	2,187	

Notes: This table reports the results of the univariate difference-in-difference analysis using the full sample (Panel A), the full sample with an alternative control group (Panel B), a subset of traditional firms (Panel C), and Panel D reports pre-treatment difference by firm size. Panels A.1, B.1, C.1, D.1 compare employee characteristics for treated and control firms before and after PE investment and Panels A.2, B.2, C2, D.2 present the job posting characteristics. For Panel A-C, Columns 1 - 3 report pre- and post- difference for treated firms, columns 4 - 6 report pre- and post- difference for control firms, columns 7 - 8 report the differences between treated and control firms, and column 9 reports the univariate DID difference. For Panel D, Columns 1-3 present results for large firms (top tertile), Columns 4-6 for mid-sized firms (middle tertile), and Columns 7-9 for small firms (bottom tertile). See Appendix 2 for variable definitions.

Table 7: Research Design and Causal Inference Issues

1. Incomplete and unobservable data

a. No single data source is comprehensive in PE-backed firms' subsequent M&A. Preqin and other databases, such as Thomson/Refinitiv, Audit Analytics, and FactSet, are all incomplete, and none dominates in terms of coverage.
b. Preqin provides better coverage for first-time PE investments but is less reliable for tracking subsequent M&A activities involving PE-backed firms.
c. We lack access to confidential deal-level information such as APS structures, PE and VC ownership percentages, valuation multiples, partner payouts, partners and staff compensation, early retirement arrangements, and discussions with clients.

2. Uncertain event window to measure consequences of PE investments

a. The pre- and post-investment periods are ill-defined. For example, PE investors can keep acquiring and consolidating firms over extended periods; some target firms pursue PE investments and change actions for years before the first deal closes; and in many cases, PE exits have not yet occurred. Exit dates are unpredictable. Also, changes occurred before deals closed, for example, people who disagree leaving, removing unprofitable or low-performing service lines, cleaning up the balance sheet/income statement, and the pre-period may need to be before deal consideration started, the date of which is not known publicly.
b. Some impact, particularly on audit quality, may not be immediately observable due to heightened sensitivity around independence issues. In this environment, both PE investors and audit entities may remain risk-averse, further delaying any noticeable changes in audit performance.

3. Uncertainty about the treated group and heterogeneity of the PE treatment

a. It is challenging to provide a precise definition of an accounting firm (i.e., potential targets) and set the boundaries of the accounting industry.
b. It is difficult to precisely categorize the strategy of each deal (e.g., a stand-alone buyout may become an add-on in the future).
c. PE deals vary in structure (e.g., ownership acquired is not the same, mix of traditional and other firms' deals, mix of PE strategies such as roll-up and platform, mix of firms of assorted sizes).
d. Many deals are not independent but instead constitute a link within a chain of subsequent acquisitions.
e. It is difficult to observe variation in internal PE-provided capital allocation (e.g., immediate partner payouts vs. investment in technology).

4. Imperfect control group and violation of the SUTVA and parallel trend assumptions

a. PE investments may indirectly affect firms without PE investments as firms compete for human capital and clients. This is a violation of the stable unit treatment value assumption.
b. It is challenging to identify an appropriate control group of firms without PE investment due to the lack of comprehensive data covering the entire accounting industry, not just audit firms.
c. Treatment and control groups often do not follow a parallel trend in the pre-investment period due to two-sided matching effects (e.g., target firms have a higher level of offshoring and more engineers.)
d. Given current trends, firms without PE investments are likely being actively approached by PE investors and preparing for potential future deals.
e. Firms may be engaging in real earnings management that postpones investments into integrating firms to meet short-term earnings targets before and after a PE investment deal.
f. It appears that many of the changes that happened around the same time as PE-deals would have happened anyways without PE-deals, so it's unclear to what extent consequences can be attributed to PE investments or as a result of directives coming directly from PE investors who now serve on firms' boards of directors.

Table 8: Future Research
Considering the methodological challenges outlined in Table 7, we call for future research on the following themes:

1. Theoretical modeling of partners' incentive structures under different ownership models and explaining the shift from partnerships to APS.

2. Examining the determinants and consequences of variations in:
   a. firms that seek and do not seek PE investments;
   b. deal structures and strategies, such as stand-alone versus platform/roll-up models and the APS setup (partnership vs. corporation);
   c. types and expertise of PE and VC investors;
   d. how PE and VC investors operate portfolio firms, from their post-acquisition involvement to the exit phase of the deal;
   e. PE and VC investors' exit strategies;
   f. profitability after investors start exiting their positions;
   g. outcomes between the accounting industry and other industries that rely on human capital and have been disrupted by PE investments;
   h. cross-country diffusion of PE-backed models and comparative regulatory impact

3. Consequences of PE and VC investments to:
   a. partners and employees' compensation and incentives;
   b. employee hiring, retention, workload, firm culture, professional identity, morale, advancement timeline, and path to partner;
   c. client acceptance and retention, private vs. public client audit portfolio mix;
   d. Scope and mix of services (revenue from audit, tax, vs. consulting services);
   e. Audit and non-audit services effectiveness and efficiency;
   f. information technology investments;
   g. the accounting profession's ability to attract and retain talent, accounting program enrollment;
   h. CPA vs. non-CPA (accounting vs. non-accounting), junior- vs. senior-level, on-shore vs. off-shore employee mix;
   i. audit market structure, competition, concentration, and pricing, including Big 4 firms;
   j. other PE portfolio firms (including non-accounting firms)

4. Regulatory implications around the world
   a. Whether PE investments result in regulatory actions and the consequences of any of those actions.
   b. Independence rule revisions and enforcement actions.